Required Report: Required - Public Distribution **Date:** October 04, 2022

Report Number: EG2022-0025

Report Name: Grain and Feed Update

Country: Egypt

Post: Cairo

Report Category: Grain and Feed

Prepared By: Ahmed Wally, Agricultural Specialist and Jenny Morgan, Agricultural Attaché

Approved By: Kurt Seifarth, Minister Counselor for Agricultural Affairs

Report Highlights:

FAS Cairo (Post) forecasts Egypt's wheat imports in marketing year (MY) 2022/23 (July – June) at 11.0 MMT, down from the previous marketing year estimate of 11.5 MMT. Egypt was able to secure a steady supply of wheat through diversification of wheat origins whether through tenders or implementing direct purchasing of wheat from several countries. Egypt's wheat production is likely to remain unchanged from the previous marketing year. Egypt's corn production expanded in response to high prices; similarly, rice production increased as planted area increased. Consequently, both corn and rice imports are forecast lower.

EXECUTIVE SUMMARY

FAS Cairo (Post) forecasts Egypt's wheat imports in MY 2022/23 (July – June) at 11.0 MMT, down by 4.34 percent from MY 2021/22. As of July 15, 2022, Egypt mills started to increase 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 Egypt's total wheat imports in MY 2022/23. Egypt's state grain buyer, The General Authority for Supply Commodities (GASC), is forecast to import around 5 MMT in MY 2022/23. Post's import estimate in MY 2021/22 remains unchanged from USDA's official estimate of 11.5 MMT.

Egypt's wheat harvested area and production in MY 2022/23 is likely to remain unchanged from the previous marketing year. Egypt's corn production is forecast to increase by 3.2 percent due to increased area cultivated with corn in response to higher corn prices in the local market which rose by more than 60 percent amid the Russian war on Ukraine. Similarly, rice production increased as planted area increased. Consequently, both corn and rice imports are forecast lower.

On August 21st, 2022, The Ministry of Supply and Internal Trade (MoSIT) announced procurement prices for paddy rice ranging from EGP 6,600/MT ($340.7/MT) to EGP 6,850/MT ($353.6/MT) commencing on August 25th to December 15th, 2022 (USD=EGP19.37). GASC is the agency responsible for contracting the purchases. The government is targeting to purchase 1.5 MMT during this period to secure the needs of its subsidy program.

WHEAT

PRODUCTION

FAS Cairo (Post) estimates Egypt's wheat production in marketing year (MY) 2022/23 (July – June) to reach 9.8 million metric tons (MMT), up by 8.9 percent compared to 9 MMT in marketing year 2021/22. Post attributes the rise to an increase in total area harvested at 1.53 million hectares (HA) compared to 1.4 million HA the previous marketing year.

The use of early maturing and high yielding seed varieties, expanding the amount of certified seeds distributed to farmers, ideal sowing time, laser leveling techniques, and increasing the area of wheat-raised bed cultivation to more than 520,000 HA have made the largest contributions to significant vertical expansion (i.e., increasing yields by unit area) during the last five years.

Domestic Wheat Procurement: On August 31st, 2022, the Ministry of Supply and Internal Trade announced the end of the domestic wheat procurement season which ran from April 1 through August 31, 2022. The amount of domestic wheat purchased by the Government of Egypt was 4.2 MMT compared to 3.6 MMT in CY 2021.

The General Authority for Supply Commodities' governmental wheat purveyors were:

1. The Egyptian Holding Company for Silos and Storage
2. The Holding Company for Food Industries (Mills silos)
3. The Egyptian Agricultural Bank
4. The General Company for Silos and Storage

On November 10, 2021, MoSIT announced that the government procurement price that it will pay to purchase locally produced wheat would range from EGP 800/ardeb to 820/ardeb or about $338.60/MT to $347/MT (USD 1.00 = EGP 15.75) based on quality and moisture. The announcement of procurement prices ahead of the planting season encourage area expansion and hence, total production.

Amid the Russian war on Ukraine, the government approved an additional incentive of EGP 65/ardeb on the prices it will pay farmers to purchase the local harvest. After this increase, the government payments to farmers ranged between EGP 865/ardeb to 885/ardeb, or about $366.10/MT to $374.60/MT (USD 1.00 = EGP 15.75) based on quality and moisture. This represented an increase of 22 percent from last season's procurement price. Wheat farmers also receive fertilizers at a subsidized price, more than 50 percent less than market prices.

MoSIT also issued a ministerial decree requiring every wheat producer in the CY 2022 season to sell a minimum of 12 ardeb/feddan, or 4.28 MT per hectare (1 Feddan = 0.42 Hectares), to governmental wheat purveyors. The decision stressed that if quantities of the crop are sold before the issuance of this decree, the buyer must deliver what he bought to the government authorities on the same terms.

The decision also prohibited the sale of the remainder of this season's wheat to non-governmental agencies, unless a permit is obtained from MoSIT. It is also prohibited to transfer wheat from one place to another except with a permit. The decree stipulated that large farms (25 acres or more) should sell 90 percent of their wheat production to governmental wheat purveyors and such farms will receive subsidized fertilizers for their summer crops.

On August 31st, 2022, the Egyptian government approved raising the procurement price of local wheat by 13.6 percent to EGP 1,000 per ardeb (1 ardeb =150kg) or $344.1/MT (USD= EGP19.37). The new procurement price is an indicative price which is subject to increase if global wheat prices increase. The new price will encourage farmers to supply more wheat to the government.

CONSUMPTION

FAS Cairo forecasts Egypt's wheat consumption in MY 2022/23 at 20.6 MMT, up by 1.4 percent from the MY 2021/22 estimate of 20.3 MMT. Post attributes the uptick to an approximately 1.57 percent increase in food, seed and industrial use (FSI) consumption. The rise in FSI wheat consumption is attributable to population growth. Egypt's population has hit 103 million (CAPMAS, est. May 2022).

MY 2021/22 wheat consumption estimate is revised down by 200,000 MT from the USDA official estimate. Post attributes the decrease to a decrease in food, seed, and industrial use (FSI) consumption. The decrease in FSI wheat consumption is attributed to an increase in the price of European and white flat bread (non-subsidized) as well as baked products, cakes, biscuits, wafers, croissants and pastries, etc.

Bread Subsidy Remains Unchanged: The Government of Egypt allocates bread subsidy beneficiaries 150 loaves of bread per month (i.e., five loaves of bread per day). Baladi (i.e., common, traditional) bread is sold at a subsidized price of EGP 0.05 per loaf while the actual current cost is estimated at EGP 0.8. The government compensates bakeries for the difference in production cost.

The current subsidy system permits beneficiaries who consume less than the quota amount to convert their bread savings into points (1 point = EGP 0.01). Points are redeemable to purchase 30 other food and non-food items sold at discounted prices. Beneficiaries make their purchases at the roughly 41,000 Ministry of Supply partnered private grocery stores, as well as from 1,300 state-owned consumer complexes.

In fiscal year (FY) 2022/23 (June – July), the Egyptian parliament approved an increase of bread and food subsidies, to reach EGP 90 billion ($4.64 billion), with an increase of about EGP 3 billion compared to fiscal year 2021/22. (USD 1.00 =EGP 19.37)

TRADE

FAS Cairo forecasts Egypt's wheat imports in MY 2022/23 (July – June) at 11.0 MMT, down by 4.34 percent from MY 2021/22. As of July 15, 2022, Egypt mills started to increase 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 Egypt's total wheat imports in MY 2022/23.

Post's import estimate in MY 2021/22 remains unchanged from USDA's official estimate of 11.5 MMT. The largest foreign suppliers to the Egyptian market in CY 2022 (Jan – Aug) were Russia (2.77 MMT), Romania (1.1 MMT), Ukraine (607,415 MT) followed by France (343,920 MT). (Source: El Gammal Consultancy and FAS Cairo Research)

STOCKS

FAS Cairo forecasts Egypt's ending stocks in MY 2022/23 at approximately 3.76 MMT, a decrease of 5.04 percent. The decrease in MY 2022/23 ending stocks is due to anticipated higher consumption. GASC normally keeps a three-to-six -month supply of stocks (including wheat) in the import pipeline, with an additional one-month supply of wheat in transit to Egypt.

Over the past six years Egypt raised its wheat storage capacity from 1.6 MMT to 4 MMT in modern silos, as well as modernizing old storage facilities with 1.5 MMT capacity, and as a result, increased its strategic stockpile of wheat from three to six months. This enables the state to deal with any rise in global wheat prices as this reserve secures food demand by the Egyptian market for a period of time until prices resume a downward trend.

Production, Supply and Distribution:

Wheat	2020/2021		2021/2022		2022/2023	
Market Year Begins	Jul 2020		Jul 2021		Jul 2022	
Egypt	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	1390	1390	1400	1400	1530	1530
Beginning Stocks (1000 MT)	4318	4318	4062	4062	3762	3962
Production (1000 MT)	8900	8900	9000	9000	9800	9800
MY Imports (1000 MT)	12149	12149	11500	11500	11000	11000
TY Imports (1000 MT)	12149	12149	11500	11500	11000	11000
TY Imp. from U.S. (1000 MT)	99	99	0	0	0	0
Total Supply (1000 MT)	25367	25367	24562	24562	24562	24762
MY Exports (1000 MT)	705	705	300	300	400	400
TY Exports (1000 MT)	705	705	300	300	400	400
Feed and Residual (1000 MT)	1300	1300	1300	1300	1300	1300
FSI Consumption (1000 MT)	19300	19300	19200	19000	19300	19300
Total Consumption (1000 MT)	20600	20600	20500	20300	20600	20600
Ending Stocks (1000 MT)	4062	4062	3762	3962	3562	3762
Total Distribution (1000 MT)	25367	25367	24562	24562	24562	24762
Yield (MT/HA)	6.4029	6.4029	6.4286	6.4286	6.4052	6.4052

(1000 HA) ,(1000 MT) ,(MT/HA)
MY = Marketing Year, begins with the month listed at the top of each column
TY = Trade Year, which for Wheat begins in July for all countries. TY 2022/2023 = July 2022 - June 2023

CORN

PRODUCTION

FAS Cairo estimates corn production in MY 2022/23 (Oct – Sept) at 7.68 MMT, up from Post's estimate in MY 2021/22 by 3.2 percent. MY 2022/23 harvested corn area also increased by 3.2 percent.

Increased area cultivated with corn is attributed to higher corn prices in the local market, which rose by more than 50-60 percent amid the Russian invasion of Ukraine. This prompted many farmers to increase corn cultivation, especially with the anticipated increase in demand by the feed industry. MY 2021/22 corn production and harvested area figures remain unchanged from USDA official estimates.

One of the major goals of the Ministry of Agriculture and Land Reclamation (MALR) is to increase feed corn acreage and yields by incorporating improved extension services, the use of higher-yielding one-way and three-way cross hybrids, encouraging growers to plant during ideal times, and improving marketing channels.

To achieve this goal, MALR developed a much-publicized marketing channel, which included formulating a contract between MALR's Center for Contract Farming and the Union of Poultry Producers (UPP) to purchase corn at market price with a predetermined minimum price of EGP 6000 ($309.7) per metric ton.

CONSUMPTION

FAS Cairo forecasts Egypt's total corn consumption in MY 2022/23 (Oct – Sept) at 16.4 MMT, up by 1.86 percent from the MY 2021/22 estimate of 16.1 MMT. Post's consumption estimate for MY 2021/22 was revised downwards by 1.82 percent from USDA official estimates of 16.4 MMT. The decrease in consumption in MY 2021/22 is also attributed to a decrease in feed and residual consumption by almost 2.15 percent from USDA official estimate of 13.9 MMT.

Post attributes the decrease in feed and residual consumption in MY 2021/22 to poultry feed prices increasing by 40-50 percent. This was driven by a more than 50 percent rise in the price of corn in the local market compared to the previous marketing year, thus placing a heavy burden on small and medium size breeders.

Post anticipates the poultry sector's feed consumption to grow by almost 1.86 percent in MY 2022/23 as the larger producers consolidate, vertical integration increases, and corn prices decline. Additional feed lines are coming online, adding to already existing poultry, aquaculture, and cattle feed milling capacities.

Starch Industry: Egypt consumes 1 MMT of corn for wet milling processes. There are five major corn wet milling companies operating in Egypt and their goal is to expand capacity in the coming 2-3 years. Cairo 3A Company has the largest share of the wet milling market in Egypt (more than 60 percent). It is worth noting that Cairo 3A is also the leading importer of corn over the past five years.

TRADE

FAS Cairo forecasts Egypt's corn imports in MY 2022/23 (Oct – Sept) at 9.0 MMT, down by 2.17 percent from Post's MY 2021/22 estimate of 9.2 million metric tons on a larger crop production that would moderate import needs. Post estimates for corn imports in MY 2021/22 remains unchanged from USDA official estimate.

Egypt's top three corn suppliers in CY 2022 (Jan-Aug) were Brazil (2.76 MMT), Argentina (2.0 MMT), and Ukraine (800,700 MT). (Source: El Gammal Consultancy and FAS Cairo Research)

STOCKS

FAS Cairo forecasts Egypt's corn stocks in MY 2022/23 at 2.16 MMT up by approximately 14.5 percent from Post's estimate in MY 2021/22. The increase in stocks is due to anticipated increase in local production. Post's corn ending stocks estimate in MY 2021/22 was revised upward by 18.8 percent from USDA official estimate due to decrease in corn consumption.

Production, Supply and Distribution:

Corn	2020/2021		2021/2022		2022/2023	
Market Year Begins	Oct 2020		Oct 2021		Oct 2022	
Egypt	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	800	800	930	930	930	960
Beginning Stocks (1000 MT)	1732	1732	1355	1355	1590	1890
Production (1000 MT)	6400	6400	7440	7440	7440	7680
MY Imports (1000 MT)	9633	9633	9200	9200	9200	9000
TY Imports (1000 MT)	9633	9633	9200	9200	9200	9000
TY Imp. from U.S. (1000 MT)	467	467	0	0	0	0
Total Supply (1000 MT)	17765	17765	17995	17995	18230	18570
MY Exports (1000 MT)	10	10	5	5	5	5
TY Exports (1000 MT)	10	10	5	5	5	5
Feed and Residual (1000 MT)	13900	13900	13900	13600	13900	13900
FSI Consumption (1000 MT)	2500	2500	2500	2500	2500	2500
Total Consumption (1000 MT)	16400	16400	16400	16100	16400	16400
Ending Stocks (1000 MT)	1355	1355	1590	1890	1825	2165
Total Distribution (1000 MT)	17765	17765	17995	17995	18230	18570
Yield (MT/HA)	8	8	8	8	8	8

(1000 HA) ,(1000 MT) ,(MT/HA)
MY = Marketing Year, begins with the month listed at the top of each column
TY = Trade Year, which for Corn begins in October for all countries. TY 2022/2023 = October 2022 - September 2023

RICE

PRODUCTION

FAS Cairo forecasts Egypt's milled rice production in MY 2022/23 to increase to 3.35 MMT, from Post's estimate in MY 2021/22 of 2.9 MMT. We attribute the increase to additional harvested area. Higher prices prompted farmers to take the risk and increase rice areas beyond government specified planting area.

Post expects MY 2022/23 harvested area to increase to 550,000 hectares, up from MY 2021/22 harvested area of 500,000 hectares. MY 2021/22 rice production and area harvested figures remain unchanged from USDA official estimates.

Rough rice yields in MY 2022/23 are up 4.76 percent. Yield increases are attributed to increased usage of early maturing, high-yield certified seed varieties and cultivation of new hybrid rice varieties. In addition, the adoption of the Agricultural Research Center's rice planting recommendations is contributing to the upswing in yields.

Domestic Rice Procurement: On August 21st, 2022, The Ministry of Supply and Internal Trade announced procurement prices for paddy rice ranging from EGP 6,600/MT ($340.7/MT) to EGP 6,850/MT ($353.6/MT) commencing on August 25th to December 15th, 2022. (USD=EGP 19.37) GASC is the agency responsible for contracting the purchases. The government is targeting to purchase 1.5 MMT during this period to secure the needs of its subsidy program.

CONSUMPTION

FAS Cairo forecasts Egypt's rice consumption and residual at 4.0 MMT in MY 2022/23 less than Post's estimate in MY 2021/22 by 1.23 percent due to the availability of other more affordable carbohydrate sources (i.e., lower priced pasta). Pasta in MoSIT consumer complexes sell for EGP 8.5/Kg compared to Rice selling for 10.75/Kg. MY 2021/22 rice consumption figure remains unchanged from USDA official estimate.

Although overall rice consumption is forecast lower, there are some shifts in consumption patterns taking place. Rice is mainly consumed in the northern Delta and Suez Canal region, as well as in Cairo and Alexandria. Consumers in urban centers tend to purchase packaged rice, while consumers in rural areas rely more on unpackaged rice.

Replacement of high starch content short and medium grain rice for long-grain, basmati rice, jasmine rice, as well as other varieties with less starch content is a continuing trend as a certain segment of consumers follow a healthy lifestyle.

TRADE

FAS Cairo forecasts Egypt's rice imports in MY 2022/23 (Oct – Sept) to decline to 500,000MT due to higher local production and exports of key suppliers to Egypt. China and India are also likely to drop amid smaller crops. Post's estimate for rice imports in MY 2021/22 remains unchanged from the USDA official estimate.

STOCKS

FAS Cairo forecasts Egypt's ending rice stocks in MY 2022/23 to reach 540,000 MT, down from the previous marketing year's estimate of 695,000 MT. The decrease is due to anticipated reduction in rice imports. Stocks decline and prices go up usually a month or two before the new harvest. This year and for the first time the government had to intervene to secure a significant amount from farmers

Production, Supply and Distribution:

Rice, Milled	2020/2021		2021/2022		2022/2023	
Market Year Begins	Oct 2020		Oct 2021		Oct 2022	
Egypt	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	700	700	500	500	550	550
Beginning Stocks (1000 MT)	1232	1232	1150	1150	695	695
Milled Production (1000 MT)	4000	4000	2900	2900	3350	3350
Rough Production (1000 MT)	5797	5797	4203	4203	4855	4855
Milling Rate (.9999) (1000 MT)	6900	6900	6900	6900	6900	6900
MY Imports (1000 MT)	223	223	700	700	650	500
TY Imports (1000 MT)	326	326	800	700	650	500
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	5455	5455	4750	4750	4695	4545
MY Exports (1000 MT)	5	5	5	5	5	5
TY Exports (1000 MT)	5	5	5	5	5	5
Consumption and Residual (1000 MT)	4300	4300	4050	4050	4050	4000
Ending Stocks (1000 MT)	1150	1150	695	695	640	540
Total Distribution (1000 MT)	5455	5455	4750	4750	4695	4545
Yield (Rough) (MT/HA)	8.2814	8.2814	8.406	8.406	8.8273	8.8273

(1000 HA) ,(1000 MT) ,(MT/HA)
MY = Marketing Year, begins with the month listed at the top of each column
TY = Trade Year, which for Rice, Milled begins in January for all countries. TY 2022/2023 = January 2023 - December 2023

Attachments:

No Attachments