

Required Report: Required - Public Distribution

Date: September 07,2020

Report Number: EG2020-0042

Report Name: Despite the COVID-19 Pandemic, Egypt’s Wheat and Corn Imports Hold Steady – Grain and Feed Update 2020

Country: Egypt

Post: Cairo

Report Category: Grain and Feed

Prepared By: Ahmed Wally, Agricultural Specialist and Olutayo O. Akingbe, Agricultural Attaché

Approved By: Ali Abdi, Minister-Counselor for Agricultural Affairs

Report Highlights:

FAS Cairo (Post) forecasts Egypt’s wheat production in marketing year (MY) 2020/2021 (July-June) to reach 8.9 million metric tons (MMT), up by almost 1.5 percent compared to 8.77 MMT in marketing year 2019/20. FAS Cairo forecasts Egypt’s wheat imports in MY 2020/21 (July-June) at 12.9 MMT, up by 1.57 percent from MY 2019/20 Post’s import estimate figure of 12.7 MMT. FAS Cairo forecasts Egypt’s corn imports in MY 2020/21 (Oct – Sept) at 11 MMT, up 4.76 percent from Post’s MY 2019/20 estimate of 10.5 million metric tons. FAS Cairo forecasts Egypt’s rice imports in MY 2020/21 at 200,000 MT.

Executive Summary:

FAS Cairo (Post) forecasts Egypt's wheat production in marketing year (MY) 2020/2021 (July-June) to reach 8.9 million metric tons (MMT), up by almost 1.5 percent compared to 8.77 MMT in marketing year 2019/20. Post attributes the rise to an increase in total area harvested; total area harvested is set to come in at 1.39 million hectares compared to 1.37 million hectares the previous year.

FAS Cairo forecasts Egypt's wheat imports in MY 2020/21 (July-June) at 12.9 MMT, up by 1.57 percent from MY 2019/20 Post's import estimate figure of 12.7 MMT. The latter was revised downward from the USDA official estimate of 13.3 MMT driven by lower demand due to closure of hotels, restaurants, cafes and patisseries amid the COVID-19 pandemic. The largest foreign suppliers to the Egyptian market in MY 2019/20 (July-June) included Russia (6.22 MMT), Ukraine (3.8 MMT), followed by EU-28 (2.29 MMT), and Australia (216,448 MT).

GASC is Egypt's largest wheat purchaser and in MY 2019/20, it issued 25 tenders importing 6.33 MMT of milling wheat compared to 26 tenders in MY 2018/19 importing 6.49 MMT of milling wheat. From July 1 – September 1, 2020, GASC issued 12 tenders to import 3.43 MMT. The largest foreign suppliers to GASC in MY 2020/21 (July-June) include Russia (2.84 MMT), Ukraine (530,000 MT) and Romania (60,000 MT).

FAS Cairo forecasts Egypt's corn imports in MY 2020/21 (Oct – Sept) at 11 MMT, up 4.76 percent from Post's MY 2019/20 estimate of 10.5 million metric tons. Post estimates for corn imports in MY 2019/20 remains unchanged from USDA official estimates. Egypt's yellow corn production covers less than 25 percent of its feed demand needs. Imports are supplementing the feed manufacturing industry's current production. Egypt's top three suppliers in MY 2019/20 (Oct – June) were Ukraine (3.12 MMT), Argentina (2.96 MMT), and Brazil (1.15 MMT).

FAS Cairo forecasts Egypt's milled rice production in MY 2020/21 (Oct-Sept) at 4.0 MMT, down by 7.5 percent from Post's milled rice production estimate of 4.3 MMT in MY 2019/20 (Oct-Sept) which remains unchanged from the USDA official estimate.

WHEAT:

PRODUCTION:

FAS Cairo forecasts Egypt's wheat production in MY 2020/2021 (July-June) to reach 8.9 MMT, up by almost 1.5 percent compared to MY 2019/20 due to the rise in total area harvested that is set to come in at 1.39 million hectares. MY 2019/2020 wheat production and the area-harvested figures remains unchanged from USDA official estimates. In order to encourage farmers to cultivate more areas of wheat, the Central Administration for Seed Production (CASP) of the Ministry of Agriculture and Land Reclamation (MALR) lowered the prices of wheat seeds per sack of 30KG seeds by 16 percent for the CY 2020 plantings compared to the previous planting season.

Domestic Wheat Procurement: On July 15, 2020, the Ministry of Supply and Internal Trade (MoSIT) announced the end of the domestic wheat procurement season which ran from April 15 through July 15, 2020. The amount of locally-produced wheat purchased by the Government of Egypt was 3.5 MMT compared to 3.27 MMT in CY 2019.

On April 1, 2020, MoSIT announced that the government procurement price that it will pay to purchase locally-produced wheat would range from EGP 670 to EGP 700/Ardeb or approximately \$278.10/MT to \$297.20/MT (USD 1.00 = EGP 15.70 in April 2019) based on quality and moisture levels. The CY 2020 local wheat procurement prices were higher by an average of 2.23 percent than the CY 2019 prices thus prompting farmers to cultivate more areas of wheat.

The General Authority for Supply Commodities' governmental wheat purveyors were:

1. The Egyptian Holding Company for Silos and Storage 1,645,316 MT
2. The Holding Company for Food Industries (Mills silos) 1,085,378 MT
3. The Egyptian Agricultural Bank 649,294 MT
4. The General Company for Silos and Storage 120,012 MT

The highest governorate in terms of supply rates was the Sharqiya Governorate, with a total of 668,000 MT, followed by Beheira Governorate, with 318,000 MT and Minya Governorate in third place with 301,000 MT.

CONSUMPTION:

FAS Cairo forecasts Egypt's wheat consumption in MY 2020/21 at 20.8 MMT, up by 1.46 percent from the MY 2019/20 estimate of 20.5 million metric tons. Post attributes the uptick to a 1.56 percent increase in food, seed and industrial use (FSI) consumption. The rise in FSI wheat consumption is attributable to population growth. Egypt has a population of 100 million (CAPMAS, est. Feb 2020). Egypt is also host to an estimated of five million refugees from Iraq, Syria, Libya, Yemen, and Sudan.

The Bread Subsidy System Remains Unchanged: Egypt allocates bread subsidy beneficiaries 150 loaves of bread per month (i.e., five loaves of bread per day). Baladi (i.e., common, traditional) bread is sold at a subsidized price of EGP 0.05 per loaf (\$0.01 per loaf); this is less than one tenth of the actual cost.

The government compensates bakeries for the difference in production cost. The current subsidy system permits beneficiaries who consume less than the quota amount to convert their bread savings into points (1 point = EGP 0.01). Points are redeemable to purchase 28 other food and non-food items sold at

discounted prices. Beneficiaries make their purchases at the roughly 35,000 MoSIT partnered private grocery stores, as well as from 1,300 state-owned consumer complexes.

Leakage Prevention in the Bread Subsidy System: The fully automated subsidy system currently covers 71 million bread subsidy beneficiaries including 64 million food subsidy program beneficiaries. As of August 17, 2020, The Minister of Supply and Internal Trade issued a decree on determining the cost of producing subsidized bread from one sack of flour in addition to reducing the weight of the subsidized loaf.

The new weight of the loaf of subsidized bread will be 90 grams instead of 100 and 110 grams, and each sack of flour will yield 1,450 loaves instead of 1,250 loaves. The revised cost of the ministry's standard sack of flour (100KG) will now be 265 EGP (\$16.68) up from 213 EGP (\$13.40) which are paid by the government to the bakeries. The current cost of subsidizing one loaf of baladi bread is estimated at EGP 0.6 or \$0.03 of which EGP 0.05 is paid by each beneficiary and would still be allocated five loaves per day.

MoSIT explained the reason for implementing the new bread cost system based on the results of inspecting of the 32,000 bakeries producing the subsidized bread that were analyzed by MoSIT and the General Division of Bakeries in the Egyptian Chamber of Commerce. Results of the analysis indicated that the vast majority of bakeries produced a loaf weight between 10 to 20 grams less than the usual required weight of 100 or 110 grams, and in some cases they were produced with a weight loss of more than 30 grams.

Based on the results of this analysis, it was discovered that the average weight of a loaf was in fact no more than 90 grams which prompted MoSIT to reduce the weight of the subsidized loaf across all bakeries and recalculate the cost of producing subsidized bread from a sack of flour.

The implementation of the new bread cost system will achieve the following benefits:

- 1- Ensuring the availability, quality and specifications of the subsidized loaf in all bakeries.
- 2- Keeping the price of a loaf of bread fixed, as it is EGP 0.05 for subsidy beneficiaries.
- 3- Maintaining the share of bread allocated to the beneficiary by five loaves per day
- 4- Giving bakery owners a real cost of production thus enhancing competition among bakeries
- 5- Raising efficiency of the bread subsidy system

The government in FY 2019/20 (July-June) allocated EGP 89 billion (\$5.39 billion) for bread and food subsidies. Of this amount, roughly EGP 52 billion (\$3.15 billion) is earmarked for the bread subsidy program, with EGP 5.4 billion (\$327.2 million) going to the bread point system. Some EGP 37 billion (\$2.24 billion) is allocated to the supply commodities (i.e., beef, chicken, rice, cooking oil, and sugar). (USD=EGP 16.5 in July 2019).

TRADE:

FAS Cairo forecasts Egypt's wheat imports in MY 2020/21 (July-June) at 12.9 MMT, up by 1.57 percent from MY 2019/20 Post's import estimate figure of 12.7 MMT. The latter was revised downward from the USDA official estimate of 13.3 MMT driven by lower demand due to closure of hotels, restaurants, cafes and patisseries amid the COVID-19 pandemic. The largest foreign suppliers to the Egyptian market in MY 2019/20 (July-June) were Russia (6.22 MMT), Ukraine (3.8 MMT), followed by EU-28 (2.29 MMT), and Australia (216,448 MT).

GASC is Egypt's largest wheat purchaser and in MY 2019/20, it imported 6.33 MMT of milling wheat compared to 6.49 MMT in MY 2019/20. Subsidized flour is a mixture of imported and local wheat with an extraction rate of 82 percent with the aim of producing approximately 270 million loafs of subsidized municipal bread daily, for the benefit of 71 million beneficiaries.

From July 1 – September 1, 2020, GASC issued 12 tenders to import 3.43 MMT. The Largest foreign suppliers to GASC in MY 2020/21 (July-June) include Russia (2.84 MMT), Ukraine (530,000 MT) and Romania (60,000 MT).

Currently there are 15 approved origins by GASC to participate in its international tenders – United States, Canada, France, Australia, Germany, Argentine, Russia, Ukraine, Romania, Poland, Bulgaria, Serbia, Hungary, Paraguay and Kazakhstan. The largest five origins supplying wheat to GASC via its international tenders during the last five marketing years are Russia, Romania, Ukraine, France and the United States.

STOCKS:

FAS Cairo forecasts Egypt's ending stocks in MY 2020/21 at 4.08 MMT, an increase of 1.2 percent from Post's earlier MY 2019/20 estimate of 4.03 million metric tons which was revised downward from USDA official estimate of 4.53 MMT. The decrease in MY 2019/20 ending stocks is due to anticipated lower import volumes. GASC normally keeps a four -to-six -month supply of stocks (including wheat) in the import pipeline, with an additional one-month supply of wheat in transit to Egypt.

Wheat Market Year Begins Egypt	2018/2019		2019/2020		2020/2021	
	Jul 2018		Jul 2019		Jul 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	1320	1320	1370	1370	1390	1390
Beginning Stocks (1000 MT)	4401	4401	4015	4015	4535	4035
Production (1000 MT)	8450	8450	8770	8770	8900	8900
MY Imports (1000 MT)	12354	12354	13300	12700	13000	12900
TY Imports (1000 MT)	12354	12354	13300	12700	13000	12900
TY Imp. from U.S. (1000 MT)	826	826	101	0	0	0
Total Supply (1000 MT)	25205	25205	26085	25485	26435	25835
MY Exports (1000 MT)	1090	1090	950	950	950	950
TY Exports (1000 MT)	1090	1090	950	950	950	950
Feed and Residual (1000 MT)	1300	1300	1300	1300	1300	1300
FSI Consumption (1000 MT)	18800	18800	19300	19200	19500	19500
Total Consumption (1000 MT)	20100	20100	20600	20500	20800	20800
Ending Stocks (1000 MT)	4015	4015	4535	4035	4685	4085
Total Distribution (1000 MT)	25205	25205	26085	25485	26435	25835
Yield (MT/HA)	6.4015	6.4015	6.4015	6.4015	6.4029	6.4029

CORN

PRODUCTION:

FAS Cairo forecasts corn production in MY 2020/21(Oct – Sept) at 6.4 MMT, unchanged from MY 2019/20 (Oct – Sept). Planted area at 800,000 hectares similarly remains the same. Reportedly white corn area harvested accounts for 600,000 hectares, with yellow corn plantings making up the balance.

CONSUMPTION:

FAS Cairo forecasts Egypt's total corn consumption in MY 2020/21(Oct – Sept) at 17.0 MMT, up by approximately 1.2 percent from the MY 2019/20 (Oct – Sept) estimate of 16.8 MMT. Post's consumption estimates for MY 2019/20 was revised downwards by 1.78 percent from USDA official estimates of 17.1 MMT. The decrease in consumption in MY 2019/20 is also attributed to slight decrease in feed and residual consumption by almost 2.1 percent from USDA official estimate of 14.6 MMT.

Post attributes this decrease to almost 30 percent decline in poultry demand by consumers as a result of COVID-19 pandemic which led to decrease in farm gate prices by 40 percent causing huge losses to small and medium size breeders during the past three months. Large companies in the poultry/feed sector were the least affected by the current crisis, especially that those that have integrated operations – broiler, mothers, grandparents, slaughterhouses and chicks as well – which increases their ability to bear shocks.

Post anticipates the poultry sector's feed consumption to grow by almost 1.4 in MY 2020/21 percent as the larger producers consolidate and vertical integration increases. Additional feed lines are coming online, adding to already existing aqua and cattle feed milling capacities.

It should be noted that Egypt is one of the world's largest fish farming countries – it is the first in Africa and the sixth internationally in this field, and the first in the production of mullet fish. Egyptian fish production from farms constitutes 1.6 MMT, or around 80 percent of total fish production in Egypt which stands at 1.9 MMT. Natural fisheries produce around 300,000 MT of fish.

Egypt's feed mills produce poultry feed-mix consisting of 70 percent yellow corn, 19.4 percent soybean meal, 3.4 percent wheat bran, and 1.9 percent broiler concentrates (fish or meat meals) in addition to minerals and vitamins. Aquaculture's major dietary energy sources include 20-25 percent yellow corn, 20-30 percent wheat bran, 10-25 percent rice bran, and 1-5 percent vegetable oils. This feed mix formulation depends on the protein and energy contents of the feed, as well as the availability and price of the ingredients, including fish species and their sizes.

Starch Industry:

Egypt consumes 1 MMT of corn for wet milling processes. There are five major corn wet milling companies operating in Egypt and their goal is to expand capacity in the coming 2-3 years. Cairo 3A Company has the largest share of the wet milling market in Egypt (more than 60 percent). It is worth noting that Cairo 3A is also the leading importer of corn over the past five years.

TRADE:

FAS Cairo forecasts Egypt's corn imports in MY 2020/21 (Oct – Sept) at 11 MMT, up 4.76 percent from Post's MY 2019/20 estimate of 10.5 million metric tons. Post estimates for corn imports in MY 2019/20 remains unchanged from USDA official estimates. Egypt's yellow corn production covers less than 25 percent of its feed demand needs and imports supplement the feed manufacturing industry's current production. Egypt's top three suppliers in MY 2019/20 (Oct –June) were Ukraine (3.12 MMT), Argentina (2.96 MMT), and Brazil (1.15 MMT).

STOCKS:

FAS Cairo forecasts Egypt's corn stocks in MY 2020/21 at 2.29 million metric tons up by 20.5 percent from Post's estimate in MY 2019/20. The increase in stocks is due to increased imports. Post is revising upward ending stocks in MY 2019/20 by 300,000 MT due to anticipated slowdown in consumption.

Corn Market Year Begins Egypt	2018/2019		2019/2020		2020/2021	
	Oct 2018		Oct 2019		Oct 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	850	850	800	800	800	800
Beginning Stocks (1000 MT)	1846	1846	1810	1810	1600	1900
Production (1000 MT)	6800	6800	6400	6400	6400	6400
MY Imports (1000 MT)	9367	9367	10500	10500	11000	11000
TY Imports (1000 MT)	9367	9367	10500	10500	11000	11000
TY Imp. from U.S. (1000 MT)	232	232	0	0	0	0
Total Supply (1000 MT)	18013	18013	18710	18710	19000	19300
MY Exports (1000 MT)	3	3	10	10	10	10
TY Exports (1000 MT)	3	3	10	10	10	10
Feed and Residual (1000 MT)	13700	13700	14600	14300	14800	14500
FSI Consumption (1000 MT)	2500	2500	2500	2500	2500	2500
Total Consumption (1000 MT)	16200	16200	17100	16800	17300	17000
Ending Stocks (1000 MT)	1810	1810	1600	1900	1690	2290
Total Distribution (1000 MT)	18013	18013	18710	18710	19000	19300
Yield (MT/HA)	8	8	8	8	8	8

RICE

PRODUCTION:

FAS Cairo forecasts Egypt's milled rice production in MY 2020/21 (Oct-Sept) at 4.0 MMT, down by 7.5 percent from Post's milled rice production estimate of 4.3 MMT in MY 2019/20 (Oct-Sept) which remains unchanged from the USDA official estimate.

Post attributes the decrease to a decrease in total area harvested; total area harvested is set to come in at 700,000 hectares compared to 760,000 hectares in the previous marketing year. FAS Cairo attributes lesser area planted in MY 2020/21 due to enforcement of fines on Farmers planting rice outside the government's allotment area in CY 2020. The allotted rice cultivated area for CY 2020 is 1.076 million feddans (~451,920 hectares).

Farmers prefer to plant rice due to its easier cultivation as compared to other crops as well as its profitability. Rice cultivation also helps limit seawater intrusion into the northern Delta lands and prevents salinization of the soil.

CONSUMPTION:

FAS Cairo forecasts Egypt's rice consumption and residual at 4.2 MMT in MY 2020/21, up by 2.4 percent from Post's estimate of 4.1 MMT in MY 2019/20 which was revised downward from the USDA official estimate by 7.3 percent driven by lesser demand due to closure of hotels and restaurants amid the COVID-19 pandemic.

Depending on the rice brand and quality, retail market prices range between EGP 9 (\$0.56) to 15 (\$0.93) per KG. Retail market prices have decreased by 20-30 percent compared to prices at the beginning of the marketing year. Paddy rice is currently selling for EGP 3,400/MT (\$212/MT) compared to EGP 6,600/MT (\$412.50/MT) at the beginning of the marketing year.

Domestic packaged rice sells for EGP 9/KG (\$0.50/KG) in public consumer complexes and at the MoSIT outlet stores.

TRADE:

FAS Cairo forecasts Egypt's rice imports in MY 2020/21 at 200,000 MT. We are decreasing this figure from USDA official estimate by 50,000 MT due to anticipated higher domestic carry over from the previous marketing year. Post estimate of 200,000 MT for MY 2019/20 rice imports are revised downward from USDA official estimate by 100,000 MT due to higher domestic production and 1 MMT carry over from the previous marketing year.

STOCKS:

FAS Cairo forecasts Egypt's ending rice stocks in MY 2020/21 to reach 1.45 MMT, down from the previous marketing year's estimate of 1.47 million metric tons. The decrease is due to an anticipated slight decrease in local rice production.

Rice, Milled Market Year Begins	2018/2019		2019/2020		2020/2021	
	Oct 2018		Oct 2019		Oct 2020	
Egypt	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	462	462	760	760	760	700
Beginning Stocks (1000 MT)	1563	1563	949	1093	1129	1473
Milled Production (1000 MT)	2800	2800	4300	4300	4300	4000
Rough Production (1000 MT)	4058	4058	6232	6232	6232	5797
Milling Rate (.9999) (1000 MT)	6900	6900	6900	6900	6900	6900
MY Imports (1000 MT)	806	900	300	200	250	200
TY Imports (1000 MT)	665	900	350	200	250	200
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	5169	5263	5549	5593	5679	5673
MY Exports (1000 MT)	20	20	20	20	20	20
TY Exports (1000 MT)	20	20	20	20	20	20
Consumption and Residual (1000 MT)	4200	4150	4400	4100	4500	4200
Ending Stocks (1000 MT)	949	1093	1129	1473	1159	1453
Total Distribution (1000 MT)	5169	5263	5549	5593	5679	5673
Yield (Rough) (MT/HA)	8.7835	8.7835	8.2	8.2	8.2	8.2814

Attachments:

No Attachments