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Egypt

Grain and Feed Update

Population Growth and Increased Feed Demand Drive Up Egypt's Wheat and Corn Consumption

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Report Highlights:

Egypt wheat production is still forecast at 8.77 MMT in MY 2019/20, up from 8.45 MMT in MY 2018/19 due to expansion of total area harvested. FAS Cairo forecasts wheat imports in MY 2019/20 to remain unchanged at 12.5 MMT. Corn imports are forecast to rise to 10 MMT in 2019/20, up three percent from the MY 2018/19 estimate of 9.7 MMT due to increased feed demand from domestic poultry, dairy, and aquaculture sectors. FAS Cairo forecasts Egypt's rice imports to fall in MY 2019/20 to 200,000 MT in response to an anticipated increase in domestic production.

Executive Summary:

FAS Cairo forecasts Egypt's wheat production in MY 2019/20 (Jul-Jun) to reach 8.77 MMT, up by almost four percent compared from 8.45 MMT in MY 2018/19. The rise is attributed to an increase in total area-harvested which is set to come in at around 1.37 million hectares. Post forecasts both wheat production and the area-harvested figures to be the same as USDA official MY 2019/20 estimates.

FAS Cairo forecasts Egypt's wheat imports in MY 2019/20 at 12.5 MMT, the same as the USDA official estimate. The General Authority for Supply Commodities (GASC) is Egypt's largest wheat purchaser. In MY 2018/19, GASC issued 26 tenders importing 6.49 MMT of milling wheat compared to 28 tenders in MY 2017/18 importing 6.64 MMT. The largest foreign suppliers in MY 2018/19 included Russia (3.9 MMT) and Romania (1.1 MMT), followed by Ukraine (535,000 MT), France (480,000 MT), and the United States (420,000 MT).

FAS Cairo forecasts Egypt's corn imports in MY 2019/20 at 10 MMT, the same as the USDA official estimate. Egypt's yellow corn production covers less than 20 percent of its feed demand needs and imports supplement the feed manufacturing industry's expanded production. Post observes no existence of U.S.-origin corn in the Egyptian market in calendar year 2019. Some Egyptian consumers of U.S.-origin corn stated concerns with product quality, namely excessive broken kernels and dust that creates problems in their storage and milling facilities.

FAS Cairo forecasts Egypt's rice imports in MY 2019/20 at 200,000 MT. This is a reduction of the USDA official estimate by 400,000 MT due to an expected increase in domestic production of rice.

WHEAT:

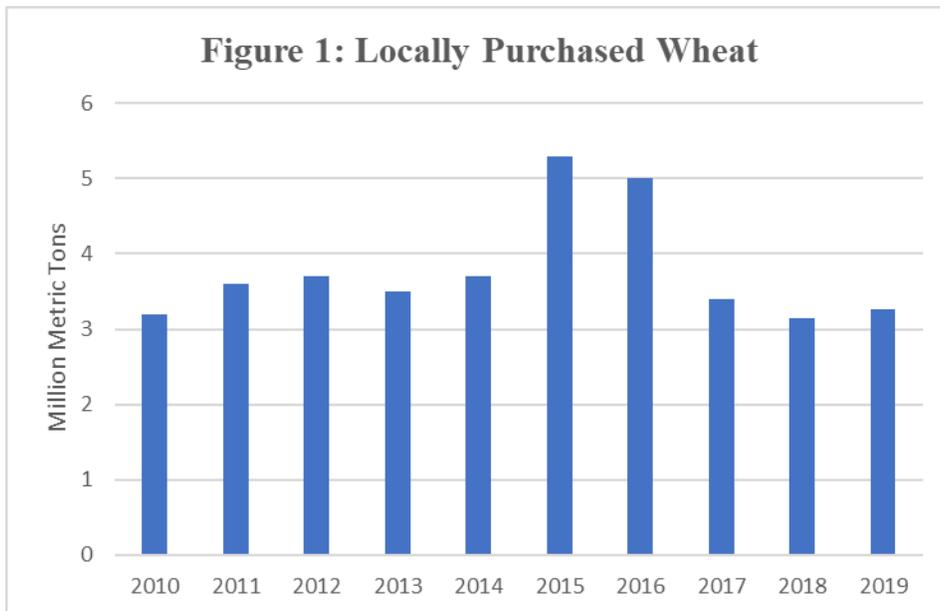
PRODUCTION:

FAS Cairo forecasts both wheat production and the area-harvested figures to remain unchanged from the USDA official MY 2019/20 estimate of 8.77 MMT and 1.37 million hectares respectively. The Agriculture Research Center (ARC) of the Ministry of Agriculture and Land Reclamation (MALR) is promoting increased yields per unit area through vertical crop expansion. ARC is also encouraging farmers to combine raised bed cultivation of wheat with higher yielding varieties which increase the input efficiencies and productivity of the crop. ARC recently registered three new high yielding varieties of wheat (Sakha 95, Misr 3 and Benisuif 7). The new varieties are heat tolerant and consume less water under raised bed cultivations. 6,301 extension fields were implemented by ARC throughout the delta, middle and upper Egypt regions.

Domestic Wheat Procurement: On July 15, 2019, the Ministry of Supply and Internal Trade (MoSIT) announced the end of the domestic wheat procurement season which ran from April 15 through July 15, 2019. The amount of locally-produced wheat purchased by the Government of Egypt was 3.27MMT compared to 3.15 MMT in CY 2018 (Figure 1).

On March 6, 2019, MoSIT announced that the government procurement price that it will pay to purchase

locally-produced wheat would range from EGP 655 to EGP 685/Ardeb or approximately \$251.10/MT to \$262.60/MT (USD 1.00 = EGP 17.39 in March 2019) based on quality and moisture levels. The CY 2019 local wheat procurement prices were 14-15 percent higher than the CY 2018 prices thus prompting farmers to cultivate more areas of wheat.



SOURCE: FAS Cairo office research.

The General Authority for Supply Commodities' governmental wheat purveyors are:

- 1- The Holding Company for Food Industries.
- 2- The Egyptian Holding Company for Silos and Storage.
- 3- The General Company for Silos and Storage.
- 4- The Egyptian Agriculture Bank.

CONSUMPTION:

FAS Cairo forecasts Egypt's wheat consumption in MY 2019/20 at 20.4 MMT, up from the MY 2018/19 estimate of 20.1 MMT. Post attributes the uptick to an increase in food, seed and industrial use (FSI) consumption. The rise in FSI wheat consumption is attributable to population growth of about 2.4 percent per annum. Egypt with a population of 99.4 million (Central Intelligence Agency, est., July 2018) is adding over 2 million people per year. It is also host to an estimated 5 million refugees from Iraq, Syria, Libya, Yemen, and Sudan.

The Bread Subsidy System Remains Unchanged: Egypt allocates bread subsidy beneficiaries 150 loaves of bread per month (i.e., five loaves of bread per day). *Baladi* (i.e., common, traditional) bread is sold at a subsidized price of EGP 0.05 per loaf (\$0.01 per loaf); this is less than one tenth of the actual cost. The government compensates bakeries for the difference in production cost. The current cost of subsidizing one loaf of *baladi* bread is EGP 0.60 (\$0.03).

The current subsidy system permits beneficiaries who consume less than the quota amount to convert

their bread savings into points (1 point = EGP 0.01). Points are redeemable; beneficiaries can use points to purchase 22 other food items sold at discounted prices. Beneficiaries make their purchases at the roughly 27,000 MoSIT partnered private grocery stores, as well as from 1,250 state-owned consumer complexes.

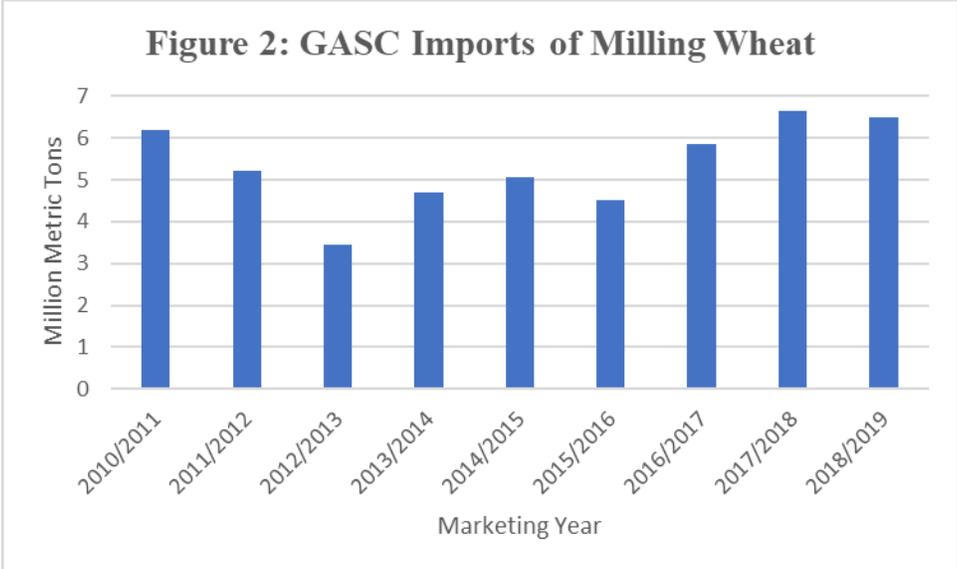
In FY 2019/20, the government is allocating EGP 89 billion (\$5.39 billion) for bread and food subsidies. Of this amount, roughly EGP 52 billion (\$3.15 billion) is earmarked for the bread subsidy program, with EGP 5.4 billion (\$327 million) going to the bread point system. Another EGP 37 billion (\$2.24 billion) is allocated to the supply commodities (i.e., beef, chicken, rice, cooking oil, and sugar). (USD 1.00 =EGP 16.5)

Better Targeting of Bread and Food Subsidies: The Egyptian food-subsidy system has provided an important social safety during past food-price shocks by mitigating some of the negative impacts. The fully automated system currently covers 71 million bread subsidy beneficiaries including 64 million food subsidy program beneficiaries.

The system however is still in need of a better targeting process aimed at the poor and most vulnerable who actually deserve the subsidy. As of March 2019, MoSIT is gradually working on a program for better targeting of the subsidies. Around 500,000 beneficiaries were removed from the food subsidy program but will still receive a bread subsidy. The next stage of the program is underway and its results are expected to be announced in September 2019.

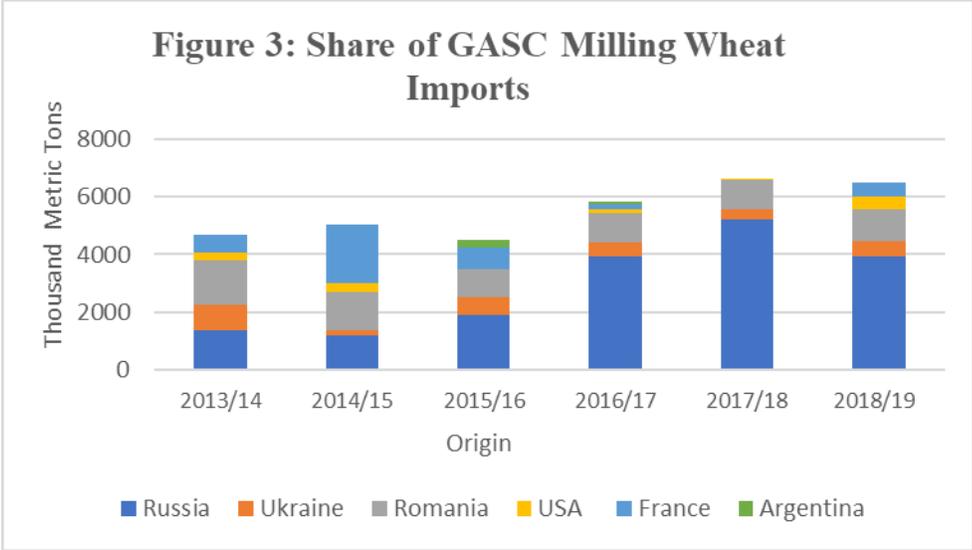
TRADE:

FAS Cairo forecasts Egypt’s wheat imports in MY 2019/20 at 12.5 MMT, the same as the USDA official estimate. GASC is Egypt’s largest wheat purchaser (Figure 2) and in MY 2018/19, it issued 26 tenders importing 6.49 MMT of milling wheat.



Source: FAS Cairo office research.

Over the last six marketing years, GASC’s largest foreign suppliers have been Russia (17.49 MMT) and Romania (7.02 MMT), followed by France (4.14 MMT), Ukraine (3.05 MMT) and the United States (1.17 MMT) (Figure 3).



Source: FAS Cairo office research.

GASC Tender Specification Adjustments Create Potential Opportunity for US Hard Red Wheat (US HRW): GASC changed the protein rate for US HRW making it 12 percent protein minimum on dry matter basis, instead of the previous clause requiring it to be 12.5 percent protein on dry matter basis. Moreover, the wet gluten rate in US HRW was also adjusted to be 25 percent minimum instead of 26 percent. The recent alterations could increase offers of HRW in GASC tenders and allow for greater diversification of origins and better quality given that prices are competitive. It is worth noting that US HRW is the only wheat origin that has a specification for wet gluten, unlike other wheat origins.

STOCKS:

FAS Cairo forecasts Egypt’s ending stocks in MY 2019/20 at 4.8 MMT, an increase from Post’s earlier MY 2018/19 estimate of 4.46 MMT. The increase in MY 2019/20 ending stocks is due to higher production. GASC normally keeps a 4-5 month supply of stocks (including wheat) in the import pipeline, with an additional one-month supply of wheat in transit to Egypt.

Wheat Market Begin Year	2017/2018		2018/2019		2019/2020	
	Jul 2017		Jul 2018		Jul 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Egypt						
Area Harvested	1320	1320	1320	1320	1370	1370
Beginning Stocks	3991	3991	4318	4318	4568	4568
Production	8450	8450	8450	8450	8770	8770
MY Imports	12407	12407	12500	12500	12500	12500
TY Imports	12407	12407	12500	12500	12500	12500
TY Imp. from U.S.	118	0	847	600	0	0

Total Supply	24848	24848	25268	25268	25838	25838
MY Exports	730	730	600	600	600	600
TY Exports	730	730	600	600	600	600
Feed and Residual	1300	1300	1300	1300	1300	1300
FSI Consumption	18500	18500	18800	18800	19100	19100
Total Consumption	19800	19800	20100	20100	20400	20400
Ending Stocks	4318	4318	4568	4568	4838	4838
Total Distribution	24848	24848	25268	25268	25838	25838
Yield	6.4015	6.4015	6.4015	6.4015	6.4015	6.4015

CORN

PRODUCTION:

FAS Cairo forecasts Egypt's corn production in MY 2019/20 at 6.4 MMT, down from USDA's official estimate of 7.2 MMT. The decrease in production is due to reduction in the area harvested due to increased plantings for rice. Post estimates area harvested for MY 2019/20 at 800,000 hectares down from USDA official estimate by 12.5 percent. Reportedly white corn area harvested accounts for 480,000 hectares, with yellow corn plantings making up the balance.

CONSUMPTION:

FAS Cairo forecasts Egypt's corn consumption in MY 2019/20 at 16.9 MMT, up from the MY 2018/19 estimate of 16.2 MMT. Post consumption estimates for MY 2018/19 and MY 2019/20 remains unchanged from USDA official estimates.

Post attributes the uptick to increased feed demand driven by the country's poultry, dairy, and aquaculture sectors. MALR recently announced that the issuance of licenses for animal, poultry and production of feed projects have more than doubled over the past two years.

MALR has also been allocating desert land in western and Upper Egypt for new poultry investments reaching EGP 1.5 billion (\$90.9 million). These investments will produce annually 62 million broiler chicks, 4.2 million mothers, 100,000 grandmothers, and 30 million table eggs, generating nearly 2,000 new jobs. Post anticipates the poultry sector's feed consumption to grow by 2-3 percent as the larger producers consolidate and vertical integration increases.

Since the beginning of MY 2018/19, the market has seen new investments in poultry feed mills with production capacities reaching 6,500 MT of feed per day. Additional feed lines are coming online, adding to already existing aqua and cattle feed milling capacities.

The dairy industry is experiencing a growth rate of 3 percent per annum. The sector is rapidly industrializing, driven by increased demand for fresh, refrigerated dairy products. Middle-sized dairy farms are now increasingly relying on higher yielding Holstein cattle.

Egyptian aquaculture is developing rapidly with production reaching 1.5 MMT, accounting for 80 percent of Egypt's total fish production (both farmed and wild catch). Egypt is the world's tenth largest

producer of farmed fish, as well as the world’s second largest producer of tilapia. Investment in feed mills is expanding to meet demand for high-quality extruded feed.

Egypt’s feed mills produce a poultry feed-mix of 70 percent yellow corn, 19.4 percent soybean meal, 3.4 percent wheat bran, and 1.9 percent broiler concentrates (fish or meat meals) in addition to minerals and vitamins. Aquaculture’s major dietary energy sources include 20-25 percent yellow corn, 20-30 percent wheat bran, 10-25 percent rice bran, and 1-5 percent vegetable oils. This feed mix formulation depends on the protein and energy contents of the feed, as well as the availability and price of the ingredients, including fish species and their sizes.

TRADE:

FAS Cairo forecasts Egypt’s corn imports in MY 2019/20 at 10 MMT, up three percent from Post’s MY 2018/19 estimate of 9.7 million metric tons. Post estimates for corn imports in MY 2018/19 and MY 2019/20 remains unchanged from USDA official estimates.

Yellow corn shipments in CY 2019 (Jan-Aug) total 6.7 MMT. Egypt’s top three suppliers in 2019 are Ukraine (2.5 MMT), Argentina (2.3 MMT), and Brazil (1 MMT). Yellow corn shipments in CY 2018 (January-August) total 6 MMT. Egypt’s top three suppliers in 2018 (Jan-Aug) were Argentina (2.1 MMT), Ukraine (2.1 MMT), and the United States (1.1 MMT).

Dried Distillers Grains with Soluble (DDGS) Imports: Egypt’s DDGS imports in CY 2019 (Jan –Jun) amounted to 58,500 MT. The United States accounts for 99.8 percent of Egypt’s DDGS imports. Local DDGS prices are EGP 5,400/MT (\$327/MT) compared to EGP 5,100/MT. (\$309/MT) at the beginning of the calendar year.

Corn Gluten Meal: Egypt’s imports of corn gluten meal in CY 2019 (Jan –Jun) reached 73,800 MT. The United States accounts for 99.7 percent of Egypt’s corn gluten meal imports. The beef/dairy livestock, poultry, and aquaculture feed manufacturing sectors are heavy users of corn gluten meal. Prices for corn gluten meal are EGP 11,700/MT (\$709/MT) down from EGP 12,400 (\$751/MT) at the beginning of the calendar year.

STOCKS:

FAS Cairo forecasts Egypt’s corn stocks in MY 2019/20 at 1.62 million metric tons down by 800,000 MT from USDA official estimate. We attribute the decrease in stocks due to decreased local production.

Corn Market Begin Year Egypt	2017/2018		2018/2019		2019/2020	
	Oct 2017		Oct 2018		Oct 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	800	800	850	850	900	800
Beginning Stocks	1887	1887	1841	1841	2131	2131
Production	6400	6400	6800	6800	7200	6400

MY Imports	9464	9464	9700	9700	10000	10000
TY Imports	9464	9464	9700	9700	10000	10000
TY Imp. from U.S.	1587	0	0	0	0	0
Total Supply	17751	17751	18341	18341	19331	18531
MY Exports	10	10	10	10	10	10
TY Exports	10	10	10	10	10	10
Feed and Residual	13400	13400	13700	13700	14400	14400
FSI Consumption	2500	2500	2500	2500	2500	2500
Total Consumption	15900	15900	16200	16200	16900	16900
Ending Stocks	1841	1841	2131	2131	2421	1621
Total Distribution	17751	17751	18341	18341	19331	18531
Yield	8	8	8	8	8	8

RICE

PRODUCTION:

FAS Cairo forecasts Egypt's milled rice production in MY 2019/20 to increase to 4.3 MMT, up 1.25 MMT from the USDA official estimate. We attribute the increase to the significant increase in rice areas planted, by 260,000 hectares more than the USDA official estimate.

The MY 2019/20 area harvested at 760,000 hectares exceeds the 451,920 hectares set by the Ministry of Water Resources and Irrigation (MWRI) in the nine Delta area provinces authorized to plant rice.

Farmers planting rice outside the government's allotment area will face fines of EGP 3660 (\$221) per fiddan (4200 sqm). Rice area and production have varied considerably over the last ten years. Regardless of penalties, the MY 2019/20 crop area harvested is estimated to be above the MWRI set limit.

Farmers prefer to plant rice due to its easier cultivation as compared to other crops as well as its profitability. Rice cultivation also helps limit seawater intrusion into the northern Delta lands and prevents salinization of the soil. Early maturing rice varieties developed by the ARC grow in three months; using 9,000-10,000 cubic meters of water per hectare compared with 14-15,000 cubic meters of water per hectare for other rice varieties.

CONSUMPTION:

FAS Cairo forecasts Egypt's rice consumption and residual at 3.9 MMT in MY 2019/20, similar to the USDA official estimate in MY 2019/20.

Depending on the rice brand and quality, retail market prices range between EGP 9 (\$0.54) to 15 (\$0.90) per kg. Retail market prices have decreased by 20-30 percent compared to prices in April 2019. Paddy rice is currently selling for EGP 4,400/MT (\$266/MT) compared to EGP 6,600/MT (\$400/MT) at the beginning of the planting season.

Domestic and imported packaged rice sells for EGP 9/kg (\$0.50/kg) in public consumer complexes and at the MoSIT outlet stores. The subsidy program allows consumers and beneficiaries to select across 22 food items to diversify their food basket, as well as select alternative carbohydrate sources.

TRADE:

FAS Cairo forecasts Egypt’s rice imports in MY 2019/20 at 200,000 MT. We are decreasing this figure from USDA official estimate by 400,000 MT due to anticipated higher domestic production. Post estimate of 800,000 MT for MY 2018/19 rice imports remain unchanged from USDA official estimate.

During MY 2018/19, China strengthened its presence in the Egyptian medium grain rice trade with an export volume reaching 600,000 MT. Before the new local crop harvest, traders succeeded in sourcing Chinese short and medium grain at \$415/MT to \$430/MT while the government was able to source 269,500 MT of Chinese medium grain at \$405/MT in 4 consecutive tenders. Traders were also sourcing short, medium, and long-grain from India and Vietnam.

At nearly half the price of U.S. medium grain and Australian medium grain, China’s rice is an appealing choice for price-sensitive markets. These low-priced medium grain imports from China will not likely continue in MY 2019/20 as they were in the previous marketing year due to the expected significant increase in local production.

STOCKS:

FAS Cairo forecasts Egypt’s ending rice stocks in MY 2019/20 to reach 1.72 MMT, up from the previous marketing year’s estimate of 1.1 million metric tons. The pick up is due to the increase in local rice production.

Rice, Milled Market Begin Year Egypt	2017/2018		2018/2019		2019/2020	
	Oct 2017		Oct 2018		Oct 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	762	762	462	462	500	760
Beginning Stocks	1426	1426	1563	1563	1093	1143
Milled Production	4300	4300	2800	2800	3050	4300
Rough Production	6232	6232	4058	4058	4420	6232
Milling Rate (.9999)	6900	6900	6900	6900	6900	6900
MY Imports	87	87	800	800	600	200
TY Imports	230	230	800	800	600	200
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	5813	5813	5163	5163	4743	5643
MY Exports	50	50	20	20	10	20
TY Exports	50	50	20	20	10	20
Consumption and Residual	4200	4200	4050	4000	3900	3900
Ending Stocks	1563	1563	1093	1143	833	1723
Total Distribution	5813	5813	5163	5163	4743	5643
Yield (Rough)	8.1785	8.1785	8.7835	8.7835	8.84	8.2

(1000 HA) ,(1000 MT) ,(MT/HA)