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## Saudi Arabia

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### Saudi Arabia Privatizes Flour Mills

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Grain and Feed

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**Report Highlights:**

Saudi Arabia's Council of Ministers took a decision on November 9, 2015 to restructure the Grain Silos and Flour Mills Organization (GSFMO) under a new name, the General Organization for Grains (GOG). The Council of Ministers' decision will authorize the Public Investment Fund of the Ministry of Finance to re-group nine existing flour mills into four companies to be later on sold to interested private sector buyers through a competitive bidding process. Foreign investors will be allowed to compete with Saudi investors to own and operate these flour mills. The new milling companies will serve as clients of the GOG to process and distribute wheat flour for fees to their government approved customers at agreed subsidized prices. The nine flour mills have a combined daily milling capacity of 12,630 metric tons of wheat and currently process about 3.3 million metric tons of wheat annually.

## **Saudi Arabia Privatizes Flour Mills**

On November 9, the Saudi Council of Ministers, chaired by King Salman, approved the establishment of four milling companies and restructuring the Grain Silos and Flour Mills Organization (GSFMO) under a new name, the General Organization for Grains (GOG). The Saudi government authorized the Public Investment Fund (PIF) of the Ministry of Finance to set up four flour mill companies, which will be eventually sold to the private sector, to produce wheat flour for domestic market. The PIF will re-group nine existing flour mills into four companies that will be sold to interested buyers through a competitive bidding process. Foreign investors will be allowed to compete with the Saudi investors to own and operate these flour mills. The flour mills sector has been for several years targeted for privatization by the Saudi government.

The new milling companies will serve as clients of the GOG to process and distribute wheat flour for fees to government approved customers at agreed subsidized prices. The new mills would be allowed, if so chose, to import their own wheat shipments for the processing of non-subsidized flour and the production of upscale quality bakeries and pasta. Most of the revenue of the private mills is expected to come from the milling fees charged to the GOG.

The nine flour mills have a combined daily milling capacity of 12,630 metric tons (MT) of wheat and process about 3.3 million MT of wheat annually. The GOG is currently building several wheat silos to increase its total storage capacity to 3.7 million MT of wheat by 2016.

### **The role of the GOG after privatization**

The GOG will remain the exclusive government agency to import subsidized milling wheat, and will maintain ownership and operation of most of the wheat silos across the country. The GOG will manage the strategic wheat reserves and ensure the Kingdom's food security objectives. The GOG is expected to privatize only a part of its grain storage silos to provide a smooth transition for the new flour mills. The rest of the storage capacity will be retained by the GOG for strategic reserve purposes.

The GOG will also assume regulatory functions in the wheat milling sector that will include:

- Setting the regulations concerning wheat flour quality
- Inspecting flour mills to ensure compliance with quality regulations
- Regulating the competition among the private flour milling operators