

## 2-5 Market and Sector Overview

### GDP and Inflation

Saudi Arabia's Government has taken quick steps that keep up with the importance of its economy at the regional and international levels. This comes as the Saudi economy continues its positive performance in pushing down the locomotive of growth by implementing initiatives and structural reforms to support economic diversity and increase the private sector's contributions, and thus, attain the objectives of the Kingdom's Vision 2030, ensure the economic stability and achieve sustainable development.

In light of the positive local developments, the economic growth rates in the Kingdom have been reviewed on the medium range in 2024G. According to the Saudi Arabia Budget statement for the fiscal year 2024G, it is anticipated that the positive economic growth rates shall be

maintained during 2024G, on the medium range led by the non-oil sector, fueled by the efforts exerted to pace up the economic diversity to ensure the sustainable economic growth under the current reforms.

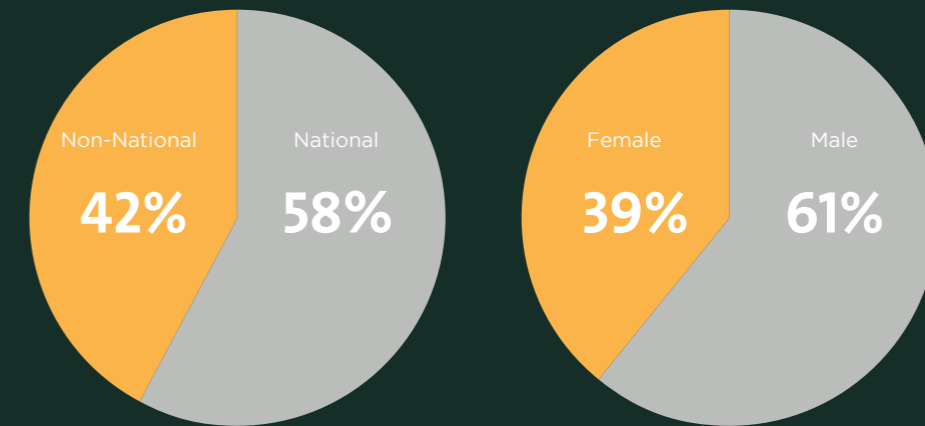
The initial estimates for the year 2024G pointed a growth of 4.4% on the real GDP backed by the GDP expected growth in non-oil activities, as a direct result of strenuous efforts exerted to enhance and develop the private sector and raise its contributions to lead the economic growth. Overall, this shall contribute to creating new and sustainable job opportunities in the labor market, backed up by continuing the completion of programs and projects of the Kingdom's Vision 2030, as a key tool to achieve targets of the economic transformation.

Furthermore, in view of the enhancement of the economic environment, according to the latest EuroMonitor International report, it is expected that the average consumption income per capita shall continue to grow at an annual compound rate of 4.7% between 2022G and 2030G, which shall contribute to increasing the consumer expenditure on bread and cereals at an annual compound rate of 5.4% during the same period.

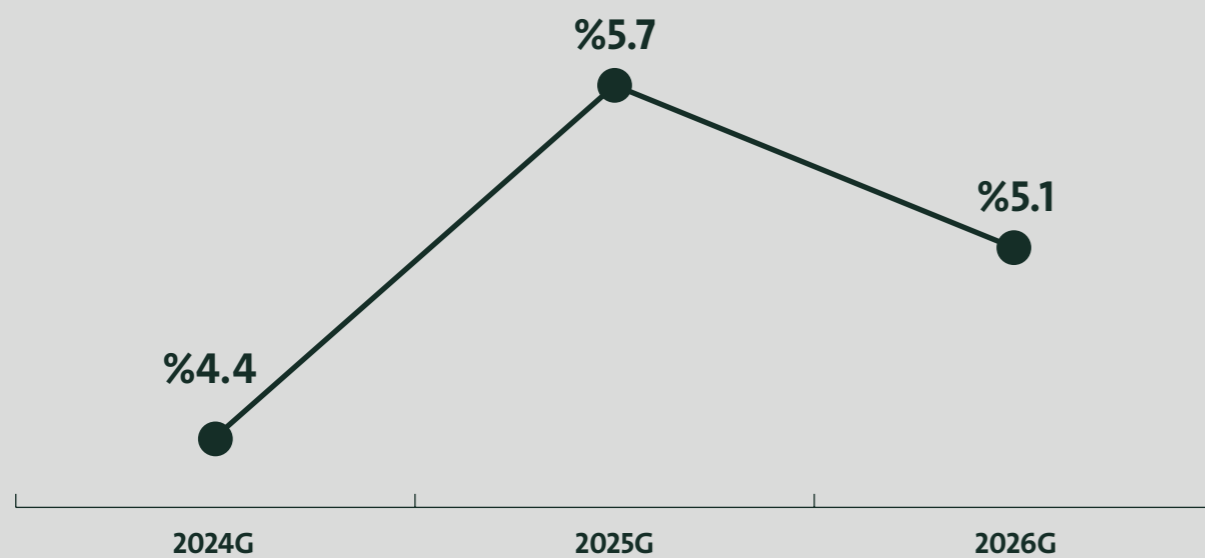
Such increase in consumption expenditure per capita on food stuff coincides with the normal

expected growth of the Kingdom's population, which urgently necessitates the provision of indispensable strategic commodities, including wheat and derivatives, including flour of all types and products, bran, among many other indispensable products for all families in the community. This enhancement of economic environment is likely to strongly expedite the growth in population which is expected to reach an estimated of 39.2 million by 2030G, growing at a CAGR of 2.5% for the period 2022G-2030G.

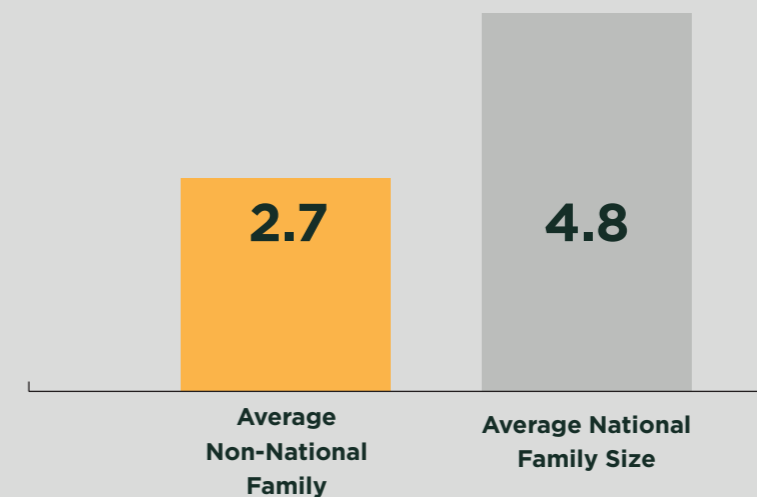
**32.18** Mln People  
The Kingdom Total Population by the end of 2022G



### Expected Real GDP Growth in the Kingdom During 3 Years



(Source: Data from General Authority for Statistics and the Ministry of Finance Outlook)



(Source: Population Report - General Authority for Statistics)

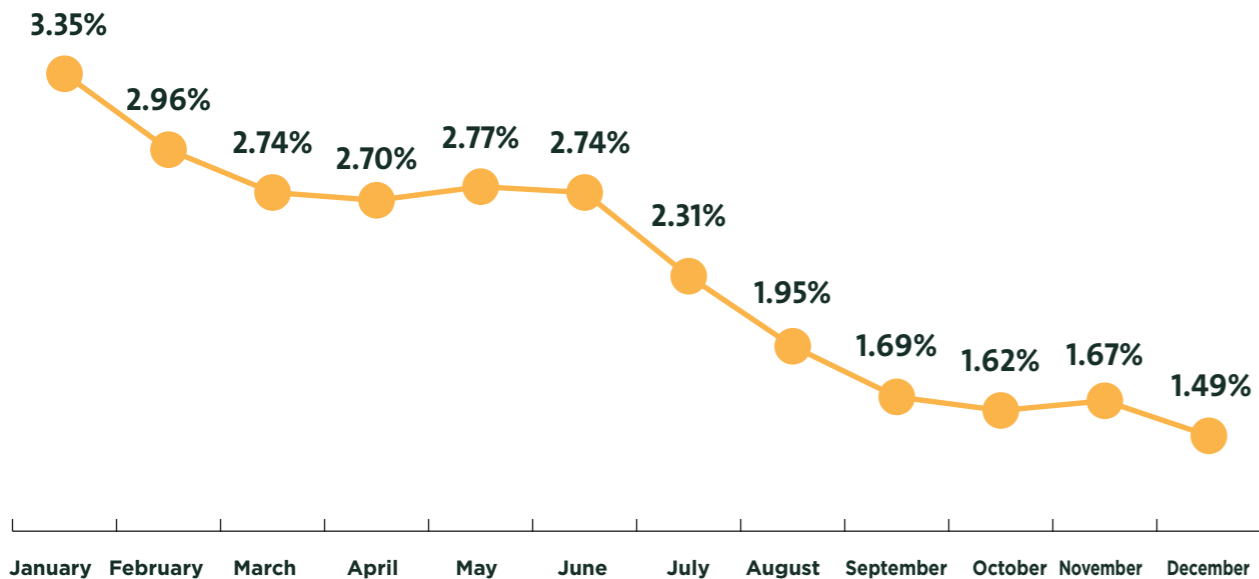
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### Key Demographic Indicators in Saudi Arabia, 2022G-2030G

Category	Data Type	2022G	2026G	2030G	CAGR 2022G - 2030G
Total Population	Million	32.1	38.5	39.2	%2.5

The inflation rates during 2023G have been variously affected in terms of both supply and demand, including enhanced rates of private local consumption despite the continued rise of interest rates since 2022G. In addition to the Russian-Ukrainian conflict which dealt a severe blow to the global supply chains, however the Kingdom's financial and cash policies have alleviated the effect of inflation, to the extent of slowing down inflation rates.

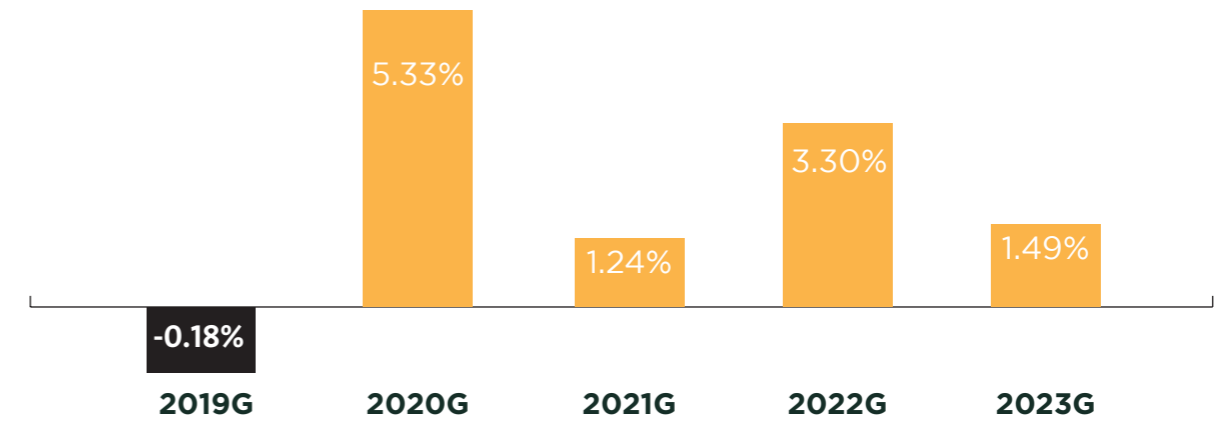
### Development of inflation Rate in the Kingdom 2023



(Source: General Authority for Statistics)

Over the past years, the Saudi Government has taken a number of measures to restrain inflation and thus maintain the stability of the Saudi economy. Such measures included the increase in the production of basic commodities and services and the provision of the same at reasonable prices, in addition to organizing the financial sector, controlling cash policies and enacting suitable legislations.

### Development of Inflation Rates in the Kingdom in 5 Years



(Source: General Authority for Statistics)

Within the framework of its commercial strategy, the Kingdom works on providing basic necessary commodities to ensure the sustainability of the economic growth, which synchronizes with imposing stringent control on the markets to ensure that the consumer is protected, and that the stability of the local market is maintained.

### Average Prices of Some Food Commodities in the Kingdom in 2023G

(All Prices are in SAR)

Commodity	Unit	Months of the Year											
		January	February	March	April	May	June	July	August	September	October	November	December
Local Brown Wheat Flour (Grain Silos)	kg 1	3.09	3.13	3.11	3.09	3.09	3.14	3.16	3.13	3.16	3.11	3.20	3.16
Local White Flour (Grain Silos)	kg 2	4.75	4.81	4.83	4.87	4.91	4.95	4.92	4.94	4.85	4.86	4.91	4.80
Sorghum (white corn)	kg 40	139.37	140.02	140.48	140.59	141.69	139.91	139.06	137.86	139.21	140.94	143.89	145.03

Meanwhile, the Kingdom is focusing on developing its commercial strategy to be more robust and efficient in a way that enhances the local economy and the competitiveness of commercial business in the Kingdom. At the same time, the Kingdom is highly concerned with protecting consumer interests, by holding continuous studies of the market and identifying opportunities and potential commercial threats, and thus, laying down suitable strategies for improving industrial sectors, developing products and services, and laying down proper mechanisms to provide strong consumer protection against unfair commercial practices and unsafe products.



## Global Grain Market

The grain market is generally regarded as a vital sector in the global economy, as it plays a decisive role in meeting the demand for food. It thus follows that the agricultural technologies and innovations are among the factors that have caused a radical change in the grain industry. Such agricultural developments included the use of smart fertilizers and modern irrigation technologies, which contributed to the increase of grain production.

Furthermore, the grain markets have witnessed a remarkable boom lately, as a result of the increasing demand from the developed and emerging countries, let alone the increase of the world population and changes of the food pattern that led to the increasing grain consumption, which has contributed to the increase of its value in the global market.

Towards the end of November 2023G, the Food and Agriculture Organization (FAO) has maintained its outlook for the global grain production in 2023G at 2,819.3 million tons, with an increase of 0.9% (26 million ton) compared to 2022G.

FAO anticipated that the global production of wheat in 2023G would stand at 785.1 million ton, i.e. 2.2% (18

million ton) less than last year.

The global production of coarse grain reached the amount of 1,510.30 million ton in 2023G, and thus, remained unchanged from one month to the other, with an increase of 2.7% (38.8 million ton) compared to the level recorded last year. Yet, some notable changes have occurred at the regional level, which by the end of 2023G have been mostly related to the implemented regulations by the State of China, as it included an increase of planted areas, more than what was expected, which translated into promises for an increased in yield by 4 million tons.

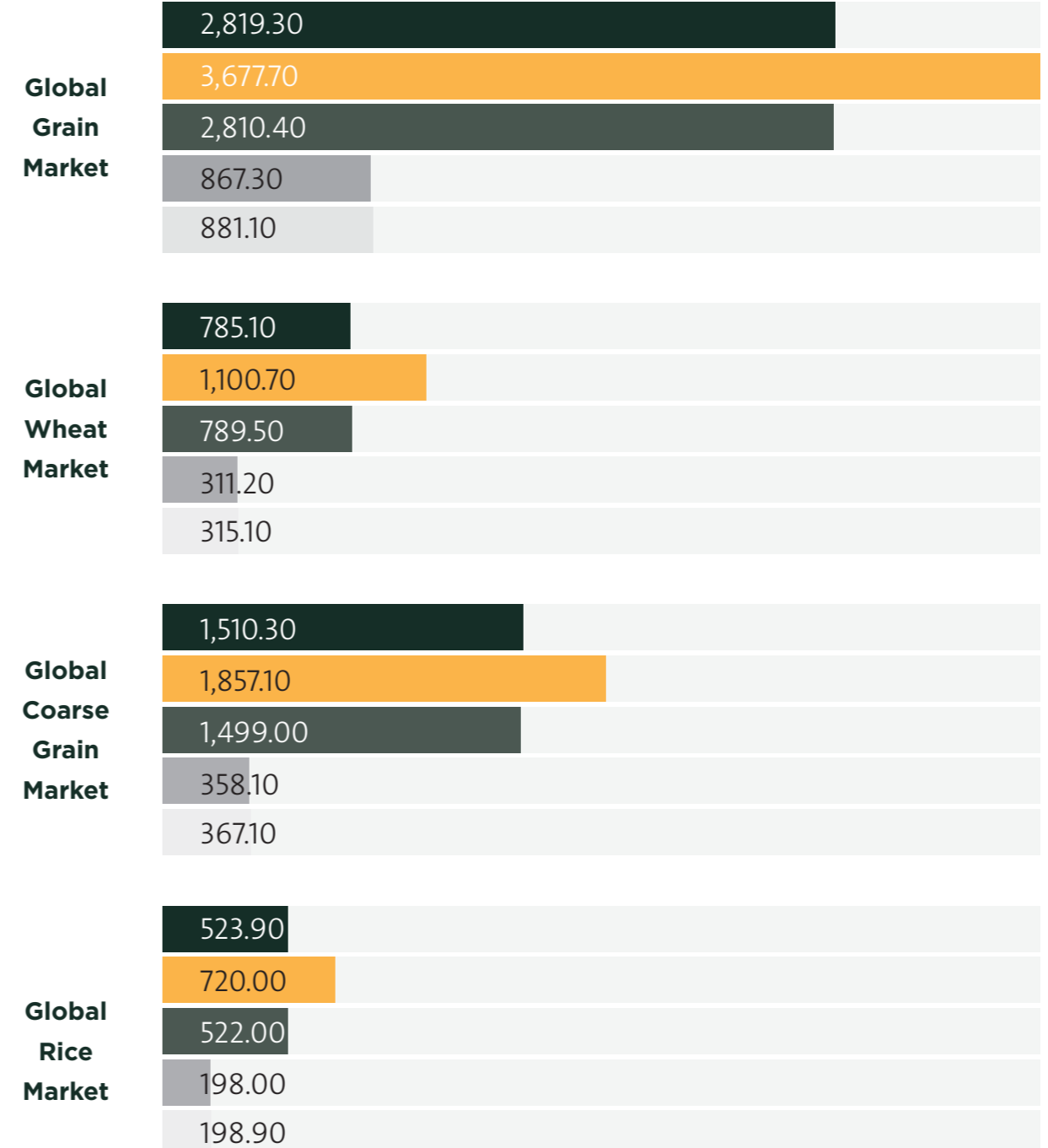
FAO has further raised its expectations for production in most West African countries, in line with the official data published by the end of 2023G. Such ascending changes have compensated for the great reductions in corn and sorghum production anticipations in USA in light of the unstable weather conditions and in EU as anticipations for the corn crops fell due to the dry weather in the eastern part of Europe.

## Global Grain Production in 2023G

(in mln ton)

■ Actual Stocks ■ (\*) Statistical Stocks ■ Use ■ Supply ■ Production

### Classification



(\*) Difference between demand and use, and this difference may not be equal due to the differences in marketing years for each country.

- Source: Food and Agriculture Organization (FAO)

As for next year 2024G, according to the FAO report, the wheat winter agriculture is underway in the northern part of the globe, and the expansion of the planted areas is expected to be limited.

## Local Market

The Kingdom's Vision 2030 aims to develop and enhance the milling sector, being one of the pivotal sectors that plays an important role in the provision of food and achieving food security in the Kingdom. The Vision's objectives aim to develop this sector by applying principles of sustainability, digital transformation and increasing competitiveness in the sector.

This comes as the General Food Security Authority (GFSA) continues to work on securing the Kingdom's requirements for wheat to meet the needs of all companies operating in the sector, through GFSA purchases of this strategic commodity, and launching tenders all over the year.

As support is continued for this sector, on December 19, 2023G, the Saudi Council of Ministers agreed to allow local agricultural companies and major farmers to plant seasonal wheat and feed according to the controls of the Ministry of Environment, Water and Agriculture (MEWA), which shall support the development of the agricultural sector and achieve food security and environmental balance. In addition, protecting natural resources and their sustainability, expanding the scope of the private sector participation in agriculture and providing an environment that is attractive to the investment in the agricultural activities and services.

### Amounts and Average Prices of Wheat According to GFSA Import Contracts over Last 5 Years

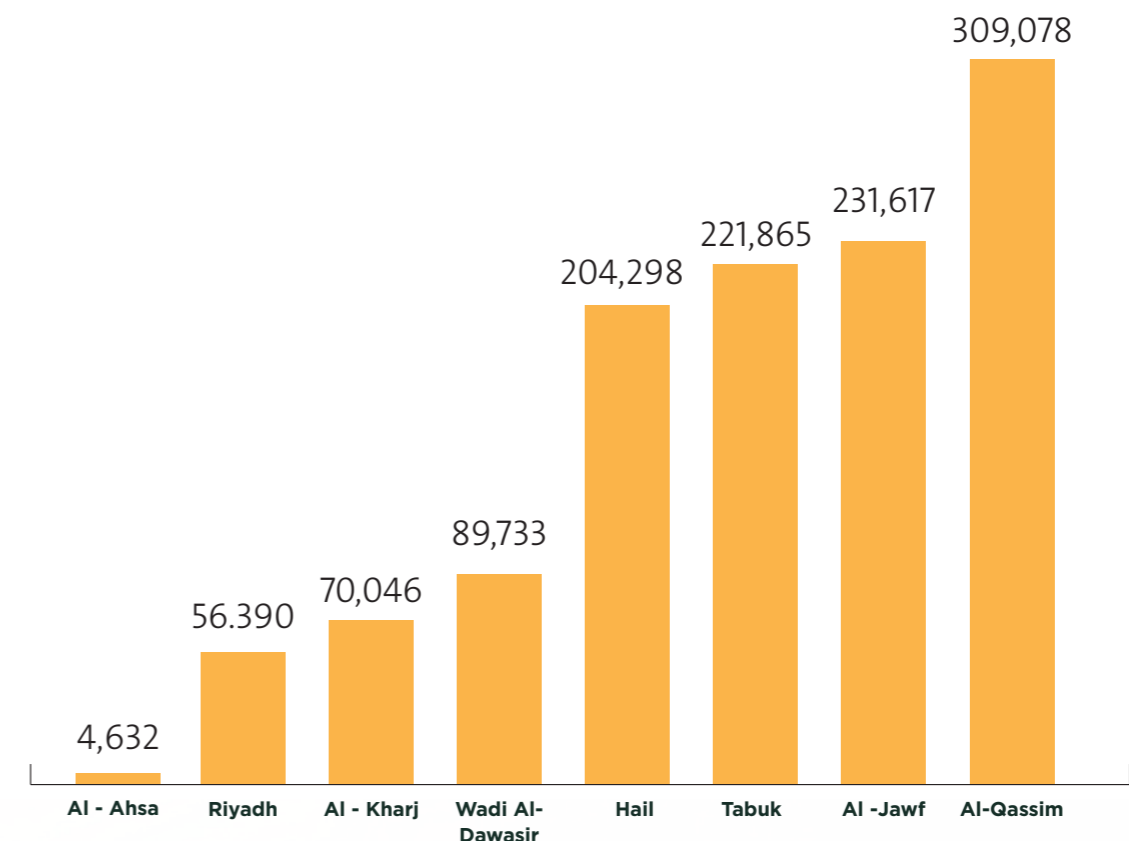
Year	Amounts Contracted Upon 310 % (000' ton)	\$/ton	SAR/ton
2019G	3,360	234.33	879.00
2020G	3,040	253.70	951.00
2021G	4,056	339.39	1,273.00
2022G	3,971	410.38	1,539.00
2023G	3,730	292.06	1,095.00

(Source: General Food Security Authority "GFSA")

By the end of December this year, GFSA announced the end of the season for purchasing local wheat for the year 1444H/1445H (2023G), with the supply of a net quantity of 1,187,659 ton, with an increase of 121% compared to last season, for almost SAR 2 billion.

## The Kingdom's regions with the most local wheat supply for the year 2023

(Quantities in tons)



(Source: General Food Security Authority "GFSA")



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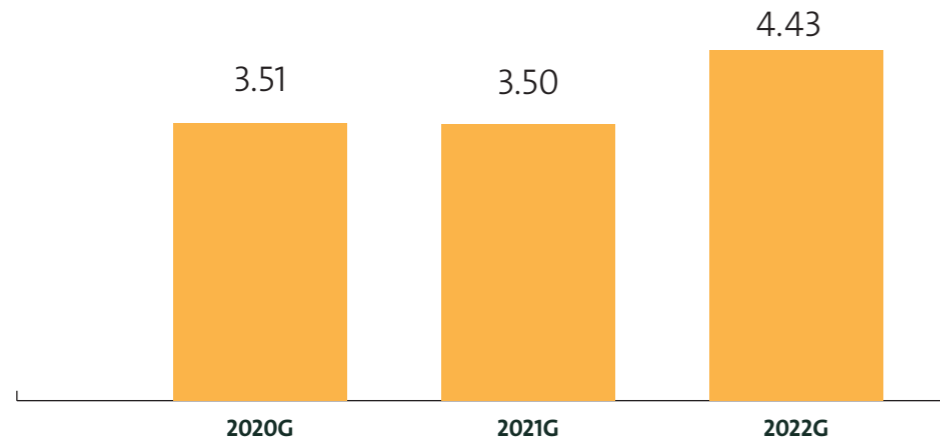
With the increase of turnout in light of the enhanced consumption spending in the Kingdom, the demand on wheat products in the bakery and food stuff sector rose. It is worth here to note that the compound growth rate of this sector is expected to pace up in the Kingdom from 2.9% during the period from 2018G to 2021G to reach 5.5% within the period from 2022G to 2026G, which shall lead to the growth of the wheat market by 3.5% during the same period, in addition to the continuous growth of the noodles production, which shall further increase the demand on flour according to the EuroMenitor International report.

The General Authority of Statistics (Stats) reported that the total value of Saudi Arabia's wheat imports amounted to about SAR 7 billion during 2022G, with the biggest share from Russia at 46%, at a value of SAR 3.2 billion against importing around 1.77 million ton of wheat.

Over the last four years, wheat sales for the four milling companies in the Kingdom have witnessed a notable development, as GFSA is selling the ton of wheat for any of the four milling companies at a subsidized price, in order to maintain the set subsidized selling prices of flour and wheat derivatives in the local market.

### Development of Wheat Sales of 4 Milling Companies in 3 Years

(Quantities in mln ton)



(Source: General Food Security Authority "GFSA")

Meanwhile, GFSA is resuming its role in securing the Kingdom's wheat demand to meet all needs of the four milling companies. In 2022G, GFSA sales of this strategic commodity reached about 3.89 million tons. Within the framework of implementing plans for diversifying the sources of wheat purchases, GFSA has mainly depended on three sources; namely: imports by

making global tenders in which qualified international companies specialized in the trade of grains shall submit their bids, imports by holding private tenders for the Saudi investors abroad and the purchase of local wheat within the framework of implementing procedures for halting the agriculture of green feed.

Category	Statement	% of Imported	% of Local Production
Total Flour Purchased during the year 2022G by GFSA	3.89 million Tons	86.2%	13.8%

It is worth here to note, that GFSA has a control role in the progress of flour production and distribution inside the Kingdom according to the normal rates to maintain the supply chains for bakeries and plants and to ensure the availability of flour in the market. Furthermore, GFSA makes field tours to control the quality of production.

According to the GFSA statistics for the year 2022G, the four local milling companies operating in the Kingdom have operating silos with a total storage capacity of 745 thousand tons, while the total production capacities available for the production of flour stands at 17,200 tons per day, while the total production capacity available for the feed facilities stands at 3,000 tons per day.

Total for the Year	2020G	2021G	2022G
Amounts of Wheat Used in Flour Production (ton)	3,422,061	3,476,531	4,481,923
Amounts of Flour Produced (ton)	2,650,111	2,637,821	3,423,882
Amounts of Flour Sold (ton)	2,608,888	2,621,323	3,349,588
Amount of Wheat Derivatives Sales (ton)	3,485	3,452	3,764
Amounts of Animal Bran Production (ton)	460,123	880,228	1,104,188
Amounts of Animal Bran Sold (ton)	460,123	499,550	716,134
Amounts of Feed Production (ton)	559,562	632,425	737,894
Amounts of Feed Sales (ton)	559,562	624,117	718,738
Percentage of Flour Sales to Amounts of Production	98.44%	99.37%	97.83%
Percentage of Animal Bran Sales to Amounts of Production	100%	56.75%	64.86%
Percentage of Feed Sales to Amounts of Production	100%	98.69%	97.40%

(Source: General Food Security Authority "GFSA")

In its turn, First Milling Company has the biggest share of wheat in the local market characterized by its growing population, consumption momentum and wide consumers' tastes and patterns, which thus qualifies the Company to achieve a strong and sustainable growth over the upcoming years, driven by its pioneering position in the market and its wide selection of products like flour and semolina, plus the bran and animal feed products.

First Milling Company aims to enhance and develop the milling sector in the Kingdom through constant innovation and the up-to-date production and distribution technologies, especially in light of the sustainable growth that the sector has witnessed over the last few years and the increase of demand on the related products by consumers and the food sector in the Kingdom. With growing demand in bakeries and consumer food needs, the local production is anticipated to continue growing to reach over 4.38 million tons by 2030G, according to EuroMonitor estimates. It is also worth noting that the importation of wheat flour in the market is very limited and has consistently declined compared to local production for the year of 2022 at approximately 1.5%, compared to 98.5%, with the Kuwaiti and the UAE products representing a dominant share of around 90% from the total imports.

### Indicators of Flour Production & Sale in the Kingdom for 2022G-2030G

Category	Data Type	2022G	2030G	CAGR 2022G-2030G
Total local production of wheat flour	Million Tons	3.42	4.38	3.1%
Total sales of wheat flour from local production	Million Tons	3.34	4.32	3.1%
Total imported wheat flour	Thousand Tons	51.0	42.0	(2.4%)

The Company is generally regarded as a vital part of the food supply chain, as it plays an important role in the production of main products like bread and bakeries. Therefore, the Company substantially contributes to meeting food needs and enhancing food security in the Kingdom in line with the Kingdom's Vision 2030.

First Milling Company is optimally positioned to make the best use of the positive market dynamics, which is evident in the increase of the Company's flour market share ever since it was launched until the end of this year, thus becoming the leader of this market.

### Development of First Mills Market Share for the Years 2022G-2023G

Product Classification of Flour	Data Type	As Per GfSA Data for the Total Market		The Company's Share (By Quantity)		The Company's Share (As %)	
		2022G	2023G	2022G	2023G	2022G	2023G
Total Flour Volume	Thousand Tons	3,350.1	3,457.4	965.4	1,042.0	29%	30%

Furthermore, the Company is occupying an advanced position in the compound animal feed market, which multiplies its chances in making use of its production capacity and geographic spread, as a result of the increasing demand on the flour-based products, the potential growth of the local meat market in addition to government initiatives aiming to increase the local production of compound feed. Moreover, the EuroMonitor International latest report, animal bran production volume is anticipated to reach about 925.5 tons by 2030G growing at a CAGR of 2.9% for the period of 2022G-2030G.

The Company started the trial operation of its Durrum Mill to produce Somlina which is regarded as the first of its kind in the Kingdom with a daily production capacity of 300 tons.

