

# U.S. Wheat Sales Up, Corn Down in Egypt

By Ali Abdi and Sherif Ibrahim

**A**t a time when wheat consumption in Egypt is expected to increase 6.2 percent, up to 12.8 million metric tons in MY 2003/04 (marketing year July 2003-June 2004), the traditionally unsubsidized wheat sector has been beset with high prices.

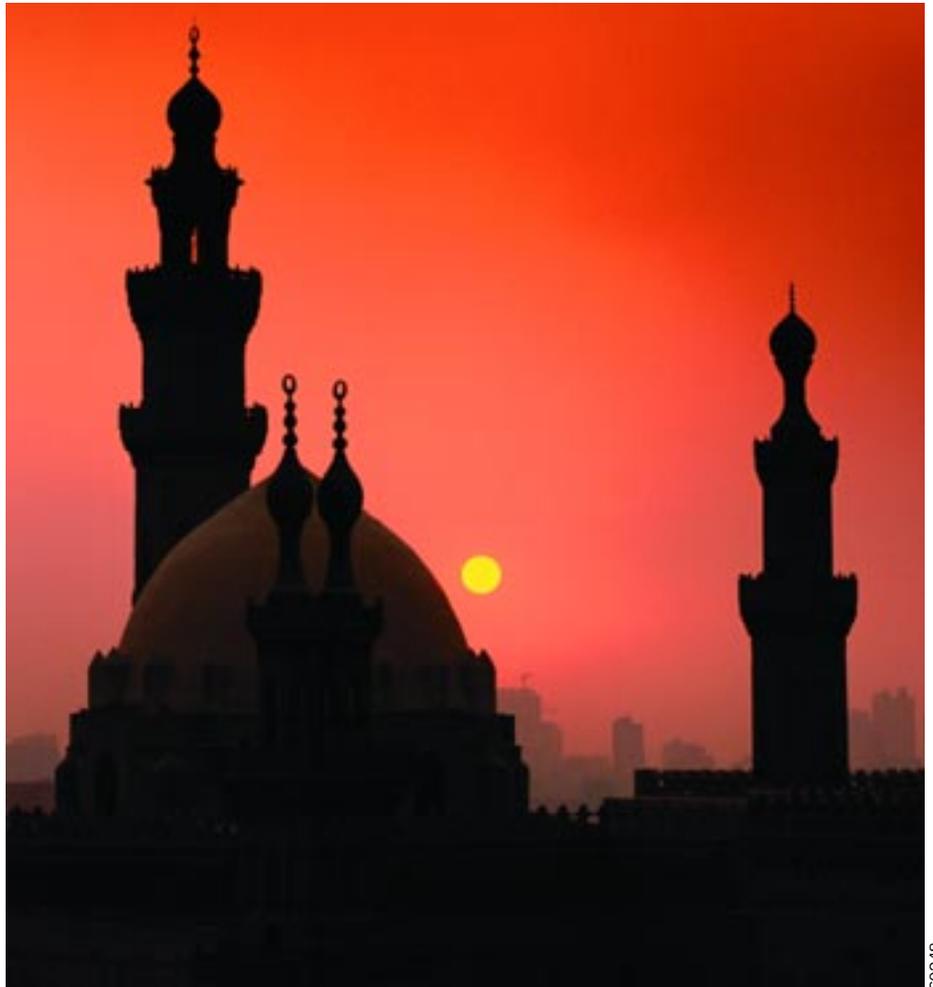
Recent devaluation of the Egyptian pound, extreme fluctuations in the exchange rate and tightened foreign exchange availability that limits credit at banks have led to lower imports of U.S. wheat by the private sector.

Tight money plus high international prices have contributed to a 100-percent increase in unsubsidized wholesale flour prices since late summer of 2003. The price of unsubsidized bread has risen 25 percent; most of this increase occurred in the last quarter of 2003.

Imports of wheat flour are limited to international donations, including the 30,000 tons donated by the EU (European Union) and about 10,000 tons from the World Food Program in 2003/04.

## Egyptian Government Steps In

In November 2003—for the first time in 12 years—Egypt's Ministry of Supply authorized the GASC (General Authority for Supply Commodities) to purchase 120,000 tons of wheat imports per month. The Ministry of Supply also initiated bread production by the government's FIHC (Food Industries Holding Company).



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## U.S. Leads Wheat Sales

**T**he United States is expected to dominate the Egyptian import wheat market this year, after two years of declining sales, when relatively expensive U.S. wheat had been edged out of the market by ample low-cost supplies from the Black Sea region and the EU. Now, the United States and Australia have recaptured the supply niche vacated by nontraditional suppliers in the Black Sea basin and EU, where production dropped substantially.

The United States sold almost 3 million tons of wheat to Egypt in calendar 2003,

compared to Australia's 800,000 tons. Since the beginning of MY 2003/04, the U.S. market share has been just shy of 66 percent of Egypt's total wheat imports and 81 percent of government imports. This compares with 23.4 and 34 percent market shares, respectively, in 2002/03.

The U.S. Wheat Association has been providing trade services and quality seminars for high-quality U.S. wheat to Egyptian millers, buyers and traders. The Association's quality seal is widely used to promote products containing U.S. wheat.

### Private Mills Struggle

As the government uses public money to alleviate high consumer prices for flour, private mills are struggling to buy wheat and sell their products. Many are operating at 20-30 percent capacity; others have ceased operations.

FIHC-produced bread is underselling the private sector by 50 percent. The government is expected to retain control of most of the milling industry for the near term—which means that more private mill closures are likely.

### Domestic Wheat Production Up Slightly

Rising import prices have led to a small increase in production of domestic wheat. In 2003/04, production is expected to reach 6.5 million tons, compared to 6.3 million the year before.

Most producers either sell their crops to the GASC or retain them for on-farm consumption. In 2004/05, GASC plans to purchase 3 million tons of local wheat, though most industry analysts expect the purchases not to exceed 2.3 million tons.

Egypt has one of the highest per capita wheat consumption levels in the world. In 2002/03, per capita consumption was estimated at 183 kg (1 kilogram=2.2046 pounds), up from 175 the year before.



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Rising consumption can be traced not only to prices reduced by government support, but also to inefficiencies in the government mills that require more grain to produce the same product.

The Egyptian government prefers to maintain a 4- to 6-month supply of wheat strategic stocks. Due to limited storage capacity (approaching 1 million tons), wheat import purchases in the pipeline are now counted as part of the country's reserve.

### Prices Impact U.S. Corn

The double blows of the devalued Egyptian pound and the lack of foreign exchange have hampered Egypt's corn imports. U.S. corn exports to Egypt during calendar 2003 reflected the decrease, falling to \$362.9 million, down from \$381 million the year before.

Egyptian import estimates for MY 2002/03 (October 2002–September 2003) fell to 4.86 million tons, about 1 percent lower than the year before. Large and commercial end-users and feed mills rely on imported yellow corn to meet their processing requirements. A shortage of animal feed has had a domino effect, forcing some poultry producers to reduce production or shut down.

Along with this overall decline in imports, the U.S. share of corn imports fell to about 60 percent in 2002/03, compared to 87 percent the year before.

This decrease in exports is mainly due to competition from Latin American suppliers, which combine corn and cheaper soybean meal in one shipment to reduce shipping costs. Freight rates from Argentina are also cheaper. Egyptian corn consumption for 2003/04 is expected to be 10.7 million tons, about 1.8 percent lower than the year before.

In 2003/04, domestic corn production, mostly white, is expected to increase slightly, to 6.15 million tons from 6 million, and will help offset higher import prices. Most of the local corn crop is used for animal feed.

Corn used for feed is expected to increase slightly in 2004/05 due to increases in the number of dairy and beef farms. Livestock production is expected to improve slightly due to anticipated increase in demand for beef and dairy products.

About 1.5 million tons of local production is used for food. The GASC bought 350,000 tons of locally produced white corn in 2002/03 to make subsidized *baladi* bread.

### Corn Products Diversifying

A small but growing demand for snack foods made from corn and for corn oil has also contributed to increasing demand. In 2003/04, estimates of imported yellow corn usage include: 250,000 tons for starch and sweeteners, 2.2 million for poultry feed and 1.7 million for ruminant feed. ■

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*Ali Abdi is an attaché and Sherif Ibrahim is an agricultural marketing specialist with the FAS Office of Agricultural Affairs at the U.S. Embassy in Cairo, Egypt. Tél.: (011-20-2) 797-2388; Fax: (011-20-2) 796-3989; E-mail: AgCairo@fas.usda.gov*

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