

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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Required Report - public distribution

**Date:** 4/2/2012

**GAIN Report Number:**

## Egypt

### Grain and Feed Annual

#### Wheat and Corn Production on the Rise

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**Report Highlights:**

Post forecasts Egyptian wheat imports of only 10 MMT in 2012/13. The drop in imports is based on increased local production and government procurement of the local crop. Post forecasts corn area to increase from 700 TH in MY 2011/12 to reach 750 TH in MY 2012/13. Corn offers better prospects than rice and cotton. MY 2012/13 corn imports are currently forecast at 5.2 MMT with improved prospects for the poultry sector. The March 2012 outbreak of a new strain of FMD virus will likely have only a minor impact on feed demand. Post forecasts harvested area of rice to decline from 700 TH in 2011/12 to 600 TH in 2012/13. With a continued official ban on exports and the importation of long grain rice for the ration card program, farmers are seeing lower prices on the market prior to planting season, despite the substantial contraband exports of rice.

**Executive Summary:**

Egyptian wheat imports are forecast to be around 10 MMT in 2012/13 compared to 10.3 MMT in MY 2011/12, with GASC projected to import nearly 6.0 MMT, and the rest to be imported by the private sector. GASC has about 3.0 MMT of stocks, 4-5 months consumption of subsidized “baladi” bread.

Although Egypt has purchased its requirements for MY 2011/12, GASC may enter the market again to buy about 500 TMT before the end of the fiscal year due to relatively affordable prices. The primary restraint on further purchases will be the Government of Egypt’s worsening financial situation. The previously announced wheat procurement price for MY 2012/13 is equivalent to \$419/MT, significantly above current international prices. Farmers responded by increased planting and will likely permit the government to reach their procurement target of 3.0 MMT. In addition to subsidizing vegetable oils, rice, and sugar under the ration card system, the government has increased its subsidy allocation for baladi bread to about \$2.45 billion.

Due to the increase in rice and cotton area in MY 2011/12, a significant decrease in the area of corn planted occurred. Post expects an increase in corn acreage from 700 TH in MY 2011/12 to reach 750 TH in MY 2012/13. Many farmers are expected to switch from rice to corn in MY 2012/13. Corn feed consumption is estimated to be 9.0 MMT in MY 2012/13 as the year before. Total corn consumption decreased sharply in MY 2011/12 compared to the previous year. Total corn imports for MY 2011/12 was 5.0 MMT, significantly less than the prior year (5.8 MMT), but expected to be partially recovered in MY 2012/13 to about 5.2 MMT. The Ukraine has made substantial inroads in what has long been a U.S. market as U.S. prices have not been competitive. Egypt has also been importing increased amounts of U.S. DDGS and corn gluten meal due to the marketing efforts of U.S. Grains Council.

Water shortages have forced the GOE to restrict the area of rice at around 450 TH, but the area of rice increased sharply from 450 TH in MY 2010/11 to about 700 TH in 2011/12 with the lack of security presence in rural areas following the January 25 Revolution. Planted area is forecast to decrease to 600 TH in 2012/13. The sharp increase in MY 2011/12 was due to the high profitability of rice, but paddy prices are down entering the 2012 planting season and we expected farmers to respond accordingly. In October 2010, Egypt banned rice exports as the result of smaller production and an increase of local consumption as the population increase by about 2.0 million/year. Rice prices remained relatively high in the domestic market as traders either held onto stocks or used various methods to export to their traditional markets in the region. In response, GASC purchase imported long grain rice for the first time ever to supply the ration card program. Two tenders have been conducted one in December 2011 and the other in March 2012. India, Pakistan, Vietnam, and Thailand were the main sources for the imported long grain rice. After conducting an expected third tender in June 2012 and with a new government likely in place by July, the GOE may allow rice exports beginning as early as August 2012. A change in policy is not reflected in Post’s MY 2012 /13 export forecast, which only reflects contraband exports.

## **Commodities:**

Wheat

### **Production:**

Wheat is planted in October/November and harvested in April/May. Egyptian wheat can be classified as semi-hard wheat. The moisture percent in the Egyptian wheat ranges between 9-10%, but it has at least 11.5% protein, and 25% -26% gluten index. Ministry of Agriculture experts estimate that planted area in MY 2011/12 increased slightly compared to MY 2010/11 due to the increase of announced procurement prices. Due to the high procurement prices offered to the farmers this year, it is expected that the area cultivated with wheat in MY 2012/13 will increase again to be 1,350 TH compared to 1,280 TH in MY 2011/12. According to the government official statistics, wheat production has increased significantly from 7.2 MMT in MY 2010/11 to about 8.4 MMT in MY 2011/12 due to the good weather conditions in the past year. However, many experts, traders, and experts believe that this production figure is overestimated and the actual production doesn't exceed 7 MMT. Production for MY 2012/13 is estimated to be around 8.5 MMT given the good weather conditions this year.

The government has announced the procurement price for MY 2011/12 crop at LE 380 /ardeb (\$1 = \$6.05). This is equivalent to LE 2,535/ton or \$419/ton, which is higher than last year's price by about 8.5% and higher than the current world price by about one-third. Last year's procurement price was LE 350 /ardeb. This is equivalent to LE 2,335/ton or \$386/ton.

Although the wheat procurement prices are higher than the international prices, the GOE has continued to increase the price in order to encourage farmers to increase the area cultivated with wheat. Farmers would like to increase their production of wheat but the cost of production including seeds, pesticides, fertilizers, and the wage rate is high. Some of the fertilizers and most of the pesticides are imported therefore international prices fluctuations affect wheat production costs. Fertilizers prices were doubled in one year. Expansion in the wheat areas would come on the account of other important winter crops for the farmer, mainly the clover (berseem) and vegetable crops. Farmers would like to implement new technology and adopt improved production practices but the cost for such new technologies is high. They cannot afford to utilize these improved inputs and services given their low purchasing power and the increase of cost of living which don't allow them to have extra money to spend on these new technologies and practices.

Egypt is facing a shortage in registered high yielding wheat seeds because the Central Administration for Seed Production (CASP) is usually late in its production and don't have the enough resources and land to produce enough wheat seed. The Ministry has pledged to provide 35- 40% of the total seeds needed. Sixty percent of wheat area uses seeds from their stock of last year's crop. One acre uses about 70 kilos of seeds, which cost about LE 250 (\$41/acre).

GASC has a target to purchase 3.0 million MT of local wheat in MY 2012/13. The total quantity of locally produced wheat sold to the Ministry of Supply and Internal Trade in MY 2011/12 was estimated at 2.6 MMT, compared to 2.1 MMT in MY 2010/11. The balance of locally produced wheat was either sold directly to local traders or was kept by farmers either for their own use for milling and bread baking or was utilized as feed for their livestock as needed.

### **Consumption:**

The Egyptian milling industry consists of public and private sector mills. The public sector capacity represents about 52% of the total milling capacity in Egypt while the private sector owns about 48% of the milling capacity. About 70% of the production of 82% flour is produced by the public sector mills and 30% are produced by the private sector.

The public sector milling industry consists of 126 mills (mostly small or medium size), in which 109 mills are currently used for the production of 82 percent flour, 10 mills for the production of 76 percent flour, and 7 mills are utilized to produce 72 percent flour. All these mills are affiliated with one holding company (Holding Company for Food Industries). Given that wheat is a strategic commodity in Egypt, the government is expected to retain control of most of the milling capacity for subsidized Baladi bread. There are seven public sector companies that operate these mills. In MY 2011/12, the public sector utilized 5.67 MMT of wheat to produce 82 percent flour, 0.6 MMT to produce 76 percent flour and 0.5 MMT to produce 72 percent flour with total of 6.77 MMT. About 7 percent of the capacity of the public sector mills that produces 72 percent flour is leased by the private sector against LE 90/ton (\$15/ton) of wheat.

There are nearly 105 private sector commercial mills, with total capacity of 25,000 tons per day or about 9 MMT/year. These mills are working at only 60% of their capacities while they have 40% of excess capacity. There are many new private sector flour mills are established throughout Egypt. In MY 2010/11, the private sector utilized 2.43 MMT of wheat to produce 82% flour, 1.7 MMT to produce 76% flour (milled by the private sector and handled to the public sector companies against a milling fee), and 2.34 MMT to produce 72% flour with a total production of 6.47 MMT of wheat. Although most of the private sector milling capacity is allocated to produce 72 percent flour, part of its capacity is leased to the public sector mills to produce 82 percent flour against a fee of LE 112/ton (\$18.5/ton). Shares in some of the public sector companies have been sold to private investors over the past few years. Although the majority of shares are held by the private sector, the holding company maintains complete control of these mills. The following table shows the flour production in MY 2010/11 classified between public and private sector:

Public And Private sectors		Wheat (MMT) for 82% extraction rate (subsidized bread)	Wheat (MMT) for 76% extraction rate (semi-subsidized bread)	Wheat (MMT) for 72% extraction rate (free market flour)	Wheat (MMT) total
Public sector	Quantity (MMT)	5.67	0.6	0.5	6.77
	%	84%	9%	7%	100%
Private sector	Quantity (MMT)	2.43	1.7	2.3	6.43
	%	38%	26%	36%	100%
Total	Quantity (MMT)	8.1	2.3	2.8	13.2
% of Public to private		70%	26%	18%	

The public sector mills produce three types of flour: 82 percent is utilized for fully subsidized bread, 76 percent for semi-subsidized bread called Tabaki, and 72 percent flour for white high quality flat bread and European type bread, biscuits, pastries and pasta.

The part of the imported wheat that is utilized for producing 82 percent flour is handled by the public sector mills that sell it to the bakeries against a subsidized price of LE 160/ton (\$27/ton). This flour is sold on the black market at about LE 1,900/ton (\$314/ton). It is estimated that at least 30% of the 82% flour is not baked but sold by the bakeries in the black market. The 76 percent flour is produced through tenders that is hold by GASC , one every three months with about 325 TMT of flour each time where the private sector - as well as the public sector mills- participates in these tenders to provide the public sector with the flour. The cost of producing one ton is about LE 3,000 (\$496/ton), in which the mill get paid LE 900/ ton (\$152/ton) by the bakeries and the rest LE 2,100/ton (\$347/ton) is paid by GASC. The black market price for 76% flour is about LE 1,200/ton (\$198/ton). Many bakeries prefer to sell the 76% flour in the black market rather than producing bread. The 72 percent flour sells freely at about LE 4,000/ton (\$660/ton). The bran is sold by the government for the Baladi bread at \$1,250/ton (\$207/ton) but the free market price is bout LE 1,500/ton (\$248/ton). Small farmers mill their wheat at the village mills against LE 85/ton (\$14/ton). GASC and the Holding Company for Food Industries bought about 400 TMT in MY 2010/11 of imported wheat on the local market in Egyptian pounds through tenders. This part is used by the public sector mills for the production of 72% flour.

Wheat is viewed as a strategic commodity and considered a main ingredient in the Egyptian diet; therefore the consumers have no other choice except consuming the bread since it is still the cheapest food. Consumption of wheat is increasing as a result of the annual population increase approaches 2.0 million/year. Egypt continues to have one of the highest wheat per capita consumption levels in the world. Post forecasts that wheat consumption in MY 2011/12 is estimated to be 18.8 MMT. It is estimated that subsidized baladi bread production reaches 80 billion loaves per year produced by about 19,000 baladi bakeries with a per capita consumption of about 1,000 loaves / person/ year or 2.7 loaf/ person/ day. Each bakery serves about 4,000 people. The number of bakeries that produce semi-subsidized Tabaki bread (made of 76% flour) is about 4,000 bakeries. There are about 2,000 bakeries that produce unsubsidized bread made of 72% flour.

The public sector produces three types of bread: fully subsidized bread made out of 82% flour, sells at LE 0.05/loaf of 130 grams, Tabaki bread made of 76% flour, sells at LE 0.10 for 85 grams per loaf and LE 0.20/loaf for 160 grams per loaf, and white bread made out of 72% flour and sells at LE 0.25-0.75/loaf depending on the weight and size. About 66% of the bread produced in Egypt is subsidized baladi bread made out of 82 percent flour, 19% is Tabaki semi-subsidized bread made out of 76 percent flour, and 15 percent of the bread is white unsubsidized bread made out of 72 percent flour. The prices of 72% flour utilized also for pasta, biscuits, cookies, and the food industry has increased. Egypt produces about 650 TMT of 72% flour annually used for Pasta, 400 TMT for biscuits, confectionary, and cookies. Many private sector flour mills as well as pasta factories are under construction and there is one factory for noodles and expected 2-3 others under construction.

The total subsidy allocated for GASC was estimated to be about LE 33 billion (\$5.45 billion) in FY 2010/11 which has ended in June 30<sup>th</sup>, 2011. Although the official numbers haven't been announced , it is expected that this amount will increase in FY 2011/12and FY 2012/13. The state finances have come under pressure from sharp drop in economic growth after a popular rising unseated the country's president in February 2011, in which baladi bread share was about 45% and the rest goes to rice, vegetable oils and sugar subsidy under the ration card system. This budget is higher than the budget of the year before by about \$1.2 billion.

Due to the unrest and current political and economic situation, the GOE is not in a position to search for other alternatives for the current subsidy system for bread or the other commodities under the ration card program. The subsidized baladi bread is sold to anyone in the country, but the ration card commodities are distributed only for the registered 64 million citizens representing 12.5 million families. The government is not increasing the production of 82% and 76% flour utilized for baladi and Tabaki bread and the private sector is now playing an increasing role in producing the unsubsidized bread made out of 72% flour.

The current flour distribution and bread making system has numerous shortcomings which result in loss, waste, and misuse of the subsidies. Losses occurred during harvesting, transportation, storage, milling, distribution of wheat and flour, baking, and consumption of bread show that there are losses at all stages. Thefts are also an important source of such losses. The low quality of bread is a major source of increasing such losses because it forces consumers not to consume all the bread they buy. Additionally, the subsidized flour is sold on the black market to beef and dairy producers since they believe that adding flour to the feed ration increases milk production. Some traders collect the leftover bread, dry it and sell it by the kilo. They also collect the low quality bread that is intentionally baked for this purpose (and is considered within the allowable percentage of bread to be wasted during baking). They sell these quantities to the poultry, beef, and milk breeders at \$0.35/kilo. A study conducted in Egypt showed that total losses in wheat from harvesting till baking is estimated at 13-15% of the total consumption.

The government has a plan to establish bread complexes to distribute the bread through nearly 7,000 outlets. This project was supposed to be start in 2010 and to be executed gradually starting with the big cities. The plan was to be implemented by either adding bread production lines to the existing ones or establishing new big complexes. The locations of these complexes and the time span to complete the project are not yet determined. According to The Minister of Supply and Internal Trade, 114 locations were selected for this project with a total area of 246,528 square meters with an average of 2,000-3,000 square meters per bakery to serve 14,000 of the surrounding inhabitants. The current political and economical situation in Egypt seemed to postpone the continuation of this plan.

**Trade:**

Egyptian wheat imports are forecast to be around 10 MMT in 2012/13 compared to 10.3 MMT in MY 2011/12, little lower of the year before (10.6 MMT in MY 2010/11). GASC is projected to import nearly 6.0 MMT, and the rest to be imported by the private sector. In MY 2010/11 GASC imported 6.2 MMT and this MY year they have bought about 5.440 MMT through Feb 2012. It is expected that imports of wheat in MY 2012/13 will continue at about the same level as in MY 2011/12. GASC and the Holding Company for Food Industries will continue to purchase imported wheat from the local market based on its needs for the production of 82 percent flour and on the available storage capacity.

Although Egypt has bought its need for MY 2011/12, GASC may enter the market again to buy about 400 TMT this MY due to relatively favorable prices. This quantity may increase to 500 TMT if there is enough budget allocation and enough spaces in the warehouses considering the new crop that will start to be harvested in May. GASC buys mainly through international tenders but in MY 2010/11 it purchased about 400 TMT locally from private sector importers in local currency. The following table shows the distribution of these quantities among countries (in 0,000 tons):

Year	MY 2009/10	MY 2010/11
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<b>Imports from:</b>		
U.S.	610	3,781
Others:		
Russia	5,882	1,940
Canada	95	405
France	1,435	2,254
Brazil		260
Ukraine	738	263
Turkey	131	
Australia	673	803
Germany	186	
Argentina		469
Romania	45	63
Bulgaria	13	5
<b>Total for Others</b>	10,065	
<b>Others not listed</b>	235	38
<b>Grand Total</b>	10,300	10,280

SOURCE: Office Research

For CY 2011, the following table shows the distribution of the quantities arrived Egypt classified by countries imported by GASC and the private sector (in 0,000 tons):

<b>Country</b>	<b>GASC</b>	<b>Private Sector</b>	<b>Total</b>
Russia	2,189	1,984	4,173
USA	1,870	923	2,793
France	1,040	13	1,053
Australia	420	336	756
Argentina	315	180	495
Ukraine		288	288
Canada	189	27	216
Brazil		199	199
Romania	189		189
Bulgaria		5	5
Moldavia		3	3
Others		23	23
<b>Total</b>	<b>6,212</b>	<b>3,981</b>	<b>10,193</b>
<b>%</b>	<b>61%</b>	<b>39%</b>	<b>100%</b>

SOURCE: Office Research

The quantities contracted by GASC from September 2011 till the last tender in March 15, 2012 (arrival is May 1-10) is 4.615 MMT. In the last six month (September 2011- March 12, 2012), the quantities arrived the Egyptian ports reached 5.7 MMT, in which 3.5 MMT purchased by GASC and the private

sector bought 2.2 MMT. The following table shows the distribution of these shipments among countries classified into GASC and the private sector:

Wheat shipments arrived to the Egyptian ports (, 000 tons)  
(September 2011- March 2012)

Country	GASC	Private sector	Total
Russia	2,945	1,717	4,662
Ukraine	305	295	600
Romania	189	15	204
Australia		123	123
U.S.A.	63		63
Argentina		26	26
Kazakhstan		7	7
Bulgaria		5	5
France		4	4
<b>Total</b>	<b>3,502</b>	<b>2,192</b>	<b>5,694</b>
<b>%</b>	<b>61.5%</b>	<b>38.5%</b>	<b>100%</b>

SOURCE: Office Research

Due to the Russian wheat export ban, the U.S. market share was about 40% in MY 2010/11, but is expected to total less than 10% in 2011/12. GASC has about 3.0 MMT of stocks, 4-5 months consumption of subsidized bread. There are no customs duties for wheat and corn, but only about two percent for port charges.

Both government and private sector buyers generally prefer U.S. wheat. In MY 2010/11 about 63% of wheat was imported by GASC and the rest 37% was imported by the private sector. However, due to the higher prices of U.S. wheat and higher freight costs, GASC and the private Egyptian importers generally purchase lower quality wheat from Black Sea origins, such as Russia and Ukraine.

### **Stocks:**

GASC– under The Ministry of Trade and Industry- tries to maintain a five month supply of strategic stocks. However, due to limited storage capacity that constrains the government from reaching this target, the strategic stocks are now redefined to include wheat import purchases in the pipeline, which usually amounts to about three months of annual consumption. Currently, while GASC may only have three months reserve in country, it has an additional 2-3 months in the pipe line that is the shipments that are in port, on the water, and already purchased through GASC tenders. The private sector currently has two months or more stocks in Egypt also, since they bought heavily this past year, anticipating that prices would go up further.

The total covered storage capacity for wheat is estimated at one million metric tons, including about 350,000 tons in silos at three different ports, 250,000 tons in inland silos and 400,000 tons in open storage, mostly in metropolitan areas. In addition to government storage facilities, several private sector traders and mills currently have their own receiving and storage facilities, estimated at 500,000 tons. In order to increase the storage capacity, the Ministry of Supply and Internal Trade is adopting a project to build 50 inland silos each with about 30,000 ton capacities in different locations throughout the country. It has already built 18 inland silos and encourages the private sector to build silos under the build, operate, and transfer (B.O.T) system. The Ministry will commit to using 60 percent of each silo's capacity at the prevailing storage fee for five years. The recent unstable political and economical situation in Egypt has postponed the project.

## **Marketing:**

### **Marketing and Import Policy:**

GASC's imposition of a minimum 11.5 percent protein level on all wheat has harmed the marketing opportunities for U.S. white wheat and French wheat. The requirement makes little sense given that the wheat is used for baladi (flat) bread.

The current GASC tender requirements includes a requirement that six inspectors (two from each of the Ministry of Agriculture Central Administration for Plant Quarantine, Ministry of Trade and Industry, and Ministry of Health) travel to the exporting country to inspect the wheat at the port before it is shipped even though the imported wheat is still being inspected upon arrival. The Central Administration of Plant Quarantine (CAPQ) argument is that such procedure should facilitate and accelerates the customs clearance process in Egypt, reduces the possibility of shipments interceptions from Egypt, and finally the shipments inspected in the port of origin will have the chance to enter Egypt with only quarantine check.

GASC does not allow countries to export wheat from ports of other countries unless the country of origin does not have any ports, such as Kazakhstan. There were speculations that Russia could impose grain export duties later this season. Egypt is opposed to countries using export restrictions on food commodities, especially wheat, whether in form of duties or an outright export ban. The Ministry of Supply and Internal Trade has lifted the ban on importing Ukrainian wheat in October 2011. It had been excluded from tenders last season due to quality problems. GASC prohibits loading of wheat from more than one port inside an exporting country, but the private sector does not restrict imports in this way. GASC allows only 55-65,000 MT Panamax shipments. The private sector places no restrictions on shipment size, accepting smaller quantities.

CAPQ has also requested that imported wheat to be free from Ambrosia weed seeds. USDA and Animal and Plant Health Inspection Services (APHIS) in cooperation with U.S. Wheat Associates informed them that no U.S. company can meet this condition due to the integrity and transparency of USDA Federal Grain Inspection Service (FGIS), and APHIS. APHIS has previously requested that CAPQ share the pest risk assessment that is the basis of this new request. FAS also informed CAPQ that without change in this new requirement, U.S. exporters and Egyptian importers incur unacceptable risks in wheat trade and these risks currently drive up the costs to the Government of Egypt and would conceivably lead to a disruption of trade.

GASC has an issue with the DON (vomitoxin) spec of 1.25 ppm. Egyptian Organization for Standardization (EOS) sets standards that GASC follow. The worldwide standard is 2 ppm. Local wheat is procured by GASC, but does not have to meet the EOS wheat standards.

U.S. Wheat Associates continues to provide trade servicing and quality seminars to Egyptian millers, wheat buyers, and traders. Although the USDA GSM-102 export credit guarantee program is available for both public and private sector importers of U.S. agricultural commodities, importers have not used the program in several years, citing the potential foreign exchange rate risk in the Egyptian market. In addition, Egyptian banks often do not pass along benefits of the GSM-102 program to importers. The other reason for GSM-102 not being used is the 50 percent foreign exchange coverage requirement for opening letters of credit.

In March 2012, Egypt received \$400 million of a \$1.2 billion credit facility with the International Islamic Trade Finance Corp. to help fund purchase of fuel and wheat. The allocation for wheat will be provided to GASC. The loan carries a 3.75% interest rate.

## Production, Supply and Demand Data Statistics:

Wheat Egypt	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Jul 2010		Market Year Begin: Jul 2011		Market Year Begin: Jul 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,260	1,260	1,320	1,280		1,350
Beginning Stocks	5,596	5,596	5,509	5,509		5,209
Production	7,200	7,200	8,700	8,400		8,500
MY Imports	10,600	10,600	10,500	10,300		10,000
TY Imports	10,600	10,600	10,500	10,300		10,000
TY Imp. from U.S.	3,866	3,866	0	400		800
Total Supply	23,396	23,396	24,709	24,209		23,709
MY Exports	187	187	100	100		100
TY Exports	187	187	100	100		100
Feed and Residual	2,200	2,200	2,500	2,600		2,000
FSI Consumption	15,500	15,500	16,300	16,300		16,700
Total Consumption	17,700	17,700	18,800	18,900		18,700
Ending Stocks	5,509	5,509	5,809	5,209		4,909
Total Distribution	23,396	23,396	24,709	24,209		23,709

1000 HA, 1000 MT, MT/HA

## Commodities:

Corn

### Production:

Corn is planted in May and harvested in August, however some farmers plant it twice a year (March and July). Due to the increase in rice and cotton area in MY 2011/12, a significant decrease in the area of corn planted occurred. However, due to problems in marketing the 2011/12 cotton crop and low returns to farmers as well as low paddy prices, post expects an increase in corn acreage from 700 TH in MY 2011/12 to reach 750 THA in MY 2012/13. Many farmers are expected to switch from rice to corn in MY 2012/13. Relatively high domestic corn prices are also encouraging corn production. There are three main summer crops compete for the available cultivable area, namely cotton, corn, and rice.

The area and production of yellow corn represented about 15% of the total corn area and production in MY 2010/11 and the rest was white corn. In MY 2010/11, area cultivated with white corn was 596 THA compared to 104 THA for yellow corn and production of white corn was 4.695 MMT compared to 805 TMT for yellow corn. The yield of white corn in MY 2010/11 was slightly higher than the yellow corn (7.77 ton/HA for yellow corn compared to 7.87 ton/HA for yellow corn). It is expected that the share of area and production of yellow corn in MY 2012/13 will reach about 18% of the total area and production of corn.

The area cultivated with Bt corn in MY 2010/11 was about 1,700 ha, in which about 1,000 ha was cultivated in the new project ‘Toshka’ in Southern Egypt and gave almost double yield over the yield of the conventional hybrid crop. There were 50 tons of Bt seeds imported in MY 2011/12 from South Africa and about 56 tons imported in MY 2012/13 from the same source. Farmers would like to grow biotech corn since they know that it gives them higher yields, and uses less fertilizer, pesticides, and

water but the availability of MON 810 corn seed is still very limited. On March 8, the Minister of Agriculture ordered a temporary suspension of planting of MON 810 in reaction to false information circulated on health concerns which has no apparent scientific foundation. In the current political environment in Egypt, government officials appear particularly sensitive to criticism, even when untrue.

In contrast with wheat and rice, 95% of corn seeds are produced by the private sector, while 5% is produced by the public sector companies. One acre requires 10-12 kilos of seeds for single cross and over 15 kilos for three way cross. One kilo of seeds cost all the way from LE 20-40/kilo (\$3.3-6.6/kilo). One kilo of Bt corn seeds sells to the farmer at about \$8.25.

The procurement price for white corn procured by the Ministry of Supply of corn for MY 2011/12 was LE 300 /ardeb or LE 2,142/ton equivalent to \$354 /ton compared to last year price of LE 250/ardeb or LE 1,785/ton. Only a small portion of the corn crop is procured by the government, so price is determined more by the local supply and demand situation and international prices. The quantity that was delivered to the Ministry of Supply in MY 2011/12 was only 96,000 MT. It is not expected that the quantity of corn delivered to the government will increase significantly in MY 2012/13 because farmers prefer to sell it in the free market or keep it for their own use.

### **Consumption:**

Over eighty percent of the local corn crop is utilized for animal feed (mostly consumed on farms) and the rest- about 1.8 MMT- is used for food purposes (either milled to produce glucose and Fructose or consumed fresh). Large commercial end-users and feed mills rely on imported yellow corn to meet their requirements. There is a small, but growing demand for food products containing corn (snack foods) and corn oil which increase the demand for corn.

Feed consumption is estimated to be 9.0 MMT in MY 2012/13 as the year before. Total corn consumption decreased sharply in MY 2011/12 compared to the previous year. High beef prices, due to the spread of diseases, high cost of production, and shortage of supply; and the high poultry prices resulted from high feed prices and the outbreak of the Avian Influenza (AI) have all contributed in the reduction of corn consumption. While poultry production is likely to recover in 2012/13, the impact of the February/March 2012 FMD SAT2 virus outbreak will likely be felt in a substantial, but manageable loss of young calves, thereby slightly reducing feed demand. The reduced feed demand will primarily come from the domestic corn crop, as the outbreak is expected to primarily impact small holders, who often feed their own crop to their animals.

The use of corn for food industries decreased in MY 2011/12 but it is expected to partially recover in MY 2012/13 as the general political and economical situation is expected to be better. The amount of white corn utilized in governmental bread production in MY 2011/12 was less than 5% (5% corn to 95% wheat). The quantity of corn utilized for baladi bread has been diminished to only 96 TMT in MY 2011/12. This small amount was delivered to the Ministry of Supply and Internal Trade for the production of subsidized baladi bread. The announced target of the government is to increase this ratio to be 20% corn against 80% wheat, but this will not be possible unless a corn dry milling industry develops to supply high quality corn flour to the baladi bread program. Currently, whole corn is ground for incorporation in baladi bread flour, and the oil content of the corn has a negative impact on flour quality. A small amount of white corn is used by farmers in rural areas to make bread.

Local corn prices were up considerably during the unrest MY 2010/11 and MY 2011/12, but as ports catch up and shipments resume, corn prices are returning to a more normal level. However, the brief increase in corn prices enticed livestock feeders, not already using U.S. distiller's dried grains with soluble (DDGS), to incorporate the ingredient into their rations. The increase in DDGS suppliers has improved pricing options and encouraged producers to use U.S. DDGS.

**Trade:**

Total corn imports for MY 2011/12 was 5.0 MMT, but is expected to recover in MY 2012/13 to about 5.2 MMT due to expected improvements in the poultry sector.

Year	MY 2009/10	MY 2010/11
<b>Imports from:</b>		
U.S.	2,930	2,930
Others		
Argentina	876	1,229
Brazil	2	
Ukraine	1,432	842
Russia	30	
Hungary	11	
Serbia	20	
Canada	43	
Turkey	8	
Romania	11	
<b>Total for Others</b>	5,363	
<b>Others not listed</b>	1	159
<b>Grand Total</b>	5,364	5,560

SOURCE: Office Research

Imports of yellow corn in CY 2011:

Country	Quantity (,000 tons)
USA	2,728
Ukraine	1,435
Argentina	1,246
Brazil	408
Romania	210
Bulgaria	52
Canada	40
Russia	23
South Africa	19
Croatia	11
<b>Total</b>	<b>6,172</b>

SOURCE: Office Research

From September 1, 2011 through March 12, 2012, the total imports of corn reached 3,819 TMT or about 590 TMT/month. Ukraine has dominated the market during this period with 1.9 MMT followed by the U.S with 614 TMT, Argentina with 462 TMT, and Russia with 18 TMT. Traditionally, Egypt came to the U.S. market consistently because of the high quality of U.S. corn and the ability of the U.S. to offer a reliable supply. U.S. corn consistently passed the tough quality inspections of the Regional Laboratory for Food and Feed which are required for entry into the country. However, the quality of Ukrainian corn coming into the market has improved significantly in recent years. With a significant price and freight advantage, the Ukraine has tended to dominate the market.

Egypt also imports large quantities of Corn Gluten reached 166 TMT in CY 2011. Almost all the quantities were imported from the U.S. DDGS is also becoming more competitive, as more suppliers enter the marketplace.

**Production, Supply and Demand Data Statistics:**

Corn 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 Harvested	850	850	520	700		750
Beginning Stocks	1,490	1,490	1,280	1,280		970
Production	6,500	6,500	3,800	5,500		5,800
MY Imports	5,803	5,803	6,000	5,000		5,200
TY Imports	5,803	5,803	6,000	5,000		5,200
TY Imp. from U.S.	2,939	2,939	0	1,000		0
Total Supply	13,793	13,793	11,080	11,780		11,970
MY Exports	13	13	10	10		10
TY Exports	13	13	10	10		10
Feed and Residual	10,100	10,100	8,600	9,000		9,000
FSI Consumption	2,400	2,400	1,800	1,800		2,000
Total Consumption	12,500	12,500	10,400	10,800		11,000
Ending Stocks	1,280	1,280	670	970		960
Total Distribution	13,793	13,793	11,080	11,780		11,970

1000 HA, 1000 MT, MT/HA

**Commodities:**

Rice, Milled

**Production:**

Rice area increased sharply from 450 TH in MY 2010/11 to about 700 TH in 2011/12 but is forecast to decrease to 600 TH in 2012/13. The sharp increase in MY 2011/12 was due to the high profitability of

rice and the absence of police presence to enforce planting restrictions following the January 2011 Revolution. While the Ministry of Agriculture and Land Reclamation has updated their estimate of the area cultivated with rice in MY 2011/12 to about 610 TH (thousand hectare), the Ministry of Irrigation and Water Resources as well as the traders estimate the rice area was actually about 730 TH. Post accepts the latter estimate. Reports also indicate that yields were well below normal, resulting in a lower than earlier forecast rice crop.

Rice is a major summer crop in Egypt, occupying 10-20 percent of Egypt's total crop area. The entire rice crop is irrigated. One acre of rice needs about 70 kilos of seeds. Rice requires a special irrigation regime and its cultivation is largely restricted to the northern part of the Delta. Rice consumes about 12% of the Nile river water quota of 55 billion cfm. It is often planted on low quality land where the soil is fairly saline and has varying degrees of productivity. A limited amount of rice is also grown in the middle Delta. Farmers normally exceed the area targeted by the government for rice cultivation despite the prospect of fines (LE 600/ feddan) for those who violate their targeted areas. This is due to the much higher profitability of rice cultivation compared to other traditional summer crops (i.e. corn and cotton) and the higher potential for exporting the crop. The government is trying to restrict the area of rice and increase the area of corn to save water, but the breakdown of security following the January 2011 revolution meant that the area restrictions were not enforced. Farmers would like to increase the area cultivated with rice since it is a relatively profitable cash crop compared to cotton and corn and exports makes it very desirable crop for the farmer to grow. The restrictions on water use makes the government restrict the area cultivated with rice and ban its exports to maintain low domestic consumer prices.

Based on last year's prices of paddy rice of about \$580/MT, farmers switched about 250 TH from corn to rice. There was no control on water usage and on the cultivated area during the period following the January 25 Revolution due to a lack of police presence. Since officials did not want to upset the farmers at that time, fines on the farmers who plant rice in areas that are not supposed to be planted with rice were lifted. The government announced that it will not allow the rice area to exceed 460 TH in the next season, but Post expects farmers will react more to paddy prices prior to the planting season as well as any decision to lift the ban on rice exports. Currently, paddy prices are about \$380/MT, which should discourage planting.

### **Consumption:**

Egypt consumes medium grain rice and rice consumption is relatively constant, as consumers continue to prefer wheat-based products. In MY 2011/12, the quantity consumed of milled rice was about 4.25 MMT and forecast at 3.5 MMT in 2012/13. Rice stocks in MY 2011/12 are increasing due to the ban imposed on exports. There is no stock-holding policy, with levels reflecting pipeline supplies. Buyers tend to avoid holding stocks and push them to the export market.

Under the ration card program, the Ministry of Supply provides 1.5 kg of rice per person per month for the 63 million ration card holders or a total of about 1.1 million tons per year. GASC previously procured Egyptian medium grain for the ration card program. There is now a program to substitute macaroni for rice on the ration cards whenever macaroni prices are lower and rice is not available. In December, GASC began tendering for imported long grain rice and the rice appears to be accepted by local consumers.

## Trade:

Egypt used to be net rice exporter. There has been a ban on rice exports since March 2008. The Minister of Trade and Industry has issued a decree on February 2009 to remove the ban on rice exports. This decree (no.105) permitted Egyptian rice to be exported provided that the exporter delivers through a tender an amount equal to the exported amount to the Government of Egypt and pays the government LE 1,000 per MT in export taxes. On October 2010, the Minister issued a decree # 829 completely banning the exports of rice. Only broken rice is allowed for exportation in the EU and Eastern Europe to be utilized as food ingredient and to some African countries as direct consumption.

Egypt needs 1.1 MT s of rice a year for its subsidy program, around a quarter of its total consumption of 4.25 MMT. The repeated extension of the export rice ban has meant traders are prevented from selling the country's niche medium-grain rice at higher prices abroad. Farmers are stocking up on the rice as they want to get higher prices. If they are not going to export then they want the price that is equivalent to what they would get if they were exporting it. Since the local traders continue to store their rice to push up prices, two tenders have been conducted one in December 2011 and the other was in March 2012. India, Pakistan, Vietnam, and Thailand were the main sources for the imported long grain rice. The first tender was for 221 TMT and the second was for 213 TMT. A third tender is expected to be held in June 2012 before harvesting the new crop in October 2012. The price for the last tender ranged between \$512-529/ton. The price for the local paddy rice is LE 2,300/ton (\$380/ton).

## Policy:

The goals of Egypt's rice policy are to minimize production of rice to conserve water while also keeping prices low for consumers. This has resulted in restrictions on rice exports. On October 2010, a ministerial decree to ban rice exports was issued and rice exports were stopped except for minimal quantities of broken rice to Europe and some African countries. The decree was extended to October 2012. The export ban forced many countries in the region to source rice from other countries, including the United States. After conducting the third GASC tender for long grain rice and with the formation of a new government following Presidential elections in June, the GOE may allow rice exports by August 2012. Much will depend on the stocks carried out by the traders before the new crop appears in the local market and given that all the domestic needs are satisfied. For a good explanation of Egypt's rice policies see: [Rice Update Cairo Egypt 6-29-2010](#)

## Production, Supply and Demand Data Statistics:

Rice, Milled 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 Harvested	450	450	730	700		600
Beginning Stocks	498	497	159	157		507
Milled Production	3,291	3,100	4,564	4,250		3,800
Rough Production	4,770	4,493	6,614	6,159		5,507
Milling Rate (.9999)	6,900	6,900	6,900	6,900		6,900
MY Imports	40	40	500	600		750
TY Imports	40	40	500	600		750
TY Imp. from U.S.	0	2	0	3		0
Total Supply	3,829	3,637	5,223	5,007		5,057

<b>MY Exports</b>	80	80	600	600		600
<b>TY Exports</b>	120	120	600	600		600
<b>Consumption and Residual</b>	3,590	3,400	4,060	3,900		4,000
<b>Ending Stocks</b>	159	157	563	507		457
<b>Total Distribution</b>	3,829	3,637	5,223	5,007		5,057
1000 HA, 1000 MT, MT/HA						

Other recent Grain and Feed Reports

[Rice Up-date Cairo Egypt 1-12-2012](#)

[GASC Successfully Tenders for Long Grain Rice Cairo Egypt 12-20-2011](#)

[Rice Update Cairo Egypt 8-2-2011](#)