



## GIEWS Country Brief Saudi Arabia

Reference Date: 23-February-2017

### FOOD SECURITY SNAPSHOT

- Phasing out of wheat production completed in 2016
- Cereal import requirements forecast to decline in 2016/17
- Cash transfer programme to compensate cuts in universal subsidies to be implemented in 2017

### Wheat production phased out in 2016

Saudi Arabia implemented the 2007 Government decree to completely terminate wheat cultivation by the end of the 2015/16 marketing year by gradually reducing wheat production quotas and purchase programmes for registered farmers. The measure reflected strong concern over the depletion of local water reserves which were used to irrigate wheat production.

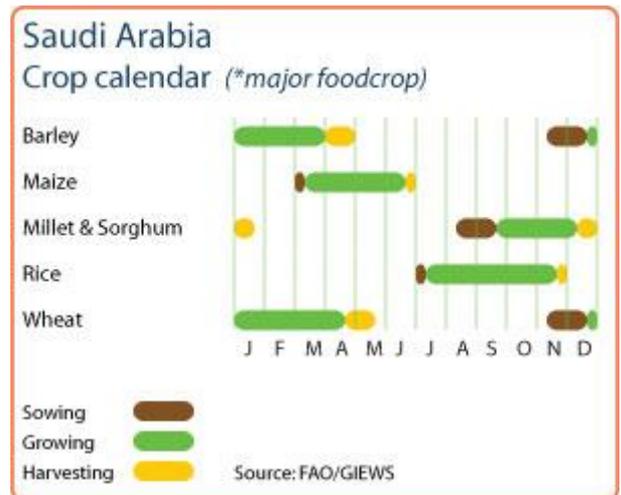
However, some farmers reportedly switched from wheat to forage crops which consume more water than wheat. In December 2015, the Ministry of Agriculture was instructed to issue a three-year phase-out plan to terminate the local production of green fodder by 2019. The Government estimates that the termination of green fodder production would save about 7 billion cubic metres of water annually. It is foreseen that the plan will be implemented in 2016/17.

Wheat farmers are encouraged to engage in alternative sustainable production activities such as greenhouse farming or production of fruits and vegetables using advanced drip irrigation techniques. No penalties were announced for farmers who continued growing wheat after 2015 although State purchasing programmes are no longer in place. A small wheat crop of no more than 10 000 tonnes for traditional specialty bakery products is expected to prevail.

In light of decreasing domestic production and strong domestic demand, the country is encouraging agricultural investments abroad for products to be then imported. This initiative targets wheat, rice, barley, yellow maize, soybeans and green forage.

### Cereal imports to decrease in 2016/17

Cereal import requirements in the 2016/17 marketing year (July/June) are forecast at 18.2 million tonnes, about 8 percent below the previous year and 2 million tonnes above the five-year average. Imports of barley and maize, mainly used for feed, constitute the bulk of the cereal imports and are forecast at



**Saudi Arabia**  
Cereal production

	2011-2015 average	2015	2016 estimate	change 2016/2015
	000 tonnes			percent
Wheat	619	30	10	-67
Sorghum	265	265	265	0
Maize	82	80	80	0
Others	25	27	27	0
<b>Total</b>	<b>991</b>	<b>402</b>	<b>382</b>	<b>-5</b>

Note: percentage change calculated from unrounded data.  
Source: FAO/GIEWS Country Cereal Balance Sheets

9.4 million tonnes and 3.5 million tonnes, respectively. The Government has been encouraging the use of processed feed instead of raw barley with the aim to reduce barley imports by 1.5 million tonnes by 2020. Wheat imports are expected to remain high at 3.8 million tonnes, while rice imports are forecast at an above-average level of almost 1.5 million tonnes.

From October 2016, the Saudi Grains Organization (SAGO) took over the exclusive right to import and manage the local distribution of feed barley from the Saudi Grain and Fodder Company to increase transparency. SAGO also maintains the exclusive authority of the Government agency to import subsidized milling wheat as well as to own and operate wheat silos in the country.

### **Cash transfer programme to compensate cuts in universal subsidies to be implemented in 2017**

In addition to a 50 percent increase in petrol prices from January 2016, in December 2016 the Government announced that local fuel prices will be linked to benchmark oil prices or to the average of gasoline and diesel prices on the international market. Low and middle income families affected by the increases can register for cash transfers from February 2017, with the payments starting in June. The rate of allowances will be announced with every economic reform.

An “excise tax on harmful products”, including a 50 percent tax on soft drinks and a 100 percent tax on tobacco and energy drinks, will be implemented from the second quarter of 2017.

The overall inflation increased from its average of 2.2 percent in 2015 to 4.2 percent in the first half of 2016, but eased to 1.7 percent in December 2016. Food price inflation recorded a decrease of 4.3 percent in December 2016. Prices of wheat flour have not changed for over 30 years, wholesaling 1 kg of consumer packed wheat flour between USD 0.27 and USD 0.33 per kg.

