

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Egypt

### Sugar Annual 2014

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**Report Highlights:**

FAS Cairo forecasts slight increase in total raw sugar production in MY2014/2015 by 3 percent or 57,000 MT at 2,070 TMT compared to 2,013 TMT during previous year. The increase in total raw sugar production is mainly due to the increase in beet sugar production by roughly 3 percent from 1,096 TMT in MY2013/2014 to 1,150 TMT in MY2014/2015. Sugar consumption is driven by population growth, and is forecast to continue growing modestly. Post forecasts a slight increase of one percent or 12,000 MT in total sugar imports in MY2014/2015. Suppliers for Egypt's sugar imports will continue to be Brazil and the EU.

**Area Planted:**

**Cane:** Total cane area harvested for centrifugal sugar in MY2014/2015 is forecast to remain stable at 100,000 ha, unchanged from last year. Government continues to encourage farmers to grow beets over cane to conserve water. Cane is widely cultivated in tropical and temperate regions like Upper Egypt where, like most anything else Egyptian farmers grow, it is cultivated in a narrow strip on both banks of the Nile. It is planted in two seasons the spring and the autumn seasons. Spring season planting starts during February and March while autumn season planting starts during September and October. The crop takes 11 to 12 months to grow and one month on average is needed to harvest at least 16,000 feddans (6,720 ha). Cane is the main source for refined sugar but also the main source for the molasses industry and the by-products from crushing are used as raw materials in the plywood and paper pulp industries.

Sugar Cane for Centrifugal Egypt	2012/2013		2013/2014		2014/2015		
	Market Year Begin: Jan 2012		Market Year Begin: Jan 2013		Market Year Begin: Jan 2014		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Planted	101	113	101	101		101	(1000 HA)
Area Harvested	100	112	100	100		100	(1000 HA)
Production	9,167	9,167	9,167	9,167		9,167	(1000 MT)
Total Supply	9,167	9,167	9,167	9,167		9,167	(1000 MT)
Utilization for Sugar	9,167	9,167	9,167	9,167		9,167	(1000 MT)
Utilization for Alcohol	0	0	0	0		0	(1000 MT)
Total Utilization	9,167	9,167	9,167	9,167		9,167	(1000 MT)

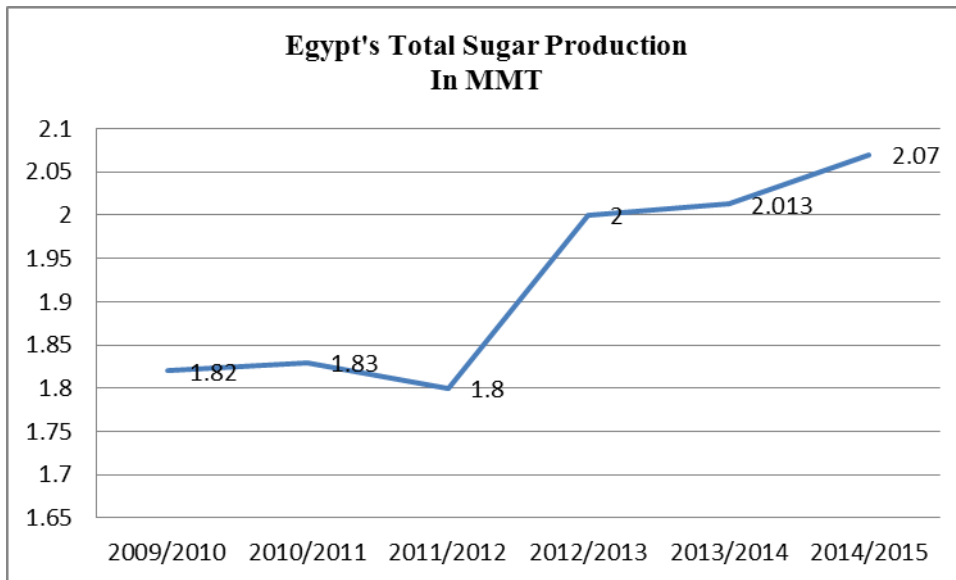
**Beet:** FAS Cairo forecasts Egypt’s total beet area harvested in MY2014/2015 to increase by 5 percent or 9,000 ha to roughly 183,000 ha compared to 174,000 ha in the 2013/14 year. The increase in area harvested is due to the government’s policy to encourage farmers to grow beets over cane to conserve water and also for its high sugar concentration. Beet sugar concentration is around 13-18 percent compared to only 10 percent for cane. Beets are planted in August and September and harvested in March. By-products from the refining process of beet are used to produce animal feed.

Sugar Beets Egypt	2012/2013		2013/2014		2014/2015		
	Market Year Begin: Jan 2012		Market Year Begin: Jan 2013		Market Year Begin: Jan 2014		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Planted	172	172	174	174		183	(1000 HA)
Area Harvested	171	171	173	173		182	(1000 HA)
Production	7,736	7,736	7,826	7,826		8,230	(1000 MT)
Total Supply	7,736	7,736	7,826	7,826		8,230	(1000 MT)
Utilization for Sugar	7,736	7,736	7,826	7,826		8,230	(1000 MT)

Utilization for Alcohol	0	0	0	0		0	MT) (1000 MT)
Total Distribution	7,736	7,736	7,826	7,826		8,230	(1000 MT)

## Production:

Post forecasts a slight increase in total raw sugar production in MY2014/2015 by 3 percent or 57,000 MT at 2,070 TMT compared to 2,013 TMT last year. The increase in total raw sugar production is mainly due to the increase in beet sugar production by roughly 3 percent from 1,096 TMT in MY2013/2014 to 1,150 TMT in MY2014/2015 and thanks to the favorable weather conditions that affect beet sugar concentration. In MY2014/2015, raw cane sugar production will remain stable at 917,000 MT and is not expected to increase in the coming years due to government's policy to reduce the area planted with cane.



Source: FAS/Cairo Sugar Annual Gain Reports

Farmers are tired of growing sugar cane due to its low profitability and this cultivar limits the opportunity to grow other crops as sugar cane fields, growing to up to 20 feet in height, prevent other nearby crops from getting enough sunlight. Cane farmers refuse the supply price offered by the government requesting to increase this price by roughly 17 percent from LE360/ton (US\$51) to LE420/ton (US\$60).

One source estimates the cost of cultivating sugar cane at around LE13, 000-15,000/feddan or 5,460-6,300/ha (US\$1,857-2,142/feddan or US\$780-899.64/ha) compared to LE3000/feddan or LE1, 260/ha (US\$428/feddan or US\$180/ha) for sugar beet. One feddan of sugarcane generates an average of 45 tons of sugar (one hectare generates an average of 19 ton of sugar). Farmers are committed to supply their harvest to the state's sugar companies through annual contracts, with supply price of LE360/ton

(US\$51/ton). On average, the production of one feddan is sold by farmers to the government at LE16, 200 (US\$2,314) which is not profitable compared to the actual estimated cost. Farmers argue that the government's current supply price is inadequate and request the government to increase this price to LE420/ton (US\$60) however, the government has no plans to increase this price.

Cane sugar processing is monopolized by the state-run Sugar and Integrated Industries Company (SIIC) which is part of the Holding Company for Food Industries (HCFI), which, itself, is Ministry of Industry enterprise. Beet sugar production is distributed through seven companies, five of which are state-run companies that work under HCFI and two are private companies.

The five state-run companies are the SIIC, which is responsible for securing sugar for the ration card program, Delta for Sugar (producing 250-350 TMT/year), Dakahlia for Sugar (producing 170-250 TMT/year), Fayoum for Sugar (producing 150 TMT/year) and Nubaria for Sugar (producing 120 TMT/year). The two private companies are Nile for Sugar (producing 120-140 TMT/year) and Alexandria for Sugar "Saffola" (production capacity, 750TMT/year).

The government buys the domestic sugar production through the state-run and Sugar Integrated Industries Company (SIIC) and its affiliated companies located in different governorates. Farmers are paid a portion of their due upon delivery of the cane and beet to the mills while the balance owed is paid to farmers at the end of the season. The supply price announced by the government for 2013/2014's sugar cane crop was LE360/ton (US\$ 51/ton) and LE275/ton (US\$39/ton) for sugar beet in addition to LE100/ton (US\$ 14/ton) for early supply and LE50/ton (US\$7/ton) support from refineries to farmers.

Cane and beet are processed through sugar refineries to produce raw sugar which still contains molasses. Raw sugar is processed into white refined sugar in local refineries and sold to local industry for food processing including soft drinks and foods and to consumers for household use.

### **Consumption:**

Sugar consumption is driven by population growth, and is forecast to continue growing modestly. Currently, average per capita consumption is around 34kg/person/year in Egypt compared to 45kg/person/year in the United States and 8kg/person/year in Bangladesh. Post forecasts total sugar consumption to increase by 2 percent to 2.930 MMT in MY2014/2015 compared to 2.870 MMT last year. At least over the recent past, each year there is a 1-1.2 MMT gap between production and consumption which is bridged through imports. Sugar is a part of the ration card subsidy system that is provided to almost 60 million beneficiaries or roughly 70 percent of the total population. Each ration card beneficiary is allowed 2kg of sugar monthly at the price of LE 1.25/kg (US 21cents/kg) while the retail consumer price for sugar is around LE5/kg (US 72 cents/kg).

The Ministry of Supply and Internal Trade reported that the government will implement a new food subsidy system within three months starting with a pilot project that has been implemented in the city of Port Said. The idea is to modify the food subsidy system in order to widen the range of goods offered to consumers. The objective of the new system it transfers cash to each household through the use of smart card which will provide a certain number of points depending on the number of family members and each food product will be worth a certain number of points. Currently, holders of smart cards have

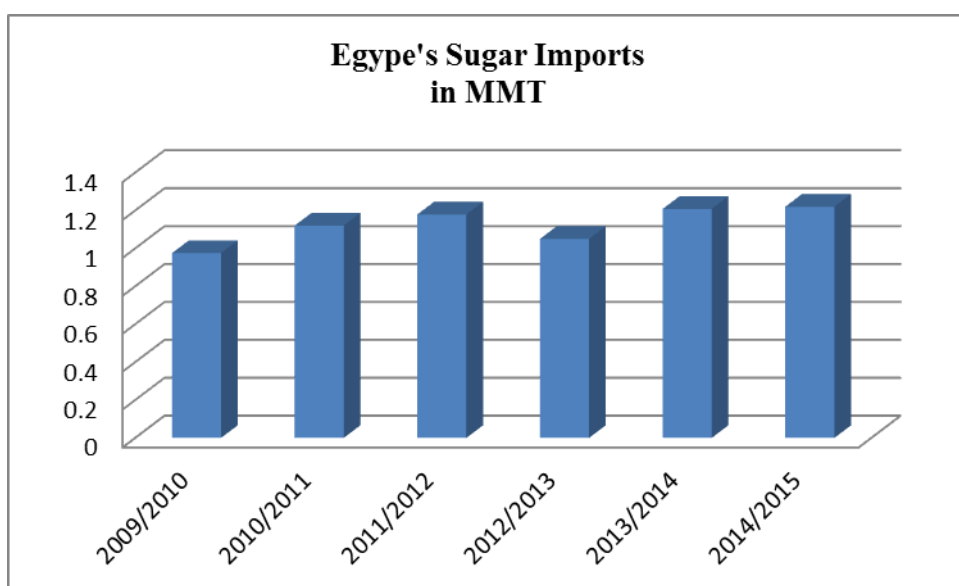
the right to a monthly amount of cooking oil, sugar and rice. People will be allowed to choose from a larger range of products like milk, fruits and vegetables according to each family's needs.

The government is also selling sugar at state-owned co-operative stores at prices that are less than retail consumer prices. Retail consumer prices during MY2013/2014 were LE5/kg (US 72 cents/kg) to LE7/kg (US\$ 1/kg) while sugar sold at the cooperative stores was at LE4.50/kg (US 64 cents/kg) to LE4.75/kg (US 68 cents/kg).

### Trade:

FAS Cairo anticipates a slight increase of one percent or 12,000 MT in total sugar imports in MY2014/2015. In MY2013/2014, total sugar imports were estimated at 1.208 MMT. The increase in sugar imports is to meet domestic consumption.

Egypt's main trading partners are Brazil and the EU. Egypt usually sources 85-90 percent of its sugar imports from Brazil and the rest, 10-15 percent, is mainly from the EU. Egypt imposes a 2 percent import tariff on raw sugar and 5-10 percent import tariff on refined sugar. Under the Egypt-EU free trade agreement, EU sugar exports enjoy free market access to the Egyptian market. In CY2013, around 1.173 MMT of glucose and syrup were exported by the U.S. to Egypt but basically no raw sugar.



Source: FAS/Cairo Annual Gain Reports

In May 2013, after investigating the case, which included consultations with Brazil and the EU, the Ministry of Industry, Trade and Investment issued Ministerial decree (512/2013) lifted the initial safeguard duties (Ministerial Decree Number 950/2012 temporary safeguard duties of 17 percent on the CIF value, with a minimum value of LE591/ton (US\$85/ton), on the imports of raw sugar and safeguard duties of 20 percent of CIF value, with minimum value of LE713/ton (US\$102/ton), on imports of refined sugar for 200 days) that were imposed. The government found no evidence that sugar imports were being dumped in the domestic market. Not surprisingly, Egyptian sugar producers were/are opposed to lifting the safeguard duties. The claim is that only the 2 percent import tariff on raw sugar

and 5-10 percent on refined sugar imposes significant downward pressures on local sugar mills as international prices of raw sugar are significantly below the local price of refined sugar even after adjusting for freight and refining costs.

**Stocks:**

Egypt normally maintains strategic sugar stocks equal to at least two months consumption or roughly 500,000 MT. Post forecasts sugar ending stocks at 168,000 MT compared to 161,000 MT in previous year. Stocks are held mainly by the state-owned Egyptian Sugar and Integrated Industries Company (SIIC) as strategic reserve for distribution to ration card beneficiaries.

Sugar, Centrifugal Egypt	2012/2013		2013/2014		2014/2015		
	Market Year Begin: Oct 2012		Market Year Begin: Oct 2013		Market Year Begin: Oct 2014		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Beginning Stocks	350	350	160	160		161	(1000 MT)
Beet Sugar Production	1,083	1,083	1,100	1,096		1,150	(1000 MT)
Cane Sugar Production	917	917	920	917		917	(1000 MT)
Total Sugar Production	2,000	2,000	2,020	2,013		2,070	(1000 MT)
Raw Imports	1,020	1,020	1,175	1,178		1,190	(1000 MT)
Refined Imp.(Raw Val)	30	30	25	30		30	(1000 MT)
Total Imports	1,050	1,050	1,200	1,208		1,220	(1000 MT)
Total Supply	3,400	3,400	3,380	3,381		3,451	(1000 MT)
Raw Exports	400	400	400	350		350	(1000 MT)
Refined Exp.(Raw Val)	0	0	0	0		0	(1000 MT)
Total Exports	400	400	400	350		350	(1000 MT)
Human Dom. Consumption	2,840	2,840	2,820	2,870		2,930	(1000 MT)
Other Disappearance	0	0	0	0		0	(1000 MT)
Total Use	2,840	2,840	2,820	2,870		2,930	(1000 MT)
Ending Stocks	160	160	160	161		168	(1000 MT)
Total Distribution	3,400	3,400	3,380	3,381		3,451	(1000 MT)