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Prepared By: Shaza Omar and Jenny Morgan

Approved By: Kurt Seifarth

Report Highlights:

The industrial demand for sugar beets continues to rise, as it provides a higher price, thus incentivizing many farmers to plant more beets. In marketing year (MY) 2022/23 the sugar beets were subject to an outbreak of Rhizomania disease. The infection affected the area productivity; thus, Post is revising down MY 2022/23 production, as well as refined sugar production. Post estimates a ten percent loss in production, affecting refined sugar production down by ten percent as well. This year, the procurement prices for both sugar cane and beets were 1,000 Egyptian pounds (EGP), a 25 percent increase over MY 2021/2022 prices.

Sugarcane

Overview

Sugarcane cultivation in Egypt is heavily concentrated around the sugar refineries in Upper Egypt, representing 77 percent of the cane area in the country. Middle Egypt comprises an additional 15 percent of the sugarcane area, followed by the Delta at eight percent. Sugarcane is planted in the spring and autumn seasons. Spring planting occurs in February and March, while autumn planting extends from September through October. The crop takes 12 months to grow.

Cane Production

Post estimates harvested area in MY 2023/24 to be unchanged from MY 2022/23 at 136,000 hectares (ha). This year, the government announced a higher procurement price for sugar cane to reach 1,000 Egyptian pounds (EGP)/metric ton (MT) (\$30) and is a 25 percent increase compared to the MY 2021/22 price of 800 EGP/MT (\$26). Prices are expected to increase in MY 2022/23 to compensate for the increased input costs and to address the currency inflation.

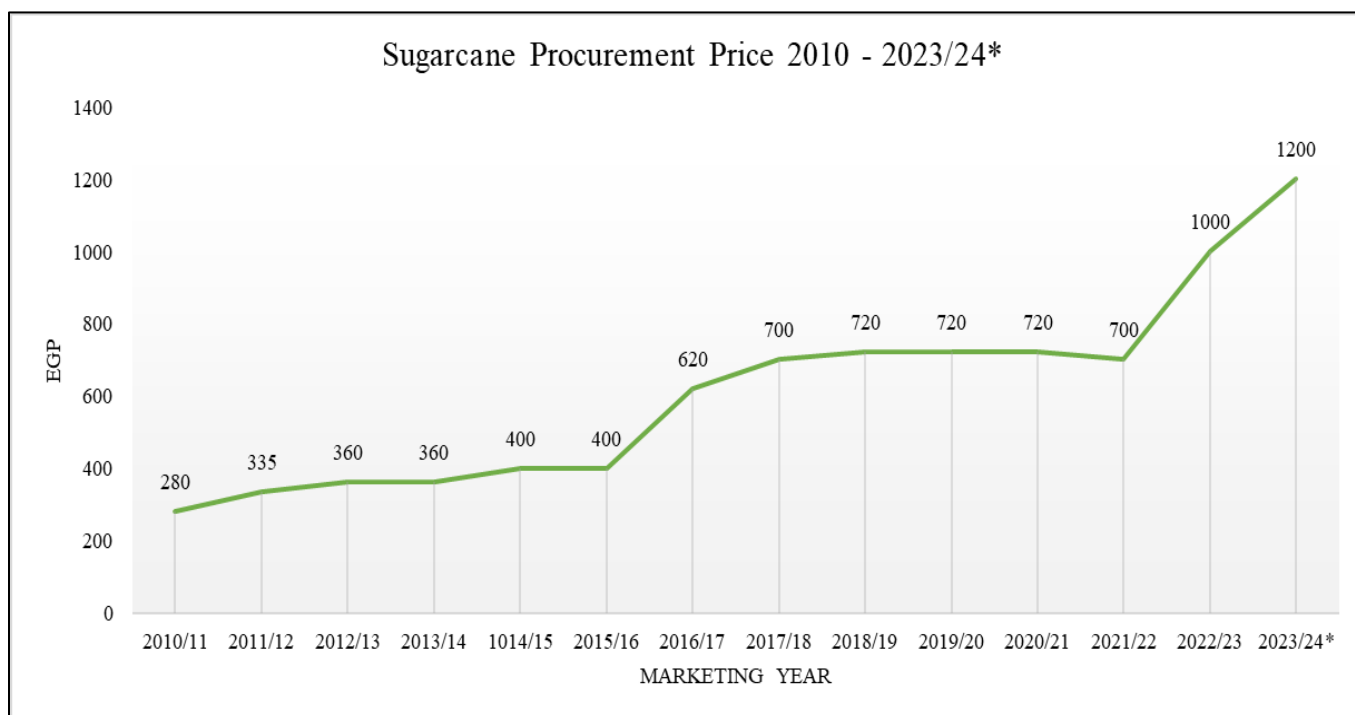
Post expects sugarcane production in MY 2023/24 to remain unchanged from MY 2022/23 at 14.3 million metric tons (MMT). Post attributes the unchanged production due to the same area harvested.

The economy in Upper Egypt (the country's southern region), is heavily dependent on sugarcane production. Any disruptions to the sugarcane planted area would directly impact the livelihoods of an estimated 200,000 families that grow sugarcane. Given an average family size of 4.3 people, just under a million people are directly dependent on sugarcane production. Another 300,000 families that depend on the ancillary businesses built around sugar production would also be indirectly affected by a downturn in the industry. Due to the economic and cultural importance of sugarcane production in Upper Egypt, adequate pest control is essential.

Sugarcane Price Background

The local farmers syndicate regularly pressures the government to increase its procurement prices. In MY 2016/17, the government increased the sugarcane procurement price to 620 EGP /MT (\$34) at the behest of the syndicate. The updated rate was 55 percent higher than the MY 2015/16 procurement price of 400 EGP/MT (\$13). In 2019, the syndicate requested that the price be 900 EGP/MT (\$30), but it was declined by the government. The current price of 800 EGP /MT (\$27) increased by 14 percent compared to the MY 2020/21 procurement price. In MY 2022/23 procurement price reached 1,000 EGP (\$30) and is expected to increase due to the current economic situation.

Figure 1: Egyptian Procurement Price for Sugarcane, MY 2010/11 – MY 2023/24*



Source: FAS/Cairo research, 2023/24* FAS/Cairo forecast

Table 1: Sugarcane Production, Supply and Distribution

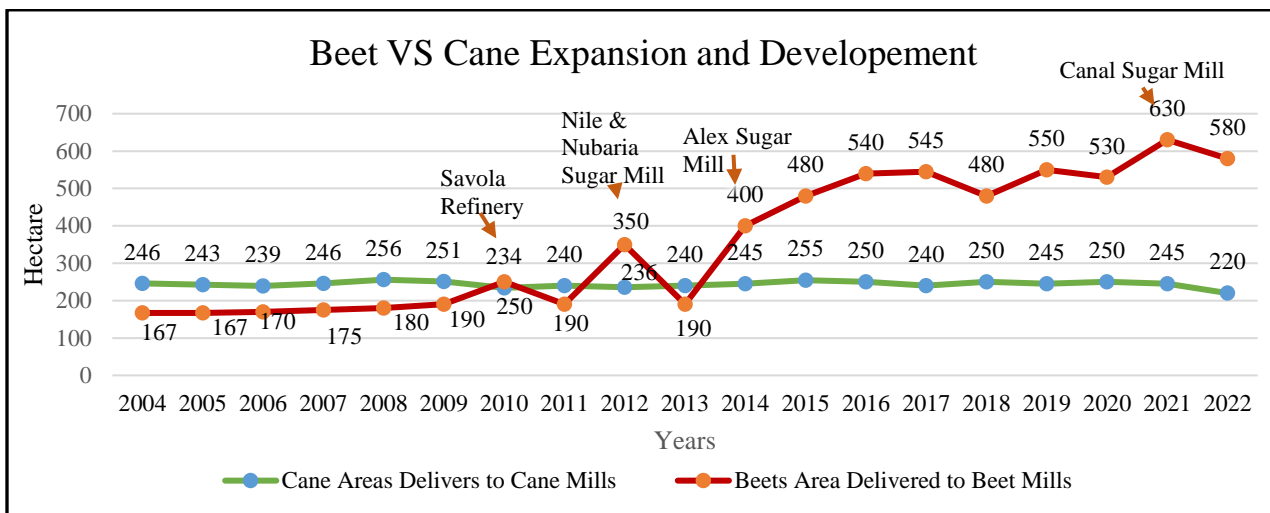
Sugar Cane for Centrifugal Market Year Begins	2021/2022		2022/2023		2023/2024	
	Jan 2021		Jan 2022		Jan 2023	
Egypt	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	136	0	137	137	0	137
Area Harvested (1000 HA)	135	0	136	136	0	136
Production (1000 MT)	14200	0	14305	14305	0	14305
Total Supply (1000 MT)	14200	0	14305	14305	0	14305
Utilization for Sugar (1000 MT)	14200	0	14305	14305	0	14305
Utilization for Alcohol (1000 MT)	0	0	0	0	0	0
Total Utilization (1000 MT)	14200	0	14305	14305	0	14305
(1000 HA), (1000 MT)						

Sugar Beet

Beet Production

The industrial demand for sugar beets continues to rise, as it provides a higher price, thus incentivizing many farmers to plant more beets. Furthermore, Egypt is expanding the establishment of sugar mills which will lead to absorb more production. This is reflected in the increased production area of sugar beets (Figure 2). Thus, Post forecasts harvested area in MY 2023/24 to reach 280,000 ha, almost a two percent increase (or 5,000 ha) compared to MY 2022/23. This is attributed to the increasing demand for raw beets on the establishment of new sugar beet processing.

Figure 2: Beet vs. Cane Expansion and Development in Hectare



Source: FAS Cairo Research

Post is revising down the production of MY 2022/23 due to the outbreak of Rhizomania, a soil-borne disease. The disease is caused by *Beet Necrotic Yellow Vein Virus* (BNYVV), which is transmitted by the obligate root-infecting parasite *Polymyxa betae*. The Egyptian government has not officially announced the outbreak; however, reports from contacts and beet growers confirmed that there is a significant localized area which has been affected, and in particular, newly reclaimed land in the desert. Losses are not yet accurately estimated, but contacts are reporting about ten percent losses at the national level. Accordingly, Post is revising the production to be 10.59 MMT compared to 11.77 MMT down by 1.18 MMT.

In MY 2023/24, production is expected to continue to be affected by the outbreak; thus, productivity per hectare would be less than normal. Post forecasts the production at 10.78 MMT an increase of 1.8 percent compared to MY 2022/23 on increased area harvested.

Sugar Beets Projects Updates

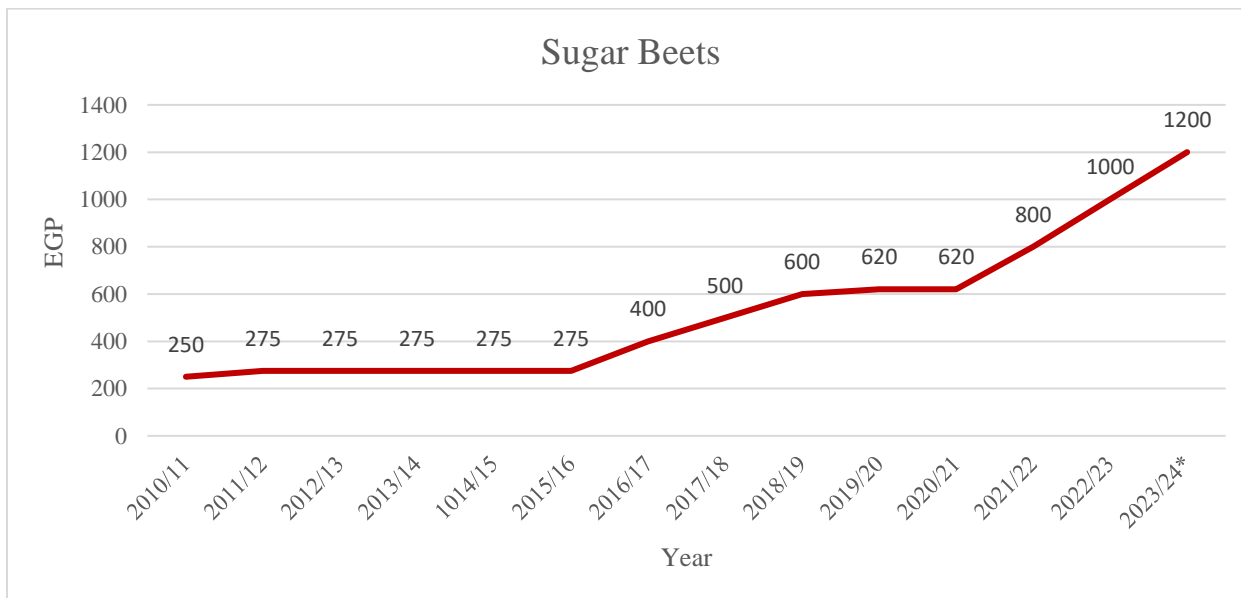
In January 2022, the government announced the establishment of the Egypt Future Developmental Project. The project aims to produce strategic commodities including sugar beets, in the New Delta extension of Dabaa in the northwest. The total area allocated for beets is 35,000 *feddans* (14,700 ha). Contacts are reporting that the new disease outbreak is probably localized in this new area.

In MY 2019/20, a new one-billion-dollar sugar beet investment project from the United Arab Emirates commenced and is still under construction. The Egyptian government allocated 180,000 *feddans* (76,000 ha) to the company for sugar beet production. The company is targeting the production of 450,000 MT of sugar beets in its initial phase. The project will plant the 76,000 ha over a five-year span; however, they are not fully operational. In MY 2022/23 they will plant 20,000 *feddans* (8,400 ha). In MY 2023/24, it is expected that the total planted area would be 32,000 *feddans* (13,440 ha).

Sugar Beet Price Background

Over the past decade, sugar beet prices have risen significantly. In MY 2019/20, the sugar beet procurement price reached 600 EGP/MT (\$20). In MY 2018/19, the procurement price for the sugar beet crop reached 700 EGP/MT (\$23) compared to 500 EGP/MT (\$17) in MY 2017/18, or a 40 percent increase. In MY 2016/17, the price was 400 EGP/MT (\$13), the first increase beet farmers received since MY 2011/12. Before that time, prices were flat at 275 EGP/MT (\$8). Figure 3 shows sugar beet procurement prices from 2010 to the current year. In MY 2022/23, procurement prices reached 1,000 EGP/MT (\$30) compared to an average price of 800 EGP/MT (\$27) in MY 2022/23. Post expects prices to rise in MY 2023/24 due to the higher price of seeds and production cost reflected in the devaluation of the Egyptian pound.

Figure 3: Egyptian Procurement Price for Sugar Beets, MY 2010/11 – MY 2023/24*



Source: FAS/Cairo research, 2023/24* FAS/Cairo forecast

Beets are planted in August and September and harvested in March and April. Most beets are grown by independent farmers who contract sales directly with factories. Some beets are also cultivated on leased land operated by privately-owned factories. Sugar beet cultivation is concentrated in the Delta region; however, there are some scattered cultivations in Upper Egypt in Minya Governorate and in Toshka.

Egypt does not produce beet seeds locally due to requirements in terms of temperature and sunlight. Among other conditions, seed production requires packing the roots at 46.6 degrees Fahrenheit for three months with a daylight duration of 16-18 hours. As a result, Egypt depends on seed varieties imported from Germany, Denmark, Netherlands, France, and Sweden, which have a less-than-optimal performance in the Egyptian production areas. Every season, the Ministry of Agriculture and Land Reclamation distributes between 20-30 different varieties to avoid the risk of crop failure due to the susceptibility of a single variety to biotic or abiotic stresses.

In 2018, the Sugar Industry Research Institute established a national sugar beet breeding program in cooperation with USDA to select sugar beet seed varieties adapted to the Egyptian environmental conditions. Twenty-two U.S. breed sugar beet lines were evaluated for heat stress tolerance in MY 2016/2017 and seven lines were identified as heat tolerant. The Sugar Industry Research Institute continues to conduct trials to produce sugar beet seeds out of the seven identified varieties for local production. Last year, the institute found that out of the seven varieties, two have shown very good results as heat tolerant and were more likely to adapt to the Egyptian climatic conditions.

Table 2: Sugar Beet Production, Supply and Distribution

Sugar Beets	2021/2022		2022/2023		2023/2024	
	Jan 2022		Jan 2023		Jan 2024	
Market Year Begins	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Egypt						
Area Planted (1000 HA)	267	267	277	277	0	282
Area Harvested (1000 HA)	265	265	275	275	0	280
Production (1000 MT)	11340	11340	11770	10590	0	10780
Total Supply (1000 MT)	11340	11340	11770	10590	0	10780
Utilization for Sugar (1000 MT)	11340	11340	11770	10590	0	10780
Utilization for Alcohol (1000 MT)	0	0	0	0	0	0
Total Distribution (1000 MT)	11340	11340	11770	10590	0	10780
(1000 HA), (1000 MT)						

Sugar Production

Post is revising down MY 2022/23 refined sugar as a result of decreased beet production due to its infection with Rhizomania disease. of the decrease is around 10 percent from the total refined sugar to reach 2.7 MMT where the sugar beet production decreased to 1.4 MMT compared to 1.6 MMT.

Refined sugar production in MY 2023/24 is expected to increase very slightly by less than one percent, or 25,000 MT, to reach 2.78 MMT. Post expects decreased sugar beets productivity per hectare which would affect the refined sugar quantities.

Of the total forecasted refined sugar, 1.5 MMT of sugar will be derived from sugar beets, while 1.28 MMT will be sourced from sugarcane. With the new processing facility online and farmers expanding planted area to meet demand, sugar beet production in MY 2022/23 is forecasted to increase by 25,000 MT, even with the effect of the outbreak. This is due to increased harvested area while the disease is only present in localized area, and not widely spread across all the planted areas.

In Egypt, there are 15 sugar processors, eight processing sugarcane and seven processing sugar beets, plus one under development. All eight sugarcane processors are state-run companies affiliated with Ministry of Supply and Industrial Trade's (MoSIT) Holding Company for Food Industries (HCFI). Of the seven sugar beet processors, three are private sector and the rest are state-run companies. The processor under development will be private sector owned.

Table 3: Refined Sugar Production, Supply and Distribution

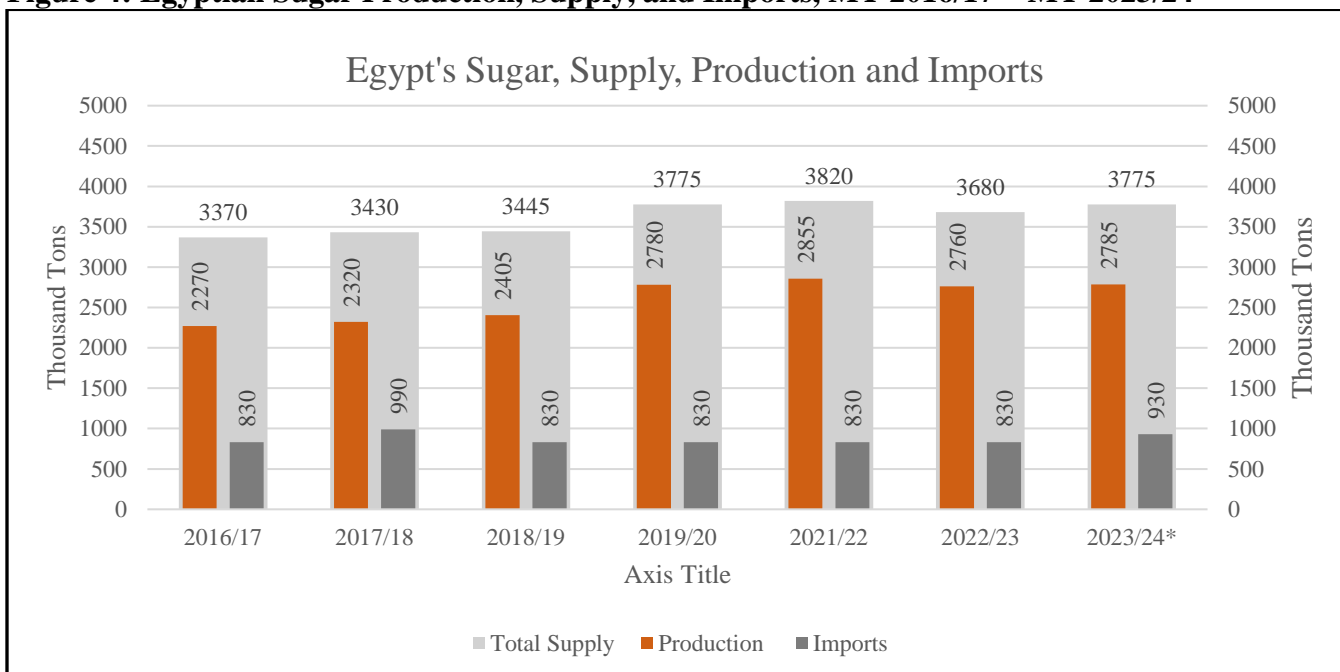
Sugar, Centrifugal	2021/2022		2022/2023		2023/2024	
Market Year Begins	Oct 2021		Oct 2022		Oct 2023	
Egypt	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	135	135	90	90	0	60
Beet Sugar Production (1000 MT)	1580	1580	1640	1475	0	1500
Cane Sugar Production (1000 MT)	1275	1275	1285	1285	0	1285
Total Sugar Production (1000 MT)	2855	2855	2925	2760	0	2785
Raw Imports (1000 MT)	800	800	800	800	0	900
Refined Imp.(Raw Val) (1000 MT)	30	30	30	30	0	30
Total Imports (1000 MT)	830	830	830	830	0	930
Total Supply (1000 MT)	3820	3820	3845	3680	0	3775
Raw Exports (1000 MT)	300	300	300	300	0	300
Refined Exp.(Raw Val) (1000 MT)	0	0	0	0	0	0
Total Exports (1000 MT)	300	300	300	300	0	300
Human Dom. Consumption (1000 MT)	3430	3430	3485	3320	0	3400
Other Disappearance (1000 MT)	0	0	0	0	0	0
Total Use (1000 MT)	3430	3430	3485	3320	0	3400
Ending Stocks (1000 MT)	90	90	60	60	0	75
Total Distribution (1000 MT)	3820	3820	3845	3680	0	3775
(1000 MT)						

Consumption

Post is revising down total sugar domestic consumption of MY 2022/23 to 3.3 MMT instead of 3.4 MMT due to the reduction of beet production that affected the total refined sugar production.

Post forecasts total sugar domestic consumption in MY 2023/24 to increase by 2.4 percent or 80,000 MT than revised figure to reach 3.77 MMT. The rise in sugar consumption is driven by population growth, estimated at 2.4 percent per annum. Egypt has a population of 106 million (est. 2022), and is adding roughly 2 million people per year. Additionally, the expansion of the confectionary food products sector is demanding higher sugar inputs.

Figure 4: Egyptian Sugar Production, Supply, and Imports, MY 2016/17 – MY 2023/24*



Source: PSD/FAS, 2023/24* FAS/Cairo forecast

The Food Subsidy Program

Egypt continues to provide refined sugar to food subsidy beneficiaries at prices below the international price. The complexes provide one kilogram of sugar at a subsidized price of 10 EGP (\$0.30) per month. A family of four will get a monthly cash transfer of 200 EGP (\$10.96), enabling them to meet their sugar needs, as well as purchase other food commodities. The unsubsidized sugar price reached currently almost 30 EGP (\$1).

Global Sugar Market Developments:

- The geo-political tension between Russia and Ukraine has impacted the sugar market recently due to its impact on energy prices, cost of production, as well as the possible conversion of land from sugar beet to grain production and important strategic commodities. Any further escalation of the conflict could lead to market volatility and an additional rise in sugar prices.

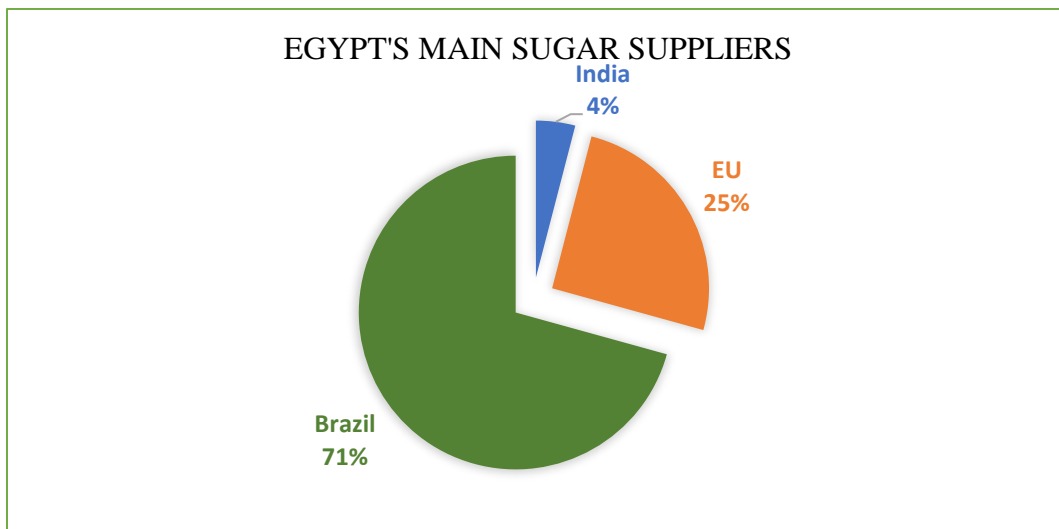
- For the past two years, the world faced a sugar deficit and is likely to continue in the current year. However, sugar production in India and Thailand are decreasing the deficit slightly.

Trade

Post forecasts total sugar imports in MY 2023/24 to increase by 12 percent to reach 930,000 MT compared to MY 2022/23 at 830,000. Imports are expected to increase to compensate the gap that will be caused by the reduced production. Most sugar imports are usually imported through the Egyptian Sugar and Integrated Industries Company (ESIIC), which operates as a subsidiary of HCFI.

Egypt sources the difference between production and demand through imports and will continue to do so. Typically, Egypt produces almost 80 percent of domestic sugar consumption demand and imports the remaining 20 percent. Post forecast that in MY 2023/24 imports will be about 25 percent of Egypt’s total supply. In Calendar year (CY) 2022, Egypt imported 830,000 MT, with Brazil supplying 70 percent of Egypt’s imports of raw sugar (See Figure 5). Brazil is likely to remain Egypt’s main raw sugar supplier in MY 2023/24.

Figure 5: Egypt’s Main Sugar Suppliers in CY 2022



Source: Trade Data Monitor (TDM)

Exports

Post forecasts Egypt’s sugar exports to reach 300,000 MT in MY 2023/24 similar to Post’s MY 2022/23 estimate. The Egyptian government established an export tax after the MY 2016/17 season, decreasing overall exports since that time. The tax is designed to protect domestic supply. On April 5, 2017, Ministerial Decree number 469/2017, increased the export tax to 3,000 EGP /MT (\$100) and remains in effect. Sudan and Kenya absorb 50 percent of Egypt’s sugar exports and are expected to remain the main export destinations in MY 2023/24.

Attachments:

No Attachments