

**Required Report:** Required - Public Distribution

**Date:** April 29, 2021

**Report Number:** SA2021-0006

## **Report Name:** Barley Trade Quarterly

**Country:** Saudi Arabia

**Post:** Riyadh

**Report Category:** Grain and Feed

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### **Report Highlights:**

On April 15, 2021, the Saudi government fully implemented its November 2020 decree to privatize the barley import sector. The decision was implemented when the Saudi Grains Organization (SAGO) sold 1.84 million metric tons (MMT) of barley through an open and competitive bidding process to local grain traders. The move officially ends Saudi Arabia's longstanding control of barley trade, and it is expected to benefit livestock farmers by eventually lowering overall feed costs. In preparation for the privatization of the barley imports and distribution sector, SAGO issued licenses to 11 local potential barley traders of which two have already commenced barley imports.

## **Saudi Arabia Privatizes Barley Imports and Distribution Sector**

On April 15, 2021, the Saudi government fully implemented its November 2020 decree to hand back the barley imports and distribution business to the private sector. The decision was implemented when the Saudi Grains Organization (SAGO) sold 1.84 million metric tons (MMT) of barley through an open and competitive bidding process to local grain traders. The quantity was made up of 1.42 MMT of barley stored at 22 packing terminals (mostly contract packers) and seven vessel loads of barley sailing to Saudi seaports carrying 60,000 MT each for a total of 420,000 MT. The move officially ended a longstanding government monopsony in barley trade that the Saudi government put in place several decades ago. Going forward, licensed private sector barley importers will purchase barley and sell at profitable prices. Among some of its new responsibilities, SAGO will assure that licensing importers purchase barley that meets SAGO's already established quality standards. SAGO will also monitor the market to prevent price gouging and market manipulation.

The SAGO barley stocks were sold to six local grains traders for an average price of \$235.60 per MT, which was \$28.48 per MT less than the average C&F import price that SAGO paid for 2.05 MMT of barley from January - May 2021.

The United Feed Company (UFC), which accounted for approximately 40 percent of the total barley imported to the Kingdom in 2011, was the dominant buyer of SAGO's barley. They purchased 1.12 MMT, or approximately 61 percent of the total barley stocks sold by SAGO, followed by Manour Al Musaed for Trading and Contracting, which purchased 12.5 percent. Meanwhile, Alhenaky Trading Establishment and Al Nafei for Foodstuff each purchased 10 percent of the barley.

In preparation for the handover of the barley imports and distribution business to the private sector, SAGO issued imports and distribution licenses to 11 local potential barley traders of which two have already commenced barley imports. The UFC purchased 1 MMT of barley late last year for a March 2021 arrival. Another licensed company that imported barley was ARASCO, which purchased 100,000 MT of barley that also arrived in March 2021. While UFC bags and sells imported barley directly to livestock farmers, ARASCO uses the grain as an ingredient in feed processing in place of corn. ARASCO uses barley and corn interchangeably in its livestock feed production based on price competitiveness. It is estimated that UFC has at least 700,000 MT of imported barley in its packing facilities bringing the total barley available for April to approximately 2.5 MMT, including the 1.84 million sold by SAGO to the six local companies.

Post estimates another 600,000 MT of barley will be imported by June 2021, either by SAGO issuing another tender and then selling barley to the private sector or directly by the private sector. This will bring the total Saudi barley imports to approximately 6.7 MMT for MY20/21. (Please note that even though SAGO handed over the barley import business to the private sector, Post believes SAGO may need to purchase additional quantities over the short term. Post does not anticipate SAGO will purchase any more barley beyond this interim period.)

## Detailed Readout: SAGO Barley Stocks Sold Through Competitive Bidding Process

Name of the Local Purchaser	Quantity of SAGO barley Purchased (MT)	Purchase Price/MT (SAR)	Purchase Price/MT (USD)
United Feed Company	58,052	872.00	232.53
Manour Al Musaed for Trading and Contracting	66,215	904.35	241.16
United Feed Company	35,262	895.00	238.67
AlHenaki for Trading	41,982	878.00	234.13
United Feed Company	109,451	895.00	238.67
Al Nafei for Foodstuff	106,544	891.30	237.68
Al Bawardi for Grain Packing	36,180	871.00	232.27
AlHenaki for Trading	20,235	861.00	229.60
AlHenaki for Trading	10,830	862.00	229.87
AlHenaki for Trading	64,471	855.00	228.00
United Feed Company	43,638	895.00	238.67
United Feed Company	15,444	895.00	238.67
United Feed Company	72,677	895.00	238.67
Alutamayiza Ula for Feed	43,884	891.00	237.60
Alutamayiza Ula for Feed	30,633	851.00	226.93
AlHenaki for Trading	48,529	895.00	238.67
United Feed Company	67,021	890.00	237.33
United Feed Company	72,136	895.00	238.67
United Feed Company	111,550	890.00	237.33
Al Nafea for Foodstuff	90,235	889.50	237.20
Mansour Al Musaed for Trading and Contracting	163,368	873.91	233.04
United Feed Company	52,593	865.00	230.67
United Feed Company	61,510	865.00	230.67
United Feed Company	60,000	875.00	233.33
United Feed Company	60,000	880.00	234.67
United Feed Company	60,000	885.00	236.00
United Feed Company	60,000	890.00	237.33
United Feed Company	60,000	895.00	238.67
United Feed Company	60,000	900.00	240.00
United Feed Company	60,000	905.00	241.33
	<b>1,841,440 MT</b>		<b>Average purchase price/MT \$235.60 (USD)</b>

## Imported Barley Versus Locally Produced Animal Feed

The elimination of the SAGO barley purchasing program is expected to increase the consumption of more locally produced animal feed that is more nutritious than barley. Going forward, the demand for barley imports hinges on its price competitiveness compared to locally processed feed (complete and concentrates) combined with strong educational programs to convince traditional livestock farmers about the cost savings and productivity advantages of more nutritional processed feed over barley. According to various experts, replacing grain barley with processed feed will reportedly benefit livestock farmers by lowering the overall costs in the long term since processed feed is consumed more easily than barley. (Please note that MEWA reports that more than 30 percent of raw barley fed to livestock is discharged without being digested; thereby, providing no benefit to animals in terms of weight gain or nutrition.)

## **Brief History of Saudi Arabia's Barley Trade (Private or Public)**

This is the second time that the Saudi government handed back barley trade to the private sector. For several decades and up to the end of 1998, the former Grain Silos and Flour Mills Organization, which was renamed SAGO in early 2016, was the exclusive importer and distributor of feed barley in the Kingdom. At the end of 1998, the Saudi government handed the responsibility of importing and distributing subsidized feed barley to the private sector. This arrangement lasted until the first half of 2011. In the second half of that year, the Saudi Ministry of Finance (MOF) took over the importation and management of feed barley from the private sector following repeated complaints by livestock farmers about price gouging and market manipulation by importers that led to severe grain shortages in several regions. To overcome the problem, MOF appointed a Saudi grains company known as the Saudi Grain and Fodder Company (SGFC) as the exclusive barley importer, and they signed contracts with several former barley importers to pack and distribute imported barley to designated end-users under the MOF's direct supervision.

October 2, 2016, SAGO took over the exclusive right to import and manage local distribution of feed barley from the Saudi Grain and Fodder Company (SGFC). SAGO continued as the monopsony barley importer and distributor until it sold its barley stocks to the private sector in mid-April 2021, which ended the government's direct involvement in barley trade.

According to initial reports, it appears barley privatization is boosting the demand and prices of locally processed animal feed. For years, ARASCO kept the wholesale price of its 50 kg bag of complete processed feed (named "Wafi") at least one Saudi Riyal (SAR) less than grain barley of the same weight. Recently, ARASCO increased its price of Wafi by three SARs over the past couple of weeks. This month, a 50 kg of Wafi is being sold at SAR46 (\$12.27) wholesale while the same weight of grain barley is being sold at SAR43 (\$11.47). This price is expected to change significantly since the private sector purchased the SAGO barley stocks at \$235.60 per MT or \$11.78 (SAR44.18) per 50 kg. As a result, many anticipate the local barley price will reach SAR50 per 50 kg next week. The privation of barley trade along with the government's continued encouragement and expansion of local feed mills are expected to drastically reduce barley imports and consumption over the next several years.

## **Saudi's Subsidy Program**

In order to reduce the local farmer's overall production costs, in January 2020 the Saudi government implemented a new animal feed subsidy regime that gives direct monthly per head payments to small livestock farmers. Small farmers are those that have a maximum of 300 animals from each of the four livestock categories (sheep, goats, camels, and cattle). The total subsidy budget for this category is \$320 million a year. Livestock producers, the dominant users of barley, receive monthly per head subsidies of \$2.13 for goats and sheep, \$10.67 for camels, and \$16 per head for cattle. The direct monthly payments to livestock producers are intended to help farmers purchase the feed of their choice among available alternatives, particularly between grain barley and processed feed.

## Updated: Saudi Import Trade Data

Available data from exporting countries shows that during the eight months of MY2020/21 (Jul 2020-Feb 2021), Saudi barley imports totaled about 5 MMT, an increase of approximately 1.3 percent compared to the same period of the previous MY. During that period, Russia was the leading feed barley supplier to the Kingdom with 1.97 MMT, accounting for 40 percent market share followed by Australia with 29 percent, and then the EU-27 with 24 percent. Ukraine was a distant fourth with 7 percent.

Country	Jul 20 - Feb 21	Market Share	Jul 19 - Feb 20	Market Share
Russia	1,974,425	40%	1,135,846	23%
Australia	1,458,466	29%	0	0%
EU 27 External Trade (Brexit)	1,216,168	24%	1,959,121	40%
Ukraine	334,225	7%	1,070,588	22%
Argentina	0	0%	665,126	14%
United Kingdom HMRC	0	0%	62,659	1%
Uruguay	0	0%	27,289	1%
Other countries	266	0%	117	0%
<b>Total Jul - Feb Imports</b>	<b>4,983,550</b>	<b>100%</b>	<b>4,920,746</b>	<b>100%</b>

## Production, Supply and Demand Data Statistics:

Barley	2019/2020		2020/2021		2021/2022	
	Jul 2019		Jul 2020		Jul 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Market Year Begins						
Saudi Arabia						
Area Harvested (1000 HA)	2	2	2	2	0	2
Beginning Stocks (1000 MT)	1327	1327	1116	1214	0	1014
Production (1000 MT)	14	10	11	10	0	10
MY Imports (1000 MT)	6800	6700	8000	6600	0	6000
TY Imports (1000 MT)	7300	6700	8000	6600	0	6000
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	8141	8037	9127	7824	0	7024
MY Exports (1000 MT)	0	0	0	0	0	0
TY Exports (1000 MT)	0	0	0	0	0	0
Feed and Residual (1000 MT)	7000	6800	8000	6800	0	6000
FSI Consumption (1000 MT)	25	10	25	10	0	10
Total Consumption (1000 MT)	7025	6810	8025	6810	0	6010
Ending Stocks (1000 MT)	1116	1214	1102	1014	0	1014
Total Distribution (1000 MT)	8141	8024	9127	7824	0	7024
Yield (MT/HA)	7	5	5.5	5	0	5

(1000 HA), (1000 MT), (MT/HA)

MY = Marketing Year, begins with the month listed at the top of each column

TY = Trade Year, which for Barley begins in October for all countries. TY 2021/2022 = October 2021 - September 2022

### Attachments:

No Attachments