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Expanded Beets Production Increases Egypt's Sugar Supply

Country: Egypt

Post: Cairo

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Report Highlights:

The Office of Agriculture Affairs (Post) forecasts refined sugar production in marketing year (MY) 2021/22 to increase by approximately 2.6 percent or 75,000 metric tons (MT) to reach 2.85 million metric tons (MMT). Of this total forecast, 1.58 MMT of sugar will be derived from sugar beets, while 1.27 MMT will be sourced from sugarcane. This increase in production is attributed to good procurement prices of sugar beets. Post forecasts total sugar domestic consumption in MY 2021/22 to increase by 2.6 percent or 90,000 MT to reach 3.43 MMT. Egypt's raw sugar imports in MY 2021/22 are forecast to remain unchanged at 800,000 MT. The Egyptian government allocated 76,000 ha to UAE-funded one billion project for beet production.

Sugarcane

Overview

Sugarcane cultivation in Egypt is heavily concentrated around the sugar refineries in Upper Egypt, representing 77 percent of the cane area in the country. Middle Egypt comprises an additional 15 percent of the sugarcane area, followed by the Delta at eight percent. Sugarcane is planted in the spring and autumn seasons. Spring planting occurs in February and March, while autumn planting extends from September through October. The crop takes 12 months to grow.

Cane Production

Farmers maintain the area cultivated by sugarcane. Post estimates the MY 2021/22 planted area to be largely the same with a slight increase in the harvested area to 135,000 ha, an increase of 5,000 ha, almost four percent, compared to last year. The government announced a slight decrease in the procurement price of sugarcane for MY 2020/21 at EGP 700/MT (\$44.53) compared to EGP 720/MT (\$45.80) in MY 2019/20. Prices are expected to remain unchanged in MY 2021/22.

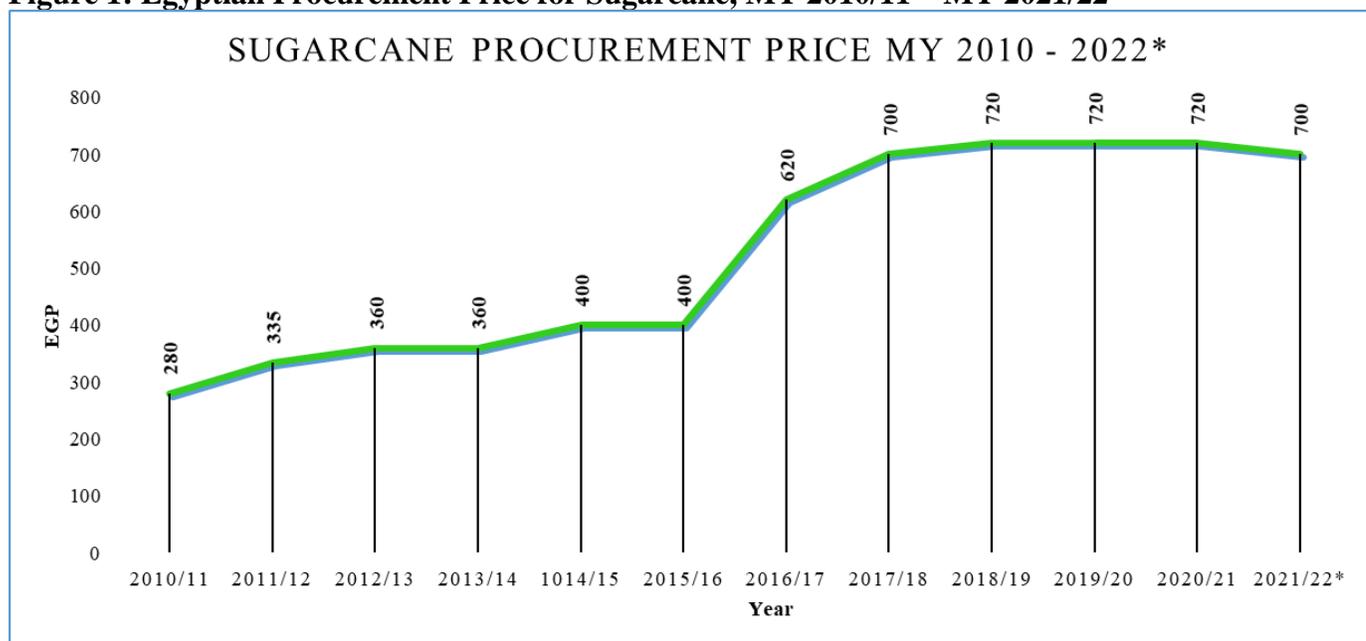
Post expects sugarcane production in MY 2021/22 to reach 14.2 MMT, approximately 300,000 MT above last year's estimate. Post attributes the higher production to the increase in the harvested area and improved yields due to continued access to better fertilizers.

The economy in Upper Egypt, the country's south, is heavily dependent on sugarcane production. Any disruptions to the sugarcane planted area would directly impact the livelihoods of an estimated 200,000 families that grow sugarcane. Given an average family size of 5.3 people, just over a million people are directly dependent on sugarcane production. Another 300,000 families that depend on the ancillary businesses built around sugar production would also be indirectly affected by a downturn in the industry. Due to the economic and cultural importance of sugarcane production to Upper Egypt, adequate pest control is essential. The U.S. government funded a project in conjunction with the Ministry of Agriculture to develop resistance varieties for culmicolous smut pathogen. This severe sugarcane smut disease can cause a 30 to 75 percent loss in cane yields.

Sugarcane Price Background

The local farmers syndicate regularly pressures the government to increase its procurement prices. In MY 2016/17, the government increased the sugarcane procurement price to EGP 620/MT (\$35.10) at the behest of the syndicate. The updated rate was 55 percent higher than the MY 2015/16 procurement price of EGP 400/MT. In 2019, the syndicate requested that the price be EGP 900/MT (\$57) but it was declined by the government. The current price of EGP 700/MT (\$44.53) is up by 13 percent as compared to the MY 2016/17 procurement price (note: there was a devaluation of EGP in 2016. Before devaluation \$1= EGP 8 and after devaluation \$1= EGP 17.40). Figure 1 tracks the Egyptian procurement price over time.

Figure 1: Egyptian Procurement Price for Sugarcane, MY 2010/11 – MY 2021/22*



Source: Egyptian Sugar Crop Council, 2021/22* FAS/Cairo forecast

Post estimates that with a sugarcane procurement price of EGP 710/MT (\$45.16), farmers will see a net profit of EGP 19,100/ha (\$1,215.03). The estimated cost of sugarcane production per hectare is around EGP 52,381 (\$3,325.33).

Table 1: Sugarcane PSD

Sugar Cane for Centrifugal	2019/2020		2020/2021		2021/2022	
Market Year Begins	Jan 2019		Jan 2020		Jan 2021	
Egypt	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	130	126	131	131	0	136
Area Harvested (1000 HA)	129	125	130	130	0	135
Production (1000 MT)	13805	12500	13900	13900	0	14200
Total Supply (1000 MT)	13805	12500	13900	13900	0	14200
Utilization for Sugar (1000 MT)	13805	12500	13900	13900	0	14200
Utilization for Alcohol (1000 MT)	0	0	0	0	0	0
Total Utilization (1000 MT)	13805	12500	13900	13900	0	14200
(1000 HA),(1000 MT)						

Note: These are FAS Cairo estimates, not official USDA data

Sugar Beet

Beet Production

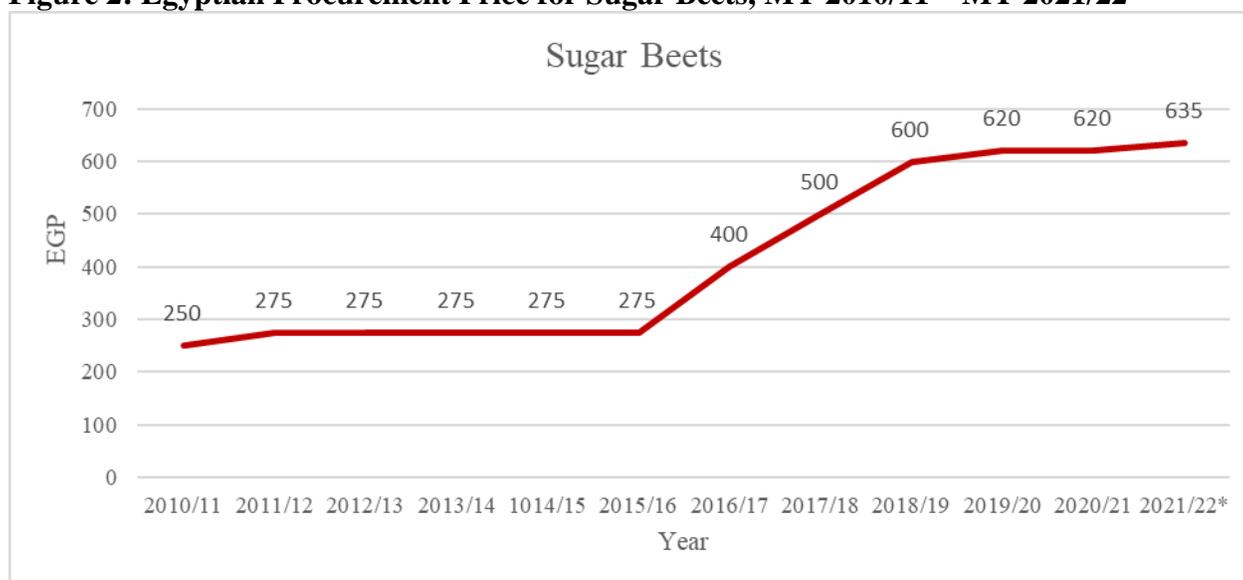
The industrial demand for sugar beets is still increasing, which provides a higher price, thus incentivizing many farmers to plant more beets. Accordingly, Post is increasing sugar beet area harvested in MY 2021/22 to 265,000 ha, an increase of almost four percent or 10,000 ha.

This rise in demand is attributed to the establishment of new sugar beet processing plants thus increasing demand for raw beets. Post anticipates area planted to increase slightly over last season's increase. Post expected sugar beet area planted and harvested to rise by 2 percent or 5,000 ha, to reach 255,000 ha in MY 2020/21. In MY 2021/22, the increased area will come with an associated increase in production, expected to reach 11.34 MMT. This is 3.7 percent over Post's MY 2020/21 forecast.

In MY 2019/20, a new one-billion-dollar sugar beet investment project from the United Arab Emirates commenced and is still under construction. The Egyptian government allocated 180,000 *feddans* (76,000 ha) to the company for sugar beet production. The company is targeting the production of 450,000 MT of sugar beets in its initial phase. The project will plant the 76,000 ha over a five-year span.

Over the past decade, sugar beet prices increased significantly. In MY 2019/20, the procurement price of sugar beet reached 600 EGP/MT (\$39.36). In MY 2018/19, the procurement price for the sugar beet crop reached EGP 700/MT (\$44.44) for early varieties and EGP 500 (\$31.70) for late varieties compared to EGP 500/MT (\$31.70) in MY 2017/18; or a 40 percent increase. In MY 2016/17, the price was EGP 400/MT (\$25), the first increase beet farmers received since MY 2011/12. Before that time, prices were flat at EGP 275/MT (\$17.50). Figure 2 shows sugar beet procurement prices from 2009 to the current year. In MY 2020/21, prices are averaging from EGP 620 – 650/MT (\$39.44 – \$41.35) and expected to remain the same in MY 2021/22.

Figure 2: Egyptian Procurement Price for Sugar Beets, MY 2010/11 – MY 2021/22*



Source: FAS/Cairo research, 2021/22* FAS/Cairo forecast

Beets are planted in August and September and harvested in March and April. Most beets are grown by independent farmers who contract sales directly with factories. Some beets are also cultivated on leased land operated by privately-owned factories. Sugar beet cultivation is concentrated in the Delta region. However, there are some scattered cultivation in Upper Egypt in Minya governorate, and in Toshka.

Post expects sugar beet yield to average 42.8 MT/ha. Sugar concentration in beets is 13-18 percent, higher than the 11 percent in sugarcane. In addition to sugar for human consumption, co-products from the refining process are utilized in animal feed.

Egypt does not produce beet seeds locally due to requirements in terms of temperature and sunlight. Among other conditions, seed production requires packing the roots at eight degrees centigrade for three months and daylight duration of 16-18 hours. As a result, Egypt depends on seed varieties imported from Germany, Denmark, Netherlands, France, and Sweden, which have a less-than-optimal performance in the Egyptian production areas. Every season, the Ministry of Agriculture and Land Reclamation distributes between 20-30 different varieties to avoid the risk of crop failure due to the susceptibility of a single variety to biotic or abiotic stresses.

The Sugar Industry Research Institute established a national sugar beet breeding program in cooperation with USDA to select sugar beet seed varieties adapted to the Egyptian environmental conditions. Twenty-two American breed sugar beet lines were evaluated for heat stress tolerance in MY 2016/2017 and seven lines were identified as heat tolerant. The Sugar Industry Research Institute continues to conduct trials to produce sugar beet seeds out of the seven identified varieties for local production. Last year, the institute found that out of the seven varieties, two have shown very good results as heat tolerant and were more likely to adapt to the Egyptian climatic conditions.

Table 2: Sugar Beet PSD

Sugar Beets	2019/2020		2020/2021		2021/2022	
Market Year Begins	Jan 2020		Jan 2021		Jan 2022	
Egypt	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	251	251	256	256	0	267
Area Harvested (1000 HA)	250	250	255	255	0	265
Production (1000 MT)	10710	10710	10925	10925	0	11340
Total Supply (1000 MT)	10710	10710	10925	10925	0	11340
Utilization for Sugar (1000 MT)	10710	10710	10925	10925	0	11340
Utilization for Alcohol (1000 MT)	0	0	0	0	0	0
Total Distribution (1000 MT)	10710	10710	10925	10925	0	11340
(1000 HA),(1000 MT)						

Note: These are FAS Cairo estimates, not official USDA data

Source: FAS/Cairo Research

Consumption

Post forecasts total sugar domestic consumption in MY 2021/22 to increase by 2.6 percent or 90,000 MT to reach 3.43 MMT. The rise in sugar consumption is driven by population growth, estimated at 2.4 percent per annum. Egypt with a population of 100 million (est., 2020) is adding roughly 2 million people per year. Additionally, the expansion of the confectionary food products sector is demanding higher sugar inputs.

Figure 4: Egyptian Sugar Production, Supply, and Imports, MY 2016/17 – MY 2021/22*



Source: PSD/FAS, 2021/22* FAS/Cairo forecast

The Food Subsidy Program

The Egyptian government in fiscal year (FY) 2020/21 (July-June) allocated 84 billion EGP (\$5.36 billion) to food subsidies. Of this amount, roughly 48 billion EGP (\$3.06 billion) alone is earmarked for the bread subsidy program (EGP 15.65 = \$1.00). The other 36 billion EGP (\$2.3 billion) is for supply commodities (i.e. rice, cooking oil, sugar, beef, chicken, etc.). Roughly some 64 million Egyptians make use of food subsidies delivered by the government as credits on SMART cards; these credits are redeemable monthly for food staples.

The subsidy program in calendar year (CY) 2020 provided cash allowances of EGP 50 (\$3.19) per beneficiary, up 233 percent from EGP 15 (\$0.96) per beneficiary in CY 2014. The system today offers beneficiaries a choice of discounted food items (i.e., supply commodities such as rice, beef, and chicken, etc.) and offers a more diversified food basket similar in quality to that found in retail outlets. All SMART card beneficiaries are entitled to 1 liter of blended vegetable oil (EGP 17 or \$1.09). A network of 1,300 state-owned consumer complexes managed by MoSIT's HCFI accept SMART cards, as well as 31,000 partnered, private grocery stores.

Egypt continues to provide refined sugar to food subsidy beneficiaries at prices below the international price. The complexes provide one kilogram of sugar at a subsidized price of EGP 9.50 (\$0.61) per month. A family of four will get a monthly cash transfer of EGP 200 (\$12.78), enabling them to meet their sugar needs, as well as purchase other food commodities.

Retailers in the greater Cairo area generally sell packaged sugar to the public at around EGP 10/KG.

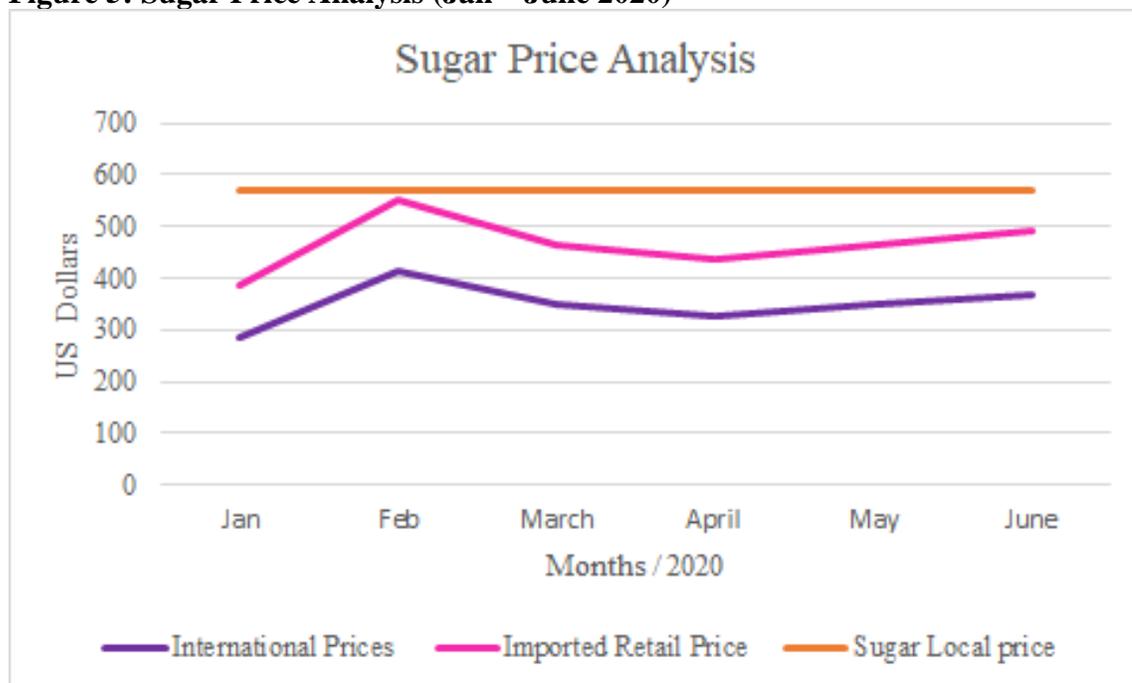
Trade

Post forecasts that total sugar imports in MY 2021/22 will remain the same as in MY 2020/21 at 830,000 MT. Imports are expected to remain unchanged due to a steady production increase which compensate for the increase in the total demand. The majority of sugar imports are usually imported through the Egyptian Sugar and Integrated Industries Company (ESIIC), which operates as a subsidiary of HCFI.

In June 2020, the Ministry of Trade and Industry issued a decree to temporarily ban sugar imports, including refined and raw sugar, for three months, subject to renewal. The decision was renewed and is still in effect.

This decision came in light of the COVID-19 crisis and the subsequent downturn in global oil prices that also led to a 30 percent decline in sugar prices – especially raw sugar prices. The government intended to protect domestic industry from imports. Figure 5 analyzes the price of imported white sugar against locally produced sugar in the first half of 2020.

Figure 5: Sugar Price Analysis (Jan – June 2020)



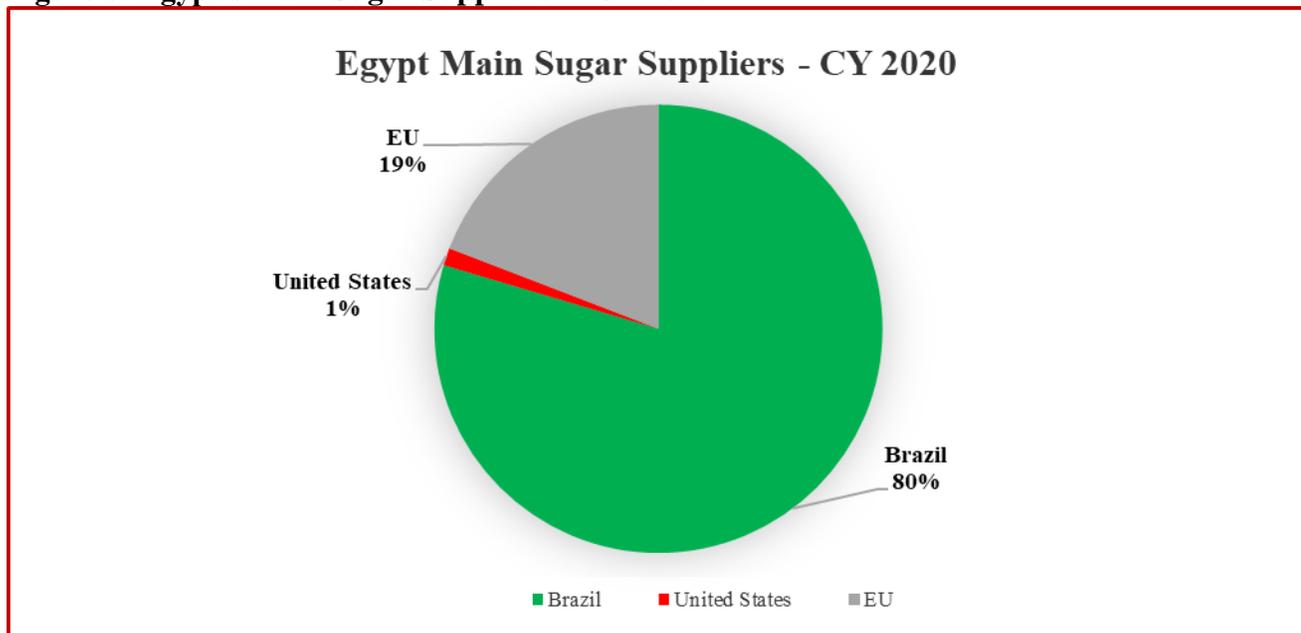
Source: FAS/Cairo Research

The decree exempts white sugar imported for the pharmaceutical industry, though it is still subject to approval by the Ministry of Health. Sugar importers declared however that they are still able to import,

given that they obtain an import permit from the Ministry of Trade. This permission to import that the Egyptian government requires guarantees that sugar quantities are imported equally by a number of importers, and not monopolized by a few. Therefore, even with the ban on sugar imports, Post’s forecast of imports remains unchanged. Imported sugar is subject to a 25 percent tax and a shipping cost of \$25/MT.

Egypt sources the difference between production and demand through imports and will still import its needs even while the ban is in place. Egypt produces almost 80 percent of domestic sugar consumption demand and imports the remaining 20 percent. In CY 2020, Egypt imported 8.3 MMT, with Brazil supplying 80 percent of Egypt’s imports of raw sugar (See Figure 6). Brazil is likely to remain Egypt’s main raw sugar supplier in MY 2021/22.

Figure 6: Egypt’s Main Sugar Suppliers in CY 2020



Source: TDM – FAS/Cairo office analysis

Post forecasts Egypt’s sugar exports to reach 300,000 MT in MY 2021/22 similar to Post’s MY 2020/21 estimate. The Egyptian government established an export tax after the MY 2016/17 season, decreasing overall exports since that time. The tax is designed to protect domestic supply. On April 5, 2017, Ministerial Decree number 469/2017, increased the export tax to EGP 3000/MT (\$191.69). The decree was effective from March 30, 2017 and remains in effect. Sudan and Kenya absorb 50 percent of Egypt’s sugar exports and are expected to remain the main export destinations in MY 2021/22. Egypt exports sugar to most of its neighboring countries.

Table 3: Centrifugal Sugar

Sugar, Centrifugal	2019/2020		2020/2021		2021/2022	
Market Year Begins	Oct 2019		Oct 2020		Oct 2021	
Egypt	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	145	145	165	165	0	135
Beet Sugar Production (1000 MT)	1500	1500	1400	1530	0	1580
Cane Sugar Production (1000 MT)	1240	1240	1200	1250	0	1275
Total Sugar Production (1000 MT)	2740	2740	2600	2780	0	2855
Raw Imports (1000 MT)	800	800	850	800	0	800
Refined Imp.(Raw Val) (1000 MT)	30	30	30	30	0	30
Total Imports (1000 MT)	830	830	880	830	0	830
Total Supply (1000 MT)	3715	3715	3645	3775	0	3820
Raw Exports (1000 MT)	300	300	300	300	0	300
Refined Exp.(Raw Val) (1000 MT)	0	0	0	0	0	0
Total Exports (1000 MT)	300	300	300	300	0	300
Human Dom. Consumption (1000 MT)	3250	3250	3185	3340	0	3430
Other Disappearance (1000 MT)	0	0	0	0	0	0
Total Use (1000 MT)	3250	3250	3185	3340	0	3430
Ending Stocks (1000 MT)	165	165	160	135	0	90
Total Distribution (1000 MT)	3715	3715	3645	3775	0	3820
(1000 MT)						

Attachments:

No Attachments