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Required Report - public distribution

Date: 9/1/2019
GAIN Report Number: EG-19014

Egypt

Livestock and Products Annual 2019

Egyptian Beef Prices Stable, U.S. Beef Imports Challenged

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Report Highlights:

The Egyptian government is increasing the national herd while also increasing live cattle imports. The Ministry of Agriculture is prohibiting slaughter of cattle under 400 kilograms and two years of age. FAS Cairo forecasts Egypt's beef production in 2020 to reach 370,000 metric tons (MT), up by about 1.5 percent or 5,000 MT above USDA official 2019 estimate of 365,000 metric tons. Egypt's beef imports in 2020 are forecast to reach 350,000 MT, up over six percent or 20,000 MT greater than the USDA official 2019 estimate of 330,000 metric tons.

EXECUTIVE SUMMARY:

FAS Cairo (Post) forecasts Egypt's calf production in 2020 (January-December) to reach 1.94 million head, up one percent or 20,000 head above the U.S. Department of Agriculture's (USDA) official 2019 estimate of 1.92 million head. The Egyptian government is pursuing increased domestic beef consumption. It is growing the size of the national herd while also bumping up live cattle imports. Egypt no longer permits the slaughter of cattle under 400 kilograms, nor of bulls under two-years of age. Further contributing to domestic production growth, Egypt is controlling input costs for specific feed products such as corn.

Post forecasts Egypt's cattle herd in 2020 at some 9.89 million head (including both cows and buffalo). Egypt's Ministry of Agriculture and Land Reclamation (MALR) in 2016 last estimated the national cattle herd at roughly 8.5 million (4.7 million cows and 3.8 million buffalo) animals.

FAS Cairo forecasts Egypt's live cattle imports in 2020 to reach 280,000 head, up over 3.5 percent or 10,000 head more than the USDA official 2019 estimate of 270,000 head. Sudan and Brazil are Egypt's main suppliers of live cattle, largely for immediate slaughter. In 2018, the Egyptian government agreed to import from Sudan some 800,000 head of cattle over the course of three years. This follows a similar agreement to import an undisclosed number of animals from Paraguay.

FAS Cairo forecasts Egypt's beef production in 2020 to reach 370,000 metric tons (MT), up by about 1.5 percent or 5,000 MT above USDA official 2019 estimate of 365,000 metric tons. Post attributes the increase to growing consumer demand as inflation stabilizes and the national population grows.

FAS Cairo forecasts Egypt's beef imports in 2020 to reach 350,000 MT, up over six percent or some 20,000 MT greater than USDA's official 2019 estimate of 330,000 metric tons. During the first half of 2019 (January-June), Egypt's imports of U.S.-origin beef livers are ~35,000 metric tons. Egypt remains the largest market for U.S.-origin frozen beef livers and offal. In calendar year 2018, Egypt's imports of U.S.-origin beef livers and offal reached 62,000 metric tons. Post perceives U.S. beef liver exports to Egypt confronting challenges, namely in the form of Egyptian standards establishing a zero-tolerance residue level for veterinary drugs (e.g., Ractopamine) and port clearance delays due testing and sampling requirements.

CATTLE:

Production, Supply and Demand Data Statistics:

Animal Numbers, Cattle	2018		2019		2020	
Market Begin Year	Jan 2018		Jan 2019		Jan 2020	
Egypt	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Cattle Beg. Stks	7205	7205	7455	7485		7675
Dairy Cows Beg. Stocks	4305	4350	4410	4410		4480
Beef Cows Beg. Stocks	0	0	0	0		0
Production (Calf Crop)	1930	1930	1920	1940		1940
Total Imports	250	250	270	340		280
Total Supply	9385	9385	9645	9765		9895
Total Exports	0	0	0	0		0
Cow Slaughter	730	730	730	750		740
Calf Slaughter	50	50	50	50		50
Other Slaughter	920	920	925	1020		940
Total Slaughter	1700	1700	1705	1820		1730
Loss	200	200	265	300		200
Ending Inventories	7485	7485	7675	7645		8365
Total Distribution	9385	9385	9645	9765		9895
						0

(1000 HEAD)

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

PRODUCTION:

FAS Cairo (Post) forecasts Egypt's calf production in 2020 to reach 1.94 million head, up one percent or 20,000 head above the U.S. Department of Agriculture's (USDA) official 2019 estimate of 1.92 million head.

The Egyptian government is pursuing increased domestic beef consumption. It is growing the size of the national herd while also bumping up live cattle imports. Egypt no longer permits the slaughter of cattle under 400 kilograms, nor of bulls under two-years of age. Further contributing to domestic production growth, Egypt is controlling input costs for specific feed products such as corn.

Post forecasts Egypt's cattle herd in 2020 at 9.89 million head (including both cows and buffalo). Egypt's Ministry of Agriculture and Land Reclamation (MALR) in 2016 last estimated the national cattle herd at roughly 8.5 million (4.7 million cows and 3.8 million buffalo) animals. The ministry has yet to release an updated figure.

Increased demand will be met by higher imports of live cattle and moderate increases in domestic production. Total slaughter in 2020 is forecast to reach 1.73 million head, up by 25,000 head or 1.4 percent compared to the USDA official 2019 number.

FAS Cairo forecasts losses at roughly 200,000 head in 2020, down 65,000 head compared to the USDA official 2019 estimate of 265,000 head. Post attributes the losses to the outbreak of lumpy skin disease, which has been reported in some Egyptian governorates. The Egyptian Ministry of Agriculture and Land Reclamation has adopted mitigation measures to contain the disease including placing restrictions on the movement of cattle between governorates, providing vaccines, and intensifying veterinary service in the affected governorates.

TRADE:

FAS Cairo forecasts Egypt’s live cattle imports in 2020 to reach 280,000 head, up over 3.5 percent or 10,000 head more than the USDA official 2019 estimate of 270,000 head.

Sudan and Brazil are Egypt’s main suppliers of live cattle, largely for immediate slaughter. In 2018, the Egyptian government agreed to import from Sudan 800,000 head of cattle over the course of three years. This follows a similar agreement to import an undisclosed number of animals from Paraguay.

If live cattle imports increase as planned, beef production in 2020 and 2021 will increase as animals reach maturity. Other suppliers in recent years include Spain, Germany, Colombia, Ukraine, Hungary, Italy, and the Netherlands.

FIGURE 1: EGYPT, Imports of Live Cattle, 2012-19.



Source: FAS Cairo office research.

U.S.-origin live cattle remain highly regarded by Egyptian importers and government officials. U.S. Holstein dairy cattle for milk production have been the country’s preferred breed. One of Egypt’s largest dairies uses higher milk producing U.S.-bred heifers and their offspring exclusively. However, U.S.-origin heifers command higher price and shipping costs compared to those of other origins. Egypt has not imported any live U.S. cattle since 2013.

POLICY:

Filling the Blanks Project: In January 2019, the Ministry of Agriculture and Land Reclamation announced the filling the blanks project. The project's goal is to eventually increase the national herd by some 4.5 million heads over two years' time, and by extension increase beef and dairy production. It seeks to produce productivity improvements in the herd through both artificial insemination and live animal imports. To achieve increased productivity, the ministry will assist small- to medium-size farms with flexible loans to operate at full capacity. The ministry has identified that there are 28,000 small- to medium-size farms operating at 30 percent of capacity. Given Egypt's limited water resources, it is doubtful that it can ramp up cattle numbers by 4.5 million head so quickly.

New Slaughter Requirements: Ministerial decree 72/2017 (February 2017) prohibits the slaughter of cattle under 400 kilograms, including bulls under two-years of age. The decree remains in force (it applies only to the national herd, not imports for immediate slaughter). FAS Cairo believes that decrease calf slaughter will lead to herd size growth and increased beef production over time. Post assesses that increased supply will help stabilize beef prices. According to the Ministry of Agriculture, prior to the decree the carcass weight averaged about 27.5 kilograms, but it now it averages 130 kilograms.

Egypt's National Veal Project: In May 2017, the 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 subsequently announced that the Principal Bank for Development and Agricultural Credits (PBDAC) would allocate Egyptian pounds (EGP) 300 million (\$16.7 million) to support the project (2017: EGP 17.96 = \$1.00). The bank has since amended its loan terms and conditions to encourage additional small-scale farmers to apply. Currently individual applicants are eligible for loans of up to EGP 400,000 (~\$23,900) (August 2019: EGP 16.73 = \$1.00). Companies and cooperatives are, however, eligible to borrow up to of EGP 2 million (~\$120,000). The loans carry an interest rate of five percent.

As of August 2019, the MALR informs that the value of loans granted to beneficiaries exceeds EGP 736 million (\$44 million). To date there have been nearly 5,200 beneficiaries throughout the country. Prior to the project's relaunch and ministerial decree 72/2017, some 550,000 head were slaughtered yearly at lower pre-slaughter weights ranging from 80-120 kilograms.

Disease Control: Egypt is actively pursuing foot-and-mouth disease (FMD) vaccination. In June 2019, the Ministry of Agriculture and Land Reclamation started a new FMD vaccination campaign. Between June and August some 2.7 million head of cattle were vaccinated. Vaccination is a key component of the ministry's campaign to register and tag the national cattle herd. In 2019, there have been no reported outbreaks of FMD in Egypt. However, there have however been reports of outbreaks of lumpy skin disease since 2018; losses number roughly 265,000 head.

The National Million Cattle Project: In 2016, Egyptian President Abdul Fattah Al-Sisi declared that Egypt needs to increase dairy and beef production. The administration envisions the national cattle herd expanding by over 1 million animals over two-years. Approximately EGP 100 billion (\$5.6 billion) has been allocated for herd expansion. In 2017, EGP 5 billion (\$281 million) was spent on equipping cattle

farms. In 2018, 145,000 head of cattle were imported from Brazil, Spain, Sudan, Colombia, Hungary, the Netherlands, Italy, and Uruguay.

Cattle Producers and Input Costs: To increase beef production, Egypt expanded yellow corn production acreage by 400,000 hectares in 2018. Aiming to increase the availability of domestic feed corn, the Ministry of Agriculture is supporting feed corn production through government purchases at a set support price.

BEEF:

Production, Supply and Demand Data Statistics:

Meat, Beef and Veal	2018		2019		2020	
Market Begin Year	Jan 2018		Jan 2019		Jan 2020	
Egypt	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	1700	1700	1705	1820		1730
Beginning Stocks	0	0	0	0		0
Production	365	365	365	373		370
Total Imports	320	320	330	340		350
Total Supply	685	685	695	713		720
Total Exports	0	0	0	0		0
Human Dom. Consumption	685	685	695	713		720
Other Use, Losses	0	0	0	0		0
Total Dom. Consumption	685	685	695	713		720
Ending Stocks	0	0	0	0		0
Total Distribution	685	685	695	713		720
						0

(1000 HEAD), (1000 MT CWE)

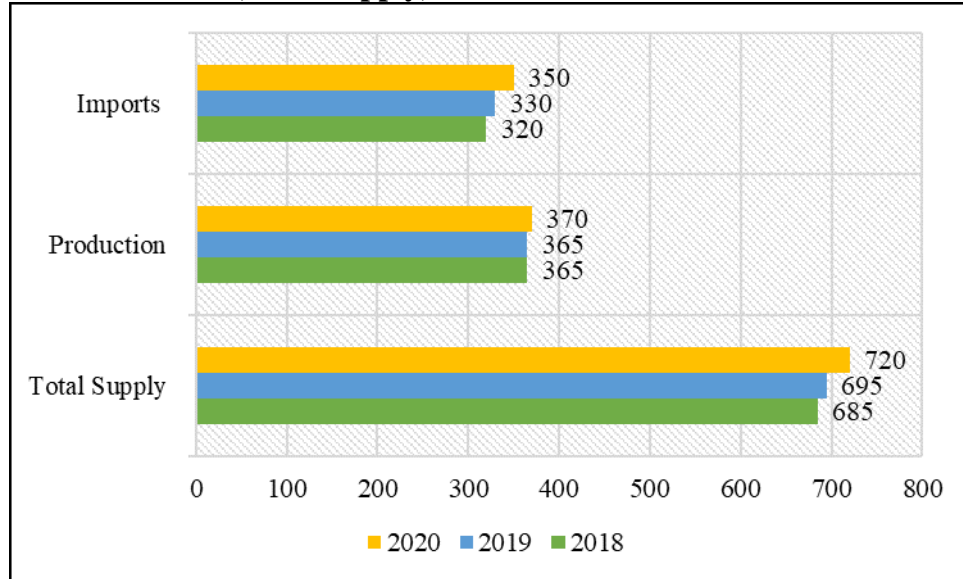
Note: "New Post" data reflects FAS Cairo's assessments and are NOT official USDA data.

PRODUCTION:

FAS Cairo forecasts Egypt's beef production in 2020 to reach 370,000 metric tons (MT), up by about 1.5 percent or 5,000 MT above USDA official 2019 estimate of 365,000 metric tons. Post attributes the increase to growing consumer demand as inflation stabilizes and the national population grows. The dip in carcass weights in 2019 (i.e., ~205 kilograms) is due to the influx of smaller sized (and lighter weight) Sudan- and Paraguay-origin cattle for immediate slaughter; their weights and age are not restricted by the requirements of ministerial decree 72/2017. Weights for 2020 (~214 kilograms) are foreseen to return to the 2018 norm as animal imports slow.

Inflation is expected to be around 11.6 percent during 2019-21, dropping to eight percent in 2021. Higher energy prices are driving inflation over the coming year. Egypt's population of 99.4 million is growing at a rate of ~2.4 percent. The median age is 24 years (Central Intelligence Agency, 2018 estimate). Population growth is expected to cool off in the future. From 2015-30, the population is projected to expand by 25.6 million people, growing on average 1.6 percent per year.

FIGURE 2: EGYPT, Beef Supply, 2018-20



Source: FAS Cairo office research.

CONSUMPTION:

FAS Cairo forecasts Egypt’s beef consumption in 2020 to reach 720,000 MT, up by 3.5 percent or 25,000 MT greater than the USDA official 2019 estimate of 695,000 metric tons.

Post attributes the 2020 consumption increase to population growth combined with continued influx of regional refugees, as well as a bump in tourism numbers. Egypt’s [Ministry of Finance](#) (MOF) informs that it expects tourism numbers in 2018-19 to reach some 10 million visitors. With growing economic and political stability, foreign tourist numbers should witness an increase over time. The strengthening of the Egyptian pound, coupled with access to foreign currency, is also facilitating beef imports. Concurrently the Egyptian military and the [Ministry of Supply and Internal Trade](#) (MOSIT) are expanding their beef distribution channels, increasing the availability of affordably priced beef.

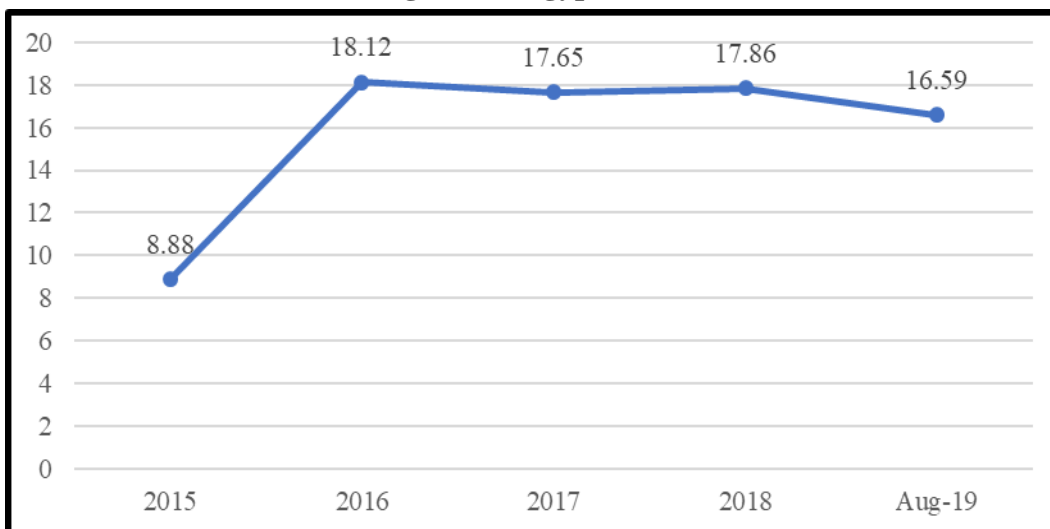
Egyptian beef consumption is driven by the availability of affordably priced beef. Most Egyptian consumers are lower income. Egypt’s meat-centric food culture remains unchanged; any variation in the consumption rate is due mainly to beef affordability. Beef consumption is tied to cost, rather than recommended daily intake of protein.

Egyptians prefer beef to other types of meat (i.e., poultry and lamb). Consumers also favor fresh over frozen beef for cultural reasons. Egyptians consume red meat from locally produced fresh beef, imported ready-for-slaughter cattle, imports of frozen buffalo meat from India, and frozen beef mainly from Brazil. More affluent consumers, however, 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 November 2016 devaluation of the Egyptian pound. The currency overnight was devalued to EGP 13.00 = \$1.00 from the earlier pegged rate of EGP 8.88 = \$1.00. The devaluation led to a significant increase in the cost of imported beef cattle and frozen beef prices, as well as driving up imported feed costs. The Egyptian pound subsequently slipped further, trading at EGP 17.90 per U.S. dollar as of mid-August 2018. Egyptian pound has rebound somewhat today, trading now at roughly EGP 16.60 to the U.S. dollar.

Beef prices for local and imported cuts has decreased compared to last year. The exception being beef liver prices, which are experiencing an increase of more than 60 percent.

FIGURE 3: EGYPT, Exchange Rate, Egyptian Pound to U.S. Dollar, 2015-19



Source: FAS Cairo office research.

During the Islamic Eid Al-Adha holiday (mid-August 2019), meat prices dropped compared to last year. During the Eid, as it is commonly known, families normally slaughter an animal, usually a young bull; depending on the part of the country and financial means it can be a camel, goat or a sheep. This year live cattle (for sacrifice) ranged between EGP 22,000 to EGP 30,250 (\$1,324.00 to \$1,820.00), dropping in cost compared to 2018’s EGP 26,000 to EGP 36,000 (\$1,452.00 to \$2,010.00) (exchange rate 2018: EGP 17.90 = \$1.00).

The Ministry of Supply and Internal Trade offers subsidized products at 25,000 private stores and at 4,000 public outlets operated by the Holding Company for Food Industries (HCFI). The ministry’s HCFI stores are currently selling Sudan-origin chilled beef at EGP 85.00/kilogram (~\$4.70) compared to EGP 60/kilogram (~\$3.30) prior to the November 2016 devaluation.

Similarly, Brazil-origin frozen beef retails currently for EGP 69/kilogram (~\$3.80) compared to previously EGP 50/kilogram (~\$2.80). For the Eid Al-Adha holiday, the ministry did however drop the price to EGP 60/kilogram this year. Egypt’s Ministry of Defense (MOD), which owns hundreds of wholesale cooperatives, and the MALR are also offering beef at MOSIT equivalent prices.

TABLE 1: EGYPT, Meat Prices Before and After the November 2016 Devaluation

Product	Before the	August 2017	August	August
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	Devaluation				2018		2019	
	EGP	USD	EGP	USD	E G P	US D	E G P	US D
Live Cow	40	2.23	60	3.35	65	3.6 3	55	3.3 3
Live Buffalo	37	2.07	51	2.85	54	3.0 2	48	2.9 0
Fresh Local Cow Meat	80- 120	4.4- 6.7	120- 180	6.7- 10	12 0- 18 0	5.0 3- 5.5 9	12 0 - 18 0	7.2 - 10. 9
Sudanese Chilled Beef	65	3.63	90	5.03	90 - 10 0	5.0 3- 5.5 9	85	5.2
Brazilian Frozen Beef	45	2.51	75	4.10	75 - 85	4.1 9- 4.7 5	80	4.8
Sudanese Chilled Beef at MoSIT Shops	60	3.35	85	4.75	90	5.0 3	70	4.2
Brazilian frozen Beef at MoSIT Shops	50	2.79	69	3.85	80	4.4 7	65	3.9
Prices are per kilogram								

OBS: Exchange Rate (2017) EGP 17.65 = \$1.00. (2018): EGP 17.90 = \$1.00.

Source: FAS Cairo office research.

TRADE:

FAS Cairo forecasts Egypt's beef imports in 2020 to reach 350,000 MT, up over six percent or 20,000 MT greater than the USDA official 2019 estimate of 330,000 metric tons.

In 2018, Post foresaw inflation through higher per kilogram prices eroding demand for beef. Intervention by the Egyptian government, mainly through the military and the MoSIT, stabilized prices via the expansion of military and MoSIT-Holding Company for Food Industries operated outlets. Consequently, imported beef remains cheaper than domestic product. Brazil, India, Sudan, and Paraguay are Egypt's main beef suppliers. Demand for beef is expected to increase as inflation eases and population continues to expand.

In 2018, the prime minister issued three decrees related to the regulation of imports for live animals, beef and beef products (decree 2080), poultry (decree 222), and fish (decree 2233). The Ministry of Agriculture and Land reclamation regulates the foregoing product commodities, notwithstanding prime ministerial decrees. None of these decisions were notified at the World Trade Organization (WTO), nor published in the official gazette.

Each of these decrees establishes a committee responsible for taking decisions related to imports of live animals, beef and beef products, poultry, and fish. The three decrees imply that any import permit will be issued after the committee meets and agrees on quantities and origins. It determines the quantities of imports and the country of origin based on market needs estimates. All three committees have members from various government agencies and representatives from the private sector. According to contacts, beef offal is unofficially excluded from stipulations in Decree 2080 regarding committee decisions. Post understands that import permits for beef offal might be issued without committee meeting. Noteworthy is that this decree also encompasses processed beef products (i.e., cold cuts such as bologna, salami, and sausages), which are not being granted market access. Importers affirm that they have been unable to obtain an import permits for these products since the decree 2080 was enacted in 2018.

With the halving of the Egyptian pound's value (November 2016) some private sector importers are being pushed out of the market. Government ministries such as the MoSIT, MALR, and the MoD have now become Egypt's largest importers of live cattle and frozen beef. These today are the largest players in the beef market, driving down the cost of beef, especially for imported beef.

Egypt-U.S. Beef Trade: In calendar year (CY) 2019 (January-June), Egypt's imports of U.S.-origin beef livers are ~35,000 metric tons. Egypt remains the largest market for U.S.-origin frozen beef livers and offal. In calendar year 2018, Egypt's imports of U.S.-origin beef livers and offal reached 62,000 metric tons. Post perceives U.S. beef liver exports to Egypt confronting challenges, namely in the form of Egyptian standards establishing a zero-tolerance residue level for veterinary drugs (e.g., Ractopamine), port clearance delays due to prolonged inspections, and policy changes impacting halal certification (see [GAIN-EGYPT \(EG-19010\): Egyptian Retail beef Liver Prices Increases](#)). In calendar year 2018 (January-December), Egypt imported about 200 MT of U.S.-origin frozen beef (mainly high-quality muscle cuts for high-end hotels and restaurants) compared to 250 MT in 2017 and some 1,006 MT in 2016.

Egypt-Brazil Beef Trade: Through July 2019, Egypt's imports of frozen beef are roughly 92,000 metric tons. In calendar year 2018, Egypt imported 171,000 MT of Brazil-origin frozen beef, making Brazil the country's largest supplier of beef. Egypt's imports of Brazilian beef in 2018 compared to 2017 grew 14 percent, up 24,000 metric tons from 147,000 metric tons. Egypt imported 106,000 MT of Brazilian frozen beef in 2016 compared to 85,345 MT in 2015.

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 had accused over 100 people, mostly health inspectors, of taking bribes for allowing the sale of rancid products, falsifying export documents, and or failing to inspect meatpacking plants. A few days following the announcement the MALR however resumed authorization of imports after having obtained assurances of the safety of the meat for human consumption. The ministry confirmed it has only resumed imports from authorized Brazilian slaughter facilities, subjecting shipments to inspections at origin and destination. The ministry indicates that none of the accused slaughter facilities had exported to Egypt in previous years.

Egypt-India Beef Trade: India is Egypt's sole supplier of frozen buffalo meat. Sources indicate that in 2018, India exported to Egypt ~30,000 MT of frozen buffalo meat compared to 89,816 MT in 2017. The Ministry of Agriculture and Land Reclamation/General Organization for Veterinary Services (GOVS) indicates that 2016 imports from India were 90,000 metric tons.

Egypt-Ireland Beef Trade: Early 2017, Ireland announced that it signed an agreement with Egypt to export Irish beef and offal. Ireland-origin beef had been banned by Egypt since the late 1990s as part of the ban of European Union (EU) countries due to the outbreak of *bovine spongiform encephalopathy* (BSE). 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 Egypt's General Organization for Veterinary Services. 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: In March 2019, officials from the MALR conducted food safety and halal audits of U.S. beef establishments. The purpose of the mission was to audit the U.S. food safety system for beef products. After the audit mission, Egypt's GOVS provided system-wide food safety recognition for beef and beef products. Hence all U.S. beef establishments under the supervision of USDA's Food Safety Inspection Service (FSIS), are eligible to export to Egypt provided that establishments follow halal guidelines. Prior to the March 2019 audit, Egypt's GOVS conducted individual plant audits to determine the eligibility of beef plants to export to Egypt.

Following the audit, only one halal certifier, out of eight companies, was approved by GOVS to certify shipments to Egypt. The other seven were suspended or rejected. According to industry contacts, the price for halal certification has increased under the new system. Previously, halal certifiers charged \$10.00 to \$20.00 (~EGP 172 to EGP 344) per metric ton for certification. That fee has increase to ten cents per pound, or \$220.00 (~EGP 3,784) per metric ton. Post anticipates that the new, higher halal certification fees will increase beef prices for Egyptian consumers (see [GAIN-EGYPT \(EG19007\): UPDATE – New Egyptian Halal Procedures May Disrupt Markets, Drive Up Prices](#)).



Photo: Egyptian team beef audit (March 17-28, 2019).
Source: FAS Cairo.