USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Post: Cairo

Rice Update

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Grain and Feed

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Report Highlights:

On September 17, the Minister of Trade and Industry (MoTI) extended the rice export policy for one more year until October 2010 in an effort to decrease local production to conserve water resources and keep domestic rice prices well below world market prices to benefit consumers. The policy is officially termed an “export ban,” but actually consists of a hefty export tax and requirement to deliver one ton of rice to GASC (Government Authority for Supply of Commodities under MoTI) at below market prices. Given the continued export policy, Post has reduced 2009/10 exports from 900 TMT to 500 TMT. Rice farmers have been severely impacted by the decline in rice prices and are losing money on what was once a lucrative crop. Post expects a significant drop in area in the out years, beginning in 2010/11.

General Information:

Rice, Milled Egypt	2007	2008	2009
	2007/2008	2008/2009	2009/2010
	Market Year Begin: Oct	Market Year Begin: Oct	Market Year Begin: Oct

	2007			2008			2009		
	USDA Official Data		Old Post Data	USDA Official Data		Old Post Data	USDA Official Data		Jan Data
Area Harvested	670	670	670	672	672	672	670	670	670
Beginning Stocks	370	370	370	635	635	685	742	742	792
Milled Production	4,385	4,385	4,385	4,387	4,387	4,387	4,374	4,374	4,374
Rough Production	6,746	6,746	6,746	6,749	6,749	6,749	6,729	6,729	6,729
Milling Rate (.9999)	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500
MY Imports	20	20	20	20	20	20	0	20	10
TY Imports	20	20	20	20	20	20	0	20	10
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	4,775	4,775	4,775	5,042	5,042	5,092	5,116	5,136	5,176
MY Exports	750	750	750	300	300	300	900	900	500
TY Exports	750	750	750	300	300	500	900	900	500
Total Consumption	3,390	3,390	3,340	4,000	4,000	4,000	3,680	3,680	4,000
Ending Stocks	635	635	685	742	742	792	536	556	676
Total Distribution	4,775	4,775	4,775	5,042	5,042	5,092	5,116	5,136	5,176

Source: MOA and Rice Traders

On September 17, the Minister of Trade and Industry (MoTI) extended the rice export policy for one more year until October 2010 in an effort to decrease local production to conserve water resources and keep domestic rice prices well below world market prices to benefit consumers. The policy is officially termed an "export ban," but actually consists of a hefty export tax and requirement to deliver one ton of rice to GASC (Government Authority for Supply of Commodities under MoTI) at below market prices. Given the continued export policy, Post has reduced 2009/10 exports from 900 TMT to 500 TMT.

Broken rice exports have never been included in the Egyptian rice export policy. Meanwhile, under the Egyptian European partnership agreement, Egypt is eligible to export up to 80,000 MT of broken rice and 70,000 MT of milled rice to the EU countries at zero duty. Currently, the EU import duty on Egyptian rice over the quota is 127 Euro/MT.

Up until recently, rice has been one of the most lucrative crops for small and medium sized farmers, driven largely by regional and Asian export markets. Government policy is to limit rice cultivation because of the heavy water use and to maintain low rice prices in the domestic market for consumers. The GoE also wants to reduce expenditures by GASC on providing rice as part of the food ration system. Farmers end up getting squeezed in the middle and are not profiting from high world rice prices.

As of August 16, The Ministry of Trade and Industry activated the decree that was issued on July 20th which doubled the export tax for rice from LE 1,000 ($182) per MT to LE 2,000 ($364) per MT (US$1.00=LE 5.53).

According to the first tender under the new export tax policy, traders will deliver milled in one kg bag rice to the government at LE 700 per MT instead of the previous LE 1 per MT. Exporters obtain non exportable rice grades (12% broken and above) from the market at LE 1,400 per MT and deliver to the government at LE 700 per MT. The LE 2000 export tax will go to the Ministry of Finance instead of the Ministry of Trade (GASC). Exporters will lose only LE 700 (price differential between market price and procurement price). The cost for exportable grades (5% and 6% broken) is 1,500 per MT. Accordingly, the cost of exported rice to the traders per MT will be LE 4330 ($783), calculated as follows:

Net Cost to provide 1 ton of rice to GASC	LE 700
Milled Rice FAS at. export port	LE 1,630
Export Tax	LE 2,000
Total cost to export 1 ton of rice	LE 4,330 ($783)

There is a limited trade in rice export permits, with the price being the difference between the price for non-exportable grades of rice and the LE 700 per MT government purchase price plus a markup of LE 100-150 per MT.

The export price for Egyptian rice is currently averaging $ 850 per MT/FOB. With that price, exporters are still making a good margin. According to the rice exporters, export licenses for 750,000 MT of Egyptian rice were issued, while only about 500,000 MT from March 1st through September were actually exported.

Because of the low price that rice farmers received for 2008/09 crop, most observers are expecting that the rice area planted for 2009/10 will be about 25 percent lower than the 2008/09 level. A further decline in rice area is expected for 2010/11.

The cost of rice production per feddan (1 feddan= 1.04 acre) is as follows:

Inputs:	LE 1,000
Rent:	LE 2,500
Total cost:	LE 3,500

The average yield per feddan is 3.5 MT.

Sales price:	LE 850 per MT
Total income:	3.5 MT x LE 850=2,975

From the above calculation, farmers are losing money from rice cultivation in Egypt. This is expected to have negative impact on farmers' decision to cultivate rice in 20010/11. Most observers expect that both rice area and production in 2010/2011 will be significantly less than the current season.