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## **Yemen**

## **Grain and Feed**

# **The Yemeni Market for Wheat and Wheat Flour 1999**

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### **Report Highlights:**

**Yemen remains an important market for wheat and wheat flour, importing nearly 1.3 million metric tons of wheat and 780 thousand metric tons of wheat flour in 1998. The Yemeni government recently liberalized imports of wheat and wheat flour. Private traders are now free to import, distribute, and sell imported wheat and flour at prevailing market prices. With the construction of new flour mills in the ports of Aden and Salif, the demand for imported wheat is expected to increase.**

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Includes PSD changes: No  
Includes Trade Matrix: Yes  
Unscheduled Report  
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## THE YEMENI MARKET FOR WHEAT AND WHEAT FLOUR

### Summary:

In February 1999, the Yemeni government (GOY) liberalized imports of wheat. Private traders are now free to import, distribute, and sell imported wheat at prevailing market prices without government intervention. Three weeks ago, the GOY liberalized wheat flour imports. The private trade is not expected, however, to import wheat flour under the new system until after the summer, since a 150,000 metric ton (MT) wheat flour tender was recently awarded to a private Yemeni company by the Ministry of Supply and Trade for delivery August-January. In addition, the United States donated 100,000 MT of wheat flour to Yemen under the Section 416b program, with deliveries from April through August. With new flour mills being built, the market for wheat is expected to remain strong over the next several years. Wheat flour imports, however, are expected to decline in concert with increased milling capacity.

### Imports Before Liberalization:

Before trade liberalization, the Ministry of Supply and Trade held import tenders, awarding import licenses to Yemeni traders with the lowest bids. Financing was provided by the Central Bank of Yemen. Yemeni traders arranged for the import of the commodities and sold imported wheat and flour to licensed distributors at reduced prices through a differential exchange rate system.

Before wheat was liberalized in February 1999, the Yemeni government required importers to sell imported wheat to licensed distributors at an exchange rate of 92 Yemeni Riyals (YR) per 1 U.S. dollar, a rate substantially below the January 1999 market rate of 145 YR per 1 U.S. dollar. The differential exchange rate represented the subsidy to consumers. In 1996, the differential exchange rate was 12.02 YR per 1 U.S. dollar, representing a subsidy to the consumer of about 85 percent. Since that time, the exchange rate was gradually increased.

The differential exchange rate for imported wheat flour was 96 YR per 1 U.S. dollar prior to liberalization in June, 1999.

### Wheat Imports:

Based on new data from the Ministry of Planning and Development, Yemeni wheat imports in 1998 totaled nearly 1.3 million MT. The United States and Australia were the dominate suppliers, accounting for 85 percent of the trade.

Table 1. Yemeni Imports of Wheat, CY 1998

<u>Country of Origin</u>	<u>Quantity (1,000 MT)</u>
United States	487,035
Australia	608,486
France	25,839
EU	9,533
Argentina	79,390
Brazil	50,770
Greece	292
Free Zone (Dubai)	7,500
Indonesia	4,000
Netherlands	164
Belgium	9,831
South Africa	8,148
United Kingdom	1,902
Saudi Arabia	5
<b>TOTAL</b>	<b>1,292,895</b>

. Wheat Flour Imports:

In CY 1998, Yemen imported 778,601 MT of wheat flour, according to the Ministry of Planning and Development. The United States supplied one cargo of wheat flour (26,100 MT) to Yemen in 1998. European nations were by far the dominant suppliers.

Table 2. Yemeni Imports of Wheat Flour, CY 1998

<u>Country of Origin</u>	<u>Quantity (MT)</u>
Belgium	48,258
France	150,927
Netherlands	16,900
Italy	233,883
United States	26,100
EU	268,627
United Arab Emirates	2,578
Cyprus	11,450
Greece	8,200
United Kingdom	4
Not Specified	1,750
Oman	5
Saudi Arabia	169
Australia	9,750
<b>TOTAL</b>	<b>778,601</b>

Market Prices of Wheat Flour and Bread:

With liberalization and the elimination of subsidies at the consumer level, prices of wheat and wheat flour have increased considerably over the past few months. Even though the Ministry of Supply and Trade continues to oversee distribution of flour purchased under government tenders (before liberalization), retail prices are reflecting market conditions.

The price of a 50 kilogram (KG) bag of wheat flour is currently selling for 1,650 to 1,700 Yemeni Riyals, or about \$10.50 per bag. This is up from the March 1999 price of 1,215 YR per bag. Wheat flour donated from the United States is priced between 1,650 and 1,700 YR per bag.

Yemeni bakers are no longer subject to quotas and now pay market prices for wheat flour. The price of a 10 inch-long loaf of leavened bread currently sells for 5 YR. Two years ago, this same loaf sold for 1 YR. Longer and fatter baguettes sell for 10 YR. According to bakers, between 400 and 500 loaves of the 5 YR- bread can be made with one bag of flour.

Bakers also offer flat unleavened Arabic bread to consumers, which currently sells for 5 YR. One 50 KG bag of flour can produce about 600 Arabic breads.

New Developments:Aden:

The flour mill being built in Aden Port by the Hayel Saeed Group is nearing completion and will begin operation in December 1999, according to sources. Initial capacity of this mill will be 1,500 MT per day. The mill is located about 1 kilometer from the quay. The Hayel Saeed Group plans to build a conveyer belt system which will transport wheat directly from ship to the mill. The group also plans to expand capacity of its mill to 2,500 MT/day by the year 2002.

Salif:

The Al Habbari Company, a well-established Yemeni grain importer, plans to build a 600 MT/day mill adjacent to a new 400 meter quay at the port of Salif. Salif is a small and old port, located about 90 kilometers north of the Red Sea port of Hodeidah. The new quay can handle vessels up to 70,000 MT. Buehler equipment is currently sitting in wooden crates at Al Habbari's site. Abdullah Mohammed Fahem and Company is negotiating with the Yemeni government to build silos and a flour mill in Salif as well.

Hodeidah:

The Red Sea Mill is the largest existing commercial mill in Yemen, located in Hodeidah. Milling capacity is 1,920 MT/day. According to sources, the Red Sea mill is now operating at full capacity.

Future Prospects for Wheat and Flour Imports:

Yemen has a population of about 18 million, with an annual growth rate of 3.7 percent. Wheat production is limited (167,402 MT in 1998 according to the Ministry of Agriculture), and is expected to decline significantly in 1999 due to a lack of rainfall this year. With limited arable land and a high population growth rate, imports of both wheat and wheat flour will remain strong over the next few years. However, with more mills being built, wheat imports are expected to increase at the expense of wheat flour. A wider range of wheat varieties is expected to be imported by Yemeni traders under trade liberalization, resulting in the production of different types of wheat flour.