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**Date:** 12/19/2011

**GAIN Report Number:**

## Egypt

**Post:** Cairo

### **GASC Successfully Tenders for Long Grain Rice**

**Report Categories:**

Grain and Feed

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**Report Highlights:**

Egypt's General Authority for the Supply of Commodities (GASC) announced on Sunday that it had purchased 234,000 tons of imported long grain rice (12% broken) from local suppliers through tender. Prices ranged from LE 3,185 to LE 3,350 per ton (LE 6 = \$1.00). The rice will be sold through the ration card program at LE 1.5/kg. The trade expects that primarily Indian rice will be supplied. The next step may be direct international tenders by GASC. If consumer reaction is positive to the long grain rice to be supplied under the ration card program, the GOE may eventually decide to relax the rice export ban.

**General Information:**

GASC announced on Sunday that it had purchased 234,000 tons of imported long grain rice from local suppliers through tender. The standard Egyptian tender specification is for 12% broken. Prices ranged from LE 3,185 to LE 3,350 per ton (LE 6 = \$1.00). The rice is to be delivered from January 1 to March 3 and is to be packaged in 1 kilogram bags for sale through the ration card program at LE 1.5/kg through the Ministry of Supply and Internal Trade's cooperative store network. Approximately 1 million MT of rice per year are supplied through the ration card program. The Vice Chairman of GASC has indicated that GASC is considering a direct international tender to purchase long grain rice, presumably at prices lower than the \$531-\$558 per ton being paid through a local tender, although the packaging requirements may drive up the costs for direct imports. In this tender, our understanding is that India was the main origin, although Thailand has been discussing direct sales with GASC. Another tender is expected in January.

Egypt has maintained a ban or other restriction on rice exports since March 2008. The current export ban has been extended until October 2012. The export ban was intended to keep government procurement prices relatively low and decouple them from international prices (\$850-900/MT) for Egypt's medium grain rice. The export ban would also be expected to keep retail rice prices low. Earlier this year, the Government of Egypt attempted to procure paddy rice directly from farmers, but this program was not successful. Farmers and rice millers have been unwilling to supply rice at low prices, while contraband exports of Egyptian rice have grown. With limited police enforcement of the export ban and a fine of only LE 1000 and return of the contraband rice when caught, there is little disincentive to the contraband trade. Local retail market prices for Egyptian medium grain rice are now about LE 6.5 per kg, probably fairly close to what it would be without the export ban.

If consumers accept the long grain rice under the ration card program, then Post would expect that the GOE will eventually relax the rice export ban. Currently, ration card holders often find that there is no rice available, so even though medium grain is preferred, long grain may gain acceptance. Although there may be some increase in domestic consumer rice prices as a result of relaxing the export ban, the sector would benefit through higher prices paid to farmers and increased formal exports.

Post expects to revise the rice PSD early next month as the situation becomes clearer.