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Report Name: Barley Trade Quarterly

Country: Saudi Arabia

Post: Riyadh

Report Category: Grain and Feed

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Report Highlights:

Saudi Arabia's barley imports for the first six months of MY 2022/23 (July – Dec. 2022) are estimated at 2.6 million metric tons (MMT), an increase of six percent compared to the same period last year. Post's current projection for total barley imports for MY 2022/23 is 4.5 MMT, which is a decrease of four percent compared to the USDA official estimate of 4.7 MMT. Unless the price of barley drastically decreases, Post anticipates demand will remain low throughout MY 2022/23.

Quarterly Barley Trade Report (November 2022)

Saudi Arabia's barley imports for the first six months of MY 2022/23 (July–Dec. 2022) are estimated at 2.6 million metric tons (MMT), an increase of six percent compared to 2.46 MMT during the same period last year. Recent available data from various exporting countries shows that Saudi Arabia imported 1.42 MMT of barley from July–August 2022, which was nearly a 29 percent increase compared to last year. According to local importers, the significant increase in barley imports this marketing year was caused by an abundance of exportable barley, from Australia, and a low domestic barley reserve. Discussions that the government might reinstate the direct barley subsidy regime that was removed in April 2021 also encouraged importers to purchase more barley as many anticipate the subsidy payments could be retroactive.

According to supplier's data, total MY 2022/23 barley imports are projected at 4.5 MMT, an increase of approximately 10 percent compared to the previous MY (4.1 MMT). However, the projection is 200,000 MT less when compared to USDA's official estimate of 4.7 MMT for MY 2022/23.

Prior to the privatization of the barley import program, the government installed a new animal feed subsidy that provides direct monthly per head payments to small livestock farmers. Small farmers 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.

Some trade contacts believe that the government might offer a \$50 per MT import subsidy to importers if the international barley price continues to increase while local prices remain unbearable for local livestock farmers. The government has already intervened to stabilize the market. In August 2022, the Saudi Agricultural Fund (an agency of the Saudi Ministry of Environment, Water and Agriculture) signed a \$40 million contract with a local importer to purchase 130,000 MT of barley. The fund indicated in its press release that the import financial deal will be used to increase the strategic stock, compensate for supply shortages, and ensure the stability of the overall supply food chain. The fund was previously used to finance the import of several other food products, including rice, during the start of the COVID-19 pandemic.

Saudi Barley Imports for MY 2020/21 and 2021/22

Supplying country data for the past two marketing years indicates a 41 percent decline in barley imports from MY 2020/21 to MY 2021/22. One of the reasons for the drastic decrease was the ongoing conflict in Ukraine that eliminated Black Sea barley from the international market and significantly increased the overall international price. Unfortunately, the grain deal last summer between Russia and Ukraine did not increase barley exports to Saudi Arabia, as many anticipated, except for 35,000 MT of Russian barley that will arrive in the Dammam Sea Port over the next few days.

In MY 2021/22, Australia supplied 68 percent of Saudi barley imports or 2.78 MMT, an increase of approximately seven percent over the previous year. Australia is expected to continue to

remain the dominant barley supplier to Saudi Arabia this year due to a massive quantity of barley, estimated at 8 MMT. Australian barley is also price competitive compared to the European Union (EU). Exporters of Australian barley are currently offering a MT for \$320 cost and freight (CNF) while the EU's offer is as high as \$360 CNF per MT. The EU might not be a strong supplier of barley for the rest of MY 2022/23 as demand in the EU region is reportedly high. Some Saudi barley importers are currently offering less than \$310 CNF per MT for Australian barley.

July 2020 - June 2021		Market Share	July 2021 - June 2022		Market Share
Russia	2,687,723	39%	Australia	2,784,222	68%
Australia	2,602,580	38%	EU 27	574,669	14%
EU 27	1,282,168	19%	Ukraine	372,776	9%
Ukraine	334,225	5%	Russia	370,619	9%
Other	331	0%	Other	149	0%
Total	6,907,027	100%	Total	4,102,435	100%

Source: Trade Monitoring Report

Price & Demand for Barley

The extremely high barley price in the domestic market has reportedly decreased the overall demand for barley. This month, the price for 50 kg of barley at packing terminals was \$21.77, inclusive of a 15 percent VAT (\$435.47 per MT), while locally processed livestock stock feed (the Wafi brand) was sold for \$18.40 per 50 kg, or \$360 per MT.

Local Farmers Impact on Barley Demand

According to various experts, there is no definitive explanation why demand for barley is slowing down; especially, during an extremely hot summer season when demand traditionally reaches its climax as no pasturing alternatives are available. Some contacts have stated it is due to the high barley price mixed in with a low fixed government monthly cash payment to farmers, which has forced many to explore other investment options. Others say demand is low because of the continued exit of recreational farmers who usually keep a few hundred sheep or goats. Many farmers are leaving livestock farming due to higher farming costs.

Others believe demand is down because farmers are reducing waste, thus buying less barley, while others comment that no one fully knows the actual consumption rate since traditional farmers routinely switch between barley and other products (e.g., processed feed) depending on the price difference. Basically, farmers purchase processed feed if the price is significantly lower than barley, which has been the case over the past couple of years.

Currently, [ARASCO](#) (the largest processed feed producer in the country) is selling a 50 kg bag of its processed feed (Wafi) at \$18.40 inclusive of a 15 percent VAT. The price is \$3.37 lower than the price of barley of the same weight. The huge price difference between Wafi and barley has reportedly increased the daily sales of the processed feed by more than 30 percent compared

to the previous year. Wafi is ARASCO's signature produced feed and is marketed as a complete livestock (camel, sheep, and goats) feed consisting of cereals, wheat bran, soybean meal, molasses, alfalfa, minerals, and vitamins.

There is also no early indication that the demand for barley will increase over the next few months. Many experts have stated that demand will remain low unless there is a huge decline in domestic barley prices, lower international prices or an increase in subsidies. As such, Post projects domestic barley consumption at 4.5 MMT, down approximately four percent from USDA's official estimate for this marketing year.

Production, Supply and Demand Data Statistics:

Barley Market Year Begins	2020/2021		2021/2022		2022/2023	
	Jul 2020		Jul 2021		Jul 2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Saudi Arabia						
Area Harvested (1000 HA)	2	2	2	2	2	2
Beginning Stocks (1000 MT)	1016	1016	1002	1212	988	1003
Production (1000 MT)	11	14	11	14	12	14
MY Imports (1000 MT)	7000	6907	4500	4102	4700	4500
TY Imports (1000 MT)	6100	6907	4800	4102	4700	4500
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	8027	7937	5513	5328	5700	5517
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	6700	4500	4300	4900	4500
FSI Consumption (1000 MT)	25	25	25	25	25	25
Total Consumption (1000 MT)	7025	6725	4525	4325	4925	4525
Ending Stocks (1000 MT)	1002	1212	988	1003	775	992
Total Distribution (1000 MT)	8027	7937	5513	5328	5700	5517
Yield (MT/HA)	5.5	7	5.5	7	6	7

(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 2022/2023 = October 2022 - September 2023

Attachments:

No Attachments