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Wheat and Corn Imports Hold Steady Despite Increased Local Production

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Report Highlights:

FAS Cairo forecasts Egypt's wheat production in marketing year (MY) 2018/19 (July-June) at 8.45 million metric tons (MMT). Wheat imports in MY 2018/19 are forecast at 12.5 MMT, up 1.62 percent from the MY 2017/18 import figure of 12.3 million metric tons. Corn imports in MY 2018/19 are forecast at 9.5 MMT, up one percent from the MY 2017/18 estimate of 9.4 million metric tons. Milled rice production in MY 2018/19 is forecast to decrease to 2.8 MMT, revised downward from the USDA official figure of 3.3 million metric tons due to a decrease in the planted area. This marketing year's planted area is expected to drop to 462,000 hectares, down from MY 2017/18's 762,000 hectares. Rice imports in MY 2018/19 are forecast at 300,000 metric tons.

Executive Summary

FAS Cairo (Post) forecasts Egypt's wheat production in marketing year (MY) 2018/19 (July-June) at 8.45 million metric tons (MMT). Planted area at roughly 1.32 million hectares remains unchanged. Post's forecast production figure remain unchanged from the U.S. Department of Agriculture's (USDA) official MY 2018/19 estimate.

On June 27, 2018, the Ministry of Supply and Internal Trade (MoSIT) announced the purchase of 3.15 MMT of domestically produced wheat. The price paid by the government for local wheat ranges between Egyptian pound (EGP) 570 to EGP 600/*ardeb* or about \$212.80/MT to \$224/MT (USD 1.00 = EGP 17.85) based on quality and moisture levels (Fig. 1). The government's wheat procurement purchases ran from April 15, 2018, through June 15, 2018.

The General Authority for Supply Commodities (GASC), an agency of the MoSIT, is Egypt's largest wheat purchaser. It issued 28 import tenders for 6.64.MMT of wheat in MY 2017/18 compared to 5.85 MMT in marketing year 2016/17. The largest foreign suppliers in MY 2017/18 included Russia (5.2 MMT) and Romania (1.06 MMT), followed by Ukraine (355,000 MT) and France (60,000 metric tons). In marketing year 2016/17, the GASC issued 27 import tenders; its three largest suppliers were Russia (4.47 MMT), Romania (1.26 MMT), and Ukraine (560,000 metric tons).

FAS Cairo forecasts Egypt's corn imports in MY 2018/19 at 9.5 MMT, up one percent from Post's MY 2017/18 estimate of 9.4 million metric tons. Yellow corn shipments in CY 2018 (January-August) totaled 6 MMT, or 750,000 MT per month. Egypt's top three suppliers in 2018 are Argentina (2.1 MMT), Ukraine (2.1 MMT), and the United States (1.1 million metric tons).

FAS Cairo forecasts Egypt's milled rice production in MY 2018/19 to decrease to 2.8 MMT, revised downward from the USDA official figure of 3.3 million metric tons. We attribute the drop to the decrease in the planted area. Post expects MY 2018/19 planted area to drop to 462,000 hectares, down from MY 2017/18's planted area of 762,000 hectares. Farmers are now shifting to cotton and corn in response to more competitive government procurement prices.

FAS Cairo forecasts Egypt's rice imports in MY 2018/19 at 300,000 metric tons. A clearer picture will emerge following the CY 2018 rice harvest (August-September) and the processing of the crop. Egypt sometimes imports India-origin rice for its subsidy program. Egypt imports long-grain rice from South East Asia, but not in significant amounts.

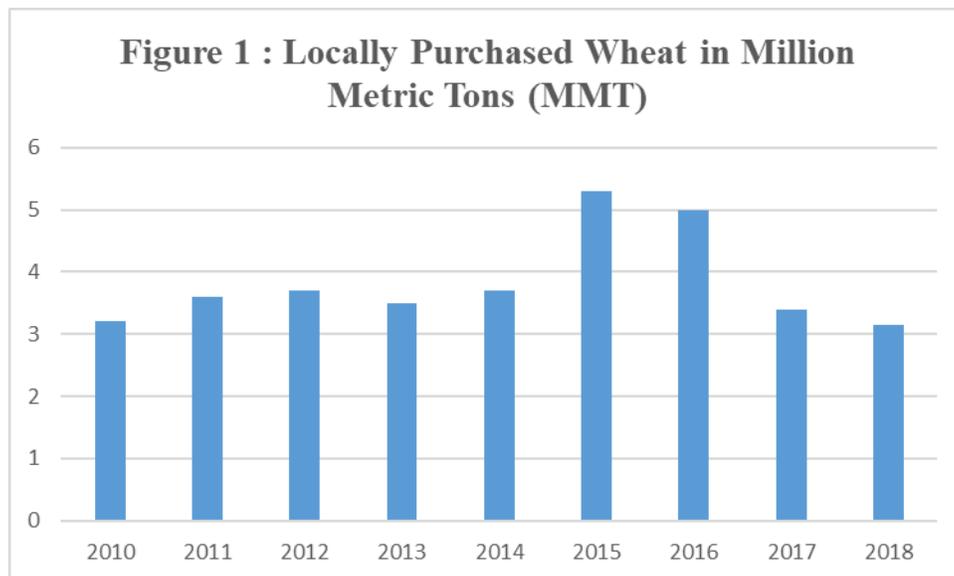
WHEAT

Production:

FAS Cairo (Post) forecasts Egypt's wheat production in marketing year (MY) 2018/19 (July-June) at 8.45 million metric tons (MMT). Planted area at roughly 1.32 million hectares remains unchanged. Post's forecast production figure remain unchanged from the U.S. Department of Agriculture's (USDA) official MY 2018/19 estimate.

The Ministry of Agriculture and Land Reclamation (MALR) is promoting vertical expansion (i.e., increasing yields per unit area). It is promoting raised bed cultivation of wheat using higher yielding varieties; 6,493 extension fields reportedly are using new, higher yielding varieties.

Domestic Wheat Procurement: On June 27, 2018, the Ministry of Supply and Internal Trade (MoSIT) announced the purchase of 3.15 MMT of domestically produced wheat. The price paid by the government for local wheat ranges between Egyptian pound (EGP) 570 to EGP 600/*ardeb* or about \$212.80/MT to \$224/MT (USD 1.00 = EGP 17.85) based on quality and moisture levels (Fig. 1). An *ardeb* equals approximately 150 kilograms. The government's wheat procurement purchases ran from April 15, 2018, through June 15, 2018.



SOURCE: FAS Cairo office research.

The General Authority for Supply Commodities' (GASC) governmental wheat purveyors are:

- 1- The Holding Company for Food Industries (1.0 MMT).
- 2- The Egyptian Holding Company for Silos and Storage (1.25 MMT).
- 3- The General Company for Silos and Storage (200,000 MT).
- 4- The Egyptian Agriculture Bank (700,000 MT).

Consumption:

FAS Cairo forecasts Egypt's wheat consumption in MY 2018/19 at 20.1 MMT, up 1.5 percent from the MY 2017/18 estimate of 19.8 million metric tons. Post attributes the uptick to a 1.62 percent increase in food, seed and industrial use (FSI) consumption. The rise in FSI wheat consumption is attributable to population growth of about 2.5 percent per annum. Egypt with a population of 97 million (Central Intelligence Agency, est., July 2017) is adding some 2 million people per year. It is also host to an estimated 5 million refugees from Iraq, Syria, Libya, Yemen, and Sudan.

The Bread Subsidy System Remains Unchanged: Beneficiaries are allocated 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 (\$0.01 per loaf); this is less than one tenth of the actual cost. The government compensates bakeries for the difference in production cost. The current cost of subsidizing one loaf of *baladi* bread is about EGP 0.57 (\$0.03).

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; beneficiaries can use points to purchase 44 other subsidized food items. Beneficiaries make their purchases at the roughly 27,000 MoSIT partnered private grocery stores, as well as from 1,250 state-owned consumer complexes. The point system cost the government in fiscal year (FY) 2017/18 (July-June) about EGP 5.3 billion (\$297 million).

For fiscal year 2018/19, the government is allocating EGP 86 billion (\$4.8 billion) for bread and food subsidies. Of this amount, roughly EGP 42 billion (\$2.35 billion) is earmarked for the bread subsidy program, with EGP 4.4 billion (\$246.3 million) going to the bread point system. Some EGP 37 billion (\$2 billion) is allocated to the supply commodities (i.e., beef, chicken, rice, cooking oil, and sugar).

Trade:

FAS Cairo forecasts Egypt's wheat imports in MY 2018/19 at 12.5 MMT, up 1.62 percent from the MY 2017/18 import figure of 12.3 million metric tons. The latter remains unchanged from the USDA official estimate.

The General Authority for Supply Commodities, an agency of the MoSIT, is Egypt's largest wheat purchaser. It issued 28 import tenders for 6.64 MMT of wheat in MY 2017/18 compared to 5.85 MMT the previous year. The largest foreign suppliers in MY 2017/18 included Russia (5.2 MMT) and Romania (1.06 MMT), followed by Ukraine (355,000 MT) and France (60,000 metric tons). In marketing year 2016/17, the GASC issued 27 import tenders; the largest suppliers were Russia (4.47 MMT), Romania (1.26 MMT), and Ukraine (560,000 metric tons).

Governmental officials and wheat suppliers confirm that despite higher prices, Egypt will not reduce wheat imports this year. The government is committed to meeting the needs of a growing population, as well as to maintaining a sufficient reserve. FAS Cairo forecasts the GASC's purchases in MY 2018/19 to reach 6.8 to 7.0 million metric tons.

On June 12, 2018, the GASC changed its tender requirements, reducing fines levied against suppliers. It reduced sieving costs from \$3.00/MT to \$2.00 per metric ton. It also dropped the delivery delay fine to \$10,000/day (for the first 10-days of delay); down from \$12,000/day (for the first 12-days of delay). Prior to this date, several suppliers complained that the delivery delay fines were the result of vessels being held up at Egyptian ports longer than necessary due to slow inspection procedures.

On July 30, 2018, the Ministry of Trade and Industry extended for a period of nine months (commencing on July 3, 2018) its earlier Ministerial Decree No. 1166/2018. The decree specifies the permissible moisture content for imported wheat. In extending the decree, the pool of supply origins increased for the GASC and private sector importers. The ministerial decree specifies that the moisture content should not exceed 13.5 percent of the weight.

Stocks:

FAS Cairo forecasts Egypt’s ending stocks in MY 2018/19 at 4.46 MMT, an increase of 5.9 percent from Post’s earlier MY 2017/18 estimate of 4.2 MMT and in line with the USDA official estimate. The increase in MY 2018/19 ending stocks is due to higher imports.

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 Market Begin Year	2016/2017		2017/2018		2018/2019	
	Jul 2016		Jul 2017		Jul 2018	
Egypt	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1260	1260	1320	1320	1320	1320
Beginning Stocks	4607	4607	3991	3991	4216	4216
Production	8100	8100	8450	8450	8450	8450
MY Imports	11175	11175	12300	12300	12500	12500
TY Imports	11175	11175	12300	12300	12500	12500
TY Imp. from U.S.	167	167	0	0	0	120
Total Supply	23882	23882	24741	24741	25166	25166
MY Exports	491	491	725	725	600	600
TY Exports	491	491	725	725	600	600
Feed and Residual	1400	1400	1300	1300	1300	1300
FSI Consumption	18000	18000	18500	18500	18800	18800
Total Consumption	19400	19400	19800	19800	20100	20100
Ending Stocks	3991	3991	4216	4216	4466	4466
Total Distribution	23882	23882	24741	24741	25166	25166
Yield	6.4286	6.4286	6.4015	6.4015	6.4015	6.4015

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

CORN

Production:

FAS Cairo forecasts Egypt’s corn production in MY 2018/19 at 6.8 MMT, up by 6.25 percent from the MY 2017/18 production estimate of 6.4 million metric tons. Planted area reached 850,000 hectares in

MY 2018/19, up 50,000 hectares from the previous marketing year. Reportedly white corn planted area accounts for 600,000 hectares, with yellow corn plantings making up the balance.

The government is improving extension services, using higher-yielding seed, adopting procurement price processes that encourage growers to make more timely decisions, and improving marketing channels. This season the ministry established 465 extension fields utilizing the Agriculture Research Center's (ARC) new maize hybrids. It is also promoting good agricultural practices, needed for higher yields and decreased post-harvest losses.

The Ministry of Agriculture and Land Reclamation facilitated this season corn contracting between corn producer cooperatives and the Union of Poultry Producers. The contract obligates the Union of Poultry Producers to purchase domestic corn at the ministry's set procurement price of EGP 3,800/MT (\$212.80 per metric ton). We estimate that the Union of Poultry Producers will pay about EGP 950 million (\$53.2 million) for some 250,000 MT of domestic corn.

Consumption:

FAS Cairo forecasts Egypt's corn consumption in MY 2018/19 at 16.1 MMT, up 1.25 percent from the MY 2017/18 estimate of 15.9 million metric tons. We attribute the uptick to increased feed demand driven by the country's poultry, dairy, and aquaculture sectors. Post has at the same time observed corn prices dropping from EGP 4,200/MT (\$235.20/MT) to EGP 3,650/MT (\$204.40 per metric ton). We are similarly seeing high-protein soybean meal prices dropping from EGP 8,500/MT (\$476.10/MT) to EGP 8,000/MT (\$448.10 per metric ton). We attribute the drop in prices to weekly price fluctuations driven in part today by higher than expected import volumes.

Egypt's poultry industry employs 2.5 million workers, with investment reaching EGP 65 billion (\$3.65 billion). The sector produces annually nearly 1.25 billion day-old chicks, 1 billion chickens (i.e., broilers), and 8 billion table eggs. Large commercial breeders account for about 70 percent of the production. We anticipate poultry sector's feed consumption to grow by two-to-three percent as the larger producers consolidate and vertical integration increases.

The dairy industry is experiencing a growth rate of three-to-four percent per annum. The sector is rapidly industrializing, driven by increased demand for fresh, refrigerated dairy products. Dairy farms are now replacing buffalo herds with higher-yielding Holstein cattle.

Egyptian aquaculture is also witnessing spectacular, rapid development. Production has increased sharply to 1.5 MMT, and now accounts for 80 percent of Egypt's total fish production (both farmed and wild catch). Egypt is today the tenth largest producer of farmed fish, as well as the world's second largest producer of tilapia. Investment in feed mills is expanding to meet demand for high quality extruded feed.

Egypt's feed mills typically produce poultry feed-mix 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 10-35 percent yellow corn, 20-30 percent wheat bran, 10-25 percent rice bran, and 1-5 percent vegetable oils. The feed mix

formulation depend on the protein and energy contents of the feed, as well as the availability and price of the ingredients, including fish species and their sizes.

Trade:

FAS Cairo forecasts Egypt's corn imports in MY 2018/19 at 9.5 MMT, up one percent from Post's MY 2017/18 estimate of 9.4 million metric tons. Yellow corn shipments in CY 2018 (January-August) total 6 MMT, or 750,000 MT per month. Egypt's top three suppliers in 2018 are Argentina (2.1 MMT), Ukraine (2.1 MMT), and the United States (1.1 million metric tons).

Distiller's Dried Grains with Solubles (DDGS) Imports: Egypt's DDGS imports through July 2018 totaled 91,500 MT; Post anticipates imports of 160,000 MT in 2018. Imports in CY 2017 were 173,600 MT, up 40,600 MT or 31 percent higher compared to 2016. In 2017, the United States accounted for 98.8 percent of Egypt's DDGS imports. Local DDGS prices are EGP 4,900/MT (\$302.50 per metric ton).

Corn Gluten Meal: Egypt's imports of corn gluten meal through July 2018 totaled 70,000 MT; Post anticipates imports of 120,000 MT by the end of calendar year 2018. Imports in CY 2017 were 115,000 MT, down 33,000 MT or off by 22 percent compared to 2016. The beef/dairy livestock, poultry, and aquaculture feed manufacturing sector are heavy users of corn gluten meal. Prices for corn gluten meal are EGP 12,700/MT (\$711.40 per metric ton).

Stocks:

FAS Cairo forecasts Egypt's corn stocks in MY 2018/19 at 1.96 million metric tons, revised upward from the USDA official estimate by 11.3 percent. We attribute the increase to higher local production.

Corn Market Begin Year	2016/2017		2017/2018		2018/2019	
	Oct 2016		Oct 2017		Oct 2018	
Egypt	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	750	750	800	800	800	850
Beginning Stocks	2224	2224	1887	1887	1777	1777
Production	6000	6000	6400	6400	6400	6800
MY Imports	8773	8773	9400	9400	9700	9500
TY Imports	8773	8773	9400	9400	9700	9500
TY Imp. from U.S.	258	258	0	0	0	0
Total Supply	16997	16997	17687	17687	17877	18077
MY Exports	10	10	10	10	10	10
TY Exports	10	10	10	10	10	10
Feed and Residual	12700	12700	13400	13400	13600	13600
FSI Consumption	2400	2400	2500	2500	2500	2500
Total Consumption	15100	15100	15900	15900	16100	16100
Ending Stocks	1887	1887	1777	1777	1767	1967
Total Distribution	16997	16997	17687	17687	17877	18077
Yield	8	8	8	8	8	8

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

RICE

Production:

FAS Cairo forecasts Egypt's milled rice production in MY 2018/19 to decrease to 2.8 MMT, revised downward from the USDA official figure of 3.3 million metric tons. We attribute the drop to the decrease in the planted area. Post expects MY 2018/19 planted area to drop to 462,000 hectares, down from MY 2017/18's planted area of 762,000 hectares. Farmers are now shifting to cotton and or corn in response to more competitive government procurement prices.

Farmers planting rice in MY 2018/19, outside the government's allotment area of 346,500 hectares face hefty fines of EGP 7,142/hectare (\$400.10/hectare) to EGP 47,619/hectare (\$2,667 per hectare). According to a Ministry of Irrigation and Water Resources report (July 2018), satellite imagery of the delta however shows that 1.1 million *feddans* (462,000 hectares) are planted with rice. Farmers have planted an additional 115,500 hectares or 33 percent more than the authorized allotted area. To date, no criteria has been set for assessing fines.

Rough rice yields in MY 2018/19 are up 16 percent. We see yields benefitting thanks to the increase use of early maturing, high-yield certified seed varieties (i.e., Giza 177, Giza 178, Sakha 101, Sakha 106, and Sakha 107). The adoption of the Agricultural Research Center's rice planting recommendations for normal and saline soils is contributing to the upswing in yields.

Domestic Rice Procurement: On September 4, 2018, the MoSIT and MALR announced procurement prices for paddy rice ranging from EGP 4,400 (\$246.40) to EGP 4,700 (\$263.30) for two months commencing on September 15, 2018; prices are dependent on quality. As in past years, the GASC is the agency responsible for contracting the purchases.

Consumption:

FAS Cairo forecasts Egypt's rice consumption and residual at 4.0 MMT in MY 2018/19, similar to MY 2017/18 level, but revised downward from the official USDA estimates of 4.4 million metric tons. We attribute the drop to slightly higher retail prices.

Depending on the rice brand and quality, retail market prices range between EGP 8.00 (\$0.45) to 12.00 (\$0.67) per kilogram. The price of unpackaged rice, sold mainly in rural villages, ranges between EGP 6.00 (\$0.34) to 8.00 (0.45) per kilogram. Paddy rice is currently selling for EGP 4,600/MT (\$257.70/MT); in January 2018 it went for EGP 6,200/MT (\$347 per metric ton).

Domestic packaged rice sells for EGP 7.50 (\$0.42) to 8.50 (\$0.47 per kilogram in public consumer complexes and at the MoSIT outlet stores. The availability of other more affordable carbohydrate sources (i.e., lower priced pasta) often entices consumers pinching piasters (cents). The subsidy program allows consumers a choice; beneficiaries are shifting away from higher-priced rice to lower-cost pasta, frozen vegetables, and frozen chicken.

On July 29, 2018, the GASC contracted with 38 private rice millers for a period of three months to supply milled rice at EGP 7,500 (\$420.17) per metric ton. The government's subsidy program absorbs 70,000 MT of rice per month.

Trade:

FAS Cairo forecasts Egypt's rice imports in MY 2018/19 at 300,000 metric tons. A clearer picture will emerge following the CY 2018 rice harvest (August-September) and the processing of the crop. Egypt sometimes imports India-origin rice for its subsidy program. Egypt also imports long-grain rice from South East Asia, but not in significant amounts.

Paddy rice, until now has not been imported due to local rice production surpluses. Rice traders are nonetheless now importing some Chinese rice (similar to medium-grain). Egypt has imported some 38,000 MT of Chinese rice in calendar year 2018.

Egypt has yet to authorize any foreign origins as an eligible paddy rice source. For a country to become eligible to export to Egypt, a pest risk analysis is required. No country is currently authorized to export paddy rice to Egypt. On July 17, 2018, the MoSIT however announced the rollout of rules and guidelines for importing paddy rice (in 90-days). The ministry and the MALR's Central Administration for Plant Quarantine are coordinating this action. The latter will implement specifications and guidelines, ensuring the safe transport, handling, and processing of the imported paddy rice.

Stocks:

FAS Cairo forecasts Egypt's ending rice stocks in MY 2018/19 to reach 806,000 MT, down significantly from the previous marketing year's estimate of 1.7 million metric tons. The drop is due to the decrease in local rice production resulting from the reduction in planted area.

Rice, Milled Market Begin Year	2016/2017		2017/2018		2018/2019	
	Oct 2016		Oct 2017		Oct 2018	
Egypt	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	850	850	762	762	588	462
Beginning Stocks	924	924	1426	1426	1326	1726
Milled Production	4800	4800	4300	4300	3300	2800
Rough Production	6957	6957	6232	6232	4783	4058
Milling Rate (.9999)	6900	6900	6900	6900	6900	6900
MY Imports	102	102	50	50	400	300
TY Imports	90	102	50	50	400	300
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	5826	5826	5776	5776	5026	4826
MY Exports	100	100	50	50	20	20
TY Exports	100	100	50	50	20	20
Consumption and Residual	4300	4300	4400	4000	4400	4000
Ending Stocks	1426	1426	1326	1726	606	806
Total Distribution	5826	5826	5776	5776	5026	4826
Yield (Rough)	8.1847	8.1847	8.1785	8.1785	8.1344	8.7835

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