Required Report: Required - Public Distribution **Date:** December 17,2019

Report Number: EG2019-0026

Report Name: Citrus Annual 2019

Anticipated Lower Orange Production in Egypt Due to Adverse Weather Conditions in 2019

Country: Egypt

Post: Cairo

Report Category: Citrus

Prepared By: Ahmed Wally, Agricultural Specialist and Olutayo O. Akingbe, Agricultural Attaché

Approved By: Ali Abdi, Minister-Counselor for Agricultural Affairs

Report Highlights:

In MY 2019/20, FAS Cairo forecasts fresh orange exports to reach 1.5MMT down from 1.7 MMT in MY 2018/19. Post attributes the decrease in exports to severe weather conditions that impacted production. Russia, Saudi Arabia, China and the Netherlands will likely remain the top export destinations for Egyptian oranges. MY2018/19 orange exports exceeded forecasted amounts, reaching a record of 1.7MMT.

General Information:

Planted Area:

In MY 2019/20, FAS Cairo forecasts total planted area in oranges at 168,000 ha, a 3.7 percent increase from the previous year. MY2018/19 planted area at 162,000 ha remains unchanged from the USDA official estimate. The increase in planted area is attributed to an increase in orange exports which translates into profits for producers. Most of the increase in area planted with oranges is located in reclaimed lands which account for 57 percent of the total area. Plantations in the Nile Delta region account for 43 percent of the total orange planted area.

Successful joint efforts by the government and private sector in opening new markets over the last few years – mainly in Africa and South East Asia – have encouraged agribusinesses to increase plantings and put additional investments in either establishing new packhouses or increasing the capacities of already existing packhouses. All of these developments support a positive outlook, thus encouraging producers to expand their planted areas.

Post estimates MY 2019/20 total harvested area at 140,000 ha, a 7.1 percent decrease over last year. The decrease in area harvested is attributed to severe weather conditions, particularly strong winds and high temperatures during the third week of April 2019 that negatively impacted the flowering of the trees and hence the harvest as a result. Post is revising upward MY 2018/19 area harvested by 1,150 ha more than the USDA official estimate of 148,850 ha due to higher yields per hectare on commercial farms.

Production:

In MY 2019/20, FAS Cairo forecasts orange production to decrease by 20 percent, or 600,000 MT to 3.0 MMT. Post attributes the decrease in production to severe weather conditions, mainly strong winds and high temperatures at the peak of the flowering season during the third week of April 2019 thus impacting fruit set. Post is also revising the MY 2018/19 estimate upwards by 180,000 MT to 3.6 MMT from the USDA official projection of 3.42 MMT. We attribute the increase in production to higher yields on commercial farms.

In addition to adverse weather conditions, other production constraints exist in orchards in the Delta and Nile Valley such as:

- Many orchards are old, containing trees 50 years of age.
- Lack of proper implementation of a viable nutrition program.
- The use of flood irrigation methods that negatively impact production.
- Lack of an integrated management crop system to enhance quality.

Since November 2016, there has been an ongoing effort by the government, private associations and growers to overcome these constraints by:

- Replacing old orchards and low productive ones with newer trees.
- Improving on-farm irrigation techniques that could double productivity and ration water use.
- Implementing proper nutrient management programs.

- Reducing post-harvest losses.
- Enhancing fruit quality and linking growers to international markets.

Orange is the major citrus species crop in Egypt, representing about 80 percent of the total cultivated citrus area. Egypt's main orange varieties include:

Washington Navel Orange: Washington Navel is the key cultivar navel orange grown in Egypt and the best-known naval orange being exported. There are other lesser known navel orange cultivars such as Navelate, Cara Cara, New Hall, Navelina, Fisher, Leng, and Fukumoto and Lane late. Fruit color break starts in late September and ripening fruit dates extends from November to March. The fruit is seedless, medium to large-sized, with relatively rough skin in some cultivar and soft skin in others. It has a sweet flavor with a fruit taste that is luxurious. The rind is orange with dark pulp.

Valencia Orange: Valencia ranks second after Navel oranges as far as area cultivated. Nubaria district is considered the largest production area for Valencia oranges in Egypt. Valencias have a long ripening season from March to July. The fruit pulp is juicy, it is medium to large-sized with round to oval shape, the skin is soft, easily peeled, the seeds are small, rind and flesh is orange and the fruit taste is good.

Other Varieties: There are other orange varieties like Baladi orange, Blood orange, Khalily orange, Yafawy oranges and Sweet orange. Cultivated areas of those varieties are small compared to Navel and Valencia orange, mainly consumed fresh or for juice.

Orange trees will start producing after four years and the trees can live up to 50 years, but production decreases after 20 years. The export season generally starts during the middle of November and, through cold storage, extends to late July.

Consumption:

In MY 2019/20, FAS Cairo forecasts that fresh domestic consumption will decrease by 28.3 percent or 340,000 MT to reach 1.2 MMT. Decrease in local consumption is attributed to lower production, more focus on export markets by producers, and increased utilization of oranges by the processing industry.

Post is revising the MY 2018/19 fresh domestic consumption estimate downwards by 150,000 MT to 1.54 MMT from the USDA official projection of 1.69 MMT. We attribute the decrease in consumption to a significant increase in orange processing – from 130,000 MT to 360,000 MT –due to either new investments in the juice sector or expansions to increase capacity in existing factories to meet increasing demand from a growing population.

In December 2019, farm gate price for Naval Oranges is EGP 2-3 per kilo gram (KG). Wholesale price is EGP 3.5-4.5 per KG while the average consumer price for one kilogram of fresh Naval oranges retailed for EGP 7-8. Post estimates that prices are likely to increase slightly as the marketing year progresses due to anticipated lower production.

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 thus rely 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 in which 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. They 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.

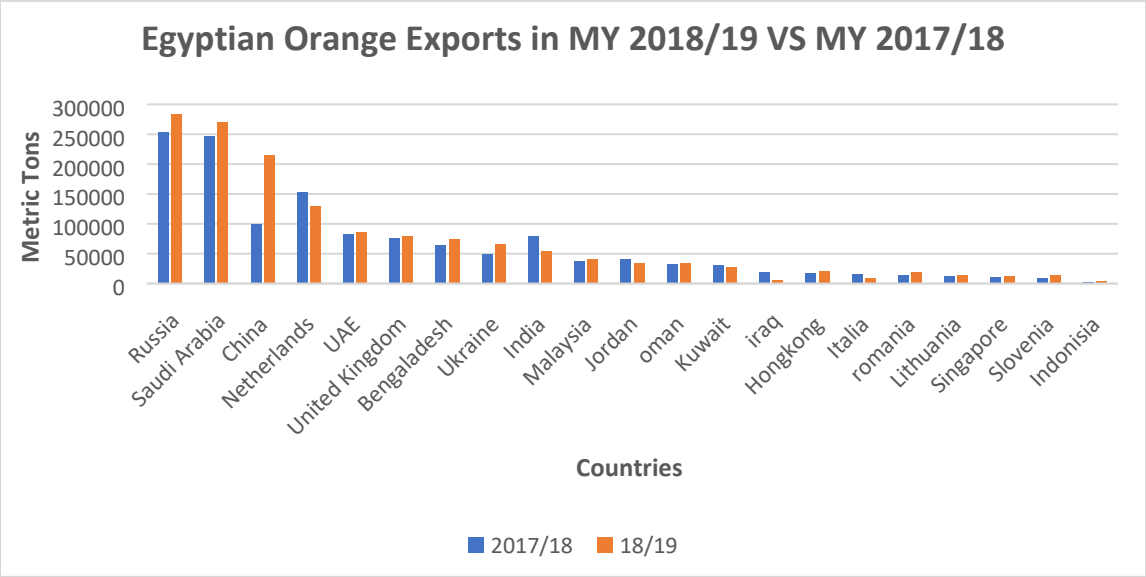
Trade:

In MY2019/20, FAS Cairo forecasts total exports to decrease by 200,000 MT to reach 1.5 MMT. FAS Cairo attributes this decrease to an anticipated lower production which will affect the export volume. Post is revising upward the estimates of fresh orange exports in MY2018/19, from 1.6 MMT to 1.7 MMT, as a result of higher production.

In MY2018/19, Egyptian orange exports reached 98 countries with Russia, Saudi Arabia, Netherlands, China, United Arab Emirates, United Kingdom, Bangladesh, Ukraine, India, and Malaysia remaining as Egypt's top ten export destinations for oranges (Figure 1). For example, also in the pipeline, Egypt is in the process of obtaining approvals from Brazil and Japan's phytosanitary authorities to open markets for Egyptian orange exports in those countries. Russia, Saudi Arabia and China constituted 43 percent of Egypt's total orange exports in MY 2018/19 compared to 40 percent in MY 2017/18. Post expects that the top ten export destinations will remain unchanged for MY 2019/20.

In MY 2018/19, Egypt's orange exports increased significantly in certain markets. Orange exports to China more than doubled from 100,211 MT in MY 2017/18 to 214,471 MT in MY 2018/19. Post anticipates more exports of Egyptian oranges to China in MY 2019/20 based on recent trends despite lower total orange exports being forecasted. Exports to Russia have increased by roughly 12 percent and Egyptian orange exports to Saudi Arabia have also increased by roughly 10 percent. Post anticipates same levels to be maintained in MY 2019/20.

Figure 1: Egyptian Oranges Exports



Source: Egyptian Agriculture Export Council (AEC)

Marketing:

Turkey, Spain and Morocco are Egypt's main competitors in the international marketplace.

Russia: Turkey and Morocco are Egypt's competitors in the Russian market. Egypt's total exports to Russia in CY 2018 were at 288,100 MT; Turkey at 588,444 MT and Morocco shipped 275,000 MT. Turkey's competitive advantage in the Russian market is its geographic location, which means lower transportation costs and shipping time. (Source: Global Trade Atlas (GTA)

China: United States and Australia are Egypt's main competitors in this market. In CY 2018 Egyptian exports amounted to 157, 431 MT. Australia supplied 116,485 MT to the Chinese Market while The United States' orange exports to this market were at 42,197 MT. Over the past two years, China's volume of imports from Egypt have doubled. (Source: Global Trade Atlas (GTA)

Saudi Arabia: South Africa and Turkey are Egypt's main competitor in the Saudi Arabian market. However, Egypt is, by a wide margin, the leading exporter with a total of 290,664 MT in CY 2018 versus 121,866 MT exported by South Africa and 96,785 MT exported by Turkey. (Source: Global Trade Atlas (GTA)

Netherlands: Spain is Egypt's main competitor in the Netherlands. In CY 2018, Spain exported 222,000 MT versus 143,320 MT exported by Egypt. (Source: Global Trade Atlas (GTA)

United Arab Emirates: In CY 2018, South Africa exported 122,000 MT versus 83,679 MT exported by Egypt. South Africa however exports arrive to the UAE in a different season (Source: Global Trade Atlas (GTA)

Tariffs are not a serious constraint for Egyptian orange exports but transportation costs, competitors' proximity to export markets, and seasonality are the major challenges.

Oranges, Fresh Market Begin Year Egypt	2017/2018 Oct 2017		2018/2019 Oct 2018		2019/2020 Oct 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	154200	154200	162000	162000	0	168000
Area Harvested	142100	142100	148850	150000	0	140000
Bearing Trees	12300	12300	12650	12650	0	13000
Non-Bearing Trees	9000	9000	9900	9900	0	10000
Total No. Of Trees	21300	21300	22550	22550	0	23000
Production	3120	3120	3420	3600	0	3000
Imports	0	0	0	0	0	0
Total Supply	3120	3120	3420	3600	0	3000
Exports	1540	1540	1600	1700	0	1500
Fresh Dom. Consumption	1480	1480	1690	1540	0	1200
For Processing	100	100	130	360	0	300
Total Distribution	3120	3120	3420	3600	0	3000
(HECTARES) ,(1000 TREES) ,(1000 MT)						

Attachments:

No Attachments