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Saudi Arabia

Post: Riyadh

Remarkable Trade Policy Success for DDGS and CGF in Saudi Arabia

Report Categories:

Grain and Feed

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Report Highlights:

On July 27, 2011, the Saudi government issued a revised animal feed subsidy scheme which increased by 100 percent subsidies on imported animal feed. The new Saudi imported animal feed subsidies list consists of 31 animal feed ingredients that included fourteen new feed ingredients such as Dried Distillers Grain with Soluble (DDGS), and Corn Gluten Feed (CGF).

General Information:

Productive Joint Work for More Than Two Years Between ATO Riyadh and U.S. Grains Council (USGC) Succeeded in the Inclusion of Dried Distillers Grain with Soluble (DDGS) and Corn Gluten Feed (CGF) in Saudi Arabia's Imported Feed Subsidy List.

Author Defined:

On July 27, 2011, the Saudi Ministry of Finance (MOF) issued a detailed revised animal feed subsidy scheme in order to implement King Abdullah's instructions to increase animal feed subsidy by 100 percent. For example, import subsidy for yellow corn was increased from \$60.27 per metric ton (MT) in January 2009 to \$120.53 per MT in July 27, 2011 (Table I).

According to the Saudi government, the huge increase in imported animal feed subsidies aims at not only to alleviating the negative impact of increasing international feed grain prices on domestic animal production but also to offset increase in the cost of living in Saudi Arabia.

The new animal feed subsidy list has been studied by the Saudi Ministerial Committee for Supply (MCS) for more than two years. MCS consists of MOF, the Ministry of Commerce and Industry (MOCI) and the Ministry of Agriculture (MOA).

The new subsidy rates are calculated according to energy and protein levels of each feed ingredient. This means, the higher the protein and energy levels a feed ingredient contains, the more subsidy that government pays for the import of that particular feed ingredient. For example, imported soybean meal (48% Protein and 2,450 energy content per MT) receives the highest subsidy rate of \$202.13 per MT. On the other hand, imported barley straw (2% protein and 1500 energy per MT) receives the lowest government import subsidy rate of \$49.33.

The Saudi government has also ordered concerned government departments to strictly monitor the animal feed market and place the maximum punishment on any business that endeavors to unjustly increase domestic animal feed.

The new Saudi animal feed import subsidy list consists of 31 animal feed ingredients that included new additional fourteen feed ingredients (Table I) such as Dried Distillers Grain with Soluble (DDGS), and Corn Gluten Feed (CGF). However, barley, the main animal feed grain in Saudi Arabia, was not included on the new subsidy list. Because the MOF has become the exclusive barley importer to Saudi Arabia since the end of 2010 The MOF imports barley at prevailing world price and sales domestically to end users at \$213.33 per MT.

Joint Activities Conducted Between ATO Riyadh and USGC

1. In September 2009, ATO Riyadh and the Amman based regional office of the U.S. Grains Council (USGC) jointly recruited and led a USGC sponsored eight members Saudi delegation

that consisted of a Deputy Minister of Agriculture and managers of major Saudi feed mills on DDGS and sorghum education mission from September 26 to October 3, 2009.

The purpose of the trip was to raise the awareness of the delegation on cost saving and nutritional benefits of using DDGS in animal feeding and to lobby for the inclusion of DDGS in Saudi Arabia's feed subsidy program. The trip was also aimed at highlighting to the MOA officials about the need to differentiate qualities of imported sorghum based on protein and energy contents when fixing import subsidy level.

During the trip, the delegation visited a dairy farm in Wisconsin that depended on DDGS as a main feed ingredient for its cattle herd. The team also visited an ethanol and DDGS production facilities in Wisconsin to observe how the two products were produced from corn. At the end of the visit, the Saudi delegation received updated information on the nutritional benefits of using DDGS in animal feeding as well as production cost saving that could be achieved by using DDGS in animal feed formulation.

1. On return from the trip, ATO Riyadh and USGC held several follow up meetings to discuss with the Saudi feed millers and the MOA officials a strategy that would assist the inclusion of DDGS in the Saudi imported animal feed subsidy.
1. ATO Riyadh requested, a leading domestic feed processor that imports about two million metric tons of grains and feed ingredients sent an official letter to MOA requesting the Ministry to include DDGS on subsidized imported feed ingredients list to assist the importation and use of DDGS in domestic animal feed formulation.
1. MOA passed the letter to its animal feed experts for thorough study and evaluation of DDGS for protein and energy contains in order to determine the benefits of recommending the inclusion of DDGS on the imported feed subsidy list.
1. The MOA's DDGS nutritional evaluation study concluded that DDGS and CGF contain high protein and energy levels. The study recommended the two animal feed ingredients inclusion in the imported animal feed subsidy list. The recommendation was submitted to the MCS for approval.
1. ATO Riyadh kept following up with MOA and ARASCO to expedite the official inclusion of DDGS and CGF on Saudi government's animal feed import subsidy list.

Productive joint efforts by ATO Riyadh and USGC for more than two years have succeeded in convincing the Saudi government to include the DDGS and CGF on the country's imported feed ingredient list. This has created good opportunities for exports of U.S. DDGS and CGF to Saudi Arabia. To maximize the market opportunities that the inclusion of the two feed products created, it is vital that strong and intensified marketing development programs to be planned, prepared and implemented out by ATO Riyadh, USGC and U.S. potential DDGS/CGF exporters in order to educate perspective Saudi DDGS and CGF users the benefits of using these products in their animal feed formulations. It is also imperative that USGC continues the joint efforts by collaborating with ATO Riyadh in organizing DDGS and CGF educational workshops to illustrate to Saudi animal feed processors and importers the advantages of using these two feed ingredients in their animal feed

formulation.

According to major domestic feed processors, the potential market for DDGS is promising and strong which could reach up to one million metric tons in the next five years. The importers stress that the five-year import target could only be achieved if proper marketing tools and competitive pricing are implemented compared to other feed ingredients that DDGS targets to be a viable option for feeding animal replace such as soybean meal, corn and fodders.

Table 1: The Revised Animal Feed Subsidy Rates (As of July 27, 2011 – U.S. \$/MT)

Animal Feed	Harmonized System Code (HS Code)	Protein Percentage	Energy per ton	New Subsidy Rate Per MT Issued on July 27, 2011	Old Subsidy Rate Per MT Issued on Jan 22, 2009
Yellow corn	10059010	8.2	3300	\$120.53	\$60.27
Soybean meal (48% Protein)	23040000	48	2450	\$202.13	\$101.07
Soybean meal (44% Protein)	23040000	44	2100	\$184.53	\$92.27
Sorghum- Sudan White Sorghum White Sorghum Red Sorghum Milo Sorghum	12149090	7	2800	\$100.27	\$50.13
Oat	10040020- 10040010	9	2550	\$105.07	\$52.53
Wheat bran	23023000	14	2550	\$112.00	\$56.00
Palm Kernel Meal Palm Kernel Expeller-PKE Palm Kernel Expeller Cake-PKC Palm Kernel Cake	23066000	16	2630	\$122.67	\$61.33
Cotton Seed Meal Cotton Seed Cake	23061000	36	2400	\$173.33	\$86.67
Canola Meal Canola Cake	23064100	33	2000	\$153.60	\$76.80
Alfalfa	12149090	17	2450	\$117.33	\$58.67
Alfalfa Hay	12149090	11	1900	\$99.73	\$49.87
Rhodes Grass	12149090	5	1600	\$68.80	\$34.40
Sudan Grass	12149090	5	1600	\$80.00	\$40.00
Soybean Hulls	23040000	10	2500	\$107.20	\$53.60

Soy Hulls					
Sunflower Hulls Undecorticated	23063000	4	1440	\$52.80	\$26.40
Rice Hulls Rice Husk	23024000	3	1520	\$52.27	\$26.13
Sugar Cane Molasses	17039000- 17031000	1	2600	\$86.40	-
Sugar Beet Molasses	12072000	1	2600	\$86.40	-
Cotton Seeds	12092910	18	3000	\$131.73	
Fodder Beet Pulp Fodder Beet Pulp Pellet	12130010	7	2700	\$101.07	-

Animal Feed	Harmonized System Code (HS Code)	Protein Percentage	Energy per ton	New Subsidy Rate Per MT Issued on July 27, 2011	Old Subsidy Rate Per MT Issued on Jan 22, 2009
Wheat Straw Wheat Straw Pellet Wheat Straw Cubes Wheat Straw Brickette	12130010	2	1500	\$52.53	-
Barley Straw Barley Straw Pellet Barley Straw Cubes Barley Straw Brickette	12130010	2	1400	\$49.33	-
Corn Straw Corn Straw Pellet Corn Stover Pellet Corn Stover Cubes Corn Stover Brickette	12130010	2	1500	\$52.53	-
Sunflower Meal	23063000	32	2560	\$144.00	-
Lupin Lupin Seeds Sweet Lupin	12149010	21	2600	\$124.53	-

Blue Lupin					
Faba Beans Hulls Faba Beans Broken	23080000	5	2000	\$74.40	-
Bagasse	23032000	1.5	1500	\$51.73	-
Rye Grain	10020000	10	2650	\$105.07	-
DDGS-Dried Distillers Grain with Soluble DDGS Pellet- DDGS Meal	23024000	23	2800	\$134.67	-
CGF-Corn Gluten Feed Corn Gluten Feed Pellet-CGF Pellets	11090000	20	2700	\$125.87	-

Feed Wheat: Subsidy rate, HS code, protein and energy level will be established later.

Sources: The Saudi Ministry of Finance and Aleqtissadiya newspaper, July 28, 2011