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Livestock and Products Annual 2016

Government Becomes Top Meat Importer in an Effort to Curb Prices and Ensure Availability to More Citizens

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Report Highlights:

In 2017, calf crop production is expected to remain stable at 1.850 million head. Beef production is projected to increase by 3.6 percent to 370,000 MT. Consumption is forecast to increase by 2 percent to reach 710,000 MT. Post estimates that live cattle and beef imports will remain stable at 300,000 head and 340,000 MT, respectively. The Egyptian Government has become the top importer of live cattle and beef, displacing private importers who are unable to compete with government as companies have to source U.S. dollars in the parallel market, which commands a 20-30 percent premium compared to the official rate. Post has revised its 2016 consumption and import numbers from USDA's official data.

PS&D Tables:

Animal Numbers, Cattle	2015		2016		2017	
Market Begin Year	Jan 2015		Jan 2016		Jan 2017	
Egypt	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Cattle Beg. Stks	6485	6485	6725	6725	0	6995
Dairy Cows Beg. Stocks	4010	4010	4210	4210	0	4260
Beef Cows Beg. Stocks	0	0	0	0	0	0
Production (Calf Crop)	1780	1780	1850	1850	0	1850
Total Imports	120	120	300	300	0	300
Total Supply	8385	8385	8875	8875	0	9145
Total Exports	0	0	0	0	0	0
Cow Slaughter	420	420	660	700	0	760
Calf Slaughter	80	80	80	80	0	80
Other Slaughter	940	940	950	900	0	900
Total Slaughter	1440	1440	1690	1680	0	1740
Loss	220	220	250	200	0	200
Ending Inventories	6725	6725	6935	6995	0	7205
Total Distribution	8385	8385	8875	8875	0	9145
(1000 HEAD)						

Note: “New Post” data reflects FAS Cairo’s assessments and are NOT official USDA data

Meat, Beef and Veal	2015		2016		2017	
Market Begin Year	Jan 2015		Jan 2016		Jan 2017	
Egypt	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	1440	1440	1690	1680	0	1740
Beginning Stocks	0	0	0	0	0	0
Production	306	306	360	357	0	370
Total Imports	360	360	300	340	0	340
Total Supply	666	666	660	697	0	710
Total Exports	0	0	0	0	0	0
H. Dom. Consumption	666	666	660	697	0	710
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	666	666	660	697	0	710
Ending Stocks	0	0	0	0	0	0
Total Distribution	666	666	660	697	0	710
(1000 HEAD),(1000 MT CWE)						

Note: “New Post” data reflects FAS Cairo’s assessments and are NOT official USDA data

Production:

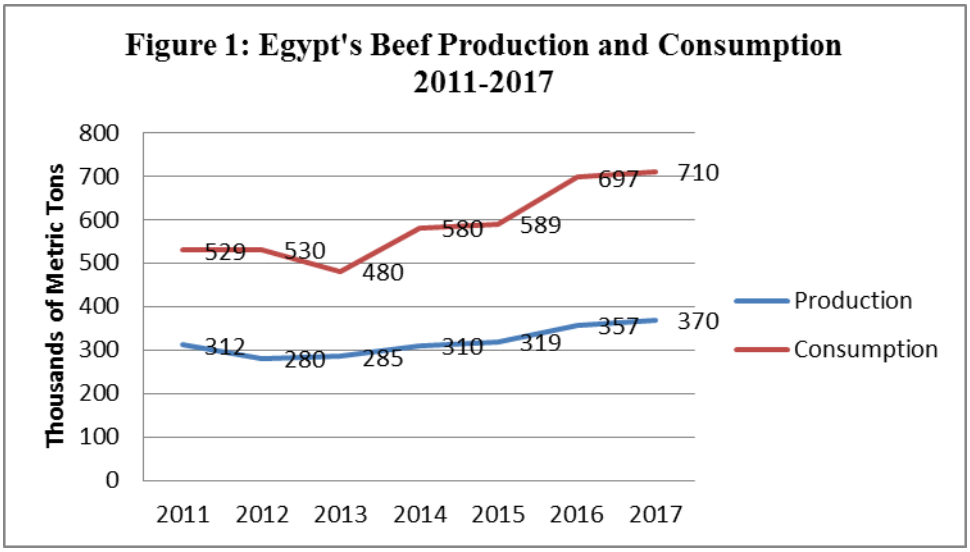
In 2017, FAS/Cairo forecasts calf crop production will remain stable at 1.850 million head, with a cattle population of 9.2 million head equally split between cows and buffaloes. Egypt continues implementing policies aimed at increasing local meat production through disease control, mandatory slaughtering regulations, and micro-credit loans to small farmers. These efforts seem to have plateaued as they not likely to have much impact on calf crop production in 2017.

In 2017, post forecasts beef production to increase by 3.6 percent or 13,000 MT to reach 370,000 MT compared to 357,000 MT expected in 2016. The increase in production is attributed to an increase in slaughter.

Total slaughter in 2017 will increase by 3.6 percent or 60,000 head to reach 1.740 million head compared to 1.680 million head in 2016. All of the increase is attributed to cow slaughter, which is forecast to increase by 8.5 percent to reach 760,000 head compared to 700,000 head in 2016. The increase in slaughter is projected as a result of carry-over stocks from 2016, and as farmers and breeders hedge their bets by capitalizing on high beef prices, while protecting themselves from surging feed prices.

Government Efforts to Increase Local Meat Production

Local meat production is not sufficient to meet the needs of Egypt's increasing population, which adds close to 2 million citizens to its ranks every year. The gap between production and consumption stands at 340,000 MT which is bridged through imports (figure 1). This situation compelled the government to implement policies aimed at increasing local production through improved disease control, slaughtering requirements, and the provision of micro-credits to small farmers.



Source: FAS Cairo

Disease Control

The 2013 amendment of Agricultural Law 53 (1966) has been an important driver in rebuilding Egypt's cattle population after the country was hit by an outbreak of foot and mouth disease (FMD) in 2012, leading to the loss of over one million head. Under the amendment, farmers and livestock breeders are mandated to vaccinate their livestock and must purchase insurance against disease-induced animal losses. GAIN Voluntary Report - FMD Outbreak 2012.

According to the Ministry of Agriculture and Land Reclamation's (MALR) General Organization for Veterinary Services (GOVS), from January through May 2016, there were 37 reported cases of foot and mouth disease (FMD), all of which were properly treated. For 2016, there are no reports of losses in the cattle population due to FMD.

Slaughtering Requirements

For the livestock production it regulates, the government requires a minimum live weight of 250 kilograms for any head of cattle to be slaughtered, encouraging the development of heifers which, at this weight, are more capable of reproduction. Nonetheless, in 2017, calf slaughter is forecast to remain high at 80,000 head. Although the aforementioned weight requirement is effectively applied at state-run slaughtering facilities, its enforcement remains a challenge with small-scale breeders and farmers, who raise roughly 80-90 percent of Egypt's animal capital, as these depend on local butchers in the informal economy that slaughter the animals outside registered facilities.

Veal Project

The government is re-energizing the ongoing "Veal Project" that provides micro-credit loans to small farmers at low interest rates of 4-7 percent, a significant discount from the prevailing market rate of 16-20 percent. Breeders obtaining the loans are required not to slaughter the animal until it reaches a weight of 250 kilograms Egypt Livestock Annual Report 2014.

In March 2016, the MALR announced that EGP 300 million ($33.8 million) had been allocated in support of the project, with the first tranche of EGP 100 million ($11 million) deposited by the Ministry of Finance to the Principal Bank for Development and Agricultural Credit (PBDAC) branches. In its announcement, MALR encouraged small farmers and breeders to apply for a loan at any PBDAC branch. Small breeders without land holdings can request a loan of up to EGP 50,000 ($5,600), while those who own agricultural land can request a loan of up to EGP 1 million ($112,600), according to their land holdings. Under this tranche, the loans will carry an interest of 5 percent and must be paid off at the time the animals are sold, not exceeding one year.

The veal project was initiated in 1988, assisting small farmers and breeders to raise their animals to preferred slaughter weights. In 1993, the government signed an agreement with the Buffalo Breeders Association, which became responsible for managing the loans of over 45,000 breeders, raising over one million head of cattle. In 2012, the government overhauled the project easing the procedures for those seeking loans, while appointing PDBAC to manage the loans.

Cattle Producers Facing Surging Input Costs

Egypt is heavily dependent on imported feed ingredients used by the livestock industry, accounting for over 60 percent of the industry's needs. Most breeders use a combination of bran, corn silage, alfalfa hay, yellow corn, beet, soybean meal, sunflower meal, and additives (vitamin and mineral salts) to feed their animals. The majority of these components are imported or produced from imported ingredients. The depreciation of the Egyptian pound against the U.S. dollar and the shortage of foreign exchange (Fx) has resulted in surging prices of imported feed ingredients, as importers return to the parallel market to meet their Fx needs, which commands a premium of 20-30 percent over the official exchange rate.

As of May 2016, the price of millers' wheat bran increased by almost 11.5 percent or EGP 300/MT ($33.7/MT) versus a year earlier to reach EGP 2600-3000/MT ($293–338/MT), depending on whether a state-run or private mill is selling the product. In Sharkia governorate, northeast of Cairo, state-run millers sell wheat bran at EGP 2600/MT ($293), while private millers are selling it at EGP 2800/MT ($315). In Giza governorate, southwest of Cairo, state-run millers are selling wheat bran at EGP 2750/MT ($309.6) while private millers are selling it at EGP 2950/MT ($332).

Egypt's relies on imported corn to meet 60 percent of its consumption needs and on soybeans and meal imports to meet 100 percent of its requirements for this protein source. Corn and soybean imports have been affected by the lack of Fx and other government restrictive measures. Figure (2) illustrates the surge in the spread between international and domestic prices for corn, escalating from $50/MT to $120/MT with an all-time high in January of 2016 of $160/MT.

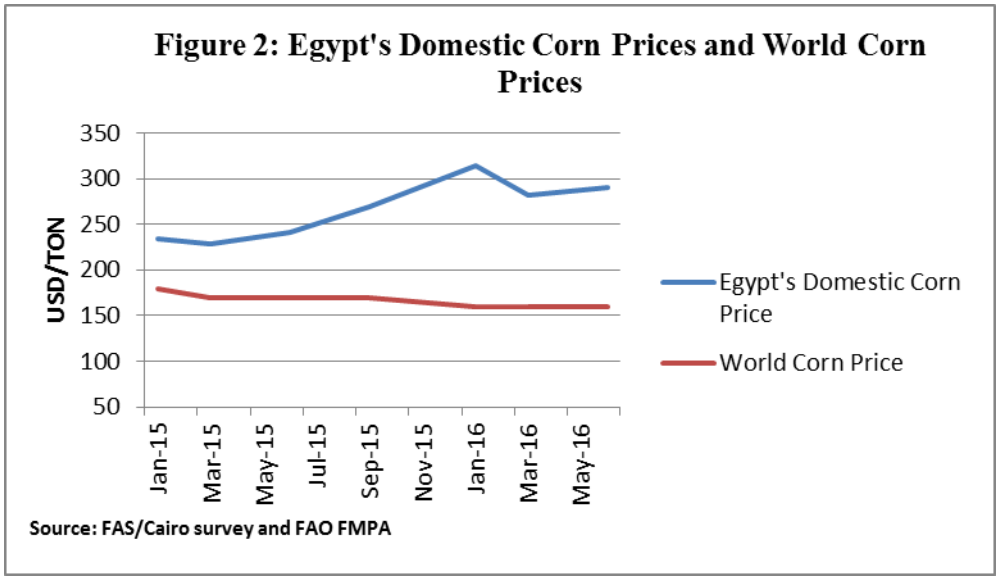
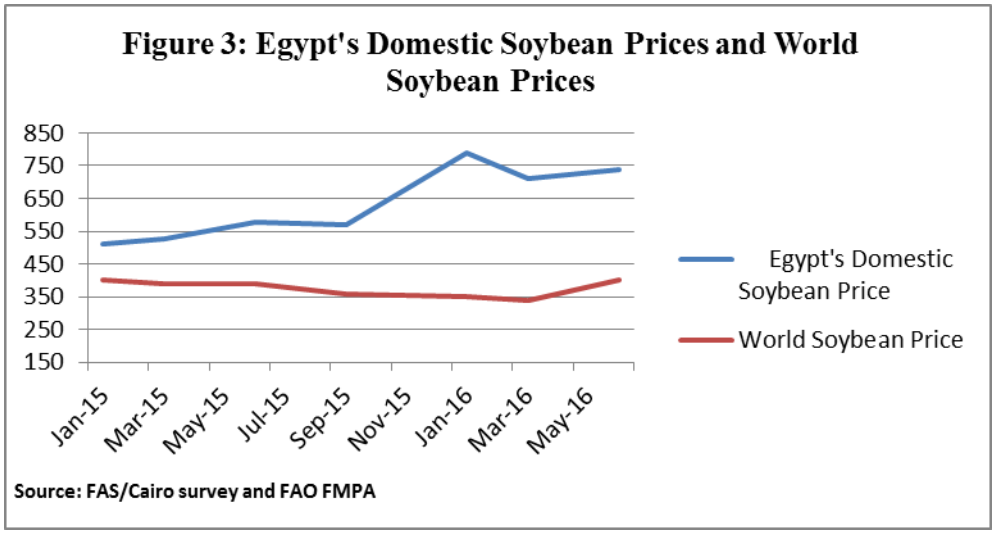


Figure (3) illustrates that since September 2015 Egypt's soybean prices in the domestic market have increased disproportionally to world soybean prices.



The uncertainty of escalating feed prices coupled with attractive meat prices are prompting many farmers and breeders to dispose of their cattle at a higher-than-normal rate.

Consumption:

FAS Cairo forecasts total domestic beef consumption in 2017 at 710,000 MT, a 2 percent increase from post's new consumption forecast of 690,000 MT in 2016, in line with the population increase.

Post is revising USDA's 2016 consumption numbers from 660,000 MT to 690,000 MT. The greater-than-expected consumption in 2016, increasing by 18 percent from 2015, is attributed to the government's efforts to provide low-income consumers greater access to food through its revised food subsidy program and government acting as middleman by supplying imported beef at affordable prices in government-run consumer complexes.

In 2014, the government modified its food subsidy system, providing low-income consumers monthly cash assistance of EGP 15 ($1.6) per family member. In 2016, through its smart card program, monthly assistance per beneficiary was increased to EGP 18 ($2). Beneficiaries can use their subsidy smart cards to buy frozen and fresh meat at prices discounted from average market prices by 20-30 percent through the Ministry of Supply and Internal Trade (MoSIT) affiliated shops that are run by the Holding Company for Food Industries (HCFI). Egypt Livestock Annual Report 2014

After protests in May of 2015 over high beef prices, the government pressed the Ministry of Defense's (MoD) National Service Projects Organization NSPO to use its vast network to supply fresh and frozen meat to the public at prices similar to those offered at MoSIT stores. NSPO was established in 1979 with the mission of helping the Egyptian military engage in economic activities to reach a degree of self-sufficiency in terms of the needs of the military itself.

Fresh and frozen beef produced and imported by NSPO is sold to the public at shops located in different governorates or in refrigerated trucks that are routed through low-income urban neighborhoods. NSPO tax-exemptions, access to Fx and subsidized labor enable it to be more competitive, selling at lower prices than private sector vendors. These conditions also apply to MoSIT's stores, although to a lesser

extent. The recent increase in meat prices has induced a surge of refrigerated trucks circulating throughout different neighborhoods in the greater Cairo area.

Red meat consumption in Egypt is comprised primarily of locally produced fresh meat, imported ready-for-slaughter cattle, imports of frozen buffalo meat from India, and frozen beef, mainly from Brazil. Egyptians prefer beef to other type of meats including poultry and lamb. They also prefer fresh over frozen beef for cultural reasons. The more affluent segment of the population view frozen meat as an inferior product, a key reason why fresh beef commands a significant premium over frozen meat.

Prices:

Prices of locally produced beef are higher than those for imported beef. Live cattle for slaughter is sold at EGP 32-60 per kilogram ($3.6 - 6.7), while fresh beef is sold at EGP 80-120 per kilogram ($9 - 13.5), in both cases the determinants are the age of the animal and the cuts coming from them. On the other hand, the average price of Brazilian frozen beef is EGP 45 ($5) per kilogram compared to EGP 34 ($3.8) per kilogram in 2015. Sudanese chilled beef is now offered at EGP 65 ($7.3) per kilogram compared to EGP 50 ($5.6) per kilogram last year.

At HCFIs' shops, frozen imported beef is sold at EGP 50 per kilogram ($5.6) while fresh beef (produced from imported live cattle) is sold at EGP 60 per kilogram ($6.7). At NSPO's shops and from their refrigerated trucks, frozen imported beef is sold at EGP 38-50 per kilogram ($4.2 - $5.6) depending on the cut. The meats offered at NSPO are from imported cattle that are slaughtered in Egypt or frozen meat imported from different origins, especially Brazil.

At MALR's shops, frozen beef is sold at EGP 36 per kilogram ($4), frozen buffalo meat is sold at EGP 34 per kilogram ($3.8) and chilled beef is sold at EGP 58 per kilogram ($6.5). The majority of the beef that is offered at MALR's shops comes from Sudanese cattle slaughtered in Egypt.

Table 1: Price Comparison at Private Shops vs. Government Run Shops

	Private Shops	**HCFIs' cooperative shops**	**NSPOs' shops and refrigerators' trucks**	**MALR's shops**
Fresh Local Beef	80 - 120	60	60	58
Frozen Imported Bovine Meat	60	50	38-50	36
Frozen Imported Buffalo Meat				34
Prices are in EGP, the exchange rate is 8.8/USD				

Egypt's Central Agency for Public Mobilization and Statistics (CAPMAS) stated that Egypt's inflation hit its highest level in 30 months, registering 14.8 percent on an annualized basis in June 2016. CAPMAS's monthly Consumer Price Index (CPI) rose by 0.8 percent, less than the previous month's increase of 3.2 percent; however, these increases were driven by food and beverage price hikes, which climbed 18.4 percent year-on-year in June 2016.

Despite global commodity prices at their lowest levels in years, Egypt's inflationary woes are compounded by Egypt's foreign exchange problems, which began in 2012-13 as revenues from tourism and remittances slowed down. Government efforts to maintain a peg to the dollar at EGP 8.88 (since

March 2016) without the necessary reserves to support this rate has further underscored the Fx shortage, resulting in a parallel market that commands an exchange rate premium of 20-30 percent from the official rate, thus the high price of Egypt's beef.

Trade:

Live Cattle Imports:

Post forecasts live cattle imports in 2017 to remain stable at 300,000 head. Live cattle imports, mainly cows for immediate slaughter, have increased in 2016 after MoSIT signed an agreement with Sudanese suppliers to provide 800,000 head of cattle to the Egyptian Government over three years' time. In 2016, Egypt's key suppliers are Sudan, Hungary, Ukraine, Spain, Croatia and Somalia, and these are expected to be its suppliers in 2017 in addition to Brazil.

Live cattle imports are dominated by three ministries: Supply and Internal Trade, Defense and Agriculture and Land Reclamation. MoSIT's HCFI and MoD's NSPO are working together by contracting and tendering for live cattle from local and international suppliers. MALR's Animal Wealth Sector (AWS) works on its own contracting for live cattle.

In February 2016, the HCFI and NSPO received Egypt's first shipment of 1,100 head of Spanish live cattle for immediate slaughter. The 1,100 head are part of an agreement with a German livestock company that will provide 10,000 head of Spanish live cattle. The meat is being distributed and sold at HCFI and NSPO shops and refrigerated trucks. NSPO owns around 250 refrigerated trucks and 400 shops. .

The Irish Ministry of Agriculture announced that agreement has been reached with Egyptian authorities to allow for the importation of Irish cattle, following an on-site inspection by a team of GOVS veterinarians. In the past, Egypt's market had been a significant importer of Irish cattle. In 1996, Ireland exported over 100,000 head of live cattle to Egypt. Imports were stopped due to concerns over the *Bovine Spongiform Encephalopathy (BSE)* or mad cow disease.

Figure 4: NSPO Refrigerated Trucks

Military Soldiers Packing NSPO refrigerator Trucks

NSPO Refrigerator Truck Selling Meat and Food Commodities

In November 2015, Egypt's GOVS announced that it would resume purchases of Brazilian live cattle for immediate slaughter. In 2014, Egypt ceased imports of Brazilian cattle due to disputes between the veterinarian and health authorities of both countries over the interpretations of laboratory tests of foot-and-mouth disease. In 2014, Brazil exported $16.8 million of live cattle to Egypt, which represented a total of 23,000 animals. According to the Arab-Brazilian Chamber of Commerce, exports of Brazilian live cattle to Egypt could reach up to 15,000 cattle per month, which would turn Egypt into the second largest buyer of Brazilian cattle in the world after Venezuela.

Live cattle for slaughtering and calves for fattening are subject to a 21-day pre-shipment quarantine and 28-day quarantine on arrival. A compulsory inspection by GOVS is mandatory for each consignment, covering the entire pre-shipment quarantine period in the country of origin.

Government imports of live cattle have displaced those of the private sector. The Central Bank of Egypt allocates Fx to finance the purchases of HCFI and NSPO at the official rate of $1 = EGP 8.88. Therefore, private sector traders are refraining from importing as they are unable to source Fx at official rates, forcing them to seek other currencies in the parallel market, which currently is trading at a significant premium of $1 = EGP12.50, making it very hard to compete with government-owned entities.

Beef Imports:

In 2017, FAS Cairo forecasts beef imports at 340,000 MT. Post is revising USDA's official 2016 imports from 300,000 to 340,000 MT, due to stronger-than-expected, government-led imports in in its efforts to provide affordable meat.

As of August 15, 2016, year-to-date frozen beef imports have totaled 301,244 MT, of which 101,044 MT or 33 percent are frozen buffalo meat from India, while 196,934 MT of are frozen bovine meat mainly from Brazil and 3,266 MT of chilled bovine meat mainly from Australia and Sudan (Table1).

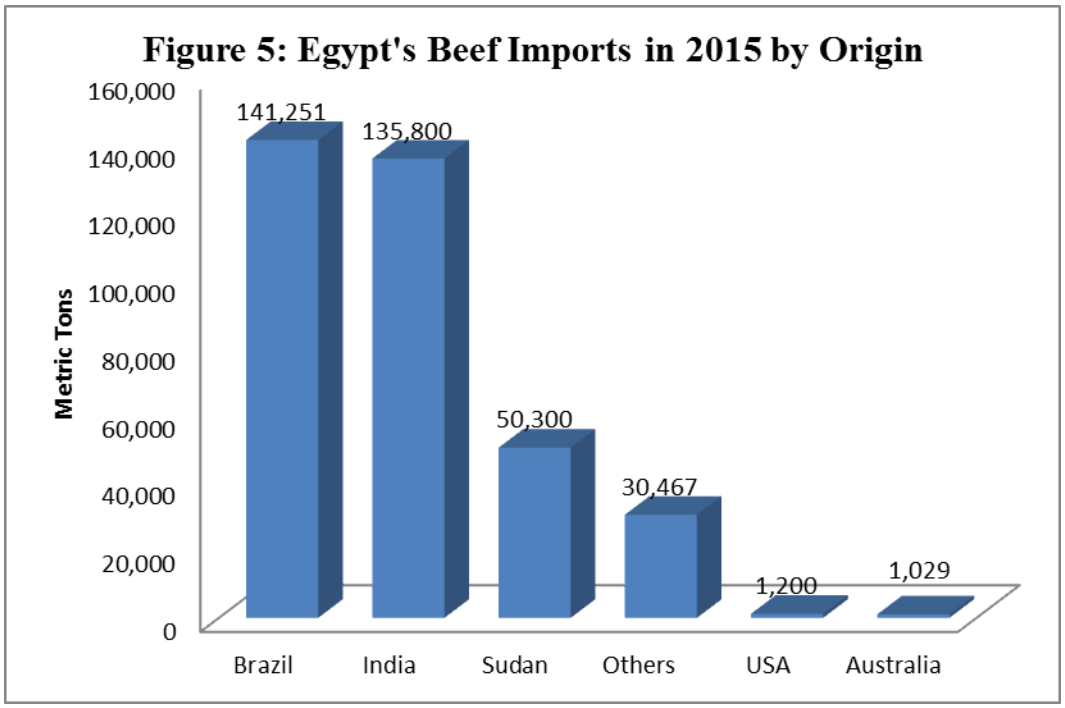
In 2017, post expects beef exports from the U.S. to increase to 6,500 MT as a turnaround in tourist arrivals is anticipated with an expected resumption of flights to Egypt's top tourist destinations. Exports in 2016 are forecast at 2,500 tons.

In 2015, the United States exported 1,200 tons of beef valued at $5.5 million compared to 17,363 tons of beef valued at $37 million and 3,200 tons valued at $12.7 million in 2013 and 2014, respectively. The drop in Egypt's beef imports from the United States is associated with the decline in higher-end tourism and restaurant industries since the 2011 revolution. These subsectors are the main consumers of high quality U.S. beef. In 2015, the United States exported 103,000 tons of beef offals (mainly beef liver, kidneys and hearts) valued at $148 million.

Table (2): Egypt Imports of Frozen and Chilled Meat January-August 15, 2016

Year 2016	Frozen Bovine Meat	Frozen Buffalo Meat	Chilled Bovine Meat
January	14,000	2,800	392
February	16,800	5,600	426
March	19,600	8,400	35
April	29,886	11,164	552
May	25,648	11,480	252
June	22,400	15,400	185
July	33,797	15,400	336
To August 15	34,803	30,800	1,089
Total	**196,934**	**101,044**	**3,266**
Total Imported Meat Jan-August 15th 301,244 MT/CWE			
Source: GOVS			

According to GOVS, in 2015 Egypt imported 360,047 MT of beef of which 221,200 MT was bovine frozen meat, 135,800 MT of frozen buffalo meat, and 3,047 MT of chilled bovine meat. The key suppliers of frozen and chilled beef in 2015 were Brazil, India, Sudan and United States and Australia. Brazil is the dominant supplier of the frozen beef while India is the sole supplier of frozen buffalo meat. Post expects that in 2017 these suppliers will remain unchanged.



Source: GOVS and FAS

Egypt's GOVS conducts individual plant audits in supplying countries to confirm they meet Egypt's import requirements. The audits evaluate both food safety and halal practice requirements (in accordance with Islamic rules and principles). Once a plant is approved, it may be subject to a re-audit every three years to renew its eligibility. Islamic centers in the United States, which are responsible for issuing halal certificates, must also be approved by GOVS. For more information on halal certification and other documents required to accompany shipments to the Egyptian market, please see: Egypt's FAIRS 2015 Report.

Egypt also requires that beef meat must come from cattle that are less than 48 months old for deboned meat and for beef with bones from animals less than 30 months of age due to BSE concerns, although this requirement is not in line with the OIE guidelines.