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**Report Name:** Barley Trade Quarterly

**Country:** Saudi Arabia

**Post:** Riyadh

**Report Category:** Grain and Feed

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**Report Highlights:**

On April 15, 2021, the Saudi government represented by the Saudi Grains Organization (SAGO) handed back the barley imports and distribution business to the private sector by selling 1.84 million metric tons (MMT) of barley through an open and competitive bidding process to six local grain traders. The move officially ended a longstanding government monopoly in barley trade that Saudi Arabia established several decades ago. For MY2020/21, Post projects total Saudi barley imports at 6.87 MMT, which is an increase of approximately three percent compared to the previous marketing year.

## **Demand for Barley Decreases**

Since the privatization of the barley business this past April, four of the eleven licensed private sector barley importers reportedly purchased 1.4 MMT for a July-September arrival from the international market. This amount is 17 percent below the 1.6 MMT that was purchased by SAGO at the same time last year. The current import rate is reasonable considering the decreased barley demand that is currently prevailing throughout Saudi Arabia.

According to various experts, there is no definitive explanation why demand for barley is slowing down; especially, during an extremely hot summer season when demand traditionally reaches its climax as no pasturing alternatives are available. Some say it is due to the high barley price mixed in with a low fixed government monthly cash payment to farmers, which has forced many to explore other investment options. Others say demand is low because farmers are reducing waste, thus buying less barley, while others comment that no one fully knows the actual consumption rate of barley since traditional farmers routinely switched between barley and other products depending on the price. In the past, farmers reportedly purchased the highly subsidized grain more than their real consumption demand leading to inefficiency and huge wastage.

Currently, there is no indication that livestock farmers have increased using alternative feed, such as [ARASCO](#) (the largest processed feed producer in the country). As mentioned in previous reports, “wafi” is the company’s signature feed and is marketed as a complete livestock (camel, sheep, and goat) feed consisting of cereals, wheat bran, soybean meal, molasses, alfalfa, minerals, and vitamins. There is also no early indication that the demand for barley will increase either in the next few months, unless there is a huge decline in domestic barley prices, and it remains unclear exactly how livestock farmers will respond. As a result, Post’s early projection for total Saudi barley imports for MY2021/22 is 6 MMT, down 20 percent compared to the USDA official estimate of 7.5 MMT.

## **Low Subsidies & High Prices**

The Saudi government provides monthly direct cash subsidies to small farmers or those who have a maximum of 300 animals from each of the four livestock categories (sheep, goats, camels, and cattle). Farmers receive (per head) \$2.13 for goats and sheep, \$10.67 for camels, and \$16 for cattle. Unfortunately, it appears that subsidies are not sufficient enough to decrease higher production costs, particularly for sheep and goat producers. Sheep consume the largest portion of imported barley followed by camels and goats. Dairy farms use limited quantities of barley in their feed formulations and usually only when it is readily available at competitive prices.

According to Saudi Arabia’s 2017 published official data, which still has not yet been updated, livestock in the Kingdom was approximately 14.7 million head (10 million sheep, 3.4 million goats, 813,000 camels and 500,000 cows). Overall, the total domestic livestock population has been flat, at least since 2012, and averages about 14.7 million head. Before the COVID-19 pandemic, about 9 million head of

livestock, mostly sheep, were imported annually for slaughtering. They consumed an estimated 1.35 MMT of feed, mostly barley, annually. Approximately, 5 million sheep were slaughtered during the Eid al-Adha holiday for religious rituals of which approximately 2 million were slaughtered by foreign pilgrims who traveled to Saudi Arabia. Last year, only 1,000 domestic pilgrims attended religious holidays due to a nationwide lockdown during the outbreak. Even though that number increased to 60,000 domestic pilgrims in 2021, it was still significantly less than pre-COVID attendees meaning less sheep were needed. Consequently, there has been a nearly two-year decrease in feed use for sheep production.

Direct monthly payments to domestic livestock producers are intended to help farmers purchase the feed of their choice, particularly between barley and processed feed. Currently, wafi is being sold at \$13.60 per 50 kg, which is competitive to the current price of barley at packing terminals for \$13.69 per 50 kg, or \$273.80 per MT. This price is close to the current world barley CIF price at various Saudi ports. Meanwhile, the domestic barley sales price is currently profitable for the six local barley traders, who purchased the 1.84 MMT from SAGO last April at an average price of \$235.60 per MT. According to various experts, barley was mostly warehoused at their own packing facilities with bagging being the only extra expense (average price was \$7.34 per MT).

The 1.4 MMT of barley, which was purchased for the July-September arrival, averaged between \$265 - \$280 per MT (the lower price was for a September arrival). Importers are due to revise their wholesale price over the next few days after voluntary consultations with SAGO. In principle, traders are free to set their own individual price based on profitability and the market share that they wish to capture, but they are not allowed to meet with competitors to set prices. Consequently, SAGO meets with traders to assure that price gouging does not occur throughout the marketplace. However, smaller players are expected to follow the pricing strategy of the [United Feed Company \(UFC\)](#), which is the dominant barley importer and distributor.

In early July 2021, UFC signed a 20-year (approximately \$100 million investment) deal with the Saudi Ports Authority (Mawani) to build 16 silos. Each silo has a storage capacity of 15,000 MT with a combined storage capacity of 240,000 MT at Jazan (Red Sea port). Likewise, Ras Al-Khair (a town and port currently under development on the Arabian Sea) also signed a 20-year contract with UFC to use silos for 2.8 MMT of grain. The contract will allow UFC to build terminals and complexes to import, package, and distribute various grains. The company's animal feed processing factory at the Yanbu port on the Red Sea has a 1.5 MMT production capacity and is expected to start operations in a few weeks. UFC is also building a corn processing plant to produce starches, sweeteners, glucose, high-fructose corn syrups and other food processing ingredients for confectioneries, juices, and the baking industry.

## Barley Exports to Saudi Arabia (MY2020/21)

Exporting countries data for MY2020/21 shows that from July 2020 - May 2021, barley imports totaled about 6.87 MMT. No country registered barley exports to Saudi Arabia in June 2021, and importers also confirmed no shipment arrived at Saudi seaports during that same time. As such, Post projects total Saudi barley imports at 6.87 MMT for MY2020/21, which is an increase of approximately 3 percent compared to the previous MY.

During MY20/21, Russia was the leading feed barley supplier to the Kingdom at 2.68 MMT, accounting for a 39 percent market share and an increase in exports by 51 percent over the previous year. Australia was the second largest supplier of barley accounting for a 37 percent market share. The country was absent from the Saudi barley import market in MY2019/20 but is expected to compete actively with Russia and the EU-27 later this year to market barley to Saudi buyers. The EU-27 was the third largest supplier to Saudi Arabia at 1.28 MMT, accounting for a 19 percent market share and a decrease in exports of nearly 53 percent from the previous MY. Finally, Ukraine was a distant fourth with a five percent market share. (Please note: Until this past marketing year, Ukraine was a leading supplier of barley to Saudi Arabia).

## Saudi Barley Imports for MY2020/21

Country	Jul 20 - May 21	Market Share	Jul 19 - Jun 20	Market Share
Russia	2,683,568	39%	1,776,916	26%
Australia	2,574,743	37%	0	0%
EU 27 External Trade (Brexit)	1,282,168	19%	2,726,234	41%
Ukraine	334,225	5%	1,382,717	21%
Argentina	0	0%	665,126	10%
Other countries	310	0%	156,064	2%
<b>Total Jul - Feb Imports</b>	<b>6,875,014</b>	<b>100%</b>	<b>6,707,057</b>	<b>100%</b>

Barley	2019/2020		2020/2021		2021/2022	
	Jul 2019		Jul 2020		Jul 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Market Year Begins						
Saudi Arabia						
Area Harvested (1000 HA)	2	2	2	2	2	2
Beginning Stocks (1000 MT)	1327	1327	1016	1016	1102	1380
Production (1000 MT)	14	14	11	14	11	14
MY Imports (1000 MT)	6700	6700	7500	6875	7500	6000
TY Imports (1000 MT)	7300	6700	7500	7000	7500	6000
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	8041	8041	8527	7905	8613	7394
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	7000	7400	6500	7500	6000
FSI Consumption (1000 MT)	25	25	25	25	25	25
Total Consumption (1000 MT)	7025	7025	7425	6525	7525	6025
Ending Stocks (1000 MT)	1016	1016	1102	1380	1088	1369
Total Distribution (1000 MT)	8041	8041	8527	7905	8613	7394
Yield (MT/HA)	7	7	5.5	7	5.5	7

(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 2021/2022 = October 2021 - September 2022

### Attachments:

No Attachments