

A market report on rice in the kingdom of saudi arabia



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Market Report on Rice in the Kingdom of Saudi Arabia MARKET OVERVIEW

Rice is the most important staple food for about one-half of the world population and provides over 20 percent of the global calorie intake. As most of the rice produced is consumed domestically, only 4% of global production is internationally traded. The world rice market is also featured by a high degree of concentration with Asia accounting for nearly 90% of global production and consumption.

The market for rice in the Kingdom of Saudi Arabia is geared to trading of imported varieties of rice, while little efforts have been made to grow locally as climatic conditions in Saudi Arabia are generally unsuitable for this crop. In quantity terms, the overall domestic market demand for all types of rice in Saudi Arabia reached 787, 000 tones in 1999. Meanwhile, Food and Agricultural Organization (FAO) projected import for rice by Saudi Arabia could reach 1, 342, 000 tones in 2005, suggesting a yearly compound growth rate of 11. 3% in the five year period. In value terms, the overall market value for all types of rice in the Kingdom of Saudi Arabia was estimated at SR 2, 500 million in 1999, slightly more than three times its market size of SR 750 million and 250, 345 tones in 1989.

With a high population growth rate along with a rapidly expanding number of pilgrims, Saudi Arabia's aggregate consumption of rice was growing at a yearly compound rate of 12. 1% since 1989. In the last decade, total rice consumption in the Kingdom of Saudi Arabia grew at a much faster rate than the population growth, expanded by 3. folds compared to 1.

56 times of population growth. During the same period, the corresponding per capita consumption of milled rice was doubled and rose from a yearly 17.86 kg per person in 1989 to 35.90 kg per person in 1999. Preliminary estimates suggest that the per capita rice consumption in the Kingdom of Saudi Arabia would likely to remain at around 35.5 kg during 2006-2007.

However, due to rise in number of pilgrims for Haj and Umra, According to FAO the per capita consumption of rice in the Kingdom of Saudi Arabia at about 47 kg in 2005. INTERNATIONAL TRADE According to international trade data, rice exports reached at 368,601 tonne (20,186 tonne basmati and 348,415 tonne non-basmati) in July 2005, and 452,022 tonne (91,161 tonne basmati 360,861 tonne non-basmati) in August 2005, taking January-August 2005 exports to around 3.8 million tonne. Figure 1: Bar diagram showing global production and carrying of rice from 1990-91 to 2006-07 10 Figure 2: Bar diagram showing global production of milled rice from 1992 to 2007 10 2 Figure 3: Composite bar diagram showing major rice importing countries during years 2005, 2006 and 2007 10 INTERNATIONAL RICE TRADE International rice market is skewed compared to its production. In the 1998-99 crop year, global imports of milled-rice was stood at 21 million tones. Asian countries are the most important importers of rice, accounting for about 49% of the total global exports of rice.

Within Asia, countries in the Near-East are likely to remain major growth markets, with imports expected to be sustained by economic recovery. In Saudi Arabia, the demand is likely to grow with the rise of immigrant workforce from other Asian rice eating countries and pilgrims coming for Haj and Umra. On the supplier's side, milled rice exports from both Thailand and <https://assignbuster.com/a-market-report-on-rice-in-the-kingdom-of-saudi-arabia/>

Vietnam are projected to rise in the coming years. Although Thailand would remain the leading rice supplier, it is expected to lose out in terms of market share in favor of Vietnam. Increased sales from Pakistan, Myanmar and Cambodia are expected to rise.

In contrast, both India and the United States might export less, while remaining important players in the global market. GLOBAL PRODUCTION AND CONSUMPTION OF PADDY RICE According to Food and Agriculture Organization (FAO), the global production of paddy rice was 566 million tones during the 1999-2000 crop year, an increase of 1.4% over the previous crop year. However, global production of milled rice (ready for cooking) excluding husk was reached about 424 million tones in the 1998-99 crop year, compared with 363.3 million tones in the 1993-1995 crop year, and climbed to 422 million tones in the 2004-05 crop year. Mainland China, the world largest producer of rice, accounted for nearly 36% of the total global production, followed by India around (21%), Indonesia (9%), Bangladesh (5.5%), and Thailand (4%). These countries together accounted for about 75.5% of the total paddy-rice consist of Japan, the United States, Pakistan, Burma, Brazil and South Korea. They together accounted for nearly 12% (67.3 million tones) in the 1998-99 crop year compared with 10.

7% (55.5 million tones) of global production in the 1990-91 crop year. World demand for milled rice rose by 1.3% to 422 million tones annually during 1999-2005, down from 1.9% annual growth during 1984-1994. The projected growth in milled rice consumption goes in line with the population growth,

which implies that global consumption of rice is expected to remain constant at around 59 Kg per head in the next five years (2005-2010).

INTERNATIONAL PRICES OF RICE International prices of rice are generally quoted in US dollars on FOB basis either from the US at New Orleans, India, Thailand (Bangkok), and Myanmar. Price movements vary depending on rice types and/or grades. In general, given the tightness in the projected demand-supply balance and the relatively small proportion of rice internationally traded, international market prices of rice are expected to be quite sensitive to demand and/or supply shocks that could lead to considerable volatility. The international price of US rice bottomed at \$361.15 per metric ton in 1993 and peaked at \$463.

97 per metric ton in 1996. In contrast, the international price of low quality rice of Thai origin (Bangkok) declined by 23. % to \$191.0 per metric ton in July 2000 from \$248.97 per metric ton in 1999.

While examining the gap between the international prices of milled rice quoted at New Orleans and Bangkok marketplaces and the prices of high quality Basmati and rice of other quality imported into Saudi Arabia, the difference varies between 80 to more than 100 per cent in the recent years.

Therefore, Saudi imports prices of rice have been generally found substantially higher than those quoted in the international rice markets.

Import Pattern of Major Markets Saudi Arabia Kuwait U. K U. A. E Liner / Containers / Break Bulk Containers Containers Linear/Containers L/C, CAD L/C CAD CAD/LC Buyers Brand Buyers Brand Brown Basmati Buyer Brand

Small packs Small packs 50kg Pkg 50kg Pkg Figure 4: Showing Import

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pattern of rice in the major international markets 7 PRICES AND BRANDS IN INTERNATIONAL MARKET An increasing palate for exotic flavors among Americans and the growing South Asian population in the Middle East is driving up the demand for Basmati rice.

As a result, existing brands are slashing prices and vying with newer entrants in an effort to reach out to both the South Asian and mainstream consumers. Rice Company, Tilda Ltd. , maker of the popular Basmati rice brand “ Tilda brand is priced higher because the rice is grown for a longer time in the rice fields. Tilda imports Basmati rice from India. A kilogram of Tilda rice in a popular supermarket is costing about SR 7 and five kilo bag being sold at SR 27. 4 The drop is also more than 8% lower than the 2002 record of 27.

8 million tonnes. A decline in imports by several major buyers primarily the Philippines, sub-Saharan Africa, Bangladesh, Saudi Arabia, and Indonesia is the major factor pulling global rice trade down in 2006. These reductions are partially offset by increased imports by Brazil, Iraq, and South Korea. SAUDI RICE MARKET The market for rice in Saudi Arabia is large and expanding. Saudi Arabia does not produce rice domestically, and relies entirely on imports to meet its growing demand. The market is extremely competitive, but opportunities do exist to increase the Indian market share.

Indian rice is a dominant player of the Saudi rice market. Other suppliers of rice include Pakistan, Thailand, USA and Australia. Saudi importers have begun to import bulk rice both for domestic market and re-export to Africa

and other Arab countries. India still can enhance its share in the Saudi rice market. Quality 1. 2.

3. 4. 5. 6.

7. 8. Basmati Sella Rice 1121 Golden Basmati Sella Rice Creamy Pusa
 Basmati Sella Rice Creamy Sharbati Sella Rice Creamy PR -106 Sella Rice
 Creamy PR -11 Sella Rice Creamy Basmati Raw Rice Basmati Pusa Raw Rice :
 : : : : : : Price (\$)USD 820 PMT USD 725 PMT USD 680 PMT USD 475 MPT
 USD 360 PMT USD 425 PMT USD 780 PMT USD 760 PMT Figure 5: Table

showing quality of Indian rice and its import price in the current crop season

5 Raw Basmati Silky Basmati Golden Parboiled Basmati Broken Rice Basmati

Rice Figure 6: Pictures showing various types of Indian Basmati rice 6 SAUDI

ARABIAN STANDARDS ORGANIZATION (SASO) The Kingdom of Saudi Arabia is
 the most influential member of the Gulf Cooperation Council (GCC), which
 includes five other countries in the Arabian Peninsula- United Arab Emirates,
 Kuwait, Bahrain, Oman, and Qatar. As a group, the GCC is striving to create a
 common set of food standards, with the Saudi Arabian Standards
 Organization (SASO) as the lead agency.

SASO is the only Saudi organization responsible for setting national
 standards for commodities and products, measurements, testing methods,
 meteorological symbols and terminology, commodity definitions, safety
 measures, and environmental testing, as well as other subjects approved by
 the organization's Board of Directors. While standards are set by SASO,
 Saudi Ministry of Commerce and Industry Laboratories does testing of most
 processed and packaged food items at various ports of entry. The Saudi

Ministry of Municipality and Rural Affairs' Environmental Control Department tests foodstuffs at the point of sale for product safety standards. The Saudi Arabian Standards Organization, set up in 1972 (1392 AH), has responsibility for determining and enforcing approved standards of services, facilities, utilities and products within the Kingdom of Saudi Arabia. The Saudi Arabian Standards Organization (SASO) was established pursuant to the Royal Decree No.

M/10 Dated 1392-03-03 as a body of judicial personality and of an independent budget. SASO: OBJECTIVES The Saudi Arabian Standards Organization (SASO), being the sole standardization body in the Kingdom, is entrusted with all activities relating to standards and measurements which include: Formulation and approval of national standards for all commodities and products as well as standards concerned with metrology, calibration, marking and identification of commodities and products, methods of sampling, inspection and testing, in addition to other assignments resolved by SASO Board of Directors. Publishing Saudi standards by the most proper means. Promoting standardization awareness by publicity and other means and coordinating all activities relating to standards and measurements in the Kingdom. 7 Setting the rules for granting certificates of conformity and quality mark and regulating their issuance and use. Participating in the Arab, Regional and International Organizations Kernel Length (mm) Type Long: Kernel Medium: Kernel Short: Kernel American More than 6.

6 6. 2 – 6. 6 Less than 6. 2 Indian More than 6. 0 4. 5 – 6.

0 Less than 4. 5 Thai More than 6. 6 6. 2 – 6.

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6 Less than 6. 2 Philippines More than 5. 9 5. 0 – 5.

9 Less than 5. 0 Other* More than 5. 9 5. – 5. 9 Less than 5.

0 * Types of Rice that have no classification made by the original producing countries Figure 7: Table showing length of rice Kernel standards set by SASO 3 Source: SASO Foreign Damaged Other Types* Matter Grains** As % (Maximum) Excellent 5. 0 0. 5 1. 0 10.

0 Grade A 10. 0 1. 0 2. 0 15. 0 Grade B 10.

0 2. 0 3. 0 20. 0 * Other Varieties of Rice different in variety and method of treatments.

** Include heat damage kernel. Grade Broken Grains Moisture 14. 0 14. 0 14.

0 Figure 8: Table showing classification of Indian Milled Rice in various grades based on grain quality and moisture content by SASO 3 Source: SASO Defects Broken Grains Damaged Grains (Including yellow and black grains) Chalky grains Red grains Head damaged grains * Parboiled Rice * Milled Rice Grade 1 4.

0 3 11 4 6 3 8 Grade 2 % (Maximum) 7. 0 4 13 6 8 4 Grade 3 15. 0 5 15 8 10 5 Paddy Other rice types (different varieties and processing) Foreign matter Moisture 0. 3 2.

0 1 14. 0 -0. 5 4. 0 15 14. 0 0. 7 6.

0 2 14. 0 Figure 9: Table showing the classification of Indian of Indian rice in various grades according to defects observed in the rice grains by SASO

3 Source: SASO SASO: REQUIREMENTS FOR MILLED RICE The following are the requirements according to SASO shall be met in milled rice. 1) It shall be free from foreign odours. 2) It shall be free from live insects in all their life stages, fungi growth and metal fragments. 3) It shall have the normal colour of milled rice: white, creamy or sometimes light gray.

4) Radioactivity levels in the product shall be according to the limits mentioned in Gulf Standard, “ Radiation Level Permitted in Food Products”.

5) Pesticide residues in the product shall not exceed the limit mentioned in the Gulf Standard, G. S 382/1994 & G. S 383/1994 “ Maximum limits for pesticides residues in agriculture and food products part 1 & 2” 6)

Mycotoxins in the product shall not exceed the limits stated in the Gulf Standards, G.

S 841/1997 “ Maximum Limits of Mycotoxins Permitted in food and Animal Feeds – Aflatoxins”. 7) Talc (magnesium silicate) for polishing rice shall not exceed 0. 50C. 8) In case of enriched rice, the following shall be met: 9) Thiamine content shall not be less than 4. 4 ppm and not more than 8.

8 ppm. 10) Riboflavin content shall not be less than 2. 6 ppm and not more than 5. 3 ppm. 11) Niacin content shall not be less than 35 ppm and not more than 70 ppm. 2) Iron content shall not be less than 29 ppm and not more than 57 ppm.

13) Butylated hydroxytoluen as anti oxidant materials shall not exceed 33 ppm in case of enriching parboiled rice. 9 14) In parboiled rice the percentage of non parboiled rice shall not exceed 0. 1% in first and second grades, and 0. 2% in third grade.

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15) It shall be classified according to the quality and following shall be observed on classifying rice: 16) The grade of products shall comply with requirements of country of origin mentioned in table 1 to 3, in case of classified according to quality in specification of country of origin. 7) The grade of products shall comply with quality requirements mentioned in table 3 in case of not classified according to quality in specification of country of origin. 18) Percentage of total defects mentioned in tables 1 to 3 shall not exceed 75 % of total maximum allowance of defects in each grade. CUSTOM DUTY STRUCTURE Saudi Arabian Department of Customs has designed its organizational structure in a manner that enables it to assume its huge responsibilities related to the management of many departments and customs ports throughout the Kingdom. SADC consists of a headquarters office located in Riyadh, and 32 seaport, airport, and landport customs.

DESCRIPTION H. S. CODE Item No. DUTY RATE Rice.

-Rice in the husk (paddy or rough) -Husked (brown) rice -Semi milled or wholly milled rice, whether or not polished or glazed -Broken rice . 10 06 10 00 10 06 20 00 10 06 30 00 10 06 40 00 1006 . . .

. . Free Free Free Free Figure 10: Table showing the Saudi custom duty structure for import of rice 6 CHARACTERISTICS OF SAUDI RICE MARKET The Kingdom of Saudi Arabia's import of rice accounted for a little less than 4% of the global traded rice in recent years. The Saudi rice market is very competitive as suppliers from India, Thailand, Egypt, Pakistan, United States, and Australia and is vying for increased market share every year. In order to

attract consumers, suppliers have introduced price incentives on top of attractive prizes attached to retail packages.

Rice of various varieties is sold in different attractive 10 retail packages, ranging between 2 kg a package to 45 kg. There are some cheating practices currently taking place in the Saudi rice market that includes claiming a producing country's name different from the actual and mixing of cheap varieties with high quality expensive ones. Field research has shown that there are around 140, 000 different varieties of rice grown around the world, while the samples of only 90, 000 types can be seen or obtained from the major research institutes such as International Rice Research Institute (IRRI) and entities like the UN Food and Agricultural Organization (FAO). However, only 19 varieties are very popular and generally consumed by people around the world. The popular varieties of rice that are consumed in Saudi Arabia include Basmati, Al-Amber, Egyptian, Punjabi, American, Brown, Permal, Kernel, Tamin, Brown, and some Iraqi varieties. Basmati rice is the principal variety imported into the Kingdom, followed by American varieties and other varieties from Egypt, Australia, Thailand and other countries.

SAUDI RICE CLEANING AND PACKAGING PLANT The Saudi company AJWA is the only rice cleaning and bagging plant in the Kingdom of Saudi Arabia. AJWA buys rice in bulk from India and other destinations, and cleans and bags the rice under its own brand names. The firm stopped bagging Uncle Ben's rice from the U. S. a while ago since the Saudi Uncle Ben's agent is now sourcing from the Uncle Ben's Spanish plant. The AJWA complex was built in 1995 and is located in Jeddah Port.

It has the capacity to store 120, 000 mt of rice and to process up to 450, 000 mt of rice annually. AJWA is responsible for unloading the vast majority of bulk grain shipments to Jeddah port. The plant is located next to three berths that it rents from the Port Authority. The berths can handle vessels carrying up to 100, 000 mt of grains. SAUDI IMPORTS OF RICE In the Middle East region, the Kingdom of Saudi Arabia is the second largest importer of rice after Iran, accounting for nearly 3.

7% of the total world exports of milled rice in 1999.