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Saudi Arabia

Grain and Feed Annual

2015

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Report Highlights:
With more than one million MT in MY 2013/14, U.S. corn exports regained the lead in the Saudi corn market, reaching their highest level in 15 years and capturing a 38.5 percent share of the market. Saudi corn imports are projected to further grow by 30 percent in MY 2014/2015, due to a huge expansion in poultry production projects and increased demand for processed feed. Saudi Arabia's wheat production is expected to decline to 425,000 MT in MY 2014/15, while imports are projected to reach 3.5 million MT. The Saudi government reiterated its intent to end its program for purchasing local wheat in MY2015/16. Barley imports in MY2014/15 are expected to be around 7 million MT, down 20 percent compared to the previous year. Saudi rice imports in MY2013/14 are estimated at 1.4 million MT, and projected to rise to 1.5 million MT in MY2014/15.

Wheat

Production:

Saudi Arabia's wheat production in MY2014/15 is projected to be 425,000 MT, which is about 36 percent lower than production in the previous year. This year will be the last time the Saudi government purchases domestically produced wheat from licensed farmers according to the Grain Silos and Flour Mills Organization (GSFMO), which has been implementing the government decree of 2008 to phase-out wheat production in Saudi Arabia by 2016. This decree has stipulated that GSFMO will reduce wheat production quotas for registered farmers by 12.5 percent annually in order to end wheat cultivation by 2016. The main reason for the policy change was a strong concern over the depletion of the country's scarce water reserves, as the wheat crop is 100 percent irrigated. This policy was a drastic departure from the country's longstanding strategy of achieving wheat self-sufficiency that has been pursued since the early 1980s.

In a February 2015 statement, the GSFMO reiterated its intent to end purchasing locally produced wheat in MY2015/16, and that the MY2014/15 harvest will be the last crop purchased. The GSFMO has stated that the Saudi government is not worried about fully relying on imports to satisfy the Kingdom's wheat consumption and strategic reserve needs.

Despite GSFMO's reaffirmation to end wheat production as scheduled next year, some local farmers continue to lobby the government to reverse its decision and support wheat production after 2015. Farmers say that they have borrowed huge loans to establish their wheat production and will not be able to pay back their debts if the wheat purchasing program is terminated. The farmers say that implementation of the wheat production phase-out has already rendered a large number of wheat farmers without jobs. Meanwhile, the Saudi government is encouraging wheat farmers to engage in alternative sustainable agricultural activities such as greenhouse farming and adopt advance drip irrigation techniques to produce fruits and vegetables. The Saudi government has not announced any penalties on farmers who might continue wheat production to produce wheat after the 2015 production season. Thought it is not expected that a large number of farmers will continue wheat production without government support or its guarantee to purchase their crops, a limited number may continue to grow in some areas such as Al-Qassim and Hail regions for the production of traditional bakery products. The average retail prices of wheat flour used for these products is reported to be about $1.33 per kg, while the GSFMO's flour is sold at retail price of $0.32 per kg. We estimate that total Saudi wheat production for MY 2015/16 would not exceed 30,000 MT.

The table below shows the development of wheat production and area planted in Saudi Arabia since 2007/2008.

Marketing Year	Wheat Area Planted (HA)	Wheat Production (,000 MT)
2007/2008	450,330	2,350,000
2008/2009	326,161	1,720,000
2009/2010	195,884	950,000
2010/2011	219,505	1,349,000
2011/2012	192,818	1,184,000
2012/2013	117,000	700,000
2013/2014	110,000	660,000
2014/2015	71,000	425,000
2015/2016 (Post projection)	5,000	30,000

Source: GSFMO and Ministry of Agriculture

Consumption:

Wheat is an important item in the Saudi diet. It is mostly consumed in the form of flat (pita) bread or local hamburger buns known as 'Samoli' and other western-style bread such as French baguettes and pizza. The average per capita consumption of wheat in Saudi Arabia is currently estimated at about 235 grams per day, or about 85.7 kg annually. Total Saudi wheat consumption in MY 2013/2014 is estimated at 3.3 million MT and is projected to increase by 3 percent next year. It should be noted that Saudi Arabia has not imported feed wheat since MY 2011/2012. For PS&D purpose, we estimate that wheat residue 2013/14 to be about 50,000 MT.

There have been several press reports in the past two years about shortages of wheat four supplies in some parts of the Kingdom, particularly in the of cities Jeddah and Makkah. These shortages typically happen during the back-to-school season as well as during the holy month of Ramadan **(**Islamic month of fasting when large numbers of foreign pilgrims come to Saudi Arabia to perform Umrah rituals). This year, however, flour shortages have received significant press coverage and some blamed the GSFMO for its inability to supply the deeded quantities on time to meet the seasonal demand fluctuations. The shortage reportedly created a black market in the Jeddah area, where subsidized wheat flour was reportedly sold at twice its official price.

The GSFMO has denied that shortages of wheat flour actually happened and blamed dishonest flour distributors for creating **"**artificial shortages" in order to make financial gains. In responding to shortages reports, GSFMO created a hotline where bakeries could call and report if they did not receive their quotas from their assigned distributors as scheduled. The GSFMO said that it keeps more than 2.5 million bags of wheat flour as emergency reserves that could be released into the market in case of any unexpected shortages. In MY2013/14, the GSFMO increased the quantity of milling wheat supplied to the local markets by 8 percent, to 3.25 million MT to cover some flour shortages and maintain adequate levels of flour reserves.

Trade:

The GSFMO is the exclusive importer of food grade wheat in Saudi Arabia. The organization imports both hard and soft wheat directly through public tenders open to registered international exporters and it does not buy through grain brokers. It has been buying wheat from various origins including the EU, North America, South America and Australia. From time to time, however, GSFMO receives some shipments of Indian wheat. The GSFMO imports wheat through two main ports, the Jeddah Seaport on the Red Sea and the Dammam King Abdul Aziz Seaport on the Arabian Gulf. The GSFMO has been making plans to increase the number of Saudi seaports that can receive imported wheat to five by adding three smaller seaports in Diba, Jazan and Yanbu (all located on the Red Sea) by 2016.

In MY2013/14, Saudi Arabia imported 3.38 million MT of milling wheat, an increase of about 80 percent over imports in MY2012/13. The main reasons for this huge jump in 2013/14 imports include a decline in domestic wheat production in MY2012/13 by more than 40 percent and a buildup of the strategic wheat stock reserves that year. The GSFMO has been mandated to increase the country's strategic wheat reserves levels to meet annual consumption needs and to guard against any possible disruptions in international wheat markets, as the Kingdom gets closer to fully rely on imports. In the past, GSFMO kept wheat strategic stocks at levels sufficient to six months of consumption requirements.

The table below shows Saudi wheat imports in MY 2012/13 and MY 2013/14 by countries of origin.

Supplying Country	July 2012-June 2013	Market Share	July 2013-June 2014	Market Share
Australia	409,134	21.8%	376,562	11.1%
Lithuania	372,734	19.8%	450,492	13.3%
Canada	178,500	9.5%	253,172	7.5%
U.S.	169,140	9.0%	68,401	2.0%
Poland	164,326	8.7%	524,249	15.5%
Germany	120,745	6.4%	1,347,089	39.8%
India	94,142	5.0%	45,244	1.3%
Latvia	63,000	3.3%	106,000	3.1%
France	0	0.0%	206,852	6.1%
Other	309,094	16.4%	3,398	0.1%
Total	**1,880,815**	**100%**	**3,381,459**	**100%**

Source: Global Trade Atlas

Germany was the leading wheat supplier to Saudi Arabia in MY 2013/14, with exports reaching 1.347 million MT and controlling almost 40 percent market share. Germany increased its exports to Saudi Arabia by more than 11 fold last year compared to a year earlier. Other suppliers that benefited from the drastic increase in Saudi Arabia's wheat import included Poland, Lithuania, Canada, France and Latvia. While the U.S. and India lost significantly.

In MY2014/15, Saudi total wheat food import is forecast to reach 3.5 million MT, an increase of more than three percent compared to last year. Total wheat import in MY2015/16 is projected to reach 3.8

million MT, an increase of more than 12 percent compared to MY2013/14. The significant increase is needed to make up for discontinued domestic wheat production and to maintain strategic reserves close to the domestic consumption level.

Stocks:

The GSFMO owns and operates silo complexes in major cities around the Kingdom with a total combined storage capacity of 2.95 million MT at the end of 2014, an increase of about 41 percent over 2011. The GSFMO has signed contracts to build five additional silos in Makkah, Qassim, Jazan, Aseer, and Al-Hasa, which will increase the total storage capacity to 3.7 million MT by the end of 2015. Currently, GSFMO maintains more than 2.5 million MT in strategic wheat stocks but it has plans to increase it to close to the annual wheat consumption level in MY2015/16.

Policy:

The Saudi government continued to enforce its 2008 policy to phase-out wheat production by 2016. The main reason for the policy change was a strong concern over the depletion of the country's scarce water reserves, as the Saudi wheat crop is 100 percent irrigated. This policy was a drastic departure from the country's longstanding strategy of achieving wheat self-sufficiency that has been pursued since the mid-1980s. In a February 2015 statement, the Grain Silos and Flour Mills Organization (GSFMO) reiterated its intent to end purchasing locally produced wheat in MY2015/16, and that the MY2014/15 harvest will be the last crop to purchase. The GSFMO has stated that the Saudi government is not worried about fully relying on imports to satisfy the Kingdom's wheat consumption and strategic reserve needs.

Although the initiative to phasing-out wheat production in Saudi Arabia was mainly targeted at saving water resources, many Saudi farmers switched from wheat cultivation to producing forage crops, such as alfalfa and Sudan grass, which consume three times the amount of water needed for wheat production. The total area planted with forage crops increased from 151,301 HA in 2007 to 195,605 HA in 2014. The Saudi governments is considering issuing a new decree to phase-out forage production and depend on imports to meet the country's green forage needs estimated at about 4 million MT annually.

The Saudi government is also encouraging agricultural companies to invest in foreign countries that have comparative advantage in producing certain crops and re-export their products back to Saudi Arabia. The crops targeted by this initiative include wheat, rice, barley, yellow corn and green forage. The Saudi government is providing financial incentives to encourage Saudi investors (companies and individuals) to take part in this food security initiative and invest overseas.

The GSFMO has received approval from the Saudi government to privatize all of its nine flour mills complexes and some of its storage facilities. The GSFMO plans to sell the flour mills complexes in four separate groups through a competitive bidding process to various interested buyers. Foreign investors will be allowed to compete with domestic investors to buy and operate the mills. The new milling companies will act as clients of the GSFMO to process and distribute wheat flour to existing and future customers approved by the agency at government set prices. The new mills, however, would be allowed (if they chose) to import their own wheat for the production of non-subsidized specialty flours for processing of high quality bakery products and pasta. It is likely that GSFMO will start the flour mills

privatization in 2016, when the expansion of flour mills is completed. The GSFMO plans to maintain the ownership and operate most wheat silos across the Kingdom in order to manage the strategic wheat reserves and ensure the country's food security objectives. The Saudi Government is currently conducting a study to restructure the GSFMO and prepare it for the post-privatization era of flour mills, given that GSFMO would still remain the exclusive government agency to import subsidized milling wheat and operate most of the silos.

Marketing:

The GSFMO is the sole wheat buyer and distributor of wheat flour in Saudi Arabia. All licensed bakeries, industrial users and supermarkets get their flour requirements directly from designated GSFMO's flour mills located in their cities or from assigned agents in their respective areas. There are more than 525 appointed distributors, with about 100 that have multi-outlets, and sever a total of 11,606 establishments, of which 6,500 are licensed bakeries. The distributors provide the packaged flour to licensed bakeries in a 45 kg sack and to retailers in 1, 2, 5, or 10 kg sacks. Industrial users purchase in bulk/metric tons.

Market Development Activities:

Since the resumption of wheat imports in 2008, the U.S. Wheat Associates (USWA) regional office has been coordinating various market development and trade servicing activities in Saudi Arabia. The capacity building activities, which included seminars, training and exchange programs, were designed to assist the GSFMO's purchasing staff in understanding the quality attributes of various U.S. wheat varieties. The USWA offered workshops to address diverse wheat purchasing issues, including risk management, contract terms, quality specifications, wheat inspection and other global market considerations related to wheat supply and demand, as well as freight and shipping costs.

Prices:

Large bakeries and industrial users purchase wheat flour directly from GSFMO flour mills, while smaller bakeries and retailers receive their assigned quotas from GSFMO appointed distributors. GSFMO packs wheat flours in five sizes: 45 kg bags for bakeries and 1, 2, 5 and 10 kg bags for retail. Industrial customers purchase in bulk of 1,000 kg. The GSFMO's wholesale prices vary on the flour type and extraction rate. The wholesale price of a kg of consumer packed wheat flour range between $0.27 and $0.33, bakers purchase from $5.3 to $8 per 45 kg, while industrial users purchase in bulk for prices that range between $117.3 and $160 per MT. The prices have not changed for over three decades.

Exports:

Saudi Arabia's exports of wheat products in 2012 were estimated at 156,765 MT. These products included macaroni and pasta products, accounting for 49 percent, biscuits for 37 percent, wheat and wheat flour for 9 percent, and bread for 5 percent. Saudi wheat products are mostly destined for GCC countries, with some quantities exported to Asian and African countries. For MY2013/14, it is estimated that 145,000 MT of wheat equivalent were exported from Saudi Arabia as wheat products. Total Saudi wheat products export is forecast to increase by 5 percent annually in the next two years.

The Saudi government is concerned about the exports of food and agricultural products that utilize government's subsidized raw materials such as wheat flour. In December 2012, the Saudi Ministry of Commerce and Industry (MOCI) levied a $533 per MT export tax on poultry products exports to reimburse the Saudi government for various subsidies local poultry farmers receive to produce the exported chickens meat. The government is reportedly conducting studies on the percentage of wheat flour used in the production of exported food products to determine how much export tax to charge to reimburse for using the subsidized wheat flour. According to the GSFMO, domestically produced and sold wheat flour receive more than 70 percent in government direct subsides.

Production, Supply and Demand Data Statistics

Wheat	2013/2014		2014/2015		2015/2016	
Market Begin Year	Jul 2013		Jul 2014		Jul 2015	
Saudi Arabia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	100	110	83	71	0	16
Beginning Stocks	2,148	2,153	2,927	2,749	0	3,119
Production	600	660	500	425	0	30
MY Imports	3,429	3,381	3,450	3,500	0	3,800
TY Imports	3,429	3,381	3,450	3,500	0	3,800
TY Imp. from U.S.	70	68	0	60	0	120
Total Supply	6,177	6,194	6,877	6,674	0	6,949
MY Exports	0	145	0	150	0	155
TY Exports	0	145	0	150	0	155
Feed and Residual	150	50	200	55	0	55
FSI Consumption	3,100	3,250	3,300	3,350	0	3,450
Total Consumption	3,250	3,300	3,500	3,405	0	3,505
Ending Stocks	2,927	2,749	3,377	3,119	0	3,289
Total Distribution	6,177	6,194	6,877	6,674	0	6,949
1000 HA, 1000 MT, MT/HA						

Barley

Production:

In 2003, the Saudi government terminated its domestic barley production subsidy program which brought to an end a two decades domestic commercial barley production. Currently, 15,000 metric tons of barley is produced domestically for human consumption. The government stopped feed barley production in order to conserve scarce water resources, as the Saudi barley crop is 100 percent irrigated.

Consumption:

Domestic barley consumption in 2014/2015 is forecasted to decline by 8 percent to 7.1 million MT compared to about 7.7 million in 2013/2014. The decline is mainly due to increased utilization of processed competitively priced animal feed products as a result of various government incentives aimed at reducing direct barley usage. In addition, abundant stocks from previous years and the availability of green forage supplies led to the reduction in barley consumption. Traditionally, white barley has been the preferred animal feed for domestic Bedouins and approximately 80 percent of imported barley is used in feeding sheep, camels, and goats. Bedouins feed raw barley to their livestock with a large percentage being wasted. The MOA reports that more than 30 percent of the raw barley fed to livestock is discharged without being digested, thereby providing no benefit in terms of weight gain or nutrition to the animals.

For the past several years, the Saudi government has been subsidizing the imports of 31 feed grains and feed ingredients to encourage increased local processed feed production to offer domestic livestock farmers with adequate quantities of more nutritional processed feed formulas at competitive prices. This, the MOA says, will significantly reduce the country's dependence on large quantities of imported feed barley. The MOA points out that livestock use of more feed concentrates, mixed with barley, are necessary to reduce barley wastage, increase weight gain and reduce production costs. Various government supports to the domestic feed processors have helping in increased supplies of compound feeds at competitive prices. The Arabian Agricultural Services Company (ARASCO), the largest Saudi animal feed processor, has kept its wholesale price of the 50 kg-bag of "Wafi" compound feed at ex-factory price of $9.07, which is equal to the price that the Saudi government charges for unprocessed barley of the same weight. Historically, the demand for barley has fluctuated based on its price compared to the prices of processed compound feed and green forage.

Locally produced compound feed has become more price-competitive in recent years, due to the strong incentives offered by the Saudi government to encourage compound feed production. The Saudi government offers interest free loans and provides import subsidies for thirty-one feed ingredients, including yellow corn, soybean meal and barley, to boost the expansion of feed processing facilities and help reduce the country's heavy reliance on huge barley imports. According to industry analysts, the MOA has an ambitious strategy that aims at reducing the Kingdom's barley imports to 1.5 million MT by 2020. Hence, imported barley would be used only as an ingredient to produce compound feed, and not be offered for direct livestock feeding when the strategy is fully implemented.

Several domestic feed processors are currently expanding their production facilities to increase compound feed output in the next few years. ARASCO, the country's leading feed processor, will increase its processed feed output from an estimated production of 650,000 MT in 2014 to about 3 million MT by the end of 2016 given a kilo of Wafi compound feed replaces 1.5 kilos of grain barley, ARASCO's expected 2.35 million MT of additional compound feed production is expected to decrease barley imports by 3.325 million MT if the company achieves full production as planned.

The local barley production, which is estimated at 15,000 MT, is mostly used in preparing specialty food items such as soups and some traditional Saudi dishes during the fasting month of Ramadan. Barley is also used in bread making and/or mixed with whole wheat flour. Currently, local food barley is sold for $1.87 per kilogram in small neighborhood shops and flour mills.

The other factor that contributed to the estimated decline in Saudi barely consumption this marketing year is the increased use of locally produced green forage by livestock farmers. Cultivation of green forage in Saudi Arabia has been rising since the government started to implement its policy seven years ago to phase out wheat production by 2016. Many farmers who stopped their wheat production have switched to green forage cultivation. Green forage production in 2014 was estimated at 4 million MT, an increase of 60 percent compared to production level in 2007.

Trade:

The total Saudi barely imports in MY2014/15 is forecast at 7 million MT, a decline of 20 percent compared to imports of 8.8 million MT in MY2013/14. However, actual levels of Saudi barley imports will be depend on barley prices in world markets in the coming periods. It should be noted that ever since the Saudi Ministry of Finance (MOF) started controlling barley imports in 2011, by granting a market monopoly to the Saudi Grain and Fodder Company (SGFC) to import and distribute barley shipments, information on barley imports and stock levels has not been readily available.

In MY2013/14, Ukraine was the top exporter with 1,631,268 MT of barley, accounting for 18.4 percent of the total Saudi barley imports. Ukraine exported about 12 percent more barley to Saudi Arabia in MY2013/14 compared to MY2012/13. Russia was the second leading exporter with 16.8 percent, followed by Argentina with 14.6 percent, Australia (14 percent), Germany (10.7 percent), and Romania (8.5 percent). While all suppliers gained significantly in MY2013/14 compared to the year earlier, Argentina lost about 40 percent of its exported quantity (1,289,554 MT vs. 2,137,593 MT). U.S. did not export barley to Saudi Arabia in MY2013/14.

Saudi Barley Imports in Metric Tons				
Supplying Country	MY2012/13		MY2013/14	
Argentina	2,137,593	25.80%	1,289,554	14.60%
Ukraine	1,457,433	17.60%	1,631,268	18.40%
Australia	1,148,203	13.90%	1,272,039	14.40%
Russia	1,028,160	12.40%	1,489,910	16.80%
Germany	749,098	9.00%	950,310	10.70%
France	686,439	8.30%	686,997	7.80%
Romania	428,870	5.20%	751,625	8.50%
Canada	109,780	1.30%	126,501	1.40%
Estonia	77,515	0.90%	132,000	1.50%
Latvia	74,718	0.90%	13,500	0.20%

United States	58,696	0.70%	0	0.00%
UK	42,000	0.50%	93,678	1.10%
Lithuania	28,061	0.30%	116,864	1.30%
Other Countries	257,852	3.10%	289,063	3.30%
Total	**8,284,418**	**100%**	**8,843,309**	**100%**

Source: Global Trade Atlas

Available data from exporting countries shows that during the first five months of MY 2014/15 (July-Nov), Saudi barley imports totaled 4.537 million MT, a decline of about 26 percent when compared to the 6.107 million MT imported during the same period in MY 2013/14. The reasons for the import decline are similar to those provided in the barley Consumption Section.

In the first five months of MY2014/15, Ukraine dominated the Saudi barley market by supplying about 53 percent of the total imports, followed by Russia at 28 percent. The remaining balance was supplied by European countries (Germany, Romania, France, UK and Finland). During this period, Ukraine's market share has more than doubled, mostly at the expense of EU suppliers. Russia's market share increased by about six percent, while U.S. exports continued their absence from the Saudi barley market in MY 2014/15.

The table below shows exporting countries data for Saudi barley imports for the first five months of MY 2013/14 and MY 2014/15 by country of origin.

Saudi Barley Imports in MT				
Supplying Country	**July 2013-Nov 2013**		**July 2014-Nov 2014**	
Ukraine	1,424,367	23.3%	2,401,912	52.9%
Russia	1,340,523	22.0%	1,277,074	28.2%
Germany	950,310	15.6%	181,025	4.0%
Romania	751,625	12.3%	485,402	10.7%
France	686,997	11.2%	78,738	1.7%
Australia	341,202	5.6%	0	0.0%

UK	93,678	1.5%	48,800	1.1%
Other Countries	518,318	8.5%	63,711	1.4%
Total	**6,107,020**	**100%**	**4,536,662**	**100%**

Source: Global Trade Atlas

Stocks:

SGFC does not release data on Saudi strategic barley data. However, it is estimated at more than 30 percent of the total consumption.

Marketing:

Domestic Barley Price

Sufficient barley supplies have been readily available at competitive prices throughout the Kingdom. 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 the barley dealers to resell the 50 kg sack at a maximum retail price of 40 SAR ($10.6).

Barley Distribution Channels

Barley shipments usually arrive through five Saudi ports: Jeddah and Dammam (the first and second largest seaports in the country) in addition to three other smaller ports in Yanbu, Diba and Jazan on the Red Sea. After the shipments are discharged at ports, they are transported by trucks to the nearest SGFC barley bagging facilities outside the port areas. The bagged barley is usually picked up by the pre-assigned dealers or large end-users from the distribution centers under the direct supervision of Alshamil Company.

Production, Supply and Demand Data Statistics

Barley	2013/2014		2014/2015		2015/2016	
Market Begin Year	July 2013		July 2014		July 2015	
Saudi Arabia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2	2	2	2	0	2
Beginning Stocks	3,006	2,712	4,096	3,855	0	3,755
Production	15	15	15	15	0	15
MY Imports	9,500	8,843	8,000	7,000	0	6,800
TY Imports	8,500	8,102	7,000	7,500	0	7,200
TY Imp. from U.S.	0	55	0	55	0	55
Total Supply	12,521	11,570	12,111	10,870	0	10,570
MY Exports	0	0	0	0	0	0

TY Exports	0	0	0	0	0	0
Feed and Residual	8,400	7,700	8,500	7,100	0	6,800
FSI Consumption	25	15	25	15	0	15
Total Consumption	8,425	7,715	8,525	7,115	0	6,815
Ending Stocks	4,096	3,855	3,586	3,755	0	3,755
Total Distribution	12,521	11,570	12,111	10,870	0	10,570
1000 HA, 1000 MT, MT/HA						

Corn

Production:

Corn production is very limited in Saudi Arabia. Every year an estimated 80,000 MT is produced for both animal and human consumption. Domestic dairy farmers plant significant acreage of corn silage as a source of digestible fiber and readily fermentable energy for their cattle.

The corn crop is planted in the spring and summer seasons. The spring crop is planted in March and harvested in August, while the summer crop is planted in the last week of June and harvested from mid-November until the end of December. About 60 percent of corn production is planted in the summer season. The area planted to corn in MY 2014/2015 was estimated at 14,300 HA, with an average yield of 5.6 MT per hectare.

Domestic corn production has been constant over the past several years because the Saudi corn growers do not receive any government support, neither through direct production subsidy nor by government guaranteed prices. The government policy has been discouraging domestic production of all water-intensive crops, including feed corn, and has been offering financial incentives to corn imports.

Consumption:

In MY2013/14, total corn consumption was estimated at 2.63 million MT and projected to increase by about 31 percent in MY2014/15, to 3.45 million MT. All imported corm and most of the locally produced corn is used primarily for animal feed processing, while small quantity of imported corn is utilized in production of food processing ingredients such as starch and sweeteners. Some limited quantities of the locally grown corn crop are used for human consumption (corn-on-the-cob) and milled for flour by small neighborhood flour mills for baking needs.

Corn is a very important feed grain in poultry farms as it accounts for about 60 percent of the total feed ingredients used in poultry feed formulations. It is also a major feed grain used by commercial feed processors and the domestic dairy farms. As feed accounts for about 70 percent of the total production cost, particularly for broiler meat, the Saudi government has been providing import subsides for feed corn and other feed ingredients, including DDGS and CGF to help reduce production costs of poultry meat, table eggs, dairy and livestock meat products.

Corn consumption in Saudi Arabia is forecast to reach 4.5 million MT in MY2015/16 mainly due to the expected drastic increase in the domestic feed processing. The government has been offering various subsidies and loans to encourage the establishments of new feed processing factories as well as to assist existing ones to expand production of compound feeds. This will help reduce the Kingdom's heavy reliance on imported feed barley. Many feed processors have been making use of the generous government supports to establish new production facilities or significantly increase the capacities of the existing ones.

ARASCO will complete its massive facility expansion projects by the end of 2015. This should double its compound feed production capacity. The new expanded facilities will allow ARASCO to produce 4 million MT of compound feed in the next couple of years. Corn is used heavily in the production of Wafi, ARASCO's signature livestock feed brand, which is gaining popularity among livestock farmers at the expense of grain barley. ARASCO has plans to increase Wafi's production from 650,000 MT in 2014 to 3,000,000 MT by 2017. As corn is the major ingredient used in the production of Wafi, ARASCO is expected to triple its corn consumption by MY2016/17. Other smaller feed processors are expanding their production facilities as well to get their share of the expanding processed feed market and will increase their corn consumption.

Among the reasons for the huge increase in demand for corn in Saudi Arabia is the ongoing expansion projects of several large poultry farms scheduled to be completed in the next couple of years. The mega dairy farms will also continue their heavy dependence on corn to meet their increasing demand for dairy cattle feed. Another factor that could help increase feed demand is the Saudi government plans to phase out green forage production next year, as part of its water conservation efforts. When that happens, demand for processed feed and corn will increase drastically.

Industrial Use:

The Middle East Food Solutions Company (MEFSCO) is a joint venture established by ARASCO and the Cargill Co. to manufacture starch-based products for the Saudi market and to exports to the MENA region. MEFSCO is expanding its facilities to increase corn processing capacity from the current 100,000 MT to 300,000 MT annually by 2016. The plant produces starches, sweeteners, glucose, high fructose corn syrups and other food processing ingredients for confectioneries, juices, and bakery. MEFSCO is based in Al-Kharj, and depends on imports for its corn processing needs.

Trade:

Feed corn is one of the 31 feed processing inputs that receive import subsidies by the Saudi government. Currently, the Saudi government pays $120 per MT subsidy for imported feed corn to help reduce compound feed production costs. The import subsidy is paid directly to corn importers who may be dairy farms, poultry farms, feed processors or licensed importers who distribute to smaller feed processors.

In MY2013/2014, Saudi corn imports reached about 2.7 million MT, about a 30 percent increase over imports in the previous year. During this period, the U.S. became the leading corn supplier to Saudi Arabia, with total export exceeding a million MT for the first time in 15 years and controlling a 38.5 percent of the Saudi corn import market. The U.S. increased its corn exports by nearly three folds, from

347,233 MT in MY2012/13 to 1,033,014 MT in MY2013/14. The average FOB price of the U.S. corn declined from $345 per MT in MY2012/13, to $211 per MT in MY2013/14. The FOB prices of the Latin American suppliers were similar or lower than the U.S. average price.

Last year, Brazil was the second largest corn exporter to Saudi Arabia with 36.9 percent, followed by Argentina in third place with 22.4 percent market share. Brazil was also a significant beneficiary from the expanded Saudi corn imports last year, as it increased its total exports by about 41 percent, while Argentina lost about 23 percent compared to MY2012/13.

	Oct 2011-Sep 2012		**Oct 2012-Sep 2013**		**Oct 2013-Sep 2014**	
Supplying Country	**Quantity**	**Market Share**	**Quantity**	**Market Share**	**Quantity**	**Market Share**
Brazil	659,034	57.0%	702,653	34.1%	990,616	36.9%
Argentina	613,844	53.1%	1,011,878	49.1%	599,964	22.4%
U.S.	363,843	31.5%	347,233	16.8%	1,033,014	38.5%
Other	178,791	15.5%	895	0.0%	60122	2.2%
Total	**1,815,512**	**100%**	**2,062,659**	**100%**	**2,683,716**	**100%**

Source: Global Trade Atlas

Exporting countries' data for the first three months of MY 2014/15 puts total Saudi feed corn import s at 957,640 MT, a 21 percent increase compared to the same period in the previous year. During this three-month period, Brazil accounted for 40.3 percent of the total Saudi corn import, followed by Argentina at 33.8 percent and the U.S. with about 25.9 percent. According to the U.S. Grains Council (USGC), two large Saudi corn buyers have purchased a total of 475,000 MT of U.S. corn for January-July shipments.

The total Saudi corn import for MY 2014/15 is projected to grow about 30 percent, to 3.5 million MT due to the expected substantial increase in corn consumption mainly as a result of increased compound feed production by feed processors and increased demand by the expanding poultry farming. With the anticipated sharp strong demand for compound feed by the livestock farmers and the expected significant production increases by several poultry farms, the total corn import is projected to further increase at least 4.5 million MT in MY 2015/16.

Supplying Country	**Oct 2013-Dec 2014**	**Oct 2014-Dec 2015**

	Quantity	Market Share	Quantity	Market Share
Brazil	647,914	82.1%	383,564	40.3%
U.S.	135,286	17.1%	246,036	25.9%
Argentina	6,349	0.8%	322,040	33.8%
Total	**789,549**	**100%**	**951,640**	**100%**

Source: Global Trade Atlas

DDGS and CGS Imports:

Dried distillers grain with soluble (DDGS) and corn gluten feed (CGF) are two of the 31 animal feed ingredients that are eligible to receive Saudi government import subsidies. Importers of DDGS and CGF receive about $134.67 and $125.87 per MT as import subsidies, respectively. To qualify for the subsidies, DDGS shipments must have at minimum 23 percent protein content and 2,800 energy units per MT. For CGF, the minimum protein requirement is 20 percent and energy requirement is 2,700 units per MT. According to USGC, an estimated 15,000 tons of DDGS is expected to be exported to Saudi Arabia by March 2015.

Marketing:

The U.S. Grain Council (USGC) has been active in the Saudi market for the past few years conducting various activities to educate Saudi poultry farms, dairy producers and feed millers about the benefits of using DGGS, CGF and sorghum in their animal feed formulations. In summer of 2011, the USGC's successful efforts were the main factor in convincing the Saudi government to include DDGS and CGF on the list of imported feed ingredients eligible for import subsidy. This has presented a good opportunity for U.S. DDGS and CGF exports in the Saudi market. The organization conducts several trade servicing visits to Saudi Arabia annually and provides technical consultation to explain the benefits of including DDGS in livestock and poultry feed formulas. The USGC also sponsors delegations of Saudi buyers to attend regional and U.S. feed grain conferences, as well as organizes field visits to major U.S. corn producing states for Saudi feed grains buyers.

Production, Supply and Demand Data Statistics

Corn	2013/2014		2014/2015		2015/2016	
Market Begin Year	Oct 2013		Oct 2014		Oct 2015	
Saudi Arabia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	16	14	16	14	0	14
Beginning Stocks	358	380	388	514	0	644
Production	80	80	80	80	0	80
MY Imports	2,600	2,684	2,900	3,500	0	4,500
TY Imports	2,600	2,684	2,900	3,500	0	4,500
TY Imp. from U.S.	1,031	1,033	0	1,200	0	1,700
Total Supply	3,038	3,144	3,368	4,094	0	5,224
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0

Feed and Residual	2,500	2,500	2,800	3,300	0	4,200
FSI Consumption	150	130	200	150	0	250
Total Consumption	2,650	2,630	3,000	3,450	0	4,450
Ending Stocks	388	514	368	644	0	774
Total Distribution	3,038	3,144	3,368	4,094	0	5,224
1000 HA, 1000 MT, MT/HA						

Rice

Production:

There is no domestic rice production in Saudi Arabia. The country depends fully on imports to meet its rice consumption demand.

Consumption:

In 2014, the Saudi population was estimated at 30.8 million and grows by about 3 percent annually. Rice is a staple food in Saudi Arabia that is served for lunch and dinner. The traditional dish called "Kabsah" is widely used in Saudi homes. The majority of Saudis include rice as a major part of their daily diet. Most of the 10 million expatriates living in Saudi Arabia (from the Indian subcontinent and other Far East countries) are large consumers of rice. In MY2013/14, rice consumption in Saudi Arabian was estimated at about 1.33 million MT, with a per capita consumption of 43 kg per year. The demand for rice will continue to grow between three to five percent annually in the coming years due to population growth and increased number of foreign visitors to Makkah for making Hajj and Umrah rituals. In recent years, the total number of visitors who came to Saudi Arabia to perform Hajj and Umrah has been close to eight million pilgrims annually, about 26 percent of the Saudi total population in 2014. The pilgrims stay at least two weeks during their visits in the vicinity of the two holy cities of Makkah and Madina.

Basmati (aromatic rice from the Indian subcontinent) is the most popular rice variety in the Saudi market. The American long parboiled and medium grain Calrose rice varieties are well known. The U.S. long parboiled rice accounts for more than 80 percent of the U.S. rice varieties consumed in Saudi Arabia, however, Saudi consumers' preference for this variety shifts depending on its price competitiveness mostly to basmati rice varieties. The demand for U.S. calrose fluctuates based on its price competitiveness compared to Australian and Egyptian varieties. While Indian basmati rice is mostly consumed in the eastern, central, northern and western regions of Saudi Arabia, the American rice is most popular in the southern region of the Kingdom.

Trade:

In MY 2013/14, Saudi Arabia imported about 1.4 million MT of rice. India remained the dominant rice supplier to the Saudi market, with its exports rising by about 9.5 percent last year, to 972,701 MT and controlling 69.3 percent market share. In MY2013, Basmati rice varieties accounted for about 85

percent of Indian's total rice exports to the Saudi market and the remaining were non-Basmati varieties, mainly Parmal rice variety.

Saudi rice imports are projected to growth by 7 percent in MY2014/15, to 1.5 million MT. This growth is mostly due to increased supplies of Indian rice. Traditionally, Iran imported a third of Indian high quality Basmati. A recent ban on rice imports by Iran, to protect its rice producers, has made Indian rice cheaper and readily available for the Saudi market. The Iranian has also caused rice stocks in Pakistan to rise and thus pushed down export prices as well. The Saudi rice market is very price-sensitive. Demand for U.S. rice is expected to decline significantly this year due to more price-competitive export offers from Indian, Pakistan and Thailand, which also has excess exporter rice stocks.

Pakistan was the second largest rice exporter to Saudi Arabia in MY2013/14, with a 14.6 percent market share, followed by the U.S. with 7.2 percent and Thailand with 5.4 percent. Saudi rice imports from the U.S. declined 26 percent in MY2013/14, compared to last year. U.S. rice exports to Saudi Arabia fluctuate depending on their price competitiveness with other varieties, especially Indian parboiled Basmati rice. Saudi rice importers tend to switch from U.S. parboiled to Indian sella (parboiled) Basmati rice when prices become advantageous to them. Last year, the long grain parboiled rice accounted for about 81 percent of the total U.S. rice exports to Saudi Arabia, and the remaining 19 percent was medium grain rice. Lower price competiveness was the main reason for the huge decline in U.S. rice exports to the Saudi market. The average FOB price for U.S. rice increased by about 4 percent for long grain parboiled rice, and increased by about 26 percent for the short grain Calrose rice. Rice importers attributed the huge increase in the U.S. Calrose rice price last year to a tighter rice supply in California.

Saudi Rice Imports in MT				
	MY2012/13 (Jan-Dec 2013)		**MY2013/14 (Jan-Dec 2014)**	
Origin	**Quantity**	**Market Share**	**Quantity**	**Market Share**
India	888,427	66.1%	1,021,000	72.7%
Pakistan	201,530	15.0%	162,000	11.5%
U.S.	136,734	10.2%	101,253	7.2%
Thailand	67,324	5.0%	75,371	5.4%
Other Countries	50,000	3.7%	45,000	3.2%
Total	**1,344,015**	**100%**	**1,404,624**	**100%**

Source: GTA and Trade Source

Saudi Arabia re-exports limited quantities of rice to nearby countries. According to our trade contacts, an amount roughly estimated at 20,000 MT of rice is re-exported from Arabia annually, mostly to Yemen by trucks and to some African countries such as Djibouti, Somalia and Sudan.

Marketing:

Prices

Rice prices at the Saudi retail food outlets vary significantly, depending on the rice varieties, brand names and quality. In February 2015, the retail prices of several Indian rice varieties declined between 10 and 15 percent compared to the same period last year. In the third week of February 2015, a major supermarket chain in Riyadh was selling 10 kg sack of Indian long grain white basmati rice at prices ranging from $17.05 to $21.32, while the prices for the Indian long grain sella basmati were between $14.14 and $19.43 per 10 kg/sack. The prices for U.S. long grain parboiled rice ranged between $11.45 and $13.33 per 10 kg depending on its brand name, unchanged compared to prices reported in February 2014.

The main factors that have kept the Indian dominance in the Saudi rice market are its capabilities to supply various varieties and grades of rice that are affordable to consumers of all income levels. The Indian long grain white basmati rice is the most expensive rice that is consumed by the middle and upper income consumers; the Indian Parmal rice is affordable to the low income. In February 2015, a 10 kg of Parmal rice was selling at $6.2 per 10 kg sack, the most competitive rice varieties sold in the Kingdom.

Competitors Activities

Many of the Saudi rice companies that import Indian rice allocate a significant part of their marketing budgets in promoting their own brand names in newspapers, radio and billboard advertising. Indian and Pakistani rice exporters often participate in domestic food shows which are held annually in Jeddah and Riyadh, where they provide buyers with point-of-sale materials. Promotions coupled with product tasting are also organized occasionally in local supermarkets. Promotional activities of the U.S. rice industry are mostly targeted at rice importers and are focused on trade servicing.

Production, Supply and Demand Data Statistics

Rice, Milled	2013/2014		2014/2015		2015/2016	
Market Begin Year	Jan 2014		Jan 2015		Jan 2016	
Saudi Arabia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	0	0	0	0	0
Beginning Stocks	260	239	285	273	0	344
Milled Production	0	0	0	0	0	0
Rough Production	0	0	0	0	0	0
Milling Rate (.9999)	0	0	0	0	0	0
MY Imports	1,450	1,404	1,325	1,500	0	1,540
TY Imports	1,450	1,404	1,325	1,500	0	1,540
TY Imp. from U.S.	0	101	0	80	0	120
Total Supply	1,710	1,643	1,610	1,773	0	1,884
MY Exports	0	20	0	20	0	20
TY Exports	0	20	0	20	0	20
Consumption and Residual	1,425	1,350	1,350	1,410	0	1,470
Ending Stocks	285	273	260	344	0	394

Total Distribution	1,710	1,643	1,610	1,774	0	1,884
1000 HA, 1000 MT, MT/HA						