



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - Public distribution

**Date:** 3/10/2009

**GAIN Report Number:** EG9002

## Egypt

### Grain and Feed

### Annual

### 2009

**Approved by:**

Peter Kurz

U.S. Embassy

**Prepared by:**

Cynthia I.Guven & Sherif Ibrahim

---

**Report Highlights:**

Planted area for wheat in 2008/09 is forecast to decrease slightly from the previous year's level as a result of the decrease in wheat prices. The Russian market share in the Egyptian wheat market increased, while the U.S. market share decreased. With 76 percent market share, the U.S continues to dominate the Egyptian corn market. As of February 21, 2009, the Ministry of Trade and Industry removed the ban on rice exports. Egypt's total rice exports between February 21 and the end of July 2009 are expected to be 250,000 MT.

---

Includes PSD Changes: Yes  
Includes Trade Matrix: Yes  
Annual Report  
Cairo [EG1]  
[EG]

## Table of Contents

WHEAT .....	3
PS&D .....	3
Production .....	3
Consumption .....	4
Trade .....	4
Stock .....	5
CORN .....	6
PS&D .....	6
Production .....	6
Consumption .....	6
Trade .....	7
RICE .....	8
PS&D .....	8
Production .....	8
Consumption and Stocks .....	8
Trade .....	9
Export Policy .....	9

**WHEAT  
PS&D**

Wheat Egypt								
2007/2008			2008/2009			2009/2010		
Market Year Begin: Jul 2007			Market Year Begin: Jul 2008			Market Year Begin: Jul 2009		
Annual Data Displayed		New Post Data	Annual Data Displayed		New Post Data	Annual Data Displayed		Jan Data
Area Harvested	1,287	1,287	1,287	1,290	1,288	1,226		1,223
Beginning Stocks	4,120	4,120	4,120	4,135	4,128	4,128		4,345
Production	8,275	8,275	8,275	8,300	8,277	7,883		7,864
MY Imports	7,700	7,528	8,310	7,800	7,540	8,320		8,325
TY Imports	7,700	7,528	8,310	7,800	7,540	8,320		8,325
TY Imp. from U.S.	2,839	2,404	2,404	0	2,350	2,350		2,360
Total Supply	20,095	19,923	20,705	20,235	19,945	20,331		20,534
MY Exports	10	15	15	10	15	16		15
TY Exports	10	15	15	10	15	16		15
Feed Consumption	50	60	60	50	60	70		70
FSI Consumption	15,900	15,720	16,502	16,000	15,870	15,900		15,864
Total Consumption	15,950	15,780	16,562	16,050	15,930	15,970		15,934
Ending Stocks	4,135	4,128	4,128	4,175	4,000	4,345		4,585
Total Distribution	20,095	19,923	20,705	20,235	19,945	20,331		20,534

**Production**

Wheat is planted in October/November and harvested in April/May. The total wheat area for MY 2007/2008 was 1.29 MHA, a small increase over MY 2006/07. For MY 2008/2009, Ministry of Agriculture experts forecast that planted area will decrease slightly from the 2007/08 level as a result of the decrease in wheat prices. Total production for MY 2007/2008 was 8.3 MMT or about the same as 2006/2007 level. The government has not announced the procurement price yet for the 2008/09 crop. According to government experts, it is expected to be around LE 1,800 per MT (\$327), which is down from LE 2,533 per MT (\$460 per MT) in 2007/08. As a comparison, the current landed price for Russian wheat is about \$172 per MT compared to \$432 per MT in February 2008. The expected decrease in the government procurement price for wheat may reflect a bit negatively on wheat area in 2009/10.

The Egyptian milling industry has more than adequate capacity to cover the country's need for 72 percent extraction flour. While total consumption of 72 percent extracted flour is estimated at 1.8 million tons or 2.5 million tons of wheat, total milling capacity is estimated at 2.7 million tons of 72 percent flour, or 3.76 million tons of wheat. The public sector milling industry consists of 126 mills (mostly small or medium size) and has a total capacity of approximately 7 million tons per year. There are seven public sector companies that operate these mills, and all are affiliated with one holding company (Food Industries Holding Company). Of the 126 public sector mills, 109 mills are currently used for the production of 82 percent flour and 7 mills are used to produce 72 percent flour with total capacity of 6,230 tons per day (1.86 million tons annually). Shares in some of these companies have been sold to private investors over the past few years. Although the majority of shares are held by the private sector, the holding company maintains complete control of these mills. Given

that wheat is a strategic commodity in Egypt, the government is expected to retain control of most of the milling industry (particularly for the subsidized baladi bread). There are nearly 36 private sector commercial mills, with total capacity of 9,000 tons per day (2.8 million tons annually). These are permitted to produce 72 percent flour only. However, some private sector mills obtained approval to mill 82 percent flour for the government for a fee.

### Consumption

Egypt continues to have one of the highest wheat per capita consumption levels in the world. Total consumption of wheat is forecast to be 16.5 and 15.9 million MT in 2007/08 and 2008/09, respectively. Since the beginning of MY 2008/09 (July 2008) through the end of February 2009, the Ministry of Supply (GASC) purchased 4.5 MMT of imported wheat to produce 82 percent extraction flour used for the subsidized baladi bread. This represents about 1 MMT less quantity than was imported during the same period last year. This decrease in imports by GASC is mainly due to the increased purchases from local production. The total subsidy on baladi bread in MY 2007/08 is estimated at LE 9 billion. During the same period, private sector companies purchased 2 MMT of imported wheat to produce 72 percent extraction flour used in the production of high quality flat bread and European type bread, pastries and pasta. Most of the domestic wheat crop is sold directly to consumers or retained by farmers for on-farm consumption.

The total quantity of locally produced wheat sold to the Ministry of Industry and Foreign Trade in 2007/08 was 2.5 million MT, compared to 1.7 million MT in 2006/07. This increase in GASC purchasing quantity results from the higher price offered to farmers by the government. The General Authority for Supply Commodities (GASC) has a target to purchase 3.5 million MT this year. Most observers suspect that GASC will once again not achieve its target since the private sector will continue to offer higher prices to the farmers. The balance of locally produced wheat either goes directly to consumers or is retained by farmers for on-farm consumption. Egyptian per capita consumption of wheat in MY 2007/2008 is expected to reach 195 kg.

### Trade

Egypt's total wheat imports are expected to increase during this marketing year (2008/09). Russia continues to be the largest wheat supplier to the Egyptian market. From the beginning of MY 2008/09 through the end of February 2009, Russian exports accounted for 54 percent or about 3 MMT of Egyptian wheat imports. U.S. market share decreased in 2008/09 from the previous year; U.S. market share continues to lag well below levels of a few years ago. From the beginning of MY 2008/09 through the end of February 2009, U.S. exports accounted for 29 percent or about 1.5 MMT of wheat imports; the remainder was imported from Ukraine and Canada. It is expected that U.S. wheat exports to the Egyptian market will increase through the end of MY 2008/09 since GASC is no longer purchasing locally from the private sector importers. GASC is only buying through international tenders. Although the ban on rice exports has been lifted, the Egyptian Syrian barter deal currently remains suspended. Most private sector wheat traders import small cargoes from the Black Sea area. In its last tender, dated February 22, 2009, the Ministry of Supply purchased 180,000 MT of wheat from Russia at a reported price of \$172 per MT/FOB.

For MY 2009/2010, Egyptian wheat imports are expected to reach 8.3 MMT, with GASC projected to import nearly 6 MMT, and the rest to be imported by the private sector. This increase in GASC imports is expected because of the increased amount of wheat necessary for the production of 82 percent flour. Customs duties for wheat and corn are one percent plus two percent for other port charges.

Due to competition from other suppliers, notably Russia, the U.S. market share has declined in recent years. Nonetheless, both government and private sector buyers prefer U.S. wheat. However, due to prevailing market conditions, namely higher prices and freight for U.S. wheat, GASC and Egyptian milling companies will likely continue to purchase lower quality wheat. Both sectors are now sourcing more wheat from non-U.S. origins such as Russia and Ukraine.

U.S. Wheat Associates continues to provide trade servicing and quality seminars to Egyptian millers, wheat buyers, and traders. Although the USDA GSM-102 program is available for both public and private sector importers of U.S. agricultural commodities, importers have not used the program in several years, citing the potential for exchange rate risk in the Egyptian market. In addition, Egyptian banks do not pass along benefits to importers.

<b>Import Trade Matrix</b>			
<b>Egypt</b>			
<b>Wheat</b>			
Time Period	MY 2006/07	Units:	My 2007/08
Imports for:			1
U.S.	2,405	U.S.	2,840
Others		Others	
Russia	2,796	Russia	3,655
Canada	602	Canada	188
France	423	France	200
Kazakhstan	420	Kazakhstan	860
Ukraine	319	Ukraine	530
Australia	188	Syria	37
Syria	178		
Romania	96		
Bulgaria	46		
Total for	5068		5470
Others			
Others not			
Listed			
Grand Total	7473		8310

### Stocks?

The Ministry of Supply and Domestic Trade tries to maintain five months supply of strategic stocks. However, due to limited storage capacity that constrains the government from reaching this target, the strategic stocks are now redefined to include wheat import purchases in the pipeline, and usually amount to in the range of three months of annual consumption. Currently, total covered storage capacity for wheat is estimated at one million metric tons, including about 350,000 tons in silos at three different ports, 250,000 tons in inland silos and 400,000 tons in open storage, mostly in metropolitan areas. In addition to government storage facilities, several private sector traders and mills currently have their own receiving and storage facilities, estimated at 500,000 tons. In order to increase the storage capacity, the Ministry of Supply is currently promoting a project to encourage the private sector to build 50 inland silos each with 30,000 tons capacity in different locations

throughout the country. The Ministry of Social Welfare will commit to using 60 percent of the capacity of each silo's capacity at the prevailing storage fee for five years.

## CORN PS&D

Corn Egypt	2007			2008			2009		
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Oct 2007			Market Year Begin: Oct 2008			Market Year Begin: Oct 2009		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Area Harvested	720	720	720	725	725	730			735
Beginning Stocks	920	670	670	845	665	593			442
Production	6,174	6,174	6,174	6,175	6,175	6,217			6,260
MY Imports	4,151	4,220	4,148	4,000	4,100	4,200			4,220
TY Imports	4,151	4,220	4,148	4,000	4,100	4,200			4,220
TY Imp. from U.S.	2,971	0	3,153	0	0	3,180			3,200
Total Supply	11,245	11,064	10,992	11,020	10,940	11,010			10,922
MY Exports	0	0	0	0	0	0			0
TY Exports	0	0	0	0	0	0			0
Feed Consumption	8,300	8,299	8,299	8,000	8,090	8,250			8,300
FSI Consumption	2,100	2,100	2,100	2,300	2,300	2,318			2,320
Total Consumption	10,400	10,399	10,399	10,300	10,390	10,568			10,620
Ending Stocks	845	665	593	720	550	442			302
Total Distribution	11,245	11,064	10,992	11,020	10,940	11,010			10,922

### Production

The total corn area for MY 2008/2009 is estimated at 730,000 HA, slightly increased from the 2007/2008 level. The small increase in corn acreage is attributed to increasing demand in for corn silage as cheap feed for livestock. For the same reason, a further increase in corn acreage is expected in MY 2009/2010. The same factor is expected to lead farmers to switch from cotton to corn. In MY 2008/2009, total corn production is estimated at about 6.2 MMT. For MY 2009/2010, total corn production is expected to increase and reach 6.26 MMT.

### Consumption

While total corn consumption did not change during the last two MY's, corn consumption for feed in MY 2008/09 decreased slightly and is expected to start to bounce back in MY 2009/10. In 2008/09 corn feed consumption is estimated at about 8.25 MMT, compared to 8.29 MMT in the previous year. The majority of the local corn crop is utilized for animal feed (mostly consumed on farm) and about 1.5 million tons is used for food purposes (either milled or consumed fresh). Large commercial end-users and feed mills rely on imported yellow corn to meet their requirements.

Corn use in feed is forecast to increase in 2009/10 and reach 8.3 MMT as the poultry industry situation improves from the outbreak of Avian Influenza (AI), which began in February 2006 and was followed by a severe temporary reduction in poultry output in 2006. In addition, there has been increased utilization of corn in the production of 20:80 corn-wheat composite flour for baladi bread. In 2008/09, about 550,000 tons of locally produced white corn are expected to be delivered to the Ministry of Social Welfare for the production of

subsidized baladi bread. In 2009/10, total white corn delivery is expected to reach 600,000 tons. In addition, there is a small, but growing demand for food products containing corn (snack foods) and corn oil.

### Trade

Total corn imports for 2008/09 are expected to increase due to the increased demand in both the poultry and livestock sectors. Total corn imports since the beginning of MY 2008/09 (October 2008) until the end of January 2009 are estimated at 823,634 MT compared to 782,921 MT in the previous year. With 76 percent market share, the U.S. continues to dominate the Egyptian corn market. The U.S. market share in 2007/08 accounted for 76 percent. Argentina's market share has increased to 24 percent versus 16 percent in MY 2006/07. However, the U.S market share is expected to recover in MY 2008/09, and accounted for 80 percent as of the end of December 2008. A further increase in corn imports is expected in MY 2009/10. Competition from Argentina and other suppliers of yellow corn should remain modest in MY 2009/10 as the price gap between the U.S. and other suppliers is expected to be marginal.

### Stocks

Since both imported and locally produced corn just about covers the requirements for human consumption and animal feed, Egypt does not maintain any corn stocks.

## Import Trade Matrix Corn

Time Period	MY2006 /07	Units:	MY2007 /08
Imports for:			1
U.S.	3,198	U.S.	3,152
Others		Others	
Argentina	689	Argentina	985
Ukraine	170	Brazil	10
New Zealand	70		
Total for	929		995
Others			
Others not Listed			
Grand Total	4127		4147

## RICE PS&D

Rice, Milled Egypt								
2007/2008			2008/2009			2009/2010		
Market Year Begin: Jan 2008			Market Year Begin: Jan 2009			Market Year Begin: Jan 2009		
Annual Data Displayed		New Post Data	Annual Data Displayed		New Post Data	Annual Data Displayed		Jan Data
Area Harvested	670	670	670	672	672	672		670
Beginning Stocks	370	370	370	665	485	635		742
Milled Production	4,385	4,385	4,385	4,387	4,387	4,387		4,374
Rough Production	6,746	6,746	6,746	6,749	6,749	6,749		6,729
Milling Rate (.9999)	6,500	6,500	6,500	6,500	6,500	6,500		6,500
MY Imports	20	20	20	20	20	20		20
TY Imports	20	20	20	20	20	20		20
TY Imp. from U.S.	0	0	0	0	0	0		0
Total Supply	4,775	4,775	4,775	5,072	4,892	5,042		5,136
MY Exports	450	900	750	800	947	300		900
TY Exports	450	900	750	800	950	300		900
Total Consumption	3,660	3,390	3,390	3,625	3,400	4,000		3,680
Ending Stocks	665	485	635	647	545	742		556
Total Distribution	4,775	4,775	4,775	5,072	4,892	5,042		5,136

### Production

Rice is a major summer crop in Egypt, occupying 10 percent of Egypt's total crop area. The entire rice crop is irrigated. Rice requires a special irrigation regime and its cultivation is largely restricted to the northern part of the Delta. It is often planted on reclaimed land where the soil is fairly saline and has varying degrees of productivity. A limited amount of rice is also grown in the middle Delta and in Upper Egypt. Farmers normally exceed the area targeted by the government for rice cultivation despite the prospect of fines (LE 600/ feddan) for those who violate their targeted areas. This is due to much higher profitability of rice cultivation compared to other traditional summer crops (i.e. corn and cotton). As a result, both area and production for 2009/10 are expected to remain at current levels, 670,000 HA and about 4.4 MMT, respectively.

### Consumption and Stocks

Egypt consumes medium grain rice and rice consumption is relatively constant, as consumers continue to prefer wheat-based products. There is no stock-holding policy, with levels reflecting pipeline supplies. Buyers tend to avoid holding stocks and push them to the export market.

## Trade

Egypt is a net rice exporter. Small quantities of high quality name-brand rice are imported by up-scale supermarkets. Rice exports were 750,000 MT during MY 2007/08, much lower than normal levels, such as the 1.2 MMT exported the previous year in MY 2006/07. Although there was a ban in place, exports from September 15, 2008, (the beginning of the rice export marketing year) through the end of January 2009 did occur under an Egyptian-Jordanian government to government agreement. Egypt's rice exports to Jordan during that time are estimated at only 10,000 MT. Besides Jordan, there were also G to G deals with Sudan during the time of the ban. Those exports to Sudan are estimated at 6,000 tons. There were also about 58 tons to Eritrea. However, with this new decree lifting the ban (see details below), rice exporters expect that exports for 2008/09 can reach 250,000 MT through the end of MY 2008/09. For 2009/10, exports are expected to recover and are forecast at 900,000 MT. This rapid recovery of Egyptian rice exports will be mainly due to the severe shortage in world rice supply due to the small production in both Italy and Spain coupled with the severe drought in Australia. The situation in Vietnam and Thailand were also a contributing factor to the world supply shortage.

## Export Policy

On February 4, 2009, the Minister of Trade and Industry issued a decree which removed the ban on rice exports as of February 21, 2009. This decree (no.105) permits Egyptian rice to be exported provided that the exporter delivers through a tender an amount equal to the exported amount to the Government of Egypt the same amount of the exported rice to the Government of Egypt and pays the government LE 1,000 per MT in export taxes.

The removal of the export ban occurred much earlier than expected. The ban, which began on April 1, 2008, as a result of the sharp increase in rough rice prices, was expected to end on April 1, 2009. At the time the ban was implemented, rough rice prices had reached about \$430 per ton, compared to about \$200 at the beginning of the export season in October 2007. Similarly, export prices for milled rice jumped from \$450/ton to \$750/ton. The decision to suspend exports had an immediate impact on prices, with rough rice prices dropping almost \$100 per ton to \$330 on the local market. This ban forced many countries in the region to source rice from other countries, mainly from the U. S.

As of February 22, 2009, the government purchased 128,000 MT of Egyptian rice through two tenders. Rice exporters sold the rice to the government at a reported price of between \$55 and \$215 per MT. However, no exports have taken place yet.

<b>Export Trade Matrix</b>			
Egypt			
Rice, Milled			
Time Period	2006/07		2007/08
Exports for:		Units:	<b>1</b>
U.S.		U.S.	172
Others		Others	
Syria	215,104	Syria	130,509
Libya	179,386	Libya	98,320
Turkey	139,912	Turkey	109,116
Jordan	194,430	Bulgiem	30,900
Saudi-Arabia	61,744	Sudan	49,905
Sudan	56,377	Ukraine	29,671
U A E	35,486	Saudi-Arabia	21,519
Ukraine	27,517	Jordan	20,664
Romania	26,770	Lebanon	15,778
Singapore	37,716	Romania	26,345
Total for Others	97,4442		511,056
Others not Listed	257,203		238,772
Grand Total	1231645		750,000