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GAIN Report Number:

Egypt

Post: Cairo

Wheat Production Up

Report Categories:

Grain and Feed

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Report Highlights:

Favorable weather and wider use of high quality seeds has resulted in a strong rebound in production from last year's poor wheat crop and Post forecasts production at 8.7 MMT, up from 7.2 MMT in 2010/11. By offering high prices and other inducements, the GOE may also come close to its wheat procurement target of 4 MMT, but because of the widespread use of open storage, post-harvest losses are expected to be high. With higher procurement, imports are forecast at 9.5 MMT, down from our current 10 MMT.

General Information:

The agricultural sector has provided a ray of sunlight in a generally poor, post-Revolution, economic environment. According to a Ministry of Agriculture report, wheat production is expected to reach 9 MMT versus 6.75 MMT last year, a 33% increase. The Ministry of Agriculture indicates that wheat yields have increased from 5.35 ton/hectare in 2010 to 7.14 ton/hectare in 2011. This high yield is due to widespread use of improved seed and the excellent weather that Egypt had this winter. High prices have also encouraged farmers to take better care of their fields. Post has confirmed these reports of high yields through discussions with farmers, but doubts if the actual planted area is as high as government estimates, resulting in our smaller forecast increase.

This year, Egypt introduced widely two new varieties of wheat seeds: Misr 1 and Misr 2, that yield 11 ton/hectare. A high ranking official said that Egypt has set up a plan to increase the proportion of certified wheat seeds next season to further increase average yields.

The procurement price this year ranges from \$392 to \$404/ton, based on the cleaning ratio. The General Authority for Supply of Commodities (GASC), working with the Ministry of Agriculture, plans to procure an expected 4 MMT of wheat this year. It is doubtful if 4 MMT will be reached. Besides the high procurement price, one of the factors that may encourage farmers to deliver their crop to the government is that the Ministry of Agriculture announced that the priority in distributing certified seeds to the farmers next year will be given to those farmers who will deliver their crop to the government.

Farmers now have Smart Cards which show the government purchasing station how many feddan of wheat they have planted and therefore how much wheat they can sell the government. This should limit sales of imported wheat as Egyptian wheat, often a major problem. The relatively high price of imported wheat should also help limit what are viewed as fraudulent transactions.

Farmers have already noted problems in getting the government to take delivery on grain due to limited storage. In addition to silo storage, there are 550 Shuna (open area storage) belongs to the Principal Bank for Development and Credit (PBDAC) distributed all over Egypt to receive the wheat from the farmers. The harvesting season started at the beginning of May but hasn't reached its maximum capacity yet, which is expected to be in the second half of May. Post may have better data by that time.

Because of the use of open storage for a large portion of the wheat being procured, post-harvest losses are expected to be substantial. However, with a larger procurement, GASC imports are expected to be reduced in 2011/2012. The Government of Egypt's poor fiscal situation and widening budget deficit may also impact wheat imports, but has not as yet.

Production, Supply and Demand Data Statistics :

Wheat Egypt	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jul 2009		Market Year Begin: Jul 2010		Market Year Begin: Jul 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,322	1,322	1,260	1,260		1,320
Beginning Stocks	4,818	4,818	5,732	5,736		5,431
Production	8,523	8,523	7,200	7,200		8,700

