

2. Cereal Grains, Oilseeds and Products

a) The Opportunity

Cereal Grains - General

The Kingdom of Saudi Arabia, for strategic reasons, is determined to increase its agricultural production. Presently, less than 15 per cent of total food requirements is produced locally. Agriculture contributes only about 3 per cent to GNP, yet employs more than 20 per cent of the Saudi population and, as such, is the largest single employer.

The government, in its current Five Year Plan (1980-85), has launched a drive toward eventual self-sufficiency in wheat, dairy products, fruit, vegetables, poultry and eggs. Saudi wheat production, stimulated by a government-guaranteed purchase price of about \$28 per bushel, interest-free loans for land and machinery, and 50 per cent subsidies on inputs such as fertilizer and irrigation equipment, has jumped from about 100,000 tonnes annually in the 1970-74 period, to almost 300,000 tonnes in 1981. Most of this increase occurred within the last three years. Despite this growth, wheat and flour imports have climbed to 1.2 million tonnes or 75 per cent of Saudi needs. To reach the government's goal of self-sufficiency would require a quadrupling (to 280,000 hectares) of the area planted to wheat. New irrigation projects are expected to add about 30,000 hectares of cropland annually, but the rapid growth in demand will keep the country dependent on imported wheat for the foreseeable future. In the long run, the government's policies will stimulate local production to the degree that imports of wheat and flour will be dramatically reduced.

In the case of coarse grains, barley imports in 1980 totalled almost 1 million tonnes. The rapid growth in imports reflects the growing size of Saudi livestock and poultry production, coupled with relatively constant, domestic production of 200,000 to 300,000 tonnes annually. Since total domestic barley requirements are estimated to be 600,000-750,000 tonnes, it is suspected that substantial quantities of barley have been re-exported. The long-run prospects for coarse grains appear to be brighter, with both increasing investment in livestock production, and decidedly less support (0.15 SR per kilo vs. 3.50) for domestic barley vs. wheat production. In the case of flour, the Saudi-Arabian Grain Silos and Flour Mills Organization (GSFMO) has just