

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

Voluntary  Public

**Date:** 9/27/2016

**GAIN Report Number:** SA1608

## **Saudi Arabia**

**Post:** Riyadh

### **The Saudi Grains Organization to Import Barley**

**Report Categories:**

Grain and Feed

**Approved By:**

Alan Hallman, U.S. Embassy, Riyadh

**Prepared By:**

Hussein Mousa, U.S. Embassy, Riyadh

**Report Highlights:**

The Saudi Grains Organization (SAGO) will take over will take over the exclusive right to import and manage local distribution of feed barley on October 2, 2016. The organization will import barley directly through public tenders open to registered international exporters; it does not buy through grain brokers. SAGO's takeover of the barley imports portfolio will make Saudi barley imports and distribution more transparent, as the organization will release import data, prices and quantity to the public on its website. This level of transparency has not existed for the past five years. In marketing year (MY) 2015/16, which ended in June 2016, Saudi Arabia imported about 11 million MT of feed barley, an increase of about 36 percent compared to the same period in MY 2014/15.

## The Saudi Grains Organization Takes over the Exclusive Feed Barley Imports Right

On September 26, 2016, the Saudi Grains Organization (SAGO) announced on its website that it will take over the exclusive right to import and manage local distribution of feed barley from the Saudi Grain and Fodder Company (SGFC) on October 2, 2016. The organization indicated in its statement that it will make sure that subsidized imported feed barley reaches all livestock farmers in all regions of the Kingdom through existing approved distributors and cooperative associations. SAGO has pointed out that it will follow its established international wheat procurement policy when importing feed barley. Currently, the organization imports food wheat directly through public tenders open to registered international exporters and it does not buy through grain brokers.

SAGO has indicated that its future feed barley imports will depend on domestic demand and available strategic reserves. According to organization, the annual domestic demand for barley has ranged between seven to eight million MT for the past few years. Exporting countries' trade data shows that Saudi Arabia imported about 11 million MT of feed barley in marketing year (MY) 2015/16 that ended in June 2016, an increase of about 36 percent compared to the same period of the previous MY.

In MY2015/16, Russia was the leading feed barley supplier to the Kingdom with about 2.4 million MT or accounting for 22 percent market share followed closely by Ukraine with 21 market share, and then by Argentina and Germany with 15 and 14 percent, respectively.

Saudi Barley Imports in MT				
Supplier	July 2014-June 2015		July 2015-June 2016	
Russia	2,699,214	34%	2,374,739	22%
Ukraine	2,806,037	35%	2,329,800	21%
Argentina	65,192	1%	1,633,489	15%
Germany	1,074,510	13%	1,550,705	14%
Romania	540,605	7%	873,208	8%
France	78,738	1%	673,900	6%
Australia	0	0%	588,898	5%
Estonia	132,000	2%	295,622	3%
Lithuania	127,240	2%	250,347	2%
Other Countries	519,272	6%	330,769	3%
<b>Total</b>	<b>8,042,808</b>	100%	<b>10,901,477</b>	100%

Source: Global Trade Atlas

SAGO has indicated that it will enforce the current established domestic feed barley distribution prices. Currently, large livestock farmers and licensed wholesale barley distributors can purchase the 50 kg sack of barley at the packing facilities at the government set price of 36 Saudi Riyals (SAR) or about \$9.6 per 50 kg. The government allows barley dealers to resell the 50 kg sack at a maximum retail price of 40 SAR (\$10.6). However, for the first time since barley subsidy regime was established more than three decades ago, the domestic whole sale and retail prices of imported barley will be reviewed and perhaps

adjusted quarterly according to prevailing international prices by the Ministerial Committee of Supplies which is made up of three ministries (Finance, Agriculture and Commerce).

This is not the first time that the Saudi government grain office will be involved in the importation and distribution of feed barley. Up to the end of 1998, the former Grain Silos and Flour Mills Organization, which was renamed SAGO earlier this year, was the exclusive importer and distributor of feed barley in the Kingdom. At the end of 1998, the Saudi government handed the responsibility of importing and distributing subsidized feed barley to the private sector. This arrangement lasted until the first half of 2011. In the second half of 2011, the Saudi Ministry of Finance (MOF) took over the importation and management of feed barley through SGFC which was appointed as the exclusive barley importer. The MOF took over the management of barley imports and distribution from the private sector following repeated complaints by livestock farmers about price gouging and market manipulation by importers that led to severe shortages in barley supply in several regions.

Since taking over barley imports, MOF and SGFC have not released any information related to quantities of imported barley, imports prices and strategic stock level. SAGO's handling of barley imports will make Saudi barley imports, distribution and stock level very transparent as regularly updated data will be available to the public on its website similarly to its detailed wheat import, distribution and stock data.