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Report Highlights:

Total Saudi corn imports for this marketing year (MY 2019/20) are estimated at 3.3 million MT, a reduction of approximately 18 percent compared to USDA's official estimate. This is mainly due to the end of import subsidies on most animal feeds, including corn. The Kingdom's rice imports are forecast to decline by approximately 13 percent compared to last year - as Indian exporters have faced difficulties meeting recently implemented import requirements. Saudi Arabia has completed purchases of wheat and barley for MY2019/20. The country signed purchase contracts for 3.5 million MT of wheat this marketing year, an increase of approximately 18 percent over a year earlier. The seven barley purchase contracts are for delivery of nearly 6.7 million MT by June 2020.

Wheat

Production:

In November 2018, Saudi Arabia partiality rescinded a virtual ban on domestic production of wheat that had been in place since production year 2015/16. Wheat production is being permitted to provide smaller size forage producers with an alternative field crop. Large producers have been forced to cease forage production because of the Saudi government's decision to reduce domestic forage production by 42.5 percent effective from November 3, 2018. The main reason for the significant reduction in the Kingdom's forage production is concern over depletion of the country's ground water. Domestic wheat and forage production are completely dependent on irrigation, but wheat uses much less water than alfalfa. MEWA estimates that approximately 10.75 million MT of forage was produced in Saudi Arabia in 2015/16.

Wheat is planted from the end of November to the second week of January in Saudi Arabia. It is delivered to the Saudi Grains Organization (SAGO) from June to October of the next year. Post reduced estimated MY2019/20 Saudi wheat production by approximately 500,000 MT to 202,000 MT based on purchase data provided by SAGO. Likewise, estimated wheat production area was decreased by 91,000 HA to 29,000 with an average yield of approximately 7 MT per HA. The organization indicated that it received a total of 202,000 MT of locally grown wheat by the end of October 2019. SAGO did not purchase locally produced wheat in MY2018/19 and USDA's official estimate for that year was reduced by 490,000 MT to 10,000 MT, MEWA licenses local production and SAGO is the monopsony buyer of the licensed production.

Saudi domestic wheat production did not reach the USDA estimated level of 700,000 MT in MY2019/20. This is largely because: (1) The revised wheat production policy was issued in early November 2018 after most small farmers had prepared their land for hay production - some of them under contractual farming agreements making it difficult to switch to wheat production at that stage; and (2) most small farmers have better knowledge and experience in hay production and perhaps prefer to continue farming it rather than switching to wheat as they consider the former crop more profitable than the later.

MY2020/21 local wheat production is projected at 500,000 MT. This assumes that wheat production, with the government purchase price, is more profitable than hay production. Currently, high protein locally produced alfalfa is sold at more than $300 per MT. SAGO is authorized to purchase up to 700,000 MT of domestically produced wheat annually until 2024.

The wheat crop is completely irrigated. However, cooler temperatures and cloudy weather associated with rainfall (when it arrives) can affect wheat growing conditions and yield. Traditionally Saudi Arabia grows a hard-winter variety known as 'Yecoro Rojo' that was developed by the International Maize & Wheat Improvement Center in cooperation with the Mexican Ministry of Agriculture in Mexico. Saudi wheat is preferred by SAGO due to its hard kernel and a lower moisture content than imported wheat. These two attributes allow for extended storage time.

Government Purchase Price

Currently, SAGO purchases domestically produced wheat at SAR1,250 ($333.33) per MT and the farmers receive a net payment of approximately SAR1,140 ($304) per MT after a 5 percent deduction for Zakhat (Islamic religious tax) and another 4 percent deduction for foreign matter (impurity). The domestic purchase price is purposefully higher than international prices. The average CIF import price for SAGO purchased wheat was $235.07 per MT in MY2019/20. SAGO Board of Directors updates the local wheat purchase price as need.

Consumption:

Estimated MY2018/19 Saudi wheat consumption is reduced by 100,000 MT based on data provided by SAGO. According to SAGO, no wheat is used as animal feed in the Kingdom. All wheat, both imported and locally grown, is exclusively used for milling for human consumption. It is illegal to feed food wheat to livestock since SAGO provides adequate subsided barley for animal feed use. Wheat consumption in the Kingdom has been static and is forecast to increase slightly by 50,000 MT annually in the next two marketing years. Demand growth is expected to be limited due to the continued departure of expatriate workers and their families as a result of policy measures implemented by the Saudi government three years ago. Demand growth is also constrained by the increase in the cost of living in the Kingdom over the past few years due to sharp increases in utility charges, the implementation of a five percent value added tax (VAT) in January 2018, and increased domestic petroleum prices. These factors have reportedly contributed to significantly reducing food waste, including bread and wheat flour wastage, which has been estimated at 30 percent nationwide. Preferences for other foods - such as imported pasta products, rice, and increased fruit and vegetable consumption - has been an additional factor.

In early March this year, the Saudi government temporarily barred foreign travel to the Kingdom for Umrah pilgrimage and tourism due to coronavirus (COVID-19). However, the impact of the decision on wheat consumption is negligible as only four months remain in this marketing year.
Wheat is mostly consumed in the form of flat (pita) bread, local hamburger buns known as ‘Samoli’, and other western-style bread- such as French baguettes and pizza. The annual per capita consumption of wheat in Saudi Arabia is currently estimated at approximately 101 kg.
White flour constitutes the bulk of wheat flour consumed in Saudi Arabia. In recent years, however, there has been a small but growing demand for whole-wheat flour due to its perceived health benefits - particularly by health-conscious consumers and those with health conditions such as diabetes and obesity. It should be noted that Saudi Arabia has one of the highest diabetic and obesity rates in the world. The four flour mills currently owned by the Saudi government’s Public Investment Fund (PIF) have increased their whole-wheat production in recent years to meet the growing demand.

Trade:

SAGO is the exclusive importer of subsidized food grade wheat in Saudi Arabia. The organization imports mainly hard wheat directly through public tenders open to registered international exporters. It does not buy through grain brokers. SAGO purchases wheat from a wide range of origins, including the EU, the U.S. South America and Australia. Saudi Arabia banned Canadian grain imports in 2018.

SAGO Wheat Import Data

SAGO has issued five international wheat import tenders in MY2019/20 to import approximately 3.45 million MT of wheat. This is an 18.2 percent increase compared to the 2.92 million MT imported in MY2018/19. One of the major factors causing the significant increase in the Kingdom's wheat imports this marketing year is the less than forecasted domestic wheat production last year. Wheat imports are forecast to decline by 10 percent in MY2020/21 due to the expected increase in the domestic wheat production. Next MY, local wheat production is likely to reach at least 500,000 MT.

SAGO Wheat Purchase MY 2018/19		**SAGO Wheat Purchase MY 2019/20**	
Shipment Arrival Date	**Quantity in MT**	**Shipment Arrival Date**	**Quantity MT**
Jul - Aug.2018	545,000	Jul - Aug.2019	620,000
Sep - Oct 2018	625,000	Sep - Oct 2019	730,000
Nov - Dec.2018	630,000	Nov - Dec.2019	780,000
Jan - Mar.2019	495,000	Jan - Mar.2020	605,000
Apr - Jun.2019	625,000	Apr - Jun.2020	715,000
Total MY2018/19	**2,920,000**	**Total MY2019/20**	**3,450,000**

Source: SAGO

Supplying Countries Wheat Export Data

Supplying countries customs data shows that approximately 2.88 million MT of wheat was exported to Saudi Arabia in MY2018/19, 40,000 MT lower than reported by SAGO and 17 percent lower than total exports a year earlier. It is worth noting that supplying countries' wheat export data may not agree with actual wheat arrival figures issued by SAGO. Exporting countries' data is compiled based on shipments that depart seaport in a given month, while SAGO's data reflects actual vessel debarkation dates at Saudi seaports. Shipments that leave an exporting country in June might arrive at Saudi ports in July. In this section, supplying countries' export data is used to discuss market share in the Saudi market for MY2018/19.

In MY2018/19, the EU retained its dominance of the Saudi imported wheat market with approximately 2.76 million MT, or approximately 96 percent of Saudi imports. The U.S. was a distant second with approximately 96,000 MT or 3.3 percent, followed by Turkey (.3%), and Egypt and Australia with 0.2 percent each.

The United States is not a regular wheat exporter to Saudi Arabia. In MY2017/18, it exported only 1,148 MT of wheat. A year earlier, it exported 172,450 MT, the largest quantity since Saudi Arabia turned to imports to meet its wheat consumption needs a decade ago. The second largest year for U.S. wheat exports to Saudi Arabia was MY2012/13 when 169,140 MT was shipped. The main reason for the low and irregular U.S. wheat exports to Saudi Arabia is high U.S. wheat export prices compared to EU wheat prices.

Saudi Wheat Imports Per Supplying Countries Customs Data				
Exporter	**MY2017/18**	**Market Share**	**MY2018/19**	**Market Share**
EU 28	3,433,315	98.9%	2,757,150	95.7%
United States	1,148	0.0%	95,756	3.3%
Turkey	8,371	0.2%	8,571	0.3%
Egypt	6,446	0.2%	7,200	0.2%
Australia	13,952	0.4%	4,768	0.2%
Other countries	8,749	0.3%	6,748	0.2%
Total	**3,471,981**	100%	**2,880,193**	100%

Source: Trade Data Monitor (TDM)

SAGO Imported Wheat Unloading Capacities

SAGO receives imported wheat at three ports located on Red and Arabian Seas. The two ports on the Red sea: Jeddah Islamic Port and Jazan Seaport have 12,000 MT of daily unloading capacity. Dammam's King Abdul-Aziz Seaport located on the Arabia Sea has daily unloading capacity of 10,000 M.

Stocks:

SAGO owns and operates silo complexes in major cities around the Kingdom. The organization had a total combined storage capacity of 2,585,000 MMT at the end of 2018. The silos are built in 13 locations and their storage capacity ranges between 30,000 MT in Al Ahsa to 500,000 MT in Wadi Al Dawasir. SAGO considers the world wheat supply to be reliable and no longer strives to maintain strategic wheat reserves equal to annual consumption. Although SAGO does not release its actual wheat reserve stock levels, it is believed to maintain stocks of at least six months of consumption.

Policy:

The Kingdom resumed limited domestic wheat production in 2018/19 after ending it at the end of 2014/15 because of strong concern over the depletion of the country's scarce water reserves. Following a major cut in local forage production in 2018/19, the government offered medium and smaller sized producers three options:

1. Terminate forage production altogether and receive financial compensation 2.
2. Produce forage on 50 HA
3. or produce wheat on 50 HA.

Farmers that opted to produce wheat or forage must obtain licenses from MEWA and should only produce the crop they are licensed to grow until 2025. If a farmer wishes to switch from wheat to forage or vis-versa, he must reapply for a new license after two production seasons. Only licensed

farmers can produce wheat or forage. Any unlicensed farming of the two crops will result in a severe financial punishment.

It is estimated that 29,000 HA of former forage area was converted to wheat production last crop year. This year, the planting area is estimated at 57,000 HA. Planting begins in late November and runs to mid-January. Wheat harvest season at the end of March and extends till September. Most locally produced wheat is delivered to SAGO in June and July. The organization receives the last delivery of domestically produced wheat at the end of October. SAGO is authorized by the government to purchase up to 700,000 MT of locally produced wheat until 2024. It is believed that the government will renew the domestic wheat production policy indefinitely starting from 2025, allowing the Kingdom to produce annually up to 20 percent of its wheat and to retain wheat production knowhow and technology. Wheat production in Saudi Arabia relies on mechanical irrigation and underground nonrenewable water resources. Although the wheat crop is completely irrigated, cooler temperatures and cloudy weather associated with rainfall (when it arrives) can affect crop yield. Saudi grown wheat is considered hard wheat with a low moisture content. It can be stored for an extended period.

Flour Mill Privatization

On November 9, 2015, the Saudi government approved the establishment of four milling companies and restructured the Grain Silos and Flour Mills Organization (GSFMO) under a new name, the Saudi Grains Organization (SAGO). The Saudi government authorized the Public Investment Fund (PIF) to set up the four flour milling companies. The PIF has completed the required restructuring and formed the four companies, which have commenced operating independently. The four companies are named: First Mills Company, based in Jeddah which includes mills in Tabuk, Al Ahsa, and Al Qassim; the Second Mills Company based in Riyadh which includes mills in Hail and Gazan; the Third Mills Company based in Khamis Mushet which includes mills in Al Jouf, Al Jumum, and Dammam number 2; and the Fourth Mills Company headquartered in Dammam; which includes Dammam number 1, Al Kharj and Medina Al Munawara.

The PIF has reportedly finalized required procedures to sell the mills to interested buyers through a competitive bidding process before the end of this year. However, the privatization process has been ongoing for several years. Foreign investors can partner with Saudi investors to co-own and operate these flourmills. It was reported that foreign investors can own up to 49 percent of the flourmills. The new milling companies will be clients of SAGO. They will process and distribute wheat flour to government-approved customers at agreed subsidized prices. The new mills would be allowed, if they so choose, to import wheat for production of non-subsidized flour after obtaining import permits from SAGO. This could be used to produce upscale quality bakery and pasta products. Most of the revenue of the private mills is expected to come from milling fees charged to SAGO. The flourmills have a combined daily milling capacity of 14,000 MT.

SAGO Roles after Privatization

SAGO will remain the sole importer of subsidized milling wheat and will maintain ownership and operation of most of the wheat silos across the country. SAGO will manage the strategic wheat reserves and ensure the Kingdom's food security objectives. SAGO is expected to privatize only a part of its grain storage silos to provide a smooth transition for the new flourmills

SAGO's post-flour mill privatization roles will include the following:

- Issuing import permits for unsubsidized wheat to interested flour mills
- Setting regulations related to wheat flour quality
- Inspecting flour mills to ensure compliance with quality regulations
- Encouraging and regulating competition among private flour mills; and
- Ensuring enough wheat flour is produced and delivered

Marketing:

Licensed bakeries and supermarkets and almost all industrial users get their flour directly from SAGO's flourmills or from assigned agents in their respective areas. There are more than 525 appointed distributors. Approximately 100 that have more than one outlet. They serve 11,606 establishments, of which 6,500 are licensed bakeries. The distributors provide packaged flour to licensed bakeries in 45-kg sacks and to retailers in one, two, two, five and ten-kg sacks. Industrial users purchase in bulk (metric tons).

Market Development Activities:

Since the resumption of wheat imports in 2008, the U.S. Wheat Associates (USWA) regional office has coordinated market development and trade servicing activities in Saudi Arabia. Though no recent market development activities have been conducted, USWA has conducted capacity-building activities. These included seminars, training and exchange programs designed to assist SAGO's purchasing staff in understanding the quality attributes of various U.S. wheat varieties. The USWA has offered workshops to address 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:

Large bakeries and industrial users purchase wheat flour directly from SAGO flourmills, while smaller bakeries and retailers receive their assigned quotas from SAGO-appointed distributors. SAGO's wholesale prices vary based on the flour type and extraction rate. The wholesale price of a kg of consumer-packed white wheat flour increased by 50 percent from $0.27 to $0.40 in 2017. Bakers purchase at prices from $5.30 to $8 per 45 kg based on flour extraction rates, patent or regular flour, while industrial users purchase in bulk for prices that range between $117.30 and $160 per MT. Prices to bakers and industrial clients have not changed for over three decades.

Exports:

Saudi Arabia does not export wheat. However, in MY2018/19 an estimated 46,000 MT of wheat equivalent of wheat products such as macaroni, pasta, biscuits and some bread were exported- mostly to Iraq, the UAE, Kuwait, Jordan, Oman, Palestine territories, Lebanon and Bahrain. Over the past six marketing years, the Kingdom has exported on average approximately 53,000 MT of wheat equivalent of wheat products. Saudi official statistics show that the Kingdom exported approximately 45,000 of

wheat equivalent wheat products in the first six months of this marketing year, an increase of an increase of 117 percent compared to the same period last year.

Production, Supply and Demand Data Statistics:

Wheat Market Begin Year Saudi Arabia	2018/2019 Jul 2018		2019/2020 Jul 2019		2020/2021 Jul 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	87	2	120	29	0	71
Beginning Stocks	3029	3029	2731	2463	0	2615
Production	500	10	700	202	0	500
MY Imports	2898	2920	3200	3450	0	3100
TY Imports	2898	2920	3200	3450	0	3100
TY Imp. from U.S.	96	96	0	0	0	0
Total Supply	6427	5959	6631	6115	0	6215
MY Exports	46	46	50	70	0	50
TY Exports	46	46	50	70	0	50
Feed and Residual	100	0	100	0	0	0
FSI Consumption	3550	3450	3600	3430	0	3500
Total Consumption	3650	3450	3700	3430	0	3500
Ending Stocks	2731	2463	2881	2615	0	2665
Total Distribution	6427	5959	6631	6115	0	6215
Yield	5.7471	5	5.8333	6.9655	0	7.0423
(1000 HA) ,(1000 MT) ,(MT/HA)						

Barley

Production:

Saudi barley production is estimated at approximately 10,000 MT and is mostly for human consumption. The government has stopped feed barley production to conserve scarce water resources, as the Saudi barley crop is 100 percent irrigated. Local barley production is mainly used in in specialty food items, such as soups and traditional Saudi dishes during the fasting month of Ramadan. A small quantity is used by households making barley tea.

Consumption:

Imported barley is used exclusively for animal feed, as there is no beer production in Saudi Arabia; it is fed in conjunction with hay. Estimated 2018/2019 domestic feed barley consumption is reduced 700,000 MT to 6.3 million MT compared to the USDA official estimate of 7 million MT based on information provided by SAGO. Barley consumption in MY2019/20 is forecast to increase by approximately 6 percent to 6.7 million MT from 2018/19 due mainly to poor pasture conditions this year compared to a year earlier. This is a reduction of approximately 10 percent from 7.4 million USDA's official estimate for that year. Barley consumption in 2020/21 is projected to decline by approximately 11 percent to 6.1 million MT mainly due to the new domestic barley pricing policy, other measures, and competition from domestically produced complete feed.

The new domestic barley pricing policy implemented on January 12, 2020, entails regular domestic barley price adjustments to reflect prevailing international purchase prices to help transit to subsidy free domestic barley trade. To achieve that goal, SAGO increased domestic barley prices in January 2020 by 11 percent from $9.60 to $10.67 per 50 kg bag. The maximum retail price for 50 kg was increased from $10.67 to $11.73. Both distributors and customers are charged an additional five percent value added tax (VAT). As the barley price is increased, the propensity of Bedouin herders to switch to processed feed increases. Currently, 40 kg of processed feed is sold for $10.67, $2.13 more than 40 kg of barley. Bulk barley is sold for $224 inclusive of VAT per MT. Domestic feed processors are hopeful that SAGO will soon increase prices.

The January 2020 revision to the Kingdom's animal feed subsidy program includes giving 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.

Theoretically the new barley pricing policy and direct monthly payments to small livestock producers will cause livestock producers to shift from barley and forage rations to processed animal feed with some forage. This would increase demand for feed ingredients (mostly corn and soybeans) and drastically reduce barley consumption. But convincing Bedouin herders, who use almost all the barley Saudi Arabia imports, to switch to processed animal feed is a very difficult marketing challenge - even though using processed animal feed will likely save the herders money. It is unclear how the Bedouin tribes, which are politically influential, will react to increased barley prices and the new per head subsidies.

Approximately 80 percent of imported barley is fed to sheep, camels, and goats without further processing in combination with green forage. Dairy farms use limited quantities of barley in their feed formulations. Traditionally, white barley has been the preferred animal feed for Bedouins. Barley use in poultry feed is estimated at less than five percent of total imported barley.
Sheep and goats consume the largest portion of imported barley, followed by camels. When it is readily available at competitive prices, barley is often used in the place of forage – though the animals require a certain level of forage in their diets to remain healthy.

According to the 2018 official, and most recently available, MEWA data, livestock in the Kingdom total approximately 14 million head (9.4 million sheep, 3.7 million goats, 490,672 camels and 368,428 cattle). Livestock are difficult to count, however, and it is possible that these numbers significantly undercount the number of sheep, camels, and goats. The total number of livestock has not shown significant increase in the past several years and forecast to decrease sharply in the next few years. The Kingdom plans to improve the efficiency of livestock producers, and will depend more on imported live sheep, goat as well as chilled lamb and goat meat to reduce subsidy payments on domestic production of livestock. About 8 million head of livestock, mostly sheep, are imported annually for slaughtering; they consume an estimated 1.3 million MT of feed, mostly barley, annually.

Some domestic feed experts believe that combining manufactured feed with forage will increase the profitability of the livestock sector by reducing wastage and overall feed cost as well as improving weight gain. Both MEWA and feed processors report that more than 20 percent of raw barley fed to livestock is wasted without being digested, thereby providing no benefit in terms of weight gain or nutrition to the animals.

It has been reported that MEWA has designed feed trials of 15,000 sheep belonging to 50 Bedouin herders in 50 locations in the Kingdom. The sheep will be fed processed feed donated by domestic feed processors for a year to demonstrate the advantages that complete feed has over barley feed in terms of weight gain and the birthing rate. The objective of the feed trial is to convince Bedouin livestock owners to switch to complete feed.

Trade:

SAGO has signed seven barley purchase contracts for a total of 6.66 million MT for deliveries in MY2019/20 - an increase of about 3 percent compared to MY2018/19 total purchases of 6.49 million MT. SAGO apparently increased its barley purchase this MY due to poor pasture conditions this year compared to last year. This is the result of poorer than expected winter rains. The latest SAGO international barley import tender was issued on March 19, 2020 for 720,000 MT for delivery during May and June 2020. However, SAGO found the average per ton price of $201.04 so attractive that it increased its purchase to 1.2 million MT- the largest single purchase by SAGO this MY. The purchase contract was SAGO's second barley tender this calendar year. The average price of the latest barley purchase contract of $201.04 was $23.41 per MT cheaper than the $224.45 the organization paid in January 2020. The reduced demand for barley by Saudi Arabia may have increased stocks in exporting countries and contributed to a significant reduction of feed barley prices on the international market.

SAGO Barley Import Contracts for Marketing Years 2018/19 and 2019/20

MY2018/19 Shipment Arrival Period	Metric Ton	MY2019/20 Shipment Arrival Period	Metric Ton
May-June 2019	730,000	May-June 2020	1,200,000
Jan.-Feb.2019	1,020,000	Mar.-Apr.2020	900,000
Nov-Dec 2018	1,500,000	Feb.-Mar.2020	1,020,000
Sep-Oct 2018	1,740,000	Dec.2019 - Feb.2020	1,020,000
Jul-Aug 2018	1,500,000	Oct. - Dec.2019	780,000
		Aug. - Oct. 2019	900,000
		Jul. - Aug.2019	840,000
Total MY2018/19 Imports	**6,490,000**	**Total MY2019/20 Imports**	**6,660,000**

Source: SAGO

In MY2018/19, Ukraine exported approximately 2.33 million MT of barley to Saudi Arabia, accounting for 36 percent of total Saudi imports of roughly 6.5 million MT. Ukraine increased its exports in the marketing year by about 521,000 MT. The EU was the second largest supplier with 29.1 percent market share, but its total exports fell by more than 1.1 million MT compared to a year earlier. Russia was the

third largest barley supplier to the Kingdom with 1.5 million MT but exported about 34 percent less than a year earlier.

Saudi Barley Imports in MT				
Exporter	**MY2017/18**	**Market Share**	**MY2018/19**	**Market Share**
Ukraine	1,813,051	22.8%	2,333,885	36.0%
EU 28 Countries	3,004,726	37.8%	1,889,086	29.1%
Russia	2,291,825	28.9%	1,511,948	23.3%
Argentina	764,798	9.6%	582,164	9.0%
Australia	0	0.0%	66,000	1.0%
Canada	66,000	0.8%	0	0.0%
Other countries	4	0.0%	106,917	1.6%
Total MY Imports	**7,940,404**	**100%**	**6,490,000**	**100%**

Source: SAGO and TDM

Stocks:

SAGO's barley stock is estimated at least 25 percent of total consumption.

Marketing:

Domestic Barley Price

Barley is readily available at competitive prices throughout the Kingdom. Currently, feed processors, large livestock farmers, cooperatives, dairy farmers and licensed distributors can purchase a 50 kg sack of barley at a packing facility at the government-set price of $10.67. The government permits barley dealers to resell the 50 kg sack at a maximum retail price of $11.73. Bulk barley is sold for $224 per MT inclusive of VAT. SAGO periodically updates domestic barley prices to reflect prevailing international prices.

Barley Distribution Channels

Barley shipments usually arrive through five Saudi ports: Jeddah, Dammam (the largest and second largest seaports in the country, respectively), Yanbu, Diba, and Jazan on the Red Sea. After barley is discharged at port, it is transported by truck to the nearest of the ten SAGO-contracted bagging facilities in eight locations outside the seaports. The bagged barley is picked up by 3,728 pre-assigned dealers or large end-users from the distribution centers.

Production, Supply and Demand Data Statistics:

Barley	**2018/2019**	**2019/2020**	**2020/2021**

Market Begin Year	Jul 2018		Jul 2019		Jul 2020	
Saudi Arabia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2	2	2	2	0	2
Beginning Stocks	1829	1829	1314	1829	0	1489
Production	10	10	10	10	0	10
MY Imports	6500	6500	7500	6660	0	6200
TY Imports	5700	6200	7500	6660	0	6200
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	8339	8339	8824	8499	0	7699
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	7000	6500	7400	7000	0	6200
FSI Consumption	25	10	25	10	0	10
Total Consumption	7025	6510	7425	7010	0	6210
Ending Stocks	1314	1829	1399	1489	0	1489
Total Distribution	8339	8339	8824	8499	0	7699
Yield	5	5	5	5	0	5
(1000 HA) ,(1000 MT) ,(MT/HA)						

Corn

Production

Saudi Arabia corn production in MY2018/19 and beyond has been revised down to nearly 15,000 MT based on official data issued by MEWA for MY2014/15 to MY2017/18. According to the MEWA Statistical Yearbook issued at the end of 2019, the country produced on average 14,570 MT of corn on average area of 2,465 HA with average yield of approximately 6 MT per HA. Domestic corn production has been constant over the past several years because Saudi corn growers do not receive government support - neither through direct production subsidies nor by government-guaranteed prices. Government policy has been to discourage domestic production of water-intensive crops, including feed corn.

2017/2018		2016/2017		2015/2016		2014/2015	
Area in HA	MT	Area in HA	MT	Area in HA	MT	Area in HA	MT
2,471	**15,394**	**2,471**	**15,079**	**2,463**	**14,768**	**2,456**	**13,040**

Source: MEWA Statistical Yearbook Issued in 2019

Corn planting occurs twice a year - in the spring and summer. The spring planting is in March, with harvest in August. The summer planting is in the last week of June, with harvest from mid-November until the end of December. Approximately 60 percent of corn production is from the summer crop. MEWA reports total area planted to corn in MY 2017/2018 of 2,471 HA.

Consumption:

Imported corn is primarily used for animal feed. Approximately 150,000 MT is used in the production of food processing ingredients, such as starch and sweeteners. Domestically grown corn is used as corn-on-the-cob or milled for flour by small neighborhood flourmills.

Corn continues to be a very important feed grain for poultry farms; it accounts for approximately 60 percent of poultry feed formulations. It is also a key feed grain for used by commercial feed processors and domestic dairy farms. Feed accounts for approximately 70 percent of broiler-meat production costs. The Saudi government provides up to $187 million as direct production based subsides to the domestic poultry industry annually.

MY2019/20 total corn consumption is estimated at approximately 3.37 million MT, down by approximately 16 percent from USDA's official estimate of 4 million MT. This is mainly due to local poultry farms being unable to achieve their desired rate of expansion, and local feed mills producing at less than their targeted production levels. FSI consumption was also reduced from 300,000 MT to 150,000 as a food processor has not been able to achieve its expansion goals.

Corn consumption by feed processors is projected to reach approximately 3.5 million MT in MY2020/21 because of expected higher demand for processed feed by traditional livestock producers as domestic barley price increases. Demand for corn and processed feed is expected to increase sharply if the government stops subsidizing imported barley.

Industrial Use:

MEFSCO is a joint venture of ARASCO and Cargill that manufactures starch-based products for the Saudi market and the MENA region. MEFSCO's plant produces starches, sweeteners, glucose, high fructose corn syrups and other food processing ingredients for confectioneries, juices, and bakery. Based in Al-Kharj, MEFSCO depends on imports for corn. The company crushes approximately 150,000 MT of corn annually and is not expected to increase production this year as it faces competitively priced starches, sweeteners and other related food processing ingredients - mainly from Latin American suppliers.

Trade:

While wheat and barley are exclusively imported by SAGO, feed corn is imported freely by the private sector in Saudi Arabia, with no import subsidies commencing from January 2020.
Available data from supplying countries indicates that Saudi Arabian corn imports for the first five months of the current marketing year reached approximately 1.6 million MT, an increase of about 4 percent compared to about 1.55 million MT imported in the same period last year. Some Saudi feed millers with advance information about the government's intention to end import subsides on feed corn and other feed ingredients on January 1, 2020 reportedly increased their corn imports in the first three months of this marketing year. The companies made use of the government's import subsidy of $120.53 per MT on yellow corn to increase their stocks and apparently slowed down imports in March.
Total corn imports for the current marketing year are forecast to decline by approximately 10 percent, to 3.3 million MT, from the actual total imports last year. This is a reduction of 700,000 MT compared to USDA's official estimate of 4 million MT. This is due to reduced demand by medium and smaller feed processors because of the Saudi government's January 2020 decision to end import subsides[1] on feed

corn and other feed ingredients, including DDGS and CGF. The Saudi government used to provide an import subsidy of $82.40 per MT for feed corn. The government currently pays import subsides only on imported forage. Total corn imports are projected to reach 3.7 million MT in MY2020/21 due to increase demand by animal feed processors.

Reporter	Saudi Corn Imports for the first 5 Months of MY	
	Oct/18-Feb/19	Oct/19-Feb/20
Argentina	528,227	945,510
Brazil	486,158	203,673
United States	365,207	274,614
Paraguay	165,836	133,945
Other countries	4,400	46726
Total	**1,549,828**	**1,604,468**

Source: TDM

Argentina was the largest exporter of corn to the Kingdom in MY2018/19 - for the second year in a row. It accounted for 50.1 percent of total Saudi corn imports, and exported more than 1.8 million MT, but its exports increased only by 54,467 MT. Brazil was the second largest exporter of feed corn to Saudi Arabia last year - with a market share of 22.8 percent. Its exports increased by 261,245 MT to 836,411 MT. The United States that lost its four-year dominance of the Saudi imported corn market to Argentina in MY2017/18, was the third largest supplier in 2018/19 (with 21.1 percent). In MY2018/19, the United States exported approximately 773,000 MT of corn to Saudi Arabia, a decrease of 51 percent compared to approximately 1.6 million MT exported in MY2017/18 Saudi corn importers prefer Latin American corn when supplies are good, and prices are competitive to U.S. corn. The main reason for the preference is less breakage. Saudi importers feel that this is due to drying methods. Broken corn is more susceptible to mold and creates dust.

Saudi Corn Imports in MT				
Exporter	**MY2017/18**	**Market Share**	**MY2018/19**	**Market Share**
Argentina	1,784,287	44.8%	1,838,754	50.1%
Brazil	575,166	14.4%	836,411	22.8%
United States	1,584,646	39.8%	773,030	21.1%
Paraguay	31,607	0.8%	210,398	5.7%
Other	6,943	0.2%	11,068	0.3%
Total	**3,982,649**	**100%**	**3,669,661**	**100%**

Source: TDM

Stocks

Corn stock levels in this report were significantly revised to account for estimated strategic reserve data that major feed mills, poultry and dairy farmers shared with FAS/Riyadh. The companies indicated that they keep about three months consumption as reserve stocks to ensure production isn't interrupted due to market, transportation, or other logistical issues.

Distillers dried grains with solubles (DDGS) and corn gluten feed (CGF)-HS code 2303

In MY 2018/19, Saudi Arabia imported 131,184 MT of DDGS and CGF, an increase of approximately 49 percent over a year earlier and three-fold compared to MY2013/14. Ukraine exported 47,258 MT, accounting for 36 percent total exports to the Kingdom, the first export to the Kingdom at least in the past five MY years. Egypt was the second largest supplier of DDGS/CGF with 31.1 percent of the market and 40,741 MT. Egypt did not export any DDGS/CGF in MY2017/18. EU was the third largest supplier of the corn products with 28,400 MT and 21.6 percent of the market last year. But its exports decreased by 62 percent compared to a year earlier.

There are two groups of customers for DDGS in Saudi Arabia: (1) Dairy farms import and use it in their dairy rations when its prices are competitive to that of corn. This sector is the main user of DDGS in Saudi Arabia. The farms use DDGS to reduce their production cost and achieve higher milk production. (2) Local feed processors use DDGS as source of fiber in their feed formulation to replace fiber sources such as hulls and straw. Demand for DDGS in this industry materializes if its price is comparable to that of other fiber sources. If DDGS prices are comparable to that of hulls, DDGS is preferred due to its richer nutritional attributes. In January 2020, Saudi government stopped import subsidies of $99 and $91 per MT, respectively, that it used to pay for imported DDGS and CGF.

Reporter	DDGS) and CGF-HS code 2303						
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	Market share MY 2018/19
Ukraine	0	0	0	0	0	47,258	36.0%
Egypt	929	398	428	10,250	0	40,741	31.1%
EU Countries	22,977	56,013	77,628	9,959	74,799	28,400	21.6%
United States	8,418	46	100	49,666	12,977	14,686	11.2%
Other	0	0	0	657	0	99	0.1%
Total	**32,324**	**56,457**	**78,156**	**70,532**	**87,776**	**131,184**	100%

Source: TDM

Production, Supply and Demand Data Statistics:

Corn Market Begin Year Saudi Arabia	2018/2019		2019/2020		2020/2021	
	Oct-18		Oct-19		Oct-20	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	15	2	15	2	0	2
Beginning Stocks	255	965	131	885	0	835
Production	84	15	89	15	0	15
MY Imports	3662	3670	4000	3300	0	3700
TY Imports	3662	3670	4000	3300	0	3700
TY Imp. from U.S.	773	773	0	0	0	0
Total Supply	4001	4650	4220	4200	0	4550
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	3600	3600	3700	3200	0	3500
FSI Consumption	270	165	300	165	0	165
Total Consumption	3870	3765	4000	3365	0	3665
Ending Stocks	131	885	220	835	0	885
Total Distribution	4001	4650	4220	4200	0	4550
Yield	5.6	7.5	5.9333	7.5	0	7.5
(1000 HA) ,(1000 MT) ,(MT/HA)						

Ethanol

Saudi Arabia, a leading producer and exporter of petroleum, is a significant importer of ethanol. In MY2018/19, the Kingdom imported more 76 million liters or approximately 60,000 MT, a 9 percent decline from MY2017/18. The United States continued to dominate the Saudi ethanol import market; it supplied 98 percent of total Saudi ethanol imports, approximately 59,000 MT, though its total exports declined by 6,066 MT. At least two Saudi companies import industrial grade ethanol to produce solvents and plastics. A third company imports approximately 3,000 MT for use in perfume production. U.S. market share fluctuates based mainly on price.

Reporter	MY2017/18		MY2018/19	
	Liters	MT	Liters	MT
United States	82,496,449	64,962	74,793,660	58,896
EU	1,009,509	795	1,142,765	900
South Africa	95,600	75	95,602	75
Other Countries	0	0	14,810	12
Total	**83,601,558**	**65,832**	**76,046,837**	**59,883**

Source: TDM

Rice

Production:

There is no rice production in Saudi Arabia; the country relies on imports to satisfy the local market.

Consumption:

Saudi rice consumption in MY2018/19 is estimated at approximately 1.2 million MT, a decrease of approximately 16 percent compared to USDA's official estimate of 1.4 million. The official USDA estimate was based on higher total imports and a lower stock level. Major rice importers keep stocks equal to approximately at three months' consumption level.

Rice consumption in MY2019/20 is forecast to decline by approximately 6 percent to approximately 1.10 million MT. This is due to the bans the government placed on Umrah, tourist and business visitors to control the spread of COVID-19. The Kingdom also closed restaurants and banned special events such as weddings where a significant quantity of rice is consumed. Approximately 12 million foreigners visited the Kingdom for Umrah rituals in the two holy cities of Makkah and Medina last year. It is not known if this year's Hajj scheduled for the end of July will take place due to COVID-19 restrictions. Last year an estimated 2 million foreigners visited the Kingdom for Hajj rituals. Hajj and Umrah visitors stay an average of 30 days in the Kingdom.

Promoting religious tourism is one of the Saudi government's key economic diversification initiatives. The Saudi government initially expected the number of Umrah visitors to reach 15 million by the end of 2020. Massive ongoing expansion projects at the two holy mosques in Makkah and Medina, as well as other infrastructure projects, are near completion. The number of visitors is projected to reach 30 million by 2030. To support this objective, the Saudi government has commenced issuing Umrah visas all year around except for a few weeks during Hajj season.

Our projection for MY2020/21 assumes that COVID-19 restrictions are lifted and normal travel and business activity resumes. This would result in an increase in rice consumption of approximately 14 percent to 1.26 million. It is based on a record number of Umrah visitors and tourists; this may not be unreasonable given pent-up demand to visit the holy sites and the Kingdom's recent opening to tourists.

Rice is a staple food in Saudi Arabia that is served for lunch and dinner. A traditional dish called *kabsah* is widely consumed in Saudi homes. Most Saudis include rice as a major part of their daily diet. Most of the 12 million expatriates living in Saudi Arabia (from the Indian subcontinent and other Asian countries) are also large consumers of rice. In 2019, Saudi population was estimated at approximately 34 million with a per capita rice consumption approximately 35 kg.

Basmati (aromatic rice from the Indian subcontinent) is the most popular rice variety in the Saudi market. The American long-parboiled and medium-grain Calrose rice varieties are well known, but Saudi consumers' preference has shifted to basmati varieties. While Indian basmati rice is mostly consumed in the eastern, central and western regions of Saudi Arabia, American rice is popular in the southern region of the Kingdom. It is also very popular in restaurants that prepare *kabsah* dishes.

Trade:

Private companies freely import rice into Saudi Arabia. Rice is does not face a tariff and is not subsidized.

MY 2019/20 Saudi rice imports are estimated at 1.1 million MT, down by approximately 14 percent from last year actual imports and 24 percent less than the official USDA estimate for this marketing year. This is due to reduced demand and strict SFDA requirements imposed on Indian rice imports at the beginning of this year.

In January 2020, the Saudi Food and Drug Authority (SFDA) implemented stringent import regulations on India rice exports, the dominant rice supplier to the Kingdom. The regulations require that all Indian rice shipments are sourced from farms that implement good agricultural practices and are accompanied by a certificate of conformity (COC) issued by SFDA appointed certifiers - such as Intertek, TÜV Rheinland, or TÜV Austria. The rice is required to have a pesticide residue less than 0.01 mg per kg. The lab tests also aim to verify that the rice variety indicated on the commercial invoice is what was shipped. This is needed to prevent commercial fraud caused by blending several rice varieties and shipping it as high-quality basmati rice - the preferred variety and quality in the Kingdom. The COC that accompanies Indian rice certifies that "Goods stated below as declared on the attached invoice have been subjected to laboratory testes prior to export and found to be in compliance with approved technical regulations and/or standards in the Kingdom of Saudi Arabia". These requirements have reportedly slowed down Indian rice exports to the Kingdom in the first quarter of this year.

Total Saudi rice imports for MY2020/21 are projected to reach 1.3 million MT as Indian rice exporters strive to meet the new SFDA import requirements.

India continued to dominate the Saudi rice market in MY2018/19 (Jan-Dec 201). It exported 942,342 MT of rice to Saudi Arabia. This accounted for 74 percent of the Kingdom's rice imports but was a decline of by approximately 4.3 per cent from a year earlier according to Saudi Customs data.

With 10.1 percent of the market, Pakistan remained the second largest rice exporter to Saudi Arabia last year and increased its exports from 94,100 MT in MY2017/18 to 128,913 MT, an increase of roughly 37 percent. Pakistani Basmati rice is known for its superior quality.

U.S. was a third with 8 percent of the market. In MY2018/19, US rice exports were 101,492 MT, an increase of approximately 10.2 percent from a year earlier. The increase was due to a significant increase in medium grain exports compared to a year earlier. Saudi rice importers indicate that U.S. rice could increase its market share this year given the difficulties that Indian rice is facing meeting the new SFDA import requirements. Prices will need to be competitive and significant marketing activities will be needed.

With 3.2 percent of the market, Thailand maintained its traditional fourth place in the Saudi rice market. It was followed by Vietnam at 2.1 percent and Australia at 1 percent of total Saudi rice imports in MY2018/19.

Other small rice suppliers in the past few years to Saudi Arabia have been Brazil, Bangladesh, Portugal, Spain, Egypt, China and Italy.

Saudi Rice Imports in MT				
	MY2017/18 (Jan-Dec 2018)		MY2018/19 (Jan-Dec 2019)	
Origin	**Quantity**	**Market Share**	**Quantity**	**Market Share**
India	984,661	75.3%	942,342	74.1%
Pakistan	94,100	7.2%	128,913	10.1%
United States	92,080	7.0%	101,492	8.0%
Thailand	64,194	4.9%	40,463	3.2%
Vietnam	21,546	1.6%	26,650	2.1%
Australia	31,701	2.4%	13,248	1.0%
Brazil	6,906	0.5%	10,642	0.8%
Bangladesh	2,067	0.2%	2,151	0.2%
Portugal	2,677	0.2%	1,543	0.1%
Spain	1,399	0.1%	1,366	0.1%
Egypt	807	0.1%	1,100	0.1%
China	1,886	0.1%	927	0.1%
Italy	438	0.0%	805	0.1%
Other	2,516	0.2%	624	0.0%
Total	**1,306,978**	100%	**1,272,266**	100%

Source: Saudi Customs

Competitors' Activities

Many of the Saudi rice companies that import Indian rice allocate a significant part of their marketing budgets to promote their own brand names - mostly on social media and FM radios. Indian and Pakistani rice exporters often participate in domestic food shows in Jeddah and Riyadh, where they provide buyers with point-of-sale materials. Promotions coupled with product tasting are also occasionally organized in local supermarkets.

U.S. Rice Marketing Activities

U.S. rice needs innovative marketing and promotional mixes to both maintain and increase its market share. The current U.S. rice generic promotional activities are mostly billboard advertising, and tastings in some stores. However, billboard advertising appears to be a questionable communication method during this internet and social media era. Saudis are one of the largest social media users in the world. According to the 2019 report issued by Global Media Insight on Saudi Arabia Social Media Statistics, approximately 70 percent of the Kingdom's population of approximately 34 million are active users of social media. The four most popular social media platforms used by Saudis are YouTube (73%), Facebook (62%), Instagram (60%) and Twitter (56%). As the millennials are approximately 70 percent

of the Saudi population and they are the heavy users of the social media, U.S. rice promotion activities should target them to educate the nutritional values and the versatility of U.S. rice. Doing this will not only introduce U.S. rice to this generation but also will help establish their continued use and to increase U.S. rice consumption significantly in the coming years. U.S. rice could consider working with social media celebrity chiefs, culinary schools to educate the quality of U.S. rice and to demonstrate its versatile use. Local importers of U.S. rice are willing and able to work with U.S. Rice Federation in promoting U.S. rice using the modern social media venues.

Production, Supply and Demand Data Statistics:

Rice, Milled Market Begin Year Saudi Arabia	2018/2019 Jan 2018		2019/2020 Jan 2019		2020/2021 Jan 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	0	0	0	0	0
Beginning Stocks	195	195	220	287	0	277
Milled Production	0	0	0	0	0	0
Rough Production	0	0	0	0	0	0
Milling Rate (.9999)	0	0	0	0	0	0
MY Imports	1425	1272	1450	1100	0	1300
TY Imports	1425	1272	1450	1100	0	1300
TY Imp. from U.S.	117	117	0	100	0	0
Total Supply	1620	1467	1670	1387	0	1577
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Consumption and Residual	1400	1180	1450	1110	0	1260
Ending Stocks	220	287	220	277	0	317
Total Distribution	1620	1467	1670	1387	0	1577
Yield (Rough)	0	0	0	0	0	0
(1000 HA) ,(1000 MT) ,(MT/HA)						

Attachments:

No Attachments