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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:

Saudi Arabia's barley imports for the first six months of Marketing Year (MY) 2021/22 is estimated at 2.36 million metric tons (MMT), a 41 percent decrease compared to the same period last year. According to local importers, the decline in barley imports thus far for this marketing year was caused by a shortage of vessels delivering competitively priced barley as well as a decrease in overall domestic demand. Over the past several months, numerous farmers have departed the livestock sector due to increasing costs thus lowering demand. As a result, Post's current projection for total Saudi barley imports for this MY is 5.2 MMT, down 16 percent compared to the USDA official estimate of 6.2 MMT for MY 2020/21.

Consumption

Total Saudi feed barley consumption for MY 2021/22 is estimated at 5.4 MMT, down 13 percent from USDA's official estimate of 6.2 MMT. Over the previous seven months, the weather throughout the production season was atrocious (high temperatures and no rainfall) compared to the previous year creating poor pasture-like conditions for livestock. As such, demand for barley and processed feed should have increased, but the exact opposite occurred. While there is no definitive explanation for the significant decrease in local barley consumption this marketing year, most experts attribute it to the mass exodus of local farmers from the livestock industry.

According to numerous local feed producers, the demand for processed feed decreased 30 percent over the past three months even though a 50-kg bag of processed feed was priced \$2.13 below a 50-kg bag of barley. While no recent official government data is available, some contacts believe that a significant number of local livestock farmers exited the profession due to increasing barley prices mixed in with a low fixed government monthly cash payment to farmers. Others say demand is low because of the continued exit of recreational farmers, who usually keep a few hundred sheep or goats, but departed due to higher farming costs. However, other experts believe demand is down because farmers are reducing waste, thus buying less barley.

Trade

Recent available data shows that the Kingdom imported approximately 2.36 MMT of barley in the first six months of MY 2021/22 (July – December 2021), a reduction of 41 percent compared to the same period last year (4 MMT). Imports are down mainly due to acute freight shortages from supplying countries along with decreased demand. Nevertheless, forthcoming improvements in freight logistics in Australia is expected to expedite the shipment of barley to Saudi Arabia, propelling the country forward as the dominant supplier to the Kingdom.

Per domestic and international grain traders, Australia exported an average of 382,000 MT per month of barley to Saudi Arabia since November 2021, and it is expected to continue for the rest of this marketing year. Australia is the most competitive barley exporter to Saudi Arabia, and it is projected to supply approximately 420,000 MT to Saudi Arabia per month for the remainder of this marketing year; enabling the country to supply about 70 percent of the forecasted total (5.2 MMT, 16 percent below USDA's official estimate). Meanwhile, total Saudi barley imports for MY 2021/22 were reduced approximately 25 percent compared to MY 2020/21 imports of approximately 7 MMT.

Local Barley Compared to Compound Feed

Currently, a 50-kg of barley is sold for \$19.32 inclusive of the 15 percent VAT at packing terminals while the same quantity was sold for \$15.74 in August 2021. Various experts indicate that the increase in domestic barley price has forced a number of smaller livestock producers (goat and sheep) to leave the industry. As a result, ARASCO has maintained the wholesale price of its 50-kg bag of "Wafi" compound feed at least 8 Saudi Riyal (SAR), or \$2.13 USD, below the price of barley of the same weight. ARASCO is also keeping a lower price to educate livestock farmers about the cost and weight gain benefits of its feed compared to grain barley.

According to some experts, replacing grain barley with processed feed reportedly benefits livestock farmers in two ways:

1. according to ARASCO, a kilo of Wafi replaces 1.5 kilos of grain barley,
2. processed feed is more fully digested, nutritional, and better for weight gain.

The Saudi Ministry of Environment, Water and Agriculture (MEWA) 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.

Monthly Saudi Government Subsidy Payment to Small Livestock Producers

The Kingdom has been paying monthly direct per head feed subsidy payments to small livestock farmers since January 2020. 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 end user of barley, receive monthly subsidies of \$2.13 per head for goats and sheep, \$10.67 per head 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.

Production, Supply and Demand Data Statistics

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	1002	1212
Production (1000 MT)	14	14	11	14	11	14
MY Imports (1000 MT)	6700	6700	7000	6907	6200	5200
TY Imports (1000 MT)	7300	6700	6100	6907	6200	5200
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	8041	8041	8027	7937	7213	6426
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	7000	6700	6200	5400
FSI Consumption (1000 MT)	25	25	25	25	25	25
Total Consumption (1000 MT)	7025	7025	7025	6725	6225	5425

Ending Stocks (1000 MT)	1016	1016	1002	1212	988	1001
Total Distribution (1000 MT)	8041	8041	8027	7937	7213	6426
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