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Egypt

Sugar

Annual

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Report Highlights:

Egyptian cane sugar production is stable while beet sugar is increasing. Sugar imports dropped by 40 percent in CY 1999 and are expected to further decline in CY 2000. In January 2000, the GOE increased import tariffs on raw sugar from 5 percent to 24 percent and on refined sugar from 10 percent to 26 percent. The government continues to provide high guaranteed price and low interest loans to sugar can farmers.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Area planted & Production

Sugar cane accounts for about 78 percent of total sugar production in Egypt. It is cultivated mainly in Upper Egypt where it is well adapted to the extreme summer heat. Sugar cane is planted in January and remains in the ground for 4-5 years. Total sugar cane area has been stable around 115,000 HA for the last three years and is expected to remain almost unchanged for the next few years. About 2000 feddan (840 HA) of new reclaimed dessert land in Asswan governorate have been cultivated with sugar cane in MY 1999. Cane Sugar production in Egypt continues to be a monopoly of one public sector company (the Sugar & Integrated Industries Company - SIIC). The SIIC has a limited crushing capacity and can only process about 80 percent of the total available sugar cane crop. A small quantity of the sugar cane crop is sold fresh for direct fresh consumption or juice shops. The company, however, has a considerable amount of excess refining capacity estimated at 900,000 MT/year and is currently utilizing about 400,000 MT of this excess capacity to process imported raw sugar for the private sector for a fee of \$55 per MT.

Sugar beet is becoming a growing source of sugar production. In MY 1999/2000 it represented about 22 percent of Egypt's total sugar production, compared to 20 percent in MY 1998/99. While total area devoted to sugar cane is stagnant, the area planted to sugar beet is rapidly growing. In MY 1999 /2000, total sugar beet area increased to 63,000 HA, or about 15 percent over MY 1998/1999. This increase in area planted to beet was mostly due to operating of the Dakahlia mill at full capacity, the start of operation at a new beet mill in El-Fayoum governorate and the partial utilization of Abu-Qurkas sugar cane mill for beet crushing. Most of sugar beet production area is either located in the northern part of the Nile Delta, where the soil is quite poor and unsuitable for other crops, or in the newly reclaimed desert land. It is reported that about 17,000 HA of sugar beets were cultivated in the Abou-Qurkas area in Upper Egypt in MY 1999/2000 to supply the Abu-Qurkas mill with raw sugar beet. Total sugar beet area in MY 2001 is forecast to increase by about 3 percent.

All beet sugar production, except for a small amount produced by the Abou-Qurkas mill, is under the control of three private sector companies (Delta Sugar Company, Dakahlia Sugar Company and El-Fayoum Sugar Company). Total beet sugar production in MY 1999 is estimated at 260,000 MT, or about 18 percent over 1998 level. In addition to the SIIC and the three private sugar beet companies, there is another private sector company (El-Safadi) involved only in refining and packaging sugar with a total capacity of 350,000 MT/year. This company depends totally on imported raw sugar. However, following a recent increase of the import tariffs on raw sugar from 5% to 24%, this company is currently facing difficulties in obtaining its raw materials. It has been reported that the company has stopped production totally and it is now out of the sugar business.

Yield and Crop quality

According to the Ministry of Agriculture (MOA), the average yield of sugar cane in Egypt is estimated at 111 MT/ HA, which ranks first in the world in sugar cane productivity. Sugar industry officials, however, estimate the actual average yield at 95 MT/HA. (PS&D estimates in this report are based on the industry estimates rather than the MOA estimates). Generally, weather does not play a major role in cane production in Egypt. All of the cane crop is irrigated and the climate is fairly consistent throughout the major producing region of Upper Egypt. Nevertheless, favorable climatic conditions such as low temperatures at night and mild temperatures during the day have contributed to the good quality of both cane and beet crops in MY 1999/2000. Preliminary reports on the MY 1999/2000 cane crop indicate that the average sugar content is about 12 percent (unchanged from the season before) and sugar recovery is 10.7 percent, compared to 10 percent in the previous season

The average yield of Sugar beet varies, depending on the quality of soil, between 38 MT/HA (in EL-Fayoum area) and 48 MT/HA (in Abou-Qurkas area), with a national average of 43 MT/HA. For the 1999/2000 beet crop, sugar content is expected to average 18 percent and sugar recovery rate is about 15 percent.

Production Policy

Given the scarcity of both land and water resources in Egypt, in addition to the limited cane crushing capacity, the government's policy is to maintain a stable sugarcane area. Any future growth in cane sugar production would have to be through increasing yields. The Sugar Crops Institute of the Ministry of Agriculture is currently conducting field experiments on improved cane varieties that have higher yields, more resistant to insects and plant diseases and consume less water. The current government policy is also promoting the expansion in sugar beet production which is suitable to cultivation in the newly reclaimed land.

The sugarcane industry is labor intensive and very vital to the economy of Upper Egypt. The current government policy which sets the farmer delivery price for sugar cane at LE 95 per MT to the SIIC has made the profitability of sugarcane much higher than any other competing crops. In addition, the government provides low interest soft loans to sugar cane farmers up to LE 2,800 per feddan (at interest rate 7.5 %, compared to commercial rates up to 14 percent). The government also requires the sole end user (the SIIC) to buy the sugar cane from farmers at set price of LE 95 per MT. At this price, the company production cost of refined sugar is about 10 percent higher than the sale price set by the government. The government pays the difference between sugar production cost and the sale price to the SIIC.

Fructose Corn Syrup

The National Company for Maize Products (a private sector company) is the only producer of high fructose corn sugar (HFCS) in Egypt. Total production of HFCS in CY 1999 is estimated at 86,000 MT, about 12 percent lower than the CY 1998 level. Out of this quantity, 68,500 MT is HFCS-55 and the balance is HFCS-42. This decrease in HFCS production level was mainly due to the decline demand of soft drinks following an increase in their prices in April 1999. For the CY 2000, HFCS production is expected to increase to 93,000 MT, out of which 75,000 MT is HFCS-55. Imported corn is the basic raw material for HFCS production, of which the company buys about 180,000 MT each year, mostly from the U.S. However, in CY 1999 the company imported only 160,000 MT of yellow corn from the U.S. due to reduction in the production levels. All HFCS-55 is utilized exclusively by soft drink bottlers, while HFCS-42 is used in a variety of products including jams, jellies, ice cream, pastries, and canned fruits. According to the NCMP officials, Coca-Cola bottling company uses HFCS in 100 percent of its production, while Pepsi company uses 50 percent HFCS.

As a result of the continuing low international sugar prices and the heavy influx of imported sugar into Egypt in the last two years, the National Company for Maize Products have been forced to discount the sale prices of its HFCS for the third consecutive year. The average price of HFCS-55 in 2000 was about LE 947 (\$277) per MT compared with LE 1065 (\$305) per MT in 1998. Because of the low revenue from discounted sale prices, the company has accumulated huge debts and is currently facing some financial problems.

Consumption and Prices

Total sugar consumption in 2000 is expected to increase by less than one percent over the 1999 level and it is projected to increase by similar level in 2001. This increase in sugar consumption is significantly smaller than the population growth which indicates that per capita consumption may have declined in the last year. Per capita sugar consumption in Egypt is currently estimated at about 30 Kg per year. The GOE continues to subsidize sugar consumption under the national ration system, albeit at a decreasing rate. The policy of the Ministry of Supply and Domestic Trade (MOSDT) is to gradually phase out the sugar subsidy. In CY 1999, a total of 520,000 MT of refined sugar was targeted for distribution to ration card holders, compared with 570,000 MT in CY 1998. The balance of the total consumption (1,43,000 MT) was sold in free local markets.

The subsidized price of one kilogram of sugar sold to ration card holders has been divided in two parts, one half Kilo at a cost of LE 0.50/ Kg and an additional half a kilo at a cost of LE 0.80/Kg. Non-rationed sugar is available to consumers through government outlets at LE 1.60 per Kg, while the retail price of sugar in private sector shops runs between LE 1.60 and LE 1.80 per Kg. At the present time, the government appears to be far away from removing sugar altogether from the list of subsidized commodities. The wholesale price for locally produced sugar is currently LE 1250/MT.

Trade

In CY 1999, Egyptian sugar imports declined by 40 percent, to 653,000 MT, most of which (two thirds) was raw sugar. This significant decline in Egyptian sugar imports was attributed mainly to increased sugar stocks resulting from a drastic increase in sugar imports in the previous year. Brazil, the European Union and Australia were the major sugar suppliers to the Egyptian market in CY 1999. Although the U.S. is not a traditional supplier of sugar, in 1999 it exported about 8,000 MT of refined beat sugar to the Egyptian market.

Egyptian sugar imports continue to decline further in CY 2000 following a government decision to increase tariffs on imported sugar. In January, the GOE increased import tariffs on raw sugar from 5 % to 24 % and on refined sugar from 10 % to 26% , with tariffs calculated on basis of minimum price of \$ 760/MT for refined sugar and \$720/MT for raw sugar. As a result, Egyptian sugar imports declined to only 35,000 MT during the first quarter of 2000, or less than 25 percent of the same period of the previous year. For total imports in the year 2000, it is forecast to decline by about 20 percent, compared to 1999. Most of the quantities imported are expected to be raw sugar. With the recent shrinking in sugar imports in Egypt, some of the international sugar importers are currently engaged in domestic trading of sugar, where they buy locally produced sugar from SIIC and sell it to wholesalers. Industry analysts, predict that Egyptian sugar imports to bounce back in 2001 with an increase of over 25 percent in order to cover the gap between local production and consumption requirements as well as rebuild the strategic stocks.

The average import price for white sugar in CY 1999 declined to \$210 /MT/CIF, compared to \$ 303/MT/CIF in 1998, while the average import price for raw sugar declined to \$160/MT/CIF, compared to \$171/MT/CIF in 1998. As mentioned above, import tariffs are currently 24% on raw sugar and 26% on white sugar. Tariffs on other sugar in non-solid form such as syrups and molasses are 30% and confectionary sugar is assessed a tariff rate of 40%.

Stocks

Egypt normally maintains strategic sugar stocks equal to about 60 days of total consumption, or about 360,000 MT. In 1998, however, Egypt's sugar stocks ballooned to 640,000 MT (raw sugar basis) mainly due to a drastic

increase in sugar imports. Stocks, returned to their normal levels in 1999 as a result of a significant reduction in imports. For 2000, sugar stocks are expected to be about 50 percent lower than their normal levels as a result of the expected decrease in imports in MY 2000, while for the MY 2001 stocks are forecast be about 40 percent lower than the normal levels.

PSD Table						
Country:	Egypt					
Commodity:	Sugar					
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		10/99		10/2000		10/2001
Beginning Stocks	428	640	318	373	0	231
Beet Sugar Production	250	260	220	330	0	340
Cane Sugar Production	995	920	995	930	0	940
TOTAL Sugar Production	1245	1180	1215	1260	0	1280
Raw Imports	550	430	500	400	0	500
Refined Imp.(Raw Val)	300	223	250	158	0	210
TOTAL Imports	850	653	750	558	0	710
TOTAL SUPPLY	2523	2473	2283	2191	0	2221
Raw Exports	0	0	0	0	0	0
Refined Exp.(Raw Val)	250	150	210	0	0	0
TOTAL EXPORTS	250	150	210	0	0	0
Human Dom. Consumption	1955	1950	1920	1960	0	1970
Feed Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	1955	1950	1920	1960	0	1970
Ending Stocks	318	373	153	231	0	251
TOTAL DISTRIBUTION	2523	2473	2283	2191	0	2221

PSD Table						
Country:						
Commodity:	Sugar Cane Centrifugal					
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		10/99		10/2000		10/2001
Area Planted	110	105	110	103	0	102
Area Harvested	110	105	110	103	0	102
Production	9965	9975	9965	9785	0	9792
TOTAL SUPPLY	9965	9975	9965	9785	0	9792
Utilization for Sugar	9965	9975	9965	9785	0	9792
Utilizatn for Alcohol	0	0	0	0	0	0
TOTAL UTILIZATION	9965	9975	9965	9785	0	9792

PSD Table						
Country:						
Commodity:	Sugar Cane Non-Centri fugal					
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin						
Area Planted	9	10	10	12	0	13
Area Harvested	9	10	10	12	0	13
Production	800	960	850	1160	0	1240
TOTAL SUPPLY	800	960	850	1160	0	1240
Utilization for Sugar	800	960	850	1160	0	1240
Utilizatn for Alcohol	0	0	0	0	0	0
TOTAL UTILIZATION	800	960	850	1160	0	1240

PSD Table						
Country:						
Commodity:	Sugar Beets					

	1999		2000		2001	
	Old	New	Old	New	Old	New
Market Year Begin		10/99		10/2000		10/2001
Area Planted	0	55	60	63	0	65
Area Harvested	0	55	60	63	0	65
Production	0	2340	1700	2850	0	2940
TOTAL SUPPLY	0	2340	1700	2850	0	2940
Utilization for Sugar	0	2340	1700	2850	0	2940
Utilizatn for Alcohol	0	0	0	0	0	0
TOTAL UTILIZATION	0	2340	1700	2850	0	2940

Import Trade Matrix			
Country:		Units:	000 MT
Commodity:			
Time period:			

Imports for	1998		1999
U.S.		U.S.	8
Others		Others	
Brazil	661	Brazil	419
E.U	184	Australia	44
Mexico	44	E.U	128
S.Africa	26		
Total for Others	915		591
Others not listed			54
Grand Total	915		653