USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Required Report - public distribution

Date: 4/5/2006

GAIN Report Number: EG6011

Egypt

Sugar

Annual

2006

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Report Highlights:
Total area and production for beet sugar are expected to increase this year in Egypt, while total area and production for sugar cane are expected to remain unchanged. Total sugar imports in CY 2006 are expected to increase. Sugar prices increased by 22 percent in 2005.

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

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PSD Table

Egypt Sugar (Thousand Hectare)						
		2005		**2006**		**2007**
	Old	New	Old	New	Old	New
Market Year Begin		**10/2005**		**10/2006**		**10/2007**
Beginning Stocks	363	363	459	293	0	346
Beet Sugar Production	380	460	390	465	0	470
Cane Sugar Production	980	1050	980	1050	0	1050
TOTAL Sugar Production	1360	1510	1370	1515	0	1520
Raw Imports	910	836	930	950	0	954
Refined Imp.(Raw Val)	310	69	300	75	0	80
TOTAL Imports	1220	905	1230	1025	0	1034
TOTAL SUPPLY	**2943**	**2778**	**3059**	**2833**	**0**	**2900**
Raw Exports	0	0	0	0	0	0
Refined Exp.(Raw Val)	0	0	0	0	0	0
TOTAL EXPORTS	0	0	0	0	0	0
Human Dom. Consumption	2484	2485	2539	2487	0	2500
Feed Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	2484	2485	2539	2487	0	2500
Ending Stocks	459	293	520	346	0	400
TOTAL DISTRIBUTION	**2943**	**2778**	**3059**	**2833**	**0**	**2900**

Area Planted and Production

Sugar cane is the main sugar crop in Egypt, representing about 70 percent of total sugar production, or 1,050,000 MT. Cane is grown primarily in Upper Egypt where it is well adapted to the extreme summer heat. The crop is planted in January and harvested in mid-December. The Ministry of Agriculture (MOA) estimates total cane area for the crop harvested in 2005 at 330,000 feedans, (139,000 HA), same as the previous year. However, industry sources estimate that the amount of cane crop actually delivered in 2005 was harvested from only 260,000 feddans (or about 109,000 HA). The difference represents non-official deliveries utilized in manufacturing sugar cane syrup in small rural plants, or otherwise consumed fresh or not harvested due to infestation. Total sugar cane production for 2005 is expected to increase slightly, due to: 1) the continued success in controlling the spread of the rust scaling plant disease, which caused substantial damage to farms in the past; 2) the increase in the government delivery price for cane from LE 115 to LE 145 per MT.

Sugar cane production in Egypt is monopolized by one public sector company, the Sugar and Integrated Industries Company (SIIC). The SIIC was formed in 1963 when the government nationalized the eight private sugar mills that were operating at that time. Most of these mills were built in the 1920's. The SIIC has limited crushing capacity and can process no more than

70-80 percent of the total available sugar cane crop. However, it does have a considerable amount of excess refining capacity. In order to generate new sources of revenue to compensate for its financial losses, the company contracts some of its excess refining capacity to private importers who process raw sugar at a fee of LE 325 per MT.

Sugar beet is a secondary sugar crop in Egypt. It currently represents about 30 percent of Egypt's total sugar production, or 460,000 MT. Most production of sugar beet is under the control of private sector companies except for about 15,000 MT which are produced by the SIIC. Beets are planted in August-September and harvested in March. Most production is located in the northern part of the Nile Delta, where the soil is quite poor and unsuitable for other crops, or in newly reclaimed desert land.

The MOA estimates the total area and production of the beet crop harvested in 2005 to be at about 171,000 feddans (71,000 HA), and 3,599,000 MT respectively, as compared to 143,000 feddans (60,000 HA) and 2,950,000 MT in 2004. The increase in both area and production was due to some farmers shifting to beet cultivation from other winter crops as beet became a more lucrative crop, especially in newly reclaimed land. In addition, there was an increase in delivery price for beet from LE 180 to LE 217 per MT.

Yield and Crop Quality

Egypt's sugar cane yields are among the highest in the world. The M O A estimates the average yield for the 2005 crop to be about 99 MT per hectare. Beet yields on individual farms vary between 30 and 70 MT per hectare. In MY 2005, the average yield was about 49 MT per hectare, one metric ton increases above the 2004 level. Favorable weather conditions and the widespread availability of seeds and fertilizers to beet growers were the main reasons behind the increase in yield. Industry sources expect yields in MY 2006 to be slightly higher.

Weather does not play a major role in cane production in Egypt. The entire crop is irrigated and the climate is fairly consistent throughout the major production area of Upper Egypt. Low temperatures at night and mild temperatures during the day continue to keep the sugar content fairly stable. Preliminary reports on the 2006 crop indicate a sugar content of about 12.7 percent, compared to 12.6 percent for the 2005 crop. The sugar recovery rate in MY 2005/06 is also unchanged from the previous year which was approximately 10.5 percent. The polarity of cane sugar is reported to be 99.8 percent.

Weather conditions for the beet-growing season in the Delta area have been favorable throughout most of the 2005/06 season. Sugar content is expected to average 17.5 percent, the same as in 2004/05. The sugar recovery rate for this season is running at about 14.6 percent, unchanged from 2005.

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 sugar cane production would have to be through increased yields. The Sugar Crops Institute in the MOA is currently conducting field experiments on improved cane varieties that are known to have higher yields, to be more resistant to insects and plant diseases and consume less water. However, the sugarcane industry is labor intensive and is considered very vital to the economy of Upper Egypt. Government willingness to alter the economic makeup of the region, even slightly remains to be seen. The current government policy which sets the delivery price for sugar cane at LE 145 per MT to the SIIC has also made the profitability of sugarcane much higher than any other competing crops ($1=LE 5.73). In addition, the government provides soft loans to sugar cane farmers (LE 2,800 per feddan at an interest rate of 7.5 percent). Most cane farmers take advantage of this loan. The current government policy also promotes expansion of sugar beet production, which is suitable to cultivation in newly reclaimed lands.

The delivery price for sugar beet in MY 2005/06 has been set by the beet sugar companies at LE 217 per MT for sugar beet that has 16 percent sugar content, compared to LE 180 per MT in the previous year.

Fructose Corn Syrup

The National Company for Maize Products (NCMP), is the only producer of high fructose corn syrup (HFCS) in Egypt. In CY 2005 production of HFCS is estimated at 90,000 MT: 67,400 MT is HFCS-55; and, the remainder is HFCS-42. This compared to 80,000 MT in 2004. The increase is due to increasing sugar prices. NCMP also produce 35,000 MT of starch.

NCMP has storage capacity up to 50,000 MT for corn and 6,000 MT for HFCS. The company produces approximately 800 kilograms of HFCS from one metric ton of corn. HFCS-55 is utilized exclusively by soft drink bottlers. HFCS-42 is used in a variety of products including jams and jellies, ice cream, pastries, and canned fruits. In addition to HFCS, NCMP produces crude corn oil, corn gluten meal (60 percent protein), which is used mainly in poultry feed, and corn gluten feed (16 percent protein), which is used mainly in cattle feed.

The company imported 232,777 MT of yellow corn in 2005, mostly from the United States. The current average price for HFCS-55 is LE 1,750 per MT, compared with LE 1,450 per MT in 2005. The current import price for raw sugar (from Brazil) is $440 C&F per MT while the price for refined sugar is $480 C&F per MT.

Consumption and Prices

In CY 2005 total sugar consumption increased by about 2.6 percent over the CY 2004 level, and it is projected to increase slightly in CY 2006. This increase in sugar consumption is mainly due to the increase in population. Per capita sugar consumption in Egypt is currently estimated at 34 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 Trade (MOST) is to gradually phase out the sugar subsidy. Under the current program, however, 440,000 MT of refined sugar are targeted for distribution under the ration system. This is compared to 500,000 MT in 2004. The remainder of total consumption is freely traded on the open market.

The cost of one kilogram of sugar to ration card holders is divided in two: one half kilo at a cost of LE 0.60/kg; plus an additional half kilo at a cost of LE 0.80/kg. In February 2006, unrationed sugar prices rose from LE 2.5 per kg to LE 3.50 per kg in private sector shops. This price increase resulted from the increase in sugar prices in the international market. According to sugar traders, the E.U. reduced export subsidies on sugar exports by about 36 percent. In addition, there was a shortage of Brazilian sugar for export due to domestic use to offset a rise in oil prices. In order to offset the increase in procurement prices of both sugar cane and beet, the wholesale price for locally produced sugar also rose from LE 2,250 per MT to LE 2,750 per MT. Currently, there are no government efforts to remove sugar from the list of subsidized commodities.

Trade

In CY 2005, total Egyptian sugar imports are estimated at 905,000 MT, of which 69,000 MT is refined sugar (raw vale). This represents a 25 percent decrease from the import level of 2004. The decrease in sugar imports in 2005 was attributed to an increase in sugar production by 13 percent. For 2006, sugar imports are forecast to increase slightly from the 2005 level, and most of the imports are expected to be raw sugar. The expected increase in sugar imports in 2006 is mainly to replenish exhausted stocks. However the increase is expected to be limited due to the recent increase in international sugar prices.

In 2005, the average import prices for white sugar increased to $330 /MT/CIF compared to $240/MT/CIF in 2004. Import prices for raw sugar increased to $280/MT/CIF compared to $200/MT/CIF in 2004. The current import prices for white sugar is reported at $480/MT/CIF and $440/MT/CIF for raw sugar.

The current import tariff on white sugar and raw sugar are 2 percent and 12 percent, respectively. The tariffs on sugar in other non-solid forms such as syrups and molasses are 22 percent. The tariff on confectionary sugar is 32 percent .

Egypt Sugar (1,000 MT)			
Imports from	**2004**	**Imports from**	**2005**
Brazil	928,211	Brazil	786,000
E.U	274,053	E.U	68,818
Cuba	13,000	Argentina	50,000
Grand Total	1,215,264		904,818

Stocks

Egypt normally maintains strategic sugar stocks at least equal to about 60 days of total consumption, or approximately 400,000 MT. In 2006, however, Egypt's sugar stocks are expected to be at 346,000 MT (raw sugar basis) mainly due to the increase in import prices. Stocks are held mainly by the SIIC, or at storage facilities belonging to the Ministry of Welfare.

PSD Table

Egypt Sugar Cane Centrifugal (Thousand Hectare)						
		2005		**2006**		**2007**
	Old	New	Old	New	Old	New
Market Year Begin		**10/2005**		**10/2006**		**10/2007**
Area Planted	115	109	115	110	0	112
Area Harvested	114	108	114	109	0	111
Production	12995	10800	13115	10900	0	11010
TOTAL SUPPLY	**12995**	**10800**	**13115**	**10900**	**0**	**11010**
Utilization for Sugar	12995	10800	13115	10900	0	11010
Utilizatn for Alcohol	0	0	0	0	0	0
TOTAL UTILIZATION	**12995**	**10800**	**13115**	**10900**	**0**	**11010**

PSD Table

Egypt Sugar Beets (Thousand Hectare)						
		2005		**2006**		**2007**
	Old	New	Old	New	Old	New
Market Year Begin		**10/2005**		**10/2006**		**10/2007**
Area Planted	62	72	63	72	0	73
Area Harvested	61	71	62	71	0	72
Production	3050	3599	3100	3599	0	3600
TOTAL SUPPLY	**3050**	**3599**	**3100**	**3599**	**0**	**3600**
Utilization for Sugar	3050	3599	3100	3599	0	3600
Utilizatn for Alcohol	0	0	0	0	0	0
TOTAL UTILIZATION	**3050**	**3599**	**3100**	**3599**	**0**	**3600**

PSD Table

Egypt Sugar Cane Non-Centrifugal (Thousand Hectare)						
		2005		**2006**		**2007**
	Old	New	Old	New	Old	New
Market Year Begin		**10/2005**		**10/2006**		**10/2007**
Area Planted	24	30	24	30	0	23
Area Harvested	23	29	23	29	0	22
Production	2280	2990	2380	2993	0	2300
TOTAL SUPPLY	**2280**	**2990**	**2380**	**2993**	**0**	**2300**
Utilization for Sugar	2280	2990	2380	2993	0	2300
Utilizatn for Alcohol	0	0	0	0	0	0
TOTAL UTILIZATION	**2280**	**2990**	**2380**	**2993**	**0**	**2300**