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Saudi Arabia

Grain and Feed Annual

2013

Approved By:
Hassan F. Ahmed, U.S. Embassy Riyadh

Prepared By:
Hassan F. Ahmed and Hussein Mousa

Report Highlights:
Saudi wheat production continues its drastic decline, as the Saudi government enforces its policy to phase-out wheat cultivation by 2016. Total Saudi wheat production in MY 2012/13 is estimated at 780,000 MT, a decline of 34 percent compared to 1.184 MMT in MY 2011/12, and production is forecast to further decline to 700,000 MT in 2013/14. Saudi wheat imports in MY 2012/13 are projected to be 1.960 MMT, compared to a total of 2.9 MMT imported the year before. Saudi Arabia purchased soft wheat for fist time through tenders announced in March. Saudi barley imports in MY 2012/2013 are projected at 7.5 MMT, about 13 percent lower than imports in the previous year. In 2012/13, India controlled 72 percent of the 1.193 MMT Saudi rice import market, followed by the U.S. and Pakistan with 10 and 9 percent market share, respectively. Saudi corn imports are projected to increase 18 percent, to 2.15 MMT in MY 2012/13, mostly due to expanding poultry production and increased corn utilization for sweeteners and starch production.

Commodities:

Wheat

Production:

Wheat production in Saudi Arabia went through drastic changes in the last five years. The Saudi government continued to enforce the implementation of a wheat production policy which 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. Wheat production in Saudi Arabia relies 100 percent on mechanical irrigation. The seeding of the wheat crop starts in mid November to early January, and harvest is from late April to June. Although the wheat crop is totally irrigated, the cooler temperature and cloudy weather associated with rainfalls (when they arrive) play an important role in affecting wheat growing conditions and, thus the crop yield. Most of the wheat grown in Saudi Arabia is hard-winter, with some limited quantities (about 120,000 MT) of durum wheat for the manufacturing of pasta products. The main wheat variety cultivated in Saudi Arabia is 'Yecoro Rojo', which originated from the United States.

Total Saudi wheat production in MY 2012/13 is estimated at 780,000 MT, a decline of 34 percent compared to 1.184 million MT in MY 2011/12. The huge drop in wheat production this year was mostly due to the sharp reduction in wheat planted area, as the Saudi government started to strictly enforce its policy to eliminate wheat production by 2016 (see Policy Section). Wheat production is projected to further decline by 10 percent in MY 2013/14, to 700,000 MT.

Wheat area planted in MY 2011/12 was estimated at 192,818 hectare, with an average yield of 5.82 per hectare. For MY 2012/13, the total wheat area declined 30 percent to 134, 480 HA. The table below shows the development of wheat production and area planted in Saudi Arabia since 2006/2007.

Marketing Year	Wheat Area Planted (HA)	Wheat Production (,000 MT)
2006/2007	468,271	2,630
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 (estimate)	134,480	780
2013/2014 (projection)	120,000	700

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 recent 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 the local producers as well as importing wheat to cover domestic consumption needs. It has been reported that the GSFMO will continue to purchase local wheat from farmers until the completion of the production phase-out in 2016.

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 flour in Saudi Arabia is currently estimated at 241 gram per day, or about 88 kg annually. Saudi wheat consumption in MY 2012/2013 is projected to be about 3.027 million MT, a decline of 24 percent compared to the consumption level in MY 2011/2012. This is mostly due to reduced consumption of feed-wheat by feed processing companies this year. Total wheat for human consumption in MY 2012/13 is estimated at 2.997 million MT, of which 10 percent is utilized for food processing. Saudi per capita consumption of wheat is currently estimated at about 110 kg annually.

Feed-wheat consumption is projected to increase to 500,000 MT in 2013/2014, as imports of feed-wheat are expected to resuming by both the government buying agency and private sector feed processors. Low feed wheat import prices from Black Sea countries will make it more attractive for feed processors to incorporate more wheat in their feed rations. Saudi livestock producers and feed processors imported about one million MT in MY 2011/2012. There is a perception among some Saudi animal feed processors that feed wheat is more nutritious than feed barley and easier to handle.

Trade:

There are three different entities that are currently involved in importing wheat in Saudi Arabia: the GSFMO, the MOF and private sector animal feed processors. 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 food grade wheat through two main ports, the Jeddah Seaport on the Red Sea and the Dammam Seaport on the Arabian Gulf. The GSFMO has been making plans to increase the number of Saudi seaports to five by adding three smaller seaports in Diba, Gazan and Yanbu (all located on the Red Sea) by 2016.

In MY 2011/12, total Saudi wheat imports were estimated at 2,903,000 MT, for both milling and feed- grade wheat. Canada was the leading wheat supplier to the Saudi market during that year, controlling 30 percent the import market, followed by Germany, the U.S. and Australia, with market shares of 17 percent, 12 percent and 12 percent, respectively. It should be noted that

Saudi wheat import shipments included about one million MT of feed-grade wheat, mostly from Germany, Australia, Russia, Ukraine and other Black Sea countries.

Saudi Arabia's wheat imports in MY 2012/13 are projected to reach 1.96 million MT. As of the end of February 2013, the GSFMO's actual imports totaled 1.61 million MT. On March 3, 2013, the GSFMO announced tenders to purchase 465,000 MT of hard wheat and 110,000 MT of soft wheat, with origin options from EU, Australia and the United States. It should be noted that this is the first time that Saudi Arabia purchased soft wheat for over three decades. The soft wheat will be mostly used in food processing to manufacture biscuits, cakes and pastries. The tenders' average C&F price for the hard wheat was $346 per MT and $328 per MT for soft wheat. The wheat will be delivered to the main Saudi ports in Jeddah and Dammam during the period June-August, 2013.

Saudi Wheat Imports in MT

	July 2011-June 2012		**July 2012-Dec 2012**	
Origin	**Quantity**	**Market Share**	**Quantity**	**Market Share**
Canada	864,102	30%	57,750	6%
Germany	481,705	17%	57,745	6%
U.S.	351,633	12%	111,393	12%
Australia	348,696	12%	62,428	7%
Ukraine	265,733	9%	N/A	N/A
Russia	189,294	7%	10,252	1%
Lithuania	127,941	4%	246,746	27%
Poland	55,186	2%	125,973	14%
Other	218,710	7%	236,471	27%
Total	**2,903,000**	**100%**	**908,758**	**100%**

Source: USDA Data and Global Trade Atlas

Available trade data for MY 2012/13 indicates that Lithuania and Poland have been (so far) the leading wheat suppliers to the Saudi wheat market, replacing Canada and Germany. No Saudi import shipments of feed-grade wheat were reported in 2012/13, as short supplies of feed-wheat in Black Sea countries have made it more expensive compared to barley.

For MY 2013/14, total Saudi wheat import is projected to be about 2.7 million MT, of which 2.2 million MT will be purchased by the GSFMO for human consumption and about 500,000 MT are expected to be imported by the MOF private sector buyers for animal feed processing. The MOF is making efforts to import as much feed-wheat as possible in order to reduce Saudi Arabia's dependence on barley imports as the main feed grain. Although feed-wheat is included on the list of eligible products for feed import subsidy, the government has not issued any regulations concerning import specifications or the subsidy amount that it will offer to the importers. The importers are hopeful that import specifications and corresponding subsidy levels will be issued soon.

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 folds) to 495,000 MT in 2011. In CY 2012, U.S. wheat exports dropped to 224,293 MT, a decrease of 55 percent compared to CY 2011. 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:

The GSFMO owns and operates silo complexes in major cities around the Kingdom with a total combined storage capacity of 2.5 million MT. The GSFMO has signed contracts to build five additional silos in Makkah, Qassim, Gazan, 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 six months of Saudi Arabia's consumption level, but the government is planning to gradually increase wheat reserves to cover 12 months by 2016.

Policy:

The Saudi government continued 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.

Two other water-saving related policy initiatives were adopted by the Saudi government. In 2002, the government made another important policy move to save the scarce water resources by creating a new ministry (Ministry of Electricity and Water) to develop and oversee the country's overall water policies. Although these efforts were targeted at saving water resources, many Saudi farmers switched from wheat cultivation to producing forage crops, such 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.

Currently, the Saudi government is considering the privatization of nine flour mills in Riyadh, Jeddah, Khamees Mushayt, Dammam, Qassim, Hail, Tabuk, Al-Jouf and Madina. The combined wheat milling capacity of these mills is estimated at 11,280 MT per day. The GSFMO plans to divide the nine mills into four separate groups, and sell them to different investors. The GSFMO, however, will remain as the exclusive government importer of food wheat and the operator of

the wheat silos in order to manage the strategic wheat reserves and ensure the country's food security objectives. 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 GSFMO 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 items such upscale bakery products and pasta manufacturing.

Marketing:

The GSFMO is the sole buyer, miller and distributor of food wheat and flour in Saudi Arabia. Licensed bakeries, industrial users and supermarkets get their flour needs 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 1, 2, 5, or 10 kg flour packages. In the past, the GSFMO allowed individual customers to purchase the 45 kg flour sacks, but it 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.

Marketing 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. 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	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jul 2011		Market Year Begin: Jul 2012		Market Year Begin: Jul 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	220	193	200	134		120
Beginning Stocks	2,594	2,594	2,647	2,691		2,404
Production	1,100	1,184	1,000	780		700
MY Imports	2,903	2,903	2,000	1,960		2,700
TY Imports	2,903	2,903	2,000	1,960		2,700
TY Imp. from U.S.	171	171	0	166		220
Total Supply	6,597	6,681	5,647	5,431		5,804
MY Exports	0	0	0	0		0
TY Exports	0	0	0	0		0
Feed and Residual	1,100	1,100	100	50		500
FSI Consumption	2,850	2,890	2,900	2,977		3,070
Total Consumption	3,950	3,990	3,000	3,027		3,570
Ending Stocks	2,647	2,691	2,647	2,404		2,234
Total Distribution	6,597	6,681	5,647	5,431		5,804
1000 HA, 1000 MT, MT/HA						

Commodities:

Barley

Production:

Barley production is practically non-existent in Saudi Arabia at the present time. In 2003, the Saudi government terminated the subsidy program that supported domestic barley production, which brought an end to barley cultivation in the Kingdom which lasted for about two decades. Barley production reached its climax in Saudi Arabia in1993, when it hit 2.2 million MT. The government stopped barley production to conserve scarce water resources, as the barley crop relied 100 percent on pivot irrigation systems and consumed huge amounts of the non-renewable water reserves. Currently, the total barley production in Saudi Arabia is about 15,000 MT, all of which is unsubsidized and used for food consumption.

Consumption:

Traditionally, barley has been the preferred animal feed for the Saudi Bedouins because it is easier to store and feed their animals with than other processed feed. About 98 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 in feed processing particularly by dairy farmers. Sheep are the largest barley consumers, 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, as there is no beer production in Saudi Arabia. Barley consumption for MY 2012/2013 is estimated to increase to 7.7 million MT, 6 percent higher than the consumption level of 7.2 million MT in the previous year. This is due to a strong demand for barley as a result of the smaller rainfall and deterioration in pasture conditions this year. Other factors contributed to increased barley demand such as lack of price competitiveness of feed-wheat and a significant increase in the livestock numbers. For MY 2013/2014, Saudi barley consumption is forecast to decline to 7 million MT, as barley demand is expected to return to more normal levels. 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 feed-wheat and forage. However, barley demand is expected to remain strong as the MOF has indicated it will continue subsidy payment for barley imports in the coming years.

Domestically produced food barley is used for specialty items such as soups and 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:

Saudi barley imports have been controlled by the Ministry of Finance (MOF) since the second half of MY 2010/11, through the Saudi Grain and Fodder Company (SGFC) which act as the government agent. In February 2013, the SGFC purchased one million MT of feed barley. It is reported that about 500,000 were MT purchased from Black Sea suppliers (Russia and Ukraine) at an average price of $260 FOB per MT, while the other 500,000 MT came from Canada and Australia, at an average price of $320 C&F per MT. These shipments are expected to arrive between the end of February and June 2013. Barley imports in MY 2012/2013 are estimated at 7.5 MMT, which should be sufficient to cover the country's needs for the entire marketing year. For MY 2013/14, Saudi barley imports are forecast to decline 6 percent, to 7 million MT. This is mainly due to the expected resumption of feed-wheat imports by both the MOF and private sector feed processors, as the supply of feed-wheat in Black Sea countries is expected to rise.

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 search for best-price suppliers and buy from the cheapest sources. This strategy has reportedly saved the MOF millions of dollars in the last couple of years.

Saudi Barley Imports in MT

	July 2011-June 2012		July 2012-Dec 2012	
Origin	**Quantity**	**Market Share**	**Quantity**	**Market Share**
Russia	2,358,847	27.1%	454,821	41.1%
Australia	1,892,380	21.8%	N/A	N/A
Ukraine	1,686,494	19.4%	N/A	N/A
Argentina	1,292,810	14.9%	358,953	32.5%
Germany	474,958	5.5%	N/A	N/A
Romania	467,382	5.4%	N/A	N/A
Canada	118,251	1.4%	109,780	9.9%
France	60,500	0.7%	104,400	9.4%
Estonia	26,250	0.3%	77,515	7.0%
Other	312,738	3.6%	N/A	N/A
Total	**8,690,610**	**100.0%**	**1,105,469**	**100%**

Source: Global Trade Atlas

In MY 2011/2012, Saudi Arabia imported about 8.7 MMT of feed barley. Russia dominated the market with a 27 percent market share, followed by Australia (22 percent), Ukraine (19 percent), and Argentina (15 percent). During the period October-December 2012, Saudi Arabia imported a total of 1,105,469 MT of barley from five countries. These include Russia, with 41 percent market share, Argentina 33 percent, Canada 10 percent, France 9 percent, and Estonia 7 percent. Data on Saudi barley imports from Ukraine, Australia and the EU countries was not readily available at the time of drafting this report.

It should be noted that since the MOF became the exclusive barley importer in April 2011, the Saudi barley market has been more stable and prices less volatile. There have been repeated complaints by livestock farmers about price gouging and market manipulation by importers that led to severe shortages in barley supply in several regions. In response, the government tasked an inter-ministerial committee to investigate the issue and determine the cause for the shortages and the price gouging. As a solution, the MOF signed contracts in 2011/2012 with several former barley importers to pack and distribute imported the barley through the SGFC to designated end-users under the MOF's direct supervision. The new approach has been successful so far in establishing a more efficient distribution system and meeting customers' needs in a timely manner.

Barley shipments come through five Saudi seaports, Jeddah and Dammam (largest seaports in the country) and three smaller seaports in Yanbu, Diba and Gazan 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 MOF supervision.

Stocks:

Saudi Arabia maintains barley stocks that cover about three months of total domestic consumption as a strategic reserve. The MOF does not own any barley storage facilities, but it uses the GSFMO's grain storage facilities (designated for barley) with a total storage capacity of 100,000 MT, or utilizes the storage facilities of the contracted packers to store and maintain barley stocks.

Policy:

In 2008, the Saudi Ministry of Agriculture announced a new animal feed import policy that aims at reducing barley imports 50 percent by 2015. To achieve this goal, the government has established a list of 17 animal feed products to receive import subsidies. Before 2008, only a few products were eligible to receive import subsidies such as yellow corn, soybean meal and barley. The government has revised the list of eligible feed items four times, most recently in July 2011. The revised list also included increased subsidy amounts for the imported animal feed by 100 percent and adding several new products like feed-grade wheat, DDGs and Corn Gluten Feed. Imported feed 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 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. The expansion of the eligible list was made to diversify animal feed sources and help provide the livestock producers with more nutritious feed options. It should be noted that barley was not included on the new list of eligible imports, since it is exclusively imported by MOF.

The MOF purchases barley in the world markets at prevailing market prices and sell to domestic end users at a government established price. Since there is no limit as to how much the MOF is authorized to pay as a subsidy for the imported barley, Saudi barley imports have drastically increased since the MOF took over the barley program. Barley imports reached 8.7 MMT in 2011/2012.

Price:

Barley supplies are now widely available across the Kingdom at competitive prices. Large livestock farmers and licensed wholesale distributors purchase the 50 kg sack of barley from the packing facilities in their respective regions at a government controlled price of 36 Saudi Riyals (SAR) or about 9.6 US dollar. The government allows the dealers to sell it at a maximum retail price of 40 SAR (10.6 US$). According to feed traders, the wide availability of barley in Saudi Arabia this year has injected some competition into the local barley markets, to the extent some barley dealers are offering barley at a discounted price of 38 SAR for the 50 kg sack, 2 SAR below the maximum retail price set by the government.

Production, Supply and Demand Data Statistics:

Barley Saudi Arabia	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jul 2011		Market Year Begin: May 2012		Market Year Begin: Jul 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	2	0	2		2
Beginning Stocks	1,253	1,253	3,028	2,708		2,508
Production	0	15	0	15		15
MY Imports	8,500	8,700	7,500	7,500		7,000
TY Imports	8,500	8,700	7,500	7,500		7,000
TY Imp. from U.S.	59	59	0	59		55
Total Supply	9,753	9,968	10,528	10,223		9,523
MY Exports	0	0	0	0		0
TY Exports	0	0	0	0		0
Feed and Residual	6,700	7,245	7,900	7,700		7,047
FSI Consumption	25	15	25	15		15
Total Consumption	6,725	7,260	7,925	7,715		7,062
Ending Stocks	3,028	2,708	2,603	2,508		2,461
Total Distribution	9,753	9,968	10,528	10,223		9,523
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 2011/12 was estimated at 15,302 HA, with an average yield of 6 MT per hectare. In MY 2012/13, the total corn area was reduced by about 8 percent, to 14,134 HA. The

table below shows the development of corn area, production and yield per hectare in Saudi Arabia in the last seven years.

Saudi corn growers do not receive any government support, neither through direct production subsidy nor government guaranteed prices. The government policy has been discouraging domestic production of all water-intensive crops, including feed corn, and has been offering incentives to corn imports. The import subsidy for feed corn is currently set at about $120 per MT.

Marketing Year	Corn Area Planted (HA)	Corn Production (MT)	Yield per (MT)
2006/2007	11,836	69,825	5.90
2007/2008	23,892	134,913	5.65
2008/2009	28,966	163,446	5.64
2009/2010	29,498	161,479	5.47
2010/2011	14,951	79,384	5.31
2011/2012	15,302	91,747	6.00
2012/2013 (estimate)	14,134	80,000	5.66
2013/2014 (projection)	14,140	80,000	5.66

Source: Ministry of Agriculture and OAA Riyadh's estimates

Consumption:

Corn consumption in Saudi Arabia currently exceeded 2 million MY annually. All imported corn and most of the domestically produced corn is used primarily for animal feed processing, while some imported quantities are utilized for industrial processing. Some limited quantities of the locally grown corn are used for human consumption (corn-on-the-cob) and milled for flour by small neighborhood flour mills for baking needs.

Virtually, all of feed corn is used principally in poultry feed processing, and to a lesser extent in livestock feed rations. As feed costs account for about 70 percent of broiler meat total production, the Saudi government has been providing import subsides for feed corn and other feed ingredients, including DGGS and CGF to help reduce production of poultry meat. At the present time, the import subsidy for feed corn is set at $120 per MT.

Industrial Use

ARASCO (the Arabian Agricultural Development Company) has been the sole corn processor in Saudi Arabia in the past several years. Through its corn milling facilities in Al-Kharj, ARASCO processed an estimated amount of 100,000 MT of corn annually for sweeteners and starch and production. In January 2013, ARASCO and the Cargill Co. formed a joint venture project to manufacture starch-based products for the Saudi market as well as for exports to neighboring Arab countries. The new joint venture plant, which has already started operation, will process up to 350,000 MT of corn annually when it reaches full capacity and will produce starches,

sweeteners and other food processing ingredients for confectioneries, juices, and bakery products.

Trade:

Feed corn is freely imported by private companies, with no import duties. In addition, the government provides an import subsidy of $120 per MT, directly to the importers. In MY 2011/12, Saudi Arabia imported a total of 1.8 million MT of feed corn, with Brazil supplying about 658,000 MT, or 36 percent of total imports. Argentina was the second largest supplier, with 34 percent market share, followed by the U.S. and Ukraine, with 20 percent and 10 percent, respectively.

Saudi Corn Imports in MT

	Oct 2011-Sep 2012		Oct 2012-Jan 2013	
Origin	**Quantity**	**Market Share**	**Quantity**	**Market Share**
Brazil	658,034	36%	344,695	49%
Argentina	613,844	34%	228,302	32%
U.S.	363,843	20%	135,139	19%
Ukraine	177,638	10%	N/A	N/A
Other	2,145	0%	170	0%
Total	**1,815,504**	**100%**	**708,306**	**100%**

Source: Global Trade Atlas

Partial import data for MY 2012/13 indicates that the top three corn suppliers to Saudi Arabia (Brazil, Argentina and the U.S.) have maintained the same competitive position as in the previous year, with Brazil gaining some market shares at the expense of other suppliers. During the period October 2012 -January 2013, Saudi corn imports totaled 708,306 MT of feed corn, of which Brazil supplied 49 percent, Argentina 32 percent and the U.S. 19 percent.

For total MY2012/13, Saudi corn imports are projected to rise 18 percent, to 2.15 MMT due to the expected increase in corn consumption for expanding poultry production as well as increased corn utilization for industrial use (sweeteners and starch) with the expansion of ARASCO plants. The largest three Saudi poultry farms are planning to increase broiler meat production by more than 150,000 MT of poultry meat in MY2012/13. For MY2013/14, Saudi corn imports are forecast to rise 7 percent, to 2.3 MT.

Dried Distillers Grain with Soluble (DDGS) and Corn Gluten Feed (CGF) were included in the list of feed grains that receive government import subsidies, set at $134.67 and $125.87 per MT, respectively. To qualify for the subsidies, the DDGS must have at a minimum 23 percent protein 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 and about 16,000 MT CGF in 2012.

Marketing:

The USGC has been active in the Saudi market for more than two years organizing feed trials for DGGS and sorghum. Their efforts have succeeded in convincing the Saudi government to include the DDGS and CGF on the list of imported feed ingredients eligible for subsidy. This is an excellent opportunity for U.S. DDGS and CGF exports to Saudi Arabia. In addition, the USGC sponsored a visit by U.S. poultry feed experts to major Saudi poultry farms in 2012 to provide technical information on the benefits of using DDGS in their poultry feed formulas.

Production, Supply and Demand Data Statistics:

Corn Saudi Arabia	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	30	15	30	13		13
Beginning Stocks	369	369	365	332		337
Production	180	92	180	80		80
MY Imports	1,816	1,816	1,900	2,150		2,300
TY Imports	1,816	1,816	1,900	2,150		2,300
TY Imp. from U.S.	362	362	0	250		300
Total Supply	2,365	2,277	2,445	2,562		2,717
MY Exports	0	0	0	0		0
TY Exports	0	0	0	0		0
Feed and Residual	2,000	1,845	2,100	1,937		2,032
FSI Consumption	0	100	0	288		350
Total Consumption	2,000	1,945	2,100	2,225		2,382
Ending Stocks	365	332	345	337		335
Total Distribution	2,365	2,277	2,445	2,562		2,717
1000 HA, 1000 MT, MT/HA						

Commodities:

Rice, Milled

Production:

Currently, 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 7 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 MY 2012, total rice consumption was estimated at about 1.14 million MT. 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, however, rice demand will continue to grow in the coming years due to population growth and increased number of foreign visitors for Hajj (Pilgrimage) and Umrahs, estimated at eight million people each year.

Basmati (aromatic rice from the Indian subcontinent) is currently the most popular rice variety in the Saudi market. The American long and medium grain rice varieties are well known, but Saudi consumers' preference for these varieties has shifted to the 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 part of the Kingdom. American rice is also very popular with restaurants for making Kabsah dishes.

Trade:

Rice is imported freely into Saudi Arabia by private companies, with zero import duty and no import subsidy. In MY 2012/13, Saudi rice imports are expected to be 1.193 million MT, while imports in MY 2013/14 are projected to increase by3 percent. India remained the dominant rice supplier in the Saudi market, controlling a 72 percent market share in MY 2012/13. Trade data for the first 11 months of 2012 (Jan-Nov) puts Indian rice exports at 796,239 MT, an increase of 9 percent, compared to 730,589 MT exported for the entire MY2011\12. Over the past several years, Indian rice exports benefited most from the shift in Saudi rice consumption preferences. In 2012, Basmati variety rice accounted for 86 percent of total India's rice exports to the Saudi market and the remaining was non-Basmati varieties, mainly Parimal variety.

For the last few years, the U.S. has maintained second place in the Saudi rice market. In MY2012/13, U.S. rice exports declined 20 percent to 114,872 MT, compared to 143,193 MT the year before. The American long grain parboiled rice accounted for about 80 percent of total U.S. rice exports to Saudi Arabia, and the remaining 20 was medium grain rice. U.S. exports have been fluctuating, depending on their price competitiveness compared with other varieties, especially the Indian parboiled basmati rice. Saudi rice importers tend to easily switch to Indian Sella (parboiled) basmati rice when prices are advantageous.

Saudi Rice Imports in MT

	MY 2011/2012		MY 2012/2013	
Origin	**Quantity**	**Market Share**	**Quantity**	**Market Share**
India	730,589	64%	864,514	72%
U.S.	143,913	13%	114,872	10%
Pakistan	122,832	11%	103,450	9%
Thailand	97,107	8%	69,828	6%
Other Countries	50,670	4%	40,725	3%
Total	**1,145,111**	**100%**	**1,193,389**	**100%**

Source: Suppliers country data

Saudi rice imports from Pakistan, which usually competes with the U.S. for the second position in the Saudi market, lost about 16 percent market share in MY2012/13. Basmati and non-Basmati rice varieties accounted for 53 percent and 47 percent, respectively, of Pakistani rice exports to Saudi Arabia during this period. Thailand rice exports to Saudi Arabia in 2012 were mostly fragrant rice, followed by parboiled rice (28 percent and white rice (13 percent).

Other rice exporters include Egypt and Australia. It is estimated that these two countries combined have exported between 40,000 MT to 60,000 MT annually of short grain rice to the Saudi market in the past few years. According to trade sources, Egyptian rice export to Saudi Arabia has declined sharply in CY2012, due to a temporary export ban imposed by the Egyptian government. Australian rice export data are not readily available.

Traditionally, the bulk of the imported rice comes in Jute and Polypropylene bags of 40 kg, 10 kg and 5 kg. However, larger quantities of rice are currently being bagged in smaller bags. According to Saudi rice importers, customers with small family sizes are now more receptive to small-size packaging because of the convenience in handling and carrying.

Prices

Rice prices in the Saudi retail food outlets vary significantly, depending on brand names and the product quality. During the last week of February 2013, major supermarket chains in Riyadh were selling the 40 kg sack of Indian parboiled rice at prices ranging from $20 and $64, while the prices for Indian Basmati white long grain ranged between $64 and $80 per 40 kg/sack. The price of the U.S. chopstick golden long grain parboiled rice was $48 per 40 kg/sack. The prices for the Pakistani white Basmati rice ranged between $32 and $47 per 40 kg depend on its brand names. The retail outlets (supermarket and hypermarket chains) usually update rice sale prices on a weekly basis, Wednesday through Tuesday. Our trade contacts have indicated that rice distributors in Saudi Arabia are planning to increase retail prices significantly in the coming weeks to keep up with the recent increases in rice prices in the world markets.

Competitors Activities

Many of the Saudi rice companies that import Indian rice spend 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 the domestic food shows 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. The U.S. rice industry's promotional activities are mostly focused on trade servicing.

Production, Supply and Demand Data Statistics:

Rice, Milled Saudi Arabia	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jan 2012		Market Year Begin: Jan 2013		Market Year Begin: Jan 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	0	0	0		0
Beginning Stocks	211	211	191	196		215
Milled Production	0	0	0	0		0
Rough Production	0	0	0	0		0
Milling Rate (.9999)	0	0	0	0		0
MY Imports	1,150	1,145	1,225	1,193		1,230
TY Imports	1,150	1,145	1,225	1,193		1,230
TY Imp. from U.S.	0	142	0	115		140
Total Supply	1,361	1,356	1,416	1,389		1,445
MY Exports	20	20	20	0		0
TY Exports	20	20	20	0		0
Consumption and Residual	1,150	1,140	1,175	1,174		1,209
Ending Stocks	191	196	221	215		236
Total Distribution	1,361	1,356	1,416	1,389		1,445
1000 HA, 1000 MT, MT/HA						