

Voluntary Report – Voluntary - Public Distribution

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Report Name: Egypt Makes its Largest Wheat Purchase in More than a Decade

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Report Highlights:

On June 30, Egypt's General Authority for Supply Commodities (GASC) purchased 815,000 metric tons (MT) of wheat in a tender from four countries – France, Romania, Russia, and Bulgaria. The tender saw Egypt's largest single purchase of wheat in more than a decade. Over the past couple of months, Egypt has worked to diversify its wheat import sources, whether through tenders or signing contracts to purchase wheat from several countries. On June 26, GASC announced its purchase of 180,000 MT of Indian wheat. Earlier in the month, Egypt received its first ever shipment of Indian wheat – 61,500 MT purchased by the private sector. The Egyptian economy has shown great resilience in the face of price shocks through its smart fiscal and economic policies, diversification of wheat origins, and engagement in constructive financing cooperation with major international institutions to finance wheat imports.

Egypt's Wheat Imports in CY 2022

Egypt's calendar year (CY) 2022 (Jan-June) wheat imports amounted to 3.86 million metric tons (MMT) against 4.72 MMT in CY 2021 during the same period. This decline is attributed to the Russian war in Ukraine driving up wheat prices to an unprecedented level and increasing market volatility.

The largest foreign suppliers to the Egyptian market in CY 2022 (Jan-June) included Russia (1.82 MMT), Romania (780,000 MT), Ukraine (524,000 MT), France (343,920 MT), and Germany (118,000 MT). Other suppliers included Lithuania, India, Brazil, Bulgaria, and Australia. The largest foreign suppliers to the Egyptian market in CY 2021 (Jan-May) were Russia (2.4 MMT), Ukraine (870,000 MT), Romania (567,000 MT), and Australia (295,000 MT) (Source: El Gammal Consultancy).

The General Authority for Supply Commodities (GASC) is the government agency implementing wheat tenders for Egypt's bread subsidy program. GASC purchased 33.5 percent of Egypt's total wheat purchases in CY 2022 (Jan-June), while private sector wheat purchases amounted to 66.5 percent.

GASC Wheat Imports

GASC announced two tenders in June 2022. These are the first two tenders for marketing year (MY) 2022/23 (July-June) since shipment arrival dates are after July 1, 2022.

On June 1, GASC announced a tender in which suppliers can submit bids on a free on board (FOB) and/or cost and freight (C&F) basis. FOB shipments are to be shipped from July 20-31 and/or from August 1-10. C&F shipments are to be delivered between August 1-20. Offers of Ukrainian origin were acceptable for loading out of Poland and Baltic countries.

GASC received 18 offers from 13 companies in that tender. There were seven offers for French wheat, six for Romanian wheat, four for Russian wheat and one offer for Bulgarian wheat. Tender results indicated that GASC purchased 465,000 MT of wheat from the international market – 175,000 MT of Russian wheat, 240,000 MT of Romanian wheat, and 50,000 MT of wheat from Bulgaria. The average C&F price stood at \$480/MT.

On June 27, GASC announced another tender to bid on FOB basis. FOB shipments are to be shipped in six shipment periods as follows:

- August 1-15
- August 16-31
- September 1-15
- September 15-30
- October 1-15
- October 15-31

GASC received 47 offers from 15 companies in that tender. There were 23 offers for French wheat, 13 offers for Romanian wheat, seven offers for Russian wheat and four for Bulgarian wheat. GASC purchased 815,000 MT from the international market, the largest purchase it has ever made in more than a decade. The purchases were comprised of 350,000 MT of French wheat, 240,000 MT of Romanian wheat, 175,000 MT of Russian wheat and 50,000 MT of Bulgarian wheat according to the following shipping periods (See Tables 1-5):

Table 1: Shipping Period August 1-15 (175,000 MT)

Supplier	Quantity (MT)	Origin	Price/MT (FOB) USD	Price/MT (C&F) USD
Aston	60,000	Russian	397.70	432.70
Cargill	60,000	Romanian	402.50	432.60
Viterra	55,000	Russian	383.25	432.60

Table 2: Shipping Period August 16-31 (220,000 MT)

Supplier	Quantity (MT)	Origin	Price/MT (FOB)USD	Price/MT (C&F) USD
ADM	60,000	Romanian	399.80	429.90
Buildcom	50,000	Bulgarian	402.50	432.70
Viterra	60,000	Romanian	402.50	432.60
Bunge	50,000	French	399.70	432.70

Table 3: Shipping Period September 1-15 (60,000 MT)

Supplier	Quantity (MT)	Origin	Price/MT (FOB)USD	Price/MT (C&F)USD
GTCS	60,000	Russian	397.70	432.70

Table 4: Shipping Period September 16-30 (120,000 MT)

Supplier	Quantity (MT)	Origin	Price/MT (FOB)USD	Price/MT (C&F)USD
ADM	60,000	Romanian	402.45	432.55
Viterra	60,000	French	394.40	439.80

Table 5: Shipping Period October 1-15 (240,000 MT)

Supplier	Quantity (MT)	Origin	Price/MT (FOB)USD	Price/MT (C&F)USD
ADM	60,000	French	394.40	439.80
Buildcom	60,000	French	394.40	439.80
Viterra	60,000	French	394.40	439.80
Bunge	60,000	French	394.40	439.80

GASC Uses Direct Deals to Purchase Wheat

According to media sources, GASC purchased an additional 444,000 MT of wheat with an average price of \$416/MT (C&F) via direct deals, instead of an international tender. The purchase is comprised of 214,000 MT of Russian wheat, 170,000 MT of French wheat, and 60,000 MT of Romanian wheat scheduled to be shipped in September and October. The new strategy of direct purchases also saw GASC buying 63,000 MT of German wheat. In April 2022, GASC was given cabinet approval to buy wheat through direct purchases.

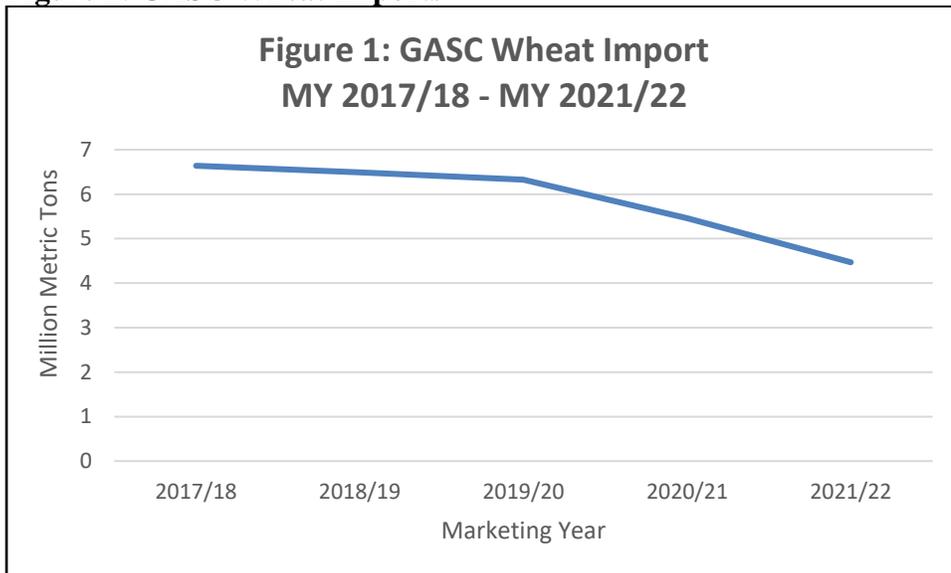
On June 25, Egypt’s Minister of Supply indicated that Egypt will import 180,000 MT of Indian wheat. This brings direct wheat purchases in the pipeline to 687,000 MT from various origins.

Reducing Wheat Imports by 500,000 MT

Beginning July 15, 2022, Egypt mills will start increasing the extraction rate of wheat flour used in the production of subsidized bread from 82 percent to 87.5 percent which could save approximately 500,000 MT of GASC’s total wheat imports in MY 2022/23. In addition to these savings, raising the extraction rate will increase the amount of flour made from one MT of wheat from 820 kilograms to about 875 kilograms, as well as raising the amount of high-fiber wheat bran per loaf of bread, thus offering additional nutritional benefits.

Due to an intensive bread subsidy reform program, GASC’s wheat imports dropped from 6.64 MMT in MY 2017/18 to 4.47 MMT in MY 2021/22 (See Figure 1). Egypt is forecast to import around 5 MMT of wheat in MY 2022/23 (July-June), below the five-year average of 5.8 MMT.

Figure 1: GASC Wheat Imports



Source: FAS Cairo Research

Attachments:

No Attachments.