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Grain and Feed Annual

Egypt Streamlines Its Grain Import Procedures And Eases Import Regulations While Rice Exports Should Begin To Rebound Over The Coming Year

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Report Highlights:
MY 2017/18 wheat imports are forecast at 11.5 million metric tons (MMT). MY 2016/17 wheat imports are being revised downward to 11.0 MMT, 7.2 percent lower than USDA's official forecast of 11.8 MMT. The decrease is due to foreign exchange (FOREX) challenges that importers faced before the Egyptian Pound was floated in November 2016. After the devaluation, imports have slowed down. Post forecasts MY 2017/18 corn imports at 8.6 MMT. Post is also revising MY2016/17 corn imports to 8.6 MMT from USDA's estimate of 9.0 MMT for the same reasons. FAS Cairo expects the government will newly permit rice exports by year's end, which could result in MY 2017/18 shipments of up to 300 TMT of milled rice and 150 TMT of broken rice exports.

Executive Summary:

FAS Cairo forecasts Egypt's wheat production and planted area in MY 2017/18 at 8.1 MMT and 1.26 million hectares (ha) respectively. FAS Cairo's forecast remains unchanged from USDA's official estimate in MY2016/17. On March 8, 2017 the government of Egypt announced wheat procurement prices for the crop to be harvested starting in April to average USD 214 per MT. The prices announced are very close to the price of USD 211 per MT that the General Authority for Supply Commodities (GASC) paid for its imported wheat in the past two months.

Prime Ministerial Decree No 2992 of 2016, declared the General Organization for Export and Import Control (GOEIC), which is an agency of the Ministry of Trade and Industry (MTI), as the lead authority for inspections of imported grain and soybeans. Under the new rules, GOEIC became the sole government body responsible for wheat inspections. In MY 2017/18, post forecasts wheat imports at 11.5 MMT. MY 2016/17 wheat imports are being revised downward to 11.0 MMT from USDA's official forecast of 11.8 MMT.

Post forecasts MY 2017/18 corn imports at 8.6 MMT. Post is also revising downwards MY2016/17 imports to 8.6 MMT from USDA's estimate of 9.0 MMT, as importers faced FOREX challenges, tapping into the parallel market at a premium of 35-40 percent over the official exchange rate before the government floated the currency. After the devaluation, prices have more than doubled in the domestic market and imports have slowed down.

Post forecasts rice exports in MY 2017/18 to reach 450,000 MT. The GOE's current export policy does not allow for any rice exports despite substantial stocks that have accumulated in MY 2016/17. A clearer picture will emerge after the MY2017/18 harvest this August and September. If the Egyptian Government permits the market to work its course, it would be able to sell close to 200,000 MT of broken rice and 500,000 MT of rice in the international marketplace.

Wheat

Production:

FAS Cairo forecasts Egypt's wheat production and planted area in MY 2017/18 at 8.1 MMT and 1.26 million hectares (ha) respectively. FAS Cairo forecast remains unchanged from USDA's official estimate in MY2016/17.

The Ministry of Agriculture and Land Reclamation (MALR) through its Agricultural Research Center (ARC) is currently focused on three major vertical expansion efforts that include:

A) Increasing raised bed cultivation of wheat using high yielding varieties, leading to increased water use efficiency and high crop intensification rates. Raised bed cultivation has about tripled from 113,500 ha in MY2013/14 to 334,000 ha in MY 2016/17 across the four major governorates planting wheat: Sharqia, Beheira, Kafr El Sheikh and Dakahlia. MALR is determined to increase wheat areas using this cultivation method with goal of expanding acreage for this production to 840,000 ha over the next three years.

Raised bed wheat cultivation offers several advantages that include:

1. Increased average yields from 6.5 MT per ha to 8-10 MT per ha when using certified seeds of high yielding varieties and following the planting guidelines set by ARC.
2. Improved water use efficiency by decreasing up to 20-25 percent of water use.
3. A reduced use of certified seed by 25 percent compared to conventional planting.
4. Maximizing the plant's fertilizer intake during its different growth phases.

B) Increasing the amount of certified seed distributed to farmers from high-yielding wheat varieties that include Giza 171; Sids 1,12,13, and 14; Gemiza168, 7, and 11; Shandaweel 1, Misr 1 and 2; Benisuif 1 and 2. Currently the Central Administration of Seed Production (CASP) of MALR is able to supply farmers with 50 percent of their certified wheat seed needs from 28 varieties. CASP's objective is to meet up to 70 percent of farmers' needs over the next two years.

C) The continuing implementation of the annual national wheat campaign, raising farmer awareness about the newly released high-yielding varieties along with related agronomic practices. Over more than 600 hectares were used as farmer demonstration fields across the country during MY2016/17.

The most significant challenge to MALR's efforts in raising production per unit area is the tremendous increase in violations on the arable lands of the Nile Delta because of the extended urbanization and construction on these fertile grounds. It is estimated that since 2011 more than 125,000 hectares of productive agricultural lands were transformed to cement structures.
When urbanization takes place, externalities such as decreased water availability and drainage tend to affect yields in adjacent fields.

Procurement price:

On January 5, 2017, the Government of Egypt (GOE) announced that this year's domestic wheat crop would be bought from farmers based on prevailing international market prices, derived from a moving average of prices paid by the Ministry of Supply's General Authority for Supply Commodities (GASC) for its imported wheat purchases over the previous two months, which in mid-March totals close to USD 200 per MT, C&F. However, exchange rate volatility prompted the largest farmers union and several members of the Parliament's powerful Agricultural Committee to demand raising the procurement price above the current price of USD 200 per MT and settle for a price between USD 227-230 per MT.

These concerns have had some impact as on March 8, after a Cabinet meeting, the newly appointed ministers of agriculture and supply and internal trade jointly announced the new wheat procurement prices, which are based on crop quality and production costs. The average local procurement price of USD 214 per MT is very close to the price of USD 211 per MT that the GASC paid for its imported wheat bought in its last tender. Table 1 lists the new prices. Expectations are that 90 percent of the procured wheat will grade in the first two categories:

Table (1): Prices of Local Wheat procurement for MY 2016/17

Wheat purity Grade	Price Per Ardeb (LE)	Price Per Ardeb (USD)	Price Per Ton (LE)	Price Per Ton (USD)
22.5	555	31.5	3700	$ 210.2
23	565	32.1	3766.6	$ 214
23.5	575	32.6	3833.3	$217.8

Comparing the average price of LE 2800 per ton before floating the Egyptian pound and an average of LE 3766.6 per ton after floating the Egyptian currency and the new pricing policy announced by the GOE on March 8, farmers' incomes would increase by 37.7 percent as illustrated in table 2.

Table (2): Average Production Cost of One Hectare Before and After Egypt's Floating of the Pound

	Cost before Egypt's Floating of the Pound(LE/ha)	Cost after Egypt's Floating of the Pound(LE/ha)	Change
Land Rent	9523	10714	12.5%
Land Preparation	715	952	25%
Seeds	833	833	0%
Fertilizers	1904	2380	25%
Irrigation	476	714	33%
Pesticides	476	714	33%
Labor	595	833	29%
Harvest	3571	4285	20%
Total Cost	18093	21425	18.4%
Gross Income	21571	26214	22%
Net Income	3478	4789	37.7 %

The new procurement price should also save the government considerable resources, as it would not be paying above-market prices for its domestic wheat, which it had been doing in the last three years. For example, in MY 2015/16, the GOE announced a procurement price of LE 420 per *ardeb*, or USD315 per MT (USDUSD1 = EGP 8.88), therefore paying USD115 to USD120 per MT above prevailing international market prices for its domestic wheat.

In addition, the new price should reduce fraudulent practices, by which unscrupulous players gamed the system in passing off imported wheat as domestic, taking advantage of the arbitrage opportunity offered by the price discrepancies. The new pricing regime is seen by many wheat traders as a very positive step in the right direction to diminish arbitrage and fraud, saving a lot of resources that can be better utilized supporting farmers with affordable inputs, know-how, and advanced technologies.

Post estimates that local wheat procurement for MY 2016/17 and MY 2017/18, respectively, will be in the range of 4.0 – 4.5 MMT. As in years past, local wheat procurement will run from April 15 to July 15. The Ministry of Supply and Internal Trade (MOSIT) and its affiliated Holding Company for Silos and Storage (HCSS) will be responsible for procuring the local production from farmers. In addition, no private silos will procure from the local harvest.

Wheat storage will only be in public storage facilities and silos under the authority of HCSS. A committee will investigate all the storage facilities that will receive the local harvest to make sure that they are empty of imported wheat.

These measures are being implemented as part of recommendations made by Egypt's Wheat Commission, which was formed by Parliament to look into widespread allegations of fraudulent practices in the procurement process.

Consumption:

Post forecast total wheat consumption at 20 MMT in MY 2017/18, up 1.5 percent from MY 2016/17 consumption of 19.7 MMT, which remains unchanged from USDA's official MY 2016/17 estimate. The increase is due to an increase in food, seed and industrial use (FSI) consumption by approximately 2.2 percent. The anticipated rise in FSI consumption of wheat is driven mostly by population growth, which is growing at a rate of 2.5 percent annually and the presence of refugees from Iraq, Syria, Libya, Yemen and Sudan, whom are estimated at 5 million.

Subsidy System Remains Unchanged but Costs Explode as Government Floats the Pound

The government's bread subsidy system remains unchanged. Each beneficiary is allowed 150 loaves per month or 5 loaves per day. "Baladi" bread is sold at a subsidized price of LE 0.05 per loaf (USD 0.01 per loaf), while the cost of producing one loaf is currently at LE 0.60 per loaf up from LE 0.35 before the GOE floated the Egyptian pound and partially lifted fuel subsidies. The government pays the bakers the difference between the subsidized price (LE 0.05) and the market price (LE 0.60) It is estimated that the program pays for close to 250- 280 million loaves per day, therefore a daily increase in the government's subsidized cost of LE 62.5-70 million.

The current system allows beneficiaries who consume less than the quota amount to convert their bread savings into points(1 point = USD0.01) and spend it on more than 40 food products that can be purchased from 27,000 privately-owned grocery stores partnering with MOSIT or the 5,000 publicly-owned consumer complexes. Beneficiaries must use the redeemed points during the first twenty days of the following month. During the past two years, beneficiaries purchased primarily sugar, rice, and vegetable oil using their points. The program costs the GOE LE 6 billion annually (USD 34.0 million at LE 17.6 per USD)

Widespread Inefficiencies in the Program

Although the program has been touted for its success in curtailing flour leakages, improving consumer access, and product quality, unscrupulous actors have increasingly become adept at gaming the program. After the government floated the pound, the price per ton of flour increased from LE 2,800 per ton (USD 315.3 at LE 8.88 per USD) to LE 4, 800 (USD 272.7 at LE 17.6 per USD). However, public mills continued to supply bakeries with 82 percent extraction flour from wheat purchased at the previous exchange rate at the old price of LE 2,800 per ton.

The reality is that under these circumstances, some of the flour intended for baladi bread output was being sold at a higher price to other bakeries. This created a situation reminiscent of the past, as folks lined up in front of some bakeries for extended periods to purchase subsidized bread. The arbitrage opportunities prompted many actors to sell the subsidized flour in the black market, especially in rural areas where oversight is minimal.

Recent reports indicate fraudulent practices in the smart card system, in which some unscrupulous bakery owners obtain smart cards from beneficiaries and use them to record the maximum daily amount of bread allowed by MOSIT, getting reimbursed for fictitious sales. The reports also found fraudulent practices with the golden card, a card the government issues bakeries to deal with contingencies such as distributing bread for people living in districts other than their birth places, those who've lost their smart cards or who haven't received their cards yet.

Through the use of a golden card bakeries have been granted permission to produce between 2000 to 4000 loaves daily since 2014, but there has been misuse as certain bakers record higher amounts of bread via the golden card reporting system than were actually baked thereby receiving higher reimbursement relative to what they should. Finally, the program currently covers close to 70 million end-users, and it's estimated that 20-30 million of these beneficiaries should not be eligible. This inflated number adds significant burden to the program and contributes to greater uncertainty in terms of program cost.

In FY 2016/17, the initial budget allocated for food subsidies was LE 41.0 (USD4.7 billion at LE 8.88 per USD) with an increase of 10.8 percent over the FY 2015/16 budget. Post expects that the actual spending on food subsidies may exceed the allocated budget in FY 2016/17 by LE 10 billion reaching LE 51 billion.

Table (3): Proposed Spending vs Actual Spending in GOE Food Subsidy Program

Fiscal Year	Proposed Budget for Food Subsidy	Actual Spending on Food Subsidy	Proposed Budget for Bread Subsidy	Actual Spending on Bread Subsidy

	(LE Billion)	(LE Billion	(LE Billion)	(LE Billion)
2012/2013	26.4	32.5	16.1	21.2
2013/2014	30.8	35.4	21.3	24.6
2014/2015	31.5	39.3	18.5	28.5
2015/2016	37.0	42.7	22.5	24.8
2016/2017	41.0	51.0 (expected)	23.7	29. 0 (Expected)

To address these inefficiencies in order to reduce the program's high expenditures, the government is developing a new set of indicators targeting appropriate end-users and which is intended to reduce fraudulent practices. Five ministries are participating in this program, which is seen as a step towards reforming the subsidy program, moving from an in-kind subsidy in the direction of a conditional cash transfer program. A move to a strict cash-transfer program which is certainly challenging would improve access to food products for those end-users that actually deserve the subsidy, while significantly reducing costs.

Milling Capacity

Egypt has more than 410 public, public/private, and private sector mills with total investments of more than USD one billion. According to some private investors, Egypt has an excess milling capacity of more than 30 percent, creating many inefficiencies in this economic subsector.

Public and public/private milling capacity ranges between 50-55 TMT per day while the capacity of private sector mills is estimated at 20 TMT per day. Ironically, last year, many private mills operated at 40 percent capacity due to shortages of imported wheat, caused by limited foreign currency and delayed letters of credit.

Public mills and public/private mills produce flour at extraction rate 82 percent used for making the subsidized baladi bread, producing 70 percent of all the flour going to the bread subsidy program, while private mills produce the remaining 30 percent. Private sector mills producing 82% flour for the government's bread subsidy program are not allowed to produce the 72 percent extraction flour produced by other the private sector mills in an attempt to avoid leakages.

Decreased Consumption of High-end Baked Goods as Customers' Preferences Shift to Cheaper Baladi Bread

The 72 percent extraction flour is sold to around 20,000 private sector bakeries that produce higher quality bread and pastries. Cakes, pastries and baked goods consumed in Egypt witnessed a reduction in their consumption rate in the second half of MY2016/17 due to a 100 percent increase in prices compared to the first half of the marketing year, as 72 percent flour increased from LE 3500 per ton to LE 7000 per ton. Private bakeries and in-store bakeries at large retailers and hypermarkets have also increased their prices driving consumers to substitute their consumption to cheaper, unsubsidized baladi bread.

Trade:

In MY 2017/18, FAS Cairo forecasts wheat imports of 11.5 MMT. MY 2016/17 wheat imports are being revised downward to 11.0 MMT, 7.2 percent lower than USDA's official forecast of 11.8 MMT, due to a persistent shortage of foreign currency that affected the issuance of letters of credit during the first five months of the current marketing year from July 2016- November 2016. In addition, the inconsistent policies regarding ergot fungus caused GASC to cancel more than three tenders during the period July 2016 to September 2016, due to lack of offers and causing the disruption of private sector wheat shipments.

From July 2016 to March 10, 2017, private sector imports of wheat amounted to 3.31 MMT, while GASC imports amounted to 3.88 MMT with three more GASC shipments expected to arrive during the second half of March and April 2017.

New Trade Rules-Market Friendly

Due to the confusion from the controversial ergot policy as well as from confusion about ragweed in imported soybeans that extended through much of 2016, the Government of Egypt (GOE) restructured its import procedures by issuing Prime Ministerial Decree No 2992 of 2016, declaring the General Organization for Export and Import Control (GOEIC) as the lead authority for imported grain and soybean inspections. The Ministry of Trade and Industry's Decree No 24 of 2017 establishes the operational guidelines for the implementation of the aforementioned prime ministerial decree.

Under the new rules, GOEIC became the sole government body responsible for wheat inspections at shipping origins and arrivals. For inspections at origin, GOEIC replaced the government's team of six inspectors. Instead, it has established a list of qualified international inspection companies with whom grain traders can voluntarily contract for pre-shipment inspection. Upon arrival, shipments are inspected by GOEIC's inspection teams.

Import Procedures

Importers have to submit an import permit application to GOEIC indicating the shipment's country of origin and the amount being imported. Approvals are to be issued within two working days of submission. The new regulations allow maximum residue levels for ergot of 0.05 percent, which complies with the Egyptian Standard No. 1601-1 of 2010 and which is in line with Codex Alimentarius.

Traders are optimistic with Egypt's new inspection system and hinted to FAS Cairo that dealing with an experienced organization such as GOEIC will be more straightforward. The new process streamlines import regulation because instead of having to deal with up to three governmental bodies, at times at odds with each other, importers now need to engage with one, and this should result in lower costs, which will end up benefiting consumers.

GASC's Imports

Actual delivered GASC purchases from abroad, July 2016 to February 2017, amounted to 3.47 MMT, against 3.85 MMT and 4.16 MMT during the same period in 2015 and 2014, respectively. GASC conducted 25 tenders and the quantities that were contracted are listed in Table 4.

Table (4) GASC Imports as of July 2016 – Feb 2017:

Tender No	Tender date	Shipment period	Origin	Tonnage /MT	Total/MT
1	12 July 2016	Aug 10-20	Russia Ukraine	120,000 60,000	180,000
2	15 July 2016	Aug 21-30	Russia Romania	120,000 180,000	300,000
3	27 July 2016	Sept 1 -10	Romania Russia	60,000 60,000	120,000
4	01 Aug 2016	Sept 11-20	Russia	60,000	60,000
5	22 Aug 2016	Sept 21-30	cancelled	cancelled	cancelled
6	26 Aug 2016	Sept 26-Oct 5	Russia	180,000	180,000
7	30 Aug 2016	Oct 6-15	cancelled	cancelled	cancelled
8	15 Sep 2016	Oct 15-25	cancelled	cancelled	cancelled
9	19 Sep 2016	Oct 16-26	cancelled	cancelled	cancelled
10	22 Sep 2016	Oct 21- 31	Russia	240,000	240,000
11	03 Oct 2016	Nov 1-10	Russia	240,000	240,000
12	12 Oct 2016	Nov 11-20	Russia Romania	60,000 120,000	180,000
13	19 Oct 2016	Nov 21-30	Russia	120,000	120,000
14	24 Oct 2016	Dec 1-10	Romania Russia	240,000 180,000	420,000
15	07 Nov 2016	Dec 11-20	Romania Russia	60,000 180,000	240,000
16	10 Nov 2016	Dec 15-25	Russia	60,000	60,000
17	29Nov 2016	Jan 2-11	Russia	240,000	240,000
18	19 Dec 2016	Jan 20-31	Argentina Russia Romania	120,000 180,000 60,000	360,000
19	28 Dec 2016	Feb 1-10	Ukraine Russia	60,000 175,000	235,000
20	13 Jan 2017	Feb 15-25	Russia Romania	175,000 60,000	235,000
21	19 Jan 2017	Feb 22- 3 March	Ukraine	60,000	60,000
22	25 Jan 2017	March1-10	Russia	410,000	410,000
23	16 Feb 2017	March 16-25	Russia Romania Ukraine	240,000 60,000 60,000	360,000
24	21 Feb 2017	March 24-5 April	Russia Ukraine	300,000 60,000	360,000

25	27 Feb 2017	April 1-10	Russia France Romania Ukraine	235,000 120,000 120,000 60,000	535,000

From July 2016 to Feb 2017, GASC purchased (but not all of which has been shipped) 3.57 MMT from Russia, followed by Romania with 960,000 MT, Ukraine with 360,000 MT, then France and Argentina with 120,000 MT each.

The average price paid by GASC during the last two tenders including freight was USD 195.9/MT. The breakdown of wheat purchases of the last two tenders conducted by GASC was as follows:

Tender 24 and 25

Table (5): Results of GASC's Tenders No 24 and 25

Tender No	Origin	Tonnage /MT	Supplier	Price + Freight /Ton
24	Russia	60,000	Cargill	$207.75
	Russia	60,000	Louis Dreyfus	$ 208.25
	Russia	60,000	Olam	$ 209.05
	Russia	60,000	Medgulf	$ 210.15
	Russia	60,000	ADM	$ 208.45
	Ukraine	60,000	Louis Dreyfus	
25	Russia	60,000	AOS	$208.65
	Russia	60,000	Daeweo	$210.09
	Russia	60,000	Alegrow	$210.34
	Russia	55,000	Glencore	$211.65
	Romania	60,000	Cerealcom	$209.29
	Romania	60,000	Cargill	$211.75
	France	60,000	Cargill	$211.12

	France Ukraine	60,000 60,000	Lecureur Daeweo	$213.12 $212.50

The recent list of permitted countries of origin from which Egypt will permit imports of wheat include the 19 countries listed in table 6.

Table (6): Origins Allowed to Export Wheat to Egypt

Europe	Asia	North America	South America	Australia
France Germany Poland Bulgaria Lithuania Serbia Moldova Romania Ukraine Hungary Russia	Kazakhstan	USA Canada	Argentina Brazil Uruguay Paraguay	Australia

Stocks:

Post forecasts that MY2017/18 ending stocks at 2.55 MMT, a decrease of approximately 35 percent from Post's MY2016/17 estimate of 3.45 MMT, which was revised downward from USDA's official estimate of 4.25 MMT. The decrease in ending stocks of MY 2016/17 is attributed to lower imports by the private sector.

GASC usually maintains a 3-4 supply of stocks, which include wheat imports in the pipeline. As such, three months' supply is in country, while an additional one month of supply is on its way to Egypt.

HCSS increased its storage capacity from 1.5 MMT to 3 MMT after finalizing the construction of 25 modern silos with capacity 1.5 MMT. The project was funded by UAE and this storage will be used for some of the local harvest this season.

Wheat	2015/2016		2016/2017		2017/2018	
Market Begin Year	Jul 2015		Jul 2016		Jul 2017	
Egypt	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1260	1260	1260	1260	0	1260
Beginning Stocks	4336	4336	4607	4607	0	3457
Production	8100	8100	8100	8100	0	8100
MY Imports	11925	11925	11800	11000	0	11500
TY Imports	11925	11925	11800	11000	0	11500
TY Imp. from U.S.	42	42	0	0	0	0

Total Supply	24361	24361	24507	23707	0	23057
MY Exports	554	554	550	550	0	500
TY Exports	554	554	550	550	0	500
Feed and Residual	1400	1400	1400	1400	0	1300
FSI Consumption	17800	17800	18300	18	0	18700
Total Consumption	19200	19200	19700	19700	0	20000
Ending Stocks	4607	4607	4257	3457	0	2557
Total Distribution	24361	24361	24507	23707	0	23057

Corn

Production:

Post forecasts MY 2017/18 corn production and planted area to remain unchanged from MY 2016/17 at 6 MMT and 750,000 ha, respectively. White corn area is projected to decline to 400,000 ha, while yellow corn planted area is forecast to increase from 250,000 ha to 350,000 ha.

The GOE announced the goal of expanding yellow corn production acreage to 400,000 ha with the 2018 crop. This hoped-for expansion is, nevertheless, a key priority of the current government in an effort to decrease imports of feed ingredients and reduce the drain on scarce foreign-exchange reserves.

The MALR will implement a national campaign to increase yields per unit area and increase farmers' awareness of the importance of replacing illegal rice fields outside the government's allotted area with yellow corn. MALR strategy is based on 4 major pillars:

1. Organizing more than 100 workshops to educate farmers about switching to yellow corn from white corn and illegal rice cultivation in the coming years.
2. Introducing one way and three-way cross hybrids of yellow corn to farmers such as the three-way cross hybrid 168, which has attained a production of 10.4 MT per ha in extension programs.
3. Establishing four logistic centers in the Delta and Upper Egypt through the Principal Bank for Development and Agricultural Credit (PBDAC) that will contract farmers' production and sell it to feed, poultry and dairy companies.
4. Increasing the number of demonstration fields from 472 fields in MY 2015/16 to 572 extension fields across the different governorates, showcasing new maize hybrids produced by ARC, as well as demonstrating good agricultural practices to obtain higher yields and decrease post-harvest losses.

Consumption:

FAS Cairo forecasts MY 2017/18 consumption at 14.5 MMT similar to MY 2015/16 estimate of 14.5MMT, which is lowered from USDA's official estimate by 4.1 percent due to a 100 percent increase in poultry feed prices from LE 4,000 (USD450.4 at USD= 8.88) to LE 8,000 (USD454.5 at USD= 17.6), and a similar leap in soybean meal pricing from LE 4,000 (USD450.4 at USD= 8.88) to LE 8,000(USD454.5 at USD= 17.6).

The prices of vaccines and poultry medicines have more than doubled as a result of the floating of the Egyptian currency, increasing in many cases more than 120 percent. As a result, the market has witnessed several shortages of common vaccines used by the poultry industry, leading to greater-than-expected losses due to outbreaks of viral diseases such as Newcastle disease (ND), avian influenza (H5N1 and H5 N8 strains) and, most severely, infectious bronchitis (IB).

Because of these challenges, at least 60 percent of small-scale farms stopped production during the winter season. Some commercial poultry farms, which represent up to 80 percent of total poultry production, witnessed losses of 20-30 percent due to viral infections from the lack of vaccines in the marketplace.

Despite these challenges, the poultry industry remains one of the leading food industries in Egypt with investments of more than LE 45 billion, employing two million people, and consuming 12 million tons of feed of which corn constitutes 70 percent of the ration. Currently there are 180 poultry feed mills producing various types of feed formulations for the industry.

Not surprisingly, fish feed prices have also skyrocketed, increasing by more than 100 percent. Price of extruded feed for tilapia increased from LE 4,000 (USD450.4 at USD= 8.88) to LE 8,500 (USD483 at USD= 17.6) while extruded feed developed for sea bass and other marine fish increased from LE 12,000 to reach LE 23,000/MT. The high prices of feed contributed to a 40 percent increase in prices of fish in the local market.

Currently, 75 privately-owned feed mills provide 90 percent of aquaculture feed, producing both conventionally pelleted feeds (80-85 percent) and extruded feeds (15-20 percent). Most aquaculture feed – 85 percent – is formulated to contain 25 percent crude protein. Aquaculture feed's major dietary energy sources include corn (15-20 percent), wheat bran (20–25 percent) and rice bran (10–20 percent). The cost of feed mixes consumed by dairy cattle has also increased to LE 92 per day from LE 45 per day. As a result, raw milk prices have increased more than 50 percent.

The surge in grain and feed prices has definitely contributed to record inflation levels. The annual rate of inflation climbed to 29.6 percent in January 2017 and rose to 31.7 percent in February 2017 compared to 24.3 percent during December of 2016. According to the monthly report issued by the Central Agency for Public Mobilization and Statistics (CAPMAS), in January 2017, monthly inflation was driven by an increase in prices of meat and poultry of 6.4 percent, grain and bread by 9 percent, and milk, cheese, and eggs by 11.5 percent.

Trade:

Post forecasts MY 2017/18 imports at 8.6 MMT. Post is also revising downwards MY2016/17 imports to 8.6 MMT from USDA's estimate of 9.0 MMT, as importers faced FOREX challenges, tapping into the parallel market at a premium of 35-40 percent over the official exchange rate before November 2016's devaluation.

After the devaluation prices have more than doubled in the domestic markets and imports have slowed due to a reduction in the consumption rates by the poultry, aquaculture and dairy industries. Egypt's current production of yellow corn covers less than 15 percent of its feed demand; therefore, demand by the feed manufacturing industry must be met by imports.

Year- to- date imports as of February 28, 2017 were 824,820 MT with Ukraine as the leading origin at 608,358MT, followed by the United States at 89,673 and Bulgaria with 20,524 MT.

In CY 2016, the total quantity of corn imported was 8.76 MMT with a monthly average of around 730,000 MT against 8.2 MMT in CY 2015. In CY 2016, the four key suppliers of corn were Argentina with 3.1 MMT, Ukraine with 2.5 MMT, Brazil with 1.46 MMT, USA with 1.02 MMT and Romania with 385, 000 MT.

Fig (1); Key suppliers of corn to the Egyptian market in CY 2016

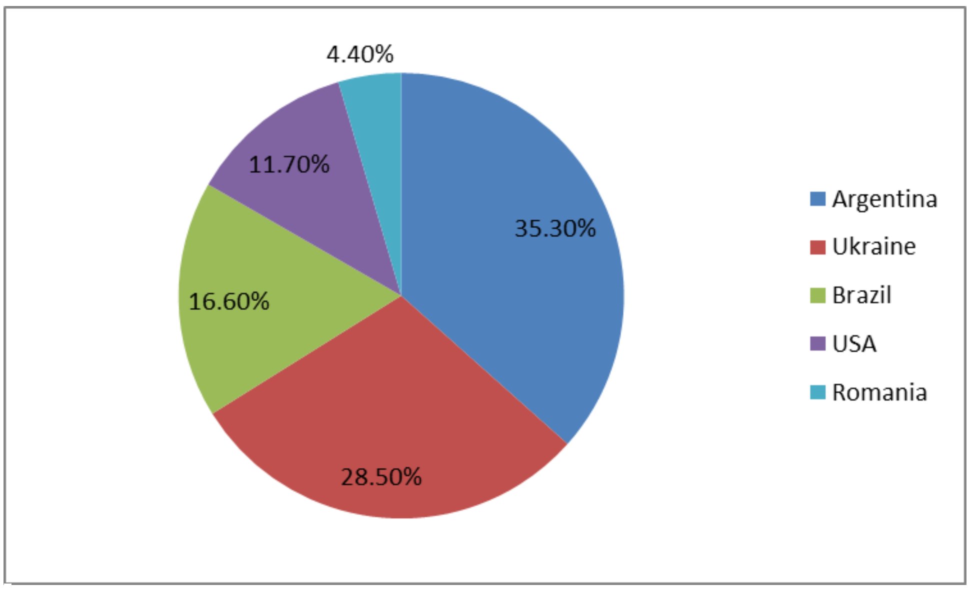

Table (8): Countries that can export corn to Egypt

Europe	Asia	North America	South America
France Poland Bulgaria Serbia Romania Ukraine Hungary Turkey Spain	India	USA	Argentina Brazil Paraguay

Imports of Dried Distillers Grains with Solubles and Corn Gluten

Egypt's imports of distillers dried grains with soluble (DDGS) in CY 2016 reached 133,000 MT. All these quantities were of U.S origin. In CY 2015 DDGS imports were 130,000 MT with U.S origin constituting 96 percent of this amount. Egypt's imports of corn gluten meal in CY 2016 reached 148,000 MT down from 157,000 MT in CY 2015.

Both corn gluten meal and DDGS are used in rations for poultry, dairy and beef cattle and aquaculture. Prices of DDGS in the local market range between LE 4000-LE 4500 (USD242.4 – USD272.2 at USD =LE 16.5) per ton, while prices of corn gluten meal range between LE 11,600 and LE 12,000 (USD696.9 – USD727.2 at USD =LE 16.5). Prices of corn gluten meal and DDGS have increased by 100 percent because of the float of the Egyptian currency.

Stocks:

Post forecasts corn stocks at 2.2 MMT in MY 2017/18. The MY 2016/17 stock quantity is raised upward from USDA's estimate by 5.9 percent driven by slower consumption growth.

Corn	**2015/2016**		**2016/2017**		**2017/2018**	
Market Begin Year	**Oct 2015**		**Oct 2016**		**Oct 2017**	
Egypt	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Harvested	750	750	750	750	0	750
Beginning Stocks	2295	2295	2211	2135	0	2225
Production	6000	6000	6000	6000	0	6000
MY Imports	8776	8350	9000	8600	0	8600
TY Imports	8776	8350	9000	8600	0	8600
TY Imp. from U.S.	847	0	0	860	0	870
Total Supply	17071	16645	17211	16735	0	16825
MY Exports	10	10	10	10	0	10
TY Exports	10	10	10	10	0	10
Feed and Residual	12450	12100	12700	12100	0	12100
FSI Consumption	2400	2400	2400	2400	0	2400
Total Consumption	14850	14500	15100	14500	0	14500
Ending Stocks	2211	2135	2101	2225	0	2215
Total Distribution	17071	16645	17211	16735	0	16825

Rice:

Production:

Post forecasts that Egyptian milled rice production in MY2017/18 will decrease to 4.0 MMT from an estimated 5.1 MMT in MY2016/17 which was revised upward from USDA's official estimate of 4.5 MMT. The projected reduction is attributed to a decrease in the planted area to 700,000 ha in MY2017/18 down from 920,000 ha in MY 2016/17, which was revised upward from USDA official estimate of 750,000 ha.

For this year's crop, farmers are expected to shift to cotton and yellow corn production due to attractive prices for these crops. Moreover, the Ministry of Water Resources (MWRI) is expected to step up enforcement of the limit on rice area by issuing hefty fines to those farmers found planting outside the government's specified rice acreage. Farmers planting rice in MY2017/18 outside the government's allotment area of 451,920 ha will face fines of LE 8,928 per ha (USD507.2 per ha at USD= LE 17.6) compared to LE 5,328 per ha (USD600 per ha at USD=LE 8.88) in MY 2016/17.

The forecast rice area is still larger than the government's allotment area of 451,920 ha in the seven governorates of the northern Delta since farmers are willing take the risk as rice is still a relatively preferred cash crop with high yields and recent favorable pricing.

Rice plantings are very important to the coastal provinces to limit the sea-water intrusion into northern Delta soils, which is abated by rice cultivation as the copious amounts of drainage water used on rice mitigates soil salinization.

Current rice varieties planted and produced by ARC and ARC Sakha research station include:

- Sakha 101, Sakha 102, Sakha 104, Sakha 107 and Sakha 108
- Giza 177, Giza 178, Giza 179 and Giza 181
- Masry 1, Masry 2 and Masry 3.

In research or extension fields, the average production of these rice varieties is between 9-11 MT per ha and totals 8-9 MT per ha in farmers' fields. . These varieties are early maturing varieties that develop in three months and consume on average 9,000 to 11,000 cubic meters water per hectare.

Consumption:

FAS Cairo forecasts rice consumption at 4.25 MMT in MY 2017/18, a jump in consumption reflecting population growth, increase use in an expected resurgent tourism sector and owing to improved economic conditions expected later in 2017 and in 2018. Rice is heavily consumed in the provinces of the northern Delta and Suez Canal region as well as big cities like Cairo and Alexandria. Consumers in urban centers tend to purchase packaged rice while consumers in rural areas rely more on unpackaged rice.

After the government announced that it would purchase rice from farmers at LE 3000 per MT of paddy rice in August of 2016, traders offered farmers prices that exceeded LE 4000 per MT. Traders held on to the stocks acquired, trying to force the government to revise its export policy, causing rice shortages that affected the government's subsidy program, which takes 1.2-1.4 MMT of milled rice annually.

To address some of the shortfall, MOSIT imported 35,000 MT of Indian rice at a price of USD360 per ton and another 70,000 MT at a price USD 410 per ton in October 2016. Prices of the Indian rice were first offered at LE7.5 per KG in MOSIT outlets, and further reduced to 6.5LE per KG.

Current prices of domestic packaged rice ranges between LE 6-8 per KG in public consumer complexes and MOSIT outlets selling to subsidy card holders, while prices in the retail market range between LE 7-11 per KG . Meanwhile, unpackaged rice prices range between LE 6-9 per KG.

After a standoff of almost a year that pitted private millers and traders against MOSIT, the newly appointed Minister of Supply and Internal Trade reached a deal, in which millers and traders will supply MOSIT with a minimum of 200 MT of milled rice per month at a price of LE 6,300 per MT on the condition that prices are placed on the rice packages and the percentage of brokens does not exceed 10 percent. As mentioned above, MOSIT outlets now sell the rice to subsidy card holders at LE 6.5/Kg. The deal between traders and the MOSIT will ensure an affordable and reliable supply for the government's subsidy program, which should support an official resumption of rice exports.

Trade:

Post forecasts that rice exports in MY 2017/18 will expand dramatically to reach 450,000 MT while the GOE's current prohibition on exports represents a substantial missed opportunity for moving stocks and generating FOREX. Ongoing efforts by the Agriculture Export Council (AEC) and the Chamber of Cereal Industries (CCI) urging the Ministry of Trade and Industry (MTI) to force reconsideration of the government's ban on rice exports should contribute to resolution. FAS/Cairo believes that MTI will allow trade to resume for a brief period after MOSIT feels that it will obtain a secure and continuous supply of rice needed for its food subsidy program later this year.

A clearer picture will emerge after the MY2017/18 harvest in August and September. If Egypt allowed the market to work its course, it could be able to sell close to 200,000 MT of broken rice and 500,000 MMT of rice in the international marketplace.

MY 2016/17 exports were slashed by 250,000 MT because of the ban on rice and broken rice exports since August 10, 2016. Certain sources estimate that around 50,000 MT of milled rice were smuggled into Libya and Sudan in the current marketing year.

Stocks:

Post forecasts that ending rice stocks in MY 2017/18 will be 1.4 MMT, less than FAS Cairo's estimate of 2.0 MMT in MY 2016/17, which was revised upward from USDA's official estimate by 541,000 MT. MOSIT's unclear policy on its rice procurement intentions as well as the government's ban on milled rice and broken rice exports were the main contributors to the record amount of stocks in MY 2016/17. With the appointment of new leadership in MOSIT, post expects a clearer rice policy, ensuring that the government buys domestic stocks for its food subsidy program, while opening the door for exports, generating much need foreign exchange the economy so desperately needs.

Rice, Milled	2015/2016		2016/2017		2017/2018	
Market Begin Year	Oct 2015		Oct 2016		Oct 2017	
Egypt	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	650	650	750	920	0	700
Beginning Stocks	924	924	924	854	0	2019
Milled Production	4000	4000	4554	5100	0	4000
Rough Production	5797	5797	6600	7391	0	5797
Milling Rate (.9999)	6900	6900	6900	6900	0	6900
MY Imports	100	80	300	115	0	100
TY Imports	100	80	300	115	0	100
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	5024	5004	5778	6069	0	6119
MY Exports	200	200	300	50	0	450
TY Exports	200	200	300	50	0	450
Consumption and Residual	3900	3950	4000	4000	0	4250
Ending Stocks	924	854	1478	2019	0	1419
Total Distribution	5024	5004	5778	6069	0	6119

Commodities:
Select