



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

**Date:** 2/21/2009

**GAIN Report Number:** SA9005

## Saudi Arabia

### Grain and Feed

### Annual

### 2009

**Approved by:**

Fred Giles

U.S. Embassy, Riyadh, Saudi Arabia

**Prepared by:**

Hussein Mousa

---

**Report Highlights:**

In calendar year 2008, Saudi Arabia imported more than 8 million metric tons of feed barley, an increase of 18 percent compared to calendar 2007. Also, in this year, Saudi Arabia implemented its decision to reduce wheat production by 12.5 percent per annum and is expected to import 1.5 million metric tons of wheat to account for the reduction in local production. Saudi rice imports reached nearly 1.4 million metric tons, an increase of 43 percent from 2007.

---

Includes PSD Changes: Yes  
Includes Trade Matrix: Yes  
Annual Report  
Riyadh ATO [SA2]  
[SA]

## Table of Contents

<b>I. Overview of Saudi Arabia's Barley Market .....</b>	<b>2</b>
1. Barley Imports .....	3
2. Trade Matrix.....	4
3. Barley Consumption .....	4
<b>II. Overview of Saudi Arabia's Wheat Production.....</b>	<b>6</b>
1. Wheat Imports.....	7
2. Tender Results.....	7
3. Ending Stock.....	7
4. Approved Wheat Supplying Countries .....	8
5. Wheat Import Procedures.....	8
6. Wheat Flour Wholesale Prices.....	8
7. Flour Mills Privatization.....	8
<b>III. Overview of Saudi Arabia's Rice Market.....</b>	<b>9</b>
1. Rice Imports.....	9
2. Trade Matrix.....	10

## I. Overview of Saudi Arabia's Barley Market

The Saudi government terminated its production subsidy program on locally grown barley in 2003, bringing an end to commercial barley production. Currently, less than 30,000 metric tons of barley is produced locally, mostly for human consumption.

PSD Table									
Barley Saudi Arabia	2007			2008			2009		
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Jul 2007			Market Year Begin: Jul 2008			Market Year Begin: Jul 2009		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
	Official	Post	Data	Official	Post	Data	Official	Post	Data
Area Harvested	0	0	4	0	0	4	0	0	4
Beginning Stocks	2,458	2,852	2,458	2,948	2726	2,400	0	0	2,458
Production	0	0	28	0	0	25	0	0	25
MY Imports	7,500	6,500	7,268	7,100	6000	7,413	0	0	7,561
TY Imports	7,800	6,500	7,500	7,000	5800	7,600	0	0	7,800
TY Imp. from U.S.	119	0	0	0	0	0	0	0	0
Total Supply	9,958	9,352	9,754	10,048	8726	9,838	0	0	10,044
MY Exports	0	0	0	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0	0	0	0
Feed Consumption	7,000	6,800	7,324	7,000	6100	7,352	0	0	7,513
FSI Consumption	10	10	30	10	10	28	0	0	21
Total Consumption	7,010	6,810	7,354	7,010	6110	7,380	0	0	7,534
Ending Stocks	2,948	2,542	2,400	3,038	2616	2,458	0	0	2,510
Total Distribution	9,958	9,352	9,754	10,048	8726	9,838	0	0	10,044
Yield	0.	0.	7.	0.	0	6.25	0	0	6.25

Saudi Arabia Barley Production 2001-2007			
Year	Quantity (1000 MT)	Area (1000 HA)	Yield/Hectare
2001	231	45	5.13
2002	138	25	5.52
2003	138	23	6.00
2004	67	10	6.70
2005	47	7	6.71
2006	31	5	6.20
2007	28	4	7.00

Source: Saudi Ministry of Agriculture

### 1. Barley Imports

In calendar year 2008, Saudi Arabia imported more than 8 million metric tons of feed barley, an increase of 18 percent compared to calendar 2007. Ukraine supplied 30 percent of the total barley imports, followed by Australia with 14 percent. Last year registered the highest ever barley imports by Saudi Arabia, which can be attributed to large government subsidy payment made to barley importers. The Saudi government regularly adjusts subsidy rates on imported barley and other animal feed imports based on prevailing world prices. In March 2008, the government increased subsidy on imported barley to \$320 per metric ton when world barley prices reached \$480 per metric ton. The subsidy rate was eventually reduced to \$53.33 per metric ton when world prices dropped. Local barley importers indicate that they have signed agreements to import feed barley at prices that range between \$155 and \$165 per metric ton for arrival at Saudi ports in March and April 2009.

To reduce the country's dependence on feed barley, the government announced in early 2008 a decision to include several energy and protein rich animal feed ingredients in its long standing imported animal feed subsidy program. The list has been revised three times since it was issued. According to the January 2009 government decree, selected imported animal feed receives rebates which range between \$26.13 and \$101.06 per metric ton, depending on the type of the feed. Currently, import subsidies are paid directly to importers of barley, yellow corn, soybean meal, sorghum, oat, wheat bran, palm kernel meal, cotton seed meal, canola meal, alfalfa, alfalfa hay, Rhodes grass, Sudan grass, soybean hulls, sunflower hulls, and rice hulls. The Saudi government believes that including the additional feedstuffs in the subsidy program will provide local livestock producers with more nutritious feeds. It also anticipates that this will lead to a drastic reduction in the demand for barley imports in the long run.

Barley imports during the first six months of MY 2008 (July-December 2008) increased 28 percent from the same period a year earlier (4,243,000 mt vs. 3,317,000 mt). Barley imports by the end of MY 2008 are forecast to reach 8 million metric tons due to continuing government subsidies, high demand for barley due poor pasture conditions and favorable prices. The outlook for MY 2009 calls for continued strong demand for barley imports based on the expectation of continued government subsidies and large local demand.

## 2. Trade Matrix

January-December 2008 Saudi Arabia's Barley Imports										
Qty - 1000 MT										
Month	Ukraine	Australia	Canada	Germany	France	Russia	Romania	Lithuania	Other	Total
Jan	60	77	292	70	161	0	0	0	109	<b>769</b>
Feb	0	231	116	143	36	0	0	0	57	<b>583</b>
Mar	55	479	121	0	76	0	0	0	29	<b>760</b>
Apr	78	273	65	0	99	0	0	0	0	<b>515</b>
May	56	355	101	0	0	0	0	0	74	<b>586</b>
June	334	101	178	0	0	0	0	0	125	<b>738</b>
July	407	20	113	38	0	40	80	0	118	<b>816</b>
Aug	151	96	0	0	0	30	94	0	23	<b>394</b>
Sep	253	0	0	119	0	134	28	0	64	<b>598</b>
Oct	474	43	0	90	155	0	33	0	72	<b>867</b>
Nov	312	61	0	142	0	100	118	141	82	<b>956</b>
Dec	269	22	0	59	0	222	0	40	0	<b>612</b>
<b>Total</b>	<b>2,449</b>	<b>1,758</b>	<b>986</b>	<b>661</b>	<b>527</b>	<b>526</b>	<b>353</b>	<b>181</b>	<b>753</b>	<b>8,194</b>

Source: Trade Contacts

Month	MY 2007 (July 2007-June 2008)	MY 2006 (July 2006-June 2007)
	Qty-1000 MT	Qty-1000 MT
July	225	349
Aug	438	691
Sep	237	779
Oct	724	603
Nov	1,012	37
Dec	681	509
Jan	769	408
Feb	583	831
Mar	760	1,007
Apr	515	922
May	586	436
June	738	374
<b>Total</b>	<b>7,268</b>	<b>6,946</b>

Source: Trade Contacts

## 3. Barley Consumption

Traditionally, white barley has been the preferred animal feed for local bedouins and approximately 80 percent of imported barley is used in feeding their sheep, camels, and goats, especially when pasture conditions are poor and barley prices are lower than alternative feed.

It is important to note that the quantity of barley used as feed depends to a large extent on its price competitiveness compared to other feed alternatives. Currently, 50 kg of barley is sold between \$4.53 (in Jeddah) and \$6.13 (in northern Saudi cities) depending on the distance between barley bagging terminals and final destinations of the bagged barley.

At the beginning of 2008, when the barley retail price reached \$13.13 per 50 kg, equal to the price for local feed concentrate of the same weight, a large number of livestock farmers switched to alfalfa and feed concentrates while lobbying the government to increase the import subsidy. The reduced demand for barley increased stocks at importers' warehouses and forced them to significantly reduce prices to help move barley from warehouses to the market.

In response to the bedouins' demands, the government intervened in March 2008 to increase the barley import subsidy to \$320 per metric ton. Bedouins feed raw barley to their livestock and in the process a significant percentage is wasted. According to Ministry of Agriculture (MOA), the new feed subsidy policy is intended to encourage expansion of existing feed processors and establishment of new facilities to help provide local livestock with adequate quantities of more nutritional feed formulas.

The MOA points out that livestock use of more feed concentrates, mixed with barley, is necessary to reduce barley wastage. The ministry indicates that when an animal consumes large quantities of barley, about 30 percent is eliminated without being digested, thereby providing no benefit in terms of weight gain or nutrition. The recent introduction of seven additional feedstuffs to the existing feed subsidy program is expected to bring about new and better-feed formulas that will sharply reduce feed wastage, increase weight gain and reduce production costs.

Although local livestock farmers prefer barley as a feed alternative, future barley consumption and imports will depend on the ability of importers to supply barley at reasonable prices compared to other feed alternatives such as forage and feed concentrates. In recent years, the government barley import subsidy program has made this grain the most price competitive feed alternative. The program resulted in a drastic reduction in the demand for locally grown alfalfa due to a significant price difference between the two feeds. As a result, forage production has become an unprofitable venture for local farmers. The government's policy is to eliminate all crops that consume a large amount of underground water. Elimination of alfalfa production is the goal of the recently introduced alfalfa import subsidy. Currently, most alfalfa is grown and used by dairy farmers.

## II. Overview of Saudi Arabia's Wheat Production

This year, the MOA implemented its 2008 decree which called for a 12.5 percent annual reduction in local wheat production over an eight year period. The MOA goal is to terminate local wheat production by the spring of 2016. Until then, Saudi Arabia will augment the percentage reduction in local wheat production by importing a similar percentage from the international wheat market. The government will maintain the guaranteed purchase price for locally grown wheat at \$266.67 per metric ton until 2016.

PSD Table										
Wheat Saudi Arabia	2007			2008			2009			
	2007/2008			2008/2009			2009/2010			
	Market Year Begin: Jul 2007			Market Year Begin: Jul 2008			Market Year Begin: Jul 2009			
	Annual Data Displayed		New Post	Annual Data Displayed			New Post	Annual Data Displayed		Jan
	Official	Post	Data	Official	Post	Data	Official	Post	Data	
Area Harvested	490	450	450	450	455	340	0	0	240	
Beginning Stocks	1,918	1,918	1,918	1,822	1987	2,237	0	0	2,040	
Production	2,500	2,556	2,556	2,300	2300	1,700	0	0	1,200	
MY Imports	54	0	0	750	325	385	0	0	1,115	
TY Imports	54	0	0	750	325	385	0	0	1,115	
TY Imp. from U.S.	0	0	0	0	0	0	0	0	300	
Total Supply	4,472	4,474	4,474	4,872	4612	4,322	0	0	4,355	
MY Exports	0	0	0	0	0	0	0	0	0	
TY Exports	0	0	0	0	0	0	0	0	0	
Feed Consumption	50	0	0	50	20	0	0	0	0	
FSI Consumption	2,600	2,237	2,237	2,650	2652	2,282	0	0	2,328	
Total Consumption	2,650	2,237	2,237	2,700	2672	2,282	0	0	2,328	
Ending Stocks	1,822	2,237	2,237	2,172	1940	2,040	0	0	2,027	
Total Distribution	4,472	4,474	4,474	4,872	4612	4,322	0	0	4,355	
Yield	5.	6.	5.68	5.	5.0549	5.	0	0	5.	

The 2008 decision was a drastic change in the country's longstanding policy of self-sufficiency in wheat production, which Saudi Arabia has pursued since the early 1980s. The country banned imports of bulk wheat and flour (with the exception of small retail packs of flour and some specialized flour for baking) when it achieved self-sufficiency in 1985. According to MOA officials the main reason for change in the local wheat production policy was concerns over the depletion of fossil water since the crop is grown on 100 percent central pivot irrigation. Wheat production places large demands on underground non-renewable aquifer water, resulting in an imbalance between water recharge and water discharge. As a result, the water level in the aquifer has fallen in grain-and forage-producing regions.

Saudi Arabia Wheat Production 2001-2007			
Year	Quantity (1000 MT)	Area (1000 HA)	Yield/Hectare
2001	2,082	424	4.91
2002	2,436	499	4.88
2003	2,524	517	4.88
2004	2,776	523	5.31
2005	2,648	489	5.42
2006	2,630	468	5.62
2007	2,556	450	5.68

Source: Saudi Ministry of Agriculture

### 1. Wheat Imports

On January 5, 2009, the Grain Silos and Flour Mills Organization (GSFMO), a Saudi government agency responsible for purchasing wheat, milling and distribution of wheat flour, issued an international tender to purchase 495,000 metric tons of wheat. The tender was the first wheat import request issued by the Saudi government since the 1980s.

Jeddah Sea Port		Dammam Sea Port	
Delivery Dates	Quantity (+/-5%)	Delivery Dates	Quantity (+/-5%)
Feb 10-20, 2009	55,000 MT	Feb 10-20, 2009	55,000 MT
Mar 1-10, 2009	55,000 MT	Mar 5-15, 2009	55,000 MT
Mar 20-30, 2009	55,000 MT	Apr 1-10, 2009	55,000 MT
Apr 10-20, 2009	55,000 MT	May 25 April-5, 2009	55,000 MT
May 1-10, 2009	55,000 MT	-	-
<b>Total Quantity</b>	<b>275,000 MT</b>		<b>220,000 MT</b>

### 2. Tender Results

No offers were received to deliver the 110,000 metric tons intended for February arrival. As a result, the two shipments were cancelled. The 385,000 metric tons required for March-May arrival were won by Canada and Germany. Canada will supply 330,000 metric tons while Germany will export 55,000 metric tons to meet the specified arrival dates.

MOA initially anticipated imports of 350,000 metric tons of wheat this calendar year. However, an early survey of local production for 2009 indicated that only 1.2 million metric tons would be produced compared to 1.7 metric tons in 2008. To make up for the shortfall, Saudi Arabia is expected to issue two wheat tenders in the next few months with the total import quantity of 1.1 million metric tons. The country is forecast to import a total of 1.5 million metric tons of wheat this calendar year.

### 3. Ending Stock

Saudi Arabia has a policy of maintaining a quantity of six months' consumption as a reserve stock at any given time. As such, the current stock level at GSFMO silos is estimated at 1.2 million metric tons of wheat. The GSFMO owns and operates silos in major cities of the country with a total combined capacity of 2.6 million metric tons.



#### 4. Approved Wheat Supplying Countries

The GSFMO has approved several international wheat exporters to supply wheat to Saudi Arabia from four major exporting countries:

1. U.S.
2. Argentina
3. EU
4. Australia

Russia and other Black Sea suppliers were not included on the approved country of origin list due to reported inferior wheat quality. According to trade contacts, the GSFMO imported 50,000 metric tons of Russian wheat for trial in 2008 but was disappointed with its inferior qualities. The wheat apparently had very low protein content and did not meet the agreed quality specifications.

#### 5. Wheat Import Procedures

The GSFMO sends tenders by fax directly to major wheat exporters who should respond by fax within five days. The organization does not deal with local grain suppliers or international or local wheat brokers. There are several major U.S. wheat exporters on the GSFMO potential suppliers list that receive wheat tenders.

#### 6. Wheat Flour Wholesale Prices

The GSFMO is responsible for milling wheat and marketing wheat flour and bran. Listed below are the current wholesale prices of flour, semolina and wheat bran as fixed by the GSFMO:

Product	Price (USD/MT)
White flour	\$130.00
Hi-extraction flour	\$118.30
Whole Wheat Flour	\$177.80
Semolina	\$414.70
Wheat Bran	\$40.00

#### 7. Flour Mills Privatization

In the past several years, the Saudi Government has received technical assistance from the World Bank to help draft a blueprint on how to privatize the country's seven flourmills that are currently run by the GSFMO. The mills have a total combined milling capacity of more than 6,000 metric tons of wheat per day. The privatization study has been concluded and now awaits approval from the country's Supreme Economic Council which is chaired by the King. According to trade sources, when the mills are privatized, traders will be allowed to buy wheat on the world market, mill and market wheat flour locally at government established rates. The importers will receive import subsidies if needed. On the other hand, the GSFMO will continue to own wheat silos and purchase locally grown wheat until 2016.

### III. Overview of Saudi Arabia's Rice Market

No rice is produced in the Kingdom. In calendar year (CY) 2008, Saudi rice imports were estimated at 1.4 metric tons, an increase of 43 percent from 2007. Imports in CY 2009 are forecast to increase 5 percent. Rice and bread are basic staple foods in Saudi Arabia and consumption of both is expected to grow significantly in the next few years due to an annual population growth rate of 3 percent and the increasing number of pilgrims coming to Mecca. More than five million pilgrims come to Mecca each year to perform Ummra and Hajj rituals. Also, the Saudi government procures rice locally for food donations to nearby countries affected by natural disasters.

PSD Table									
Rice, Milled Saudi Arabia	2007			2008		2009			
	2007/2008			2008/2009		2009/2010			
	Market Year Begin: Jan 2007			Market Year Begin: Jan 2008		Market Year Begin: Jan 2009			
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
	Official	Post	Data	Official	Post	Data	Official	Post	Data
Area Harvested	0	0	0	0	0	0	0	0	0
Beginning Stocks	860	367	367	768	458	277	0	0	411
Milled Production	0	0	0	0	0	0	0	0	0
Rough Production	0	0	0	0	0	0	0	0	0
Milling Rate (.9999)	0	0	0	0	0	0	0	0	0
MY Imports	958	960	960	1,015	962	1,367	0	0	1,370
TY Imports	1,015	1,015	1,015	1,100	962	0	0	0	0
TY Imp. from U.S.	0	0	0	0	140	0	0	0	0
Total Supply	1,818	1,327	1,327	1,783	1,420	1,644	0	0	1,781
MY Exports	20	20	20	20	20	20	0	0	50
TY Exports	20	20	20	20	20	20	0	0	50
Total Consumption	1,030	1,030	1,030	1,180	1,052	1,213	0	0	1,299
Ending Stocks	768	277	277	583	348	411	0	0	432
Total Distribution	1,818	1,327	1,327	1,783	1,420	1,644	0	0	1,781
Yield (Rough)	0.	0.	0.	0.	0	0.	0	0	0.

#### 1. Rice Imports

On December 8, 2007, the government issued a decree to subsidize rice imports at the rate of \$266.67 per metric ton. The government indicated that it decided to introduce the new subsidy scheme to alleviate the financial burden on consumers caused by sharply increased import prices. The introduction of the rice subsidy program marked the first time in 26 years that Saudi Arabia has supported this commodity. In 1973, Saudi Arabia issued a decree to subsidize staple grains such as wheat flour, rice, and sugar. The subsidy on rice and sugar was lifted in the early 1980s. The subsidy on wheat flour continues. The Saudi

government's rice imports subsidy, paid to rice importers, helped neutralize the effects of Indian export taxes on basmati rice imposed in April 2008. According to traders, the Saudi rice subsidy program contributed significantly to the huge increase in imports of rice last year compared to 2007.

## 2. Trade Matrix

### CY 2008-2002 Rice Imports (Qty---000 metric tons---)

Country	CY2008	CY 2007	CY 2006	CY 2005	CY 2004	CY 2003	CY 2002
India	788	632	687	715	754	820	600
Pakistan	280	84	88	95	86	81	70
U.S.	132	127	81	98	94	102	92
Thailand	132	78	52	53	71	45	58
Other	35	40	50	50	40	30	30
<b>Total</b>	<b>1,367</b>	<b>961</b>	<b>958</b>	<b>1,011</b>	<b>1,045</b>	<b>1,078</b>	<b>850</b>

Source: Official supplying countries data and ATO estimates.

Indian rice exports to Saudi Arabia for the first nine months of 2008 increased by 31 percent to 590,708 metric tons compared to the same period last year. Pakistani's rice exports for January-August 2008 reached 184,928 metric tons, an increase of 240 percent compared to data for eight months of 2007. The U.S. and Thailand each exported 132,000 metric tons of rice in CY 2008. U.S. rice exports increased by 4 percent in 2008 compared to 2007, while Thailand's exports increased by 70 percent from 78,000 metric tons in 2007 to 132,000 metric tons in 2008. Local rice importers anticipate that their purchases of U.S. rice could decrease significantly in 2009 due to reduced price differences between Indian Basmati rice and U.S. long grain parboiled rice as a result of the Indian government's decision to lift its export tax on basmati rice and cut the per metric ton export benchmark price from \$1,200 to \$1,100. The Indian export tax was \$200 per metric ton.

Rice exports from Pakistan and Thailand are forecast to decrease significantly this year due to the Indian government recent decision to scrap exports taxes, reduce the minimum export price as well as the expected lifting of ban on exports of non-basmati Indian rice late this year due to rising local stocks. In 2007, the Indian government banned exports of Parimal rice (PR 106), a major non-basmati low priced rice exported to Saudi Arabia. Before the ban, Parimal rice was by far the least expensive parboiled rice available in the Kingdom. The Indian variety was introduced to the Kingdom in the early 1990s and gained popularity rapidly among a significant percentage of Saudis and low-income expatriates who shifted to it from U.S. long grain parboiled rice.

Type of Rice	Retail Prices at a leading supermarket for 45 kg as of February 2008
Long white Indian Basmati (Punjabi)	\$96
Indian Sella Basmati	\$78
Long white Pakistani Basmati	\$65
U.S. Long Grain Parboiled rice	\$51
Thai Parboiled rice	\$37

The Saudi rice trade recognizes the superior quality of U.S. rice compared to Indian Parimal and Thai long grain parboiled rice but realizes that a significant number of local consumers are unable to ascertain the difference between the two varieties. Sources allege that illicit traders often pass off Indian rice as American rice by bagging Indian Parimal or Thai rice in bags associated with U.S.-origin product. This practice has been going on for several years and has proven difficult to stop. The local availability of dozens of brands of Basmati and non-Basmati rice mainly from India and to some extent from Pakistan has greatly increased competition for U.S. branded rice products. At present, there are less than five U.S. brands on the Saudi market.