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Egypt's Sugar Supply Increase Continues on Expanded Beets Production

Country: Egypt

Post: Cairo

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Report Highlights:

The Office of Agriculture Affairs (Post) forecasts refined sugar production in marketing year (MY) 2020/21 to increase by approximately 1.5 percent or 40,000 metric tons (MT) to reach 2.78 million metric tons (MMT.) Of this total forecast, 1.5 MMT of sugar will be derived from sugar beets, while 1.2 MMT will be sourced from sugarcane. This increase in production is attributed to good procurement prices of sugar beets. Posts forecasts domestic consumption in MY 2020/21 to increase by three percent or 90,000 MT to reach 3.3 MMT as a result of population increase. Egypt's raw sugar imports in MY 2020/21 are forecast to stay the same as last season at 800,000 MT. A UAE-funded, \$1 billion sugar beet investment project commenced and is still under construction. The Egyptian government allocated 76,000 ha to the project for sugar beet production only.

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 8 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

Farmers maintain the area cultivated by sugar cane. Post estimates the MY 2020/21 planted area to be largely the same with a slight increase in the harvested area to 130,000 ha, an increase of 1,000 ha compared to last year. The government did not increase the procurement price of sugar cane for MY2019/20, and the prices are expected to remain the same this market year as well at EGP 720/MT (\$45.40).

Post expects sugarcane production in MY 2020/21 to reach 13.9 MMT, approximately 100,000 MT above last year's estimate. Post attributes the higher production to the increase in the harvested area and improved yields due to continued access to better fertilizers.

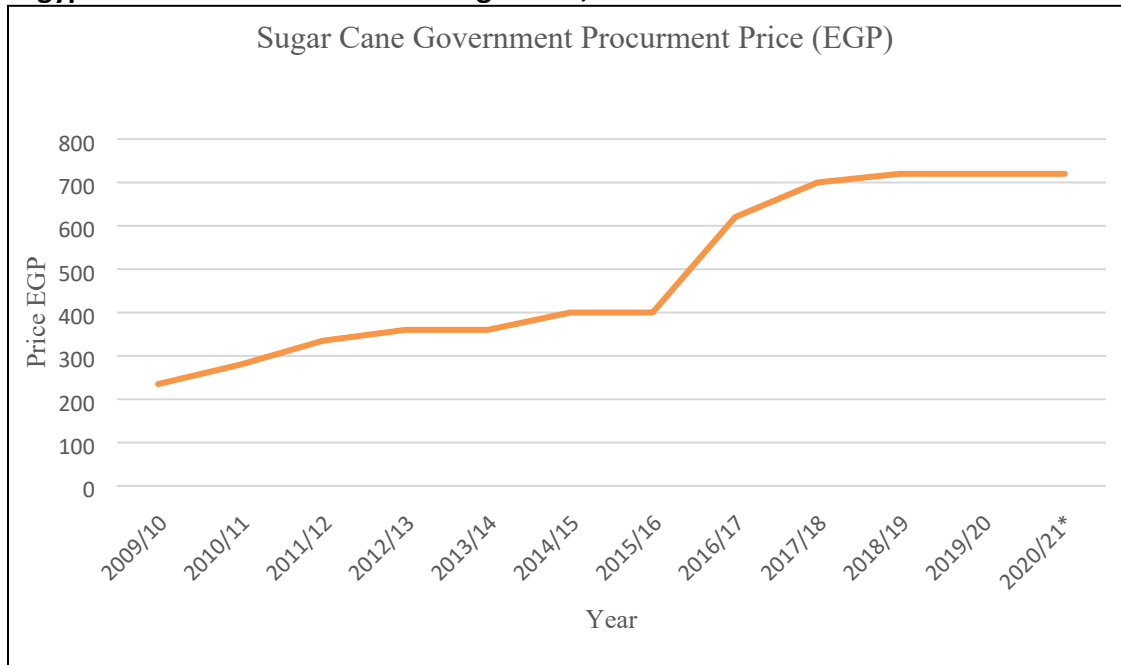
The economy in Upper Egypt, the country's south, is heavily dependent on sugarcane production. Any disruptions to the sugarcane planted area would directly impact the livelihoods of an estimated 200,000 families that grow sugarcane. Given an average family size of 5.3 people, just over a million people 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 to Upper Egypt, adequate pest control is very essential. The U.S. government funded a project in conjunction with the Ministry of Agriculture to develop resistance varieties for culmicolous smut pathogen. This severe sugarcane smut disease can cause 30 to 75 percent loss in cane yield.

The government-controlled procurement price is a major determinant for farm-level production decisions. When the government sets a low procurement price, farmers switch to other more profitable crops. Farmers were disappointed with the government's procurement price of EGP 620/MT (\$35.76) going into the January 2018 harvest. The current price is EGP 720/MT (\$45.40), which is expected to remain the same next season.

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 EGP 620/MT (\$35.10) at the behest of the syndicate. The updated rate was 55 percent higher than the 2015/16 procurement price of EGP 400/MT. In 2019, the syndicate requested that the price would be EGP 900/MT (\$57) which was declined by the government. The current price of EGP 720/MT (\$45.40) is up by 16 percent as compared to the MY2016/17 procurement price (note: there was a devaluation of EGP in 2016).

Before devaluation \$1= EGP 8 and after devaluation \$1= EGP 17.40). Figure 1 tracks the Egyptian procurement price over time.

Figure 1: Egyptian Procurement Price for Sugarcane, 2009-2019



Source: Egyptian Sugar Crop Council

Post estimates that with a sugarcane procurement price of EGP 720/MT (\$45.40), farmers will see a net profit of EGP 19,619/ha (\$1,242.45). The estimated cost of sugarcane production per hectare is around EGP 52,381 (\$3,325.33).

Table 1: Sugarcane PSD

Sugar Cane for Centrifugal	2018/ 2019		2019/2020		2020/2021	
	Jan 2019		Jan 2019		Jan 2019	
Egypt	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	126	126	130	130		131
Area Harvested	125	125	129	129		130
Production	12500	12500	13805	13805		13900
Total Supply	12500	12500	13805	13805		13900
Utilization for Sugar	12500	12500	13805	13805		13900
Utilizatr n for Alcohol	0	0	0	0		0
Total Utilization	12500	12500	13805	13805		13900
(1000 HA) ,(1000 MT)						

Note: These are FAS Cairo estimates, not official USDA data

Sugar Beet:

Beet Production

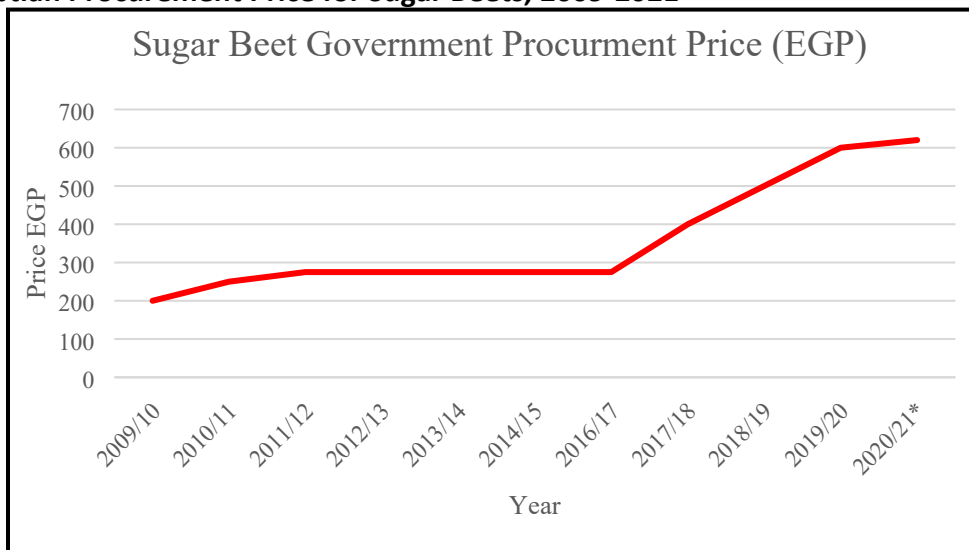
The industrial demand for sugar beets is still increasing, which provides a higher price, thus incentivizing many farmers to plant more beets. Accordingly, Post is increasing sugar beet area harvested in MY 2020/21 to 255,000 ha, an increase of two percent or 5,000 ha.

This rise in demand is attributed to the establishment of new sugar beet processing plants thus increasing demand for raw beets. Post expects area planted to increase slightly more over last season's increase. Post expected the rise of sugar beet area planted and harvested to rise by 11 percent or 25,000 ha, to reach 250,000 ha in MY 2019/20. In MY 2020/21, it is expected that the increase would reach 255,000 ha an increase of 5,000 ha. With increased area comes an associated increase in production, expected to reach 10.9 MMT. This is an increase of two percent over Post's MY 2019/20 forecast.

In MY 2019/20, a new sugar beet investment project from the United Arab Emirates of about one billion USD commenced and is still under construction. The Egyptian government allocated 181,000 *feddans* (76,000 ha) to the company only for sugar beet production. The company is targeting the production of 450,000 MT of sugar beets in its initial phase.

Over the past decade, sugar beet prices increased significantly. In MY 2019/20, the procurement price of sugar beet reached 600 EGP/MT (\$39.36). In MY 2018/19, the procurement price for the sugar beet crop reached EGP 700/MT (\$44.44) for early varieties and EGP 500 (\$31.70) for late varieties compared to EGP 500/MT (\$31.70) in MY 2017/18; or a 40 percent increase. In MY 2016/17, the price was EGP 400/MT (\$25), the first increase beet farmers received since MY 2011/12. Before that time, prices were flat at EGP 275/MT (\$17.50). Figure 2 shows sugar beet procurement prices from 2009 to the current year. Post expects that MY 2020/21 prices will remain the same or slightly increase to reach an average of EGP 620/MT (\$39.36).

Figure 2: Egyptian Procurement Price for Sugar Beets, 2009-2021



Source: FAS/Cairo research

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 cultivation in Upper Egypt in Minya governorate, and in Toshka.

Post expects sugar beet yield to average 42.4 MT/ha. Sugar concentration in beets is 13-18 percent, higher than the 11 percent in sugarcane. In addition to sugar for human consumption, co-products from the refining process are utilized in animal feed.

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 eight degrees centigrade for three months and 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.

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 American 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. This 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 PSD

Sugar Beets	2018/2019		2019/2020		2020/2021	
Market Begin Year	Jan 2019		Jan 2020		Jan 2020	
Egypt	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	226	251	251	251	0	256
Area Harvested	225	250	250	250	0	255
Production	9518	10710	10710	10710	0	10925
Total Supply	9518	10710	10710	10710	0	10925
Utilization for Sugar	9518	10710	10710	10710	0	10925
Utilizatn for Alcohol	0	0	0	0	0	0
Total Distribution	9518	10710	10710	10710	0	10925
(1000 HA) ,(1000 MT)						

Note: These are FAS Cairo estimates, not official USDA data

Sugar Production:

Refined sugar production in MY 2020/21 is expected to slightly increase by approximately 1.5 percent or 40,000 MT to reach 2.78 MMT, as compared to the MY 2019/20 estimate of 2.74 MMT. Of this total forecast, 1.53 MMT of sugar will be derived from sugar beets, while 1.25 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 2019/20 is forecasted to increase by 195,000 MT, reaching 1.5 MMT. This is up 15 percent from 1.3 MMT in the previous marketing year. Sugar from cane is expected to increase in MY 2019/20 by 13 percent or 140,000 MT tons.

In Egypt, there are 15 sugar processors, eight processing sugarcane and seven processing sugar beet 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.

Figure 3: Geographical Distribution of Sugar Processors and Related Integrated Industries



Source: FAS/Cairo Research

Consumption:

Post forecasts total sugar domestic consumption in MY 2020/21 to increase by three percent or 90,000 MT to reach 3.34 MMT. The rise in sugar consumption is driven by population growth, estimated at 2.4 percent per annum. Egypt with a population of 100 million (est., 2020) is adding roughly 2 million people per year. Additionally, Egypt is host to an estimated six million refugees from Iraq, Syria, Libya, Yemen, and Sudan. The rise in consumption is in line with annual population growth.

Figure 4: Egyptian Sugar Production, Supply, and Imports, 2016-2020



Source: PSD

The Food Subsidy Program:

The Egyptian government in fiscal year (FY) 2019/20 (July-June) allocated EGP 89 billion (\$5.6 billion) for food subsidies. Of this amount, roughly EGP 51 billion (\$3.24 billion) alone is earmarked for the bread subsidy program (EGP 15.70 = \$1.00). The other EGP 38 billion (\$2.42 billion) is for supply commodities (i.e., rice, cooking oil, sugar, beef, chicken, cheese, etc.). Roughly some 64 million Egyptians make use of food subsidies delivered by the government as credits on SMART cards; these credits are redeemable monthly for food staples. A network of 1,250 state-owned consumer complexes managed by MoSIT’s Holding Company for Food Industries (HCFI) accept SMART cards, as well as 27,000 partnered, private grocery stores.

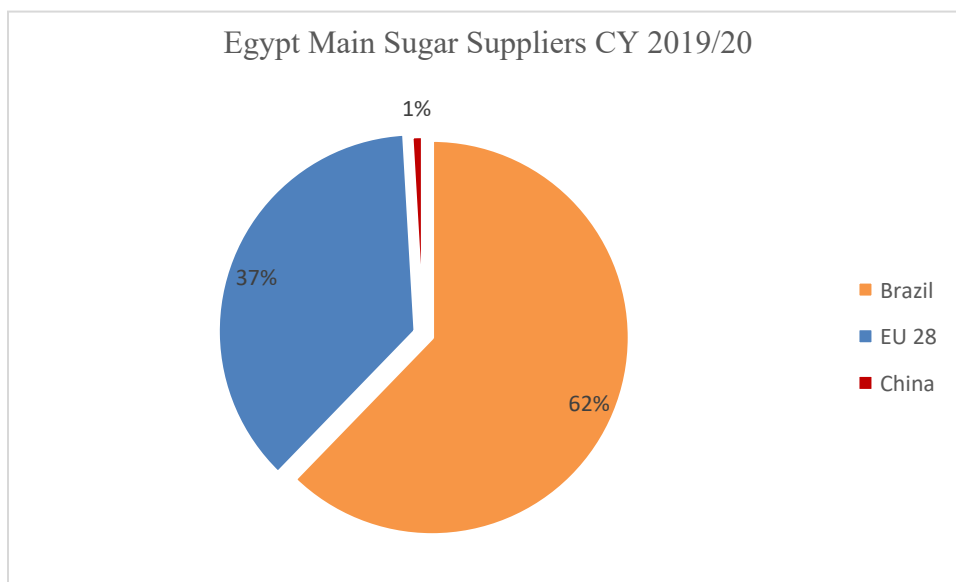
Egypt continues to provide refined sugar to food subsidy beneficiaries at prices below the international price. The complexes provide one kilogram of sugar at a subsidized price of EGP 9.50 per month. A family of four will get a monthly cash transfer of EGP 200 (\$11.36), enabling them to meet their sugar needs, as well as purchase other food commodities.

Nationally, average prices are between EGP 8 – 9/KG, including bulk sales. Retailers in the greater Cairo area generally sell packaged sugar to the public at around EGP 10/KG.

Trade:

Post forecasts that total sugar import estimates for MY 2020/21 is to remain the same as in MY 2019/20 at 830,000 MT. Imports are forecasted unchanged due to a steady production increase. The majority of sugar imports are usually imported through the Egyptian Sugar and Integrated Industries Company (ESIIC), which operates as a subsidiary of the Egyptian Holding Company for Food Industries.

Figure 5: Egypt’s main sugar suppliers in CY 2019/20



Source: TDM – FAS/Cairo office analysis

In CY 2019, Egypt imports amounted to 8.3 MMT, with Brazil supplying 62 percent of Egypt’s imports of raw sugar. Brazil is likely to remain Egypt’s main raw sugar supplier in MY 2020/21.

Post forecasts Egypt’s sugar exports to reach 300,000 MT in MY 2020/21 similar to Post’s MY 2019/20 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 EGP 3000/MT (\$170.40). The decree was effective from March 30, 2017 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 2020/21. Egypt exports sugar to most of its neighboring countries.

Table 3: Centrifugal Sugar

Sugar, Centrifugal	2018/2019		2019/2020		2020/2021	
Market Begin Year	Oct 2018		Oct 2018		Oct 2019	
Egypt	USDA Official	USDA Official	USDA Official	USDA Official		
Beginning Stocks	180	180	145	145		165
Beet Sugar Production	1305	1305	1500	1500		1530
Cane Sugar Production	1100	1100	1240	1240		1250
Total Sugar Production	2405	2405	2740	2740		2780
Raw Imports	830	830	800	800		800
Refined Imp.(Raw Val)	30	30	30	30		30
Total Imports	860	860	830	830		830
Total Supply	3445	3445	3715	3715		3775
Raw Exports	200	200	300	300		300
Refined Exp.(Raw Val)	0	0	0	0		0
Total Exports	200	200	300	300		300
Human Dom. Consumption	3100	3100	3250	3250		3340
Other Disappearance	0	0	0	0		0
Total Use	3100	3100	3250	3250		3340
Ending Stocks	145	145	165	165		135
Total Distribution	3445	3445	3715	3715		3775

(1000 MT)

Attachments:

No Attachments