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Saudi Arabia

Grain and Feed Annual

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Report Highlights:

In MY2014/15, U.S. corn exports continued their dominance of the Saudi market, reaching 1.2 million MT and accounting for 41 percent share of the market. Saudi corn imports in MY2015/16 are forecast to increase by three percent, to 3 million MT. In MY2015/16, Saudi Arabia ended its domestic wheat production program that lasted for more than three decades. A very small number of Saudi farmers, however, are expected to continue their wheat production to supply local artisanal mills. Saudi wheat imports for MY2015/16 are projected to be around 3 million MT, a decline of about 14 percent from a year earlier due to large carryover stocks. Saudi barley imports in MY2015/16 are projected at 8.5 million MT, about 4 percent higher than imports in the previous year. Saudi rice imports are expected to increase by 4 percent, to 1.48 million MT.

Wheat

Production:

In MY2015/16, the Saudi government ended its domestic wheat production and purchase programs, as was specified in the decree # 335 of 2007. The decree stipulated that the Saudi Grain Silos and Flour Mills Organization (GSFMO) would reduce wheat production quotas for registered farmers by 12.5 percent annually starting from MY2007/08 in order to end wheat cultivation by the beginning MY2015/16. The main reason for the policy change was a strong concern over the depletion of the country's scarce water reserves, as the wheat crop is 100 percent irrigated. This policy was a drastic departure from the country's longstanding strategy of achieving wheat self-sufficiency that has been pursued since the early 1980s. The GSFMO was restructured and renamed as the Saudi Arabia Grains Organization (SAGO) in November 2015.

USDA official estimate for the Saudi wheat production in MY2014/15 was revised upward, from 425,000 MT to 722,333 MT, based on SAGO's procurement data. As such, post has revised the Saudi wheat planted area for MY2014/15 to 120,000 HA.

The Saudi government is encouraging former wheat farmers to engage in alternative sustainable agricultural activities such as greenhouse farming and adopt advance drip irrigation techniques to produce fruits and vegetables. However, some small farmers may continue to produce small quantity of local wheat for sale to special customers for use in producing some traditional bakery products. According to local agricultural experts, total annual domestic wheat production for MY2015/16 should not exceed 10,000 MT. Post reduced its domestic wheat production estimate for MY2015/16 by about 67 percent, compared to official USDA projection of 30,000 MT. The production area was also revised to reflect the decreased domestic wheat production.

Consumption:

Wheat is an important item in the Saudi diet. It is mostly consumed in the form of flat (pita) bread or local hamburger buns known as 'Samoli' and other western-style bread such as French baguettes and pizza. The average per capita consumption of wheat in Saudi Arabia is currently estimated at about 298 grams per day, or about 109 kg annually. Total Saudi wheat consumption in MY 2014/15 was estimated at about 3.35 million MT and is projected to increase by 3 percent in MY 2015/16. It should be noted that Saudi Arabia has not imported feed wheat since MY2011/12. We project wheat residue to remain at about 55,000 MT in MY2015/16.

The bulk of wheat flour consumed in Saudi Arabia is white flour. 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 some health conditions such as diabetes and obesity. It should be noted that Saudi Arabia is one of the countries with high percentage of diabetes and obesity rates in the world. SAGO, the exclusive wheat flour miller in Saudi, has increased its whole wheat production in recent years to meet the growing demand.

Trade:

SAGO is the exclusive importer of food grade wheat in Saudi Arabia. The organization imports both hard and soft wheat directly through public tenders open to registered international exporters and it does not buy through grain brokers. SAGO has been buying wheat from various origins including the EU, North America, South America and Australia. The organization imports wheat through two main ports, the Jeddah Islamic Seaport on the Red Sea and the Dammam King Abdul Aziz Seaport on the Arabian Gulf. SAGO has been making plans to increase the number of Saudi seaports that can receive imported wheat to five by adding three smaller seaports in Diba, Jazan and Yanbu (all located on the Red Sea) by 2018. This year, SAGO will import some wheat through the port of Jazan.

Trade data from wheat supplying countries shows that for the first six months of MY 2015/16 (July-Dec 2015) that Saudi Arabia imported a total of 1,170,441 MT, a decline of about 27 percent, compared to 1,608,150 MT imported in the same period of the previous year. There are two reasons for the huge decline in Saudi wheat imports in the first six months of this marketing year; one is the increased purchase of domestically produced wheat from 425,000 MT to 722,333 MT and the other is the large wheat stocks at SAGO's silos in MY2014/15. SAGO said that it will resume its normal wheat imports in the second half of MY 2015/16 to import a total of about 3 MMT for the entire marketing year. Accordingly, post has revised the MY2015/16 wheat import forecast downward to 3 MMT, compared with USDA's official estimate of 3.8 MMT, a decrease of 21 percent. Wheat imports in MY2016/17 are projected to rebound by 17 percent, to 3.5 MMT to meet consumption needs and maintain reasonable strategic wheat reserves levels.

In the first six months of MY2015/16, Lithuania was the top exporter of wheat to Saudi Arabia with 658,307 MT, accounting for 56.2 percent of the total Saudi wheat imports. Lithuania's wheat exports to the Kingdom increased by about 240 percent in the first six months of this MY, compared to its exports in the same period of MY2014/15. Germany was the second largest exporter with 16.6 percent, and Latvia was the third largest supplier with 15.9 percent. Canada and Poland equally accounted for 5.4 percent of the total Saudi wheat import in the first six month of this marketing year.

Saudi Arabia's Wheat Imports in July 2014-December 2014 and July 2015-December 2015

Saudi Wheat Imports in MT				
Supplying Country	Jul 2014-Dec 2014	Market Share	Jul 2015- Dec 2015	Market Share
Lithuania	194,249	12.1%	658,307	56.2%
Germany	200,261	12.5%	193,782	16.6%
Latvia	0	0.0%	186,572	15.9%
Canada	315,001	19.6%	62,999	5.4%
Poland	609,598	37.9%	62,997	5.4%
Netherlands	173,331	10.8%	0	0.0%
France	88,750	5.5%	0	0.0%
Ukraine	18,675	1.2%	0	0.0%
Other Countries	8,285	0.5%	5,784	0.5%
Total	1,608,150	100%	1,170,441	100%

Source: Global Trade Atlas and USDA Data

Saudi Arabia imported about 3.49 MMT of milling wheat in MY2014/15, an increase of 3 percent over imports in MY2013/14. Germany was the leading wheat supplier to Saudi Arabia, with 28.1 percent market share, despite a decline of its exports by 27, percent compared to the previous year. Poland was the second largest supplier with 27.9 percent, while Canada was the third largest supplier with 19.8 percent in MY2014/15. Both Poland and Canada increased their exports in MY2014/15, compared to their exports in the year before. Wheat imports from Lithuanian, French, Australian and Latvian declined significantly in MY2014/15, compared to a year earlier. The Netherlands, Argentina Brazil and Finland returned to the Saudi market in MY2014/15 with a combined market share of 11.1 percent. SAGO's imports of U.S. wheat in MY2014/15 totaled 626 MT, all for experimental milling of white wheat. Post has revised its U.S. wheat export estimate for MY2014/15 in the wheat PSD table accordingly.

The table below shows Saudi wheat imports in MY2013/14 and MY2014/15 by countries of origin.

Supplying Country	July 2013-June 2014	Market Share	July 2014-June 2015	Market Share
Germany	1,347,089	39.8%	980,814	28.1%
Poland	524,249	15.5%	973,759	27.9%
Canada	253,172	7.5%	690,810	19.8%
Lithuania	450,491	13.3%	246,594	7.1%
Netherlands	0	0.0%	198,570	5.7%
France	206,852	6.1%	88,752	2.5%
Argentina	0	0.0%	67,200	1.9%
Brazil	0	0.0%	61,674	1.8%
Finland	0	0.0%	57,750	1.7%
Australia	376,563	11.1%	12,920	0.4%
United States	68,348	2.0%	626	0.0%
Latvia	106,000	3.1%	0	0.0%
Other Countries	48,642	1.4%	106,563	3.1%
Total Import	3,381,406	100%	3,486,032	100%

Source: Global Trade Atlas and USDA Data

Stocks:

The SAGO owns and operates silo complexes in major cities around the Kingdom with a total combined storage capacity of 3.1 MMT at the end of 2014, an increase of about 70 percent over 2011. SAGO has signed contracts to build five additional silos in Makkah, Qassim, Jazan, Aseer, and Al-Hasa, which will increase the total storage capacity to 3.7 MMT by the end of 2016. Currently, SAGO maintains more than 1.8 MMT in strategic wheat stocks but it has plans to increase it to close to the annual wheat consumption level in MY2016/17.

Policy:

In MY2015/16, the Saudi government officially ended its more than three decades domestic wheat production program by fully implementing its 2007 decree # 335 to phase-out domestic cultivation. The main reason for the policy change was a strong concern over the depletion of the country's scarce water reserves, as the Saudi wheat crop is 100 percent irrigated. This policy was a drastic departure from the country's longstanding strategy of achieving wheat self-sufficiency that has been pursued since the mid-1980s.

Another agricultural crop that was targeted by the government decree for gradual termination is the domestic green fodder production, with production estimated at about 4 MMT per year. In December 2015, the Saudi government instructed the Saudi Ministry of Agriculture (MOA) to issue a three year green fodder phase-out plan to end local production by 2019, making Saudi Arabia one of the largest import market of green fodder, starting 2020. According to the Saudi Ministry of Water and Electricity,

elimination of the domestic green forage production alone will save the country about 7 billion cubic meters of water annually.

The Saudi government is also encouraging agricultural companies to invest in foreign countries that have comparative advantage in producing certain crops and re-export their products back to Saudi Arabia. The crops targeted by this initiative include wheat, rice, barley, yellow corn, soybeans, and green forage. The Saudi government is providing financial incentives to encourage Saudi investors (companies and individuals) to take part in this food security initiative and invest overseas.

Saudi Arabia Privatizes Flour Mills

On November 9, the Saudi government approved the establishment of four milling companies and restructuring 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) of the Ministry of Finance to set up four flour mill companies, which will be eventually sold to the private sector, to produce wheat flour for domestic market. The PIF will re-group nine existing flour mills into four companies that will be sold to interested buyers through a competitive bidding process. Foreign investors will be allowed to compete with the Saudi investors to own and operate these flour mills. The flour mills sector has been for several years targeted for privatization by the Saudi government.

The new milling companies will serve as clients of the SAGO to process and distribute wheat flour for fees to government approved customers at agreed subsidized prices. The new mills would be allowed, if so chose, to import their own wheat shipments for the processing of non-subsidized flour and the production of upscale quality bakeries and pasta. Most of the revenue of the private mills is expected to come from the milling fees charged to the SAGO.

These flour mills have a combined daily milling capacity of 13,980 MT and can process more than 3.3 MMT of wheat annually. SAGO has about 3.1 MMT of wheat storage capacity and is currently building several wheat silos to increase its total storage capacity to 3.7 MMT of wheat by the end of 2016.

The role of the SAGO after privatization

The SAGO will remain the exclusive government agency to import subsidized milling wheat, and will maintain ownership and operation of most of the wheat silos across the country. The SAGO will manage the strategic wheat reserves and ensure the Kingdom's food security objectives. The SAGO is expected to privatize only a part of its grain storage silos to provide a smooth transition for the new flour mills. The rest of the storage capacity will be retained by the SAGO for strategic reserve purposes.

SAGO will also assume regulatory functions in the wheat milling sector that will include:

- Setting the regulations concerning wheat flour quality
- Inspecting flour mills to ensure compliance with quality regulations
- Regulating the competition among the private flour milling operators

Marketing:

The SAGO is the sole wheat buyer and distributor of wheat flour in Saudi Arabia. All licensed bakeries, industrial users and supermarkets get their flour requirements directly from designated SAGO's flour mills located in their cities or from assigned agents in their respective areas. There are more than 525 appointed distributors, with about 100 that have multi-outlets, and sever a total of 11,606 establishments, of which 6,500 are licensed bakeries. The distributors provide the packaged flour to licensed bakeries in a 45 kg sack and to retailers in 1, 2, 5, or 10 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 been coordinating various market development and trade servicing activities in Saudi Arabia. The capacity building activities, which included seminars, training and exchange programs, were designed to assist SAGO's purchasing staff in understanding the quality attributes of various U.S. wheat varieties. The USWA offered workshops to address diverse 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 flour mills, while smaller bakeries and retailers receive their assigned quotas from SAGO appointed distributors. SAGO packs wheat flours in five sizes: 45 kg bags for bakeries and 1, 2, 5 and 10 kg bags for retail. Industrial customers purchase in bulk of 1,000 kg. The SAGO's wholesale prices vary on the flour type and extraction rate. The wholesale price of a kg of consumer packed wheat flour range between \$0.27 and \$0.33, bakers purchase from \$5.3 to \$8 per 45 kg, while industrial users purchase in bulk for prices that range between \$117.3 and \$160 per MT. The prices have not changed for over three decades.

Exports:

Saudi Arabia does not export wheat grains. However, an estimated about 10,000 MT of wheat grain equivalent of wheat products such as macaroni, pasta, biscuits and some breads are exported annually to the GCC and other nearby countries.

Production, Supply and Demand Data Statistics:

Wheat Market Begin Year	2014/2015		2015/2016		2016/2017	
	Jul 2014		May 2015		Jul 2016	
Saudi Arabia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	71	120	5	2	0	2
Beginning Stocks	2911	2911	3408	3705	0	3200
Production	425	722	30	10	0	10

MY Imports	3487	3487	3800	3000	0	3500
TY Imports	3487	3487	3800	3000	0	3500
TY Imp. from U.S.	2	1	0	60	0	120
Total Supply	6823	7120	7238	6715	0	6710
MY Exports	10	10	10	10	0	10
TY Exports	10	10	10	10	0	10
Feed and Residual	55	55	55	55	0	55
FSI Consumption	3350	3350	3450	3450	0	3560
Total Consumption	3405	3405	3505	3505	0	3615
Ending Stocks	3408	3705	3723	3200	0	3085
Total Distribution	6823	7120	7238	6715	0	6710
(1000 HA) ,(1000 MT)						

Barley

Production:

The Saudi government terminated its domestic barley production program in 2003, bringing an end two decades of domestic production of feed barley. Local Saudi barley production is currently estimated at about 15,000 MT, and is mostly for human consumption. The government has stopped feed barley production in order to conserve scarce water resources, as the Saudi barley crop is 100 percent irrigated.

Consumption:

Domestic barley consumption for MY 2015/16 is projected to be in line with the USDA's estimate of 8.5 MMT, up five percent compared consumption in MY2014/15. This increase is due to a strong demand for barley as a result of poor pastures conditions caused by inadequate rainfalls this winter season and the continuation of the Saudi government's subsidy on imported barley, which makes barley very price competitive with other feed alternatives. When it is readily available, barley is often used by livestock farmers in the place of forage. For MY2016/17, barley consumption is forecast to remain strong due to expected reduction in local green forage production, with expectation that the MOA will start implementing its decree to phase-out forage cultivation in Saudi Arabia. Livestock growers switch to barley when prices of green forage are relatively higher. In the longer term, barley consumption in Saudi Arabia will depend on the level of government subsidy as well as barley price competitiveness compared to other feed grain substitutes, such as processed feed, feed-wheat, corn or sorghum.

Traditionally, white barley has been the preferred animal feed for domestic Bedouins and approximately 80 percent of imported barley is used in feeding sheep, camels, and goats. Bedouins feed raw barley to their livestock with a large percentage being wasted. The MOA reports that more than 30 percent of the raw barley fed to livestock is discharged without being digested, thereby providing no benefit in terms of weight gain or nutrition to the animals.

For the past several years, the Saudi government has been subsidizing the imports of 31 feed grains and feed ingredients to encourage increased local processed feed production to offer domestic livestock farmers with adequate quantities of more nutritional processed feed formulas at competitive prices. This, the MOA says, will significantly reduce the country's dependence on large quantities of imported feed barley. The MOA points out that livestock use of more feed concentrates, mixed with barley, are necessary to reduce barley wastage, increase weight gain and reduce production costs. Various

government supports to the domestic feed processors have helping in increased supplies of compound feeds at competitive prices. The Arabian Agricultural Services Company (ARASCO), the largest Saudi animal feed processor, has kept its wholesale price of the 50 kg-bag of “Wafi” compound feed at ex-factory price of \$9.07, which is equal to the price that the Saudi government charges for unprocessed barley of the same weight. Historically, the demand for barley has fluctuated based on its price compared to the prices of processed compound feed and green forage.

Several domestic feed processors are currently expanding their production facilities to increase compound feed output in the next few years. ARASCO, the country’s leading feed processor, will increase its processed feed output from an estimated production of 650,000 MT in 2014 to about 3 MMT by the end of 2016 given a kilo of Wafi compound feed replaces 1.5 kilos of grain barley, ARASCO’s expected 2.35 MMT of additional compound feed production is expected to decrease barley imports by 3.325 MMT if the company achieves full production as planned.

The local barley production, which is estimated at 10,000 MT, is mostly used in preparing specialty food items such as soups and some traditional Saudi dishes during the fasting month of Ramadan. Barley is also used in bread making and/or mixed with whole wheat flour. Currently, local food barley is sold for \$1.87 per kilogram in small neighborhood shops and flour mills.

Trade:

Exporting countries’ trade data shows that during the first six months of MY2015/16 (July-Dec 2015), Saudi barley imports totaled 5.6 MMT, an increase of more than 7 percent over the same period in MY2014/15. Trade contacts indicated that the Saudi Grain and Fodder Company (SGFCO), the exclusive barley importer in Saudi Arabia since 2011, purchased 3 MMT of barley at the end of 2015 for February-April arrivals. Most of this quantity was reportedly purchased from the black-sea countries. The demand for barley is stronger this year due to poor pasture conditions caused by inadequate rainfalls this winter season, as well as to the continuation of the Saudi government subsidy on imported barley, which makes barley very price competitive with other feed alternatives. Post projects that in MY2015/16 total Saudi barley imports would be around 8.5 MMT, about four percent higher than imports in MY2014/15 and similar to USDA’s official estimate. Traditionally, demand for feed barley increases sharply when the prices of green forage are high. The Saudi government’s recent announcement to terminate domestic green forage production by 2019 should drastically increase barley imports, provided that the government will continue to subsidize barley imports.

During the first six months of MY2015/16, Ukraine was the leading exporter of barley to Saudi Arabia, with 2,120,400 MT and accounting for 38 percent of total barley imports. However, the Ukrainian exports were about 14 percent lower compared with levels in the same period in MY2014/15. Russia was the second leading exporter with 34 percent, followed by Romania with 10 percent and Germany at 6 percent. While all suppliers gained significantly in the first six months of MY2015/16, Australia, traditionally a major feed barley exporter, was absent from the Saudi barley markets this year. The U.S. did not export any barley to Saudi Arabia in the last two years.

Saudi Barley Imports in MT				
Supplying Country	Jul 2014-Dec 2014	Market Share	Jul 2015- Dec 2015	Market Share

Ukraine	2,475,683	47%	2,120,400	38%
Russia	1,638,672	31%	1,909,663	34%
Romania	485,402	9%	568,463	10%
Germany	250,507	5%	361,685	6%
Estonia	132,000	3%	148,618	3%
France	78,738	2%	132,000	2%
Lithuania	63,000	1%	250,347	4%
Other	112,512	2%	135,280	2%
Total	5,236,514	100%	5,626,456	100%

Source: Global Trade Atlas

In MY2014/15, Ukraine remained the leading barley supplier to Saudi Arabia, with 34 percent market share, followed closely by Russia with 33 percent and then by Germany as a distant third with 13 percent. In MY2014/15, Saudi barley imports from Ukraine, Russia and Germany increased by 72 percent, 81 percent and 13 percent, respectively, when compared to its imports in the previous marketing year. While Australian barley exports were absent from the Saudi market in MY2014/15, Argentinian and French exports declined by about 95 percent and 89 percent, respectively, during this year compared with MY2013/14. It is worth mentioning that U.S. barley exports have been absent from the Saudi market for the past three years.

Saudi Arabia's Barley Imports in MT				
Exporter	Jul 2013-June 2014		Jul 2014-June 2015	
Ukraine	1,631,268	18%	2,806,037	34%
Russia	1,489,910	17%	2,699,214	33%
Argentina	1,289,554	14%	65,192	1%
Australia	1,272,039	14%	N/A	N/A
Germany	950,310	11%	1,074,510	13%
Romania	751,625	8%	540,604	7%
France	686,997	8%	78,738	1%
Netherlands	164,590	2%	0	0%
Estonia	132,000	1%	132,000	2%

Canada	126,501	1%	0	0%
Lithuania	116,864	1%	127,240	2%
UK	93,678	1%	211,615	3%
Other Countries	322,664	4%	436,000	5%
Total Import	9,028,000	100%	8,171,150	100%

Source: GTA and USDA

It should be noted that ever since the Saudi Ministry of Finance (MOF) started controlling barley imports in 2011, by granting a market monopoly to the Saudi Grain and Fodder Company (SGFC) to import and distribute barley shipments, information on actual barley imports and stock levels has not been readily available.

Stocks:

SGFC does not release data on Saudi strategic barley data. However, it is estimated at more than 30 percent of the total consumption.

Policy:

The MOA has an ambitious policy that aims at reducing the Kingdom's barley imports to 1.5 MMT by 2020. The MOA says by 2020, imported barley will be used only as an ingredient to produce compound feed, and will not be offered for direct livestock feeding. To facilitate for the smooth implementation of the policy, the Saudi government has been encouraging the establishments of animal feed processing companies and the expansion of existing ones in order to drastically increase compound feed production to offer domestic livestock farmers with adequate quantities of more nutritional and alternative processed feed formulas at competitive prices. The government offers prospective investors with various incentives which include, long term interest free loans and import subsidies on 31 feed grains and feed ingredients. The current list of animal feed products eligible for import subsidy includes, yellow corn, soybean meal, distillers dried grain with soluble (DDGS), corn-gluten feed (CGF) and sorghum, barley straw, sunflower meal, sugar cane molasses, alfalfa hay and rice hulls. The subsidy rates are calculated according to energy and protein contents of each feed ingredient, and the levels of subsidies have been recently modified. Import subsidies on 48 percent protein soybean meal and corn are \$137 and \$82 per MT, respectively, while the import subsidy on sugar cane molasses is \$33 per MT, \$99 per MT for DDGS and \$91 per MT for CGF.

Marketing:

Domestic Barley Price

Sufficient barley supplies have been readily available at competitive prices throughout the Kingdom. Currently, large livestock farmers and licensed wholesale barley distributors can purchase the 50 kg sack of barley at the packing facilities at the government set price of 36 Saudi Riyals (SAR) or about \$9.6 per 50 kg. The government allows the barley dealers to resell the 50 kg sack at a maximum retail price of 40 SAR (\$10.6).

Barley Distribution Channels

Barley shipments usually arrive through five Saudi ports: Jeddah and Dammam (the first and second largest seaports in the country) in addition to three other smaller ports in Yanbu, Diba and Jazan on the Red Sea. After the shipments are discharged at ports, they are transported by trucks to the nearest SGFC barley bagging facilities outside the port areas. The bagged barley is usually picked up by the pre-assigned dealers or large end-users from the distribution centers under the direct supervision of Alshamil Company.

Production, Supply and Demand Data Statistics:

Barley Market Begin Year	2014/2015		2015/2016		2016/2017	
	Jul 2014		Jul 2015		Jul 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Saudi Arabia						
Area Harvested	2	2	2	2	0	2
Beginning Stocks	3396	3396	3486	3496	0	3496
Production	15	10	15	10	0	10
MY Imports	8200	8200	8500	8500	0	8600
TY Imports	8200	8200	8000	8500	0	8600
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	11611	11606	12001	12006	0	12106
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	8100	8100	8500	8500	0	8600
FSI Consumption	25	10	25	10	0	10
Total Consumption	8125	8110	8525	8510	0	8610
Ending Stocks	3486	3496	3476	3496	0	3496
Total Distribution	11611	11606	12001	12006	0	12106
(1000 HA) ,(1000 MT)						

Corn

Production:

Corn production is very limited in Saudi Arabia. Every year an estimated 80,000 MT is produced for both animal and human consumption. Domestic dairy farmers plant significant acreage of corn silage as a source of digestible fiber and readily fermentable energy for their cattle.

The corn crop is planted in the spring and summer seasons. The spring crop is planted in March and harvested in August, while the summer crop is planted in the last week of June and harvested from mid-November until the end of December. About 60 percent of corn production is planted in the summer season. The area planted to corn in MY 2014/2015 was estimated at 14,300 HA, with an average yield of 5.6 MT per hectare.

Domestic corn production has been constant over the past several years because the Saudi corn growers do not receive any government support, neither through direct production subsidy nor by government

guaranteed prices. The government policy has been discouraging domestic production of all water-intensive crops, including feed corn, and has been offering financial incentives to corn imports.

Consumption:

In MY2014/15, total corn consumption was estimated at 3.1 MMT, very close to USDA's official estimate. Total corn consumption in MY2015/16 is projected to remain at 3.1 MMT, about ten percent lower than the USDA's projection. This is mostly due to the inability of many of the major broiler producers to meet their plans of production expansion. In addition, the country's second largest food ingredients processor has not completed its corn-based facility expansion project. In MY2016/17, however, both the domestic broiler producers and corn processor are expecting to resume their expansion projects and that should increase their total corn consumption by about 18 percent, to 3.55 MMT.

All imported corn is used primarily for animal feed processing, while 100,000 MT is currently utilized in the production of food processing ingredients such as starch and sweeteners. In MY2016/17, industrial use of corn is projected to reach 250,000 MT. Some limited quantities of the locally grown corn crop are used for human consumption (corn-on-the-cob) and milled for flour by small neighborhood flour mills for baking needs.

Corn is a very important feed grain in poultry farms as it accounts for about 60 percent of the total feed ingredients used in poultry feed formulations. It is also a major feed grain used by commercial feed processors and the domestic dairy farms. As feed accounts for about 70 percent of the total production cost, particularly for broiler meat, the Saudi government has been providing import subsidies for feed corn and other feed ingredients, including DDGS and CGF to help reduce production costs of poultry meat, table eggs, dairy and livestock meat products.

As part of its water conservation efforts, the Saudi government announced a three year plan to phase-out domestic green forage production by 2019. If this plan materialized, demand for processed feed and thus for imported corn should drastically increase.

Industrial Use:

The Middle East Food Solutions Company (MEFSCO) is a joint venture established by ARASCO and the Cargill Co. to manufacture starch-based products for the Saudi market and to exports to the MENA region. MEFSCO is expanding its facilities to increase corn processing capacity from the current 100,000 MT to 250,000 MT annually by 2017. The plant produces starches, sweeteners, glucose, high fructose corn syrups and other food processing ingredients for confectioneries, juices, and bakery. MEFSCO is based in Al-Kharj, and depends on imports for its corn processing needs.

Trade:

Feed corn is one of the 31 products that receive import subsidies by the Saudi government. Currently, the Saudi government pays \$82 per MT subsidy for imported feed corn to help reduce compound feed production costs. The import subsidy is paid directly to corn importers who may be dairy farms, poultry farms, feed processors or licensed importers who distribute to smaller feed processors.

In MY2014/2015, Saudi corn imports reached 2.9 MMT, an increase of 8 percent over imports in the previous year. During this period, U.S. corn exports maintained their dominance of the Saudi market for the second consecutive year, with total export reaching 1.2 MMT and controlling about 41 percent share of the Saudi corn market. U.S. exports increased by about 14 percent in MY2014/15, compared to the year before. Argentina was the second largest corn exporter to Saudi Arabia last year, with 35 percent market share, followed by Brazil with 23 percent market share. Argentina was the most beneficiary from the expanded Saudi corn imports last year, as it increased its total exports by about 71 percent, while Brazil lost 33 percent compared to MY2013/14.

Saudi Corn Imports				
Exporter	Oct 2013-Sep 2014		Oct 2014-Sep 2015	
	Quantity	Market Share	Quantity	Market Share
United States	1,033,016	38.5%	1,187,241	40.9%
Argentina	599,964	22.4%	1,023,345	35.2%
Brazil	990,616	36.9%	662,704	22.8%
Other Countries	60,121	2.2%	31,032	1.1%
Total	2,683,717	100%	2,904,322	100%

Source: Global Trade Atlas

Trade data from exporting countries shows that Saudi feed corn imports totaled 704,033 MT in the first three months of MY

2015/16, 21 percent decline when compared to the same period in the previous year. During this period, Brazil accounted for 66.1 percent of the total Saudi corn import, followed by U.S. at 20.5 percent and the Argentina with 13.4 percent.

According to our trade contacts, total Saudi corn import for MY2015/16 is projected to be about 3 MMT, a decline of 14 percent and 500,000 MT lower than the USDA's estimate. Several broiler farms have not been able to meet their production expansion goals this year due to technical difficulties and poultry disease problems. However, the increase in corn processing facilities expected to boost Saudi corn imports by about 17 percent, to 3.5 MMT, in MY2016/17.

Supplying Country	Oct 2014-Dec 2014		Oct 2015-Dec 2015	
	Quantity	Market Share	Quantity	Market Share
Brazil	383,564	43.4%	465,655	66.1%
U.S.	177,736	20.1%	144,651	20.5%
Argentina	322,040	36.5%	93,727	13.3%
Total	883,340	100%	704,033	100%

Source: Global Trade Atlas

DDGS and CGS Imports:

Dried distillers grain with soluble (DDGS) and corn gluten feed (CGF) are two of the 31 animal feed ingredients that are eligible to receive Saudi government import subsidies. Importers of DDGS and CGF receive \$99 and \$91 per MT as import subsidies, respectively. To qualify for the subsidies, DDGS shipments must have at minimum 23 percent protein content and 2,800 energy units per MT. For CGF, the minimum protein requirement is 20 percent and energy requirement is 2,700 units per MT.

According to USGC, a total of 16,046 MT of DDGS was imported in 2015 by three Saudi companies (a feed processor, dairy and poultry farms).

Marketing:

The U.S. Grain Council (USGC) has been active in the Saudi market for the past few years conducting various activities to educate Saudi poultry farms, dairy producers and feed millers about the benefits of using DGS, CGF and sorghum in their animal feed formulations. In summer of 2011, the USGC's successful efforts were the main factor in convincing the Saudi government to include DDGS and CGF on the list of imported feed ingredients eligible for import subsidy. This has presented a good opportunity for U.S. DDGS and CGF exports in the Saudi market. The organization conducts several trade servicing visits to Saudi Arabia annually and provides technical consultation to explain the benefits of including DDGS in livestock and poultry feed formulas. The USGC also sponsors delegations of Saudi buyers to attend regional and U.S. feed grain conferences, as well as organizes field visits to major U.S. corn producing states for Saudi feed grains buyers.

Production, Supply and Demand Data Statistics:

Corn Market Begin Year	2014/2015		2015/2016		2016/2017	
	Oct 2014		May 2015		Oct 2016	
Saudi Arabia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	14	14	14	14	0	14
Beginning Stocks	472	472	356	356	0	336
Production	80	80	80	80	0	80
MY Imports	2904	2904	3500	3000	0	3500
TY Imports	2904	2904	3500	3000	0	3500
TY Imp. from U.S.	1187	1187	0	1000	0	1000
Total Supply	3456	3456	3936	3436	0	3916
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	2900	3000	3200	3000	0	3300
FSI Consumption	200	100	250	100	0	250
Total Consumption	3100	3100	3450	3100	0	3550
Ending Stocks	356	356	486	336	0	366
Total Distribution	3456	3456	3936	3436	0	3916

(1000 HA) ,(1000 MT)

Rice

Production:

There is no domestic rice production in Saudi Arabia. The country depends fully on imports to meet its rice consumption demand.

Consumption:

In 2014, the Saudi population was estimated at 30.8 million and grows by about 3 percent annually. Rice is a staple food in Saudi Arabia that is served for lunch and dinner. The traditional dish called "Kabsah" is widely used in Saudi homes. The majority of Saudis include rice as a major part of their daily diet. Most of the 10 million expatriates living in Saudi Arabia (from the Indian subcontinent and other Far East countries) are large consumers of rice. In MY2014/15, rice consumption in Saudi Arabia was estimated at about 1.39 MMT and projected to increase by 4 percent, to 1.45 MMT, in MY2015/16. In MY2016/17, rice consumption is forecast to continue increasing by 4 percent to reach 1.51 MMT. The demand for rice will continue to grow between four to five percent annually in the coming years due to population growth and increased number of foreign visitors to Makkah for making Hajj and Umrah rituals. In recent years, the total number of visitors who came to Saudi Arabia to perform Hajj and Umrah has been close to eight million pilgrims annually, about 26 percent of the Saudi total population in 2014. The pilgrims stay at least two weeks during their visits in the vicinity of the two holy cities of Makkah and Madina. The per capita consumption was estimated at about 45kg per year in MY2014/15.

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. The U.S. long parboiled rice accounts for more than 80 percent of the U.S. rice varieties consumed in Saudi Arabia, however, Saudi consumers' preference for this variety shifts depending on its price competitiveness mostly to basmati rice varieties. The demand for U.S. calrose fluctuates based on its price competitiveness compared to Australian and Egyptian varieties. While Indian basmati rice is mostly consumed in the eastern, central, northern and western regions of Saudi Arabia, the American rice is most popular in the southern region of the Kingdom.

Trade:

Rice imports are projected to rise 4 percent in MY2015/16 to 1.48 MMT, up 30,000 MT from the USDA's official estimate due mostly to population growth and increased number of foreign visitors to Makkah for performing Hajj and Umrah rituals. Rice imports in MY2016/17 are also forecast to grow by four percent.

In MY 2014/15, Saudi Arabia imported about 1.42 MMT of rice, up by about four percent from a year earlier. In MY2014/15, India remained the dominant rice supplier to the Saudi market, with 1,089,198 MT, about 79 percent market share. India increased its rice exports by more than 36,550 MT in MY2014/15 compared to a year earlier. In MY2014/15, Basmati rice varieties accounted for about 87 percent of India's total rice exports to the Saudi market and the remaining were non-Basmati varieties, mainly Parmal rice variety. U.S. was the second largest rice exporter to Saudi Arabia in MY2014/15, with 8 percent market share, followed by the Pakistan with 6 percent and Thailand with 5 percent. Saudi rice imports from the U.S. increased by about 16 percent in MY2014/15, compared to last year. U.S. rice exports to Saudi Arabia fluctuate depending on their price competitiveness with other varieties, especially Indian parboiled Basmati rice. Saudi rice importers tend to switch from U.S. parboiled to Indian sella (parboiled) Basmati rice when prices become advantageous to them. Last year, long grain parboiled rice accounted for 87 percent or 102,100 MT of the U.S. rice exports to Saudi Arabia, and the

remaining 13 percent was medium grain Calrose rice. Price competitiveness was the main reason for the significant increase in the U.S. rice exports to the Saudi market last year.

Saudi Rice Imports in MT				
	MY2013/14 (Jan-Dec 2014)		MY2014/15 (Jan-Dec 2015)	
Origin	Quantity	Market Share	Quantity	Market Share
India	1,089,198	80%	1,125,757	79%
U.S.	101,317	7%	116,985	8%
Pakistan	70,000	5%	78,500	6%
Thailand	75,371	6%	69,342	5%
Other Countries	28,730	2%	29,903	2%
Total	1,364,616	100%	1,420,487	100%

Source: GTA and Trade Source

Marketing:

Prices

Rice prices at the Saudi retail food outlets vary significantly, depending on rice varieties, brand names and quality. In February 2016, retail prices of several Indian rice varieties declined between by more than 20 percent, compared to the same period in the year before. In March 2016, a major supermarket chain in Riyadh was selling the 10 kg sack of Indian long grain white basmati rice for an average price of about \$16, while the prices for the Indian long grain sella basmati were offered for \$14.13 per 10 kg/sack. The average price for U.S. long grain parboiled rice was \$10.53 per 10 kg.

The main factors that have kept the Indian dominance in the Saudi rice market are its capabilities to supply various varieties and grades of rice that are affordable to consumers of all income levels. The Indian long grain white basmati rice is the most expensive rice that is consumed by the middle and upper income consumers; the Indian Parmal rice is affordable to the low income. In March 2016, a 10 kg of Parmal rice was selling at \$5.87 per 10 kg sack, the most competitive rice varieties sold in the Kingdom.

Competitors Activities

Many of the Saudi rice companies that import Indian rice allocate a significant part of their marketing budgets in promoting their own brand names in newspapers, radio and billboard advertising. Indian and Pakistani rice exporters often participate in domestic food shows which are held annually in Jeddah and Riyadh, where they provide buyers with point-of-sale materials. Promotions coupled with product tasting are also organized occasionally in local supermarkets. Promotional activities of the U.S. rice industry are mostly targeted at rice importers and are focused on trade servicing.

Production, Supply and Demand Data Statistics:

Rice, Milled Market Begin Year Saudi Arabia	2014/2015		2015/2016		2016/2017	
	Jan 2015		Jan 2016		Jan 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	0	0	0	0	0
Beginning Stocks	280	280	310	310	0	340
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	1420	1420	1450	1480	0	1530
TY Imports	1420	1420	1450	1480	0	1530
TY Imp. from U.S.	0	117	0	120	0	120
Total Supply	1700	1700	1760	1790	0	1870
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Consumption and Residual	1390	1390	1460	1450	0	1510
Ending Stocks	310	310	300	340	0	360
Total Distribution	1700	1700	1760	1790	0	1870
(1000 HA) ,(1000 MT)						