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Egypt

Livestock and Products Annual 2018

Egyptian Beef Prices Stable, Consumption and Imports to Rise in 2019

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Report Highlights:

FAS Cairo forecasts calf production in 2019 to increase slightly to 1.94 million head, up from 1.93 million head in 2018. Additionally, cattle imports will increase to 340,000 head, up by 90,000 head. Increased cattle production and imports are driven by growing beef consumption in 2019, which is expected to reach 713,000 MT; up by 28,000 MT or four percent compared to 2018. Similarly, beef imports are anticipated to grow to 340,000 MT, up by 20,000 MT or six percent compared to 2018. Post foresees the Egyptian government remaining the country's largest importer of live cattle and beef. Post is adopting official USDA official data for 2018

Production, Supply and Demand Data Statistics:

Animal Numbers, Cattle	2017		2018		2019	
Market Begin Year	Jan 2017		Jan 2018		Jan 2019	
Egypt	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Cattle Beg. Stks	6995	6995	7205	7205	0	7485
Dairy Cows Beg. Stocks	4260	4260	4305	4350	0	4410
Beef Cows Beg. Stocks	0	0	0	0	0	0
Production (Calf Crop)	1850	1850	1930	1930	0	1940
Total Imports	250	250	250	250	0	340
Total Supply	9095	9095	9385	9385	0	9765
Total Exports	0	0	0	0	0	0
Cow Slaughter	710	710	730	730	0	750
Calf Slaughter	80	80	50	50	0	50
Other Slaughter	900	900	920	920	0	1020
Total Slaughter	1690	1690	1700	1700	0	1820
Loss	200	200	200	200	0	300
Ending Inventories	7205	7205	7485	7485	0	7645
Total Distribution	9095	9095	9385	9385	0	9765
(1000 HEAD)						

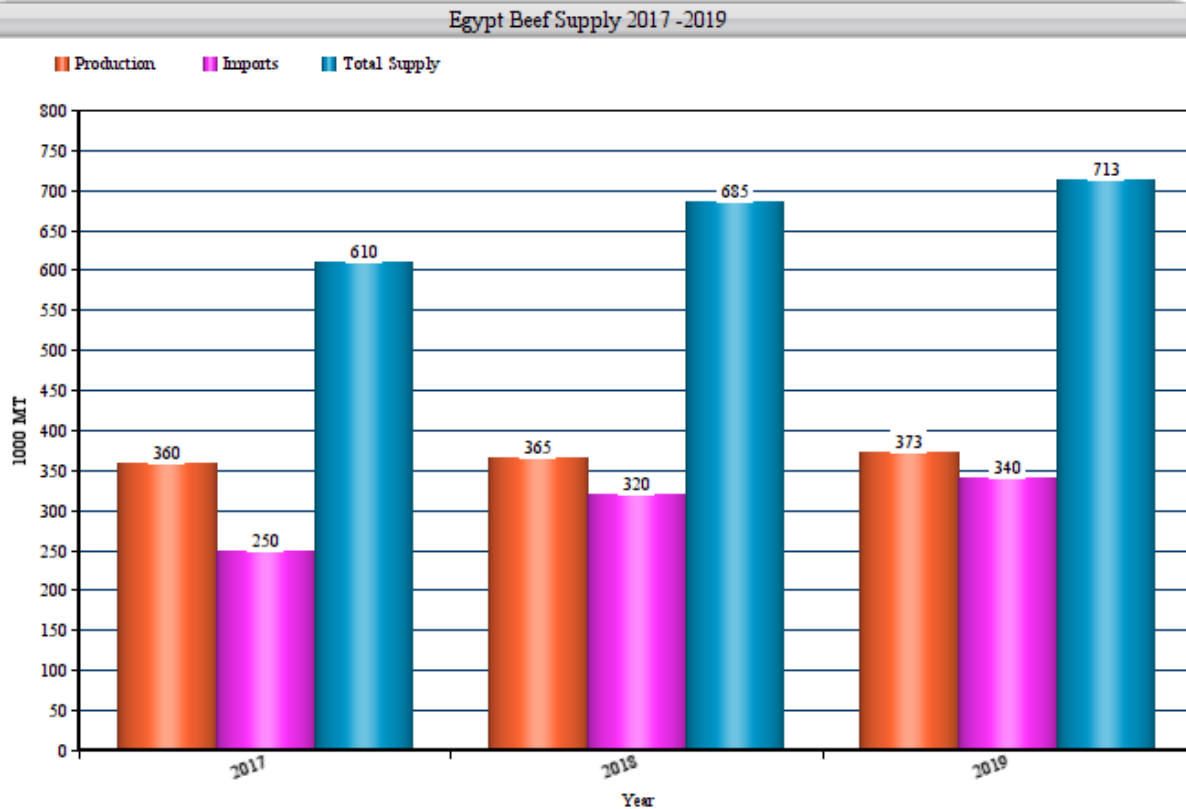
Note: "New Post" data reflects FAS Cairo's assessments and are NOT official USDA data

Meat, Beef and Veal	2017		2018		2019	
Market Begin Year	Jan 2017		Jan 2018		Jan 2019	
Egypt	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	1690	1690	1700	1700	0	1820
Beginning Stocks	0	0	0	0	0	0
Production	360	360	365	365	0	373
Total Imports	250	250	320	320	0	340
Total Supply	610	610	685	685	0	713
Total Exports	0	0	0	0	0	0
Human Dom. Consumption	610	610	685	685	0	713
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	610	610	685	685	0	713
Ending Stocks	0	0	0	0	0	0
Total Distribution	610	610	685	685	0	713
(1000 HEAD) ,(1000 MT CWE)						

Note: "New Post" data reflects FAS Cairo's assessments and are NOT official USDA data

Production:

Figure 1: Egyptian Beef Supply, 2017-2019



FAS Cairo forecasts calf production in 2019 to increase slightly to 1.94 million head, up from 1.93 million head in 2018. The Egyptian government is pursuing increased domestic beef production by growing the domestic herd size and increasing live cattle imports. Policies limiting the slaughter of cattle under 400kg and bulls less than two years of age are helping to drive domestic production. The government is also controlling some input costs for specific feed products, further incentivizing production.

Post estimates the Egyptian cattle herd in 2019 at 9.5 million head, including cows and buffalo. Egypt's Ministry of Agriculture and Land Reclamation (MALR) in 2016 estimated the cattle herd 8.5 million (4.7 million cows and 3.8 million buffalo) animals. The ministry has not yet released its 2017 estimate.

FAS Cairo expects Egyptian beef production to reach 373,000 metric tons (MT) in 2019, up 8,000 MT or two percent from 2018. Continued production increases are attributed to growing demand, as inflation stabilizes and the population continues to expand. Increased slaughter numbers will be met by higher import of live cattle and moderate increases in domestic production. Total slaughter in 2019 is forecast to reach 1.82 million head, up by 120,000 head or up seven percent compared to 2018.

FAS Cairo forecasts losses to increase to 290,000 head in 2019, compared to 200,000 in 2018; an increase of 45 percent. The office attributes the losses to increased mortality due to lumpy skin disease outbreaks in some Egyptian governorates. The Egyptian Ministry of Agriculture and Land Reclamation has adopted mitigation measures to contain the disease. Restrictions on cattle movement between

governorates, providing vaccines and intensifying veterinary service in the affected governorates are among these measures. The MALR reported that 2.8 million head have been vaccinated since January 2018, leaving 62 percent of the population unprotected.

Government Efforts to Increase Local Beef Production

In June 2018, Egypt appointed a new cabinet. The cabinet reshuffle assigned several new ministers including Ministry of Agriculture and Land Reclamation. While the shuffle removed many deputy ministers government wide, the Deputy Minister for Animal Wealth, Fisheries, and Poultry retained her position. The decision to keep the Deputy Minister provides continuity to proceed with current projects to improve the nation's livestock sector and expand beef production.

New Slaughter Requirements

Ministerial decree 72/2017, adopted February 2017, prohibiting the slaughter of live male cattle less than two years of age is still enforced. Post believes that the measure decreased calf slaughter, which in turn should increase the herd size and grow overall beef production in the future. Increased supply should help stabilize beef prices.

Egypt's National Veal Project

In May 2017, Egypt's Ministry of Agriculture and Land Reclamation announced plans to renew the national veal project first initiated in 1998. This project targets young farmers and recent graduates, providing them with loans for the purchase of cattle and feed. The ministry recently announced that the Principal Bank for Development and Agricultural Credits (PBDAC) has allocated EGP 300 million (\$16.7 million) to support the project. The bank amended its loan terms and conditions to encourage additional small-scale farmers to apply. Currently applicants are eligible for loans of up to EGP 400,000 (\$22,300). Companies and cooperatives are, however, eligible to borrow up to of EGP 2 million (\$111,000). The loans carry an interest rate of five percent.

In July 2018, the PBDAC announced that the project supported a large number of holders, with a total of 2,749 farmers and more than 47,000 head of cattle. The ministry also stated that the Minister of Agriculture approved the recommendations of the board of directors of the project by allocating an additional EGP 100 million (\$5.58 million) to finance the purchase and feeding of animals in various governorates. Approved loans to date are estimated at EGP 467 million (\$26 million) since the launch of the project.

Disease Control

Egypt continues to actively pursue foot-and-mouth disease (FMD) vaccination. On July 2018, the MALR reported that 3.7 million head of cattle were vaccinated against foot-and-mouth disease. Vaccination is a key component of the ministry's campaign to register and tag national cattle herd.

In June 2017, Lumpy skin disease broke out in a number of Egyptian governorates. While the Ministry of Agriculture has taken actions to combat the disease there is considerable mortality. Although there is no official statement about the losses, industry sources indicate that the impacts of the disease have been severe. The Ministry of Agriculture and Land Reclamation launched campaign against the disease and has currently vaccinated over 2.8 million head since January 2018.

The National Million Cattle Project

In 2016, President Abdul Fattah Al-Sisi declared that Egypt needed to increase its dairy and beef production. The Administration envisions the national cattle herd expanding by over 1 million animals. In early 2017, President Al-Sisi confirmed that out of the EGP 100 billion (\$5.6 billion) budgeted for herd expansion, EGP 5 billion (\$281 million) has now been spent on equipping cattle farms. The goal is to achieve this expansion in herd numbers within the next two years. To date the total number of cattle imported for the project in 2018 are estimated to be 145,000 head. The imports are mainly from Brazil, Spain, Sudan, Colombia, Hungary, the Netherlands, Italy and Uruguay.

Cattle Producers & Input Costs

In an effort to expand beef production, Egypt aims to enlarge yellow corn production acreage by 400,000 hectares with the 2018 crop. The Ministry of Agriculture is also supporting feed corn production through government corn purchases at a set support price, to increase the availability of domestic feed corn.

Consumption:

FAS Cairo forecasts Egyptian beef consumption reaching 713,000 MT in 2019, up 28,000 MT or growing by four percent compared to the 2018 estimate. Post is adopting USDA's official estimate of 685,000 metric tons for 2018.

Post attributes the 2019 consumption increase to strong population growth due to high birth rates and a continued influx of refugees from the region. Egyptian population growth is now estimated at 2.45 percent. Stability of the Egyptian Pound and access to foreign currency is further facilitating imports. The Ministry of Supply and the Egyptian military are expanding their own beef distribution channels, increasing the volume of beef available at lower prices.

Egyptian beef consumption is driven by the availability of affordably priced beef. The majority of Egyptians are low-income consumers; however, the meat-centric food culture in Egypt remains unchanged. Any variation in the consumption rate though is mainly due to beef prices and affordability. Beef consumption is tied to cost, rather than recommended daily intake of protein.

Egyptians prefer beef to other types of meat (i.e., poultry and lamb). Domestic consumers also prefer fresh over frozen beef for cultural reasons. Red meat consumption is comprised mainly of locally produced fresh meat, imported ready-for-slaughter cattle, imports of frozen buffalo meat from India, and frozen beef primarily from Brazil. More affluent consumers view frozen imported beef as being an inferior product. Their opinion is premised on the fact that the bulk of frozen imported beef are low-quality cuts sold at government outlets at discounted prices.

Beef prices increased remarkably following the devaluation of Egyptian pound in late 2016. This resulted in a significant increase in imported cattle and frozen beef prices, as well as imported feed costs. The currency was devalued to EGP 13 per USD 1 as an indicative price from the pegged rate of EGP 8.88 per US dollar. The Egyptian pound has since slipped further, trading at EGP 17.9 per US dollar as of mid-August 2018. However, the Egyptian pound has become increasingly stable since 2017 with only minimal changes to the exchange rate.

The increase in live cattle prices impacted Egyptians ability to slaughter animals during the Islamic Al-Adha holiday, this year in late August. During the Eid, as it is commonly known, families normally slaughter an animal, usually a young bull, but depending on the region and financial means this can also be a camel, goat or a sheep. The meat from the sacrificed animal is divided into three parts: one-third for the family; one-third for relatives, friends, and neighbors; and the remaining third as charity to the poor. In the 2018 Al-Adha feast, live cattle were sold at EGP 26,000-36,000 (\$1452 -\$2010), a marked increase from the previous year.

The Ministry of Supply and Internal Trade (MoSIT) offers subsidized products at 25,000 private stores and at 4,000 public outlets operated by the Holding Company for Food Industries (HCFI). Though more insulated, the MoSIT’s HCFI shops are not immune to beef price increases. In these outlets, Sudanese chilled beef is currently sold for EGP 85/kilogram (\$4.70) compared to EGP 60/kilogram (\$3.30) before the devaluation. Brazilian frozen beef is offered at EGP 69/kilogram (\$3.80) compared previously to EGP 50/kilogram (\$2.80). The ministry announced it is dropping at fresh beef prices at the HCFI outlets to EGP 60/kilogram during the Al-Adha holiday. The Ministry of Defense (MoD), which owns hundreds of wholesale cooperatives, and the MALR also are offering beef at MoSIT equivalent prices.

Table 1: Meat Prices Before and After the Devaluation

Product	Before the Devaluation		August 2017		August 2018	
	EGP	USD	EGP	USD	EGP	USD
Live Cow	40	2.23	60	3.35	65	3.63
Live Buffalo	37	2.07	51	2.85	54	3.02
Fresh Local Cow Meat	80-120	4.4-6.7	120-180	6.7-10	120-180	5.03-5.59
Sudanese Chilled Beef	65	3.63	90	5.03	90-100	5.03-5.59
Brazilian Frozen Beef	45	2.51	75	4.10	75-85	4.19-4.75
Sudanese Chilled Beef at MoSIT Shops	60	3.35	85	4.75	90	5.03
Brazilian frozen Beef at MoSIT Shops	50	2.79	69	3.85	80	4.47

Prices are per kilogram

Source: FAS Cairo office research.

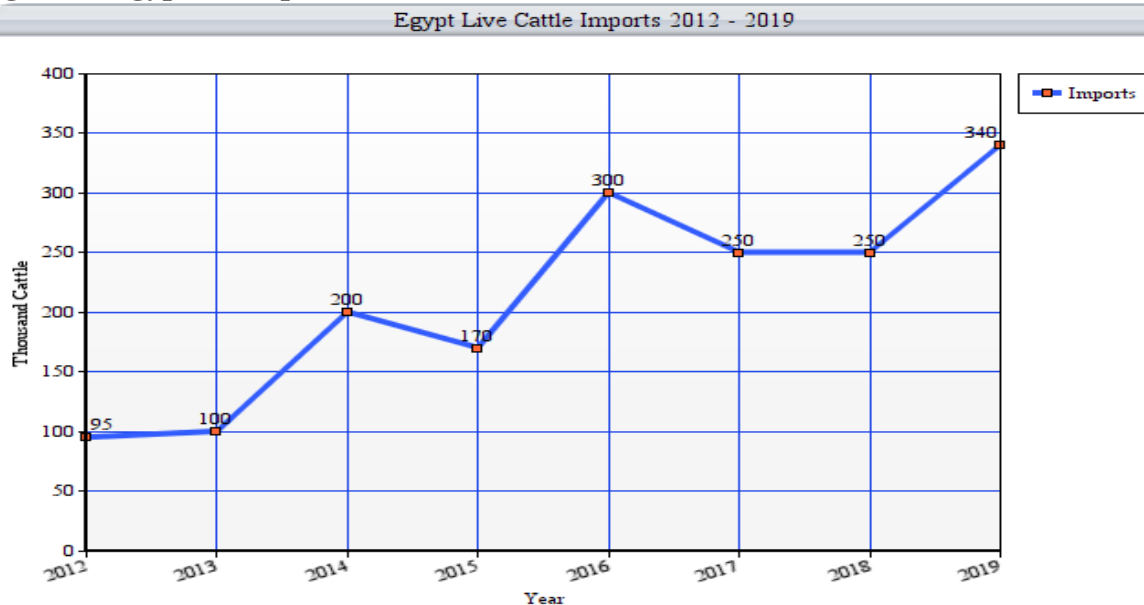
Trade:

The political upheavals of 2011 forced importers to turn to the parallel market to access hard currency; the black market commanded a 30-40 percent premium over the official exchange rate. The government also sought to limit foreign currency deposits; a policy that was only eased in 2016-17. Commercial banks today are better positioned to offer dollars, but at over twice the pre-devaluation peg rate of EGP 8.88 to the US dollar. With the halving of the pound's value, some private importers are being pushed out of the market. Government ministries such as the MoSIT, MALR, and the MoD have now become Egypt's largest importer of live cattle and frozen beef.

Live Cattle Imports

Post forecasts total live cattle imports in 2019 to increase to 340,000 head, a 36 percent increase over 2018 imports. Sudan and Brazil remain the largest suppliers of live cattle, mainly for immediate slaughter. The GoE recently entered into an agreement to import 800 thousand cattle from Sudan over the next three years. This follows an agreement to import an undisclosed number from Paraguay. In both cases, imports have not yet begun in earnest. If cattle imports increase as planned, beef production in 2020 and 2021 will likely increase as these cattle reach maturity. Other suppliers include Spain, Germany, Colombia Ukraine, Hungary, Italy, Netherlands and the United States. In 2018, Sudan and Brazil are expected to remain the top suppliers of live cattle for immediate slaughter.

Figure 2: Egyptian Imports of Live Cattle, 2012-2019



U.S.-origin live cattle are highly regarded among Egyptian importers and government officials. US Holstein dairy cattle for milk production are the country's preferred breed. One of Egypt's largest dairies uses higher milk producing US-bred heifers exclusively. However, US heifers command higher purchase and shipping costs compared to those of other origins. Egypt has not imported any live US cattle since 2013. In 2013, Egypt imported 1,386 head of female dry cattle compared to 3,135 head of purebred female breeding cattle in 2012.

Beef Imports

FAS Cairo forecasts Egyptian beef imports to reach 340,000 MT in 2019, up 20,000 MT or six percent compared to 2018. Post is adopting the USDA figures for 2018. In 2017, FAS Cairo expected increasing inflation to erode demand for beef; however, that has not happened as expected. The GoE, through the military and the Ministry of Supply, has managed to stabilize prices by expanding their own retail distribution of beef. Imported beef remains cheaper than domestic product. Brazil, India, Sudan, and Paraguay will remain the primary beef suppliers. Demand for beef is expected to persist high as inflation decreases and population continues to expand.

Egypt-United States Beef Trade

In 2016, the United States exported only 353 MT of beef (\$2.65 million) compared to 1,006 MT (\$5.8 million) and 1,023 MT (\$4.9 million) in 2014 and 2015, respectively. Most US frozen beef exports to Egypt are high-quality beef cuts used primarily by the hotel and restaurant sectors. Sources in the HRI sector indicate that tourism is rebounding, which should equate to increasing volumes of US beef exports in the coming years.

Table 2: U.S Exports of Beef to Egypt compared to Number of Tourists Visiting Egypt			
Year	Number of Tourists	Value	Volume
2008	12.296	\$12.930	7,623
2009	11.914	\$23.465	14,281
2010	14.051	\$78.451	28,673
2011	9.497	\$94.251	33,814
2012	11.196	\$80.306	32,209
2013	9.174	\$37.013	17,363
2014	9.628	\$5.818	1,006
2015	9.139	\$4.924	1,023
2016	5.4	\$2.650	353

Source: Value & Volume GTIS and Tourist Numbers World Bank
 Number of Tourists in million
 Value in 1000 USD & Volume in Metric Ton

Egypt is the largest market for the US frozen beef liver and offal. In 2016, the US exported 92,869 MT of frozen beef liver and offal (\$99 million). Between January and June 2017, US exports of frozen beef livers and offal reached 38,262 MT (\$11 million).

Egypt-Brazil Beef Trade

Brazil is Egypt’s largest supplier of frozen beef. In 2017, Brazil exported 146,920 MT (\$519 million) of frozen beef compared to 164,982 MT (\$529 million) in 2016.

In March 2017, Egypt temporarily halted all Brazilian meat imports until they were confirmed to be safe for human consumption. The announcement followed an investigation by Brazilian authorities into its meat packing industry. Police have accused over 100 people, mostly health inspectors, of taking bribes for allowing the sale of rancid products, falsifying export documents or for failing to inspect meatpacking plants. However, a few days following the announcement the MALR resumed imports

after having obtained assurances of the safety of the meat for human consumption. The ministry confirmed it only resumed imports from authorized Brazilian slaughter facilities, subjecting shipments to inspections at origin and destination. The ministry indicated that none of the accused slaughter facilities had exported to Egypt in previous years.

Egypt-India Beef Trade

India is the sole supplier of frozen buffalo meat to Egypt. Trade sources indicate that in 2016, India exported to Egypt 36,000 MT (\$103 million) of frozen buffalo meat compared to 18,816 MT (\$56.5 million) in 2015. However, the Ministry of Agriculture and Land Reclamation's General Organization for Veterinary Services (GOVS) clarified that Egypt's 2016 imports of frozen buffalo meat from India were actually approximately 90,000 metric tons. No newer import data are available. An industry source indicated that 2017 private sector imports from India may be decreasing due to competition from other low-cost protein suppliers.

Egypt-Ireland Beef Trade

Early 2017, Ireland announced that it signed an agreement with Egypt to export Irish beef and offal. Irish meat had previously been banned by Egypt since the late 1990s as part of the ban of European Union (EU) countries due to the outbreak of *spongiform encephalopathy* (i.e., mad cow disease). Since 2001, Egypt has allowed the conditional lifting of the ban. The ban was further eased in February 2016, following an inspection visit to Ireland by MALR's Veterinarian Authority. Both countries have agreed to live exports of cattle from Ireland to Egypt. Ireland's Department of Agriculture affirms that once the technicalities are finalized, five Irish plants will commence exporting beef to Egypt.

Beef Plant Audits and Halal Issues

The General Organization for Veterinary Services conducts individual plant audits to determine the eligibility of beef plants to export to Egypt. All [approved facilities](#) are subject to re-auditing every three years in order to renew eligibility to export to Egypt. The audits evaluate both food safety and halal practice.

Islamic Centers in the United States, as well as those in other trading partners are responsible for issuing the Islamic halal certificate required by General Organization for Veterinary Services. The Islamic Centers must have a representative present at the slaughter facilities to confirm halal slaughter.

General Organization for Veterinary Services veterinarians have audited and approved 57 US beef slaughter facilities. Audits are conducted in cooperation with the US Meat Export Federation.