

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Voluntary - Internal

Date:

GAIN Report Number:

Egypt

Post: Cairo

Update on Egypt's Wheat Trade and Imports

Report Categories:

Grain and Feed

Approved By:

Ron Verdonk

Prepared By:

Ahmed Wally

Report Highlights:

Post is increasing its estimate of MY2014/15 consumption compared to the previous forecast, though still below USDA's official estimate of 19 MMT to 18.4 MMT. Post maintains its forecast for corn and rice; no changes have been made to the PSD tables for these crops.

Consumption:

MY2014/15 consumption has been revised upward from its last update to 18.4 MMT though this is still below USDA's official estimate of 19 MMT. The change is largely attributable to the challenges faced in implementation of the government's reformed subsidized *baladi* bread program that has been implemented in 15 governorates, with 4 more governorates in the pipeline.

Trade:

MY 2014/15 wheat imports are being revised upward to 10.5 MMT, higher than USDA's official forecast of 10.3 MMT.

After conducting 17 tenders, the total amount of wheat purchased by the General Authority for Supply Commodities (GASC) from July 1, 2014 through December 2014 is 2.8 MMT compared to 2.75MMT during the same period in 2013. Top suppliers include France with 1 MMT, Romania with 780 TMT, and Russia with 760 TMT.

Post's recent adjustment of its import numbers reflects an increase in the private sector's wheat imports, which totaled 3.6 MMT since July 2014, an increase of 0.5 MMT or 16 percent from the same period last year. Since July, Egypt's total imports of wheat are 6.4 MMT compared to 5.85 MMT during the same period in 2013.

The increase in the private sector's share of imports is driven by favorable international market pricing for a good chunk of the latter half of 2014 and the Ministry of Supply and Internal Trade's new subsidized *baladi* bread program implemented in 15 of 27 governorates as of December 25, 2014. Under the program, the government liberalized flour prices to control fraud in the supply chain, as a percentage of the flour was being diverted for sale in the black market or ended up as poorly baked *baladi* bread which was then used as feed on poultry farms and cattle operations.

The program has resulted in tighter government wheat supplies, triggering the private sector's need to increase its wheat imports. Additionally, an increased market orientation has resulted in an improved quality of products offered. Over time, assuming the *baladi* bread program generates the efficiencies intended, there will be a shift towards higher quality wheat, which will be good news for US suppliers.

Once the new *baladi* bread subsidy program is implemented countrywide, government officials project that there will be a 30 percent reduction in imports by GASC. However, private traders and analysts estimate a more conservative reduction in government imports by 10-15 percent.

Post estimates that any reduction in government imports of wheat in the future will be offset by the private sector as demand for better quality baked products are on the rise, but this will happen over the course of several years.

FAS Cairo understands that in February 2015, Russia will apply an export tax on its wheat exports, a month after the last shipment of what is currently outstanding in the way of contracted purchasing, 180 TMT, to Egypt is due. The Russian government stated that it will apply a charge of \$43/ ton of wheat in an effort to curb exports and lower prices in its domestic market, in response to the ruble's fall. The Government of Egypt (GOE) announced that restrictions on grain exports imposed by Russia would not pose any risks to Egypt as its strategic reserves would cover any shortfall from Russian wheat.

Stocks:

Post is revising wheat stocks upward of USDA's official forecast by 1.5 per cent. The increase in private sector purchases of wheat was partially driven by the decline of wheat prices in the international market. In order to capitalize on the lower prices, the private sector has seen their stocks rise, as a hedge to possible price increases. The public sector has maintained an import rhythm similar to last year's although consumption is declining, which has also resulted in higher stocks. GASC usually maintains six months of stocks. The Egyptian government is seeking to reduce local wheat storage losses by improving the quality of its storage capacity and efficiency. This will lead to a reduction in post-harvest losses and a more robust strategic reserve program.

Wheat Egypt	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Jul 2012		Market Year Begin: Jul 2013		Market Year Begin: Jul 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,350	1,350	1,350	1,350	1,400	1,300
Beginning Stocks	6,698	6,698	4,601	4,608	4,312	4,319
Production	8,500	8,500	8,650	8,250	8,950	8,200
MY Imports	8,300	8,300	10,170	10,170	10,300	10,500
TY Imports	8,300	8,300	10,170	10,170	10,300	9,000
TY Imp. from U.S.	1,606	1,606	490	490	0	500
Total Supply	23,498	23,498	23,421	23,028	23,562	23,019
MY Exports	197	190	209	209	200	190
TY Exports	197	190	209	209	200	190
Feed and Residual	2,200	2,200	2,200	2,000	2,000	1,800
FSI Consumption	16,500	16,500	16,700	16,500	17,000	16,600
Total Consumption	18,700	18,700	18,900	18,500	19,000	18,400
Ending Stocks	4,601	4,608	4,312	4,319	4,362	4,429
Total Distribution	23,498	23,498	23,421	23,028	23,562	23,019
Yield	6.	6.2963	6.	6.1111	6.	6.3077
TS=TD		0		0		0