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Egypt

Grain and Feed

Wheat Update

2004

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Report Highlights:

For the first time, General Authority for Supply Commodities (GASC) purchased wheat from Syria. The government will shift the subsidy program on the fino bread to the production of shami bread over the summer months.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Cairo [EG1]
[EG]

Since the beginning of Marketing Year 2003/2004 (July,2003) through June, 1st 2004, Egypt imported a total of 6,301,312 MT of wheat as follows:

	From All Sources	From
US		
General Authority for Supply Commodities (GASC):	4,590,000	2,470,000
Food Industries Holding Company (FIHC)	196,000	50,000
Private Sector:	1,515,312	905,769
Total:	6,301,312	3,425,769

Private sector wheat imports are based on local industry estimates. Egypt's total wheat imports by country of origin are as follows.

Origin	Quantity (000 MT)
US	905,769
Australia	200,000
Russia	147,117
France	81,709
Germany	71,460
Sweden	57,670
Brazil	48,000
Spain	3,587
Total	1,515,312

During the months of April and May, 2004, GASC purchased 180,000 MT of Australian wheat at reported prices of \$162.90 and \$163.40 per MT (FOB) for delivery during June 1 to 30, 2004. In addition, for the first time, GASC purchased 200,000 MT of semi hard wheat from Syria at a reported price of \$155 per MT FOB for delivery during May and June, 2004.

With the end of the current school year approaching, the government is faced with a decision to either suspend its subsidy program on fino bread or shift the subsidy program to support the price of other food products. Most analysts expect that the subsidy program will be maintained by the government but not in its current form. The government is expected to shift the subsidy to support the production of shami bread (flat bread) over the summer months. As a result, government-owned bakeries will be allowed to sell traditionally unsubsidized shami bread at 10 piasters per loaf, which sells for 20-25 piasters per loaf in the open market. Private sector wheat mills, which have been greatly disadvantaged by this government subsidy program continue to face severe financial difficulties since they are not in a position to compete with the price of government subsidized flour.

This subsidy program started in November 2003 when the price of wheat flour substantially increased. At that time, for the first time in 12 years, the Ministry of Supply authorized the General Authority for Supply Commodities to import 120,000 metric tons of wheat per month

for the production of traditionally unsubsidized flour by the Food Industries Holding Company (FIHC) which competes with private sector mills in the open market. Since the beginning of the MY 2003/04 through the end of May 2004, the Ministry of supply imported 1,095,000 MT of hard wheat for the production of subsidized flour. Most of this wheat has been used for the production of Fino bread for schools at 10 piasters per loaf and the rest is sold by GASC to FIHC. This effectively displaces private sector wheat imports. In fact, many private sector mills are operating at only 20-30 percent of normal capacity and some of them have stopped operating completely.