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Saudi Arabia kick starts sale of state flour mills

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Saudi Arabia on Thursday kicked off the sale of its flour mills, one of the first privatisations of the kingdom and a litmus test for other large state asset sales to follow.

Saudi's state grain buyer SAGO said it would start accepting applications for qualification of potential interested investors on Aug. 26. The kingdom will also make an announcement regarding the timeline for the qualification process on the same day, SAGO said in a statement.

HSBC Saudi Arabia, the financial advisor for the privatisation, said the launch of the qualification phase preceded the potential bidding phase.

The sale of Saudi's flour milling sector is part of a wide-reaching overhaul of its economy and has drawn interest from some of the world's largest agribusiness firms.

The request for qualification document released on Thursday made no mention of a requirement for the mills to remain majority Saudi-owned, a potential sticking point that had previously worried some foreign investors.

The preliminary sale guidelines, a document designed to elicit market feedback as part of a consultative approach to the privatisation, had previously stipulated a Saudi majority partner.

Still, a source close to the matter, said firms could be discouraged from bidding unless they had more details on the terms of the privatisation.

"If they buy wheat and also fix the price of the flour, what is the role of the miller," the source said.

The four mills on sale come under the kingdom's monopoly state grain buyer the Saudi Grains Organisation (SAGO), one of the world's largest wheat and barley buyers.

SAGO imports Saudi Arabia's entire wheat supply of about 3.5 million tonnes a year.

It has said that demand for wheat is expected to grow at an annual rate of 3.2 percent to reach 4.5 million tonnes by 2025, largely due to population growth.

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Archer Daniels Midland and Bunge BG.N - two of the world's four biggest agribusiness firms - are among several international companies that have previously expressed interest in bidding for SAGO's assets as part of consortiums.

The grains privatisation committee will start accepting expressions of interest from potential bidders starting on Thursday, the statement, posted on SAGO's website, said.

Large grain market players' interest in SAGO's mills comes as Saudi Arabia grows increasingly dependent on grain imports. The kingdom has become a major importer of wheat and barley since abandoning plans in 2008 to become self-sufficient - as farming in the desert was draining scarce water supplies.

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Zawya

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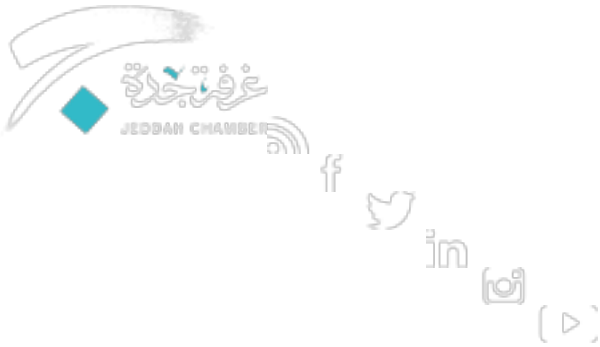
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