

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Required Report - public distribution

Date: 3/1/2011

GAIN Report Number: SA1103

Saudi Arabia

Grain and Feed Annual

2011

Approved By:

Tawhid Al-Saffy

Prepared By:

Hussein Mousa

Report Highlights:

Saudi Arabia wheat production increased by 34 percent from 940,000 metric tons in Marketing Year (MY) 2009 to 1,260,000 MT in MY 2010. Saudi wheat import in MY2011 is forecast to increase by 14 percent to reach 2 million metric tons. Saudi government wants to increase wheat imports in MY2011 to maintain ending stock at least a 50 percent of total domestic consumption.

The Saudi government terminated its domestic barley production subsidy program in 2003 which was brought to end a two decade long domestic commercial barley production. Saudi Arabia is the largest importer of barley in world. In MY 2009, the total Saudi barley imports reached about 7.7 million metric tons.

Saudi Arabia does not produce rice because it requires a lot of water which is a scarce resource domestically. Saudi rice imports in calendar year 2010 are forecasted to increase by 4 percent to about 1.1 million metric tons.

Wheat

Production:

Saudi Arabia wheat production increased by 34 percent from 940,000 metric tons (MT) in Marketing Year (MY) 2009 to 1,260,000 MT in MY 2010. The main reason for the increase in wheat production in MY 2010 was the decrease in the cost of agricultural inputs particularly chemicals and fertilizers compared to MY 2009. The reduced production costs attracted many small wheat farmers to make use of their government assigned wheat production quotas to plant wheat. In MY 2011, Saudi wheat production is forecast to decrease by 12.5 percent in line to the Saudi government's decree number 335 which was issued in November 20, 2007 and called for a 12.5 percent annual reduction in domestic wheat production with the goal of terminating wheat domestic production by the spring of 2016. The decree was implemented in MY 2009. Until then, Saudi Arabia will augment the percentage reduction in domestic wheat production by importing a similar percentage from the international wheat market. The government, also, will maintain its guaranteed purchase price for wheat producers at \$266.67 per metric ton until 2016.

The 2007 Saudi government decision to terminate domestic wheat production by 2016 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. At that time, 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 the Ministry of Agriculture (MOA) officials the main reason for changing domestic 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 increasing imbalance between water recharge and water discharge. As a result, the underground water level in the aquifer has fallen in grain- and forage-producing regions.

Saudi Wheat Production 2010-2005	
Production Year	Saudi Wheat Production in Million Metric Ton (MMT)
2010	1.26
2009	0.95
2008	1.72
2007	2.35
2006	2.63
2005	2.65

Source: Saudi Grain Silos and Flour Mills Organization (GSFMO) and Ministry of Agriculture

Consumption:

Wheat is the one of the most import staple grains in Saudi Arabia where most of it is consumed in the form of flat bread. Most of the modern domestic bakeries found in major cities of the country produce several types of European bread including French baguettes, hamburger buns, and toast. Below are the GSFMO wholesale prices for different kinds of wheat flour produced at GSFMO flour mills. In 2010, the per capita wheat consumption was estimated at 110 kg a year.

Trade:

Wheat Import Procedures

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

Wheat Imports

The Grain Silos and Flour Mills Organization (GSFMO) is the Saudi government agency which is responsible for purchasing wheat, milling and distribution of wheat flour domestically. In September 2008, the GSFMO issued its first international wheat import tender since mid 1980s to import 305,000 MT of wheat. A European based grain supplier won the tender and delivered the 305,000 MT to Saudi ports from October to December 2008. The imported wheat came from four countries namely U.S.A., Germany, Russia and Ukraine.

On February 23, 2011, GSFMO issued its first tender for the CY2011 to import 275,000 MT of wheat with 12.5 protein content that will arrive in Saudi ports by June 2011. GSFMO purchased 220,000 MT from the U.S. and 55,000 MT from Brazil. According to the tender result which was issued by the GSFMO on February 27, the average purchase price for the February 23 tender was \$392.15 per MT. The recent tender will put the total Saudi barley imports in MY2010 to about 1.8 million metric tons. Saudi wheat import in MY2011 is forecast to increase by 14 percent to reach 2 million metric tons. Saudi government wants to increase wheat imports in MY2011 to maintain ending stock at least a 50 percent of total domestic consumption.

Since commencing wheat imports in September 2008, Saudi Arabia has so far issued eight wheat importer tenders to import about 4.5 million metric tons of wheat. The largest tender every issued by GSFMO was on June 16, 2010. The tender allows Saudi Arabia to import 990,000 MT of wheat by April 2011.

Results of June 16, 2010 Wheat Imports Tender

- A total of 18 vessels each carrying 55,000 metric tons of wheat will be imported through the two major Saudi ports Jeddah and Dammam from October 20, 2010 to April 30, 2011.
- Fifty percent of the purchased wheat contains 14 percent protein content while the rest fifty percent has 12.5 percent protein level.

- The average purchase price per metric ton for 14 percent protein content was \$240.14 while the average price for 12.5 percent protein specification was \$216.66 per metric ton.

Delivery Schedule of June 2010 Wheat Imports Tender					
Jeddah Islamic Sea Port			Dammam King Abdul Aziz Sea Port		
Delivery Dates	Qty in MT	Protein percentage	Delivery Dates	Qty in MT	Protein percentage
October 20-30, 2010	55,000	12.5%	October 25-November 5, 2010	55,000	12.5%
November 10-20, 2010	55,000	14.0%	November 20-30, 2010	55,000	14.0%
December 1-10, 2010	55,000	12.5%	December 15-25, 2010	55,000	12.5%
December 20-30, 2010	55,000	14.0%	January 10-20, 2011	55,000	14.0%
January 10-20, 2011	55,000	12.5%	February 5-15, 2011	55,000	12.5%
February 1-10, 2011	55,000	14.0%	March 1-10, 2011	55,000	14.0%
February 20-28, 2011	55,000	12.5%	March 25-April 5, 2011	55,000	12.5%
March 10-20, 2011	55,000	14.0%	April 20-30, 2011	55,000	14.0%
April 1-10, 2011	55,000	12.5%	-----	-----	-----
April 20-30, 2011	55,000	14.0%	-----	-----	-----
Subtotal port	550,000 MT			440,000 MT	
Grand Total				990,000 MT	

Source: GSFMO

Most of the wheat is imported from Germany and Canada. U.S. exported four vessels which carried a total of 220,000 MT of wheat.

In October-December 2008, GSFMO imported some wheat from Russia and Ukraine in order to evaluate its baking qualities. However, domestic bakeries were not happy with the wheat qualities from the two countries because of low protein content and failure to meet other import specifications. As a result, GSFMO eliminated Russia and Ukraine from prospective wheat suppliers list for the foreseeable future. Currently, GSFMO allows international wheat exporters to supply wheat to Saudi Arabia from the U.S., Canada, EU, Australia, Latin American, and perhaps from Latvia and Lithuania.

Wheat Flour Wholesale Prices

GSFMO is responsible for milling wheat and marketing wheat flour domestically. Listed below are the current wholesale prices of five types of wheat flours produced by the GSFMO.

Wheat Flour Type	Extraction Ratio	Price Per 45 KG in USD
Patent Flour	70-75 Percent	\$7.47

Flour Powder	75-80 Percent	\$5.87
Plain Flour	85 Percent	\$5.33
Improved Whole Wheat	90 Percent	\$8.00
Whole Wheat	95 Percent	\$8.00

Source: GSFMO

Stocks:

MY 2011 Saudi wheat import is forecast to reach two million metric tons, an increase of 51 percent compared to MY2009 because of continued cut in domestic wheat production. The Saudi government plans to increase the country's wheat reserves to cover one year of domestic consumption by 2016 as opposed to the current six month stock which is estimated at 1.4 million metric tons

Production, Supply and Demand Data Statistics:

Wheat PSD Table (Area Harvested and Quantity in 1000 MT)						
Wheat	Saudi Arabia	2009/2010		2010/2011		2011/2012
		Market Year Begin: Jul 2009		Market Year Begin: Jul 2010		Market Year Begin: Jul 2011
		USDA Official	New Post	USDA Official	New Post	USDA Official
Area Harvested		200	188	140	252	221
Beginning Stocks		1695	1695	2688	1105	1305
Production		1000	940	700	1260	1103
MY Imports		1910	1320	2000	1760	2000
TY Imports		1910	0	2000	0	0
TY Imp. from U.S.		0	0	0	440	700
Total Supply		5438	3955	5388	4125	4408
MY Exports		0	0	0	0	0
TY Exports		0	0	0	0	0
Feed and Residual		50	50	50	10	10
FSI Consumption		2700	2800	2800	2810	2832
Total Consumption		2750	2850	2850	2820	2842
Ending Stocks		2688	1105	2538	1305	1566
Total Distribution		5438	3955	5388	4125	4408
Yield		5	5	5	5	5

Source: GSFMO

Wheat Milling Capacity

The GSFMO has nine wheat milling complexes located in major regions of the Kingdom with a total daily wheat milling capacity of 10,980 MT. The largest wheat mill is located in Riyadh which has a daily milling capacity of 2,550 MT of wheat per day.

Wheat Storage Capacity

The GSFMO owns and operates 12 silo complexes in major cities around the country with a total combined storage capacity of more than 2.5 MMT. The GSFMO has a plan to increase the wheat

storage capacity to 3.5 MMT by 2016. GSFMO wheat milling and storage capacity data can be summarized as follows:

Region	Daily Wheat Milling Capacity in MT	Wheat Storage Capacity in MT
	2,550	535,000
	2,430	120,000
	1,050	80,000
	900	485,000
	1,650	40,000
	600	100,000
	600	60,000
	600	300,000
	600	100,000
	-	200,000
	-	500,000
Total	10,980	2,520,000

Source: GSFMO

Food Security

The Saudi government aims at achieving food security. Therefore, in 2008 it issued its food security plan known as King Abdullah's Initiative for Saudi Agricultural Investment Abroad (King Abdullah's Initiative). King Abdullah's Initiative focuses on guaranteeing food supply for Saudi Arabia and build up strategic stock levels for selected grains to avoid future food crisis by providing incentives to Saudi companies and individuals to invest in foreign countries that have comparative advantage in agricultural production. King Abdullah's Initiative targets the production of eight strategic crops namely; rice, wheat, feed barley, yellow corn, soybean meal, oil seeds, sugar, livestock and poultry meat in foreign countries and export sufficient quantities from these countries to Saudi Arabia in order to meet domestic consumption, as well as building up strategic reserve of the nine agricultural products.

King Abdullah's Initiative calls on Saudi private share holding agricultural companies and individual investors to take the leading role in investing in the production of the nine strategic agricultural crops overseas. Meanwhile, Saudi government allocated \$800 million fund to provide credit facilities to firms that want to engage in agricultural investments abroad. If needed, the fund will be also used to build infrastructure in potential countries targeted for Saudi agricultural investments.

Since King Abdullah's Initiative was announced in 2008, high level Saudi government officials led by the Minister of Commerce and Industry have made exploratory visits to 14 out of 27 countries that were identified under the King's initiative. In February 2010, Saudi Arabia signed its first agricultural investment framework agreement with the Philippines to facilitate Saudi investments in fishery and agricultural products.

Barley

Production:

The Saudi government terminated its domestic barley production subsidy program in 2003 which was brought to end a two decade long domestic commercial barley production. Currently, 25,000 metric tons of barley is produced domestically for human consumption.

Consumption:

Traditionally, white barley has been the preferred animal feed for domestic 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. For example, if a price of 50 kg of barley is comparable to that of domestically produced feed concentrates of the same weight, a large number of livestock farmers switch to feed concentrates.

Trade:

Saudi Arabia is the largest importer of barley in world. In MY 2009, the total Saudi barley imports reached about 7.7 million metric tons. While barley is imported by the private sector, the Saudi government pays a \$53.33 import subsidy for each metric ton of barley imported to domestic barley importers. In addition to the import subsidy, the Saudi government pays a 5 percent profit for barley importers who are obliged to sell barley to domestic distributors at a government established price per 50 kg of bagged barley.

During the first six months of MY 2010 (July-December 2009), Saudi barley imports decreased by 2.8 percent from the same period last year (3.9 MMT MT vs. 4.1 MT). The outlook for MY 2011 calls for 15 percent decline in barley imports due to a recently introduced Saudi government measure which doubled the wholesale price of imported barley with the aim of reducing the demand for feed barley. In January 2011, the Saudi government increased barley wholesale price from \$4.53 per 50 kg to \$9.60 per 50 kg at importers bagging facilities. Retailers charge up to \$1.60 profit margin per 50 kg of barley depending on the distance between barley bagging terminals and final destinations of the bagged barley. The Saudi government has not ruled out further increase in barley retail price or completely stop barley subsidy to decrease barley imports to 3.5 million metric ton by 2015.

To achieve the 50 percent reduction in barley imports by 2015, 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 domestic 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.

Trade Matrix

January-December 2010 Saudi Arabia's Barley Imports												
---000 metric tons---												
Month	Ukraine	Australia	Russia	Turkey	Germany	Romania	France	Scandinavia	Other*	Argentina	UK	Total
Jan	307	51	35	16	0	0	0	0	0	0	0	409
Feb	40	0	24	52	0	0	0	0	0	0	0	116
Mar	335	168	96	52	0	0	0	0	0	0	0	651
Apr	538	148	0	141	0	0	0	0	0	0	0	827
May	480	85	175	161	0	0	84	0	0	0	0	985
Jun	247	204	105	62	0	0	0	0	0	0	0	618
Jul	351	60	102	0	0	174	0	0	51	0	0	738
Aug	411	0	124	0	61	67	0	0	0	0	44	707
Sep	523	0	0	0	80	66	106	0	0	0	0	775
Oct	381	0	0	0	40	0	75	127	71	28	60	782
Nov	52	0	0	0	147	0	0	91	107	60	0	457
Dec	91	61	0	0	94	57	56	86	0	33	0	478
Total	3,756	777	661	484	422	364	321	304	229	121	104	7,543

*Other Countries: Spain 71,000 MT, Bulgaria 51,000 MT, Holland 50,000 MT and Canada 57,000 MT
Source: Trade Contacts

January-December 2009 Saudi Arabia's Barley Imports								
---000 metric tons---								
Month	Ukraine	Australia	Russia	Turkey	Romania	Germany	Other Countries*	Total
January	156	399	88	0	0	58	0	701
February	174	121	0	0	0	0	32	327
March	99	248	39	0	0	0	36	422
April	131	252	83	0	0	0	0	466
May	201	111	296	0	0	60	53	721
June	386	69	146	0	0	0	0	601
July	455	57	123	0	50	0	0	685
August	863	40	67	0	115	0	48	1133
September	526	0	109	0	0	0	48	683
October	556	0	46	46	0	0	99	747
November	212	0	127	0	0	0	14	353
December	177	96	50	126	0	0	0	449
Total	3,936	1,393	1,174	172	165	118	330	7,288

Source: Trade Contacts

MY 2008 and My 2007 Saudi Barley Imports		
Month	MY 2009 (July 2009-June 2010)	MY 2008 (July 2008-June 2009)
	Qty-1000 MT	Qty-1000 MT
July	685	816
Aug	1,133	394
Sep	683	598
Oct	747	867
Nov	353	956
Dec	449	612
Jan	409	701
Feb	116	327
Mar	651	422
Apr	827	466
May	985	721
June	618	601
Total	7,656	7,481

Source: Trade Contacts

Production, Supply and Demand Data Statistics:

Barley PSD Table (Area Harvested and Quantity in 1000 MT)						
Saudi Arabia	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jul 2009		Market Year Begin: Jul 2010		Market Year Begin: Jul 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	4	0	4		4
Beginning Stocks	2,203	2,203	2,178	2,000		1,800
Production	0	25	0	25		25
MY Imports	7,500	7,656	7,300	7,000		6,500
TY Imports	7,500	7,656	7,300	7,000		6,500
TY Imp. from U.S.	0	0	0	0		0
Total Supply	9,703	9,884	9,478	9,025		8,325
MY Exports	0	0	0	0		0
TY Exports	0	0	0	0		0
Feed and Residual	7,500	7,859	7,500	7,200		6,900
FSI Consumption	25	25	25	25		25
Total Consumption	7,525	7,884	7,525	7,225		6,925
Ending Stocks	2,178	2,000	1,953	1,800		1,400
Total Distribution	9,703	9,884	9,478	9,025		8,325
Yield	0.	6.25	0.	6.25		6.25

Source: Trade Contacts

Rice, Milled

Production:

Saudi Arabia does not produce rice because it requires a lot of water which is a scarce resource domestically. Therefore, Saudi Arabia is a net importer of rice.

Consumption:

Rice is the main dish served in Saudi Arabia for lunch and dinner. Kapsa, a preparation of chicken/lamb & Rice, is the favorite rice cooking in the country. In 2010, the per capita rice consumption was estimated at 43 kg a year.

Rice and wheat 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 Ummra visitors and pilgrims coming to Mecca. More than five million pilgrims come to Mecca each year to perform Ummra and Hajj rituals.

Trade:

Saudi rice import for CY2011 is forecasted to reach about 1.1 MMT which is an increase of 4 percent compared to 2010 import level. With an estimated 56 percent market share in CY 2010, India has continued to dominate the Saudi rice market, followed by Pakistan (17%), Thailand (12%) and U.S. (11%) of Saudi rice imports in 2010. During the past years, India benefited most from the shift in Saudis and expatriates consumers' rice consumption preferences which have shifted from long grain white Basmati rice to long grain parboiled or sella or muzza Basmati rice because it is easier to cook.

Indian rice exports to Saudi Arabia for the first nine months of CY2010 declined by 2.5 percent to 482,488 MT compared to the same period last year. Thai rice export in CY 2010 showed a 28 percent decline compared to 2009 export level (125,949 MT in CY2009 vs. 174,184 MT in CY 2010). Pakistan benefited the most from the decline in Indian and Thai rice exports to Saudi Arabia in CY2010 by increasing its exports by 220 percent in the first six months of CY2010 compared to the same period in 2009 (103,576 MT vs. 47,314 MT). There is no significant change in the quantities of U.S. rice exported to Saudi Arabia in CY2010 compared to CY2009 (114,921 MT in CY2010 vs. 114,690 MT in CY2009).

Trade Matrix

Country	CY2010	CY2009	CY2008	CY2007	CY 2006	CY 2005	CY 2004	CY 2003	CY 2002
India	603	607	653	632	687	715	754	820	600
Thailand	126	174	135	78	52	53	71	45	58
Pakistan	205	162	212	84	88	95	86	81	70
U.S.	115	115	131	127	81	98	94	102	92
Other	20	15	35	40	50	50	40	30	30
Total	1,069	1,073	1,166	961	958	1,011	1,045	1,078	850

Source: Official supplying countries data and ATO estimates
Qty-1000 MT

Production, Supply and Demand Data Statistics:

Rice PSD Table (Quantity in 1000 MT)							
Rice, Milled Arabia	Saudi	2009/2010		2010/2011		2011/2012	
		Market Year Begin: Jan 2009		Market Year Begin: Jan 2010		Market Year Begin: Jan 2011	
		USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested		0	0	0	0		0
Beginning Stocks		356	356	342	308		272
Milled Production		0	0	0	0		0
Rough Production		0	0	0	0		0
Milling Rate (.9999)		0	0	0	0		0
MY Imports		1,095	1,072	1,100	1,069		1,112
TY Imports		1,100	1,072	1,300	0		0
TY Imp. from U.S.		0	115	0	120		125
Total Supply		1,451	1,428	1,442	1,377		1,384
MY Exports		20	20	20	20		20
TY Exports		20	20	20	20		20
Consumption and Residual		1,089	1,100	1,070	1,085		1,100
Ending Stocks		342	308	352	272		264
Total Distribution		1,451	1,428	1,442	1,377		1,384
Yield (Rough)		0.	0.	0.	0.		0.

Source: Official supplying countries data and ATO estimates