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Egyptian Court Bans Import of Russian Wheat with Trace Amounts of Ergot

Report Categories:

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SP2 - Prevent or Resolve Barriers to Trade that Hinder

U.S. Food and Agricultural Exports

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Report Highlights:

On November 14, 2017, Egypt's Administrative Court took the lawsuit filed against Prime Minister Sherif Ismail's Prime Ministerial Decree No. 2992 (2016); the plaintiff seeks to revert the decree and reinstate the previous zero-tolerance level for the ergot fungi in imported Russia-origin wheat shipments.

FAS Cairo understands that no other origins have been named to date. A preliminary ruling has been issued banning the import of Russia-origin wheat containing trace amounts of the ergot fungi. This preliminary ruling will not go into effect until a final decision is made by a higher court. The government is studying the ruling and is expected to appeal the decision. . FAS Cairo does not anticipate any near-term disruption to wheat imports as a result of this preliminary court ruling.

General Information:

Egypt's public-sector wheat imports were disrupted continuously throughout calendar-year (CY) 2016. The disruption is attributed to the Ministry of Agriculture and Reclamation's (MALR) Central Administration for Plant Quarantine's (CAPQ) attempts to enforce a zero-tolerance level for the presence of the ergot fungi in imported wheat shipments. Egypt implemented and rescinded the policy three times; causing multiple rejections, repeated tender cancellations, as well as limiting the number of the Ministry of Supply and Internal Trade's (MoSIT) General Authority for Supply Commodities' (GASC) tenders for the subsidized *baladi* bread (traditional, farm bread) program.

Egypt has been importing wheat under the 0.05 percent ergot threshold level for years. The country, despite being the world's largest importer of wheat, does not have evidence that the ergot fungi has taken hold in Egyptian wheat fields, nor for that matter caused any health issues among consumers. The General Authority for Supply Commodities is the country's single largest purchaser of wheat; issuing 27 import tenders for 5.85 million metric tons (MMT) of wheat in marketing year (MY) 2016/17 (July/June) compared to 4.5 MMT in MY 2015/16. The three largest suppliers in MY 2016/17 were Russia (4.47 MMT), Romania (1.26 MMT), and Ukraine (560,000 MT). The average price paid by the GASC during the last two tenders of MY 2016/17, including freight, was roughly \$205 per metric ton (see, [GAIN EGYPT – Grain and Feed Update 2017 – Egypt's Wheat and Corn Imports Hold Steady, Rice Exports Remain Restricted](#)).

The country has a thriving, modern wheat milling sector. The public- and private-sectors utilize modern milling technologies that ensure milled wheat is clean and safe for human consumption. Egypt's national milled wheat standard is in line with the *Codex alimentarius* (Codex) standard.

Egypt's controversial ergot fungi policy in 2016 was trade disruptive resulting in higher food prices for consumers. This policy contradicted the government's own efforts to make food more accessible and affordable to the country's then 95 million inhabitants (this number today has grown to 97 million – Central Intelligence Agency, est., July 2017).

Egyptian Court Bans Import of Russian Wheat with Trace Amounts of Ergot: On November 14, 2017, Egypt's Administrative Court took the lawsuit filed against Prime Minister Sherif Ismail's Prime Ministerial Decree No. 2992 (2016); the plaintiff seeks to revert the decree and reinstate the previous zero-tolerance level for the ergot fungi in imported Russia-origin wheat shipments. The Ministers of Supply and Internal Trade (Ali Museilhi), Agriculture and Land Reclamation (Abdel-Moneim el-Banna), and Health (Ahmed Emad) are defendants in the case given that their ministries issued their own subsequent implementing decrees for the prime ministerial being challenged.

Reportedly the suit demands that the court reinstitute a zero-tolerance level for the presence of the ergot fungi in imported Russia-origin wheat shipments. FAS Cairo understands that no other origins have been named to date. The court has issued a preliminary ruling; it bans the import of Russia-origin wheat containing trace amounts of the ergot fungi. The suit was filed on the premise that the "insistence of the Government of Egypt to not abide by its own decision to ban imports of wheat infected with ergot, but rather permit its import despite the public health threat, violates the government's vow to respect the

national constitution, the (country's) laws, and provide for a proper and healthy environment.”

FAS Cairo understands that this preliminary ruling will not go into effect until a final decision is made by a higher court. The government is studying the ruling; an appeal is anticipated.

Impact on Wheat Imports: Since July 2017, the General Authority for Supply Commodities has conducted 15 tenders, purchasing some 3.96 MMT of wheat from foreign suppliers for the country's subsidized bread program. Russia to date is Egypt's largest supplier of wheat. Russian wheat makes up 71.4 percent of total GASC imports as of July 2017. FAS Cairo does not anticipate any near-term disruption to wheat imports as a result of this preliminary court ruling. The Ministries of Agriculture and Supply and Internal Trade have confirmed that wheat import procedures will continue to be subject to Prime Ministerial Decree No. 2992 (2016) and CAPQ directive No. 48 (2017).

Prime Ministerial Decree No. 2992 (2016): Prime Ministerial Decree No. 2992 (2016), in response to Egypt's controversial ergot fungi policy, restructures wheat, as well as corn and soybean import procedures. The decree designates the Ministry of Trade and Industry's General Organization for Import and Export (GOEIC) as the country's lead authority for all inspection procedures. The Ministry of Trade and Industry Decree No. 24 (2017) implements the operational guidelines establishing the GOEIC as the government body responsible for wheat inspections at ports-of-origin and -destination.

Prior to the end of 2016, the General Authority for Supply Commodities' (GASC) public-sector tenders required that up to six inspectors travel overseas to inspect shipments at the port-of-origin; two inspectors each from the CAPQ, GOEIC, and the Ministry of Health. FAS Cairo estimates that overseas cargo inspections added a cost of \$0.50 to \$1 per metric ton of wheat shipped (based on estimated transportation costs and per diem plus additional funding for lodging and meals and incidental expenses). Although private-sector shipments were not required to conduct cargo inspections at origin, many also opted to have inspectors travel to avoid possible detrimental findings at the port-of-destination. Currently all inspections at the port-of-origin are carried out by the GOEIC and GASC approved private pre-shipment inspection companies. For the public-sector tenders, the required port-of-origin inspection costs are borne by the General Authority for Supply Commodities.

Importers today have to submit an import permit application to the GOEIC indicating the shipment's country-of-origin and the amount being imported. Approvals are issued within two working days of submission. The new regulations allow for a maximum-residue-level (MRL) for the ergot fungi of 0.05 percent, complying with the Egypt Standard No. 1601-1 (2010) which is in line with the Codex standard.

CAPQ Directive No. 48 (2017): Central Administration for Plant Quarantine (CAPQ) issued on October 31, 2017, Directive No. 48 – Regarding Special and Complementary Regulations for the Importation and Release of Wheat Shipments Imported from Abroad. The directive accelerates the release of inbound wheat shipments; inspection procedures are to be expedited and be subject to the Egyptian standard for wheat. Directive No. 48 does not include any new regulations; rather it is a compilation of all relevant rules and specifications to date (see, [GAIN EGYPT – Egypt's New Guidelines for Wheat imports – CAPQ Directive No. 48 \(2017\)](#)).

