

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Required Report - public distribution

Date: 12/15/2014

GAIN Report Number:

Egypt

Citrus Annual

Egypt's Orange Exports Benefiting from Russia's Ban on EU Imports

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Report Highlights:

In MY2014/2015, Egypt's total planted area to citrus will remain unchanged while total area harvested will increase by 1.7 percent due to better growing conditions. Total orange production is forecast to increase by 2.3 percent or 60 TMT to reach 2.63 MMT. Total bearing trees are forecast to increase by 150,000 to reach 9.25 million trees compared to 9.1 million trees in the previous season. Fresh domestic consumption is projected to increase by 10,000 MT., while exports will increase by 4.5 percent. The increase in exports is driven by a higher demand from the Russian market due to its ban on orange imports from the European Union, mainly from Spain, Greece and Italy. Russia, Saudi Arabia, United Arab Emirates, and Netherlands will remain Egypt's top export destinations.

Executive Summary:

Egypt will remain a leading orange producer and exporter, ranking as the sixth largest producer and the second largest exporter of oranges in the world. Post forecasts Egypt's total planted area in MY2014/2015 to remain unchanged while total harvested area will increase by 1.7 percent to 117,000 hectares (HA) compared to 115,000 HA in the previous season. The 2,000 HA increase in total area harvested is a result of the superior growing conditions that prevailed during the season and which are expected to continue into the following season.

Production is expected to increase by 2.3 percent or 60 TMT to reach 2.63 MMT in MY2014/2015 compared to 2.57 MMT in the previous year. The increase in production is attributed to an increase in the total area harvested due to better weather conditions, contributing to a slight increase in the total number of bearing trees. Total bearing trees are forecast to increase by 150,000 trees to reach 9.25 million trees compared to 9.1 million trees in the previous season.

Orange exports are forecast to increase by 50 TMT or 4.5 percent in MY2014/2015. Post attributes this increase to higher demand from the Russian market due to its ban on orange imports from the European Union, mainly from Spain, Greece and Italy. Russia, Saudi Arabia, the United Arab Emirates, the Netherlands and India were Egypt's top export destinations in MY2013/2014, and FAS Cairo expects this trend to continue in MY2014/2015. Spain, South Africa and Morocco are Egypt's main competitors in the international marketplace. Other competitors include Turkey, the United States, China, Australia, and Argentina.

Commodities

Orange, Fresh

Planted Area

Post forecasts that in MY2014/2015 Egypt's total planted area will remain unchanged while total harvested area will increase. Total planted area will remain at 133,236 HA, while total area harvested will increase by 2,000 HA to 117,000 HA compared to 115,000 HA in the previous season. Post attributes the 1.7 percent increase in total area harvested to the improved weather conditions that prevailed during the growing season and assumes that it will continue throughout this production year.

Oranges represent the largest cultivated area of all citrus varieties in Egypt. Farmers prefer to grow oranges over other fruits due to high export value. Even small farmers who do not have the capability to export usually sell their crop to bigger farmers and exporters. Orange production represents 30 percent of Egypt's total fruit production and 65 percent of total citrus production, and this fruit is grown in almost all governorates. The Delta governorates of Qalyoubia, Beheira, Sharqiya, Ismailia and Menufia are the main producing areas (see the green area on both sides of the Nile Basin). The orange harvest usually lasts from four to five months. Of all the varieties mentioned, navel oranges are the predominant variety, representing 60 percent of all orange production.



Production

Post forecasts total orange production to increase by 60 TMT or 2.3 percent to 2.63 MMT in MY2014/2015 compared to 2.57 MMT in the previous year. The increase in production is attributed to the increase in the total area harvested due to improved weather conditions, which will slightly increase the number of bearing trees. Total bearing trees are forecast to increase by 150,000 to 9.25 million trees compared to 9.1 million trees in the previous season. High temperatures adversely affect orange output; however, during the last two seasons, Egypt experienced good weather conditions that increased the total production. Egypt is the sixth largest orange producer in the world after Brazil, China, the US, the EU, and Mexico.

Oranges represent around 30 percent of total Egyptian fruit production and 65 percent of citrus production. Egyptian orange production is high yielding and cost competitive due to the availability of irrigation water from the Nile, suitable climatic conditions including year-round sunshine, good soil, low labor costs, an early harvest compared to other major producers in the region. Egypt's proximity to major importing countries is also a plus. The current average yield is 4.2 MT/HA while on more advanced farms, the average yield may reach 7.5-8.5 MT/HA. Egypt has different varieties of oranges that grow in the Delta and alongside the Nile.

The current government is implementing the "Sustainable Agricultural Strategy Towards 2030", produced in 2009 by the current Minister of Agriculture and Land Reclamation, Dr. Adel Al-Beltagy, who was the general coordinator of the strategy and the Chairman of Agricultural Research and Development Council at the time. The main objective of the strategy is to focus on increasing the production and the productivity of the different fruit crops in drought-prone areas through modern on-farm irrigation systems, particularly for the main fruit crops such as citrus and oranges in particular. Based on these objectives, the strategy through research programs as well as through the potential of

bio-technology should contribute to an increase in yield for citrus fruits (including oranges) by 2030 to 6.3 MT/HA compared to a current average of 4.2 MT/HA.

Several orange varieties are produced in Egypt but the six dominant types are as described in Table (1). Valencia and navel are the main export varieties while others are more for domestic consumption.

Orange Variety	Description
Baladi Orange	Two varieties are grown, the seeded baladi orange and the seedless baladi orange both used mainly for juice.
Valencia Orange	Summer variety and mainly for juice but also fresh use.
Blood Orange	Very good taste, seedless variety and mainly for juice
Navel Orange	Two varieties, the early maturing navel that is consumed domestically and the late maturing navel that is exported.
Khalily Orange	Good variety for juice
Sweet Orange (Sukkari)	Sweet variety consumed fresh, with seeds

In Upper (southern) Egypt, it is preferred to plant oranges during early February while in other areas in the Delta region it is preferred to plant during March. Orange trees will start producing after four years of planting and the trees can live up to 50 years but production decreases after 20 years. Orange trees bloom throughout most of the year, based on the variety, except during August and September due to hot weather (Table 2). The export season starts during the middle of November and, through cold storage, extends to late August.

Variety	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
<i>Navel</i>	*	*	*	*	*	*						
<i>Baladi</i>			*	*	*	*						
<i>Sweet Orange (Sukkari)</i>			*	*	*	*						
<i>Valencia</i>					*	*	*	*	*	*		
<i>Blood Orange</i>				*	*	*						

Note: Navel Variety starts from middle of October, and Valencia variety starts from middle of February
Source: Ministry of Agriculture

Egypt's orange industry has been improving over the past few years due to a comprehensive development of the supply chain. At the production level, improvements have focused on crop quality by implementing good agricultural practices, as well as increasing awareness among growers of the need for improved quality to compete in the global marketplace. Some of the practices include the use of better techniques in fertilization, irrigation, pruning, pest management and harvest. Many Egyptian growers have begun to adopt international quality standards and practices such as GLOBALGAP and ISO management systems.

The improvement at the export level include major developments in citrus storage, packing stations and post-harvest practices as the majority of the citrus packing stations have adopted international standards. In addition, there is greater adherence to MRL residue levels, the development of new markets, and the increasing role of the Agricultural Export Council in adopting new regulations and policies to support the export process.

Consumption

Post forecasts fresh domestic consumption will increase by 10,000 MT to 1.395 MMT compared with 1.385 MMT from the previous season. The high quality, desirable taste and low prices compared to other fruits have made oranges the favorite fruit consumed by Egyptians.

FAS Cairo's estimate of MY2014/15 orange processing volume will remain flat at 85,000 MT from MY2013/14, or around 3.2 percent of MY2014/2015's estimated total production. The Egyptian juice market has been targeted by Saudi and Gulf juice processors. More affordable, locally produced Egyptian juice, however, continues to outperform the relatively higher-priced imports.

Table (3): Local Retailer prices for Oranges (November 2014)		
	Price in EG	Equivalent in USD
Navel Orange	200-700 EGP. Piaster/Kilogram	28-98 cents/kilogram
Local Orange	200-350 EGP. Piaster/Kilogram	28-49 cents/kilogram
Sweet Orange	200-350 EGP. Piaster/Kilogram	28-49 cents/kilogram
Valencia Orange	200-350 EGP. Piaster/Kilogram	28-49 cents/kilogram
Table (4): Local wholesaler prices for Oranges (Last week of November 2014)		
	Price in EG	Equivalent in USD
Navel Orange	150 EGP. Piaster/Kilogram	21 cents/kilogram
Local Orange	150 EGP. Piaster/kilogram	21 cents/kilogram
Sweet Orange	150 EGP. Piaster/Kilogram	21 cents/kilogram
Valencia Orange	300 EGP. Piaster/Kilogram	42 cents/kilogram
Source: Ministry of Finance		

Local wholesaler and retailer prices are very low compared to other fruits. Per kilo retail prices are as follows:

Oranges - 200 Egyptian piasters or \$.28, locally-produced bananas - 500-650 piaster or \$.70-.91, locally-produced grapes - 500-600 piaster or \$.70-.84, and apples (imported) - 600-1,400 piaster \$.84 cents to \$2 dollars.

Trade

FAS Cairo forecasts orange exports will increase by 50 TMT or 4.5 percent in MY2014/2015. The increase is attributed to the higher demand from the Russian market due to its ban on imports from the European Union, mainly from Spain, Greece, and Italy. Egypt is the second orange exporter in the world after South Africa.

In MY2013/2014, Russia, Saudi Arabia, United Arab Emirates, Netherlands and India were Egypt's top export destinations. Russia and Saudi Arabia absorbed roughly 40 percent of Egypt's total orange exports. Post expects that export destinations will remain unchanged for MY2014/2015.

Russia will remain Egypt's top export market, absorbing roughly 30-35 percent of Egypt's total orange exports in MY2014/2015. In early August 2014, Russia suspended imports of meat, fish, fruit, vegetables and milk products from the United States, the European Union, Norway, Canada, and Australia for a year in retaliation for economic sanctions imposed by these countries due to the crisis in Ukraine. With the ban in place, Egyptian traders expect that orange exports to the Russian market will

surge in order to make up for the void created given the exclusion of products from Spain, Greece and Italy due to the ban.

Table (5) Russia's Orange Imports from World			
Partner	Unit	2012	2013
World	T	229,929	256,038
Egypt	T	142,937	179,931
Turkey	T	28,134	29,540
Morocco	T	35,055	20,156
Spain	T	13,714	17,339
China	T	8,104	5,466
Syria	T	1,087	1,762
Greece	T	201	884
Italy	T	489	470
Source: GTA		Numbers in MT	

A leading Egyptian orange exporter said that many Russian companies are approaching Egyptian exporters to fill the supply gap left by EU. In addition, some European traders who had been exporting to Russia and who want to maintain their relationship with their Russian clients are approaching Egyptian companies to subcontract for Egyptian oranges to ship directly to their clients.

According to the European Commission, Spain would rank as the sixth member state most affected by the Russian ban with an approximate loss of \$420 million or 6.4% of the total value of EU banned products. In 2013 Spain's citrus exports to Russia were \$50 million of which 30 percent or \$15 million were oranges. Russia reported total orange imports of roughly \$20 million from Spain in 2013 which represented around 7 percent of Russia's total imports of oranges.

In early 2014, Russia lifted a ban on citrus imposed on 10 Egyptian companies due to fruit fly. Egypt's Ministry of Agriculture and Land Reclamation said that the ban was lifted after official consultations between senior officials from both sides.

In August 2013, the United States approved the importation of Egyptian oranges and tangerines. However, cold treatment training for Egyptian inspectors and exporters, which is a required step before any import permits are issued, has not been scheduled.

Marketing:

Spain, South Africa and Morocco are Egypt's main competitors in the international marketplace. Other competitors include Turkey, the United States, China, Australia, and Argentina.

Tariffs are not the main constraint for Egyptian orange exports but transportation costs, competitors' proximity to export markets, and seasonality are the major challenges. Spain's competitive advantage in the EU market is its geographic proximity which means lower transportation costs and shipping time. South Africa's competitive advantage relies on a different production season (July-September) for its Valencia oranges compared to Egyptian Valencia oranges that are harvested beginning in December, giving some advantage to South African exporters to saturate certain markets before Egypt commences its own harvest.

A constraint that Egyptian orange producers and exporters are facing is growing import country concerns with the spread of the Mediterranean fruit fly, as well as the peach fruit fly. Most countries require that Egypt utilize cold treatment to mitigate the spread of fruit flies. Egypt is funding the “Fruit Fly Resistance Project” with the aim of controlling the spread of fruit flies. It is also adopting regulations to implement quality control requirements for exported oranges.

Russia and Ukraine – South Africa, Turkey, Spain and Morocco are Egypt’s competitors in the Russian market but Egypt is, by far, dominant. Egypt’s total exports to Russia in 2013 were at 203,000 MT while South Africa exported 55,725 MT followed by Morocco at 20,937 MT and Spain shipped 12,393 MT. Egypt is the main exporter to the Ukrainian market with total exports of 68,283 MT in 2013 while South Africa exported 4,971 MT.

Gulf Countries – South Africa is Egypt’s main competitor in the Saudi Arabian and the United Arab Emirates’ markets. However, Egypt is, by a wide margin, the leading exporter with total exports of 172,605 MT in 2013 to Saudi Arabia versus 57,617 MT exported by South Africa. Egypt’s total exports to the United Arab Emirates were at 65,836 MT compared to 66,927 MT exported by South Africa in 2013.

Competitors	Table (6) Orange Exports by Suppliers and Destinations							
	World	Russia	Saudi Arabia	United Arab of Emirates	Netherlands	India	United Kingdom	Ukraine
Egypt	962,500	203,053	172,605	65,836	51,415	26,640	58,907	68,283
Spain	1,373,458	12,593	5,621	6,329	125,228	0	79,440	1,958
South Africa	708,284	55,725	57,617	66,927	138,077	2,048	48,077	4,971
Morocco	73,699	20,937	2,883	0	33,028	0	0	0
China	53,152	5,558	0	188	0	0	0	0

Source: GTA Volumes in tons Data for CY2013

In September 2014, South Africa suspended citrus exports to the European Union as a result of EU measures on citrus black spot. The suspension was voluntarily announced by South Africa as a precaution not to reach the five citrus black spot detections that could trigger additional restrictions to South African citrus exports by the EU. It is expected that South African citrus exports worldwide will be 14 percent less in this coming season due to this suspension. Post expects that Egypt will take South African market share in the European Union market to offset the shortfall. In 2013, South Africa exported around 138,077 MT and 48,077 MT to the Netherlands and the United Kingdom, respectively, while Egypt exported around 51,415 MT to the Netherlands and 58,907 MT to the United Kingdom. Nonetheless, Egypt will face significant competition from Spain in the EU market as Spain can be expected to expand its orange exports to other markets to offset the collapse of its exports to Russia due to the ban. However, Egypt’s one-month early harvest gives it a head start in the EU market. The Egyptian Agricultural Export Council announced that its members are focusing on expanding orange exports to Asian markets. Several trade talks and visits have taken place to facilitate market access for Egyptian oranges. However, some exporters feel that the distance to certain Asian markets is large enough that the handling of the fruit that's shipped has to be superior as it takes 25 days to get there by sea.

In 2014, India banned Egyptian citrus due to high residues of *Thiabendazole (TBZ)* which is a fungicide that is used to control a variety of fruit and vegetable diseases such as mold, blight, rot and stains caused

by various fungi. After several trade consultations with the Indian government, the ban was lifted. In addition, the Government of Egypt announced that senior officials from both countries met in order to enhance trade cooperation between the two countries. The Indian government promised to simplify its import requirements for oranges imported from Egypt. Egyptian exporters expect that if these requirements are implemented, then more Egyptian oranges will be exported to the Indian market this season.

Table (7): Egypt Export Statistics							
Commodity: 080510, Oranges, Fresh							
Year To Date: January – June							
Partner Country	Unit	CY 2012		CY 2013		CY 2014	
		USD	Quantity	USD	Quantity	USD	Quantity
World	T	388,672,898	1,174,592	430,162,888	962,500	379,123,219	889,433
Russia	T	82,058,075	175,596	98,941,655	203,053	82,749,647	182,281
Saudi Arabia	T	67,189,284	167,380	68,017,899	172,605	61,789,033	163,462
United Emirates	T	24,520,701	168,354	27,673,773	65,836	28,322,575	71,314
Netherlands	T	19,419,064	39,957	23,123,846	51,415	20,925,896	53,077
India	T	8,760,817	16,763	13,866,989	26,640	20,030,804	39,727
United Kingdom	T	16,785,127	43,301	21,445,917	58,907	19,224,130	54,676
Bangladesh	T	12,500,488	24,333	13,630,218	25,528	18,884,091	35,542
Ukraine	T	27,956,110	263,662	31,103,072	68,283	14,863,757	35,363
Malaysia	T	4,742,381	9,806	6,287,663	12,741	10,649,442	21,441
Kuwait	T	8,255,338	20,551	10,133,522	25,021	10,239,882	28,520
Sudan	T	11,800,254	27,864	17,497,529	43,569	8,388,110	19,239
Lithuania	T	7,960,900	12,505	9,514,223	15,080	7,574,123	14,040
Oman	T	7,068,328	17,895	7,029,622	17,949	6,873,937	18,224
Iraq	T	8,142,063	19,959	21,489,204	53,078	6,669,894	19,196
Jordan	T	4,175,050	9,949	8,910,278	20,874	6,662,313	17,348
Finland	T	4,080,480	6,338	3,923,233	6,996	4,642,588	7,867
Others		73,258,435	150,379	47,574,245	94,925	50,633,003	108,119

Source: GTA – Volume in tons

Oranges, Fresh Egypt	2012/2013		2013/2014		2014/2015		
	Market Year Begin: Oct 2012		Market Year Begin: Oct 2013		Market Year Begin: Oct 2014		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Planted	131,136	131,136	133,236	133,236		133,236	(HECTARES)
Area Harvested	113,000	113,000	115,000	115,000		117,000	(HECTARES)
Bearing Trees	8,900	8,900	9,100	9,100		9,250	(1000 TREES)

Non-Bearing Trees	8,180	8,180	8,220	8,220		8,070	(1000 TREES)
Total No. Of Trees	17,080	17,080	17,320	17,320		17,320	(1000 TREES)
Production	2,450	2,450	2,570	2,570		2,630	(1000 MT)
Imports	0	0	0	0		0	(1000 MT)
Total Supply	2,450	2,450	2,570	2,570		2,630	(1000 MT)
Exports	1,000	1,000	1,050	1,100		1,150	(1000 MT)
Fresh Dom. Consumption	1,365	1,365	1,435	1,385		1,395	(1000 MT)
For Processing	85	85	85	85		85	(1000 MT)
Total Distribution	2,450	2,450	2,570	2,570		2,630	(1000 MT)