



**Kingdom of Saudi Arabia
Ministry of Agriculture**



“King Abdullah’s Initiative for Saudi Agricultural Investment Abroad: A Way of Enhancing Saudi Food Security”

Dr. Abdullah A. Al-Obaid
**Deputy Minister For Agricultural Research
and Development Affairs**

Expert Group Meeting on “Achieving Food Security in Member Countries in Post- crisis World”
Islamic Development Bank
Jeddah 2-3 may 2010



Contents:

- **The Motive.**
- **Food Crisis and Government Intervention.**
- **Basic Food Requirements.**
- **Sources of Food Security.**
- **King Abdullah's Initiative;**
 - **Objectives**
 - **Vision**
 - **Tasks**
 - **Components**
 - **Principles**
 - **Administration**
 - **Targeted products**
 - **Targeted Countries for Investment**
 - **Clarifications**
 - **Success potentiality.**



The Motive

- **World food Crisis which appeared during mid 2007 up to mid 2008 due to interruptions in supply and demand sides leading to shortages in food commodities and surge in prices. Such a situation has affected more developing countries with high dependency on food imports.**
- **Some political and social risks are associated with this food crisis.**
- **Food security became more and more a national and international issue, thus more attention has been paid to Food Security by Governments and International Organizations.**
- **In some Countries, the nature and the availability of resources prevent the expansion of food production.**
- **Developing Countries became more aware of the importance of attracting the Direct Foreign Investment (FDI) to complement their efforts for development.**



Food Crisis and the Government Intervention

- **Similar to others, the Saudi Government has interfered to mitigate the direct and indirect impacts of Food Crisis on it's population.**
- **Some of the taken Actions:**
 - **Increasing the salaries of all government officials.**
 - **Increasing the allowances of all social security beneficiaries.**
 - **Subsidizing some basic products (rice, baby milk powder, barley and other animal feed ingredients).**
 - **Controlling the prices of some products (cement, steel,.....).**
 - **Lowering the local prices of fuel (Gasoline and Diesel).**
 - **Reducing the fees on some services such as seaport services, passports, driving licenses, and residences permits.**
 - **Cutting the import tariffs of 180 basic commodities of which some are food products such as wheat products, chickens, eggs etc.**



Basic Food Requirements in Saudi Arabia

- Saudi Arabia is a big country in terms of area but a medium size in terms of population.
- The current population is around 25 million.
- High growth rate of population (around 2.5% annually).

Food Commodity	Current (2009)	Future (2015)
Wheat	2.87	3.26
Barley	7.00	3.79
Corn	1.97	2.64
Soyabeans	0.73	0.97
Rice	1.10	1.25
Sugar	0.56	0.78
Vegetable Oils	0.43	0.49
Red Meat	0.55	0.63
Poultry Meat	1.09	1.58



Sources of Food Security for Saudi Arabia

- **Local production:**
 - Government support (credit, subsidies, free land, direct and indirect services)
 - Achievements
 - Constraints
- **Import**
 - Saudi economy is an open economy with free trade
 - An easy and flexible regime of trade with low tariffs.
 - No trade restrictions (also no specific duties)
 - WTO membership (2005)
 - Custom Unions and free trade zones
- **Internal Policies and Regulations:**
 - Assurance of high level of efficiency of marketing and distribution.
 - Control of illegal practices in trade.
 - Social security networks targeting poor people.
- **International Investment in Agriculture:**
 - King Abdullah's Initiative for Saudi Agricultural Investment Abroad.



King Abdullah's Initiative for Saudi Agricultural Investment Abroad

- **Objectives**
- **Vision**
- **Strategy**
- **Component**
- **Principles**
- **Administration**
- **Targeted goods**
- **Targeted Countries**
- **Clarifications**
- **Success potentiality.**



Objectives:

The main Initiative's Objectives are:

- **Maintaining Food Security for Saudi Arabia.**
- **Enhancing International food security.**
- **Encouraging Saudi Investors to utilize their resources and experiences abroad.**

Vision:

To let Saudi Private Investment play in the near future, an active role abroad in enhancing food security for Saudi Arabia as well as to increase global food production and providing a good example for a responsible international investment in agriculture.



Strategy:

- **Providing funds, credit and logistics to Saudi Investors to invest aboard in Agriculture.**
- **Establishing a strategic reserve for basic food commodities, to meet the Saudi needs for food and to avoid future food crisis.**



Components:

1. Identifying the suitable hosting countries for agricultural Investment.

- criteria: {
- Availability of resources (land, water, labor).
 - Political, social and economic stability.
 - Free market environment
 - Transparent and attractive procedures, regulations and incentives for investment.
 - Availability of infrastructure.
 - Good relations with Saudi Arabia.

2. Studies to define local requirements for basic food products (present and future).

3. Studies to define strategic reserves for basic food commodities.

4. Establishing a holding company.

5. Signing bilateral agreements with hosting countries to identify and preserve the rights and commitments of all parties.

6. Identifying the suitable forms of off-taking agreements between the government and the investors.



Principles:

- **The Saudi private sector (not the Government) is the main investor.**
- **Investments in recipient countries are in long term.**
- **Investor's right to choose the cultivated crops.**
- **Investor's right to export his produce to Saudi Arabia (some of the produce might be left for the local market).**
- **The targeted investment are for staple food products.**



Administration:





The Targeted products:

- **Wheat**
- **Barley**
- **Corn**
- **Sorghum**
- **Soybeans**
- **Rice**
- **Sugar**
- **Oil seeds**
- **Green fodder**
- **Live stock**
- **Fisheries**
- **Any staple food product.**



Targeted Countries:

- **Sudan**
- **Egypt**
- **Ethiopia**
- **Turkey**
- **Ukraine**
- **Kazakhstan**
- **Philippines**
- **Vietnam**
- **Brazil**
- **Other suitable countries with agricultural investment potentiality.**



Clarifications:

- **The initiative is a complement (not a substitute) to local agriculture.**
- **The initiative receives high attention and support from the Government.**
- **The initiative has humanitarian aspects with no political objectives.**
- **Saudi Investment abroad is a responsible international investment to assure good practices maintaining benefits for all stakeholders as well as the local environment.**
- **International Investment in agriculture is not a new phenomenon, it is old and practiced by many countries (European Union, Japan, China, South Korea and others).**
- **Foreign Direct Investment (FDI) is not the only form of investment for Saudi Investment but there are also other forms such as joint ventures, contract farming, out grower schemes, the creation of regional food reserves investment in key stages of value chains.....**



Success potentiality

- **The high political will and support.**
- **Knowledge and experience of the Saudi private sector.**
- **Availability of capital and technology.**
- **The humanitarian aspect of the initiative.**
- **Confidence of the targeted countries in FDI for their development.**



Thank You For Listening

www.moa.gov.sa