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Egypt

Citrus Annual

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Report Highlights:
Post forecasts Egypt's MY2012/2013 orange production at roughly 2.5 million metric tons (MMT), up 4.3 percent compared to MY2011/2012. Total area harvested at 113,000 hectares (HA) is up 15,304 HA, or nearly 16 percent. We forecast orange exports to reach 1 MMT, up by 10 percent in MY2012/2013. A good harvest this season is permitting Egypt to retain its position as the world's sixth largest orange producer and second biggest exporter.

Executive Summary:

Egypt is a leading producer and exporter of oranges. Thanks to a good harvest this season, Egypt will retain its position as the world's sixth largest orange producer and second biggest exporter in MY2012/2013. Post forecasts total production at 2.5 million metric tons (MMT), up 4.3 percent compared to MY2011/2012. We see total exports reaching 1 MMT, up 10 percent compared to the previous marketing year. The increase in total production is attributable to the upswing in total area harvested; total fruit bearing trees at 8.9 million are up by almost 450 thousand trees compared to the previous season. About 63 percent of the MY2011/2012 total supply of fresh oranges was consumed domestically; roughly 33 percent of the total supply was exported. The processing volume absorbs 3.6 percent, or about 85 thousand metric tons (TMT) of the total supply of fresh oranges. Ukraine, Saudi Arabia, Russia, the United Arab Emirates, Iran, the United Kingdom, and the Netherlands will again import the bulk of Egypt's orange exports in MY2012/2013. Quarantine issues may impact exports to the Russian market.

Commodities:

Orange, Fresh

Crop Area

Orange cultivation accounts for 65 percent of Egypt's total citrus production. Mandarins and limes are also cultivated. Orange production alone accounts for 30-35 percent of Egypt's total fruit production.

Post forecasts Egypt's MY2012/2013 total area planted to remain largely unchanged from the previous season at roughly 131,136 hectares (HA). We anticipate however that the area harvested during MY2012/2013 will increase to 113,000 HA, up nearly 16 percent from the previous season's 97,696 HA. Better growing conditions this season is driving harvest area numbers up. Post is also revising its MY2011/2012 total number of fruit bearing and non-bearing trees.

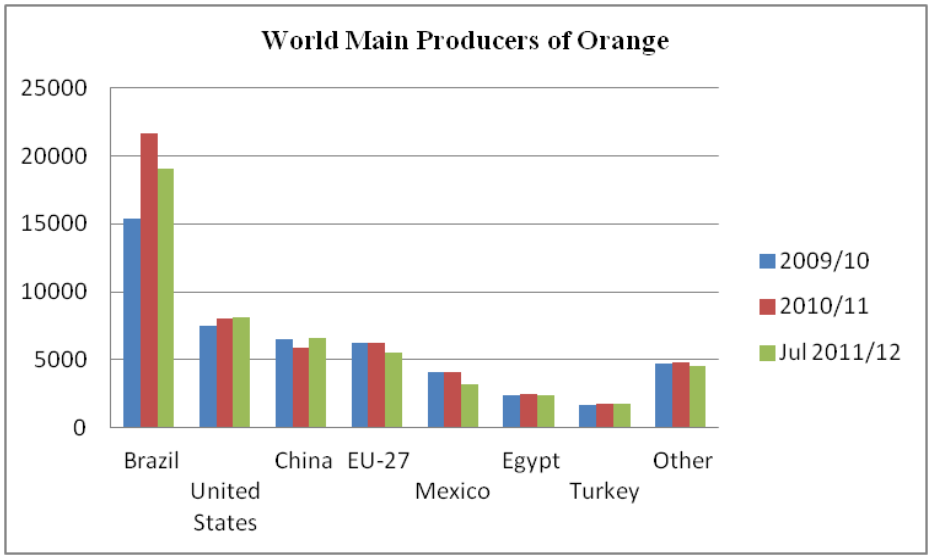
Better growing conditions this season increased the number of fruit bearing trees in production. Tree numbers at 8.9 million are up by about 450 thousand trees, or over 5 percent from the previous season. The previous MY2011/2012 season saw a decline of 11 percent due to a combination of very high summer temperatures combined with high aphid infestation, only to be followed by cooler than normal temperatures and high winds during the winter months.

Production

Post forecasts orange production at roughly 2.5 MMT, up by 100 TMT or 4.3 percent compared to MY2011/2012. Total area harvested at 113,000 HA is up 15,304 HA, or nearly 16 percent. The increase in total production is attributable to the upswing in total area harvested; total fruit bearing trees at 8.9 million are up by almost 450 thousand trees compared to the previous season thanks to better weather and younger trees starting to bear.

Better than anticipated weather conditions during the summer months mitigated pest (e.g., aphids) infestation. A good harvest along with the increase in fruit bearing trees this season will allow Egypt to

retain its position as the world's sixth largest orange producer. Egypt accounts for about 4.5 percent of total global orange production.



Source: USDA

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 import markets. Although some Egyptian groves maintain orange trees for up to 25 years, trees in this climate are however most productive between years 4 and 15.

Oranges are cultivated in almost all of Egypt's 27 governorates. However, the country's main production area is concentrated in the Nile Delta governorates of Qalyoubia, Beheira, Sharqiya, Ismailia, and Menufia. Navel oranges are the primary variety grown in Egypt, accounting for 60 percent of total production. Along with navel oranges, the other five main varieties grown in Egypt include Baladi (local), Valencia, blood, Khalily (local), and the Sukkari/ sweet orange (local). Navel and Valencia are the main varieties grown for export. For additional information on varieties grown in Egypt, see GAIN - Egypt Citrus Annual Report 2011.

We estimate orange processing volume to remain flat at 85,000 MT, or around 3.6 percent of MY2012/2013's estimated total production. The Egyptian juice market has previously been targeted by Saudi and Gulf juice processors. More affordable, locally produced Egyptian juice however continues to outperform the relatively higher priced imports.

Consumption

Post estimates that domestic fresh orange consumption in MY2012/2013 to remain flat. We see consumption largely unchanged from the MY2011/2012 level of approximately 1.4 MMT. Roughly 63 percent of the orange crop is consumed fresh, while 3.6 percent is consumed as juice. We estimate per capita orange consumption at roughly 33 kilograms (kg) per annum.

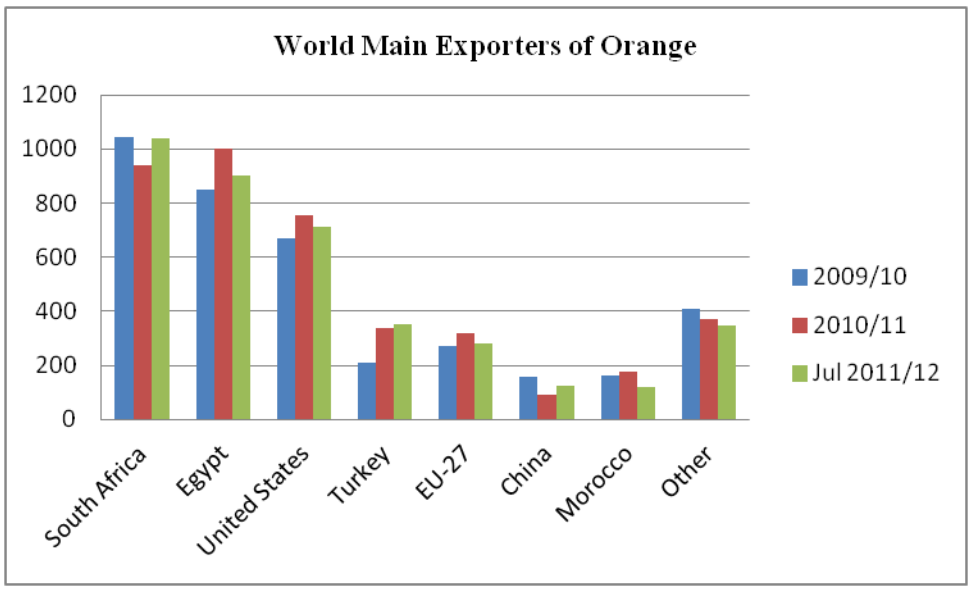
Egyptians tend to favor oranges over other fruits during the winter. Strong consumer demand for oranges during the winter is attributable to their affordable price compared to other winter fruits. Prices are a key determinant of consumption in Egypt. The African Development Bank reports that 40 percent of the Egyptian population lives on less than two dollars per day; while around 21 percent of Egyptians live on less than one dollar a day. Roughly 40 million Egyptians are farmers, many surviving on less than one dollar a day. The Central Intelligence Agency (CIA) estimates Egypt's population at 83.7 million.

Table (1): Local Retail Price for Oranges (Last Week of November 2012)		
	Price in Egyptian Pounds (LE)	**Equivalent in $US**
Navel Orange	125-400 EGP. Piaster/kg	21-67 cents/kg
Local Orange	100-600 EGP. Piaster/kg	17 cents - 1 dollar/kg
Sweet Orange	125-350 EGP. Piaster/kg	21-58 cents/kg
Valencia Orange	200-350 EGP. Piaster/kg	33 – 58 cents/kg
Wholesale Prices for Oranges (Last Week of November 2012)		
	Price in EGP (LE)	**Equivalent in USD**
Navel Orange	85EGP. Piaster/kg	14 cents/kg
Local Orange	85 EGP. Piaster/kg – LE 1.40/kg	14 – 24 cents/kg
Sweet Orange	LE 2/kg	33 cents/kg
Valencia Orange	LE 2/kg	33 cents/kg
Source: Egypt, Ministry of Finance $US 1 = Egyptian Pound (LE) 6.10 Note : 1 Egyptian Pound (LE) = 100 Egyptian Piasters		

Domestic orange consumption spiked at the beginning of MY2011/2012 when Egypt encountered problems exporting its oranges overseas. Wholesale domestic prices plummeted from 150 Egyptian piasters per kilogram ($0.25) to 50 Egyptian piasters per kilogram ($0.08) on average. Local prices since then have recovered.

Trade

Egypt ranks as one of the world's top ten orange producers and exporters. Orange exports run late November through May of the following year. Post estimates exports to surpass 1 MMT in MY2012/2013, up by 100 TMT or 10 percent compared to the previous season. This 10 percent increase in export volumes is attributable to increases in total area harvested and higher production levels, as well as to improved importer confidence in Egyptian exporters honoring their commitments. However, quarantine issues may impact exports to the Russian market. Trade during the previous MY2011/2012 was limited by both a poor harvest and the uncertainty in the aftermath of the 25th of January Revolution. The transfer of power to civilian rule following the country's presidential elections in May/June 2012 has somewhat stabilized the situation, but confidence is taking time to fully recover.



Source: FAS/USDA

In MY2011/2012, the Ukraine, Saudi Arabia, Russia, the United Arab of Emirates, Iran, the United Kingdom, and Netherlands were Egypt's main export destinations. Post foresees no major export destination changes in MY2012/2013. What we are seeing though is an upswing in trade volumes in MY2011/2012 compared to the previous season. Exports to the Ukraine at 277 TMT are up 191 TMT or 222 percent. Exports to the Ukraine normally account for a third of Egypt's overseas shipments. Similarly exports to the United Arab Emirates at 184 TMT are up 191 TMT or 183 percent. Exports to the United Arab Emirates normally account for about a fifth of Egypt's orange export volume.

Competitors	Table (2) Egypt's Main Export Destinations, CY2011/2012, Metric Tons							
	World	**Ukraine**	**Saudi Arabia**	**Russia**	**United Arab of Emirates**	**Iran**	**United Kingdom**	**Netherlands**
S. Africa	1,040,000	14,697	89,404	122,452	78,634	7,833	66,312	174,544
Egypt	900,000	69,198	159,037	183,104	53,551	81,151	27,963	20,488
U.S.A	710,000	0	1,555	2,057	14,362	0	0	874
Turkey	350,000	35,084	4,902	103,924	293	72,188	263	347
Spain	1,407,605	1,279	4,124	13,339	4,563	19	91,748	140,782
China	125,000	0	227	10,126	2,552	198	0	0
Morocco	120,000	0	319	42	0	0	10	45

Source: Trade Map.
Note: Comparable marketing year data for Egypt's competitors is not available.

Iran is an importer of Egyptian oranges. During MY2010/2011, Egypt exported roughly 100 TMT of oranges to Iran, equivalent to 10 percent of that season's exports. However MY2011/2012 witnessed exports drop by 30 percent to 70 TMT. Sources report that this drop in export volume is attributable to U.S. and European sanctions against Iran; impacting the ability to pay for imports. Iran and its orange importers, after a hiatus of about three months, managed in February 2012 to reopen the orange trade with Egypt. Indications are that commercial volumes are growing. Sources indicate that Egyptian orange exporters are being paid directly in

cash. Industry sources claim also that payments are being funneled back to exporters through banks in third countries (i.e., Dubai, India, and Turkey).

Table (3): Egypt's Monthly Exports of Orange, Metric Tons (Last Two Growing Seasons)					
		%	**2010/2011**	**%**	**2011/2012**
October	412	0.05	9,524	1.01	2,50
November	5,364	0.67	17,637	1.8	19,525
December	76,394	9.6	76,208	8.1	127,004
January	146,632	18.5	139,388	14.8	N/A
February	164,047	20.7	141,638	15.1	N/A
March	200,951	25.4	227,867	24.3	N/A
April	135,875	17.1	200,911	21.4	N/A
Mai	51,878	6.5	106,205	11.3	N/A
June	8,551	1	12,250	1.3	N/A
July	700	0.08	3,837	0.41	N/A
August	32	0.004	150	0.016	N/A
September	6	0.001	25	0.003	N/A
Season Total	**790,842**		**935,640**		
Source: Central Administration for Plant Quarantine (CAPQ). Monthly Percentages Compared to Year's Total Imports.					

Marketing: Competitive Environment

Egypt's main competitors include South Africa, Morocco, Spain, Turkey, China, and the United States (see, Table 2). Turkey, Morocco, and South Africa are Egypt's main competitors in the Russian market. Turkey is also Egypt's main rival in the Ukrainian market. South Africa, with its countercyclical seasonality is Egypt's main challenger in Saudi Arabia and in the United Arab of Emirates.

Egyptian exporters confirm that tariffs are not the main constraint. Transportation costs, competitors' proximity to export markets, and seasonality are major determinants. Industry sources indicate that during the previous season, Egyptian orange exporters faced significant competition from Turkey in the Russia, Greece in the European market, and South Africa in the Saudi Arabian market.

Turkey's competitive advantage in the Russian market is its geographic proximity. According to the trade, Turkey can undercut Egyptian export prices on average by $100/ton. Turkey routinely quotes Russian importers prices of $450/ton compared to Egypt's price of $550/ton. Turkey's proximity to Russia also eliminates the need for costly refrigerated transport. Similarly Greece's European Union membership combined with its proximity to major European import markets, allow it to export a relatively high volume of oranges at lower prices than Egypt.

Industry sources confirm that South African Valencia oranges benefit from an earlier harvest season (July-September) compared to the Egyptian Valencia oranges harvested in December. The variety's long shelf life is advantageous for South Africa. It gives South African orange exporters a leg up in setting the market price, as well as the ability to saturate the Arabian Peninsula markets even before Egypt commences its own harvest. Further hindering Egypt's exports of Valencia oranges was the MY2011/2012 harvest season's late start.

Morocco's anticipated 27 percent drop in production in MY2012/2013 due to poor weather related growing conditions will assist Egypt's exports. We see Egypt likely picking up some of Morocco's export tonnage destined for Saudi Arabia and Russia.

Policy: Termination of State Export Subsidies for Oranges

The Government of Egypt no longer subsidizes exports of oranges. Exporters however are soliciting that Egypt keep subsidies in place for mandarins, tangerines, lemons, limes, and grapefruit. The Government of Egypt is allocating some LE 300 million ($50 million) to subsidize the export of these other citrus crops.

The government has nonetheless ceased underwriting exporters' transportation costs on the national air carrier, a major subsidy in its own right. Prior to the collapse of the tourism industry in the wake of the January 25 Revolution, the government on average paid $200/ton to export oranges onboard Egypt Air's international flights. The going cargo rate for non-flag carriers' was $400/ton. In the post-revolutionary period the decline in tourist numbers has forced airlines servicing the Egypt market, including the Egyptian national carrier to reduce both the number of flights and the size of aircraft. The smaller aircraft servicing today's market are only capable of transporting 2 tons of cargo versus the 13 tons of cargo that the larger craft can haul.

The loss of cargo space is resulting in higher airfreight prices. Sources claim that higher freight airfreight prices have cut about LE 1 billion ($162 million) in export sales of fruits and vegetables in 2012. Industry members are lobbying the government to reinstate the orange transport subsidy. Post sources indicate that approval is highly likely.

Drivers and Constraints

Despite higher airfreight prices and strong foreign competition, exports remain profitable. Industry sources confirm that on average their return on exports is twice the amount they can hope to obtain from domestic sales. This high return rate drives the export of fresh oranges. The returns on processing oranges for juice are not as significant.

A constraint that Egyptian orange producer 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 import countries are requiring 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 setting quality control requirements for exported oranges.

Table (4): Egypt Export Statistics, Metric Tons							
Commodity: 0805-10, Oranges, Fresh							
Year To Date: January - July							
Partner Country	Unit	CY2010		CY2011		CY2012	
		$US	Quantity	$US	Quantity	$US	Quantity
World	T	422,290,389	682,748	462,047,346	870,509	391,721,187	1,182,316
Russia	T	76,204,102	122,368	104,460,462	187,633	82,058,075	175,596
Saudi Arabia	T	85,320,621	139,085	81,826,976	159,136	68,804,529	171,567
Iran	T	54,449,430	86,911	54,678,544	98,871	34,724,194	73,375
Ukraine	T	39,866,653	63,629	40,132,238	73,399	27,983,482	263,731
United Arab Emirates	T	21,597,239	36,029	28,538,397	60,234	24,639,122	168,644
Netherlands	T	20,950,331	35,052	11,939,127	23,552	19,419,064	39,957
United Kingdom	T	24,777,810	40,222	16,977,836	41,142	16,785,127	43,301
Sudan	T	15,466,008	27,855	14,926,023	30,944	12,839,518	30,383
Bangladesh	T	5,005,793	7,490	14,413,372	20,626	12,508,454	24,357
India	T	833,503	1,256	2,903,587	4,960	8,760,817	16,763
Kuwait	T	12,006,378	19,243	10,228,938	21,178	8,345,109	20,772
Iraq	T	7,571,009	12,115	13,823,105	28,389	8,144,152	19,965
Lithuania	T	5,735,324	8,234	6,337,711	9,395	7,960,900	12,505
Oman	T	8,824,591	14,330	8,199,213	17,540	7,144,706	18,101
Malaysia	T	3,010,544	5,461	3,254,964	5,587	4,742,381	9,806
Jordan	T	3,062,421	4,973	5,320,723	10,553	4,184,980	9,977
Finland	T	3,176,081	4,622	4,582,539	7,048	4,080,480	6,338
Qatar	T	3,104,425	5,004	3,544,085	7,135	3,608,171	9,102

Source: Global Trade Atlas (GTA).

Table (5): Egypt: Production, Supply, and Distribution Data for Orange

Oranges, Fresh Egypt	2010/2011		2011/2012		2012/2013		
	Market Year Begin: Oct 2010		Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Planted	131,121	131,121	131,136	131,136		131,136	(HECTARES)
Area Harvested	111,200	111,200	97,696	97,696		113,000	(HECTARES)
Bearing Trees	8,896	8,896	7,815	8,450		8,900	(1000 TREES)
Non-Bearing Trees	8,340	8,340	7,327	8,260		8,180	(1000 TREES)
Total No. Of Trees	17,236	17,236	15,142	16,710		17,080	(1000 TREES)
Production	2,430	2,430	2,350	2,350		2,450	(1000 MT)
Imports	0	0	0	0		0	(1000 MT)
Total Supply	2,430	2,430	2,350	2,350		2,450	(1000 MT)
Exports	1,000	1,000	900	900		1,000	(1000 MT)
Fresh Dom. Consumption	1,350	1,350	1,365	1,365		1,365	(1000 MT)
For Processing	80	80	85	85		85	(1000 MT)
Total Distribution	2,430	2,430	2,350	2,350		2,450	(1000 MT)