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Egypt

Grain and Feed

Annual

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Report Highlights:
Egypt's total wheat imports are expected to decrease by 10 percent during MY 2002/03. U.S wheat exports are likely to lose 65 percent of their market share to non - traditional suppliers this year due to high US prices and ample supplies of low-priced wheat from the Black Sea Region. Egypt's total corn imports are expected to decrease by 25 percent due to the devaluation of the Egyptian pound. However, US yellow corn exports are expected continue dominating the market this year.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Wheat

PS&D

PSD Table						
Country:	Egypt					
Commodity:	Wheat					
		2001		2002		2003
	Old	New	Old	New	Old	New
Market Year Begin		07/2001		07/2002		07/2003
Area Harvested	1100	1002	1008	1008	0	1010
Beginning Stocks	1150	1121	951	1929	0	1650
Production	6600	6130	6250	6150	0	6170
TOTAL Mkt. Yr. Imports	6200	6278	5500	5650	0	5932
Jul-Jun Imports	6200	6278	5500	5650	0	6100
Jul-Jun Import U.S.	4000	3507	3600	1200	0	2500
TOTAL SUPPLY	13950	13529	12701	13729	0	13752
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0
Jul-Jun Exports	0	0	0	0	0	0
Feed Dom. Consumption	60	70	50	70	0	70
TOTAL Dom. Consumption	12950	11600	11650	12079	0	12085
Ending Stocks	``1000	1929	1051	1650	0	1667
TOTAL DISTRIBUTION	13950	13529	12701	13729	0	13752

CROP AREA:

Wheat is planted in October/November and harvested in April/May. The total wheat area for the MY 2002/2003 is estimated at 1,008,000 HA or about 6 percent less than the 2001/2002 area. For MY 2003/2004, Ministry of Agriculture forecast that the area will be about the same as 2002/03. Total production for MY 2002/2003 is expected to be 6,150,000 MT compared to 6,130,000 MT for 2001/2002. This modest increase is expected to occur due to an increase in area planted with high yielding varieties. The average yield for the MY 2002/2003 crop is estimated at 6.1 M per HA. According to the Ministry of Agriculture, all wheat area is cultivated with new varieties (Gemmiza 7, Gemmiza 9, Sakha 93 and Giza 168), which have potential yield of 7.6 MT per HA. The government has set a procurement price for local wheat at LE 667 MT ($121 per MT) for the 2002/03 wheat crop. This price is much lower than the price of Russian wheat which is now trading locally at LE 860 per MT. The total quantity of locally produced wheat sold to the Ministry of Supply in MY 2002/2003 was 2,150,000 MT. For the 2003/04 crop, The General Authority For Supply Commodities (GASC) is targeting to purchase 3 million MT. However, actual local wheat purchases seldom exceed 2.3

MMT. Hence, most industry analysts anticipate that local wheat purchases by Ministry of Supply will be about the same as last year.

CONSUMPTION:

Total consumption of wheat in MY 2002/2003 is expected to reach about 12 M MT up slightly from last year. Ministry of Supply (GASC) purchase are expected to include 2.82 MMT of imported wheat and 2.2 MMT of locally produced wheat, in addition to 500,000 MT of locally produced white corn to produce 82 percent extraction flour used for the subsidized baladi bread. The subsidy on baladi bread cost the government about LE 3 billion last year. The private sector companies, are expected to end this year with 1,288,308 MT of imported wheat to produce 72 percent extraction flour used in the production of high quality flat bread and European type bread and pastries. Most of the domestic wheat is either sold to the Ministry of Supply or retained by farmers for on-farm consumption.

Egyptian per capita consumption of wheat continues to decline. In MY 2001/2002, per capita consumption of wheat was estimated at about 170 Kg, compared to185 Kg consumed in 1999/2000, and this trend is expected to continue . The reasons for this decline are a) improved efficiently in the baking industry, b) increased consumption of bread substitution as rice and potatoes for wheat and use of locally produced white corn in the production of the subsidized Baladi bread. Moreover, because of the current foreign exchange limitations, both private and public sector flour mills are facing difficulty in finding dollars to import wheat. This, coupled with the rapid devaluation of the Egyptian Pound against the dollar (LE 5.8 per $ 1.0, up from LE 4.62 LE per $ one month earlier), is forcing some private sector mills to cut back on their operations. Most private sector mills are currently operating at 40-60 percent of their normal capacity because of lack of availability of hard currancy to import wheat . As a result, a further decline in per capita consumption is expected during MY 2003/2004. Wheat flour prices have recently increased on average from LE 900 and LE 1,100 per MT to LE 1,140 and LE 1,150 per MT, and to LE 1,420 per MT for Australian wheat flour . Egypt, however, continues to have one of the highest per capita wheat consumption levels in the world.

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 MMT or 2.5 MMT of wheat, the total milling capacity is currently estimated at 2.7 MMT of 72 percent flour, or 3.76 MMT of wheat. The public sector milling industry consists of 126 mills (mostly small and medium size) and has a total capacity of about 7 MMT per year. There are 7 public sector companies that operate these mills and all are affiliated with one holding company (Food Industries Holding Company). Out of the 126 public sector mills, 109 mills are currently used for the production of 82 percent extraction flour and 7 mills are used to produce 72 percent extraction flour with total capacity of 6,230 MT per day (1.86 MMT annually). Shares of some of these companies have been sold to private investors during 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) for the foreseeable future. There are about 36 private sector commercial mills with total capacity of 9,000 MTper day (2.8 MMT annually) as compared with

24 mills with total capacity of 6,350 MT per day (1.9MMT annually) last year. These are permitted to produce only 72 percent flour.

TRADE:

Egypt's total wheat imports are expected to decline slightly during this marketing year (2002/03), but non-traditional suppliers are expected to dominate the market. The existence of large price gaps along with chronic foreign exchange shortage in the banking system has put US wheat commodities outside the reach of most Egyptian mills. As a result, US wheat exports to Egypt are expected to decrease by 65 percent or more this year if the current trend continues. The GOE wheat buyers are attempting to find ways to secure wheat for public sector mills in exchange for other commodities (barter trade). The Food Industries Holding Company (FIHC) recently finalized a commodity barter agreement, with Syria. In the agreement, FIHC will import 150,000 MT of Syrian durum wheat in exchange for unspecified amounts of Egyptian rice and potatoes. The FIHC purchased 35,000 MT of Russian wheat during the month of February. The purchase was done locally from private sector importers at a reported price of LE790 per MT ($ 143 per MT).

Egypt (GASC) and Russia reached an understanding to structure a barter deal involving one million tons of Russian wheat in exchange for unspecified amounts of Egyptian agricultural goods including leather goods and fruits and vegetables. Historically, GASC has not purchased any Russian wheat since the Soviet era. However, Egypt is not likely to import the entire one million tons of wheat from Russia yearly if wheat from traditional suppliers becomes more price competitive relative to other suppliers. Private sector mills which consume about two million metric tons of imported wheat annually have mostly switched to importing wheat from Russia and Ukraine due to favorable prices. Reportedly, Russian wheat imports reached over one million MT since July 2002 through the end of February 2003. Russian wheat price was $128/ MT C&F during the month of February compared to $ 145 per MT /FOB for US SRW and $149.75 per MT /FOB for U.S SWW.

The purchasing positions of some private sector mills and the Food Industries Holding Company (FIHC), the second largest government wheat buyer, have weakened considerably in the last few months. This is mainly due to chronic foreign exchange limitations in the banking sector. As a result, total wheat imports may decrease by about 10 percent this year. Most of this decrease is expected to be felt by the Holding Company as most private sector mills have switched to importing lower-priced wheat from non-traditional suppliers. The market position of traditional wheat suppliers to Egypt (mainly U.S. and Australia) has deteriorated. The U.S. and Australia which supplied a combined total of approximately 4.7 million metric tons (U.S. 3.5 million metric tons and Australia 1.2 million metric tons) of Egypt's total 6.3 million metric ton wheat imports last year are expected to lose a substantial market share to alternative suppliers this year. U.S. wheat exports, which accounted for approximately 56 percent of Egypt's total imports last year, have accounted only 20 percent so far this year (July -February 2003), while Australia accounted for only 5.8 percent as compared to 32.59 percent last MY. Because of competitive prices, France on the other hand, has captured 42.7 percent of the market so far as compared to 14.9 percent last MY.

Imports of wheat flour have become insignificant and are now limited to international donations including the 30,000 MT donated by the EU during this marketing year, and about 10,000 MT from the World Food Program. Customs duties for wheat and corn are 1 percent plus 2 percent other port charges.

Import Trade Matrix

Import Trade Matrix			
Country:		Units:	1,000 MT
Commodity:			
Time period:			
Imports for	MY2000/01		MY2001/02
U.S.	3,555	U.S.	3,507
Others		Others	
Australia	769	Australia	1,165
France	341	France	510
Canada	143	Turkey	200
Argentina	64	Hungary	154
Turkey	91	Canada	110
Germany	50	Germany	25
		Pakistan	25
		Ukraine	238
		Russia	212
		Argentina	48
Total for Others	1458		2687
Others not listed	36		84
Grand Total	5049		6278

STOCKS:

The Minister of Supply and Home Trade recently announced that its strategic wheat stocks are enough to last until the end of May 2003. The Government has a policy for GASC to maintain 4-6 months of strategic stock. However, due to limited storage capacity, the strategic stocks are now redefined to include wheat import purchases in the pipeline, usually in the range of three months of consumption needs. At the present time, total covered storage capacity for wheat is estimated atone 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:

Both the government and the private sector buyers prefer U.S. wheat because they trust the quality control system in the U.S. However, due to the current market situation particularly the lack of hard currency and the price differential, Egyptian milling companies are more willing to accept lower quality than before. Private sector companies are now sourcing more wheat from non-U.S origin such as Turkey, Pakistan, India, Hungry, Ukraine, Russia .

U.S. Wheat Associates continues to provide trade services and quality seminars to Egyptian millers, wheat buyers and traders. U.S Wheat Associates'quality seal program is widely used to promote products containing U.S. wheat. The USDA GSM-102 Program (three-year credit guarantee program) is available for both public and private sector importers of U.S. agricultural commodities, but importers no longer use the program due to the high exchange rate risk in the Egyptian market.

CORN

PS&D

PSD Table						
Country:	Egypt					
Commodity:	Corn					
		2001		2002		2003
	Old	New	Old	New	Old	New
Market Year Begin		10/2001		10/2002		10/2003
Area Harvested	750	770	775	735	0	740
Beginning Stocks	400	500	400	500	0	100
Production	5800	6160	6200	5880	0	5920
TOTAL Mkt. Yr. Imports	4500	5250	5200	3940	0	4000
Oct-Sep Imports	4500	5250	5200	3940	0	4000
Oct-Sep Import U.S.	3850	4305	4264	3150	0	3200
TOTAL SUPPLY	10700	11910	11800	10320	0	10020
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0
Oct-Sep Exports	0	0	0	0	0	0
Feed Dom. Consumption	7900	10610	10711	10120	0	9920
TOTAL Dom. Consumption	10300	11510	11400	10220	0	9970
Ending Stocks	400	400	400	100	0	50
TOTAL DISTRIBUTION	10700	11910	11800	10320	0	10020

AREA & PRODUCTION:

The total corn area for the MY 2002/2003 is estimated at 735,000 HA, (or about 5 percent lower than 2001/2002 level). Most of the area, is planted to white corn and the remainder is yellow corn,. The slight decrease in corn acreage is attributed to the fact that some farmers in the northern part of the Delta switched to rice cultivation over corn. The increased rice prices, and the fact that the government's failure to impose fines on those that exceed their targeted rice areas have encouraged some farmers to exced their rice area. For 2003/2004, corn acreage is expected to increase slightly. This expected increase is mostly attributed to the sharp increase in imported yellow corn prices, and accordingly, some farmers are expected to switch from rice to corn if this trend continues.
Total corn production in MY 2002/2003 was estimated at about 5.8 MMT. For MY 2003/2004, total corn production is expected to increase slightly and reach 5.9 MMT.

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CONSUMPTION & UTILIZATION:

Egyptian total corn consumption in MY 2002 /03 is expected to be 10.22 MMT, or about 11percent lower than the MY 2001/02 level. This expected decrease is due to the sharp increase in corn and other feed ingredients prices after the devaluation of the Egyptian pound. As a result, several poultry farms are forced to shutdown. Most of the local corn crop is used for on-farm animal feed 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 yellow corn to meet their requirements. Further decline in corn use for feed is expected in MY 2003/04 because several end-users, particularly in the poultry sector are expected to be unable to cope with increasing input prices. In MY 2001/02 , about 500,000 MT of locally produced white corn was delivered to the Ministry of Supply for the production of subsidized baladi bread. For MY 2002/03, total white corn delivery is expected to reach 600,000 MT. A 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 the production of starch and sweeteners. A new starch company with a total initial capacity of 65,000 MT of starch is currently operates at 50 percent of its capacity. According to company officials, the company will require 100,000 MT of yellow corn to run the plant at full capacity. Approximately 2.8 MMT of imported corn was used for poultry, about 2.6 MMT was used for ruminants and about 400,000 MT was used for starch industry in 2002.

TRADE, MARKETING & COMPETITORS:

Egypt's total corn imports for MY 2002/03 are expected to decrease by approximately 25 percent. This is mainly due to chronic foreign exchange limitations in the banking sector and the recent devaluation of the Egyptian pound. This forced some livestock and poultry producers to either reduce thier production or shutdown completely. The U.S market share is expected to decrease between 10 and 15 percent. Since the beginning of MY 2002/03 (October), through the end of February, total Egyptian corn imports are estimated at 1.5 MMT, of which 891,000 MT came from the US, 47,000 from Ukraine and 46,000 from China. This is compared to 1.8 MMT of which 1.7 MMT come from the U.S and 123,760 MT From Argentina. For MY 2003/04, a slight increase in corn imports is expected if the current economic situation improves. Most industry analysts expect that competition from Argentina, the only other alternative yellow corn supplier to Egypt, will continue to be modest this year because the price gap between US and Argentinean origin is expected to remain modest.

During the MY 2001/02, the U.S. market share in Egyptian market was estimated at 89 percent. The balance was mainly supplied by Argentina. The high U.S. market share in the Egyptian market is mainly due to the availability of good quality American corn at competitive prices. Argentinean corn exports are expected to increase in MY 2002/2003 as the new crop comes in during the first half of year 2003. In addition, the devaluation of Argentinean currency against the U.S. dollar continues to increase the competitiveness of Argentinean corn. It is reported that Argentinean corn is currently offered at $124 per MT, same as the U.S corn on C&F basis. Market shares of other countries, such as China and Ukraine

are expected to be minimal. The U.S. Grains Council continues to promote corn consumption through technical services and assistance to the livestock and poultry producers. Price, quality and trade servicing are crucial to maintain the U.S. market in Egypt.

Import Trade Matrix			
Country:		Units:	1,000 MT
Commodity:			
Time period:			
Imports for	MY 2000/01		MY 2001/02
U.S.	4120	U.S.	4459
Others		Others	
Argentina	651	Argentina	526
Brazil	225		
Australia	30		
UK	11		
France	11		
Canada	5		
Total for Others	933		526
Others not listed			
Grand Total	5053		4985