

USDA Foreign Agricultural Service

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Global Agricultural Information Network

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Egypt

Grain and Feed Update

Egypt's Milled Rice Exports Resume

Approved By:

Ron Verdonk

Prepared By:

Ahmed Wally

Report Highlights:

MY 2015/16 wheat imports are forecast at 11.5 million metric tons (MMT) in line with USDA's official estimate. Growing feed demand by the poultry, aquaculture and livestock sectors will maintain corn imports at its current level of 8.0 (MMT) in MY 2015/2016. Post expects Egypt's rice exports to resume after the government allowed the resumption of exports of milled rice for six months effective October 4, 2015. Post estimates rice exports at 400,000 MT, a 60 percent increase from MY2014/15.

Post:
Cairo

Commodities:
Wheat
Corn
Rice, Milled

Wheat

Production

Post is revising downward its MY2015/16 (July-June) production forecast from USDA official estimates of 8.36MMT to 8.1 MMT, a 3.2 percent reduction due to a decrease in area planted, as farmers substituted more profitable crops for wheat.

Consequently, planted area is reduced to 1.26 million hectares (ha) from USDA's estimate of 1.36 million ha, a reduction of over seven percent. Nonetheless, yields increased, as much of the 100,000 ha of land used for other purposes is of a more marginal nature. Moreover, the decrease in area can be explained in light of the following:

1. Due to increased animal feed prices, farmers grew more *berseem* or Egyptian clover for livestock feed rather than growing wheat, which has become very profitable for many farmers, especially if farmers follow the recommended agronomical practices for growing *berseem* by the Field Crops Research Institute (FCRI) of the Ministry of Agriculture and Land Reclamation (MALR) .
2. Many farmers in Upper Egypt have begun using their small acreages (0.5-1 ha) to grow medicinal herbs and spices, and vegetable production via contract farming with exporters and processors.
3. Many farmers growing wheat on areas less 0.5 ha in the delta are suffering from urban encroachment which has affected the productivity of soils. Urbanization and population growth of two million people annually present a continual challenge to traditional agricultural land use.

Availability of quality and improved seed varieties is a key factor in MALR's strategy to increase local wheat production. MALR is aware that farmers' knowledge of seed variety is limited and most of their choices for seeds are based on personal experiences or others' experiences.

To address the knowledge gap, MALR is increasing its extension efforts and in MY2015/16 began distributing 18 high-yielding seed varieties to farmers through the Central Agency for Seed Production (CASP) and agricultural cooperatives in various governorates.

In addition, CASP recommended the adoption of specific agricultural practices, which can easily bring yields up to 6.5 MT/ha. CASP set the price of a 30 kg bag of wheat seed at LE 150 (\$19).

CASP pledged to provide forty percent of the total seed needed during the season, with the remaining

area using sixty percent of wheat from farmers' previous crop. One hectare uses about 140 kg of seeds, bringing the cost to plant a hectare to \$88. In the near future, MALR is planning to introduce an extension package and showcase high yielding varieties in more than one thousand extension fields, such as Gemiza 11, Shandaweel 1, Misr 1 and Misr 2.

Procurement Price

On September 8, 2015, MALR announced that wheat procurement prices for the 2016 crop would be unchanged from MY 2014/15, at a price of LE 420/ardeb, or \$353/MT. Given that the difference between the price of Egyptian wheat and imported wheat ranges from \$160 to \$190/MT, there is a strong incentive to game the system, as we saw with the crop harvested in mid-2015. On the other hand, some agricultural cooperatives have stated that the procurement price is not profit enabling, demanding a higher price because the cost of inputs and harvesting has increased.

Consumption

In MY 2015/16, post forecasts total wheat consumption at 19.6 MMT, in line with USDA's estimate. Food, seed and industrial use (FSI) consumption will increase by 1.1 percent from USDA's forecast of 17.6MMT. The anticipated rise in consumption of wheat is driven by high demand for bread by a population that is growing at a rate of 2.6 percent annually.

Subsidized "baladi" bread is still priced at five piasters per loaf, and beneficiaries are entitled to up to 150 loaves a month through a monthly cash subsidy on a smart card, which can be redeemed at any of the participating privately-owned grocery stores partnering with the Ministry of Supply and Internal Trade (MOSIT), or at the publicly-owned consumer complexes.

In FY2015/16, the GOE allocated LE 38 billion (\$ 4.8 billion) to finance the program, a 22.5 percent increase from 2014/2015. The increase in the food subsidy budget is driven by the expansion of the government's smart card program, providing a family of four members a direct cash allotment of LE 60/month (\$7.6) to spend on over 40 food items, in addition to six million new beneficiaries that are expected to be registered in FY2015/16.

A survey conducted on August 28, 2015, measuring customer satisfaction, indicated that 54.6 percent of the respondents were satisfied with the program due to improved access to bread, disappearance of long lines at bakeries, and the removal of a black market of pilfered wheat flour. However, 45.4 percent of respondents were not happy with the program, stating difficulties in obtaining a smart card, especially if the beneficiaries birth place is different from their place of residence, technical problems with processing the smart cards, lack of surveillance and monitoring of bakeries' ensuring proper size and weight per loaf, and an insufficient availability of subsidized loaves, with demands to increase the number of loaves to seven or eight per person per day from the current five.

Trade

There are no changes in trade numbers from USDA official numbers of 11.5MMT for MY 2015/16. Since July 1, 2015, the total amount of wheat purchased by the General Authority for Supply Commodities(GASC) is 2.365 MMT (Table 1), higher than GASC imports during the same period in 2014/2015 which amounted to 1.9MMT. Top suppliers are Russia with 1.525MMT, Romania with 300,000 MT, Ukraine with 290,000 MT and France with 240,000MT.

Table (1): Government imports by GASC Since July 1st 2015

Tender No	Tender date	Origin	Tonnage /MT	Total /MT	Tender No	Tender date	Origin	Tonnage /MT	Total /MT
1	07/01/2015	Romania	60,000	60,000	8	08/28/2015	Ukraine	55,000	55,000
2	07/09/2015	Russia Ukraine	120,000 60,000	180,000	9	09/03/2015	Russia	170,000	170,000
3	07/15/2015	Romania Russia	120,000 115,000	235,000	10	09/18/2014	France Russia	60,000 175,000	235,000
4	07/21/2015	Russia	175,000	175,000	11	10/03/2015	Russia Ukraine	180,000 60,000	240,000
5	08/5/2015	Russia	120,000	120,000	12	10/09/2015	Russia Romania	120,000 60,000	180,000
6	08/13/2015	Russia Ukraine	60,000 115,000	175,000	13	10/15/2015	Russia Romania	180,000 60,000	240,000
7	08/27/2015	Russia	60,000	60,000	14	10/29/2015	France Romania Poland	120,000 60,000 60,000	240,000

Private sector imports (July-September 2015) amounted to about 1.0MMT, less than private sector imports during the same period (July-September 2014) by 0.5 MMT, mainly driven by increased difficulty in accessing dollars. The private sector expects to increase imports in the coming months in order to capitalize on lower world wheat prices.

Stocks

Post is revising wheat stocks downward from USDA's official forecast by 4 percent, making up for lower production, and a reduction in imports by the private sector.

GASC, the major wheat importer, tries to maintain a five-month supply of strategic stocks. However, limited storage capacity constrains the government from reaching its target; therefore, it redefined strategic stocks to include wheat import purchases in the pipeline, amounting to about three months of annual consumption. Under this new definition, GASC is able to meet the threshold for strategic reserves.

Existing wheat storage capacity in Egypt is 5.2 MMT. The Principal Bank for Development and Agricultural Credit (PBDAC) has 364 *shonas* with a storage capacity 2 MMT used for the local harvest.

Shonas are a system of traditional open air storage and are distributed throughout the country. The poor quality of this storage causes significant losses that amount up to 10-15 percent of post-harvest loss. To address post-harvest storage losses, a program to modernize in its first phase, 93 *shonas* and build warehouses was undertaken in 2015. This warehousing construction project is being implemented by the Ministry of Defense's Engineering Authority along with the Egyptian Holding Company for Silos and Storage (EHCSS).

Blumberg Grain, a new-to-market U.S. company, won a contract to equip the 93 warehouses with bagging, security and temperature control technology. EHCSS currently has 1.5 MMT storage capacity used for imported wheat, while public-sector flour mills have 700,000 tons of storage capacity. The private sector's storage capacity is around 1 MMT, located in port facilities or close to the ports. To alleviate the shortfall in capacity, the GOE instituted the National Silos Program, which in its first phase built 25 silos with a storage capacity of 750,000 tons that are administered by the EHCSS.

Production, Supply and Demand Data Statistics:

Wheat Market Begin Year Egypt	2013/2014		2014/2015		2015/2016	
	Jul 2014		Jul 2015		Jul 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1350	1350	1350	1350	1360	1260
Beginning Stocks	4621	4621	4328	4328	4252	4252
Production	8250	8250	8300	8300	8360	8100
MY Imports	10170	10170	11063	11063	11500	11500
TY Imports	10170	10170	11063	11063	11500	11500
TY Imp. from U.S.	419	419	156	156	0	0
Total Supply	23041	23041	23691	23691	24112	23852
MY Exports	213	213	339	339	350	250
TY Exports	213	213	339	339	350	250
Feed and Residual	2000	2000	2000	2000	2000	1800
FSI Consumption	16500	16500	17100	17100	17600	17800
Total Consumption	18500	18500	19100	19100	19600	19600
Ending Stocks	4328	4328	4252	4252	4162	4002
Total Distribution	23041	23041	23691	23691	24112	23852

(1000 HA) ,(1000 MT)

Corn

Production

MY 2015/16 corn production and planted area remains unchanged from USDA's official estimate of 6.0MMT and 750,000 HA respectively. The bulk of domestic production is white corn, while yellow corn production area accounts for 20-25 percent of the total area.

Despite promises, MALR failed to set a procurement price and develop a much touted marketing channel, which included formulating a contract between the Union of Poultry Producers (UPP) and several farmer unions to purchase corn at a predetermined price.

Farmers were also hoping to sell their output to the Ministry of Supply and Internal Trade (MOSIT)

which rejected the idea of mixing corn with wheat for the production of subsidized baladi bread at a rate of 20 percent corn and 80 percent wheat, due to a limited number of corn drying facilities which are not up to standard.

Consumption

Post forecasts MY 2015/16 consumption to remain unchanged from USDA's official estimate of 14.5MMT. With a daily consumption of 161 grams per capita, maize is a staple food in Egypt.

The poultry, aquaculture, dairy and livestock industries in Egypt are expanding and are the major drivers of the increased consumption that has occurred in the last five years, increasing at an annualized rate of 5 percent. Poultry is the leading industry consisting of over 15,000 farms, with investments of more than \$4.2 billion, and employing over 2 million workers. The growth in the poultry industry is increasing feed demand by approximately three-four percent annually.

Egypt's aquaculture is another dynamic industry, ranking number seven worldwide, but number two in tilapia production. Annual growth in the sector is forecast to grow at nine-ten percent in the next two years. The dairy industry is witnessing an annual growth of four to five percent, as the sector is rapidly industrializing due to the rising demand for fresh, refrigerated dairy products.

However, Egypt's current production of yellow corn covers less than 10 percent of its feed demand. Despite efforts to diversify the country's agricultural base, efforts will fall short to make any significant inroads in meeting the country's corn needs. For now, any increase in demand by the expanding feed manufacturing industry will have to be met by imports.

Trade

Post forecasts for MY 2015/16 imports remains unchanged from USDA's official estimate of 8.0MMT. Low domestic production coupled with high demand has made Egypt one of the largest corn importers in the world. From January to August, 2015 Egypt imported 5.2 MMT of corn. Top suppliers are Ukraine, Argentina, Brazil, United States and Romania.

Like all traders, Egyptian grain importers, especially since new controls took effect in February 2015, faced foreign currency shortages which hampered their ability to efficiently import and discharge corn shipments in a timely manner. The UPP submitted a request to the prime minister to solve the impasse, on the basis that the crisis is threatening the Egyptian poultry sector.

The demands by UPP and other industries led to the resignation of the Central Bank's governor and a new governor has been appointed. The new governor is currently studying several options to remove the restrictions set by the Central Bank in 2014.

The restrictions include a limit of foreign currency deposits not to exceed \$10,000 a day, up to a monthly maximum of \$50,000, severely limiting the availability of obtaining foreign exchange. As of November 1, 2015 however, well over \$500 million has been provided to clear a significant backlog in Egyptian imports of a wide range of goods.

DDGS

Egyptian purchases of US distillers dried grains with soluble (DDGS) dropped from 82,000 MT (Jan/May 2014) to 23,000 MT (Jan/May 2015). Post expect DDGs imports from the US will drop from 160,000 MT in 2014 to 50,000 MT in 2015 due to a weakened Egyptian Pound and limited access to the dollar.

Stocks

Post forecasts for MY 2015/16 stocks remains unchanged from USDA official estimate of 1.43MMT.

Production, Supply and Demand Data Statistics:

Corn Market Begin Year Egypt	2013/2014		2014/2015		2015/2016	
	Oct 2013		Oct 2014		Oct 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	714	714	745	745	750	750
Beginning Stocks	1076	1076	2398	2398	1948	1948
Production	5800	5800	5960	5960	6000	6000
MY Imports	8726	8726	7500	7500	8000	8000
TY Imports	8726	8726	7500	7500	8000	8000
TY Imp. from U.S.	2875	2875	0	2700	0	0
Total Supply	15602	15602	15858	15858	15948	15948
MY Exports	4	4	10	10	10	10
TY Exports	4	4	10	10	10	10
Feed and Residual	11000	11000	11500	11500	12100	12100
FSI Consumption	2200	2200	2400	2400	2400	2400
Total Consumption	13200	13200	13900	13900	14500	14500
Ending Stocks	2398	2398	1948	1948	1438	1438
Total Distribution	15602	15602	15858	15858	15948	15948
(1000 HA) ,(1000 MT)						

Rice

Production

Post forecasts milled rice production in MY 2015/16 at 4.0 MMT, similar to USDA's official estimate. Production is down 13.2 percent from MY 2014/15 due to higher-than-normal temperatures during August, which accelerated rice development and reduced grain weight.

The planted area in MY 2015/16 is revised upward to 800,000 ha from USDA official estimate of 660,000 ha. This area is much larger than the government's allotment of 452,000 ha, which is located in eight governorates in the northern Delta region.

The increase in rice area is attributed to an expected and significant reduction in cotton areas, due to problems associated with the Egyptian cotton industry.

Although, farmers planting outside the allotted area face a fine \$454/ha, they still take the risk as rice is considered to be the cash crop of choice due to its high yields. Rice cultivation prevents seawater

encroachment in the northern delta and does not affect the quota of the Nile water since its irrigation mainly relies on agricultural drainage water. Early maturing varieties develop in three months and consume 9500 to 11,000 cubic meters water per hectare.

Consumption

Post forecasts rice consumption at 4.0 MMT in MY 2015/16 similar to USDA's official estimate.

In 2015, the price of milled rice in the Egyptian market witnessed a reduction from \$300/MT to \$200/MT, due to export conditions set by the government in MY 2014/2015. The decrease of domestic rice prices, however, had little more than a marginal impact on consumption given Egyptians' strong preference for wheat based products.

On October 4, 2015 the Egyptian Minister of Industry and Trade announced that Egypt would allow milled rice exports for six months (October 2015 – March 2016) with an export tax of \$255.43 per ton. The announcement resulted in a significant increase in the rice price all the way up to \$ 270 per ton compared to the pre-announcement price of \$200 per ton. In the process, it jump-started the activity of over 40 percent of the country's rice mills that had ceased operating as farmers withheld their stocks until prices improved.

Trade

Post's forecast for rice exports in MY 2015/16 is 400,000MT, similar to USDA's official forecast. At least 75,000 MT of this amount will be broken rice. The Ministerial Decree No.708 of 2015, issued by the Minister of Trade and Industry, requires exporters to pay an export fee in foreign currency that is exchangeable through a bank operating in Egypt.

The exporter must secure a documentary credit from the importer or ensure that the importer makes a bank transfer at full value. The exporter should then submit a banking certificate to customs before shipping. Post expects that the bulk of Egyptian rice exports to materialize between December to March of 2016 when market prices of Egyptian medium grain "sticky" rice are likely to be more competitive in the international market.

Stocks

Post forecast that rice stocks in MY 2015/16 will reach around 532,000 MT similar to USDA's official forecast.

Production, Supply and Demand Data Statistics:

Rice, Milled Market Begin Year Egypt	2013/2014		2014/2015		2015/2016	
	May 2013		May 2014		May 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	770	770	650	650	660	800
Beginning Stocks	427	427	602	602	907	907
Milled Production	4750	4750	4530	4530	4000	4000
Rough Production	6884	6884	6565	6565	5797	5797
Milling Rate (.9999)	6900	6900	6900	6900	6900	6900
MY Imports	25	25	25	25	25	25
TY Imports	25	25	25	25	25	25
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	5202	5202	5157	5157	4932	4932
MY Exports	600	600	250	250	400	400
TY Exports	600	600	250	250	400	400
Consumption and Residual	4000	4000	4000	4000	4000	4000
Ending Stocks	602	602	907	907	532	532
Total Distribution	5202	5202	5157	5157	4932	4932
(1000 HA) ,(1000 MT)						