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# SAUDI ARABIA OILSEED INDUSTRY

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## INTRODUCTION

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This report was compiled to provide Canadian exporters with an overview of the Saudi Arabian oilseeds sector.

We would like to thank the Department of Foreign Affairs and International Trade and the Canadian Embassies in Saudi Arabia and United Arab Emirates for their assistance in providing information.

For additional information on the Saudi Arabia oilseed industry or for information on the oilseed

sector of other countries contact the Grains and Oilseeds Division, Agriculture and Agri-Food Canada, OTTAWA, ONTARIO, CANADA, K1A 0C5.

## 1. GENERAL OVERVIEW

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Agriculture accounts for about 10 percent of GDP and 16 percent of the labour force. It has been heavily subsidized by government. Agricultural commodities produced include wheat, barley, tomatoes, melons, dates, citrus fruit, mutton, chickens, eggs and milk. As a result of generous government subsidization, Saudi Arabia is approaching self-sufficiency in food production<sup>(1)</sup>.

The 1970s marked the beginning of serious agricultural development in the Kingdom. The government launched an extensive program to promote modern farming technology, to establish rural roads, irrigation networks, storage and export facilities, as well as to encourage agricultural research and training institutions. The result has been a phenomenal growth in the production of all basic foods from 1.62 million tonnes in 1970 to 2.17 million tonnes in 1981 and 6.35 million tonnes in 1992. Saudi agricultural production was valued at U.S.\$5.06 billion in the same year. The increased food production brought about a decline in imports. Between 1981 and 1991, Saudi food imports declined by 43 percent. Saudi Arabia exports dates, dairy products, eggs, fish, poultry, vegetables and flowers to markets around the world. Such exports reached \$533 million in 1992<sup>(2)</sup>.

The depletion of underground water resources is expected to result in the elimination of most Saudi agricultural exports.

Total arable land 1.96 million Ha.

Land use:

arable land:	1 percent
permanent crops:	0 percent
meadows and pastures:	39 percent
forest and woodland:	1 percent
other:	59 percent

## 2. CHARACTERISTICS OF THE MARKET

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### A. Local Production

- i. There is no local oilseed production in Saudi Arabia. The country will continue to depend on imports of oilseeds and their products for the foreseeable future.

### B. Domestic Market

#### Vegetable Oils & Fats

1. Fats & Oils consumption per capita is 15.7 kgs., of which 84 percent are vegetable oils and 15 percent are solid fat products (ghee, margarine, butter). Unrefined animal fats make up the remaining one percent.
2. Health education programs are encouraging the population to modify some of their dietary customs. Consumer preferences have begun to be more focussed on the use of vegetable

fats<sup>(3)</sup>.

3. The outlook for the medium term is for stabilization of market channels with perhaps moderate increases in volume.

### Other Oilseed Products for Direct Human Consumption

- i. The consumption of soyfoods is minimal. Soy sauce is available in all supermarkets, but its consumption is restricted to a fairly small segment of the population.
- ii. The importation of flax seed is negligible.
- iii. The Saudi market is dominated by palm, corn and olive oil and vegetable fats.

### Protein Meals

- i. The following are the current estimated breakdowns of livestock:

• Number of sheep	6,100,000
• Number of milk-cows	40,259
• Number of camels	462,500
• Number of dry cattle	195,000
• Number of goats	3,563,487
• Broiler production	215 million
• Egg production	203 million dozen

There are 1,792 dairy producers producing 208 million litres of milk annually at a remarkable rate of 1,800 gallons per cow, one of the highest in the world. Fish and shrimp production is 56,000 tons, with surplus being exported to the United States, Japan, and other countries.

*Source: Ministry of Information (Foreign Information), the Royal Embassy of Saudi Arabia Information Office, 1995.*

Protein consumption by livestock is believed to be divided as follows: 40 percent for beef and dairy; 40 percent for poultry; and the other 20 percent for sheep, goats and camels.

- ii. Fish meal, meat and bone meal and soya meal are the main protein sources utilized in domestic market.
- iii. Canola and flax meal are not yet well-known in Saudi Arabia.
- iv. The livestock industry in Saudi Arabia is expected to increase, thereby creating higher demand for protein meal.

### Industrial Usage of Vegetable Oils and Oilseed Products

Negligible in Saudi Arabia.

### C. Imports - Oilseeds, Vegetable Oils & Protein Meals

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According to the Saudi Foreign Trade Statistical Book, imports of oilseeds for the year 1991 (latest figures available) totalled approximately 57,200 tonnes, valued at approximately Cdn \$ 56.9 million.

- i. Imports are handled by private companies.

- ii. Importers require a license from the Ministry of Agriculture and at present no changes are envisaged.
- iii. Canada has no presence so far in the Saudi oilseeds market.
- iv. Below is the list of the major Saudi importers.

Arabian Agricultural Systems Co. Ltd.  
P.O. Box 6543, Riyadh 11452  
Saudi Arabia  
Tel: (1) 4761153  
Fax: (1) 4781268

Saudi Agricultural Development Co.  
P.O. Box 5147, Riyadh 11422  
Saudi Arabia  
Tel: (1) 4781610  
Fax: (1) 4785787

Saudi Livestock Transportation & Trading Co.  
P.O. Box 17363, Riyadh 11484  
Saudi Arabia  
Tel: (1) 4773474  
Fax: (1) 4788211

Arabia Agri & Livestock Investment Co.  
P.O. Box 5490, Riyadh 11422  
Saudi Arabia  
Tel: (1) 4765118  
Fax: (1) 4775977

NAFA Agriculture  
P.O. Box 57976, Riyadh 11584  
Saudi Arabia  
Tel: (1) 4882828  
Fax: (1) 4882542

Akhawain Co. Ltd.  
P.O. Box 1639, Riyadh 11441  
Saudi Arabia  
Tel: (1) 4023528  
Fax: (1) 4052326

Arab Co. for Livestock Development  
P.O. Box 18389, Riyadh 11415  
Saudi Arabia  
Tel: (1) 4625701  
Fax: (1) 4649255

Azizia Agricultural Products Co. Ltd.  
P.O. Box 54246, Riyadh 11514  
Saudi Arabia  
Tel: (1) 4630531  
Fax: (1) 464-3368

Osama Khairi Hafez Trading Est.  
P.O. Box 20494, Riyadh 11455  
Saudi Arabia  
Tel: (1) 4055678  
Fax: (1) 4042429

International Agriculture Co. Ltd.  
P.O. Box 3886, Riyadh 11481  
Saudi Arabia  
Tel: (1) 4630550  
Fax: (1) 4650943

- v. The main countries which export protein meal to Saudi Arabia are the U.S.A., Brazil and India. The suppliers are well-established and dominate the market.
- vi. The outlook for the coming years is for a modest yearly import increase due to the fact that the livestock industry in Saudi Arabia is expanding.

With regard to oilseeds, imports will be mainly for animal feed additives and not for oil extraction. Vegetable oil imports are increasing.

#### **D. Exports**

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Saudi Arabia does not export oilseeds.

### **3. MARKET OPPORTUNITIES FOR CANADIAN PRODUCTS**

Canadian products should be able to compete with the oilseeds and oilseed products originating from U.S.A. and India. Soybean meal is currently imported at a price of US\$295.00-300.00 per tonne C&F Saudi port. Fish meal and meat and bone meal are mainly imported from South America, Italy and Germany. Prospects have improved for exports of Canadian canola. The Embassy in Riyadh has been receiving requests from private and government sources to provide more information on canola.

### **4. MARKET ACCESS**

#### **A. TARIFFS/CUSTOMS & DUTIES**

The tariff on all oilseeds, vegetable oils and oilseed meals is 12 percent with the exception of soybean meal, which can be imported without tariff.

#### **B. IMPORT REQUIREMENTS**

The importation of seeds requires a phytosanitary certificate issued by a government laboratory and confirmed by the Saudi Embassy to accompany each shipment. Also, seeds must meet, "Orange International Seed Lot Certificate of ISTA" standards.

- o Each consignment has to mention in Arabic the purity percentage, germination rate and last date of analysis.
- o A certificate stating that the seeds have been fumigated is also required.
- o The importer has to submit an import request for each consignment. The seeds should not reach any Saudi port of entry before 10 days from the request's approval.

- o Also required are the usual shipment documents (certificate of origin, invoice, bill of lading), all to be confirmed by the Saudi Embassy.

## 5. INFRASTRUCTURE - TRANSPORTATION

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### A. LAND<sup>(4)</sup>

Railroads:

total: 1,390 km  
 standard gauge: 1,390 km 1.435-m gauge (448 km double track)

Highways:

total: 151,530 km  
 paved: 60,610 km  
 unpaved (1992 est.): 90,920 km

Commodities are transported by trucks to the importer's storage facilities. Railways are also used between the Eastern Province ports and the Riyadh dry port storage facilities.

### B. MARINE<sup>(5)</sup>

Ports: Ad Dammam, Al Jubayl, Duba, Jeddah, Jizan, Rabigh, Ras al Khafji, Ras al Mishab, Ras Tanura, Yanbu' al Bahr, Yanbu' al Sinaiyah

Merchant marine:

total: 71 ships (1,000 GRT or over) totalling 855,452 GRT/1,233,477 DWT  
 ships by type: bulk 1, cargo 12, chemical tanker 5, container 3, liquefied gas tanker 1, livestock carrier 4, oil tanker 22, passenger 1, refrigerated cargo 4, roll-on/roll-off cargo 11, short-sea passenger 7

The main ports of entry in Saudi Arabia are: Jeddah and Yanbu (Western Province), Damman and Jubail (Eastern Province). Each port is able to unload 6,000 tonnes of seed and 2,000 tonnes of meal per day. There are storage facilities at ports for commodities destined for local importers. Only the government's Grain Silos & Flour Mills Organization has its own storage facilities.

## 6. INDUSTRY STRUCTURE

### Oilseed Crushing and Refining

Vegetable oil is imported in bulk and then refined and packed locally. The government is subsidizing protein meals and yellow corn as livestock feed. Since oilseed imports are not subsidized, imports of oilseeds for crushing facilities for oil extraction are not economic. As a result, there are no crushing plants in Saudi Arabia.

### Compound Feed Industry

#### A. The main domestic feed companies are:

Arabian Agriculture Services Company (ARASCO)

P.O. Box 53845, Riyadh 11593  
Saudi Arabia  
Tel: (1) 465-2550  
Fax: (1) 464-5375  
(Controlling 40 percent of the market)

Grain Silos & Flour Mills Organization (GSFMO)  
P.O. Box 3402, Riyadh 11471  
Saudi Arabia  
Tel: (1) 464-3500  
Fax: (1) 463-1943  
(Controlling 25 percent of the market)

Al Ghadeer Farm  
P.O. Box 80, Hofuf 31982  
Saudi Arabia  
Tel: (03) 533-0876  
Fax: (03) 586-3837  
(Controlling 15 percent of the market)

Al Fakieh Poultry Farm  
P.O. Box 2622, Makkah  
Saudi Arabia  
Tel: (02) 557-2225  
Fax: (02) 556-2068

Al Rajhi Poultry Farm (Al Watania)  
P.O. Box 1181, Buraidah, Al Qassim  
Saudi Arabia  
Tel: (06) 391-1730  
Fax: (06) 391-1403

The last two firms account for at least 15 percent of the market, but they utilize the products for their own use (poultry feed).

The total livestock feed milling capacity in Saudi Arabia is around 1.5 million tonnes per year. Thirty to forty percent (30-40 percent) of the total is protein meals. All feed compound mills are privately owned except the Grain Silos & Flour Mills Organization (GSFMO) which is under the control of the Saudi Ministry of Agriculture.

**B.** Marketing channels are: importer to mills to end users or importers direct to end users.

**C.** There are no industry associations. The only government agency is the GSFMO.

## **7. FINANCING**

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**A.** The importation of commodities is done by means of irrevocable and confirmed letters of credit (LCs). These LCs could either be sight or 60 to 90 days payment credit depending on the relationship between the Saudi importer and the exporter.

## **8. OTHER COMMENTS AND TIPS FOR CANADIAN EXPORTERS**

Canadian oilseeds exporters should have the opportunity to visit Saudi Arabia in order to compare their products with the commodities currently in use.

### STATISTICS:

<b>SAUDI ARABIA</b>					
	1994	1993	1992	1991	1990
<b>OILSEEDS IMPORTS</b>	(000 tonnes)				
TOTAL	29.5	25.9	35.8	19.9	22.7
<b>Per capita disappearance of oils and fats (kg.)</b>					
	15.7	15.6	15.7	15.0	14.7
World Average	15.7	15.6	15.5	15.3	15.3
<b>VEGETABLE OILS</b>					
(000 tonnes)					
Imports					
soy oil	5.9	4.3	5.5	5.1	4.3
rapeseed oil	0.5	0.6	1.2	0.2	0.4
cottonseed oil	3.0	0.4	0.3	0.3	0.2
corn oil	74.0	65.7	58.9	67.8	62
tropical oils	158.0	186.0	169.1	152.5	148.1
linseed oil	3.0	5.3	9.8	4.9	2.6
TOTAL	244.4	262.3	244.8	230.8	217.6
Domestic use					
soy oil	5.9	4.3	5.5	5.1	4.3
rapeseed oil	0.5	0.6	1.2	0.2	0.4
cottonseed oil	3.0	0.4	0.3	0.3	0.2
corn oil	53.0	46.9	50.1	51.0	45.3
olive oil	5.0	6.6	5.5	6.8	6.6
tropical oils	172.0	170.8	158.4	149.4	148.4
linseed oil	3.0	5.3	9.8	4.9	2.6
TOTAL	242.4	234.9	230.8	217.7	207.8
<b>OILSEED MEALS</b>					
(000 tonnes)					
Imports					
soymeal	314.4	364.2	306.4	262.6	227.4
cotton meal	24.3	26	5.6	4.2	1.6
fish meal	2.6	16.1	9.6	5.3	2.2
TOTAL	341.3	406.3	321.6	272.1	231.2
<i>SOURCE: Oil World Annual 1995</i>					
<i>PREPARED BY: Grains and Oilseeds Division, AAFC</i>					

<b>CANADIAN TRADE OF OILSEEDS AND OILSEED PRODUCTS WITH Saudi Arabia</b>								
Product	(000 tonnes)							
	1988	1989	1990	1991	1992	1993	1994	1995
SOYA BEANS, FOR OIL EXTRACTION	162	-	-	-	-	-	-	-
SOYA BEANS NES	18	36	-	-	36	120	227	170
SUNFLOWER SEEDS, FOR OIL EXTRACTION	-	-	-	-	-	-	-	20
SUNFLOWER SEEDS, NES	72	-	-	-	-	-	18	-
MUSTARD SEEDS	0	119	-	18	20	-	20	40
COMPLETE FEEDS, POULTRY	17	-	-	-	-	-	-	-
COMPLETE FEEDS, NES	-	-	-	-	-	-	36	28



ANIMAL FEED PREPARATIONS NES	-	-	-	-	-	-	214	150
<i>SOURCE: TIERS, Statistics Canada</i>								
<i>PREPARED BY: GAOD, IMB, AAFC</i>								
<i>4/1/96</i>								

IMPORTS BY SAUDI ARABIA				
	(000 Tonnes)			
	1991	1992	1993	1994
Soya bean	35.9	18.3	28.8	15.6
Sunflower seeds	1.1	0.8	1	0.8
Cotton seeds	6.7	13.8	21.5	17.5
Sesame seeds	13.1	21.6	4.5	4.3
Others	1.4	3.7	3.7	2.2
<b>Total</b>	<b>58.2</b>	<b>58.2</b>	<b>59.5</b>	<b>40.4</b>
<i>SOURCE: Saudi Foreign Trade Statistical Books</i>				
<i>PREPARED BY: Canadian Embassy, Riyadh</i>				

We recognize the significant difference between the import figures of Saudi Arabia and the export figures from Canada. This difference could be attributed to transshipments not included in the Saudi Arabian figures.

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- <sup>1</sup> (SOURCE: CIA, World Factbook, Internet)
- <sup>2</sup> (SOURCE: Saudi Embassy, Washington, DC, Internet)
- <sup>3</sup> (SOURCE: Saudi Embassy, Washington, DC, Internet)
- <sup>4</sup> (SOURCE: CIA, World Factbook, Internet)
- <sup>5</sup> (SOURCE: CIA, World Factbook, Internet)

Canada