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Report Name: Barley Trade Quarterly

Country: Saudi Arabia

Post: Riyadh

Report Category: Grain and Feed

Prepared By: Hussein Mousa

Approved By: Mark Ford

Report Highlights:

Saudi Arabia's MY 2020/21 barley imports are estimated at 6.2 Million Metric Tons (MMT), 18 percent below the USDA official estimate of 7.6 MMT. In November 2020, the Saudi government decreed to hand back the barley imports and distribution business to the private sector to purchase and sell barley at competitive prices. This trade liberalization is expected to take place at the end of March 2021. As a result, Post anticipates Saudi Arabia will significantly reduce the quantity of imported barley. Meanwhile, Saudi's revisions to its animal feed subsidy program in January 2020 policy is expected to also have a major impact on U.S. barley exports.

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The Saudi Arabia Grain Organization (SAGO) has signed six barley purchase contracts for approximately 4.34 Million Metric Tons (MMT) over the first ten months of this marketing year (July 2010 - April 2021), which is a decrease of nearly 21 percent compared to the same period last year. SAGO's latest feed barley purchase contract was signed on January 25, 2021, for 660,000 MT for delivery March - April 2021. In mid-November 2020, SAGO purchased 730,000 MT of barley for arrival during January - February 2021.

SAGO's barley purchase on January 25 is expected to be the last barley procurement before the private sector steps in and assumes control of barley import purchases. The move will end a longstanding direct barley subsidy program that the Saudi government put in place several decades ago. Liberalization of barley trade will also bring back the Saudi private sector, which was removed in October 2016 when the responsibility was transferred to SAGO.

SAGO Barley Purchase Contracts (Metric Tons)			
March - April 2021	660,000	Mar. - Apr.2020	900,000
Jan. - Feb. 2021	730,000	Feb. - Mar.2020	1,020,000
Nov. - Dec. 2020	540,000	Dec.2019 - Feb.2020	1,020,000
Oct. - Nov. 2020	725,000	Oct. - Dec.2019	780,000
Aug. - Sep. 2020	1,080,000	Aug. - Oct. 2019	900,000
Jul. - Aug. 2020	600,000	Jul. - Aug.2019	840,000
Total	4,335,000	Total	5,460,000

Source: SAGO

In November 2020, the Saudi government decreed to hand back the barley imports and distribution business to the private sector to purchase and sell barley at competitive prices. In order to fully implement this decision, SAGO is expected to exit the barley imports business at the end of March 2021. In preparation for the handover, SAGO issued imports and distribution licenses to 11 local potential barley traders of which two have already commenced barley imports. The United Feed Company (UFC), which imported approximately 40 percent of the total barley imported to the Kingdom in 2011, reportedly signed contracts to import 1.2 MMT of barley by September 2021. The firm has already imported five vessels of barley estimated at 300,000 MT.

The Arabian Agricultural Services Company (ARASCO), the largest feed processing company in the Kingdom, purchased 120,000 MT of barley that will arrive in Saudi Arabia in February and March 2021. While UFC bags and sells the imported barley directly to livestock farmers, ARASCO uses the grain as an ingredient in its feed processing in place of corn. The company uses barley and corn interchangeably in its livestock feed production based on price competitiveness.

Saudi Barley Imports
July 2020-Nov2020
(Metric Tons)

Reporter	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Total Imports	Market Share
Russia	502,834	286,810	465,994	447,286	112,775	1,815,700	54%
EU 28	221,936	273,998	267,161	395,381		1,158,476	34%
Ukraine	202,985	131,240	0	0	0	334,225	10%
Australia	0	0	0	66,000	0	66,000	2%
Total	971,768	736,093	777,230	952,772	156,911	3,374,401	100%

Source: TDM Supplying Countries Data

Post's initial projection for Saudi's total barley imports this marketing year (July 2020 – June 2021) remains at 6.2 MMT. Inadequate rainfall this winter season created poor pasture conditions thus maintaining demand for imported barley. Going forward, the demand for barley imports hinges on its price competitiveness compared to locally processed feed that mix in strong educational programs to convince traditional livestock farmers about the cost savings and productivity advantages of more nutritional processed feed over barley. The other factor that may keep demand high for barley in the short run is the expected fierce competition among major local barley importers for market share.

Historically, local feed processors have lobbied the Saudi government to cease direct or indirect subsidies to keep the domestic feed barley prices lower than processed feed. The new government laissez-faire barley trade policy came several months after the Saudi government made long-awaited revisions to the country's animal feed subsidy program. The January 2020 policy, described in more detail below, includes the elimination of import subsidies for all feeds and ingredients except hay and forage; gradually removes the barley subsidy; makes per animal subsidies to small livestock producers; and implements a production-based subsidy for poultry farmers.

1) Discontinued Import Subsidies for Most Feed Grains & Ingredients

On January 1, 2020, the Saudi government stopped animal feed subsidies for 23 imported feed grains and feed ingredients; such as yellow corn, soybean meal, Dried Distillers Grain with Solubles (DDGS), Corn Gluten Feed (CGF), cotton seed, sugar beet molasses, canola meal, soybean hulls, and similar fiber sources. Prior to this decision, imported feed grains and ingredients received rebates ranging between \$49.33 - \$202.13 per MT, based on the energy and protein content of each feed ingredient. For example, soybean meal (48% protein) received the highest subsidy rate of \$202.13 per MT, while yellow corn received \$120.53 per MT.

2) Reduction of Barley Subsidies

On January 12, 2020, SAGO increased domestic barley prices by 11 percent from \$9.60 to \$10.67 per 50 kg bag. The maximum retail price for 50 kg increased from \$10.67 to \$11.73. Since January 2020, SAGO has updated its barely selling prices several times to keep up with overall costs. In the first week of February 2021, the maximum retail price for 50 kg barley was \$12.53. Both distributors and customers are charged an additional five percent value added tax (VAT). This measure was intended to help livestock farmers adjust to a future barley pricing policy that better reflects international prices when trade is liberalized. In the longer term, barley consumption in Saudi Arabia will depend on the price of barley compared to other feed grain substitutes; especially, when barley imports and distributions are fully liberalized at the end of March. At that time, fierce competition for barley is expected from processed feed grains (corn, sorghum, and wheat).

ARASCO has been keeping the wholesale price of its 50 kg bag of “Wafi” compound feed at least one Saudi Riyal (SAR) less than grain barely of the same weight. This month, a 50 kg of Wafi will be sold at \$11.20 wholesale while the same weight of grain barley is being sold at \$11.47. ARASCO is keeping Wafi’s price lower than grain barley to educate livestock farmers about the cost and weight gain benefits of its feed compared to grain barely. Replacing grain barely with processed feed will reportedly benefit livestock farmers in two ways: (1) According to ARASCO, a kilo of Wafi replaces 1.5 kilos of grain barley, and (2) the Saudi Ministry of Environment, Water and Agriculture reports that more than 30 percent of raw barley fed to livestock is discharged without being digested; thereby, providing no benefit to animals in terms of weight gain or nutrition.

3) Monthly Payment to Small Livestock Producers

The Kingdom’s new animal feed subsidy gives direct monthly per head payments to small livestock farmers. Small farmers are those that have a maximum of 300 animals from each of the four livestock categories (sheep, goats, camels, and cattle). The total subsidy budget for this category is \$320 million a year. Livestock producers, the dominant users of barley, receive monthly per head subsidies of \$2.13 for goats and sheep, \$10.67 for camels, and \$16 per head for cattle. The direct monthly payments to livestock producers are intended to help farmers purchase the feed of their choice among available alternatives, particularly between grain barley and processed feed.

4) Direct Subsidies to Poultry Farms

The government provides up to \$187 million as direct production based subsidies to the poultry industry annually. The government believes that paying subsidies based on production will incentivize producers to establish better biosecurity protocols and adopt technology to increase efficiency and productivity. Subsidies are listed in the table below, and please note the exchange rate for one USD is 3.75 Saudi Riyals (SAR).

Saudi Production Based Poultry Subsidies

Poultry Type	Subsidy Per Month in SAR	Production Unit
Broiler parent chick	SAR 0.40	Per chick
Layer parent chick	SAR 0.20	Per chick
Broiler chick	SAR 0.14	Per chick
Broiler meat	SAR 0.65	Per kg
Table eggs	SAR 15	Per carton of 360 eggs

According to various experts in Saudi, direct monthly payments to domestic livestock farmers and production-based payments to the local poultry and eggs producers are necessary for the survival of their industries as production costs are high because of heavy dependence on the import of various feed and production equipment.

Production, Supply and Demand Data Statistics:

Barley	2018/2019		2019/2020		2020/2021	
	Jul 2018		Jul 2019		Jul 2020	
Saudi Arabia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	2	2	2	2	2	2
Beginning Stocks (1000 MT)	1829	1829	1314	2029	1099	1689
Production (1000 MT)	10	10	10	10	10	10
MY Imports (1000 MT)	6500	6500	6800	6660	7600	6200
TY Imports (1000 MT)	5700	5700	7300	6660	7600	6200
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	8339	8339	8124	8699	8709	7899
MY Exports (1000 MT)	0	0	0	0	0	0
TY Exports (1000 MT)	0	0	0	0	0	0
Feed and Residual (1000 MT)	7000	6300	7000	7000	7200	6300
FSI Consumption (1000 MT)	25	10	25	10	25	10
Total Consumption (1000 MT)	7025	6310	7025	7010	7225	6310
Ending Stocks (1000 MT)	1314	2029	1099	1689	1484	1589
Total Distribution (1000 MT)	8339	8339	8124	8699	8709	7899
Yield (MT/HA)	5	5	5	5	5	5
(1000 HA), (1000 MT), (MT/HA)						
MY = Marketing Year, begins with the month listed at the top of each column						
TY = Trade Year, which for Barley begins in October for all countries. TY 2020/2021 = October 2020 - September 2021						

Attachments:

No Attachments