Required Report - public distribution

Date: 12/15/2018
GAIN Report Number: EG 18031

Egypt

Citrus Annual

Egyptian Orange Exports Continue to Expand

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Report Highlights:
During MY2018/19, FAS Cairo forecasts a 5.1 percent increase in area planted and 9.6 percent increase in production based on growing demand for Egyptian oranges. Egyptian orange prices in the international markets are more competitive than prices offered by other international suppliers due to a devalued Egyptian pound. Though there is increased production, the population increase is higher and exports remain strong. Post forecasts total exports to increase by seven percent or 110,000 MT to reach 1.650 MMT. Most likely Egypt will remain the sixth largest orange producer and the first or the second largest exporter of fresh oranges in the world, depending on Spanish performance in MY2018/19. Russia, Saudi Arabia, Netherlands and China will likely remain the top import destinations for Egyptian oranges. As MY2017/18 orange exports did not meet forecasted levels, post is adjusting downward last year's fresh orange exports from 1.600 MMT to 1.540 MMT.

Planted Area

In MY2018/19, FAS Cairo forecasts total planted area in oranges at 162,000 ha, a 5.1 percent increase from the previous year. Post estimates MY2017/18 planted area at 154,200 ha. The increase in planted area is attributed to increased demand for the Egyptian oranges in the local and international markets. Post estimates MY2018/19 total harvested area at 148,850 ha, a five percent increase over last year. The increase in area harvested is attributed to new plantations now reaching maturity. Additionally, Egyptian farmers have shifted back their harvest dates, due to longer summers, effectively extending the growing season and allowing marginal areas more time to yield fruit.

The demand for Egyptian oranges in the local and international markets has increased significantly in the last decade. At 2.5 - 4 L.E ($0.15 -$0.25) wholesale, oranges prices are more affordable than other fruit, increasing the demand in the local markets. The increased population and continued influx of refugees from the region increases demand for fresh oranges. Post estimates that high demand may grow faster than supply, driving up prices in the coming year. While production will increase, it is unlikely to keep up with population growth and expanding international demand.

The sustained efforts by the government and private sector in gaining additional market access for Egyptian oranges, and the devaluation of the Egyptian pound have resulted in higher international demand for Egyptian oranges. In 2018, Ministry of Agriculture and Land Reclamation (MALR) announced that the Central Administration for Plant Quarantine (CAPQ) concluded market access for Egyptian oranges in New Zealand. Japan and Philippine are potential markets that are presently developing protocols with the Egyptian authorities to import Egyptian oranges. With these reasons, farmers are encouraged to steadily increase the area planted with oranges versus other agricultural commodities as farmers can market their crop either on the local market or to exporting companies. Since 2006, area planted with oranges increased by 48 percent or 49,817 ha to reach approximately 154,200 ha estimated in MY2016/17 versus 104,383 ha in MY2006/07. Figure 1 and 2 show Navel and Valencia oranges nearing harvest, near Waadi El Malouk.

Figure 1

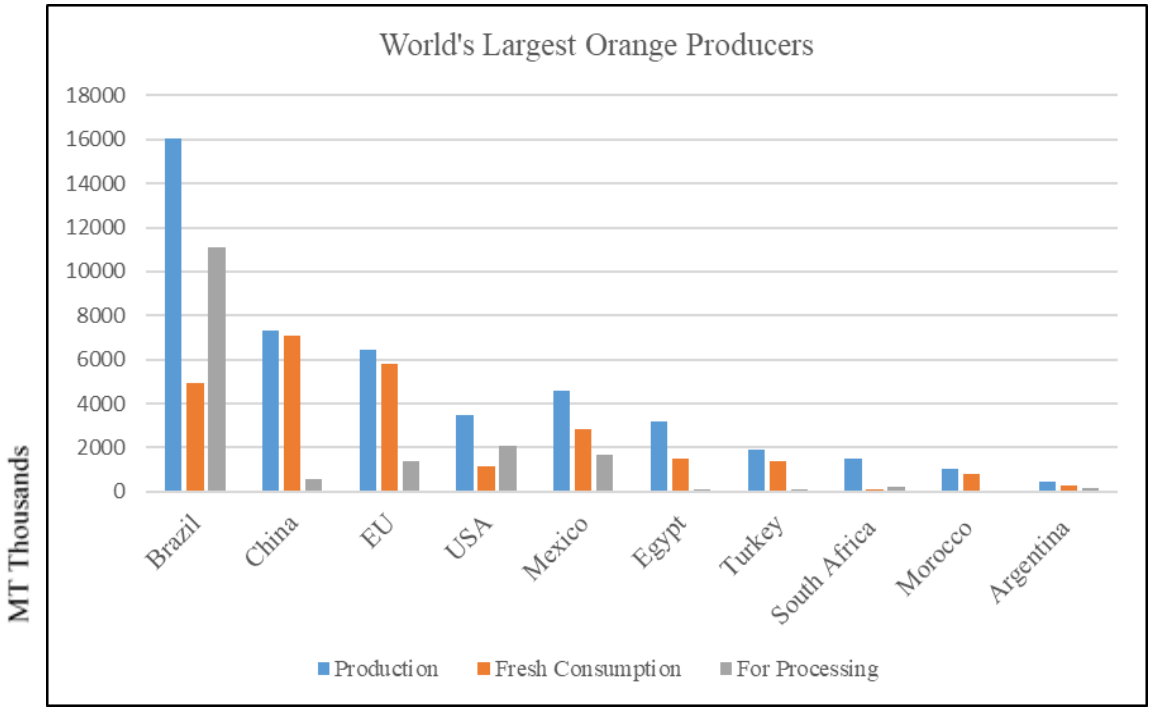
Figure 2

Production

In MY2018/19, FAS Cairo forecasts orange production to increase by 9.6 percent or 300,000 MT from 3.120 MMT to 3.420 MMT. Post attributes the increase in production to shifting cultivation and harvest dates to accommodate weather conditions, as well as an increase in the number of new fruit bearing trees. Total bearing trees are forecast to increase by 350 thousand trees to reach 12,650 thousand trees compared to 12,300 thousand trees in the previous season. Orange production has increased significantly in the last ten years to meet the demand from local and international markets. Production increased by 74 percent or 1.320 MMT to reach 3.180 MMT in MY2017/18 versus 1.830 MMT in MY 2006/07.

In 2017/18, Egypt was the sixth largest orange producer in the world after Brazil, China, US, EU (excluding Spain), and Mexico (Figure 3). Approximately 46 percent of the orange production in Egypt is consumed fresh, 51 percent is exported and 3 percent is used for processing. In Brazil, the world largest orange producer, around 28 percent of the production is consumed fresh and 72 percent is for processing (Figure 3).

Figure 3: Largest Orange Producers in the World



Source: USDA/FAS - PSD

Egyptian orange production is dependent on irrigation. The Nile river, along with fertile soil conditions and year round sunshine permit high yields and good quality fruit. The economic viability of Egypt's orange production is facilitated by low labor costs and proximity to major export markets. Although some Egyptian groves maintain orange trees for up to 50 years, trees in this climate are most productive between years 4 and 15.

However, Figures 4, 5 and 6 show 32 year old trees with high production. The trees in this orchard were planted in 1985 in Waadi El Moulak, Ismailia.

Figure 4

Figure 5

Figure 6

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

Table 1: Egypt's Main Orange Varieties

Egypt's Main Orange Varieties	
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 consumed fresh.
Navel Orange	Two varieties, the early maturing navel that is consumed domestically and the late maturing navel that is exported.
Sweet Orange (Sukkari)	Sweet variety consumed fresh, with seeds

The citrus committee in the Egyptian Agriculture Export Council (AEC) determines when harvest should begin based on expected weather conditions. In Upper (southern) Egypt, it is preferable to plant oranges during early February, while in other areas in the Delta region it is preferable to plant during March. Orange trees will start producing after four years 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 generally starts during the middle of November and, through cold storage, extends to late August.

Table 2: Main Orange Varieties Season

Table 2: Seasons for Main Orange Varieties												
Variety	*Oct*	*Nov*	*Dec*	*Jan*	*Feb*	*Mar*	*Apr*	*May*	*Jun*	*Jul*	*Aug*	*Sep*
Navel	*	*	*	*	*	*						
Baladi			*	*	*	*						
Sweet Orange (Sukkari)			*	*	*	*						
Valencia				*	*	*	*	*	*	*		
Note: Navel Variety starts from middle of October, and Valencia variety starts from middle of January (which is a shift from last season beginning in February)												

Source: Egyptian Agriculture Export Council

Pest Control

Mediterranean fruit fly (*Ceratitis capitata*) is the main economic pest negatively affecting citrus production and exports. The control of the Mediterranean fruit fly is a collaborative effort between the private sector producers, and the government represented by the Plant Protection Research Institute. To mitigate fruit fly presence, cold treatment is required by some importing countries. Egypt also has peach fruit fly.

Consumption

In MY2018/19 FAS Cairo forecasts that fresh domestic consumption will increase by ten percent or 160,000 MT to reach 1.640 MMT. In MY2017/18, roughly 47 percent of the orange crop is consumed fresh, three percent, or 130,000 MT, is consumed as juice and 48 percent is exported. In MY2018/19, posts forecast a slight increase in consumption of oranges for processing due to the expansion in number of juice factories. Oranges are one of the favorite fruits for Egyptian consumers during the winter season.

In November 2018, the average consumer price for one kilogram of fresh oranges retailed for EGP 6 (USD 0.35). This price is relatively cheaper than the majority of other fruit sold in local market:

- Banana EGP 15/kilogram (USD 0.85)
- Apples EGP 20/kilogram (USD 1.10)
- Guavas EGP 7/kilogram (USD 0.40)

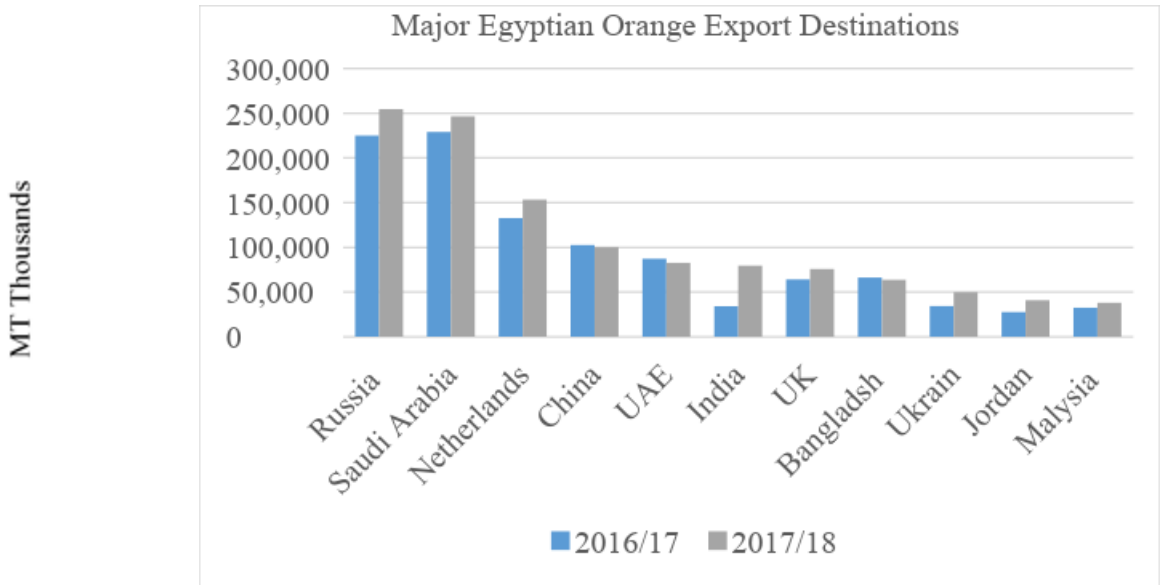
Post estimates that prices may increase due to high demand that may outstrip supply. Though, there is increased production, population increase is higher and exports remain strong.

The majority of orange exporters are producers and own packing facilities that are approved for export by the government. They also buy from local farmers if their production is not sufficient to meet their export obligations. Other exporters own packing facilities, but do not produce oranges, and reply on local suppliers. Farmers are required to deliver their crop to one of the approved packing facilities, which are usually close to their farms, and receive a predetermined procurement price. However, many exporters have contracts with farmers to buy their total orange crop and, in this case, the exporters are responsible for transporting the crop to their packing facilities. The procurement price is determined every year by members of the citrus committee at the Egyptian Agricultural Export Council, who convene before the onset of the harvest to agree on an appropriate procurement price based on criteria that includes mainly the size and the shape of the fruit

Trade:

In MY2018/19, post forecasts total exports to increase by seven percent or 110,000 MT to reach 1.650 MMT. FAS Cairo attributes this increase to higher demand from export markets due to competitive prices that are expected to continue as a result of the devaluation of the Egyptian currency. Orange exporters have benefitted from the devaluation as a low exchange rate for the Egyptian pound led to affordable prices compared to the prices offered by other competitors like Spain and Morocco. Post is revising downward estimates of fresh orange exports in MY2017/18, from 1.600 MMT to 1.540 MMT, as actual shipments were slightly below 2017 estimates.

Figure 7: Major Egyptian Orange Export Destinations



Source: Egyptian Agricultural Export Council

In MY2017/18, Russia, Saudi Arabia, Netherlands, China, United Arab Emirates, India, United Kingdom, Bangladesh, and Ukraine were Egypt's top ten export destinations for oranges. Russia and Saudi Arabia continue to absorb roughly 33 percent of Egypt's total orange exports. Post expects that export destinations will remain unchanged for MY2018/19.

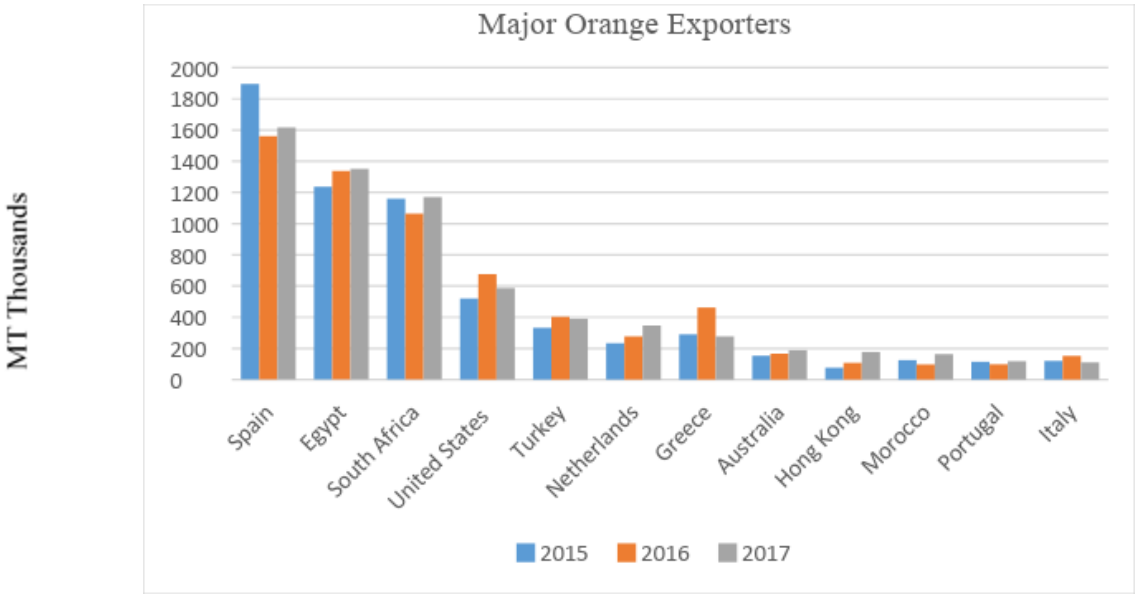
In MY2017/18, Egypt's orange exports increased significantly in certain markets. Orange exports to India increased by 132 percent or 45,313 MT to reach 79,545 MT compared to 34,232 MT in previous year. Exports to Vietnam increased by 657 percent or 2,928 MT to reach 3,350 MT compared to 422 MT. Shipments to Canada increased 126 percent or 1,799 MT to reach 3,233 MT compared to 1,434 MT.

Egyptian orange exports to China are expected to increase. In September 2018, China imposed up to 25 percent tariff on US products including fresh fruit. Posts expects that Egypt will replace a portion of the US shipments to China.

Marketing

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

Figure 8: Major Oranges Exporters



Source: Global Trade Atlas

Russia: South Africa, Turkey, and Morocco are Egypt's competitors in the Russian market, but Egypt is by far the dominant supplier. Egypt's total exports to Russia in MY2017/18 were at 254,587 MT; Turkey followed at 104,000 MT; South Africa exported 79,000 MT; and Morocco shipped 5,000 MT.

Turkish orange exports to Russia increased by 40 percent or 30,000 MT to reach 104,000 MT in MY2017/18 versus 74,000 MT in MY2016/17. This increase is attributed to the removal of the Russian ban on Turkish oranges among other fruit. Food imports from Turkey were blocked in January 2016 as a response to the downing of a Russian jet in Syria on November 2015. The ban was cancelled on October 2016. Egypt was one of the suppliers that benefited from the ban of Turkish products. In 2015/16, Egypt's orange exports to Russia were at 281,885 MT, an increase of 29 percent or 64,168 MT compared to 217,717 MT in MY2014/15.

On June 30, 2017, President Putin signed decree No. 293 extending Russia's ban on the import of agricultural products, including oranges, from the countries that applied economic sanctions against Russia including the United States, the European Union, Norway, Canada, and Australia until December 31, 2018. This will help Egyptian exporters to continue in replacing most of the share of oranges that used to come from Spain, Greece, Italy, Cyprus, United States and Australia until the end of 2018.

China: South Africa, United States and Australia are Egypt's main competitors in this market. In 2017/18, South Africa exported 120,284 MT versus 101,930 MT exported by Egypt. The United States' orange exports to this market were at 67,852 MT and Australia supplied 51,069 MT. Over the past two years, the volume of imports by China have increased. China is suffering from citrus greening disease, causing a rapid decline in local production and a steady rise in the price of domestic oranges. Egypt is benefiting from this as Egyptian oranges are available during the same season as that of China. Reportedly, Chinese buyers offer the highest prices for the oranges in the global market.

Saudi Arabia: South Africa is Egypt's main competitor in the Saudi Arabian market. However, Egypt is, by a wide margin, the leading exporter with a total of 246,664 MT in MY2017/18 versus 82,000 MT exported by South Africa and 15,039 MT, exported by Spain,

Netherlands: Spain and South Africa are Egypt's main competitors in the Netherlands. In MY2017/18, South Africa's total exports were at 258,000 MT while Spain exported 129,000 MT versus 153,320 MT exported by Egypt.

United Arab Emirates: South Africa is Egypt's main competitor in this market. In 2017/18, South Africa exported 86,000 MT versus 82,679 MT exported by Egypt.

Tariffs are not a serious constraint for Egyptian orange exports but transportation costs, competitors' proximity to export markets, and seasonality are the major challenges. 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. This provides an opportunity to South African exporters to supply the market 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 Egypt to utilize cold treatment to mitigate the entry of fruit flies in exported commodities.

Egypt PSD: Oranges, Fresh

Oranges, Fresh	2015/2016		2016/2017		2017/2018		2018/2019	
Market Begin Year	Oct 2015		Oct 2016		Oct 2017		Oct 2018	
Egypt	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	New Post	
Area Planted	139,950	139,950	146,950	146,950	0	154,200	162,000	HECTARES
Area Harvested	133,200	133,200	136,475	136,475	0	142,100	148,850	HECTARES
Bearing Trees	10,200	10,200	10,500	10,500	0	12,300	12,650	1000 TREES
Non-Bearing Trees	9,000	9,000	9,250	9,250	0	9,000	9,900	1000 TREES
Total No. Of Trees	19,200	19,200	19,750	19,750	0	21,300	22,550	1000 TREES
Production	2,930	2,930	3,000	3,000	0	3,120	3,420	1000 MT
Imports	0	0	0	0	0	0	0	1000 MT
Total Supply	2,930	2,930	3,000	3,000	0	3,120	3,420	1000 MT
Exports	1,464	1,450	1,520	1,520	0	1,540	1,650	1000 MT
Fresh Dom. Consumption	1,366	1,380	1,380	1,380	0	1,480	1,640	1000 MT
For Processing	100	100	100	100	0	100	130	1000 MT
Total Distribution	2,930	2,930	3,000	3,000	0	3,120	3,420	1000 MT