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Egypt is Likely to Remain World's Orange Largest Exporter

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Report Highlights:

In MY2015/2016, Egypt is likely to remain the world's largest orange exporter. Post forecasts exports to increase by 8 percent or 100,000MT to reach 1.3 MMT from the previous season. The increase is attributed to higher demand from the Russian and Chinese markets. Saudi Arabia and Russia will likely remain Egypt's top export destinations. Area planted will remain stable at 133,236 ha, however, production is to increase by 4.5 percent due to improved weather conditions.

Executive Summary:

Egypt will remain a leading world orange producer and exporter, ranking as the sixth largest producer and most likely the top orange exporter in the world. Post forecasts MY2015/16, total planted area to remain unchanged at 133,236 ha from MY2015/16, while area harvested to increase by 5 percent to 122,800 ha. Post ascribes the 5,000 ha increase to improved weather conditions that prevailed during the growing season, in addition to the increase in the number of new fruit bearing trees that came into production.

MY2014/15, Production is expected to increase by 4.5 percent or 120,000 MT to 2.750 MMT compared to 2.630 MMT in the previous year, in line with the increase in total area harvested due to improved weather conditions, and the increase of new fruit bearing trees. The total bearing trees are forecast to increase by 300,000 to reach 9.550 million trees compared to 9.250 million trees in the previous season. Egypt is the sixth largest orange producer in the world after Brazil, China, US, EU, and Mexico.

In MY2015/2016, Egypt's orange exports are expected to increase by 8 percent or 100,000MT to reach 1.3 MMT compared to 1.2MMT during previous season. The increase is attributed to the higher demand from the Russian market due to its ban on orange imports from the European Union, mainly from Spain, Greece, and Italy, in addition to the recent ban imposed on some agricultural goods, including oranges, from Turkey.

Planted Area

Post forecasts MY2015/16 total planted area to remain unchanged at 133,236 ha from FY2014/15, while area harvested to increase by 5 percent from 117,000 ha to 122,800 ha. Post ascribes the 5,000 ha increase in total area harvested to improved weather conditions that prevailed during the current growing season and assumes it will continue into the following season. As well as to the increase of new fruit bearing trees planted four years ago that will bear in MY2015/16.

In November, 2015, during the harvest time unusual storm and flood activity hit some orange growing areas in Egypt, including Beheira Governorate one of the largest orange producing areas, however the impact was minimal on the panted area, but did cause some delays in the harvest.

Of the citrus varieties, oranges are the largest species cultivated, as farmers prefer to grow oranges over other fruits due to its high export demand and value. With well-established supply chains in which small farmers, that do not have the capabilities to export, are able to capitalize on the export market by selling their crop to bigger farmers and exporters. Orange is grown in almost all of Egypt's governorates. However, the Delta governorates of Qalyoubia, Beheira, Sharqiya, Ismailia and Menufia are the main producing areas (see the green area on both sides of the Nile Basin). The orange harvest usually lasts from four to five months. Of all the varieties mentioned, navel oranges are the predominant variety, representing 60 percent of all orange production.

Production

In MY2015/16, Post forecasts total orange production to increase by 4.5 percent or 120,000 MT to 2.750 MMT in MY2014/2015 compared to 2.630 MMT in the previous year. Post attributes the increase in production to the increase in the total area harvested due to improved weather conditions, as well as an increase in the number of new fruit bearing trees. Total bearing trees are forecast to increase by 300,000 to reach 9.550 million trees compared to 9.250 million trees in the previous season. Egypt is the sixth orange producer in the world after Brazil, China, US, EU, and Mexico.

Oranges represent around 30 percent of the total Egyptian fruit production and 65 percent of citrus production. Egypt is one of the world's leading orange producers and exporters. Egyptian orange production is high yielding and competitive due to the availability of irrigation water (the Nile), suitable climactic conditions, good soil, low labor costs, an early harvest compared to other major producers in the region, and Egypt's proximity to major importing countries. The current average yield is 4.2 MT/HA while in farms with greater technification the average yield may reach 7.5-8.5 MT/HA.

Several orange varieties are produced in Egypt but the dominant varieties are six as described in table (1). Valencia and navel are the main export varieties while the others are used more for domestic consumption.

Table (1): Egypt's Main Orange Varieties	
Baladi Orange	Two varieties are grown, the seeded baladi orange and the seedless baladi orange both used mainly for juice.

Valencia Orange	Summer variety and mainly for juice but also fresh use.
Blood Orange	Very good taste, seedless variety and mainly for juice
Navel Orange	Two varieties, the early maturing navel that is consumed domestically and the late maturing navel that is exported.
Khalily Orange	Good variety for juice.
Sweet Orange (Sukkari)	Sweet variety consumed fresh, with seeds.

In Upper Egypt it is preferred to plant oranges during early February while in other areas in the Delta region it is preferred to plant during March. Orange trees will start producing after four years of planting and the trees can live up to 50 years but production decreases after 20 years. Based on the variety, orange blooms throughout most of the year, except during August and September when the weather is too hot (table 2). The export season starts during the middle of November and lasts until late August.

Table (2): Seasons for Main Orange Varieties

Variety	*Oct*	*Nov*	*Dec*	*Jan*	*Feb*	*Mar*	*Apr*	*May*	*Jun*	*Jul*	*Aug*	*Sep*
Navel	*	*	*	*	*	*						
Baladi			*	*	*	*						
Sweet Orange (Sukkari)			*	*	*	*						
Valencia					*	*	*	*	*	*		
Blood Orange				*	*	*						

Note: Navel Variety starts from middle of October, and Valencia variety starts from middle of February

Source: Ministry of Agriculture

Consumption

In MY2015/16, Post forecasts fresh domestic consumption to increase by 20,000 MT to 1.365 MMT, compared to 1.345 MMT from the previous season. The increase in domestic consumption is in line with the annual increase in total population of 2.5 percent, which in December of 2015 totaled 90 million people. Also, the high quality, preferred taste, and its low prices compared to other fruits have made oranges the favorite fruit consumed by Egyptians. Post's estimate of MY2015/16 orange processing volume will remain flat at 85,000 MT from MY2014/15.

Trade

In MY2015/16, Egypt's orange exports will increase by 8 percent or 100,000MT to reach 1.3 MMT compared to 1.2 MMT during the previous season. Post attributes the expected increase in exports to the higher demand from the Russian market, due to its recent ban on Turkish oranges as well as its existing ban on EU oranges. In MY2014/2015, Turkey's share in the Russian orange market was 13.5 percent. Post also attributes the expected increase in exports to the Agricultural Export Council's (AEC) recent announcement that they are on their way to increase exports to China from 20,000MT to 100,000MT, and tap into new markets in Japan and Indonesia. In MY2014/2015, Egypt was the world largest orange exporter, a position that is expected it will retain in MY2015/16.

Saudi Arabia and Russia will likely remain Egypt's top export markets absorbing roughly 40-50 percent of Egypt's total orange exports. On December 2, 2015, Russian Prime Minister Dmitry Medvedev signed a decree prohibiting imports of food items from Turkey in response to the downing of a Russian warplane by Turkey in November 2015. Egypt's Ministry of Industry and Trade announced that Egypt is capable of providing Russia with the goods it previously imported from Turkey, including oranges, as it already has the relevant capabilities.

Table (3): Egypt Export Statistics							
Commodity: 080510, Oranges, Fresh							
Year To Date: January - August							
Partner Country	Unit	Quantity			% Share		
		2013	2014	2015	2013	2014	2015
World	T	704,631	901,186	1,152,858	100.00	100.00	100.00
Saudi Arabia	T	124,885	169,445	273,960	17.72	18.80	23.76
Russia	T	164,959	182,281	196,768	23.41	20.23	17.07
United Arab Emirates	T	34,097	72,118	84,511	4.84	8.00	7.33
Netherlands	T	34,600	53,077	66,771	4.91	5.89	5.79
Kuwait	T	15,191	29,455	57,511	2.16	3.27	4.99
United Kingdom	T	27,397	54,700	48,994	3.89	6.07	4.25
Iraq	T	44922	19,447	41,694	6.38	2.16	3.62
Bangladesh	T	23,450	35,542	37,941	3.33	3.94	3.29
India	T	23,865	39,727	36,731	3.39	4.41	3.19
Sudan	T	27,901	21,443	32,888	3.96	2.38	2.85
Ukraine	T	50,548	35,542	30,054	7.17	3.94	2.61
Others	T	132,818	188,412	245,036	18.84	20.90	21.2

Source: GTA

An Egyptian trader confirmed to Post that Egypt is capable of supplying Turkey's market share in Russia; however, it is unlikely as it will face tough competition from other suppliers such as South Africa and Morocco. In CY2014, Russia imported around 347,000MT of fresh oranges with Turkey supplying around nine percent. From January through September 2015, Russia imported around 325,000MT of fresh oranges and the share of Turkey is estimated at 13 percent (table 3).

Table (4) : Russia Import Statistics in MT								
Commodity: 080510, Oranges, Fresh								
Year To Date: January - September								
Partner Country	Unit	Quantity			% Share			% Change
		2013	2014	2015	2013	2014	2015	2015/2014
World	T	365,092	347,098	325,103	100.00	100.00	100.00	- 6.34
Egypt	T	217,773	195,150	202,646	59.65	56.22	62.33	3.84
S. Africa	T	59,643	66,224	54,298	16.34	19.08	16.70	- 18.01
Turkey	T	30,458	31,387	43,105	8.34	9.04	13.26	37.34
Morocco	T	22,859	25,154	15,785	6.26	7.25	4.86	- 37.25

Source: GTA

In MY2014/2015, Russia, Saudi Arabia, United Arab Emirates, Netherlands and India were Egypt's top export destinations. Russia and Saudi Arabia absorbed roughly 40 percent of Egypt's total orange exports.

In August 2013, the United States approved the importation of Egyptian oranges and tangerines. However, cold treatment training for Egyptian inspectors and exporters, which is a required step before any import permits are issued, has not been scheduled.

Marketing:

Egypt's orange industry has been improving over the past few years due to a comprehensive development of the supply chain. At the production level, improvements have focused on crop quality by implementing good agricultural practices, as well as increasing awareness among growers of the need to compete on a quality basis in the global marketplace. Many of the Egyptian growers have adopted quality standards, such as GLOBALGAP, and management systems such as ISO to ensure that they are in full compliance with the requirements of their export markets.

The post-harvest supply chain has improved significantly by developing appropriate harvest techniques, packinghouses, and the application of post-harvest practices such as precooling and temperature control. They also monitor and adhere to MRL residue levels, while improving marketing channels and developing new markets with the help of the Agricultural Export Council AEC, which is the marketing arm of the Ministry of Industry and Trade for the agricultural export sector (www.aecegypt.com).

Although Egypt is a highly competitive exporter, it does face challenges in its European markets due to transportation costs, and seasonality. Spain's competitive advantage in the EU market is its geographic proximity, which means lower transportation costs and ease of shipping. On the other hand, South Africa's competitive advantage relies on a different production season (July-September) for its Valencia oranges compared to Egyptian Valencia oranges that are harvested at the beginning of December, and which must compete with Spanish and Moroccan oranges in a more saturated market.

Additionally, a growing challenge that Egyptian orange producers and exporters are facing in their market expansion plans are importing countries' concerns of the Mediterranean fruit fly, as well as the peach fruit fly. These countries are requiring that Egypt utilize cold treatment to mitigate the spread of fruit flies. The cold treatment is required at the packing level under the supervision of Ministry of Agriculture and Land Reclamation's Central Administration for Planet Quarantine (CAPQ). The CAPQ issues health certificates states that cold treatment was implemented on the shipment. On the other hand, the Egyptian government is funding the "Fruit Fly Resistance Project" with the aim of eradicating fruit flies. In November 2015, the government agreed to fund the project with LE 15 million ($1.875 million) to continue its role in eradicating fruit flies at the field level.

Price

There are approximately 45 exporters who own 60 packing facilities that are approved by the Ministry of Agriculture and Land Reclamation (MALR) for export. Farmers are required to deliver their crop to one of the approved packing facilities, receiving the procurement price determined every year by exporters, who convene before the onset of the harvest to agree on an appropriate procurement price based on criteria that includes mainly the size and the shape of the fruit.

The procurement prices set by exporters for the MY2015/16 crop were unchanged from last year's prices which were 100-120 Egyptian piasters/kg (US$ 0.13-15 cents/kg). Farmers were disappointed with the procurement prices blaming the government for leaving them at the mercy of exporters, and trying to force the government to intervene by setting, what they perceive would be, a fair procurement price. The Farmers Union warned that if the policy continues, farmers will refrain to grow oranges and shift to a more profitable crop, arguing that the current prices are insufficient to cover their operating costs.

However, exporters disagree with farmers' claims indicating that a fair price starts at 90 Egyptian piaster /kg (US$0.11/kg). Exporters say they are paying farmers extra to ensure a stable supply. One exporter stated that for each ton they purchase around 30 percent is not fit for export, which must be sold in the local market at prices that are half of those of the procurement prices.

Russia and Ukraine

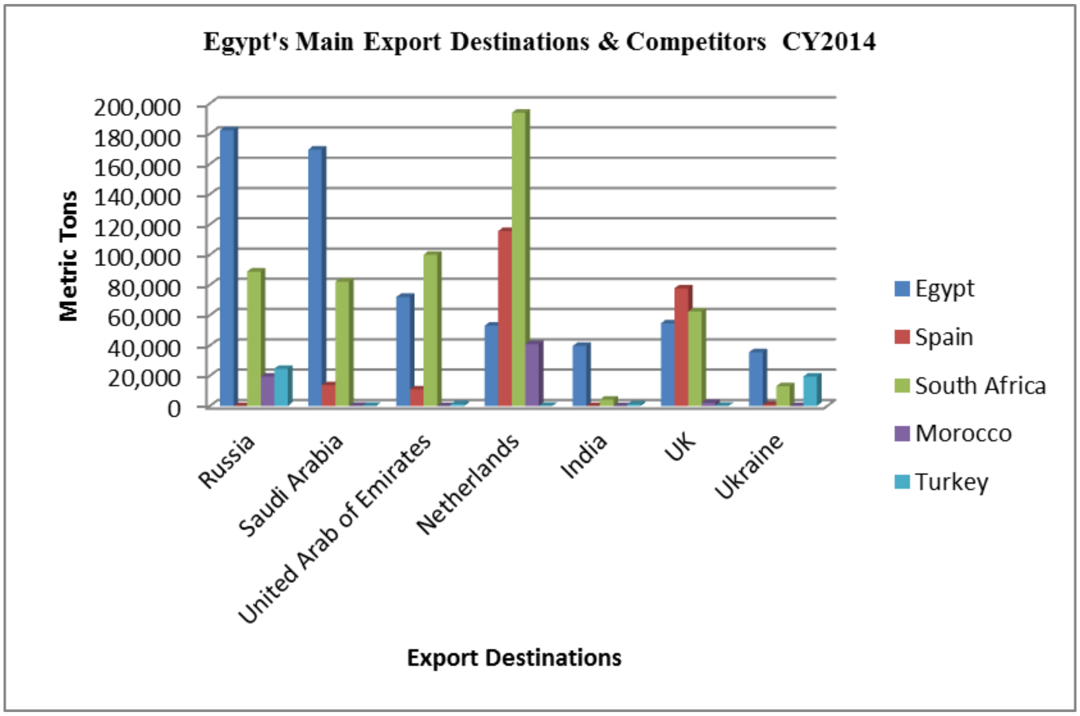
South Africa, Turkey and Morocco are Egypt's main competitors in the Russian market but Egypt is by far the dominant. In CY2014, Egypt's total exports to Russia were at 182,281 MT while South Africa exported 88,860 MT followed by Turkey 24,625 MT and Morocco 19,407 MT. In the Ukrainian market, Egypt remains dominant with Turkey and South Africa as its main competitors. In CY2014, Egypt's total exports to Ukraine were at 35,542 MT while Turkey exported 19,502 MT followed by South Africa with13,071 MT.

Saudi Arabia and United Arab of Emirates

South Africa and Spain are Egypt's main competitors in the Saudi market, but Egypt is by far the dominant exporter with 169,445 MT exported in CY2014, while South Africa exported 82,257 MT followed by Spain 13,727 MT. However, in the United Arab of Emirates market, South Africa South Africa is the dominant exporter with100, 034 MT exported in CY2014, followed by Egypt with 72,118 MT, and Spain with 11,034 MT.

Netherlands and the United Kingdom

South Africa and Spain are the top exporters to the Netherlands Egypt's main competitors in the Netherlands with 193,776 MT and 115,647 MT exported in CY2014, respectively. Egypt came in third with 53,077 MT and Morocco fourth with 40,930 MT. In the United Kingdom, Spain and South Africa were the top exporters with 77,813 MT and 62,422 MT in CY2014, respectively. Meanwhile, Egypt came in third with total exports of 54,700 MT.



Oranges, Fresh Egypt	2013/2014		2014/2015		2015/2016		
	Market Year Begin: Oct 2013		Market Year Begin: Oct 2014		Market Year Begin: Oct 2015		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Planted	133,236	133,236	133,236	133,236		133,236	(HECTARES)
Area Harvested	115,000	115,000	117,000	117,000		122,800	(HECTARES)
Bearing Trees	9,100	9,100	9,250	9,250		9,550	(1000 TREES)
Non-Bearing Trees	8,220	8,220	8,070	8,070		8,300	(1000 TREES)
Total No. Of Trees	17,320	17,320	17,320	17,320		17,850	(1000 TREES)
Production	2,570	2,570	2,630	2,630		2,750	(1000 MT)
Imports	0	0	0	0		0	(1000 MT)
Total Supply	2,570	2,570	2,630	2,630		2,750	(1000 MT)
Exports	1,100	1,100	1,200	1,200		1,300	(1000 MT)
Fresh Dom. Consumption	1,385	1,385	1,345	1,345		1,365	(1000 MT)
For Processing	85	85	85	85		85	(1000 MT)
Total Distribution	2,570	2,570	2,630	2,630		2,750	(1000 MT)