

**Required Report:** Required - Public Distribution

**Date:** July 15,2020

**Report Number:** SA2020-0012

**Report Name:** Barley Trade Quarterly

**Country:** Saudi Arabia

**Post:** Riyadh

**Report Category:** Grain and Feed

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**Report Highlights:**

Saudi barley import tenders for July-September 2020 are 12 percent less than the quantity of barley imported over the same period last year (1.68 million MT vs. 1.91 million MT). Increased domestic barley prices and price competitive compound feed are the likely reasons for the reduced demand for barley. Imported corn is likely to substitute for barley.

## **Barley Trade Quarterly July 2020**

The Saudi Arabia Grain Organization (SAGO) signed two barley purchase contracts for approximately 1.68 million Metric Tons (MT) in the first quarter of this marketing year (July 2020 – September 2020) - a decrease of nearly 12 percent from approximately 1.91 million MT imported in the same period last year. Higher domestic barley prices and competitively priced processed animal feed have decreased the demand for barley in the Kingdom. Imported corn is likely to substitute for barley, but corn stocks are currently adequate.

### **Revisions to Animal Feed Subsidies**

The Saudi Ministry of Environment, Water and Agriculture (MEWA) issued a new animal feed policy in January 2020. The government now makes direct payments to livestock and poultry producers instead subsidizing grain and feed imports (with the exception of hay). Small livestock farmers - the dominant users of barley – are given direct monthly per head cash payments. Small farmers are those that have a maximum of 300 animals from each of the four livestock categories (sheep, goats, camels and cattle). The farmers receive monthly per head subsidies of \$2.13 for goats and sheep, \$10.67 for camels, and \$16 per head for cattle. The total subsidy budget for this category is \$320 million a year.

SAGO plans to periodically adjust its barley sales price so that it is equal to or higher than its costs. (Where cost is defined as CIF import prices and all logistical related expenses such as Customs clearance charges, domestic transportation and packing costs.) Total domestic logistical cost is estimated at approximately \$50 per MT. Currently, the price of 50 kg of barley is SAR56.35 or \$15.03 (inclusive of 15 percent value added tax implemented on July 1, 2020). SAGO's average barley import price for the 2.1 million MT that was scheduled to arrive at Saudi ports for March-June 2020 was \$212.75 per MT and total cost after packing is \$262 per MT. Given the current \$300.53 per MT selling price, the sales price exceeds cost by approximately \$38.53 per MT.

So SAGO now has grounds to claim it is making a profit from selling barley. They have historically provided subsidies and, as a consequence, always made losses. But it isn't clear how SAGO accounts for depreciation, management costs, etc... or how it allocates those costs. SAGO's owner, the government, is also encouraging livestock producers to reduce barley consumption.

### **Availability of Highly Competitive Processed Livestock Feed**

ARASCO, the largest Saudi animal feed processor, is currently selling its Wafi brand feed for 20 percent less than barley. (A 50 kg-bag of Wafi, the company's signature brand manufactured compound animal feed, has an ex-factory price at \$11.96 inclusive of VAT). It is likely that ARASCO is keeping the price of Wafi low as a temporary marketing measure to entice traditional livestock producers to feed Wafi. ARASCO has indicated that a kilo of Wafi replaces at least 1.5 kg of barley and results in greater weight gain. The increased use of processed feed will reduce the demand for feed barley and increase demand for corn.

### **Attachments:**

No Attachments