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Dairy

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Report Highlights:

Egyptian butter and Nonfat dry milk imports decline. U.S market share also declined due to reduction of DEIP subsidies.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Cairo, Egypt

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Executive Summary

Cheese production in Egypt continues to be dominated by small-scale and on farm production. The bulk of fluid milk production and a large percentage of imported non fat dry milk is currently utilized in cheese manufacturing. Feta cheese accounted for approximately 80 percent of the 370,000 MT of total cheese production in 1997. Cheese production is expected to increase slightly in 1998. Imports of fancy cheese are relatively small but growing.

Butter is not produced on a commercial scale in Egypt. Total butter imports in 1997 declined drastically to 38,000 MT, or about 24 percent lower than the previous year. This decline was mainly due to the significant increase in butter import prices. For 1998, It is expected that butter imports will be at about the same level of 1997. For the second consecutive year, the U.S. share of the Egyptian butter market was nil in 1997. This was mainly due to the high prices of U.S. butter, as well as to the absence of subsidized U.S Sales under DEIP.

Despite the expansion in the modern cheese production facilities, which was accompanied by increased imports of Non fat Dry Milk (NFDM) in the last few years, imports of NFDM have been declining in both 1997 and 1998. This decline in imports is due mostly to the availability of cheaper locally produced fluid milk. In 1997, the U.S. was the major supplier of NFDM to Egypt, capturing 17 percent market share of total 13,000 MT mostly because of availability of DEIP. For 1998, NFDM imports are expected to decline further and U.S market share is also expected to decline slightly.

CHEESE

PSD Table						
Country:	Egypt					
Commodity:	Dairy, Cheese					
		1997		1998		1999
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1997		01/1998		01/1999
Beginning Stocks	0	0	0	0	0	0
Production	340	370	350	380	0	385
Intra EC Imports	0	0	0	0	0	0
Other Imports	14	14	13	13	0	12
TOTAL Imports	14	14	13	13	0	12
TOTAL SUPPLY	354	384	363	393	0	397
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Human Dom. Consumption	354	384	363	393	0	397
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	354	384	363	393	0	397
TOTAL Use	354	384	363	393	0	397
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	354	384	363	393	0	397
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Production

Cheese production continues to absorb a large part of Egypt's fluid milk production. About 50 percent of the 2.6 million MT as well as the majority of imported non-fat dry milk (NFD) was utilized in cheese manufacturing in 1997. Total cheese production in 1998 is estimated at 380,000 MT and forecast to increase slightly in 1999. Both public and the private sector companies produce cheese, but the public sector's share continues to diminish to almost an insignificant level. The bulk of cheese production occurs at the farm level for home consumption. Feta cheese is by far the most widely produced cheese in Egypt. Feta production, both commercial and home-made, is estimated to account for approximately 80 percent of total cheese production. The balance of production is spread among hard cheese types such as Romano, processed cheese such as cheddar and Gouda, and small amount of blue cheese. The bulk of feta cheese production continues to be produced by small manufactures in rural areas from unpasteurized milk despite the adoption a new product standard (yet to be enforced) that prohibits the production of feta cheese from unpasteurized milk.

About 75 percent of Egypt's milk production is produced by herds of one to three animals. Buffaloes and local

(Baladi) cows are maintained by small farmers located mostly in the Delta and along the Nile. Most of the milk production is sold to traders under unsanitary conditions. The balance is divided between medium size farms and large-scale modern dairies, 20 and 5 percent, respectively. Anticipating the removal of subsidy on dairy products imports from both EU and the USA, private sector milk processors are currently promoting the idea of improving both the quality and quantity of the milk produced by small farmers. The improvement would be through establishing collection centers to which small farmers could deliver their milk. These collection centers would be equipped with cooling tanks, in addition to providing extension programs to improve animal nutrition, health and breeding through artificial insemination.

Egypt's total production of feta cheese in 1997 is estimated at about 290,000 MT and expected to be about 315,000 MT in 1998. Total production of hard Romano cheese in 1997 is estimated at 45,000 MT, compared to 42,000 MT in 1996. In 1997, total production of processed cheese (Nisto) is estimated at 25,000 MT, compared to 30,000 MT in 1996. In addition, smaller but growing quantities of mozzarella and cheddar cheese are currently being produced by several manufacturers in Egypt. The decline in processed cheese production last year was mainly due to the decline of exports to some Arab countries following the rejection of several shipments of Egyptian cheese by these countries. The reason of rejection was that the exported cheese was not produced from pasturized milk.

Consumption

Annual per capita consumption of cheese is estimated at 7 Kilograms. Cheese is an important part of the Egyptian diet, and many people eat some cheese at least in at one meal per day. Most cheese is consumed with bread. Feta cheese is both the most popular and least expensive type of cheese available. The hard Romano cheese, known locally as "Roumi" and the processed cheese "Nisto" are also among the most popular cheeses consumed in Egypt. The consumption of Gouda and Edam cheese has been growing in recent years. Smaller amounts (about 300 MT) of imported fancy cheeses such as Parmesan and Camembert are also consumed. The consumption of cheddar and mozzarella cheese (both natural and processed) is rising owing in part to the increasing number of fast food restaurants (hamburger and pizza) in Egypt.

Trade

The private sector accounts for virtually all cheese imports in Egypt. The European Union is by far the main cheese supplier to the Egyptian market. The imports of the fancy cheese such as Parmesan, Camembert and Brie are mainly determined by the demand of the more affluent segments of population. Egyptian cheese imports in 1997 were almost the same level as the previous year.

Feta cheese imports (mostly from Denmark) declined to 1,282 MT from 3,500 MT in 1996. The decline in feta cheese imports, however, was offset by an increase in the importation of other cheeses from France, in order to satisfy the growing demand for fancy cheese. Most of Egypt's imports of cheddar cheese come from European Union countries such as the Netherlands and from New Zealand. The Egyptian consumers tend to prefer European cheese rather than American cheddar.

It usually takes about three weeks for imported cheese to be released by Egyptian import authorities, a great deal of time being necessary to review all of the certifications required by the Ministry of Health, Agriculture, and Trade. The shelf-life for imported cheese is between 6 months and one year, depending upon the product.

The current tariff rates for imported cheese are as follows:

- a) All cheese, packaged under twenty Kilograms 30%
- b) All cheese, packaged over twenty Kilograms 10%

At the tariff rate of 30 percent for cheese packaged under 20 Kg, Egypt is not meeting its commitment to phase down and bind its tariffs on all cheese items, except fresh cheese, at 20 percent by the year 2004. Egypt's Uruguay Round bound tariff level for the year 1998 should be a maximum of 23 percent for all categories of cheese.

Import Trade Matrix			
Country:		Units:	MT
Commodity:			
Time period:	CY		
Imports for	1997		1998
U.S.	104	U.S.	100
Others		Others	
France	5,331	France	5,500
Netherlands	3,702	Netherlands	3,500
New Zealand	2,009	New Zealand	1,500
Denmark	1,282	Denmark	1,000
		Australia	1,000
Total for Others	12324		12500
Others not listed	1,572		400
Grand Total	14000		13000

The average import price of U.S. cheddar cheese in 1997 was about \$3,000 MT/CIF Alexandria, compared to \$ 2,400 MT/CIF for New Zealand cheddar cheese. While imported cheddar cheese retails at LE 20-25 per Kilo, imported fancy cheeses are sold at prices between LE 70 and LE 100 per Kg.

Marketing

Some opportunities for U.S. cheese exports to Egypt exist, but the primary and traditional suppliers of cheese to the Egyptian market continues to be the EU and New Zealand. The Egyptian market is price sensitive and the lack of price competitiveness continues to be a major obstacle to expanding U.S. sales. Egypt imports of U.S. cheese in 1997 were estimated at 104 MT compared to 165 MT in 1996. The establishment of a DEIP program for U.S. cheddar cheese could be a very significant factor in expanding U.S. cheese exports to the Egyptian market.

BUTTER

PSD Table						
Country:	Egypt					
Commodity:	Dairy, Butter					
		1997		1998		1999
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1997		01/1998		01/1999
Beginning Stocks	0	0	0	0	0	0
Production	8	8	8	9	0	10
Intra EC Imports	0	0	0	0	0	0
Other Imports	50	38	52	40	0	40
TOTAL Imports	50	38	52	40	0	40
TOTAL SUPPLY	58	46	60	49	0	50
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Domestic Consumption	58	46	60	49	0	50
TOTAL Use	58	46	60	49	0	50
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	58	46	60	49	0	50
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Production

A very small quantity of butter is produced in Egypt on a commercial scale, currently estimated at less than 10,000 MT. The bulk of local butter production is produced by farmers for home consumption, with small amounts sold in local markets. The absence of a significant domestic butter industry in Egypt is due to several factors, the most important being the lack of adequate refrigeration throughout the country which makes the conversion of butter to butter oil and ghee a real necessity.

Consumption

Egyptians prefer butter made from buffalo milk to butter made from cow's milk due to its distinctive flavor, and they prefer unsalted butter to salted butter. Only small quantities of butter are consumed in solid form. Because most Egyptians use a pita-style bread to hold other foods, little butter is used directly on bread. Instead of consuming butter directly, most butter is consumed as an ingredient in baked goods or in fried foods. Most of the locally produced as well as the imported butter is melted and stored in the form of butter ghee. That allows it be stored without refrigeration for 9-12 months. Butter ghee is preferred to vegetable oil for cooking. As a result of relatively higher prices of imported butter oil compared to imported butter, a large number of

consumers now buy butter, rather than butter oil, and convert it at home. Imported butter generally is available throughout the year and demand increases during holidays.

Prices

The average import price for butter increased significantly during the second half of 1997. It reached about \$1,850 per MT CIF Alexandria, compared to about \$1,550 per MT CIF in the same period of 1996. The average import price from EU countries during September/October of 1998 has further increased to about \$2,000 per MT CIF. The average import price of bulk butter oil in 1997 ranged between \$1,800 and \$1,900 /MT CIF, while the average price of butter oil imported in 2 Kg. cans was about \$2,350 per MT. For 1998, it is expected that imports of butter and butter oil will remain at about the same level as in 1997. Higher prices of imported butter from the EU are expected to continue through the end of the 1998 and the start of 1999, due to the policy aiming at reducing butter production in order to meet the WTO commitments to eliminate subsidies for dairy products. Consequently, the average retail price of imported butter in Egypt increased from LE 145 for a carton of 25 Kg during the first half of 1997 to LE 190 during the second half of the same year and is currently running at LE 230.

Trade

As a result of the significant increase in butter import prices, total butter imports in 1997 declined drastically to about 38,000 MT, or about 24 percent lower than the previous year. New Zealand, Australia, France, Canada and Ireland continue to be the major suppliers of butter to Egypt. In 1997, for the second consecutive year, the U.S. market share of the Egyptian butter market was nil, compared to 7,500 MT in 1995. This decline was mainly due to the high prices of U.S. butter, compared to that of competitor suppliers from New Zealand and Australia. Trade sources estimate that Egyptian butter imports in 1997 included about 12,000 MT of butter oil, most of which came from France, New Zealand and Australia. Egyptian butter imports usually are in the form of 25 Kilogram blocks which are re-packaged for sale to grocers and supermarkets. The shelf-life for both imported and locally produced butter is 18 months. For butter oil the shelf life is two years.

According to importers, it takes between 15-21 days to obtain all of the necessary certificates to clear incoming shipments of butter and butter oil from Egyptian ports.

Import Trade Matrix			
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Country:		Units:	MT
Commodity:			
Time period:	CY		
Imports for	1997		1998
U.S.	0	U.S.	0
Others		Others	
New Zealand	13,473	New Zealand	15,000
Australia	10,515	Australia	15,000
France	4,498	France	4,500
Canada	2,662	Canada	3,000
Ireland	2,437	Ireland	2,500
Total for Others	33585		40000
Others not listed	4,415		
Grand Total	38000		40000

Factors affecting U.S. exports

Egypt imports large quantities of butter and butter oil. Until 1995, the Dairy Export Incentive Program (DEIP) allowed U.S. dairy exporters to compete with the main suppliers to the Egyptian market such as New Zealand and Australia as well as subsidized sales from the EU. However, in 1996 and 1997, U.S. suppliers were not able to export butter to Egypt due to the lack of price competitiveness, as price is the most important factor influencing the buying decision. Although, Egyptian importers have a highly favorable opinion of U.S. butter, they indicate that there are three other reasons that weaken the competitive position of the U.S. butter in the Egyptian market. These include: 1) a relatively inferior quality of the packing cartons, 2) the white color of U.S. butter as compared to the more preferred yellow color of butter from other origins, and 3) the high moisture content in the U.S. product.

Tariffs

Egyptian tariffs on butter and butter oil imports were established by Presidential Decree No. 351 (1996), as amended. They are as follows:

a) Butter for retail sale, packages up to one kilogram : 30 % of CIF value. Other butter not for immediate retail sale: 5% of CIF value.

B) Butter oil or ghee: 15% of CIF value.

Dry Milk

PSD Table						
Country:	Egypt					
Commodity:	Dairy, Milk, Nonfat Dry					
		1997		1998		1999
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1997		01/1998		01/1999
Beginning Stocks	0	0	0	0	0	0
Production	0	0	0	0	0	0
Intra EC Imports	0	0	0	0	0	0
Other Imports	25	13	30	12	0	10
TOTAL Imports	25	13	30	12	0	10
TOTAL SUPPLY	25	13	30	12	0	10
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Human Dom. Consumption	25	13	30	12	0	10
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	25	13	30	12	0	10
TOTAL Use	25	13	30	12	0	10
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	25	13	30	12	0	10
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Consumption

Dry Milk is not produced in Egypt. All imported non fat dry milk (NFDM) is used mainly for the manufacturing of products such as feta cheese, yogurt, ice cream as well as chocolate and pastries. Full-fat dry milk powder is also imported and used for direct human consumption.

Despite the expansion in dairy manufacturing facilities in recent years, the trend in 1998 appears to be towards a decline in NFDM imports. This decrease in imports is due mostly to the recent increase in production of modern dairy farms that led to increasing the availability of cheaper fluid milk in the last year. It is estimated that the share of whole milk powder is about 15 percent of total imported dry milk. Total consumption of milk powder in 1997 is estimated at about 13,000 MT, compared to 23,000 MT in 1996. For 1998, consumption is forecast to remain at similar level to that of 1997.

Trade

The private sector is responsible for virtually all of Egypt's dry milk imports. According to official trade data, total imports of milk powder in 1997 decreased to about 13,000 MT, almost 56% less than the 1996 level. The Egyptian NFDM market is very price-sensitive. When U.S. prices were competitive under the DEIP program in 1996, the U.S. was the major supplier of NFDM. In 1997, NFDM imports from the U.S. are estimated at 2,238 MT or a 17 percent market share, compared to 3,605 MT in 1996 (11 percent market share). In addition to the U.S., countries such as Poland, France, Netherlands and Australia are the main suppliers of dry milk to the Egyptian market. Currently, the average import price of NFDM from the EU is about \$1,550 MT/ CIF Alexandria, while the average import price from Poland is about \$1,450 MT. The average price of U.S. export sales of NFDM under the DEIP is reported to be \$ 1,520/MT CIF.

The shelf-life for imported dry milk is two years. According to importers, it normally takes between 15-21 days to release a dry milk consignment from the Egyptian customs. The current import tariffs on NFDM are as follows:

- a) Milk and cream, not containing added sugar, packages up to one Kilogram: 20 % of CIF value.
- b) Other NFDM not for immediate sale : 5% of CIF value.

Import Trade Matrix			
Country:		Units:	MT
Commodity:			
Time period:	CY		
Imports for	1997		1998
U.S.	2,238	U.S.	2,000
Others		Others	
Denmark	2,069	Denmark	500
Poland	1,993	Poland	2,500
France	1,614	France	1,800
Netherlands	1,581	Netherlands	2,000
Australia	1,020	Australia	2,000
Ireland	226	Ireland	500
Total for Others	8503		9300
Others not listed	2,259		700
Grand Total	13000		12000