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Egypt

Grain and Feed

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Report Highlights: Total Egyptian wheat imports for 1998/99 were lower than MY 1997/98 due to a decline in consumption and increased government purchases of locally produced wheat. The share of U.S. wheat exports in the Egyptian market rose. Total Egyptian corn imports in MY 1998/99, increased by 33 percent, to a record high of 4.34 million MT, with U.S. market share jumping from 56 to 83 percent.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Unscheduled Report
Cairo [EG1], EG

WHEAT

PSD Table						
Country:	Egypt					
Commodity:	Wheat					
		1998		1999		2000
	Old	New	Old	New	Old	New
Market Year Begin		07/98		07/99		07/2000
Area Harvested	1050	1017	1030	1000	0	1008
Beginning Stocks	3000	2800	1978	1989	0	2000
Production	6000	6104	6300	6359	0	6500
TOTAL Mkt. Yr. Imports	7300	5935	6500	6000	0	6125
Jul-Jun Imports	7200	5935	6500	6000	0	6125
Jul-Jun Import U.S.	4000	3783	4000	5000	0	5000
TOTAL SUPPLY	16300	14839	14778	14348	0	14625
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0
Jul-Jun Exports	0	0	0	0	0	0
Feed Dom. Consumption	60	60	60	60	0	60
TOTAL Dom. Consumption	13100	12850	12778	12348	0	12625
Ending Stocks	3200	1989	2000	2000	0	2000
TOTAL DISTRIBUTION	16300	14839	14778	14348	0	14625

Crop Area and yield

Despite a reduction in the area planted by almost 2 percent, Egyptian wheat production in MY 1999/2000 increased by 4 percent over the production level of MY 1998/99. This production increase was mainly due to an increase in the average yield resulting from good weather conditions during the cultivation season and the use of high-yielding new wheat varieties. In addition, these new varieties have high resistance to wheat rust. The average yield in MY 1999/2000 is estimated to be between 17 and 18 Ardab per feddan (2.5 -2.7 MT per feddan) (One Ardab= 150 Kg -- One feddan= 4,200 Sq M or about one acre). The Egyptian Agriculture Research Center has recently developed two new wheat varieties (Gemmiza 7 and Gemmiza 9) with a potential yield of 21 Ardab per feddan. It is reported that in 1999 there were about 20,000 feddan cultivated with Gemmiza 7 and Gemmiza 9 varieties. The target for the year 2000 is to cultivate about 600,000 feddan with these varieties. Higher wheat procurement prices have provided farmers with incentives to cultivate new varieties and improved agronomic practices, such as respecting dead line date for seed planting which affect grain yield (e.g., early November for Upper Egypt and around mid November for the Delta and Middle Egypt). Total area planted to wheat in MY 2000/2001 is forecast to be slightly higher than MY 1999/2000.

Consumption and Utilization

Over two thirds of Egypt's wheat production is utilized on- farm (either for direct consumption or for animal feed). In MY 1999, the amount of locally produced wheat sold by farmers to the Ministry of Supply and Domestic Trade (MOSDT) totaled about 2.1 MMT, compared to 1.3 MMT in MY 1998. For MY 2000, it is expected that the Ministry of Supply will procure about 2.5 MMT of locally produced wheat. In order to encourage farmers to sell their wheat to the MOSDT, the government continues to set procurement prices significantly higher than international prices. For the MY 2000, the government has announced that procurement prices for wheat delivered to MOSDT are between LE 650 and LE 680 ($ 186-194) per MT, depending on the quality and purity of wheat.

Total Egyptian wheat consumption in MY 1999/2000 (local and imported) is estimated at 12.4 million MT, or about 3 percent lower than MY1998/99 level. Out of this amount about 9 million MT of wheat went into commercial marketing channels, with the rest consumed on farm and in animal feed. There are two types of wheat flour produced in Egypt. The first type is the 82% extraction flour which is mainly used in the production of " Baladi" bread and subsidized by about LE 2.8 billion annually. The marketing of this flour is totally regulated through the MOSDT. The second type is the 72% extraction wheat flour which is mostly used for "fino" European style bread.

In the last two years, Egyptian per capita consumption of wheat has been declining, to about 189 Kg in 1999 compared to 200 Kg in 1997. Egypt, however, continues to have one of the highest wheat per capita consumption levels in the world. The following are trends in wheat consumption in Egypt. First, improvement occurred in the baking industry efficiency during the last few years and the number of bakers who produce various types of bread increased. Second, in the consumption of bread substitutes such as rice and potatoes increased. Third, use of locally produced white corn in the production of the subsidized Baladi bread by mixing 80% wheat flour and 20% corn flour increased.

In 1999, about 2.1 MMT of locally produced wheat and about 4 MMT of imported wheat, in addition to 400,000 MT of locally produced white corn were used in the production of subsidized Baladi bread. For the year 2000, it is expected that 2.5 MMT of locally produced wheat and about 3.5 MMT of imported wheat, in addition to 500,000 MT of locally produced white corn will go to the production of subsidized Baladi bread. Only imported wheat (mostly hard red) is used in the production of the 72% flour. In 1999, about 2 MMT of imported wheat were used to produce 72% extraction flour. For the year 2000, an increase in the consumption of the 72% extraction flour is expected due to the recent increase in the demand of the unsubsidized quality bread and the rapid expansion of fast food franchises.

Milling Capacity:

The Egyptian wheat milling industry has more than adequate capacity to cover the country is needs. At present, the public milling sector consists of 126 mills, with a total capacity of about 7 MMT per year. There are 17 public sector companies that operate these mills and all are affiliated with one holding company (Holding Company for Food Industries). There are 109 public sector mills currently used for the production of 82% flour and 17 mills used to produce 72% flour. As a result of the government privatization efforts, shares of several of these milling companies have been sold in the past three years and several more will be offered for sale soon. Although the majority of shares of the milling companies that have been sold to private sector investors, the holding company still maintains control of management. It is expected that, the GOE will retain some management control of the milling companies, since wheat is a strategic commodity.

The government permits the private sector to mill only 72% extraction flour. Currently, there are 17 private sector mills operating in Egypt. It is expected that by the end of 2000 total private sector mills will reach a capacity of 2 million MT per year. In the last few years, there have been increased private sector investments in building new mills using modern milling technology. While the public sector mills often have older, less efficient, technology, they have low or no finance charges, or taxes compared to private firms. Because of these advantages, public sector mills fare better in competition with the new private sector mills. If this situation continues, with the excess milling capacity some of private sector mills may be forced to shut down.

Trade

In MY 1998/99 Egypt's total wheat imports declined by 20 percent compared to their level in MY 1997/98. This decline was mostly due to reduced imports by GASC and an increase of local wheat delivered by farmers to the Ministry of Supply. Despite strong competition from Australia and Argentina in MY 1998/99 U.S wheat exports accounted for about 64% of Egyptian wheat market. The U.S market share has furthered increased in the first half of MY 1999/2000 and is expected to reach 80 percent for the marketing year. As of the end of February 2000, Egypt purchased 3.3 MMT of wheat, of which 2.87 MMT from the U.S. and the balance was purchased from Australian, France and Canada. For MY 1999/2000, it is expected that total Egyptian wheat imports will be about 6 MMT, with GASC projected to import about 3 MMT, and the balance to be imported by both the Holding Company and private sector (with an increasing share). This decrease in GASC imports is expected because the increased amount of locally produced wheat delivered to the government for the production of the subsidized Baladi bread.
Imports of wheat flour have become very insignificant and are now limited to the donations such as the 29,000 MT donated by France. Customs duties for wheat and corn are 3% plus 2% other port charges.

Import Trade Matrix			
Country:		Units:	1,000 MT

Commodity:			
Time period:			
Imports for	MY 97/98		MY 98/99
U.S.	4,852	U.S.	3,783
Others		Others	
France	1,182	Australia	1,232
Australia	619	France	780
Argentina	467	Argentina	105
		Ukraine	25
		Turkey	10
Total for Others	2268		2152
Others not listed			
Grand Total	7120		5935

Stocks

The Ministry of Supply and Domestic Trade has a policy of maintaining strategic stocks of about five months of total annual consumption. However, due to limited storage capacity that constrains the government's target, the strategic stocks are now redefined to include wheat import purchases in the pipeline, usually in the range of three months of annual consumption. At the present time, total covered storage capacity for wheat is estimated at 1 MMT, including about 350,000MT in silos at three different ports, about 250,000 MT in inland silos and about 400,000 MT in open storage mostly in metropolitan areas. In addition to the government storage facilities, several private sector traders and mills currently have their own receiving and storage facilities, estimated to be about 500,000 MT.

Factors Affecting U.S. Trade

Price, quality and to some extent the availability of the GSM-102 credit guarantee programs have been the major factors underlying the success of U.S. wheat exports to Egypt. However, the longer term 3 years credit period introduced in FY 2000 may attract more private sector buyers. Although there were some attempts to import cheaper wheat from Eastern European by some private sector companies, these attempts did not succeeded due to the poor quality of the wheat and the lack of reliability of the Eastern European exporters. Both the government and the private sector buyers prefer U.S. wheat because they trust the quality control system in the U.S. The U.S. Wheat Associates continues to provide trade services and quality seminars to Egyptian millers, wheat buyers and traders. They offer the quality seal program as a tool to promote products containing U.S. wheat.

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CORN

PSD Table						
Country:	Egypt					
Commodity:	Corn					
		1998		1999		2000
	Old	New	Old	New	Old	New
Market Year Begin		10/98		10/99		10/2000
Area Harvested	837	737	935	730	0	730
Beginning Stocks	246	350	300	260	0	250
Production	6010	5605	6300	5678	0	5680
TOTAL Mkt. Yr. Imports	3100	4341	3100	4500	0	4520
Oct-Sep Imports	3100	4341	3100	4500	0	4520
Oct-Sep Import U.S.	2000	3592	2500	3800	0	3850
TOTAL SUPPLY	9356	10296	9700	10438	0	10450
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0
Oct-Sep Exports	0	0	0	0	0	0
Feed Dom. Consumption	7000	8156	7300	8227	0	8250
TOTAL Dom. Consumption	9056	10036	9400	10188	0	10200
Ending Stocks	300	260	300	250	0	250
TOTAL DISTRIBUTION	9356	10296	9700	10438	0	10450

AREA & PRODUCTION:

Total area planted to corn in MY 1999/2000 estimated to have declined by about one percent from its level in MY 1998/99. The slight decline is attributed to the expansion in rice acreage, which has relatively higher return than corn. Out of 730,253 hectares, there were only 38,148 hectares cultivated to yellow corn and the rest is white corn. Despite the decline in the area harvested in MY 1999, total corn production increased to about 5.7 MMT, or about 13 % higher than the production level of 1998. This is mostly attributed to the expansion in using higher yielding varieties and favorable weather conditions during the growing season. According to the Ministry of Agriculture, total corn area for MY 2000 is projected to be about the same as MY 1999.

CONSUMPTION & UTILIZATION:

Egypt total corn consumption in MY 1999 is estimated at 10.18 MMT, or about 15% over MY 1998 level. The majority of the local corn crop is used for animal feed (mostly consumed on farm) and about 1.5 MMT are used for food purposes (either milled or consumed fresh). Large and commercial end-users and feed mills rely on imported corn to meet their requirements.

There has been a strong demand for feed corn in MY 1999 and this is expected to continue during 2000. The recent increase in Egypt's corn consumption was due to several factors. First, corn import prices were abnormally low, particularly from U.S. The lower corn prices relative to the prices of wheat bran have encouraged livestock breeders to increase the corn content in their animal feed rations While the average cost of imported corn during Summer of 1999 was about LE 440/MT, the average price for wheat bran was LE 530/MT. Second, there has been a significant increase in corn consumption by beef cattle farmers as well as poultry producers. The poultry sector consumes about 60 percent of total corn in Egypt. Also, there has been a significant quantity of green corn utilized in the production of silage for dairy animal feed. Third, as discussed in the wheat section, there has been an increased utilization of corn in the production of the 20/80 corn\wheat composite flour for Baladi bread. In MY 1999, about 400,000 MT of locally produced white corn was delivered to the Ministry of Supply for the production of subsidized baladi bread. For the year 2000, total white corn delivery is expected to reach 500,000 MT. Finally, the small but growing demand for food products containing corn (snack food) plus the increase in demand for corn oil have also contributed to the increased demand for corn. Egypt imports about 340,000 MT of yellow corn annually for starch and sweeteners production. A new starch company with a total capacity of 65,000 MT of starch is scheduled to start operation in September 2000. According to company officials, the company will require 80,000 MT of corn to run the plant at full capacity.

Trade, Marketing and Competitors

In order to meet a sharp increase in corn demand, total Egyptian corn imports rose by about 33 percent in MY 1998/99, with U.S. exports increasing by about 87 percent over the previous year. The U.S. market share jumped from 56 to 83 percent. The increase in U.S. market share occurred at the expense of Argentinean exports, despite the reportedly good quality of the Argentina corn. Argentinean corn exports are expected to increase in MY 1999/2000 as the new crop come in during the first half of year 2000. Market shares of other countries, such as Hungary and Romania, have also declined in MY 1998/99. At the present time, other competitors to U.S. corn would be small quantities from Eastern Europe selling at $3- 4 below U.S. prices. This price discount, however, dos' not make up for the poor quality of the Eastern European corn. Recently, several small corn shipments from Hungary sold at a large discounts compared to U.S. price. However, there were also some other Eastern European shipments rejected by the Egyptian plant quarantine due to quality problems. According to Egyptian corn importers, there have been small amounts of corn that was re-exported to Libya in MY1999, estimated at about 150,000 MT. The U.S. Grains Council continues promoting corn consumption through technical services and assistance to the livestock and poultry producers. Price, quality and trade services continue to be the crucial to maintain the U.S. market in Egypt.

Import Trade Matrix			
Country:		Units:	1,000 MT
Commodity:			
Time period:			
Imports for	MY 97/98		MY 98/99
U.S.	1847	U.S.	3592
Others		Others	
Argentina	1150	Argentina	513
Romania	83	Hungary	133
Hungary	68	Canada	70
Ukraine	40	Romania	30
Total for Others	1341		746
Others not listed			3
Grand Total	3188		4341