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Report Name: Egypt Establishes the Commodity Exchange Company

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Report Highlights:

By the first half of calendar year (CY) 2021, Egypt will operate its first commodity exchange which would provide commodity markets with greater price stability by reducing risk, and increasing the number of traders as well as the volume, value, and efficiencies of commodity trading. Egypt's Ministry of Supply and Internal Trade (MOSIT) announced on September 9, 2020 the establishment of the Egyptian Commodities Exchange Company with a total capital of EGP 91 million (USD 5.76 million). The new exchange will initially offer trading of four agricultural commodities – wheat, oil, rice and sugar. The Exchange would be for spot commodities that have large market volumes and could be stored for long periods of time.

Establishment of the Egyptian Commodity Exchange Company:

On January 22, 2020, The Egyptian Prime Minister Dr. Mostafa Madbouly, issued Decree No. 182 authorizing The Egyptian Stock Exchange (EGX), MOSIT's Internal Development Agency (ITDA) and MOSIT's General Authority for Supply Commodities (GASC) to establish a joint stock company called *The Egyptian Commodity Exchange* ([See Gain Report EG2020-0003](#)). This company will be responsible for all tasks related to the management of the commodity exchange, including facilitating trading systems, quotations, pricing and control mechanisms, and risk management.

Egypt's Minister of Supply and Internal Trade, Dr. Ali Moselhy, announced on September 9, 2020 the establishment of the Egyptian Commodities Exchange Company with a total capital of EGP 91 million (USD 5.76 million). The company comprises seven entities and a number of commercial and investment banks which include: MOSIT (represented by ITDA, GASC, and the Egyptian Holding Company for Silos and Storage), EGX, Misr Insurance Holding Company (MIHC), Misr for Central Clearing, Depository and Registry (MCDR), the National Bank of Egypt, Banque Misr and the Agriculture Bank of Egypt. In addition to these entities, private investment banking companies EFG Hermes, Beltone Financial Holding and CI Capital Holding also make up the Egyptian Commodities Exchange Company.

The commodities exchange is set to initially trade wheat, oil, sugar and rice during the first half of CY 2021 and would be for spot commodities that have large market volumes and could be stored for long periods. The commodities exchange will be integrated with the arrangement of the internal trade system that is expected to encourage small farmers and producers to participate directly in the formal trade system. This will in turn reflect positively on the price of the final product for consumers and producers alike, especially with the reduction of mediators involved across the supply chain.

The goal of establishing a commodity stock exchange is to ensure fair, clear, and transparent trading and pricing of commodities through market mechanisms of supply and demand and the creation of an organized market for trading storable goods. It addresses problems resulting from multiple mediators, monopolies over some commodities, and the need to provide better market data.

In conclusion, the Exchange is expected to increase trade effectiveness and promote efficiencies that will result in higher income for small scale farmers, and consumers will have access to higher quality and affordable goods. The commodity exchange will ensure an organized and transparent market of traded commodities that will help policy makers to better evaluate food availability, access, and utilization; and gradually bring the informal trading sector into a formal one. This commodity exchange can also act as a vehicle to create new ideas and innovations across food value chains, thus attracting new investments in logistics, storage and packing warehouses.

Attachments:

No Attachments.