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Grain and Feed Annual 2018

Wheat is up; Corn is steady, Egyptian Government Restricts Rice Planted Area

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Report Highlights:

FAS Cairo forecasts Egypt's wheat production in marketing year (MY) 2018/19 (July-June) to reach 8.45 million metric tons (MMT), up by 4.3 percent compared to marketing year 2017/18. Egyptian wheat imports in MY 2018/19 are forecast at 12.5 million metric tons. Corn imports in MY 2018/19 (October-September) are forecast at 9.5 MMT, up one percent from Post's MY 2017/18 estimate. FAS Cairo forecasts that Egypt's milled rice production and planted area in MY2018/19 (October-September) will drop to 3.3 MMT and 588,000 hectares respectively. Post is revising down MY 2017/18 milled rice production levels to 3.3MMT from USDA's official estimate of 4.3 million metric tons. The projected reduction is attributed to a decrease in the planted area dropping to 588,000 hectares in MY2017/18 from USDA's official estimate of 762,000 hectares.

EXECUTIVE SUMMARY:

FAS Cairo forecasts Egypt's wheat production in marketing year (MY) 2018/19 (July-June) to reach 8.45 million metric tons (MMT), up by 4.3 percent compared to marketing year 2017/18. Post's forecast is based on an increase in the total area harvested reaching to 1.32 million hectares (HA). Post is revising upward MY 2017/18 wheat production to 8.45 MMT by 350,000 MT from USDA's official estimate of 8.1 million metric tons. We are also revising upward the wheat area harvested by 60,000 HA from USDA's official estimate of 1.26 million hectares.

FAS Cairo forecasts Egyptian wheat imports in MY 2018/19 at 12.5 million metric tons. Import figures for MY 2017/18 are in line with USDA's official forecast figure of 12 million metric tons. In calendar year (CY) 2017 (January-December), imports by the General Authority for Supply Commodities (GASC) reached about 7.53 MMT, up from 4.3 MMT in calendar year 2016. Imports by the GASC in CY 2017 accounted for 60.2 percent of Egypt's total wheat imports. Private sector imports reached 4.9 MMT, accounting for 39.8 percent of Egypt's total wheat imports.

On February 7, 2018, the GASC made changes to its tender requirements. It is now setting a cap on demurrage fees; suppliers are now responsible for only the first 12 days of demurrage at a cost of \$12,000 per day. Traders previously had been responsible for any duration and all demurrage costs accrued. According to the new rules, the anticipated cost of sieving a cargo (at mills) has increased from \$2.00 to \$3.00 per metric ton. Trading companies add this expense to their offers for the GASC tenders.

FAS Cairo forecasts corn imports in MY 2018/19 (October-September) at 9.5 MMT, up one percent from Post's MY 2017/18 estimate. Post is revising downwards MY 2017/18 imports to 9.4 MMT from USDA's estimate of 10 million metric tons. We attribute the drop in imports due to a reduction in the consumption rates of poultry, red meat, and dairy products as a result of higher inflation rates at beginning of the marketing year.

FAS Cairo forecasts that Egypt's milled rice production and planted area in MY2018/19 (October-September) will drop to 3.3 MMT and 588,000 hectares respectively. Post is revising down MY 2017/18 milled rice production levels to 3.3MMT from USDA's official estimate of 4.3 million metric tons. The projected reduction is attributed to a decrease in the planted area dropping to 588,000 hectares in MY2017/18 from USDA's official estimate of 762,000 hectares.

On November 3, 2016, the Central Bank of Egypt floated the Egyptian pound (EGP – pound) in an effort to eliminate the parallel market; this caused the pound to shed close to 60 percent of its value against the U.S. dollar (initially dropping from EGP 8.88 to \$1.00 to EGP 13.75 to \$1.00). With the adoption of a more flexible exchange rate, Egyptian importers of food and agricultural products saw costs double. Inflation is expected to ease in 2018, as the economy adjusts to the more flexible currency regime; inflation is forecasted to average between 18-20 percent (down from November 2017's 26.8 percent). Weaker consumer demand and growing supply of goods will contribute to ease inflation. The current-account deficit is expected to narrow as export growth outpaces imports. The pound trades currently at EGP 17.69 to \$1.00.

COMMODITIES

WHEAT

PRODUCTION:

FAS Cairo forecasts Egypt's wheat production in marketing year (MY) 2018/19 (July-June) to reach 8.45 million metric tons (MMT), up by 4.3 percent compared to marketing year 2017/18. Post's forecast is based on an increase in total area harvested reaching 1.32 million hectares (HA). Post is revising upward MY 2017/18 wheat production to 8.45 MMT by 350,000 metric tons (MT) from USDA's official estimate of 8.1 million metric tons. We are revising upward the wheat area harvested by 60,000 HA from USDA's official estimate of 1.26 million hectares.

Egyptian wheat production in MY 2017/18 displaced 30,000 hectares of other winter field crops (i.e., sugar beet and Egyptian clover or *Berseem*), as well as 20,000 hectares of winter vegetable crops in Upper Egypt and in the Northern Delta. Farmers' profitability rose in tandem with higher government procurement prices paid during the final calendar year (CY) 2017 harvest. Payments by the government for local wheat ranged from Egyptian pounds (EGP - pounds) 555 to 575 per ardeb (or \$210/MT to \$218/MT) based on quality and moisture levels. An additional 10,000 hectares of wheat was sown in the newly reclaimed areas of the New Valley and east of Ewinat.

Post estimates that Egypt in MY 2017/18 will procure 4.0 MMT of locally produced wheat. The government will purchase local wheat from April 15 through July 15, 2018.

Under the Sustainable Agriculture Development Strategy (SADS) 2030, the Ministry of Agriculture and Land Reclamation (MALR) is focusing on vertical expansion efforts (i.e., increasing yields by unit area). These efforts include:

- Using early-maturing varieties; leading to increasing water use efficiency and achieving high crop intensification rates.
- Expand the amount of certified seed, higher yielding varieties (6.5-6.8 MT/HA) distributed to farmers with the aim of covering forty percent of the planted area.
- Increase raised bed cultivation of wheat to reach 370, 000 HA in marketing year 2018/19. Raised bed cultivation reduces water consumption by 25 percent, requires 15 percent less seeds, and produces a more uniform, higher yielding crop.
- Development of a national wheat campaign to showcase good agricultural practices across 6,000 extension fields scattered nationwide.

Breeding efforts by the MALR's Field Crops Research Institute (FCRI) resulted in the release of new, higher yielding Egyptian clover (*Berseem* - *Trifolium alexandrinum*) variety. Yields are fifty percent higher. The Field Crops Research Institute is working on seed multiplication; seeking to increase the planted area with the new variety from the current 10 percent level to 40 percent. Estimates are that the FCRI will achieve this goal within the next three-to-four years. With the higher yielding variety requiring less land, farmers will likely shift resources to increase wheat acreage.

CONSUMPTION:

FAS Cairo forecasts Egypt's total wheat consumption in MY 2018/19 at 20 MMT, up 1.5 percent from the MY 2017/18 estimate. The latter remains unchanged from USDA's official estimate of 19.7 million metric tons. Post attributes the MY 2018/19 uptick to a 1.6 percent increase in food, seed and industrial use (FSI) consumption. The rise in FSI consumption of wheat is driven by population growth (growing at about 2.5 per annum). Egypt with a population of 97 million (Central Intelligence Agency, est., July 2017) is adding roughly 2 million people per annum. Today the country is also host to some 5 million refugees from Iraq, Syria, Libya, Yemen, and Sudan.

The government's bread subsidy system remains unchanged. Every beneficiary is allowed 150 loaves per month or five loaves per day. "Baladi" (i.e., common, traditional) bread is sold at a subsidized price of EGP 0.05 per loaf (\$0.01 per loaf), which is less than one tenth of its actual cost. The government compensates bakeries for the difference in production costs. The current cost of subsidizing one loaf of "baladi" bread is estimated at EGP 0.55 or about \$0.02.

The current system permits beneficiaries who consume less than the quota amount to convert their bread savings into points (1 point = EGP 0.01). These points may be spent on 44 food products (including beef, chicken, rice, and cheese). These approved food products are purchasable at over 27,000, Ministry of Supply and Internal Trade (MoSIT) partnered private grocery stores, as well as from 2,500 state-owned consumer complexes. Sources indicate that the point system costs the government some EGP 5.4 billion (\$306 million) annually.

The government in fiscal year (FY) 2017/18 (July-June) allocated EGP 85 billion (\$4.72 billion) for food subsidies. Of this amount, roughly EGP 45 billion is earmarked for the bread subsidy program while EGP 40 billion is for supply commodities (includes beef, chicken, rice, and subsidized cooking oil and sugar). In fiscal year 2016/17, prior to the November 2016 devaluation, the budget allocated for food subsidies was EGP 41 billion (\$4.7 billion); some EGP 23 billion was allocated for the bread subsidy program while EGP 18 billion went for supply commodities.

Baladi Bread and SMART Cards: Four years after integrating the subsidized "baladi" bread and food subsidy program using smart cards, advantages and disadvantages of the program can best be summarized as follows:

Advantages:

- Easier access to baladi bread at the bakeries; long waiting lines have been eliminated.
- Liberalized flour prices has increased competition; improving the quality of the bread.
- Over 25,000 bakers and 27,000 privately-owned grocery stores have deepened their ties to the formal economy.
- The system is fully automated; it covers 82 million bread subsidy beneficiaries plus another 71 million food subsidy program beneficiaries.
- The program provides the government the tools for ascertaining the actual volume of bread produced and consumed by SMART card holders.

- Through the redemption points system, the government can better allocate resources, as well as track low-income consumer purchase patterns.
- Improves consumer purchasing power. The cash allowance benefit in CY2018 at EGP 50 (\$2.70) per beneficiary is up 233 percent compared to CY 2014's EGP 15 allowance.
- The bread point system allows consumers to choose from different food items, offering a more diversified food basket similar in quality to that found in retail outlets.
- Improves the price negotiation position of the MoSIT's Holding Company for Food Industries (HCFI) with private sector suppliers. Savings are passed on to licensed outlets.

Disadvantages:

- SMART Card Fraud: Reports have surfaced of bakeries renting SMART cards from beneficiaries in order to allocate the maximum daily amount of bread allotted.
- Unscrupulous bakeries take advantage of some beneficiaries' lack of awareness of the system's rules. Beneficiaries often do not claim their receipt to track their bread balance. This enables bakeries to register fraudulent larger quantities.
- Technical problems with the network system remain. SMART card network readers frequently experiences connectivity issues, disrupting end-user purchases.

Milling Capacity: Egypt currently counts with 410 public- and private-sector mills, including public-private partnership mills. Today there are 156 mills (81 public-sector and 75 public-sector) milling 82 percent extraction flour for subsidized baladi bread production. Public- and public-private milling capacity ranges between 50,000-55,000 metric tons per day. Private-sector milling capacity is about 20,000 metric tons per day. Egypt counts with 40 percent excess private-sector milling capacity. Some \$1.5 billion is invested in milling capacity.

Private-sector mills that contract with the government to mill 82 percent extraction flour for baladi bread are prohibited from producing 72 percent extraction flour. The latter is used for other types of baked products (e.g., pastries and other types of bread). The 72 percent extraction flour is sold to 20,000 private-sector bakeries which produce higher quality bread and pastries.

TRADE:

FAS Cairo forecasts Egypt's total wheat imports in MY 2018/19 at 12.5 million metric tons. Import figures for MY 2017/18 are in line with USDA's official forecast figure of 12 million metric tons.

The Ministry of Supply and Internal Trade's GASC is Egypt's single largest purchaser of wheat. It has issued 27 import tenders for 5.85 MMT of wheat in MY 2016/17 compared to 4.5 MMT in marketing year 2015/16. The three largest suppliers in MY 2016/17 remain Russia (4.47 MMT), Romania (1.26 MMT), and Ukraine (560,000 MT). The average price paid by the GASC during the last two tenders of MY 2016/17, including freight, was roughly \$205 per metric ton.

In calendar year 2017, the GASC imported 7.73 MMT of wheat; these imports represent 60.2 percent of Egypt's total imports. Its imports in CY 2017 are up 3.43 MMT or almost 80 percent compared to calendar year 2016. Private sector wheat imports in CY 2017 of 4.9 MMT account for 39.8 percent of total imports. Russia having shipped 7.66 MMT of wheat in 2017 controls Egypt's imported wheat

market (61.3 percent market share). Ukraine follows with 2.66 MMT (21.3 percent) and is trailed by Romania with about one million metric tons (8.8 percent).

On February 7, 2018, the GASC changed its tender requirements. It set a cap on demurrage fees; suppliers under the new fixed rate system are responsible for the first 12 days of demurrage set at \$12,000 per day. Previously traders were responsible for the full delay duration and demurrage costs. The new rules increase the cost of sieving a cargo from \$2.00 to \$3.00 per metric ton.

TABLE 1: EGYPT, GASC Wheat Tenders, July-September 2017

Tender No.	Shipment Period	Tender Date	Ukraine	Russia	Romania	France	TOTAL MT	TOTAL MT
1	July 1-10	30-May	---	120	60	---	180	180
2	July 10-20	9-June	---	240	120	---	360	540
3	July 15-25	12-June	60	180	60	---	300	840
4	July 25-Aug 5	21-June	55	---	120	---	175	1,015
5	Aug 5-15	5-July	---	350	60	---	410	1,425
6	Aug 10-20	7-July	---	115	---	---	115	1,540
7	Aug 21-31	18 July	---	120	120	60	300	1,840
8	Sept 1-10	25-July	60	300	60	---	420	2,260
9	Sept 20-30	16-Aug	60	295	---	---	355	2,615
10	Oct 1-10	29-Aug	60	235	---	---	295	3,085
11	Oct 21-31	18-Sep	---	175	---	---	175	3,260
12	Nov 5-15	3-Oct	---	180	---	---	180	3,440
13	Nov 20-30	9-Oct	---	170	---	---	170	3,610
14	Dec 1-10	18-Oct	---	230	---	---	230	3,840
15	Dec 15-30	9-Nov	---	120	---	---	120	3,960
16	Jan 1-10	15-Nov	---	240	---	---	240	4,200
17	Jan 11-20	27-Nov	---	120	---	---	120	4,320
18	Jan 21-31	12-Dec	---	235	60	---	295	4,615
19	Feb 1-10	27-Dec	---	180	---	---	180	4,795
20	Feb 11-20	9-Jan	---	115	---	---	120	4,910
21	Feb 18-28	15-Jan	---	295	---	---	295	5,205
22	March 05-15	2-Feb	---	180	---	---	120	5,385
23	March 12-22	9-Feb	---	240	120	---	360	5,745

The General Authority for Supply Commodities is relaxing the protein content requirements for some supplier origins. The minimum content limit was reduced from 12 to 11.5 percent for Russian, Ukrainian, and Romanian wheat. The minimum content limit for both French wheat and U.S. soft wheat has now dropped from 11.5 to 11 percent. Requirements for U.S. hard red wheat dropped from 12.5 percent to 12 percent. The aim is to diversify the tender pool of origins. In the current marketing year, Russian-origin wheat has won 80.2 percent of the tenders.

Unlike other large regional buyers (i.e., Algeria and Saudi Arabia), Egypt's tender book and phytosanitary requirements along with a lack of clear standards is costly and raises risk. Post estimates that burdensome inspection and phytosanitary requirements add a risk premium of \$8-10/MT that is

factored into prices; this translates into an additional EGP 1-1.26 billion (\$56-70 million) that the GASC pays based on its MY 2017/18 imports of 7 million metric tons.

The February 7, 2018, tender requirement changes are meant to bring a greater degree of certainty to the tendering process; one which has often been plagued by costly, illogical delays. Post understands that the GASC's new requirements will help lower costs to \$6.00 per metric ton. We calculate the breakdown of \$6.00/MT to entail \$3.00 for possible sieving, \$0.50 for (possible) fumigation, and a maximum of \$2.30 as a possible delay compensatory value (12 day delay x \$12,000 = \$144,000; for a shipment of 63,000 MT = \$2.30). If there is no delay, this amount stays with the supplier as a net additional profit.

The General Authority for Supply Commodities ordered on February 9, 2018, its first non- exclusively Russia-origin shipment (last one was in mid-December 2017). The purchase calls for 360,000 MT of wheat (Russia - 240,000 MT and Romania -120,000MT), with a March 12-22, 2018 shipping date. Post is seeing indications that tendering requirement changes are having an impact. There are now 11 cargoes (from three different origins), up from the nine cargoes (from two origins) placed in the February 2, 2018 tender. Prices paid, however continues to rise. The average cargo is costing \$220.08/MT CFR (cost-and-freight), up \$2.63/MT from the earlier tender of February 2, 2018.

TABLE 2: EGYPT, GASC Tender No. 23, Shipping Dates March 12-22, 2018

Supplier	Tonnage (MT)	Origin	FOB Price/MT (USD)	CFR Price/MT (USD)
AOS	60,000	Russia	206.60	221.60
Cereacom	60,000	Romania	209.80	222.94
Daewoo	60,000	Russia	207.95	222.95
GTCS	60,000	Russia	208.00	223.60
Friends	60,000	Russia	208.80	222.94
CHS	60,000	Russia	209.43	222.26

Note: Incoterms FOB = free-on-board; CFR = cost-and-freight.

STOCKS:

FAS Cairo forecasts Egypt's ending stocks in MY 2018/19 at 4,757 MT, an increase of 9.1 percent from Post's MY 2017/18 forecast of 4,357 MT. Marketing year 2017/18 numbers have been revised upward from USDA's official estimate of 3,902 metric tons. The increase in ending stocks is attributed to an expected increase in local production levels.

The General Authority for Supply Commodities keeps normally a three-to-four month supply of stocks (including wheat) in the import pipeline, while an additional one-month supply of wheat transits to Egypt.

Wheat	2016/2017	2017/2018	2018/2019
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Market Begin Year Egypt	Jul 2016		Jul 2017		Jul 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1260	1260	1260	1320	0	1320
Beginning Stocks	4607	4607	4052	4157	0	4357
Production	8100	8100	8100	8450	0	8450
MY Imports	11236	11400	12000	12000	0	12500
TY Imports	11236	11400	12000	12000	0	12500
TY Imp. from U.S.	167	120	0	120	0	120
Total Supply	23943	24107	24152	24607	0	25307
MY Exports	491	550	550	550	0	550
TY Exports	491	550	550	550	0	550
Feed and Residual	1400	1400	1300	1300	0	1300
FSI Consumption	18000	18000	18400	18400	0	18700
Total Consumption	19400	19400	19700	19700	0	20000
Ending Stocks	4052	4157	3902	4357	0	4757
Total Distribution	23943	24107	24152	24607	0	25307
Yield	6.4286	6.4286	6.4286	6.4015	0	6.4015
(1000 HA) ,(1000 MT) ,(MT/HA)						

CORN

PRODUCTION:

FAS Cairo forecasts Egypt's corn production in MY 2018/19 (October-September) at 6.4 million metric tons. In marketing year 2017/18, production and planted areas are being revised upward from USDA's official estimate of 6.0 MMT and 750,000 HA now to 6.4 MMT and 800,000 HA respectively. White corn accounts for 460,000 HA, with a production of 3.68 million metric tons. Yellow corn accounts for 340,000 HA, with a production of 2.72 million metric tons. Post attributes the MY 2018/19 increase in corn areas to an anticipated reduction in rice planted areas.

CONSUMPTION:

FAS Cairo forecasts MY 2018/19 consumption at 15.9 MMT, an increase of 3.9 percent from MY 2017/18's estimate of 15.3 million metric tons. The latter was revised downward from USDA official estimate by 600,000 MT, or by 3.9 percent due to a 16.6 percent increase in poultry feed prices. Domestic poultry feed (composed of 60-70 percent corn) prices have jumped from EGP 6,000/MT (\$333/MT) at the beginning of the current marketing year to EGP 7,000/MT (\$388/MT). We observe that fish feed prices have also increased at a similar rate. The price of extruded feed for tilapia increased from EGP 6,000/MT (\$333/MT) to EGP 7,000/MT (\$388/MT).

Corn prices have reached EGP 3,660/MT (\$200/MT), up from EGP 3,200/MT (\$177.7/MT). High protein soybean meal prices have similarly climbed upwards from EGP 8,000/MT (\$444.4/MT) to EGP 8,500/MT (\$472/MT).

Trade sources anticipate that Egypt's medium and large scale poultry producers will see an 8-10 percent increase in flock mortality rates this winter season. Outbreaks of viral diseases such as Newcastle disease (ND), avian influenza (H5N1 and H5N8 strains), and infectious bronchitis (IB) are occurring. Smaller producers will be particularly hit; flock mortality rates of at least 18-20 percent are being anticipated. These producers are ill equipped to front the high cost of vaccines and veterinary drugs.

Post expects that a swift recovery of the poultry industry in MY 2018/19, accompanied by growth in the aquaculture sector, will increase feed demand by approximately four percent. We expect to see greater demand for feed raw materials over the next two-to-three years as investment in dairy, poultry, and aquaculture increases.

Egypt's feed manufacturing mills produce poultry feed mix consisting of 70 percent yellow corn, 19.4 percent soybean meal, 3.4 percent wheat bran, and 1.9 percent broiler concentrates (fish or meat meals) in addition to minerals and vitamins. Aquaculture's major dietary energy sources include: yellow corn 10-35 percent, wheat bran 20-30 percent, rice bran 10-25 percent, and vegetable oils 1-5 percent. The feed mix levels depend on the protein and energy contents of the feed, the availability and prices of the ingredients, as well as fish species and their sizes.

TRADE:

FAS Cairo forecasts Egypt's MY 2018/19 corn imports at 9.5 MMT, up one percent from Post's MY 2017/18 estimate of 9.4 million metric tons. Post is revising downwards MY 2017/18 imports to 9.4 MMT from USDA's estimate of 10 million metric tons. We attribute the drop in imports to a 15-20 percent reduction in Egyptian consumption of poultry, red meat, and dairy products; the aftershocks of the November 2016 devaluation and floating of the pound are still felt. With Egypt's annual urban consumer price inflation however falling to 17.1 percent in January 2018 from 21.9 percent in December 2017 and 33.2 percent in August 2017, we expect purchasing power recovery leading to increased consumption strengthening corn imports.

Importers are dissatisfied with U.S. corn's price and quality due to the high percentage of broken kernels. Corn imports during CY 2017 reached 9.0 million metric tons. Brazil (3.1 MMT), Argentina (2.8 MMT), and Ukraine (2.6 MMT) are Egypt's top three corn suppliers. Egypt imported just 219,000 MT of U.S. corn (or less than four HANDYMAX vessels = 50,000 to 60,000 DWT).

Imports of Distiller's Dried Grains with Solubles (DDGS) and Corn Gluten: Imports in CY 2017 of DDGS reached 173,600 MT, up 40,600 MT or 30.6 percent compared to 2016. The United States accounts for 98.8 percent of Egypt's DDGS imports in calendar year 2017. Imports of corn gluten meal reached 115,000 MT in CY 2017, down 33,000 MT or off by 22 percent compared to 2016. Distiller's dried grains with solubles and corn gluten meal are used in beef and dairy cattle, poultry, and aquaculture feeds. Prices of DDGS in the local market are at EGP 4,900/MT (\$272.2/MT). Prices for corn gluten meal are EGP 12,400/MT (\$688.8/MT).

STOCKS:

FAS Cairo forecasts Egypt's MY 2018/19 corn stocks at 2.36 million metric tons. Stock quantity in MY 2017/18 is raised upward from USDA's estimate by 20.2 percent driven by higher local production and slower consumption growth.

Corn Market Begin Year Egypt	2016/2017		2017/2018		2018/2019	
	Oct 2016		Oct 2017		Oct 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	750	750	750	800	0	800
Beginning Stocks	2224	2224	1887	1887	0	2377
Production	6000	6000	6000	6400	0	6400
MY Imports	8773	8773	10000	9400	0	9500

TY Imports	8773	8773	10000	9400	0	9500
TY Imp. from U.S.	258	0	0	0	0	0
Total Supply	16997	16997	17887	17687	0	18277
MY Exports	10	10	10	10	0	10
TY Exports	10	10	10	10	0	10
Feed and Residual	12700	12700	13400	12800	0	13400
FSI Consumption	2400	2400	2500	2500	0	2500
Total Consumption	15100	15100	15900	15300	0	15900
Ending Stocks	1887	1887	1977	2377	0	2367
Total Distribution	16997	16997	17887	17687	0	18277
Yield	8	8	8	8	0	8
(1000 HA) ,(1000 MT) ,(MT/HA)						

RICE:

PRODUCTION:

FAS Cairo forecasts Egypt's MY 2018/19 milled rice production and planted area to drop to 3.3 MMT and 588,000 hectares. We are revising down MY 2017/18 milled rice production to 3.3 MMT from the 4.3 MMT USDA official estimates. The reduction is attributable to decreased planted area; drops by 174,000 HA from USDA's official estimate of 762,000 hectares.

On January 26, 2018, the Ministry of Water Resources and Irrigation (MWRI) reduced the allotted rice cultivated area for CY 2018 from 1.076 million feddans (451,920 HA) to 724,200 feddans (304,080 HA). The 309,080 HA planted above the MWRI's CY 2017 limit, drove the Ministry's decision to reduce plantings. Farmers planting rice in May-June 2017 outside the government's allotment area of 451,920 hectares faced a fine of EGP 8,000/ HA (\$454/HA).

Post expects that despite stringent enforcement, 283,920 HA of rice fields fall outside the CY 2018 season's allotted area. Over the past five years, cultivation outside the MWRI's allotment area has ranged from 400,000 to 700,000 feddans (210,000 to 294,000 HA). Rice is an easy to cultivate, high yielding profitable cash crop; farmers will continue to flaunt planting restrictions.

Northern Delta rice cultivation helps limit seawater intrusion into the aquifer. Recycled water irrigates 60 percent of the rice fields. Early maturing rice varieties developed by the Agriculture Research Center grow in three months; using 9,500-11,000 cubic meters of water per hectare.

CONSUMPTION:

FAS Cairo forecasts Egypt's MY 2018/19 rice consumption at 4.0 MMT, similar to that of marketing year 2017/18. Post is revising down MY 2017/18 consumption estimate to 4.0 MMT from official USDA estimate of 4.4 million metric tons.

The drop in consumption is attributable to higher retail prices. Depending on the brand and quality, prices range between EGP 7 to 12/ kilogram (kg). The availability of other more affordable carbohydrate sources (i.e., lower priced pasta) is enticing consumers pinching piasters (cents). The subsidy program is allowing consumers a choice. Beneficiaries are shifting away from higher-priced rice to lower cost pasta, frozen vegetables, and frozen chicken.

FAS Cairo forecasts that retail packaged rice prices will range between EGP 10 to 15/ kg Over the next six months. We attribute this price range to the MWRI's decision to reduce rice allotted rice cultivated areas. This February we are already seeing paddy rice prices increasing from EGP 3,800/MT (\$211/MT) to EGP 4,100/MT (\$227.7/MT). General Authority for Supply Commodities contracted private rice millers are supplying milled rice at EGP 6,100 per metric ton. The government's subsidy program absorbs 70,000 to 100,000 MT of rice per month. Subsidy program packaged rice sells for EGP 6.5/ kilogram.

TRADE:

FAS Cairo forecasts Egypt's MY 2018/19 rice imports at 250,000 metric tons. Imports in MY 2017/18 imports are revised upward from USDA's official estimate by 150,000 MT due to significant reductions in local production. A clearer picture will emerge if rice cultivation restrictions will stand after the Egyptian Parliament returns in March 2018, well before the CY 2018 (August-September) harvest. Egypt sometimes imports Indian rice for its subsidy program.

STOCKS:

FAS Cairo forecasts Egypt's MY 2018/19 ending rice stocks will decline, reaching 424,000 metric tons. The marketing year 2017/18 estimate is revised downward from USDA's official estimate by 400,000 MT or 43.2 percent. This downward revision is due to significant decrease in local rice production resulting from reductions in planted area.

Rice, Milled Market Begin Year Egypt	2016/2017		2017/2018		2018/2019	
	Oct 2016		Oct 2017		Oct 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	850	850	762	588	0	588
Beginning Stocks	924	924	1474	1474	0	924
Milled Production	4800	4800	4300	3300	0	3300
Rough Production	6957	6957	6232	4783	0	4783
Milling Rate (.9999)	6900	6900	6900	6900	0	6900
MY Imports	150	150	50	200	0	250
TY Imports	150	150	50	200	0	250
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	5874	5874	5824	4974	0	4474
MY Exports	100	100	100	50	0	50
TY Exports	100	100	100	50	0	50
Consumption and Residual	4300	4300	4400	4000	0	4000
Ending Stocks	1474	1474	1324	924	0	424
Total Distribution	5874	5874	5824	4974	0	4474
Yield (Rough)	8.1847	8.1847	8.1785	8.1344	0	8.1344

(1000 HA) ,(1000 MT) ,(MT/HA)