USDA Foreign Agricultural Service
GAIN Report
Global Agricultural Information Network

Required Report - public distribution

Date:
GAIN Report Number:

Egypt

Grain and Feed Annual

A Key Market for U.S. Grain

Approved By:
Jonathan P Gressel

Prepared By:
Dr. Salah Mansour

Report Highlights:
The U.S and France have dominated the Egyptian market since the August 2010 Russian wheat export ban and are likely to continue to play a major role in the market. In MY 2010/11, U.S. export sales of wheat and corn to date are 3.7 MMT and 2.4 MMT, respectively, making Egypt our largest wheat market and fourth largest corn market. While Egyptian wheat production should recover in MY 2011/12 from the 7.1 MMT crop the previous year, imports is forecast to remain at the 10 TMT level of recent years. Corn imports are expected to be down in MY 2010/11 due to higher prices and reduced livestock and poultry demand from dislocations in the economy following the January 25 Revolution. In MY 2011/12, corn imports should rebound as the economy recovers. The Government of Egypt restricted rice area to 450,000 ha due to concerns over water shortages. In October 2010, Egypt renewed the ban on rice exports as the result of low production and continued high demand.

Executive Summary:

The Government of Egypt has always placed a strong emphasis on provision of low cost, basic commodities – bread, sugar, rice and vegetable oil – to consumers for both food security and political stability. This emphasis has shaped policies dealing with wheat and rice. One of the GOE's key focuses, since the Russian ban on wheat exports in August 2010, has been in securing adequate supplies of imported wheat for the subsidized baladi bread program. The January 25 Revolution brought this to the fore as disruptions to flour transportation and the baking sector in the early days brought prompt government and military action to assure that there were adequate supplies of baladi and other breads. Adding to the importance of imports was a short domestic crop (7.1 MMT) in 2010/11 that reduced government procurement. As a result, GASC (Government Authority for Supply of Commodity) wheat imports are expected to hit 6.1 MMT in MY 2010/11 vs. 5 MMT the previous year, despite GASC being out of the market for one month, partly due to high prices and partly due to disruptions of the 25 January Revolution. A better harvest, high local procurement prices and the fiscal demands of the post-January 25 Revolution economic recovery will likely reduce GASC import demand next marketing year, but the private sector will likely make up the slack, especially if the economy bounces back and world market prices soften. Therefore, Post forecasts wheat imports at 10 MMT in 2011/12.

In March 2011, supervision of GASC was shifted from the Ministry of Trade and Industry (MOTI) to the Ministry of Social Solidarity (MSS). GASC's mission is to supply commodities for the subsidized bread and subsidized ration card programs run by the MSS. However, under MOTI, GASC was a part of one of the more forward-looking Ministries in Egypt. It will be interesting to see if GASC operations change under MSS stewardship and whether such changes will positively or negatively impact the trade and the overall costs and benefits to Egypt.

Egypt's rice policies are shaped by a determination to limit water utilization for rice production by restricting planted area, while maintaining low domestic prices despite the premium placed on Egyptian medium grain rice in regional markets. The only way to decouple the domestic rice price from the international rice price is through export restrictions and what is now a ban on exports. As area restrictions are effectively enforced, rice production has dropped and, while domestic free market rice prices have climbed, currently LE5/kg ($840/MT), they do not reflect international prices. Ration card rice is only LE 1.5/kg, only $250/MT. U.S. medium grain rice has been able to capture a number of traditional Egyptian export markets, including Jordan and Libya.

The GOE looks to corn as a viable alternative for those farmers who were forced to stop producing rice. It is not clear that this has actually happened, as Ministry of Agriculture and Land Reclamation (MALR) data indicate a 220,000 hectare drop in rice area and only a 10,000 hectare increase in corn in 2010/11. Also competing for land in the summer is cotton which will be up significantly in 2011/12, due to high prices. Egypt primarily produces white corn, and while some is used in animal feed, imported yellow corn is preferred by most feed millers. The January 25 Revolution did severely disrupt Egypt's tourist trade, which will probably not recover until next fall. The loss of demand from the tourist hotels as well as reduced incomes among tourism workers and others will cause a stagnation in corn demand and therefore a drop in imports in 2010/11 to 5.4 MMT from 5.8 MMT the previous year. Demand should recover in 2011/12 with an improved economic outlook and recovery in tourism.

Exchange Rate: U.S.$1=LE5.93

Commodities:

Wheat

Production:

Wheat is planted in October/November and harvested in April/May. Ministry of Agriculture experts estimate that planted area in MY 2010/11 decreased by about 5% compared to area planted in MY 2009/10 level due to the dissatisfaction of farmers about the announced procurement prices. They estimate MY 2011/12 cultivated area increased by the same margin as high world market prices provided the expectation of high procurement prices. In MY 2010/11, production dropped to 7.2 MMT due to a heat wave that hit Egypt in February 2010, which is the time of pollination. In addition, yellow rust disease hurt the crop badly last season. Production for MY 2011/12 is estimated to be around 8 MMT given the good weather conditions this year and lack of yellow rust to date.

The government has announced the procurement price for MY 2011/12 crop at LE 350-360 /ardeb depending on the cleaning ratio ($1 = $5.9). This is equivalent to LE 2,334-2401/ton or $396-407/ton. Last year's procurement price was LE 270/ardeb or LE 1,801/ton. This year's wheat procurement price is a significantly higher than current world prices, CIF Egypt, and this gap may widen as we approach harvest, incentivizing trying to sell imported wheat as local to GASC. This year's price is 30% above last year's procurement price, which most likely will permit GASC to reach their procurement target.

In the past, wheat procurement prices were lower than the international prices but in order to encourage farmers to increase the area cultivated with wheat the government kept raising it until it is now higher than the world price. Farmers would like to increase their production of wheat but the cost of production including seeds, pesticides, fertilizers, and the farm wage rate is high. Most of the pesticides and some of the fertilizer are imported and therefore fully reflect increased world prices. Local public sector fertilizer is lower cost as it utilizes subsidized natural gas. The Ministry of Agriculture is making a strong effort to arrange fertilizer supplies from domestic suppliers, both public and private sector, for the summer and winter grain crops.

Expansion in the wheat areas would come at the expense of other important winter crops for the farmer, mainly clover (berseem) and vegetable crops. Farmers would like to implement new technology and adopt improved production practices, but the cost for such new technologies is high. They cannot afford to utilize these improved inputs and services given their low purchasing power, lack of credit, and the increased of cost of living which doesn't give them extra money to spend on these new technologies and practices.

Consumption:

Consumption of wheat is increasing as a result of the annual population increase of about 1.8 million/year. Egypt continues to have one of the highest wheat per capita consumption levels in the world. However, the disruptions surrounding the January 25 Revolution will leave FSI consumption flat for MY 2010/2011 before normal growth picks up again in 2011/12. Subsidized baladi bread production is estimated at 80 billion loaves per year produced by about 19,000 baladi bakeries with about 1,000 loaves / person/ year or 2.7 loaf/ person/ day. Each bakery serves about 4,000 people. The number of bakeries that produce semi-subsidized Tabaki bread (made of 76% flour) is about 4,000 bakeries. Wheat is a strategic commodity and considered a main ingredient in the Egyptian diet. Therefore consumers have no other choice except consuming the bread since it is still the cheapest food.

The public sector produces three types of bread: fully subsidized bread made out of 82% flour, sells at LE 0.05/loaf of 130 grams, Tabaki bread made of 76% flour, sells at LE 0.10 for 85 grams per loaf and LE 0.20/loaf for 160 grams per loaf, and

white bread made out of 72% flour and sells at LE 0.25-0.50/loaf. About 75% of the bread produced in Egypt is subsidized baladi bread made out of 82 percent flour, 15% is Tabaki semi-subsidized bread made out of 76 percent flour, and 10 percent of the bread is white unsubsidized bread made out of 72 percent flour. The prices of 72% flour utilized also for pasta, biscuits, cookies, and the food industry has increased. Egypt produces about 800 TMT of 72% flour annually used for Pasta, 350 TMT for biscuits, and 1.25 MMT for confectionary, cookies, and biscuits. Many private sector flour mills as well as pasta factories are under construction and there is one factory for noodles and expected 2-3 others under construction.

The total subsidy allocated for GASC for FY 2010/11 is estimated to be about LE 26 billion ($4.4 billion), in which baladi bread share is about 50% and the rest goes to subsidized vegetable oils, rice and sugar under the ration card system. This budget is well above last year's budget by about 50% due to the substantial increase in international wheat, vegetable oil and sugar prices. The Russian ban on wheat exports has an impact on the GASC budget and on the private sector. The government of Egypt has increased the budget by LE 4 billion in GASC's budget to make up any shortfalls after international prices went up.

The government has a plan to reduce the amount of subsidy allocated for bread by decreasing (or at least not increasing) the quantity of fully subsidized bread produced (82 percent flour) and by increasing the production of semi-subsidized bread made out of 76 percent flour as well as non-subsidized bread made out of 72 percent flour. This plan is a very sensitive one and the government will be reluctant to execute it if it is not supported by the majority of the people, which is unlikely in the current political situation. Another alternative policy that the government is considering is to transfer the amount it pays for the subsidized Baladi bread (LE 0.15/loaf = LE 0.20 (actual cost per loaf) – LE 0.05 (subsidized price per loaf) to an equivalent amount of money added to the salaries of the government employees. Under this suggested system, all the government employees will be eligible for such subsidy, but one of the problems that the government faces in applying such a system is identifying non-governmental employees who deserve such subsidy. It is not likely that the government will execute any of these plans in the near future due to the unrest political and economical situation in Egypt nowadays.

The current flour distribution and bread making system has numerous shortcomings which result in loss, waste, and misuse of the subsidies. Losses occurred during harvesting, transportation, storage, milling, distribution of wheat and flour, baking, and consumption of bread show that there are losses at all stages. Thefts are also an important source of such losses. The low quality of bread is a major source of increasing such losses because it forces consumers not to consume all the bread they buy. Additionally, the subsidized flour is sold on the black market to beef and dairy producers since they believe that adding flour to the feed ration increases milk production. Some traders collect the leftover bread, dry it and sell it by the kilo. They also collect the low quality bread that is intentionally baked for this purpose (and is considered within the allowable percentage of bread to be wasted during baking). They sell these quantities to the poultry, beef, and milk breeders at $0.25/kilo. A study conducted in Egypt showed that total losses in wheat from harvesting till baking is estimated at 13-15% of the total amount of wheat consumed in Egypt.

The government has a plan to establish bread complexes to distribute the bread through nearly 7,000 outlets. This project was supposed to be start in 2010 and to be executed gradually starting with the big cities. The plan was to be implemented by either adding bread production lines to the existing ones or establishing new big complexes. The locations of these complexes and the time span to complete the project are not yet determined. According to The Minister of Social Solidarity, 114 locations were selected for this project with a total area of 246,528 square meters with an average of 2,000-3,000 square meters per bakery to serve 14,000 of the surrounding inhabitants. The current political and economical situation in Egypt seemed to postpone the start of this plan.

The Flour Industry

GASC has a target to purchase 3.0 million MT of local wheat in MY 2011/12. The total quantity of locally produced wheat sold to the Ministry of Trade and Industry in MY 2010/11 was estimated at 2.1 MMT, compared to 3.1 MMT in MY

2009/10. The General Authority for Supply Commodities (GASC) was not able to purchase more wheat in MY 2009/10 because of the higher price offered to the farmers by the private sector. The balance of locally produced wheat either sold directly to local traders or was kept by farmers either for their own use for milling and bread baking or was utilized as feed for their livestock as needed.

The Egyptian milling industry consists of public and private sector mills. The public sector capacity represents about 58% of the total milling capacity in Egypt while the private sector owns about 42% of the milling capacity. About 70% of the production of 82% flour is produced by the public sector mills and 30% are produced by the private sector.

The public sector milling industry consists of 126 mills (mostly small or medium size), in which 109 mills are currently used for the production of 82 percent flour, 10 mills for the production of 76 percent flour, and 7 mills are utilized to produce 72 percent flour. All these mills are affiliated with one holding company (Holding Company for Food Industries). As wheat is a strategic commodity in Egypt, the government is expected to retain control of most of the milling industry, particularly for the subsidized Baladi bread. There are seven public sector companies that operate these mills. In MY 2009/10, the public sector utilized 5.5 MMT of wheat to produce 82 percent flour, 0.5 MMT to produce 76 percent flour and 1.0 MMT to produce 72 percent flour with total of 7.1 MMT.

There are nearly 80 private sector commercial mills, with total capacity of 25,000 tons per day. The private sector has utilized 2.3 MMT of wheat to produce 82% flour, 0.7MMT to produce 76% flour, and 2.3MMT to produce 72% flour with a total production of 5.2MMT of wheat. There are many new private sector flour mills are established throughout Egypt, however these mills are working at only 60% of their capacities while they have 40% of excess capacity. About 5 percent of the capacity of the public sector mills that produces 72 percent flour is leased by the private sector against LE 80/ton ($15/ton) of wheat. Although most of the private sector milling capacity is allocated to produce 72 percent flour, part of its capacity is leased to the public sector mills to produce 82 percent flour against a fee of LE 36-40/ton ($7/ton).Shares in some of the public sector companies have been sold to private investors over the past few years. Although the majority of shares are held by the private sector, the holding company maintains complete control of these mills. The following table shows the flour production classified between public and private sector:

Public And Private sectors		Wheat (MMT) for 82% extraction rate (subsidized bread)	Wheat (MMT) for 76% extraction rate (semi-subsidized bread)	Wheat (MMT) for 72% extraction rate (free market flour)	Wheat (MMT) total
Public sector	Quantity (MMT)	5.5	0.5	1.0	7.1
	%	70%	(42%)	(33%)	
Private sector	Quantity (MMT)	2.3	0.7	2.3	5.2
	%	30%	(58%)	(67%)	
Total	Quantity (MMT)	7.8	1.2	3.3	12.3

Source: Post Estimates

The public sector mills produce three types of flour: 82 percent is utilized for fully subsidized bread, 76 percent for semi-subsidized bread called Tabaki, and 72 percent flour for white high quality flat bread and European type bread, biscuits, pastries and pasta.

The part of the imported wheat that is utilized for producing 82 percent flour is handled by the public sector mills that sell it to the bakeries against a subsidized price of LE 160/ton ($27/ton). This flour is sold on the black market at LE 1,750-2,000/ton ($297-339/ton). The 76 percent flour is produced through tenders where the private sector participates in these

tenders to provide the public sector with the flour. The cost of producing one ton is about LE 2,750 ($466/ton), in which the mill get paid LE 900/ ton ($152/ton) by the bakeries and the rest LE1,850/ton ($314/ton) is paid by GASC. The black market price for 76% flour is about LE 1,200/ton ($203/ton). Many bakeries prefer to sell the 76% flour in the black market rather than producing bread. The 72 percent flour sells freely at about LE 3,500-4,000/ton ($593-678/ton). The bran is sold by the government for the Baladi bread at LE1,200/ton ($203/ton) but the free market price is bout LE 1,500/ton ($254/ton). Small farmers mill their wheat at the village mills for LE 75/ton ($13/ton). GASC and the Holding Company for Food Industries buy about 800 TMT of imported wheat on the local market in Egyptian pounds through tenders.

Trade:

For MY 2010/11, Egyptian wheat imports are forecast to be 10.0 MMT, little lower than the year before (10.3 MMT in MY 2009/10), with GASC projected to import nearly 6.1 MMT, and the rest to be imported by the private sector. In MY 2009/10 GASC imported 5 MMT and this MY year they have bought 5.73 MMT through April 2011. It is expected that imports of wheat in MY 2011/12 will continue at the same level as in MY 2010/11. GASC and the Holding Company for Food Industries will continue to purchase imported wheat from the local market based on its needs for the production of 82 percent flour and on the available storage capacity. Low local production along with the political flak from the cancelled Russian sales explains the increase in Egypt's imports of wheat in 2010/2011.

Although Egypt has bought its needs for MY 201/11, GASC may enter the market again to buy about 300 TMT this MY due to the decrease in prices recently after the earthquake that has hit Japan in March 2011. This quantity may increase to 500 TMT if there is enough budget allocation and enough space in the warehouses considering the new crop that will start to be harvested in May. It appears likely that GASC will use the "Cash Transfer Program" that has about $300 million to buy wheat from the U.S. Given the current market situation, U.S. wheat will be likely to win any tenders for shipment this marketing year. It is unlikely that GASC will use GSM-102 Export Credit Guarantees to purchase wheat from the U.S. in the near future as long as the Ministry of Finance continues to provide adequate funding.

In March 2011, supervision of GASC was shifted from the Ministry of Trade and Industry (MOTI) to the Ministry of Social Solidarity (MSS). GASC's mission is to supply commodities for the subsidized bread and subsidized ration card programs run by the MSS. However, under MOTI, GASC was a part of one of the more forward-looking Ministries in Egypt. It will be interesting to see if GASC operations change under MSS stewardship and whether such changes will positively or negatively impact the trade and the overall costs and benefits to Egypt.

In August 2010 Russia banned the exports of wheat which has created a new opportunities for the U.S sales to both the Egyptian private and public sectors. Due to the Russian shortage in wheat production, the U.S. market share has increased sharply this year. Egypt's overall food security was not jeopardized by the Russian ban. France and U.S. are the largest wheat suppliers to Egypt in MY 2010/11. It is estimated that France has about 36% of the market share followed by the U.S with about 34%, which is expected to even increase in MY 2011/12. Russia is estimated to have 12% of Egypt's imports (quantities imported before the export ban in August 2010), with about 5% for each of Argentina and Canada. In CY 2010, Egypt imported about 10.5 MMT, in which 44% were from Russia, 20% from France, 13% from U.S., 7% from Ukraine, and 5% from Australia. There are no customs duties for wheat and corn, but only about two percent for port charges.

GASC buys mainly through international tenders, but purchased about 800 TMT of imported wheat locally from private sector importers in local currency in MY 2010/11. During the last six months Egypt imported about 3.5 MMT wheat from the U.S., of which 1.7 MMT were imported by GASC and 1.8 MMT imported by the private sector.

Both government and private sector buyers prefer U.S. wheat. In MY 2010/11 about 60- 65% of wheat is estimated to be imported by GASC and the rest 35-40% is imported by the private sector. In the past and due to the higher prices of U.S. wheat and freight, GASC and the Egyptian milling companies used to purchase lower quality wheat from non-U.S. origins, such as Russia and Ukraine. This year, France is considered the major competitor of U.S wheat in the Egyptian market now.

The cost of imported wheat for GASC has increased since July 2010 from about $210 /MT to about $345/MT in the last tender made in February 2011. In early February prices were about $400/MT. Prices went up to $280/MT after Russia banned exports.

In August 2010 and under a USDA/ARS Cooperative Agreement, Egypt provided Afghanistan with 150 Tons of rust-resistant wheat seeds that is helping the Afghanistan's farmers. This agreement is the culmination of an effort to minimize exposure to a very dangerous disease, called Ug-99 wheat rust, which is a new strain of fungus that can decimate a wheat crop within a few days. Egypt is one of the first countries to develop and multiply a high-yielding, Ug-99 resistant wheat variety: Misr-1. An initial shipment of Misr-1 was successfully tested in Afghanistan a year before.

Year	**MY 2008/09**	**MY 2009/10**
Imports from:		
U.S.	1636	610
Others:		
Russia	4,822	5,882
Canada	270	95
France	962	1,435
Kazakhstan		257
Ukraine	1,126	738
Turkey		131
Australia	449	673
Germany	191	186
Poland	225	
Romania		45
Bulgaria		13
Total for Others	9,681	10,065
Others not listed	219	235
Grand Total	9,900	10,300

Source: Office research
Note: PSD Imports based on supplier export data.

Stocks:

GASC tries to maintain a five month supply of strategic stocks. However, due to limited storage capacity that constrains the government from reaching this target, the strategic stocks are now redefined to include wheat import purchases in the pipeline, which usually amounts to about three months of annual consumption. Currently, while GASC may only have two months reserve in country, it has an additional 2-3 months in the pipe line that is the shipments that are in port, on the water, and already purchased through GASC tenders. The private sector currently has two months or more stocks in Egypt also, since they bought heavily last year, anticipating that prices would go up further.

The total covered storage capacity for wheat is estimated at one million metric tons, including about 350,000 tons in silos at three different ports, 250,000 tons in inland silos and 400,000 tons in open storage, mostly in metropolitan areas. In addition to government storage facilities, several private sector traders and mills currently have their own receiving and storage facilities, estimated at 500,000 tons. In order to increase the storage capacity, the Ministry of Social Solidarity is adopting a project to build 50 inland silos each with about 30,000 ton capacities in different locations throughout the country. It has already built 14 inland silos and encourages the private sector to build silos under the build, operate, and transfer (B.O.T)

system. The Ministry of Social Solidarity will commit to using 60 percent of the capacity of each silo's capacity at the prevailing storage fee for five years. The recent unstable political and economical situation in Egypt has postponed the project.

Policy:

Marketing and Import Policy:

In 2010, the Ministry of Trade and Industry has issued a new standard for wheat (No. 1601 for 2010). The standards call for different test weights, moisture contents, protein percentages according to the different origins and countries. The current regulations states that: test weight not less than 76 kg/hectoliter, moisture content: not to exceed 13% by weight, number of poisonous and harmful seeds should not exceed 20 seeds/kg.

In Sept. 2, 2009, GASC raised the wheat specifications in order to improve the quality of imported wheat. It increased the test weight requirement for US wheat to 26.59 kilograms a bushel, from 26.36 kilograms/bushel. It also raised the required minimum protein content half a percentage point to 9.5 percent for US wheat. GASC sets maximums for the cadmium and lead content from any origin to 0.2 percent and for pesticide and fumigation residues to 0.1 percent.

The current GASC tender requirements provides an option that two quarantine inspectors from the Ministry of Agriculture travel to the exporting country to inspect the wheat at the port before it is shipped. France and Russia are allowing Egyptian officials to pre-inspect the wheat even though the imported wheat is still being inspected upon arrival. The Central Administration of Plant Quarantine (CAPQ) argument is that such procedure should facilitate and accelerates the customs clearance process in Egypt, reduces the possibility of shipments rejections by CAPQ, and finally the shipments inspected in the port of origin will have the chance to enter Egypt with only a reduced quarantine check.

GASC also prohibits loading of wheat from more than one port inside an exporting country, but the private sector does not restrict imports in this way. GASC does not allow countries to export wheat from ports of other countries unless the country of origin does not have any ports, such as Kazakhstan. GASC allows only 55-60,000 MT Panamax shipments. The private sector places no restrictions on shipment size, accepting smaller quantities.

GASC has an issue with the DON (vomitoxin) spec of 1.25 ppm. EOS sets standards that GASC will follow. The generally accepted standard is 2 ppm.

CAPQ has also requested that imported wheat to be free from Ambrosia (ragweed) weed seeds. USDA and APHIS in cooperation with U.S. Wheat Associates informed them that USDA cannot certify to this condition due to the integrity and transparency of USDA Federal Grain Inspection Service (FGIS), and APHIS. APHIS requested that CAPQ share the pest risk assessment that is the basis of this new request and CAPQ has done so.

U.S. Wheat Associates continues to provide trade servicing and quality seminars to Egyptian millers, wheat buyers, and traders. Although the USDA GSM-102 program is available for both public and private sector importers of U.S. agricultural commodities, importers have not used the program in several years, citing the potential for exchange rate risk in the Egyptian market. In addition, Egyptian banks do not pass along benefits to importers. The other reason for GSM-102 not being used is the 100 percent foreign exchange coverage requirement, but by the end of CY 2010 the Central Bank reduced this converges by one-half. In the current economic situation, foreign exchange risk has increased.

Production, Supply and Demand Data Statistics:

Wheat Egypt	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jul 2009		Market Year Begin: Jul 2010		Market Year Begin: Jul 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,322	1,322	1,320	1,260		1,320
Beginning Stocks	4,818	4,818	5,732	5,736		5,431
Production	8,523	8,523	8,500	7,200		7,900
MY Imports	10,300	10,300	9,800	10,000		10,000

TY Imports	10,300	10,300	9,800	10,500		10,000
TY Imp. from U.S.	366	366	0	4,000		0
Total Supply	23,641	23,641	24,032	22,936		23,331
MY Exports	9	5	10	5		5
TY Exports	9	5	10	5		5
Feed and Residual	2,600	2,600	2,600	2,200		2,200
FSI Consumption	15,300	15,300	15,800	15,300		15,600
Total Consumption	17,900	17,900	18,400	17,500		17,800
Ending Stocks	5,732	5,736	5,622	5,431		5,526
Total Distribution	23,641	23,641	24,032	22,936		23,331
1000 HA, 1000 MT						

Sources: MALR, the trade, and Post estimates. 2009/10 imports are based on supplier export data.

Commodities:

Corn

Production:

Post expects small increases in corn acreage to reach 850 THA and 860 THA in MY 2010/11 and MY 2011/12, respectively, due to the increasing demand for corn silage as a cheap feed for livestock. Some farmers are expected to switch from rice to corn in MY 2010/11 and in MY 2011/12. By increasing the procurement price offered for corn, the government encourages farmers to increase the area cultivated with corn instead of cotton or rice. However, the government only procures a limited amount of corn, so the high prevailing world prices of corn and cotton have greater impact on farmer decisions. The problem is that three main summer crops compete for the available cultivable area, namely cotton, corn, and rice. Framers would like to grow bioengineered corn since they know that it gives them higher yields, uses less pesticides, and is less subject to aflatoxin, but the quantity available of Bt corn seed is currently very limited.

The area and production of yellow corn represented about 13% of the total corn area and production in MY 2009/10 and the rest (87%) was white corn. In MY 2009/10 area cultivated with white corn was 710 THA compared to 130 THA for yellow corn and production of white corn was 5.4 MMT compared to 911 TMT for yellow corn. The yield of white corn is higher than the yellow corn (7.55 ton/HA for yellow corn compared to 7.054 ton/HA for yellow corn). It is expected that the share of area and production of yellow corn in MY 2010/11 will increase slightly to about 15% of the total area and production of corn.

The procurement price for white corn for MY 2010/11 is LE 250/ardeb or LE 1,785/ton equivalent to $302 /ton compared to last year price of LE 170/ardeb or LE 1,214/ton. Although the government is trying to reduce the area of rice and increase the area of corn, it is not expected that the quantity of corn delivered to the government will increase in MY 2010/11 because farmers are prefer to sell it in the free market or keep it for their own use. The government procures white corn to be milled as flour and added to the baladi bread flour to lower cost and discourage black market sales.

Consumption:

About eighty percent of the local corn crop is utilized for animal feed (mostly consumed on farms) and the rest- about 1.6 MMT- is used for food purposes (either milled to produce glucose and Fructose or consumed fresh). Large commercial end-users and feed mills rely on imported yellow corn to meet their requirements. There is a small, but growing demand for snack foods containing corn and corn oil which increase the demand.

Feed consumption of corn is estimated to be 9.9 MMT in MY 2010/11 as demand is relatively flat following the January 25 Revolution, but should get back on the growth path in MY 2011/12. The exceptionally high meat prices encourage increased consumption of poultry. Food industries that use corn are also increasing. Feed compounders have not changed their ration ingredients dramatically. Poultry rations consist of about 60% corn, 30% soybeans, and 10% concentrates. The amount of white corn utilized in governmental bread production of (10% corn to 90% wheat) composite flour for baladi bread has decreased to only 100 TMT in MY 2009/10. This small amount was delivered to the Ministry of Social Solidarity for the production of subsidized baladi bread. The new government would like to increase this ratio to be 20% corn against 80% wheat. However, bread quality can suffer as the whole corn is ground for corn flour.

Local corn prices were up considerably during the unrest period of end of January and February 2011 due to a breakdown in internal logistics as there was plentiful supply in the ports. As security and truck transport have improved and the curfew is shortened, shipments are nearing normal levels and corn prices are returning to a more normal level. However, the brief increase in corn prices enticed livestock feeders, not already using U.S. distiller's dried grains with soluble (DDGS), to incorporate the ingredient into their rations. The increase in DDGS suppliers has improved pricing options and encouraged producers to use U.S. DDGS. Actually end-users in all sectors are using U.S. DDGS now, including the dairy and beef sectors that were limited before.

Trade:

Total corn imports for MY 2010/11 are estimated to be almost the same as MY 2009/10– about 5.4 MMT- due to the increased demand in the poultry and livestock sectors, tempered by somewhat reduced demand due to economic disruptions following the January 25 Revolution. Imports of corn are forecast to reach 5.6 MMT in MY 2011/12. The U.S market share is forecast to be the same in MY 2010/11 and reaches over 50%. Competition from Argentina and other suppliers of yellow corn should remain modest in MY 2010/11 as the quality and price gap between the U.S. and other suppliers is expected to continue. Competition from the Ukraine is strong as their quality improves and shipping costs are much lower than the U.S. or South America.

U.S. corn sales to Egypt have been booming in 2010/11, reaching 1.6MMT thus far and well ahead of 884 a year ago at this time (USDA Export Sales data). Sales of U.S. corn have been strong in March 2011, as the country recovers from downtime and shipment delays resulting from the demonstrations and political unrest in the nation in late January and February. Export Ssles of 609 TMT in the second week of March are up considerably from sales of 366 TMT a year ago. Egypt comes to the U.S. market consistently because of the high quality corn of the U.S. and the ability of the U.S. to offer a reliable supply.

Year	**MY 2008/09**	**MY 2009/10**
Imports from:		
U.S.	1,960	2,930
Others		
Argentina	1,301	876
Brazil	60	2
Ukraine	875	1,432
Russia	580	30
Hungary	100	11
Serbia		20
Canada		43
Turkey		8
Romania	72	11
Total for Others	2,988	5,363
Others not listed	183	1
Grand Total	5,031	5,364

Source: Office research
Note: PSD Imports based on supplier export data.

Stocks:

Post expects stocks to fall in 2010/11 and 2011/12 as high prices raise the cost of holding stocks. The percentage of white corn stored is estimated to be slightly higher (60%) than the yellow corn since most of farmers' production is white corn that is used –beside utilized as animal feed- for baking bread.

Production, Supply and Demand Data Statistics:

Corn Egypt	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: Oct 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	831	840	870	850		860
Beginning Stocks	1,395	1,395	1,532	1,532		1,322
Production	6,822	6,280	7,000	6,500		6,700
MY Imports	5,832	5,832	5,400	5,400		5,600
TY Imports	5,832	0	5,400	0		0
TY Imp. from U.S.	3,006	0	0	0		0
Total Supply	14,049	13,507	13,932	13,432		13,622
MY Exports	17	17	10	10		10
TY Exports	17	17	10	10		10
Feed and Residual	10,100	9,858	10,100	9,900		10,200
FSI Consumption	2,400	2,100	2,500	2,200		2,200
Total Consumption	12,500	11,958	12,600	12,100		12,400
Ending Stocks	1,532	1,532	1,322	1,322		1,212
Total Distribution	14,049	13,507	13,932	13,432		13,622
1000 HA, 1000 MT						

Sources: MALR, the trade, and Post estimates. 2009/10 imports based on supplier export data.

Commodities:

Rice, Milled

Production:

The GOE has been effective in limiting rice planting beginning in 2010/11. This is having a major impact on production and exports. Rice is a major summer crop in Egypt, occupying 10 percent of Egypt's total crop area. The entire rice crop is irrigated and it requires a special irrigation regime. Rice cultivation is largely restricted to the northern part of the Delta. Rice consumes about 12% of the Egyptian water quota coming from Africa. It is often planted on low quality land where the soil is fairly saline and has varying degrees of productivity. A limited amount of rice is also grown in the middle Delta and in Upper Egypt. The government is trying to restrict the area of rice and increase the area of corn to save water. Farmers would like to increase the area cultivated with rice since it is a relatively profitable cash crop compared to cotton and corn and exports makes it very desirable crop for the farmer to grow.

Consumption:

Egypt consumes medium grain rice and rice consumption is relatively constant, as consumers continue to prefer wheat-based products. The GOE supposedly purchases about 80 TMT of rice monthly for the ration card system. Individuals with ration cards, which accounts for some 63 million of Egypt's 83 million people, should receive one kg per person per month, with a maximum of four kg per family. However, there often are shortfalls in government procurement, so rice is sometimes not available to ration card holders and the quality is poor. Ration card rice costs LE1.5/kg, while free market rice is LE5/kg. There was a governmental program to substitute macaroni for rice on the ration cards, but since macaroni prices are actually higher than rice, the program was put on hold until prices change. Rice stocks in MY 2010/11 are expected to fall in line with the drop in rice production and stabilize at the lower level in 2011/12.

Trade:

Egypt was traditionally is a net rice exporter. Exports in MY 2009/10 reached 570 TMT, but have fallen since as the GOE cut back rice exports to make sure domestic rice demand is satisfied and to keep domestic prices low. On October 2010, the Minister of Trade and Industry issued Decree # 829 completely banning the exports of rice. Only broken rice is allowed for exportation to the EU and Eastern Europe to be utilized as food ingredient and to some African countries as direct consumption. With the new regime now in Egypt, the government may allow the exports of rice again if all the domestic needs are satisfied. However, given the populist orientation of the interim government, we do not expect a shift in policy.

Year	**MY 2008/09**	**MY 2009/10**
Exports to:		
U.S.		
Others		
Syria	136	107
Libya	24	160
Turkey	59	58
Belgium	39	45
Saudi Arabia	28	9
Sudan	27	17
Jordan	42	4
Romania	38	3
Bulgaria	14	3
Lebanon	15	14
Total for Others	422	420
Others not listed	30	150
Grand Total	452	570

Source: Office research

Policy:

In October 2010, a Ministerial Decree to ban rice exports was issued and the rice exports were stopped except for minimal quantities of broken rice to Europe and some African countries. There was a ban on April 2008, but it ended in Feb 2009. The decision to suspend exports had an immediate impact on prices, with rough rice prices dropping almost $80 per ton to become about $500 /ton on the local market. This ban forced many countries in the region to source rice from other countries, including the United States.

Production, Supply and Demand Data Statistics:

Rice, Milled Egypt	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: Oct 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	670	670	470	450		450

Beginning Stocks	557	557	499	499		179
Milled Production	4,300	4,300	3,100	3,100		3,100
Rough Production	6,615	6,615	4,769	4,769		4,769
Milling Rate (.9999)	6,500	6,500	6,500	6,500		6,500
MY Imports	12	12	15	15		15
TY Imports	15	12	15	15		15
TY Imp. from U.S.	0	1	0	2		2
Total Supply	4,869	4,869	3,614	3,614		3,294
MY Exports	700	570	35	35		50
TY Exports	560	570	35	35		50
Consumption and Residual	3,670	3,800	3,400	3,400		3,100
Ending Stocks	499	499	179	179		144
Total Distribution	4,869	4,869	3,614	3,614		3,294
1000 HA, 1000 MT						

Sources: MALR, the trade, and Post estimates.