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Saudi Arabia

Grain and Feed Annual

2014

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Report Highlights:
Saudi wheat production continues its drastic decline, as the Saudi government enforces its policy to phase-out wheat cultivation by 2016. Wheat production for MY 2013/14 is estimated at 600,000 MT, a decline of 14 percent compared to MY 2012/13, and is forecast to further decline to 500,000 MT in MY 2014/15. The Saudi government reaffirmed that it has no concerns in relying on imports to satisfy the Kingdom's wheat requirements. Saudi wheat imports in MY 2013/14 are expected to reach 3.03 million MT, compared to 1.92 million MT imported in the previous year. Saudi barley imports in MY2013/2014 are projected at 9.25 million MT, about 12.5 percent higher than imports in the year before. Corn imports are projected to rise 11 percent in MY 2013/14 to 2.3 million MT, due mostly to continuing growth in local poultry production. Saudi rice imports are estimated to increase by 3 percent in 2013/14, to 1.26 million MT. Import prices of the Indian rice varieties registered a 20 percent increase by mid-February, due to a tighter rice supply in India this year.

Commodities:

Wheat

Production:

In recent years, the wheat sector in Saudi Arabia has witnessed major structural and regulatory changes that have drastically impacted wheat production and trade. The government continues to implement the policy initiative it launched in 2008 that aims at reducing domestic production by 12.5 percent annually, with the ultimate goal of completely phasing out wheat cultivation by 2016. This policy was a radical departure from the country's longstanding strategy of achieving wheat self-sufficiency that has been pursued since early 1980s. 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. In a recent statement in January 2014, the Minister of Agriculture reaffirmed the Saudi government policy that 2016 will be the last year for producing wheat locally, and that the government has no concern in relying on imports to satisfy the Kingdom's wheat consumption requirements.

In MY 2013/14, total domestic wheat production is estimated at 600,000 MT, a decline of 14 percent compared to the 700,000 MT produced in MY2012/13. Local production is projected to further decline by about 17 percent in MY 2014/15, to 500,000 MT. Seeding of the wheat crop In Saudi Arabia starts in mid-November to early January, and harvest begins in late April to June. Although the wheat crop is totally irrigated, the cooler temperature and cloudy weather associated with rainfalls (when they occur) play an important role in affecting wheat growing conditions and, thus the crop yield. Currently, all wheat grown in Saudi Arabia is hard-winter of 'Yecoro Rojo', variety which originated from the United States.

Wheat area planted in MY 2012/13 was estimated at 117,000 hectare, with an average yield of 5.98 MT per hectare (HA). For MY 2013/14, the total wheat area declined by about 15 percent to 100,000 HA. 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
2008/2009	326,161	1,720
2009/2010	195,884	950
2010/2011	219,505	1,349
2011/2012	192,818	1,184
2012/2013	117,000	700
2013/2014	100,000	600
2014/2015 (projection)	83,000	500

Source: GSFMO and Ministry of Agriculture

It should be noted that the number of farmers engaged in wheat production in Saudi Arabia has been steadily declining in last 10 years, well before the implementation of the wheat phase-out policy. Large commercial farms have been replacing small farmers in cultivating wheat. The number of wheat farmers in 2012 is estimated at about 6,000 farmers, compared to more than 34,000 farmers at the peak of the Saudi wheat program in 1993. The Saudi Grain Silos and Flour Mills Organization (GSFMO) is the government agency in charge of managing the wheat program, including allocating farmers' production quotas, setting guaranteed prices for purchasing wheat from local producers, milling and marketing wheat flour as well as importing wheat to cover domestic consumption needs. Starting in MY 2016, GSFMO will stop purchasing any locally produced wheat, bringing an end to a government program that lasted for three decades.

Consumption:

Wheat is an important item in the Saudi food 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 flour in Saudi Arabia is currently estimated at 241 grams per day, or about 88 kg annually. Total Saudi wheat consumption in MY 2013/2014 is projected to be about 3.25 million MT, an increase of about 3.2 percent compared to the consumption level in MY 2012/2013. Total wheat for human consumption in MY 2013/14 is estimated at 3.1 million MT, of which about 10 percent is utilized for food processing.

The total quantity of wheat used in feed and residual category for MY 2013/2014 is estimated at 150,000 MT. The past two years, the private sector feed processors have not used any feed wheat in their animal feed formulations due to the lack of government subsidy payment on imported feed quality wheat. It has not been confirmed whether the GSFMO has purchased any feed wheat shipments for animal feed processing in the last two years.

Trade:

The GSFMO is the government agency that is responsible for purchasing and milling food-wheat as well as distributing wheat flour to local end-users. The GSFMO imports wheat directly through public tenders open to registered international exporters and it does not buy through grain brokers. Currently, 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.

According to exporting countries' data, total Saudi wheat imports in MY 2012/13 are estimated at 1,921,000 MT, of which 95 percent is milling while about five percent is feed wheat for animal feed processing. It should be noted that the imported amount feed- grade wheat has not been confirmed by GSFMO. Australia was the leading wheat supplier to Saudi Arabia in MY2012/13, controlling 21 percent the import market, followed by Lithuania with 19 percent and Brazil at 10 percent while three countries, Canada, the U.S. and Poland accounted for around 9 percent each of total Saudi wheat imports.

Saudi Wheat Imports in MT

	July 2012-June 2013		July 2013-Nov 2013	
Origin	**Quantity**	**Market Share**	**Quantity**	**Market Share**
Australia	409,134	21.3%	70,477	4.7%
Lithuania	372,734	19.4%	387,492	25.9%
Brazil	183,294	9.5%	-	-
Canada	178,500	9.3%	-	-
United States	169,140	8.8%	-	-
Poland	164,326	8.6%	188,522	12.6%
Germany	120,745	6.3%	572,600	38.3%
India*	94,142	4.9%	45,100	3.0%
Latvia	63,000	3.3%	106,000	7.1%
Other	166,000	8.6%	124,300	8.3%
Total	**1,921,015**	**100%**	**1,494,491**	**100%**

Source: Global Trade Atlas

On January 27, 2014, the GSFMO announced the results of a tender to import 715,000 MT of milling wheat, of which 595,000 MT is hard wheat and 120,000 MT soft wheat. According to the tender's results, the average CIF price for the hard wheat (12.5 percent minimum protein) was $317.50 per MT, while the average CIF price for soft wheat (11 percent minimum protein) was $308.30 per MT. The GSFMO's tender stipulated that shipments' origin should be from EU, U.S. or Australian origins and that delivery must take place between April 1 and June 30, 2014 to Jeddah and Dammam ports in 12 shipments.

The latest GSFMO's wheat purchase brings total Saudi milling wheat imports for MY2013/14 to 3,030,000 MT, an increase of 58 percent compared to MY2012/2013. The main reason for the drastic increase in wheat imports in MY2013/14 is the Saudi government's decision to increase wheat reserves to a level closer to the available storage capacity. GSFMO has been expanding its wheat storage capacity in the past couple of years to gradually build up its wheat stocks and increase it the country's strategic reserve to a level closer to annual wheat consumption by the end of 2015. To achieve this goal, GSFMO has raised its wheat silos storage capacity from 2.5 million MT in 2011 to about 2.8 million MT by the end of 2013. Currently, there are several new wheat silos project under construction that will bring the total GSFMO wheat storage capacity to about 3.7 million MT by the end of 2015.

Thus far in MY 2013/14, Saudi Arabia has not imported any feed quality wheat and trade sources do not expect any imports in the next few months since the Saudi government has not started providing a subsidy for imported wheat feed. Saudi feed wheat imports reached about 1 million MT in MY2011/2012, when both the government and private sectors companies were involved in feed wheat imports. However, private sector importers dropped out of wheat feed buying business in MY 2012/13 because the Saudi government has not reimbursed them for the promised import subsidies for last year shipments. Although the government has included feed-wheat on its list of 31 feed commodities eligible for import subsidy, it has not yet issued any regulations concerning import specifications or the subsidy amount that it will offer importers. In MY 2012/13, India shipped 94,142 MT of wheat to Saudi Arabia

and 45,100 MT in the first four months of MY2013/14. However, trade sources indicate that the Indian wheat shipments were actually of milling quality and were not used for animal feed processing.

Available trade data for the first five months of MY 2013/14 (July-Nov 2013) indicates that Saudi Arabia imported a total of about 1.5 million MT. Germany increased its wheat exports drastically from 120,745 MT in the entire MY2012/13 to 572,600 MT in the first five months of MY2013/14. Lithuania remained as the second largest wheat supplier to Saudi Arabia for the second year in a row. Poland and Latvia, respectively, were the third and fourth largest wheat suppliers to Saudi Arabia in the first five months of MY 2013/14.

Although Saudi Arabia resumed wheat imports in 2008, U.S. wheat export shipments were absent from the Saudi market until 2010. U.S. wheat exports totaled 104,600 MT in CY 2010 and rose sharply (almost five fold) to 495,000 MT in 2011. In CY 2013, U.S. wheat exports dropped to 57,846 MT. U.S. wheat exports to Saudi Arabia include both Hard Red Winter (HRW) and Hard Red Spring (HRS) varieties. The HRW variety, accounts for the bulk of U.S. exports to Saudi Arabia due to its similarities with locally produced wheat varieties.

Stocks:

GSFMO has been expanding its wheat storage capacity in the past couple of years to gradually build up its wheat stocks and increase the country's strategic reserve to a level closer to annual wheat consumption by the end of 2015. Currently, there are several new wheat silos project under construction that will bring the total GSFMO wheat storage capacity to about 3.7 million MT by the end of 2015.

The GSFMO owns and operates silo complexes in major cities around the Kingdom with a total combined storage capacity of 2.8 million MT at the end of 2013. The GSFMO has signed contracts to build five additional silos in Makkah, Qassim, Jazan, Aseer, and Al-Hasa, with a combined storage capacity of 790,000 MT. The silos will be operational by the end of 2014. Currently, the GSFMO maintains wheat stocks to cover more than six months of Saudi Arabia's consumption level, but the government is planning to gradually increase wheat reserves to cover 12 months.

Policy:

The Saudi government continues to implement its wheat production policy that was launched in 2008 and aims at reducing domestic production by 12.5 percent annually, with the ultimate goal of completely phasing out wheat cultivation by 2016. This policy is a drastic shift from the country's longstanding strategy of achieving wheat self-sufficiency that has been pursued since the early 1990s. The main reason for the policy change was a strong concern over the depletion of country's non-renewable water reserves, as the wheat crop is 100 percent irrigated.

Although the new wheat initiative 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 187,078 HA in 2011. The Saudi government is considering issuing a new decree to phase-out forage production, open the importation of forage crops, a

market estimated at 4 million MT. 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. These flour mills are located in nine major regions of the Kingdom (Tabuk, Al-Jawf, Madina, Qassim, Dammam, Jeddah, Hail, Riyadh and Kamis Mushat). The combined wheat milling capacity of these nine flour mills is projected to reach 14,430 MT per day by the end of 2015, compared to milling capacity of 11,430 MT per day in 2013. The expected increase in milling capacity in 2015 is due to an expansion of existing flour mills (Jeddah and Madina) and the construction of new mills in Al-Ahsa, Kharj, Jumoum and Jazan. Saudi flour mills were primarily built to process hard wheat but the newly established flour mills have the capabilities to mill both hard and soft wheat.

The GSFMO plans to sell the nine 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 2015, 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 operator most of the silos.

Marketing:

The GSFMO is the sole buyer, miller and distributor of food wheat and flour in Saudi Arabia. All licensed bakeries, industrial users and supermarkets get their flour requirements from designated GSFMO's flour mills located in their cities or from assigned agents in their respective areas. The wholesalers provide the packaged flour to retail outlets, neighborhood stores and supermarkets, where consumers have the choices to purchase flour sacks in 1, 2, 5, or 10 kg each. In past years, the GSFMO allowed individual customers to purchase the 45 kg flour sacks, but it has stopped this option two years ago due to the abuse and diversion of this product category to livestock feeding. Also, large numbers of consumers were not able to finish the large sacks before product expiration dates leading to wasteful consumption of wheat flour.

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:

Until the completion of the wheat production phase-out in 2016, the GSFMO will continue to purchase locally produced wheat at a guaranteed price of about $267 per MT. The guaranteed price is usually discounted by 5 percent fees the farmers pay for Zakat (Islamic income tax) and another five percent price deduction for wheat impurity (foreign matters). The GSFMO is responsible for milling and marketing flour domestically. The table below shows wholesale prices of five types of wheat flours that are currently offered by the GSFMO.

Wheat Flour Type	Extraction Rate (%)	Price Per $US/45 Kg
Patent Flour	70-75	7.47
Flour/Powder	75-80	5.87
Flour/ Plain	85	5.33
Improved Whole Wheat	90	8.00
Whole Wheat	95	8.00

Production, Supply and Demand Data Statistics:

Wheat Saudi Arabia	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Jul 2012		Market Year Begin: Jul 2013		Market Year Begin: Jul 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post

Area Harvested	117	117	100	100		83
Beginning Stocks	2,682	2,682	2,153	2,153		2,533
Production	700	700	600	600		500
MY Imports	1,921	1,921	2,700	3,030		3,100
TY Imports	1,921	1,921	2,700	3,030		3,100
TY Imp. from U.S.	171	171	0	110		220
Total Supply	5,303	5,303	5,453	5,783		6,133
MY Exports	0	0	0	0		0
TY Exports	0	0	0	0		0
Feed and Residual	150	150	200	150		150
FSI Consumption	3,000	3,000	3,100	3,100		3,200
Total Consumption	3,150	3,150	3,300	3,250		3,350
Ending Stocks	2,153	2,153	2,153	2,533		2,783
Total Distribution	5,303	5,303	5,453	5,783		6,133
1000 HA, 1000 MT, MT/HA						

Commodities:

Barley

Production:

Barley production in Saudi Arabia is currently estimated at 15,000 MT, mostly for human consumption. The Saudi government terminated its barley production subsidy program in 2003, bringing an end to two decades of commercial barley production in Saudi Arabia, where domestic barley production reached its peak at 2.2 million MT in 1993. The government stopped feed barley production in order to conserve scarce water resources, as the Saudi barley crop is 100 percent irrigated.

Consumption:

Traditionally, barley has been the preferred animal feed for the Saudi Bedouins because it is easier to handle and store than other processed feed. More than 70 percent of imported barley in Saudi Arabia is used in its grain form (no further processing) mostly to feed sheep, camels, and goats. The remainder is used as an ingredient mostly in dairy feed processing. Barley use in poultry feed process is estimated to be less than five percent of the total imported barley. Feeding sheep consumes the largest part of imported barley, followed by goats and camels. When it is readily available at competitive prices, barley is often used in the place of forage.

All imported barley is used for animal feed only, as there is no beer production in Saudi Arabia. Feed barley consumption for MY 2013/14 is estimated to increase to 8.55 million MT, about 5 percent higher than the consumption level in MY2012/13. This is due mainly to a wider availability of barley below or at the government established retail price of 40 Saudi Riyals ($10.67) per 50 kg. The outlook for MY 2014/2015 calls for about eight percent increase in feed barley consumption, with the increased availability of barely stocks in the local market for livestock production. In the longer term, barley consumption in Saudi Arabia will depend on the level of government subsidy as well as barley price competitiveness compared to other feed grain alternatives, such as green forage and processed feed.

Bedouins feed raw barley to their livestock with a large percentage is wasted products. The Saudi Ministry of Agriculture (MOA) reports about 30 percent of the barley fed is wasted 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 and 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, is necessary to reduce barley wastage, increase weight gain and reduce production costs. It seems that the MOA's efforts have not been successful in convincing livestock farmers to use more proceeded feed as the farmers continue to prefer barley over processed feed. According to domestic animal feed processors, future barley consumption will depend mostly on the government's subsidy rate on imported barley. In recent years, the government subsidy program for barley imports has made barley the most price competitive feed option for farmers, compared to other processed feed as well as green forage.

The local barley production is 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.

Trade:

The Saudi Grain and Fodder Company (SGFC) remains as the exclusive entity appointed by the Saudi Ministry of Finance (MOF) to import barley into Saudi Arabia. Alshamil Co., subsidiary of SGFC, is currently responsible for supervising the distribution of all imported barley using the SGFC's bagging facilities as well as several contractors' facilities located in major cities throughout the Kingdom. The SGFC has been keeping information on Saudi barley imports confidential and has not disclosed any official barley import data or reserve stock levels since it became the exclusive barley importer in mid of 2011.

In MY 2012/2013, Saudi Arabia imported 8.224 MMT of feed barley. Argentina dominated the market with a 26 percent market share, followed by Ukraine (22 percent), Australia (13.2 percent), Russia (12.5 percent), Germany (9.2 percent), France (8.3 percent) and Romania (5.2 percent).

Available data from exporting countries shows that during the first six months of MY2013/14 (July-Dec) Saudi barley imports totaled about 5.95 million MT. During this period, Ukraine was the leading supplier with 24 percent market share of the total Saudi barley import, followed closely by Russia with about 23 percent. The other barley suppliers to the Saudi market during that period included Germany with 16 percent, Romania with 12.6 percent and France with 11.6 percent market share. There were no U.S. barley exports to Saudi Arabia in MY 2013/14, mostly due to limited U.S. barley stocks available for exports. Based on information from animal feed experts, Post projects that total Saudi barely imports in MY2013/14 will to reach 9.25 million MT, an increase of about 12.5 percent when compared to total imports in MY2012/13 of 8,224,000 MT.

Saudi Barley Imports in MT

Supplying Country	July 2012-June 2013		July-Dec 2013	
Argentina	2,137,593	26.0%	159,750	2.7%
Ukraine	1,457,433	17.7%	1,424,367	24.0%
Australia	1,087,730	13.2%	-	-
Russia	1,028,160	12.5%	1,361,563	22.9%
Germany	749,098	9.1%	950,311	16.0%
France	686,439	8.3%	686,997	11.6%
Romania	428,871	5.2%	751,625	12.6%
Denmark	201,154	2.4%	-	-
Canada	109,780	1.3%	60,501	1.0%
Estonia	77,515	0.9%	132,000	2.2%
Latvia	74,718	0.9%	13,500	0.2%
United States	58,696	0.7%	-	-
Other Countries	126,757	2.0%	406,088	6.8%
Reporting Countries Total	**8,223,944**	**100%**	**5,946,702**	**100.00%**

Source: Global Trade Atlas

Unlike the case with wheat imports, the MOF does not purchase barley through international tenders, but it deals directly with the suppliers. The SGFC usually searches for best-price suppliers and buys from the cheapest sources. This strategy has reportedly saved the MOF millions of dollars in the last few years.

Barley shipments come through five Saudi seaports, Jeddah and Dammam (largest seaports in the country) and three smaller seaports in Yanbu, Diba and Jazan on the Red Sea. After the shipments are discharged at port, they are transported by trucks to the nearest bagging facilities to the port. The bagged barley is picked by end-users from the distribution centers under direct supervision of Alshamil Co.

Stocks:

There is not official data readily available on the size of Saudi Arabia's barley stock reserves. Both the MOF and SGFC do not release to the public any data concerning the country's barley imports and stock levels. However, according to our trade sources, Saudi Arabia's strategic barley reserves are estimated at about three months of annual consumption equivalent. These stocks are reportedly stored at SGFC and contracted packers' facilities.

Policy:

The Saudi Ministry of Agriculture has completed an animal feed strategy for 2020, which aims at reducing total barley imports by 1.5 million MT by 2020. To achieve this goal, the Saudi government has been encouraging the local livestock farmers to use more processed feed instead of feeding raw barley directly to animals, which is less efficient when compared to processed feed formulas that contain grain and oilseed components. The Saudi government provides various loans and import subsides to encourage investment in feed processors establishments. The MOF currently provides import subsides for 31 animal feed grains and feed ingredients such as yellow corn, soybean meal, barley, DDGS, and alfalfa hay. Imported feed grains and ingredients receive rebates ranging between

$49.33 and $202.13 per MT, based on the energy and protein contents of each feed ingredient. The higher the protein and energy contents of the feed grain and ingredient, the higher the subsidy it receives. For example, soybean meal (48% protein) receives the highest subsidy rate of $202.13 per MT, while barley straw (2% protein) receives the lowest import subsidy rate of $49.33.

Marketing:

Domestic Barley Price

This year, there have been sufficient barley supplies readily available year at competitive prices throughout the Kingdom. Large livestock farmers and licensed wholesale barley distributors can purchase the 50 kg barley sack at the packing facilities gate 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). According to feed traders, the wide availability of barley stocks this year has resulted in a fierce competition among retail dealers to attract customers through offering discounted prices of 38-39 SAR for the 50 kg sack. The abundant barley supplies and the strong competition have forced the dealers to sell their stocks of the 50 kg/sacks at one or two SAR below the maximum retail price set by the government.

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 port, 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 Saudi Arabia	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Jul 2012		Market Year Begin: Jul 2013		Market Year Begin: Jul 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	2	0	2		2
Beginning Stocks	2,728	2,728	2,703	2,828		3,528
Production	0	15	0	15		15
MY Imports	8,500	8,224	9,500	9,250		8,800
TY Imports	10,000	8,224	8,000	9,250		8,800
TY Imp. from U.S.	0	59	0	55		55
Total Supply	11,228	10,967	12,203	12,093		12,343
MY Exports	0	0	0	0		0
TY Exports	0	0	0	0		0
Feed and Residual	8,500	8,124	8,800	8,550		9,200
FSI Consumption	25	15	25	15		15
Total Consumption	8,525	8,139	8,825	8,565		9,215
Ending Stocks	2,703	2,828	3,378	3,528		3,128
Total Distribution	11,228	10,967	12,203	12,093		12,343

1000 HA, 1000 MT, MT/HA						

Commodities:

Corn

Production:

Corn production is very limited in Saudi Arabia. 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 2012/13 was estimated at 15,300 HA, with an average yield of 6 MT per hectare. In MY 2013/14, the total corn planted area is estimated to increase by about 5 percent to 16,000 HA. The MOA data does not include corn silage produced by domestic dairy producers in its agricultural statistical yearbook. Domestic dairy farmers plant significant acreage of corn silage as a source of digestible fiber and readily fermentable energy for their cattle.

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. The import subsidy for feed corn is currently set at about $120 per MT.

Consumption:

Corn consumption in Saudi Arabia currently exceeds 2 million MY annually. All imported corn and most of the locally produced corn is used primarily for animal feed processing, while some imported quantities are utilized for industrial use. 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 costs account for about 70 percent of total production, particularly for broiler meat, the Saudi government has been providing import subsides for feed corn and other feed ingredients, including DGGS and CGF to help reduce production cost of poultry meat, table eggs, dairy and other livestock products. Import subsidy for feed corn is currently set at $120 per MT.

Industrial Use

The Arabian Agricultural Development Company (ARASCO) has been the sole corn processor in Saudi Arabia in the past several years. Through its corn milling facilities in Al-Kharj region, ARASCO processes about 100,000 MT of corn annually for sweeteners and starch production annually. In January 2013, ARASCO and Cargill Co. established a joint venture project to manufacture starch-based products for the Saudi market as well as for exports to neighboring Arab countries. The ARASCO-Cargill joint venture factory plans to increase its corn processing capacity from the current 100,000 MT to 300,000 MT annually by 2016 to produce starches, sweeteners and other food processing ingredients for confectioneries, juices, and bakery products.

Trade:

Feed corn is imported freely by private sector companies in Saudi Arabia, with no import duties. In addition, as mentioned earlier, the government encourages corn imports by providing import subsidy directly to the importers of $120 per MT. In MY 2012/13 (Oct 2012-Sep 2013), Saudi Arabia imported a total of 2.063 million MT of feed corn, an increase of about 14 percent compared to the previous year. Argentina dominated the Saudi corn import market in MY2012/13 by supplying 49 percent of the total Saudi corn imports, followed by Brazil and the U.S. as the second and third largest suppliers of corn with 34 percent and about 17 percent, respectively.

Saudi Corn Imports in MT

	Oct 2012-Sep 2013		Oct 2013-Dec 2014	
Origin	**Quantity**	**Market Share**	**Quantity**	**Market Share**
Argentina	1,011,878	49.1%	6,349	0.8%
Brazil	702,653	34.1%	647,914	82.1%
U.S.	347,233	16.8%	135,286	17.1%
Other Countries	795	0.0%	50	0.0%
Total	**2,062,559**	**100%**	**789,599**	**100%**

Source: Global Trade Atlas

Exporting countries' data for the first three months of MY 2013/14 (Oct 2013-Dec 2013) puts the total Saudi feed corn imports at 789,599 MT. During this three-month period, Brazil accounted for 82 percent of the total Saudi corn imports, followed by the U.S. with about 17 percent. Argentina, which almost dropped out of the market this year, came at distant third with less than one percent market share. For MY 2013/14, total Saudi corn imports are projected to grow about 11 percent, to 2.3 million MT due to the expected increase in corn consumption mainly due to increased poultry production. With the anticipated expansion in poultry production projects in Saudi Arabia, corn imports are projected to further increase to about 2.7 million MT in MY 2014/15.

The Saudi government has recently included dried distillers grain with soluble (DDGS) and corn gluten feed (CGF) on the list of animal feed commodities eligible for import subsidies. Importers of DDGS and CGF receive about $134.67 and $125.87 per MT, respectively, of import subsidies from the government. 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. It is estimated that Saudi Arabia imported a total of 24,000 MT of DDGS in 2012 and about 16,000 MT CGF in 2011.

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 USGC sponsored a visit by U.S. poultry feed experts to major Saudi poultry farms in 2012 to provide technical consultation on the benefits of using DDGS in their poultry feed formulas.

Production, Supply and Demand Data Statistics:

Corn Saudi Arabia	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Oct 2012		Market Year Begin: Oct 2013		Market Year Begin: Oct 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	30	15	13	16		16
Beginning Stocks	365	365	308	380		425
Production	80	92	80	95		95
MY Imports	2,063	2,063	2,400	2,300		2,700
TY Imports	2,063	2,063	2,400	2,300		2,700
TY Imp. from U.S.	346	346	0	350		400
Total Supply	2,508	2,520	2,788	2,775		3,220
MY Exports	0	0	0	0		0
TY Exports	0	0	0	0		0
Feed and Residual	2,000	2,000	2,100	2,200		2,550
FSI Consumption	200	140	300	150		200
Total Consumption	2,200	2,140	2,400	2,350		2,750
Ending Stocks	308	380	388	425		470
Total Distribution	2,508	2,520	2,788	2,775		3,220
1000 HA, 1000 MT, MT/HA						

Commodities:

Rice, Milled

Production:

There is no rice production in Saudi Arabia, and the country has to rely totally on imports to satisfy the local market needs.

Consumption:

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. Saudi Arabia's rice per capita consumption is estimated at 42 kg/year. In MY2013/14, total rice consumption was estimated at about 1.236 million MT, an increase of about 3 percent over MY2012/13. Rice consumption is slightly declining among middle and high income families (Saudi citizens and expats) as consumers tend to substitute rice with other higher value food items such as meat, vegetables and fruits. In general, rice demand will continue to grow by about three percent 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 Umrahs has been close to eight million people annually.

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, but Saudi consumers' preference for these varieties has shifted to basmati varieties. While Indian basmati rice is mostly consumed in the eastern, central and western regions of Saudi Arabia, the American rice is popular in the southern region of the Kingdom, and is also very popular in restaurants that prepare Kabsah dishes.

Trade:

Rice is imported freely into Saudi Arabia by private sector companies, with zero import duty, but no import subsidy provided. In MY 2012/13, Saudi Arabia imported about 1.225 million MT, while imports in MY 2013/14 are estimated at 1.264 million MT, an increase of about 3 percent. India remained the dominant rice supplier in the Saudi market, controlling about 70 percent market share in MY 2012/13. Trade data for the first 11 months of 2013 (Jan-Nov) shows Indian rice exports at 802,221 MT, a very small increase compared to the 796,317 MT exported during the same period in 2012. In the past several years, Indian rice exports benefited from a shift in Saudi consumers' preferences towards Basmati rice. In 2012, Basmati varieties accounted for 86 percent of total India's rice exports to the Saudi market and the remaining was non-Basmati varieties, mainly Parimal variety.

Saudi Rice Imports in MT				
	Jan-Dec 2012		Jan-Dec 2013	
Origin	Quantity	Market Share	Quantity	Market Share
India	861,210	70.3%	875,000	69.2%

U.S.	114,873	9.4%	136,350	10.8%
Pakistan	132,750	10.8%	135,000	10.7%
Thailand	70,800	5.8%	67,324	5.3%
Other Countries	45,000	3.7%	50,000	4.0%
Total	**1,224,633**	**100%**	**1,263,674**	**100%**

Source: GTA and Trade Source

The U.S. has remained one of the top three rice exporters to Saudi Arabia. In MY 2013/14, U.S. rice exports increased by about 19 percent to 136,350 MT, compared to 114,873 MT in the year before. The American long grain parboiled rice accounted for about 82 percent of total U.S. rice exports to Saudi Arabia, and the remaining 18 percent was medium grain rice. U.S. exports have been fluctuating, depending on their price competitiveness with other varieties, especially Indian parboiled basmati rice. Saudi rice importers tend to easily switch between U.S. parboiled and Indian sella (parboiled) basmati rice when prices are advantageous to them. According to the Saudi importers, the prices of Indian rice have been rising for the past two months and have increased by 20 percent by the middle of February, compared to the an estimated average price of $1,100 per MT (FOB) in 2013. Rice importers attributed the increased Indian rice prices to a tighter rice supply in India and a strong demand by India's main customers. The prices of U.S. long grain parboiled rice, however, remained stable in the Saudi market since most of the Saudi importers have contracted their import shipments from last year's crop at low prices. Saudi rice importers expect that the significant price increases of the Indian rice would make U.S. long grain rice more competitive and help increase the U.S. market share this year. On the other hand, some Saudi importers have difficulty sourcing U.S. medium grain rice due to tighter supply and fast rising prices in the U.S. market. In 2013, U.S. exported 24,130 MT of medium grain rice to Saudi Arabia, an increase of about 4 percent compared to 2012.

Pakistani rice exports to Saudi Arabia, which usually competes with U.S. exports for the second largest share of the Saudi rice market, increased from 122,832 MT in MY2011\12 to 132,750 MT in MY 2012/13, an increase of 8 percent. There is no official data available on Pakistani rice exports to Saudi Arabia in MY 2013/14, but our trade sources estimate they could reach 135,000 MT. Basmati varieties accounted for 48 percent of Pakistani rice exports to Saudi Arabia in MY 2012/13, while non-Basmati rice varieties accounted 52 percent of total Pakistani exports in that year. Thai rice exports to Saudi Arabia in MY2013/14 totaled 67,324 MT, a decrease of about five percent compared to the previous year. Other rice exporters to the Saudi market include Egypt and Australia. It is estimated that these two countries combined have exported about 50,000 MT in MY 2013/14 short grain rice. Official exports data for both Egypt and Australia is not readily available.

The bulk of imported rice into the Saudi market traditionally sold in jute and polypropylene bags of 40 kg, 10 kg and 5 kg. In recent years, larger quantities of rice have been sold in 10 kg bags because they are convenient to carry and store than the 40 kg bag.

Marketing:

Prices

Rice prices in the Saudi major retail food outlets (supermarket and hypermarket chains) vary significantly, depending on rice varieties, brand names and the product quality. Retail prices of Indian

rice varieties have increased between 6 and 20 percent in February 2014 due to increased import prices. In the second week of February 2013, major supermarket chains in Riyadh were selling the 10 kg sack of Indian long grain white basmati rice at prices ranging from $20 to $24, while the prices for Indian long grain sella basmati ranged between $17 and $21per 10 kg/sack. The prices for the U.S. calrose rice ranged between $13.33 and $13.86 per 10 kg depend on its brand names while 10 kg of long grain U.S. parboiled rice is sold between $11.47 and $13.87.

Rice Variety	Price per 10 kg sack
Indian Long Grain White Basmati Rice	$20.26-$24.27
Indian Long Grain Sella Basmati Rice	$17.33-$20.53
Thai Fragrance Rice	$16.00-17.33
Australian Calrose Rice	$14.13-$15.20
U.S. Calrose Rice	$13.33-13.86
Egyptian Calrose Rice	$12.80-$13.33
U.S. Long Grain Parboiled Rice	$11.47-$13.87

Rice prices at supermarkets and retail outlets are set on weekly basis, and are usually effective Thursday through Wednesday.

The sharp increases in rice prices in the Saudi market in recent months have created opportunities for illegal rice trade. In mid-February 2014, the Saudi Ministry of Commerce and Industry (MOCI) confiscated a truck carrying 1,000 bags of 40 kg of rice blends of popular domestic brands repacked with rice of inferior quality for distribution at various smaller retailer outlets. According to rice importers, similar fraudulent activities have been going on for the past several years in major cities of the Kingdom, particular in Jeddah and Dammam. The importers say that the practice does not only damage the image of leading brand names developed over the years, but also causes them huge financial losses. The importers asked the MOCI to intensify its inspection campaign of rice warehouses and retail outlets and to crackdown on fraudulent rice traders.

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 Saudi Arabia	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Jan 2013		Market Year Begin: Jan 2014		Market Year Begin: Jan 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	0	0	0		0
Beginning Stocks	234	234	214	239		247
Milled Production	0	0	0	0		0

Rough Production	0	0	0	0		0
Milling Rate (.9999)	0	0	0	0		0
MY Imports	1,225	1,225	1,250	1,264		1,300
TY Imports	1,225	1,225	1,250	1,264		1,300
TY Imp. from U.S.	0	115	0	136		150
Total Supply	1,459	1,459	1,464	1,503		1,547
MY Exports	20	20	20	20		20
TY Exports	20	20	20	20		20
Consumption and Residual	1,225	1,200	1,250	1,236		1,273
Ending Stocks	214	239	194	247		254
Total Distribution	1,459	1,459	1,464	1,503		1,547
1000 HA, 1000 MT, MT/HA						