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Report Highlights:

Egypt maintains a steady production of sugarcane, however sugar beet production areas are expanding. FAS Cairo (Post) forecasts refined sugar production in marketing year (MY) 2022/23 to increase by approximately 2.5 percent, or 70,000 metric tons (MT), to reach 2.92 million metric tons (MMT). The Egyptian government announced that they have reached 90 percent self-sufficiency in sugar production. The government also announced the establishment of a new developmental project in New Delta, producing strategic commodities and allocated 35,000 feddans (14,700 hectares) for sugar beet production.

Sugarcane

Overview
Sugarcane cultivation in Egypt is heavily concentrated around the sugar refineries in Upper Egypt, representing 77 percent of the cane area in the country. Middle Egypt comprises an additional 15 percent of the sugarcane area, followed by the Delta at eight percent. Sugarcane is planted in the spring and autumn seasons. Spring planting occurs in February and March, while autumn planting extends from September through October. The crop takes 12 months to grow.

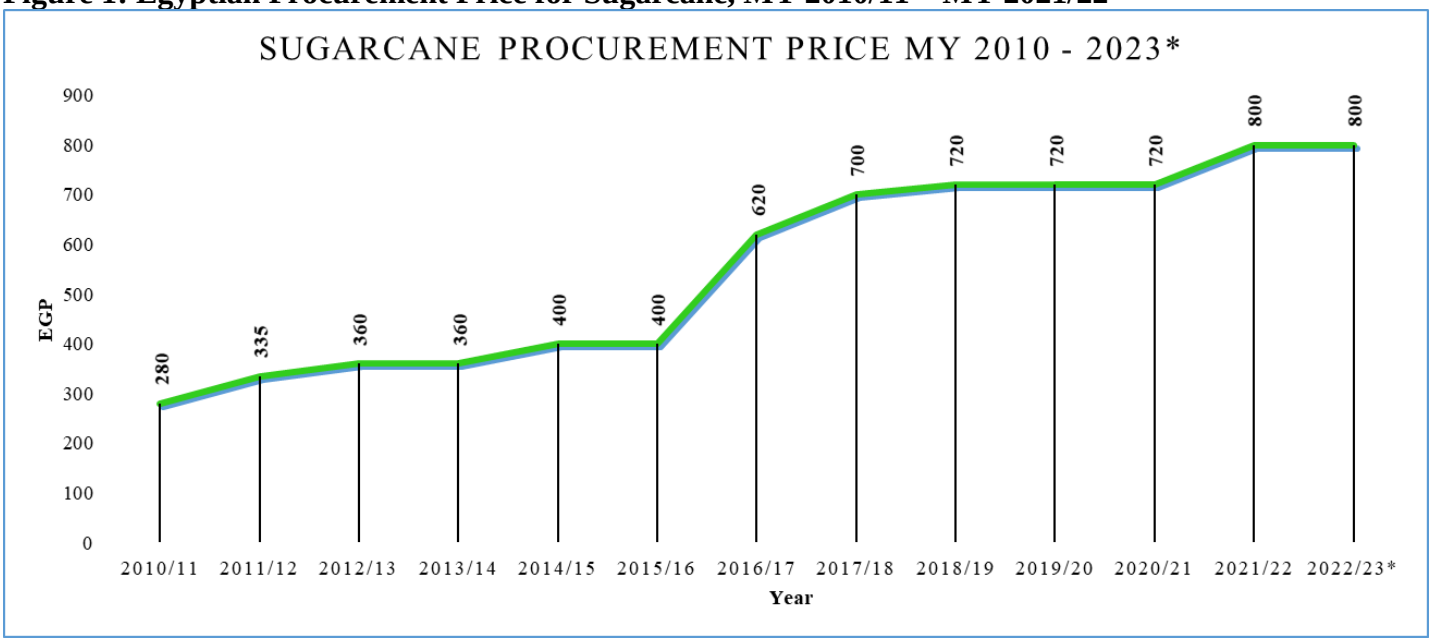
Cane Production
Farmers maintain the area cultivated by sugarcane. Post estimates the MY 2022/23 planted area to be largely the same with a slight increase in the harvested area to 136,000 hectares (ha), an increase of 1,000 ha or less than one percent, compared to MY 2021/22. This year, the government announced a higher procurement price for sugar cane to reach EGP 800/MT ($44), an increase of EGP 100 compared to the MY 2020/21 price of EGP 700/MT ($38.31). The procurement price reached EGP 720/MT ($39.40) in MY 2019/20. Prices are expected to remain unchanged in MY 2022/23.

Post expects sugarcane production in MY 2022/23 to reach 14.3 MMT, approximately 105,000 MT above last year's estimate. Post attributes the higher production to the slightly increased harvested area and improved yields due to continued access to better fertilizers.

The economy in Upper Egypt, the country's south, is heavily dependent on sugarcane production. Any disruptions to the sugarcane planted area would directly impact the livelihoods of an estimated 200,000 families that grow sugarcane. Given an average family size of 5.3 people, just over a million people are directly dependent on sugarcane production. Another 300,000 families that depend on the ancillary businesses built around sugar production would also be indirectly affected by a downturn in the industry. Due to the economic and cultural importance of sugarcane production to Upper Egypt, adequate pest control is essential.

Sugarcane Price Background
The local farmers syndicate regularly pressures the government to increase its procurement prices. In MY 2016/17, the government increased the sugarcane procurement price to EGP 620/MT ($34) at the behest of the syndicate. The updated rate was 55 percent higher than the MY 2015/16 procurement price of EGP 400/MT ($22). In 2019, the syndicate requested that the price be EGP 900/MT ($49) but it was declined by the government. The current price of EGP 800/MT ($44) is up by 14 percent compared to the MY 2020/21 procurement price (note: there was a currency devaluation of EGP in 2016 and in 2022. Before devaluation, $1= EGP 8 and after the 2022 devaluation, $1= EGP 18.25). Figure 1 tracks the Egyptian procurement price over time.

Figure 1: Egyptian Procurement Price for Sugarcane, MY 2010/11 – MY 2021/22*



Source: Egyptian Sugar Crop Council, 2022/23 FAS/Cairo forecast*

Post estimates that with a sugarcane procurement price of EGP 800/MT ($44), farmers will see a net profit of EGP 21,700/ha ($1,190.82). The estimated cost of sugarcane production per hectare is around EGP 53,000 ($2,904).

Table 1: Sugarcane Production, Supply and Distribution

Sugar Cane for Centrifugal	2020/2021		2021/2022		2022/2023	
Market Year Begins	Jan 2020		Jan 2021		Jan 2022	
Egypt	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	131	131	136	136	0	137
Area Harvested (1000 HA)	130	130	135	135	0	136
Production (1000 MT)	13900	13900	14200	14200	0	14305
Total Supply (1000 MT)	13900	13900	14200	14200	0	14305
Utilization for Sugar (1000 MT)	13900	13900	14200	14200	0	14305
Utilizatn for Alcohol (1000 MT)	0	0	0	0	0	0
Total Utilization (1000 MT)	13900	13900	14200	14200	0	14305
(1000 HA) ,(1000 MT)						

Sugar Beet

Beet Production

The industrial demand for sugar beets is still rising, which provides a higher price, thus incentivizing many farmers to plant more beets. Accordingly, Post is increasing sugar beet area harvested in MY 2022/23 to 275,000 ha, an increase of almost four percent, or 10,000 ha, compared to MY 2021/22.

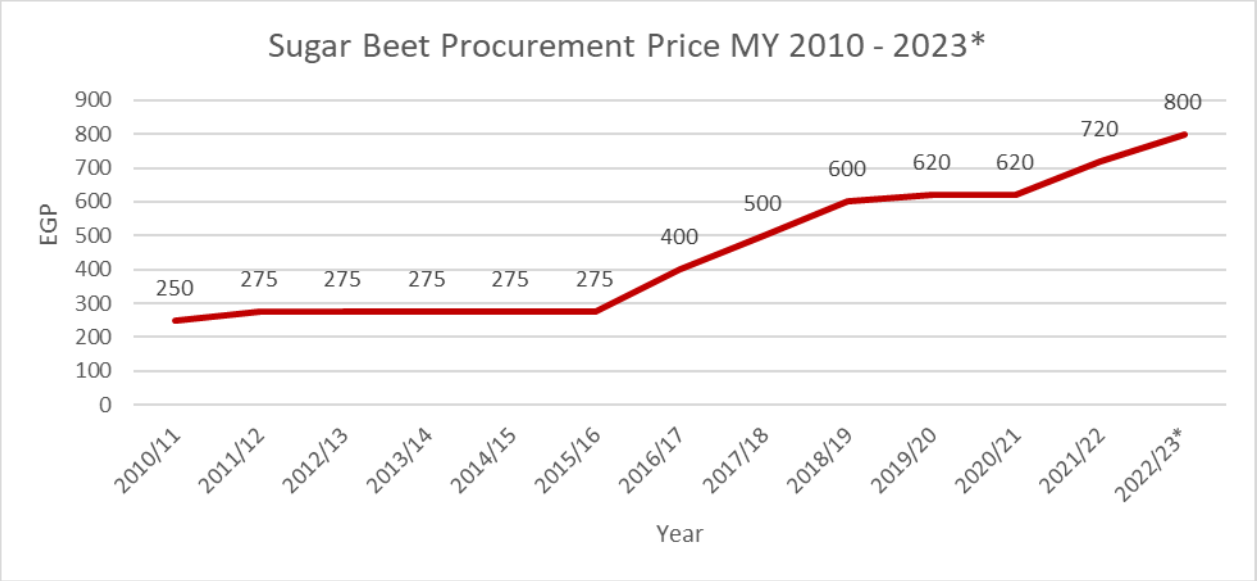
This rise in demand is attributed to the establishment of new sugar beet processing plants thus increasing demand for raw beets. In MY 2022/23, the increased area will come with an associated increase in production, expected to reach 11.77 MMT. This is 3.7 percent over Post's MY 2021/22 forecast. In January 2022, the government announced the establishment of the Egypt Future Developmental Project. The project aims to produce strategic commodities including sugar beets, in the New Delta extension of Dabaa in the northwest. The total area allocated for beets is 35,000 *feddans* (14,700 ha)

In MY 2019/20, a new one-billion-dollar sugar beet investment project from the United Arab Emirates commenced and is still under construction. The Egyptian government allocated 180,000 *feddans* (76,000 ha) to the company for sugar beet production. The company is targeting the production of 450,000 MT of sugar beets in its initial phase. The project will plant the 76,000 ha over a five-year span. However, they are not fully operational yet, only 20,000 feddans (8,400 ha) are planted.

Sugar Beet Price Background

Over the past decade, sugar beet prices have risen significantly. In MY 2019/20, the sugar beet procurement price reached 600 EGP/MT ($33). In MY 2018/19, the procurement price for the sugar beet crop reached EGP 700/MT ($38.31) for early varieties and EGP 500 ($27.40) for late varieties compared to EGP 500/MT ($31.70) in MY 2017/18, or a 40 percent increase. In MY 2016/17, the price was EGP 400/MT ($25), the first increase beet farmers received since MY 2011/12. Before that time, prices were flat at EGP 275/MT ($17.50). Figure 2 shows sugar beet procurement prices from 2010 to the current year. In MY 2021/22, procurement prices reached EGP 720/MT ($40) compared to an average price of EGP 620/MT ($34) in MY 2020/21. Post expects prices to rise in MY 2022/23 due to the higher price of seeds reflected in the devaluation of the Egyptian pound.

Figure 2: Egyptian Procurement Price for Sugar Beets, MY 2010/11 – MY 2022/23*



Source: FAS/Cairo research, 2021/22 FAS/Cairo forecast*

Beets are planted in August and September and harvested in March and April. Most beets are grown by independent farmers who contract sales directly with factories. Some beets are also cultivated on leased land operated by privately-owned factories. Sugar beet cultivation is concentrated in the Delta region however there are some scattered cultivation in Upper Egypt in Minya governorate and in Toshka.

Post expects sugar beet yield to average 42.8 MT/ha. Sugar concentration in beets is 13-18 percent, higher than the 11 percent in sugarcane. In addition to sugar for human consumption, co-products from the refining process are utilized in animal feed.

Egypt does not produce beet seeds locally due to requirements in terms of temperature and sunlight. Among other conditions, seed production requires packing the roots at eight degrees centigrade for three months and daylight duration of 16-18 hours. As a result, Egypt depends on seed varieties imported from Germany, Denmark, Netherlands, France, and Sweden, which have a less-than-optimal performance in the Egyptian production areas. Every season, the Ministry of Agriculture and Land Reclamation distributes between 20-30 different varieties to avoid the risk of crop failure due to the susceptibility of a single variety to biotic or abiotic stresses.

The Sugar Industry Research Institute established a national sugar beet breeding program in cooperation with USDA to select sugar beet seed varieties adapted to the Egyptian environmental conditions. Twenty-two U.S. breed sugar beet lines were evaluated for heat stress tolerance in MY 2016/2017 and seven lines were identified as heat tolerant. The Sugar Industry Research Institute continues to conduct trials to produce sugar beet seeds out of the seven identified varieties for local production. Last year, the institute found that out of the seven varieties, two have shown very good results as heat tolerant and were more likely to adapt to the Egyptian climatic conditions.

Table 2: Sugar Beet Production, Supply and Distribution

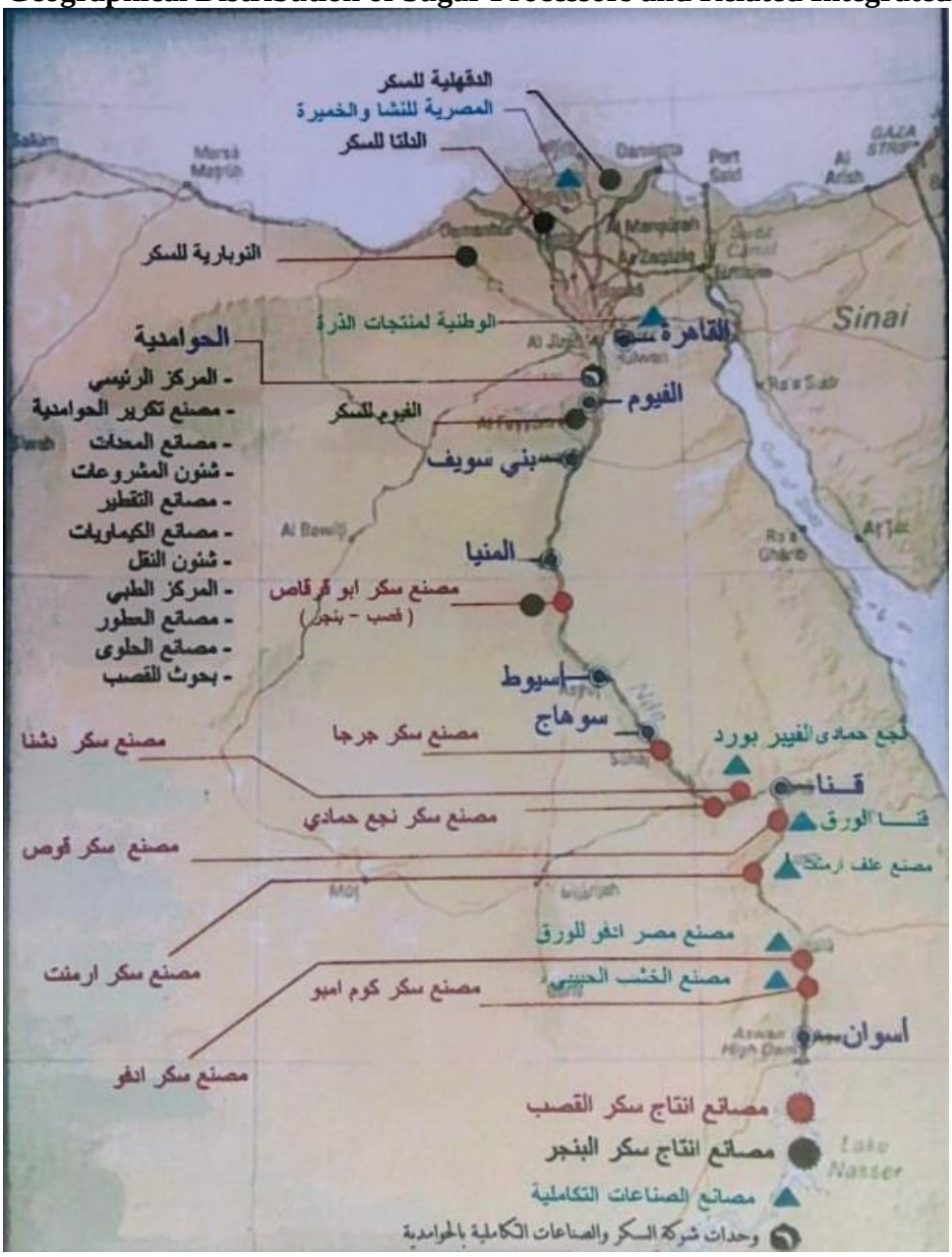
Sugar Beets	2020/2021		2021/2022		2022/2023	
Market Year Begins	**Jan 2021**		**Jan 2022**		**Jan 2023**	
Egypt	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Planted (1000 HA)	256	256	267	267	0	277
Area Harvested (1000 HA)	255	255	265	265	0	275
Production (1000 MT)	10925	10925	11340	11340	0	11770
Total Supply (1000 MT)	10925	10925	11340	11340	0	11770
Utilization for Sugar (1000 MT)	10925	10925	11340	11340	0	11770
Utilization for Alcohol (1000 MT)	0	0	0	0	0	0
Total Distribution (1000 MT)	10925	10925	11340	11340	0	11770
(1000 HA) ,(1000 MT)						

Sugar Production

Refined sugar production in MY 2022/23 is expected to increase slightly by approximately 2.5 percent, or 70,000 MT, to reach 2.92 MMT, as compared to the MY 2021/22 estimate of 2.85 MMT. Of this total forecast, 1.64 MMT of sugar will be derived from sugar beets, while 1.28 MMT will be sourced from sugarcane. With the new processing facility online and farmers expanding planted area to meet demand, sugar beet production in MY 2022/23 is forecasted to increase by 60,000 MT, reaching 1.64 MMT. This is up almost four percent from 1.58 MMT in the previous marketing year. Sugar from cane is expected to increase in MY 2022/23 by 0.8 percent, or 10,000 MT, to reach 1.28 MMT.

In Egypt, there are 15 sugar processors, eight processing sugarcane and seven processing sugar beets, plus one under development. All eight sugarcane processors are state-run companies affiliated with Ministry of Supply and Industrial Trade's (MoSIT) Holding Company for Food Industries (HCFI). Of the seven sugar beet processors, three are private sector and the rest are state-run companies. The processor under development will be private sector owned.

Figure 3: Geographical Distribution of Sugar Processors and Related Integrated Industries

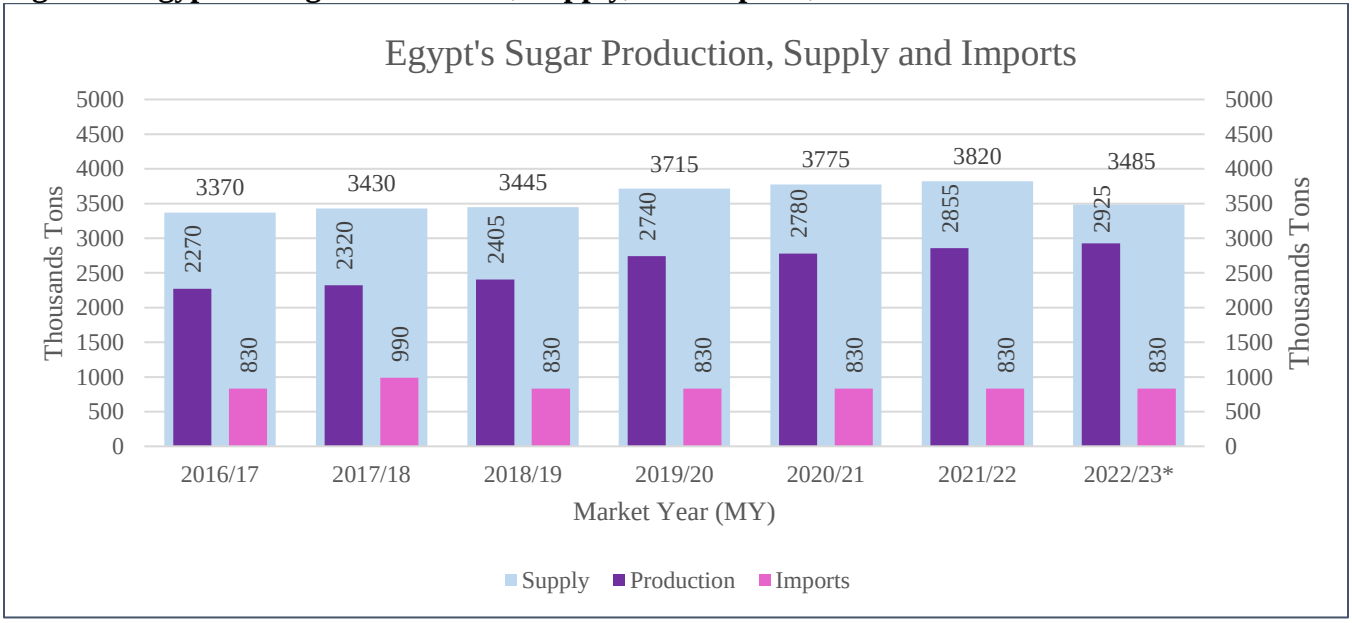


Sugar cane plants
Sugar beet plants
Integrated Industries plants
Integrated Industries Units for Sugar Company

Source FAS/Cairo Research

Consumption
Post forecasts total sugar domestic consumption in MY 2022/23 to increase by 1.6 percent or 55,000 MT to reach 3.48 MMT. The rise in sugar consumption is driven by population growth, estimated at 2.4 percent per annum. Egypt with a population of 106 million (est., 2022) is adding roughly 2 million people per year. Additionally, the expansion of the confectionary food products sector is demanding higher sugar inputs.

Figure 4: Egyptian Sugar Production, Supply, and Imports, MY 2016/17 – MY 2022/23*



Source: PSD/FAS, 2022/23 FAS/Cairo forecast*

The Food Subsidy Program
The Egyptian government in fiscal year (FY) 2021/22 (July-June) allocated EGP 87 billion ($4.75 billion) to food subsidies. Of this amount, roughly EGP 51 billion ($2.7 billion) alone is earmarked for the bread subsidy program (EGP 18.25 = $1). The other EGP 36 billion ($1.96 billion) is for supply commodities (i.e., rice, cooking oil, sugar, beef, chicken, etc.). Roughly some 64 million Egyptians make use of food subsidies delivered by the government as credits on SMART cards which are redeemable monthly for food staples.

The subsidy program in CY 2022 provides cash allowances of EGP 50 ($2.74) per beneficiary, up 233 percent from CY 2014's EGP 15 ($0.82) per beneficiary. The system today offers beneficiaries a choice of discounted food items (i.e., supply commodities such as rice, beef, and chicken, etc.). For example, all SMART card beneficiaries are entitled to 1 liter of blended vegetable oil (EGP 17 or $0.93). A network of 1,300 state-owned consumer outlets managed MoSIT's HCFI accept SMART cards, as well as 35,000 partnered, private grocery stores.

Egypt continues to provide refined sugar to food subsidy beneficiaries at prices below the international price. The complexes provide one kilogram of sugar at a subsidized price of EGP 9.50 ($0.61) per month. A family of four will get a monthly cash transfer of EGP 200 ($10.96), enabling them to meet their sugar needs, as well as purchase other food commodities.

Retailers in the greater Cairo area generally sell packaged sugar to the public at around EGP 10/KG.

Global Sugar Market Developments:

- The geo-political tension between Russia and Ukraine is the main driver of the sugar market in recent days, due to its impact on energy prices, cost of production, as well as the possible conversion of land from sugar beet to grain production and important strategic commodities. Any further escalation of the conflict will lead to market volatility and an additional rise in sugar prices.
- For the past two years, the world has been facing a sugar deficit and is likely to continue in the current year. However, sugar production in India and Thailand are decreasing the deficit slightly.

Trade

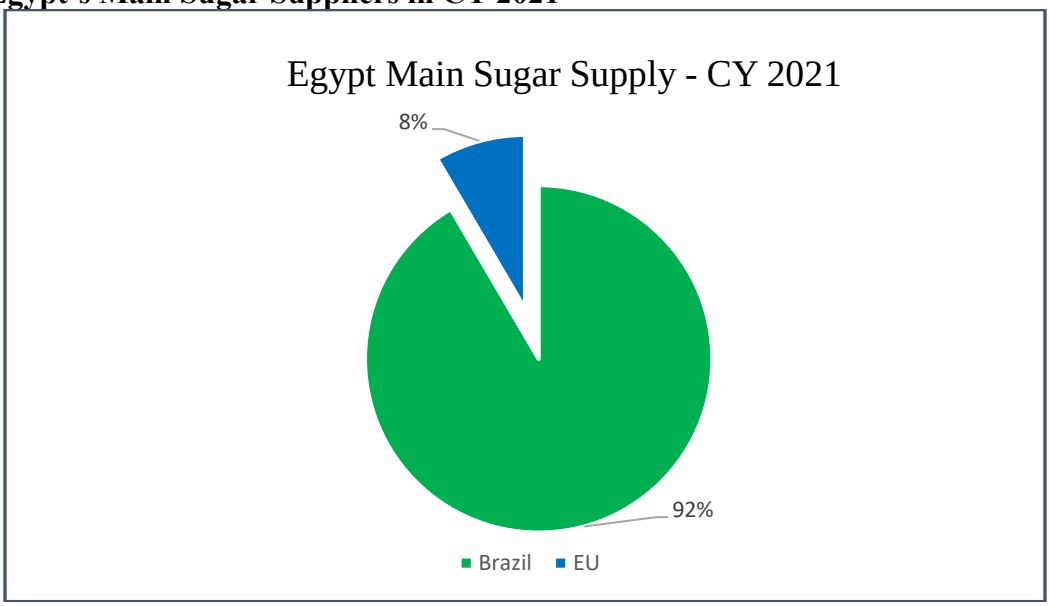
Post forecasts that total sugar imports in MY 2022/23 will remain the same as in MY 2021/22 at 830,000 MT. Imports are expected to remain unchanged due to a steady production increase which will compensate for the increase in the total demand. Most sugar imports are usually imported through the Egyptian Sugar and Integrated Industries Company (ESIIC), which operates as a subsidiary of HCFI.

In June 2020, the Ministry of Trade and Industry issued a decree to temporarily ban sugar imports, including refined and raw sugar, for three months, subject to renewal. The decision was renewed and is still in effect. This decision came in light of the COVID-19 crisis and the subsequent downturn in global oil prices that also led to a 30 percent decline in sugar prices – especially raw sugar prices. The government intended to protect domestic industry from imports.

The decree exempts white sugar imported for the pharmaceutical industry, though it is still subject to approval by the Ministry of Health. Sugar importers declared however that they are still able to import, given that they obtain an import permit from the Ministry of Trade. This required permission to import guarantees that sugar quantities are equally imported by a number of importers, and not monopolized by a few. Therefore, even with the ban, Post's import forecast remains unchanged. Imported sugar is subject to a 25 percent tax and a shipping cost of $25/MT.

Egypt sources the difference between production and demand through imports, and will continue to do so even while the ban is in place. Egypt produces almost 80 percent of domestic sugar consumption demand and imports the remaining 20 percent. In CY 2021, Egypt imported 830,000 MT, with Brazil supplying 92 percent of Egypt's imports of raw sugar (See Figure 5). Brazil is likely to remain Egypt's main raw sugar supplier in MY 2022/23.

Figure 5: Egypt's Main Sugar Suppliers in CY 2021



Source: TDM – FAS/Cairo office analysis

Post forecasts Egypt's sugar exports to reach 300,000 MT in MY 2022/23 similar to Post's MY 2021/22 estimate. The Egyptian government established an export tax after the MY 2016/17 season, decreasing overall exports since that time. The tax is designed to protect domestic supply. On April 5, 2017, Ministerial Decree number 469/2017, increased the export tax to EGP 3,000/MT ($164.38) and remains in effect. Sudan and Kenya absorb 50 percent of Egypt's sugar exports and are expected to remain the main export destinations in MY 2022/23. Egypt exports sugar to most of its neighboring countries.

Table 3: Centrifugal Sugar Production, Supply and Distribution

Sugar, Centrifugal	2020/2021		2021/2022		2022/2023	
Market Year Begins	Oct 2020		Oct 2021		Oct 2022	
Egypt	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	165	165	135	135	0	90
Beet Sugar Production (1000 MT)	1530	1530	1580	1580	0	1640
Cane Sugar Production (1000 MT)	1250	1250	1275	1275	0	1285
Total Sugar Production (1000 MT)	2780	2780	2855	2855	0	2925
Raw Imports (1000 MT)	800	800	800	800	0	800
Refined Imp.(Raw Val) (1000 MT)	30	30	30	30	0	30
Total Imports (1000 MT)	830	830	830	830	0	830
Total Supply (1000 MT)	3775	3775	3820	3820	0	3845
Raw Exports (1000 MT)	300	300	300	300	0	300
Refined Exp.(Raw Val) (1000 MT)	0	0	0	0	0	0
Total Exports (1000 MT)	300	300	300	300	0	300
Human Dom. Consumption (1000 MT)	3340	3340	3430	3430	0	3485
Other Disappearance (1000 MT)	0	0	0	0	0	0
Total Use (1000 MT)	3340	3340	3430	3430	0	3485
Ending Stocks (1000 MT)	135	135	90	90	0	60
Total Distribution (1000 MT)	3775	3775	3820	3820	0	3845
(1000 MT)						

Attachments:

No Attachments