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Saudi Arabia

Grain and Feed

Annual

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Report Highlights:

Good rainfall in some parts of the Kingdom this year improved pasture conditions significantly resulting in reduced demand for barley by traditional livestock farmers. Barley imports in 2000/2001 is forecast to decline by about 500,000 metric tons compared to last year. Saudi wheat production remained at 1.8 million metric this year. Saudi rice imports are expected to increase by about 9 percent in 2000 compared to the 1999 level of 819,209 metric tons.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
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I. THE CURRENT BARLEY SITUATION

Overview:

The Saudi barley imports has been completely handled by the private sector since April 1998. Only about three years ago, the Grain Silos and Flour Milling Office (GSMFO) was responsible for purchasing and distributing the Kingdom's barley imports, a quantity representing nearly one-third of the world's total barley trade. The GSFMO's principal activity in the barley area now centers on local production, setting production quotas and receiving local barley from farmers. Despite a production quota of 1 million metric tons offered by the GSFMO to Saudi farmers, this year's barley harvest is not expected to exceed 200,000 MT, a level 800,000 MT below quota. Farmers apparently do not find the $267.67/MT government support price attractive enough to fill the one million metric ton quota. The per metric ton C&F price (free port) for imported barley arriving at Saudi ports ranged between $128 and $130.50 in mid February 2001. Locally produced barley is now used solely as an ingredient in animal feed production in the GSFMO's feed mill.

Reduced Barley Imports:

Good rainfall so far this season in the Northern, Southern and Eastern parts of the Kingdom has provided better pasture conditions compared to the three previous years. The good pasture conditions have reduced demand for barley consumption since the end of November 2000 as traditional livestock farmers depend more on available pasture for feeding their herds. Farmers are expected to decrease Saudi barley imports for marketing year (MY) 2000 by about 500,000 metric tons from 5,569,477 metric tons from MY 1999 (July 1999-June 2000). If it rains more in the next few weeks, most traders believe barley imports will be further reduced significantly in the marketing year 2000.

Government Subsidy on Imported Barley:

On June 11, 2000, the Saudi Government issued a Royal Decree announcing temporary reinstatement of barley subsidy on imported barley. The decree instructed barley importers to sell a bag of 50 kg of imported barley at Saudi Riyals (SR) 18 ($4.80) or $96 per metric ton at importers bagging facilities. The maximum retail price to end users was set at SR 20 ($5.33 or $106.67 per metric ton). In return, the gov't pays 5 percent of the C&F price at Saudi ports as a profit to importers for barley imported and sold at the government set price ($4.80 per 50 kg of barley) as evidenced by sells invoices and SR 54 ($14.40) per metric ton to cover expenses related to L/C opening, unloading, transporting barley from sea port to bagging plants, and other related costs.

Following illustrates subsidy payment formula to importers assuming a C&F price of $130 per metric ton:

$130+$130(.05)+$14.40-$96=$54.90 (subsidy paid to importers.)

The government pays the subsidy to importers only for the quantities they sold at their bagging facilities as evidenced by daily sales invoices not for the quantities they imported. Payment to importers is done through checks issued by the Saudi Ministry of Finance and National Economy. Importers send documents such as certificate of origin, bill of loading, commercial invoice, local barley selling invoices, certificates from Customs

for quantity received, certificate from sea port, quality certificate from Quarantine Dept of Ministry of Agriculture, unloading certificate, and delivery order from shipping company (from local agent of the vessel).

Reasons for Reinstatement of Barley Subsidy:

After controlling barley imports, distribution, and prices in the Kingdom for over a decade, the Saudi government via the GSFMO, withdrew from the barley import market in April 1998, allowing the private sector to import and sell barley at market prices. The Saudi government's decision to turn over the barley importing business to the private sector was prompted by low world barley price (about $80/MT, C&F Saudi ports) in the Spring of 1998, which enabled importers to import and distribute barley to end users at prices below $5.6 per 50 kg bag for a few months.

The government reintroduced the subsidy program following an outcry by traditional livestock farmers who were unable to feed their herd barley when the retail price of 50 kg of barley reached SR 31 ($8.27) and the C&F (free port) at Saudi ports averaged $130 per metric ton. About 80 percent of imported barley is used by traditional farmers feeding sheep, camels, and goats. The farmers depend heavily on barley when pasture conditions in the Kingdom are poor. The demand for barely increased sharply in 1999 and 2000 due to poor pasture conditions resulting from below normal rainfalls during the winter season.

Barley Imports:

Marketing year 2000 barley imports (July 1, 2000 - June 30, 2001) are estimated by ATO/Riyadh at 5 million MT. The demand for barley use is expected to go down by over 500,000 metric tons this year compared to the previous marketing year due to a good pasture in the Kingdom that is expected to last until the end of April.

The European Union (EU) remains the dominant supplier of barley to the Kingdom. According to information from Saudi sea ports compiled by the Gulf Agency Co. Saudi Arabia (a major shipping agent), 6,011,244 metric tons of imported barley were unloaded at six Saudi ports in calender year 2000, an increase of 2.65 percent compared to 1999. EU supplied about 84 percent of Saudi barley imports followed by Australia (6%), Canada (4.8%) and U.S. (2.7%) and other countries (2.9%). According to trade sources, Brazil shipped 75,000 mt, Ukraine 50,000 mt, Romania and Bulgaria 25,000 mt each in 2000 . Barley from Ukraine, Romania and Bulgaria come in a 25,000 mt vessels.

Specifications:

In order to differentiate imported barley from locally-produced barley, the GSMFO requires that 5 percent of imported barley be colored with carmosine. Local barley production accounts for only 4 percent of annual supply.

Saudi barley importers normally buy barley based on standard specifications of the country of origin (EU, United States, Canada, and Australia). Following are specifications for U.S., Europe and Australia origin imported barley obtained from a major Saudi grain importer:

U.S. Barley

Sound, Loyal & Merchantable quality
Test weight per bushel: 45 lbs minimum,
Moisture maximum: 14.5 percent
Foreign Matter maximum: 2 percent
Damaged kernels maximum: 4 percent
Colored barley not less than 5 percent of total shipped quantity
Goods to be free from alive weevils, insects, diseases, foreign smell and materials.

EU and Australia

Sound, Loyal & Merchantable quality
Colored barley not less than 5 percent of total shipped quantity
Goods to be free from alive weevils, insects, diseases, foreign smell and materials.

1. In case of EU or Turkish origin:
   Test weight: 62/63 KG/HL.
   Moisture 15 percent
   Foreign Matter: Max 2 percent

2. In case of Australian origin:
   As per Australian Grain Board Specifications

Oftentimes, Saudi traders employ brokers to buy barley. Several traders use brokers based in Beruit.

Provided below is a Production, Supply, and Distribution (PSD) table for barley:

PSD Table						
Country:	Saudi Arabia					
Commodity:	Barley					
	1999		2000		2001	
	Old	New	Old	New	Old	New
Market Year Begin	07/1999		07/2000		07/2001	
Area Harvested	30	37	30	37		37
Beginning Stocks	1551	1051	1051	1100	1051	1070
Production	200	200	200	200		200
TOTAL Mkt. Yr. Imports	5100	5569	5600	5000		5500
Oct-Sep Imports	4800	6437	5300	5400		5800
Oct-Sep Import U.S.	50	55	50	250	0	150
TOTAL SUPPLY	6851	6820	6851	6300	1051	6770
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0
Oct-Sep Exports	0	0	0	0	0	0
Feed Dom. Consumption	5700	5700	5700	5200		5800
TOTAL Dom. Consumption	5800	5720	5800	5230		5850
Ending Stocks	1051	1100	1051	1070		920
TOTAL DISTRIBUTION	6851	6820	6851	6300	0	6770

Trade Matrix:

Marketing Year 1999 Saudi Barley Imports Data (July 1999-June 2000):

Month	Quantity in Metric Tons
July	180,708
August	526,935
September	333,294
October	875,591
November	512,103
December	399,619
January	282,347
February	287,340
March	442,326
April	692,144
May	461,578
June	575,492
TOTAL	5,569,477

Calender Year 2000 Barley Imports to Saudi Arabia

Month	Quantity in Metric Tons
January	282,347
February	287,340
March	442,326
April	692,144
May	461,578
June	575,492
July	426,395
August	878,548
September	603,120
October	603,835
November	437,707
December	320,412
Total	6,011,244

Calender Year 1999 Saudi Barley Imports Data

Month	Quantity in Metric Tons
January	716,974
February	766,441
March	389,361
April	359,164
May	493,923
June	301,705
July	180,708
August	526,935
September	333,294
October	875,591
November	512,103
December	399,619
Total	5,855,818

Fiscal Year 2000 Saudi Barley Imports (October 1999-September 2000)

Month	Quantity in Metric Tons
October	875,591
November	512,103
December	399,619
January	282,347
February	287,340
March	442,326
April	692,144
May	461,578
June	575,492
July	426,395
August	878,548
September	603,120
Total	6,436,603

Source: Gulf Agency Co. Saudi Arabia

II. THE CURRENT WHEAT SITUATION

Overview:

All aspects of wheat continue to be controlled by the GSFMO. Government policy is for farmers to produce only enough wheat to meet domestic needs, currently about 1.8 million MT. Saudi Arabia does not export or import wheat or wheat flour, with the exception of small quantities of mixed wheat flour for special baking needs. The Government-guaranteed purchase price for wheat produced by small wheat farmers remains at $400 per metric ton. Large share holding companies were excluded from receiving wheat subsidies in 1993.

The GSFMO continues to hold talks with World Bank officials concerning privatization of the country's 6 flour mills. The mills are located in the cities of Riyadh, Jeddah, Dammam, Qassim, Khamis Mushayt, and Tabuk.

The total combined milling capacity of the six mills is 5,600 MT of wheat per day. If and when the mills are privatized, it is likely that the government will significantly reduce the import tariff of wheat (currently set at 100 percent) to allow traders to buy wheat on the world market. Note that the Saudi government does not impose import tariffs on barley, sorghum, or rice. Corn and soybean meal importers actually receive a rebate for every metric ton imported.

Allowing Saudi traders to buy wheat on the world market would lead to the production of many types and blends of wheat flour and the manufacture of a wide selection of breads and pastries. If the wheat trade is liberalized, a key challenge the government will face will be how to reconcile current wheat production policy with a liberalized trading policy. There will be many options to consider, but it is likely the government will reduce the price support afforded to wheat farmers to a level more in line with world markets.

Provided below is a Production, Supply, and Distribution (PSD) table for wheat:

PSD Table						
Country:	Saudi Arabia					
Commodity:	Wheat					
	1999		2000		2001	
	Old	New	Old	New	Old	New
Market Year Begin	07/1999		07/2000		07/2001	
Area Harvested	304	400	336	400		400
Beginning Stocks	1328	1377	1079	1328	1030	1229
Production	1600	1800	1800	1800	0	1800
TOTAL Mkt. Yr. Imports	1	1	1	1	0	1
Jul-Jun Imports	1	1	1	1	0	1
Jul-Jun Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	2929	3178	2880	3129	1030	3030
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0
Jul-Jun Exports	0	0	0	0	0	0
Feed Dom. Consumption	50	50	50	50	0	50
TOTAL Dom. Consumption	1850	1850	1850	1900	0	1850
Ending Stocks	1079	1328	1030	1229	0	1180
TOTAL DISTRIBUTION	2929	3178	2880	3129	0	3030

III. THE CURRENT RICE SITUATION

Overview:

Calendar Year 2000 Saudi rice imports are estimated at 890,209 MT, up by 9 percent from year-earlier levels (see PSD table). The increase is attributed to strong consumer demand, due in part to the high population growth rate of 3.4 percent, increasing number of pilgrims that come to Mecca (over three millions pilgrims come to Mecca each year to perform Ummra and Haj rituals) and exports (including food donations to near by countries). The Saudi government does not impose import tariffs on rice, providing Saudi traders the opportunity to re-export imported rice to Yemen and other nearby destinations.

Saudi Rice Imports:

Accounting for 64 percent of Saudi rice imports in 1999, India has been the main beneficiary of the growing Saudi rice market. No rice is produced in the Kingdom. Basmati (White and Sella) and Parimal rice are the leading Indian varieties imported. Based on official Indian Customs data, rice exports to Saudi Arabia from India jumped from 288,637 MT in 1995 to 524,736 MT in 1999. Basmati rice accounted for 72 percent of total Indian rice exports to the Kingdom in 1999.

On the contrary, Saudi imports from the United States and Thailand have fallen substantially since the early 1990s. U.S. rice exports to the Kingdom declined from 205,611 MT in 1993 to 163,502 MT in 2000. Thai rice exports to Saudi Arabia decreased from 127,947 MT in 1994 to 64,707 metric tons in 2000.

Reasons for Increased Demand for Indian Rice:

Saudi rice traders believe Indian rice exports will continue to gain market share. Reasons for the shift to Indian rice are as follows:

! A growing shift in consumer demand away from American parboiled rice to Indian Sella Basmati rice (parboiled Basmati rice). Traders cite competitive pricing, attractive packaging, and the aromatic flavor of Sella rice as the main reasons for the success of Indian Sella Basmati rice in Saudi Arabia. Many local restaurants, mainly "Boukhari" restaurants, have shifted to Sella Basmati rice.

! A significant percentage of Saudis and expatriates with low incomes have shifted from U.S. rice to Indian Parimal rice (PR106). Indian Parimal parboiled rice was introduced in the Kingdom 7 years ago and has rapidly gained in popularity. Indian Parimal was instrumental in prompting a significant decline in exports of Thai parboiled rice to the Kingdom.

! Competitive prices of Parimal rice. Parimal rice is by far the cheapest parboiled rice available in the Kingdom, selling for about one-half the price of U.S. parboiled long grain rice. Retail prices for a 45-kilogram bag of Parimal rice range between $13.00 and $14, compared to $22.5 to $30 for U.S. parboiled rice. The Saudi rice trade acknowledges that the quality of U.S. rice is superior to Parimal rice, but concedes that the vast majority of consumers are unable to ascertain the difference between the two varieties. Sources allege that illicit traders often pass off Indian rice as American rice, by bagging Indian rice in bags associated with U.S.-origin rice. This practice, according to the trade, has been going on for several years, but is virtually impossible to stop.

! The availability of dozens of brands of Basmati and non-Basmati rice, mainly from India, on the Saudi market has greatly increased competition at the expense of U.S. brands. There appears to be less than 10 different U.S. brands on the Saudi market.

! While Indian and other rice is perceived as "natural" rice, U.S. rice is frequently perceived as "manufactured", according to the Saudi rice trade. U.S. rice companies have been working hard to dispel this myth.

Trade Matrix from 1995 to 2000

The table below shows exports of rice to Saudi Arabia from leading suppliers, for calendar years 1995 to 2000. The data was provided by FAS offices in India, Thailand, and Pakistan and are based on official Customs Data from these countries.

Country-of-Origin			CALENDAR YEAR Metric Tons			
	2000	1999	1998	1997	1996	1995
India	560,000*	524,736	482,183	416,599	449,389	288,637
U.S.	163,502	117,256	144,417	115,489	142,225	176,379
Pakistan	90,000*	84,484	56,766	65,222	108,774	88,002
Thailand	64,707	72,736	66,147	66,688	76,855	63,461
Other	12,000*	20,000 *	15,000*	15,000*	15,000*	15,000*
Total	890,209	819,202	764,513	678,998	792,243	631,479

Source: Supplying countries customs data
*Trade estimate

Note: Total annual imports from smaller suppliers (mainly Australia, and Egypt) are estimated at 12,000-20,000 metric tons.

Saudi Rice Cleaning and Bagging Plant:

The Saudi company AJWA-RMTI is the only rice cleaning and bagging plant in the Kingdom. AJWA buys rice in bulk from the United States and other destinations, particularly India, and cleans and bags the rice under its own brand names. The AJWA plant was built in 1995 and is located in Jeddah Port. It has the capacity to store 120,000 MT of rice and to process up to 450,000 MT of rice annually.

AJWA is responsible for unloading the vast majority of bulk grain shipments to Jeddah port. The plant is located next to 3 berths which it rents from the Port Authority. The berths can handle vessels carrying up to 100,000 MT of grains.

Provided below is a Production, Supply, and Distribution (PSD) Table for Rice:

PSD Table						
Country:	Saudi Arabia					
Commodity:	Rice, Milled					
	1999		2000		2001	
	Old	New	Old	New	Old	New
Market Year Begin	01/1999		01/2000		01/2001	
Area Harvested	0	0	0	0	0	0
Beginning Stocks	65	50	74	70	82	100
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
TOTAL Imports	796	819	828	890	0	895
Jan-Dec Imports	796	819	828	890	0	895
Jan-Dec Import U.S.	120	117	120	164	0	160
TOTAL SUPPLY	861	869	902	960	82	995
TOTAL Exports	27	15	30	30	0	30
Jan-Dec Exports	27	15	30	30	0	30
TOTAL Dom. Consumption	760	784	790	830	0	870
Ending Stocks	74	70	82	100	0	95