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FMD Outbreak Impacts Livestock Sector

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Report Highlights:

The calf crop is forecast to decrease by 18 percent in MY 2012 due to the outbreak of the SAT2 strain of Foot and Mouth Disease (FMDV-SAT2) in Egypt. Egyptian cattle have not been exposed to SAT2 previously and are not vaccinated for this strain of FMD. Imports of live cattle and beef are forecast to increase in MY 2012 to bridge the growing gap between domestic consumption and production, but beef imports will be restrained by poor economic conditions and potential trade financing difficulties. Consumption and imports of frozen beef are forecast to increase in MY 2012 due to low meat production and relatively high prices of local beef. With overall beef supplies down, beef prices should remain high.

General Information:

Production

In MY 2012, the calf crop is forecast to decrease by 18 percent to 1,402 thousand head compared to 1,708 thousand head in 2011 due to the spread of the “SAT2” strain of Foot and Mouth Disease (FMDV-SAT2).

By mid-March 2012, the Ministry of Agriculture and Land Reclamation (MALR) has announced that the number of infected cases was 33,000 and the mortality was 5,400 head, a mortality rate of 16.4 percent, which is very high for FMD. The mortality rate is expected to increase, especially among calves and in small farms, since SAT2 is newly introduced to Egypt and there is no herd immunity or previous vaccination effort. Regionally, SAT2 first had an outbreak in Libya in 2009. The number of suspected cases is growing at a rate of 5000 per day while the number of deaths is growing at 500 head per day.

It is expected that the main impacts of the FMD outbreak will be on the calf crop of small farmers and on the slaughter weight of market cattle. Losses of older cattle will also be significant. FMD impacts both the cattle and buffalo populations, but the effect is normally more severe on cattle. According to 2007 MALR data, 61 percent of Egypt’s cattle population is in herds of five animals or less and another 25 percent in herds of 10 or less. FMD generally has a greater impact on small farmers because they have less access to vaccines and veterinary treatment. Egypt has mobilized 1,500 veterinary teams and is attempting to purchase SAT2 vaccine to deal with the outbreak.

In 2006, Egypt experienced a major FMD outbreak resulting in the loss of nearly one million head of cattle. If the SAT2 strain continues with the same increasing mortality rates and there are no vaccinations, the impact will be as high or higher than what it was in 2006. The breakdown in security in the country will make it difficult to enforce movement controls on cattle. The disease has already been detected in 24 of 27 governorates.

It is not known how the new strain has entered the country but some sources and government officials suspect that smuggled shipments of infected sheep and cattle from Libya came across the lengthy border. With the breakdown in feed and water supplies in Libya during their revolution, Egypt provided a safe harbor for the herds. This claim is supported by the results of the UK’s Pirbright Reference Lab in March 2012 that confirmed infected cows from Libya with FMDV-SAT2.

MALR has approved a number of measures in order to protect livestock from the current outbreak. The measures include the application of emergency quarantine including the sanitized burial of the dead animals by veterinary services personnel, small-scale breeders to ban the transfer of live cattle between governorates and closing all live cattle markets on a temporary basis, separation of infected cattle from sound cattle, prevent suckling calves from contact with infected mothers and rapid reporting of suspected cases. However, the lack of awareness among farmers and small-scale breeders (many are not reporting their infected animals while others are throwing the bodies of the dead animals in the streets and in the small canals), the delayed availability of appropriate vaccines, and the current windy climatic conditions (FMD is windborne) will hinder the government’s efforts to control the outbreak.

The FMD outbreak comes at a time when the government seeks to increase meat production. In early 2012, MALR approved a new “Veal Project” by the Social Fund for Development (SFD) and the Principal

Bank for Development and Agricultural Credit (PBDAC) worth LE450 million (USD 75 million). The project aimed to improve livestock rearing in Egypt's governorates to reach self-sufficiency in meat by providing micro-credit loans to small farmers for raising livestock at a low interest rate of 4 percent, compared to the prevailing 16-20 percent rate. Some doubt the chances of success of this project as the government had implemented a credit program through a similar "veal project" in the early 1990s leading many rural families to be heavily indebted. It is expected that the veal project may attract some farmers especially those who had big losses from this FMD outbreak. However, the current outbreak and the budget limitation put constraints on the Egyptian Government to finance this project.

Virtually Egypt's entire livestock herd, both cattle and buffalo, is maintained primarily for dairy production (small farmers raise dairy buffalo), with meat production of secondary importance. This is due to the absence of beef breeds. All cattle herds consist of either mixed breeds or imported dairy cattle for milk production. The herd data in the PS&D is comprised of approximately half buffalo and half cattle.

Due to the reduction in milk production as a result of the spread of diseases, combined with recent increase in milk prices, many milk producers are interested in importing dairy cattle either for expanding existing herds or for new dairy farms. Milk production became one of the most profitable industries in the agricultural sector in Egypt due to the large amount of milk products required by the Egyptian diet (cheese and yogurt). One industry source estimates that an additional 20,000 Holstein cows were in production this year. A major multinational yogurt processor is opening up a very large production facility near Sadat City. The FMD outbreak is expected to have a minimal impact on large dairy producers as they should be able to acquire SAT2 vaccines.

Consumption

Meat consumption is forecast to remain stable in MY 2012 due to continued economic problems and high prices. Meat consumption declined in 2011 as a result of the economic stagnation and the decline in imports due to the uncertainty of the political situation and problems in financing imports. This coupled with the short supply of locally produced meat has driven up prices. The average per capita consumption of red meat is estimated at 8.66 kg/year, which is quite low compared to consumption levels in other countries and is mainly due to limited local production combined with low incomes and high prices. The FMD outbreak has temporarily had a slight impact on consumption of meat but it is not expected that it will last long. Some have shifted to consume more poultry meat, but high poultry prices are discouraging a major shift in consumption patterns.

Locally produced beef is currently sold between LE 60 and LE 90 per kg (US \$1 = LE 6.0) depending on the cuts. This compared to LE 40 to LE 60 per kg last year. Imported frozen beef prices also increased from LE 24 - LE27 per kg to LE 30 - 37 per kg. Live beef cattle prices increased from LE 23 per kg live weight last year to LE 27 per kg currently.

Egyptians prefer beef to other types of meat including poultry and lamb. They also prefer fresh over frozen beef for cultural reasons. The more affluent segment of the population tends to think of imported frozen meat as an inferior product as most frozen imported beef is sold at government outlets at reduced prices and are sourced from low-quality cuts. The exception to this is the very limited amount of high-quality beef imported for use in hotels and restaurants, mostly imported from the United States.

Trade

CATTLE:

Cattle imports are forecast to increase nearly by 32 percent to 95,000 head in MY 2012 due to the shortage in local supply. These are predominately slaughter or feeder cattle with a small portion of pregnant heifers for the local dairy industry. There should be some recovery from the political upheaval, consequent economic slowdown, and the disturbances in the trade sector which constrained trade in 2011. Post is expecting that the key suppliers of live cattle in 2012 are likely to remain Brazil, Ethiopia and Sudan as in 2011 but with slight increase in imports from Sudan and Ethiopia due to Egypt's foreign policy emphasis on increased cooperation with the countries in the south especially the Nile Basin Countries. However, imports from Ethiopia could be lower if the country is not able to control disease outbreaks. Imports of live cattle from Ethiopia resumed in 2010 after being suspended in 2007 due to FMD, LSD and three day fever, which were reportedly transmitted to the Egyptian herd, causing severe losses.

From January 1 to March 8, 2012, Egypt imported 15,088 thousand head from different suppliers (Hungary, Croatia, Ethiopia, Sudan, and Brazil). Imports data show that Brazil is the dominant followed by Ethiopia, Croatia, Sudan and Hungary. Post noticed that the number of dead animals coming from Brazil is significantly high compared to other suppliers. One shipment that was carrying 1,834 thousand head and the number of dead animals was 104. Another shipment was carrying 1,654 thousand Brazilian head and the number of dead animals was 88 head. In early March 2012, a Brazilian shipment of 5,000 head of cattle for slaughtering in Egypt was banned to dock in the Egyptian ports. The ban came after 3,000 head of cattle died on board.

The is not USDA official Data

Suppliers	Total Imports (head) From Jan. 1 st to March 8, 2012	Number of Dead Animals	For Immediate Slaughtering	Feeder Cattle
Brazil	5,118	273	444	4,401
Ethiopia	4,242	1	2,032	2,209
Croatia	2,637	13	1,507	1,117
Sudan	2,294	3	1,845	446
Hungary	797	1	308	488
Total	15,088	291	6,136	8,661

Source: MALR

Egypt is currently imposing a ban on the importation of live cattle, embryo's and semen from Germany, the Netherlands, Belgium, the UK and France due to the outbreak of Schmallenberg virus in cattle in these five countries. Egypt imports almost 10,000 head of dairy cattle from the EU every year. It used to import 7,000 to 8,000 head of dairy cattle from the Netherlands and Germany, alone. Post is expecting that U.S dairy cattle will be preferred by Egyptian importers during the MY 2012 although competition from the EU is normally stiff because of price and transportation advantages. U.S. Holstein dairy cattle enjoy a great reputation for milk production and most dairy farmers prefer Holstein over other breeds.

BEEF:

Imports of frozen beef are forecast to increase in MY 2012 to reach 230 thousand tons compared to 217 thousand ton in MY 2011 (Beef imports are based on GOVS records which records actual entry of beef into Egypt). Beef imports will increase as a result of short supplies of locally produced meat coupled with a growing population and increase in domestic consumption. This recovery in Egypt's frozen beef imports comes after economic stagnation and trade disruption after the January 25, 2011 Revolution which stifled imports. Trade financing problems may impact imports as Egypt is running down its foreign exchange reserves, resulting in increased restrictions on transactions by the Central Bank of Egypt.

Post is expecting that the key suppliers of frozen beef in MY 2012 are likely to remain Brazil, the United States, Columbia, India and Uruguay as in 2011. However, post is expecting that volumes of frozen buffalo meat from India will decrease in MY 2012. The General Organization for Veterinary Services (GOVS) is applying a restrictive inspection system since late 2011 after a number of infected shipments with Sarcocyst were detected. GOVS has canceled the approval of 5 different Indian slaughtering plants as a result of non-compliance with the Egyptian health and food safety requirements. Only 10 Indian plants are currently approved for exporting halal beef to Egypt.

Since 2011, Egypt has detected a number of Indian shipments that were infected with Sarcocyst or contained beef trimming which is not permitted. In many cases, official Indian trade data does not reflect the number of rejected shipments. Egypt used to import almost 40-50% of its imported beef from India (buffalo meat), but sources say that imports of Indian beef are decreasing and might only reach 30% or less of Egypt's total beef imports in MY 2012. According to GOVS, in MY 2011 Egypt has imported 95,000 tons) of frozen buffalo meat which is mainly imported from India.

Product	Egypt's Imports in MY 2011
Frozen Cow Meat	114,352
Frozen Buffalo Meat (All from India)	95,000
Chilled Cow Meat	5,382
Chilled Veal Meat	2,086

Data Source: GOVS-MALR

(ton CWE)

Most frozen beef is imported as boxed forequarters or hindquarters. Imports of high-quality U.S. beef decreased dramatically in 2011 due to the impact of the January 25 revolution affection on the tourism industry. However, it is expected that tourism industry will recover in 2012.

Animal Numbers, Cattle Egypt	2010		2011		2012		
	Market Year Begin: Jan 2010		Market Year Begin: Jan 2011		Market Year Begin: Jan 2012		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Total Cattle Beg. Stks	6,200	6,200	6,100	6,100	6,170	6,233	(1000

							HEAD)
Dairy Cows Beg. Stocks	3,860	3,860	3,885	3,885	3,960	3,960	(1000 HEAD)
Beef Cows Beg. Stocks	0	0	0	0	0	0	(1000 HEAD)
Production (Calf Crop)	1,650	1,650	1,710	1,708	1,740	1,402	(1000 HEAD)
Total Imports	140	140	70	70	90	95	(1000 HEAD)
Total Supply	7,990	7,990	7,880	7,878	8,000	7,730	(1000 HEAD)
Total Exports	0	0	0	0	0	0	(1000 HEAD)
Cow Slaughter	450	450	300	300	300	300	(1000 HEAD)
Calf Slaughter	90	90	90	90	100	60	(1000 HEAD)
Other Slaughter	1,050	1,050	1,070	1,070	1,100	940	(1000 HEAD)
Total Slaughter	1,590	1,590	1,460	1,460	1,500	1,300	(1000 HEAD)
Loss	300	300	250	185	250	350	(1000 HEAD)
Ending Inventories	6,100	6,100	6,170	6,233	6,250	6,080	(1000 HEAD)
Total Distribution	7,990	7,990	7,880	7,878	8,000	7,730	(1000 HEAD)

Meat, Beef and Veal Egypt	2010		2011		2012		
	Market Year Begin: Jan 2010		Market Year Begin: Jan 2011		Market Year Begin: Jan 2012		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	Head
Slaughter (Reference)	1,540	1,513	1,460	1,460	1,500	1,300	
Beginning Stocks	0	0	0	0	0	0	(1000 MT CWE)
Production	330	324	315	312	325	275	(1000 MT CWE)
Intra-EU Imports	0	0	0	0	0	0	(1000 MT CWE)
Other Imports	260	260	230	217	250	230	(1000 MT CWE)
Total Imports	260	260	230	217	250	230	(1000 MT CWE)
Total Supply	590	584	545	529	575	505	(1000 MT CWE)
Intra EU Exports	0	0	0	0	0	0	(1000 MT CWE)
Other Exports	0	0	0	0	0	0	(1000 MT CWE)
Total Exports	0	0	0	0	0	0	(1000 MT CWE)
Human Dom. Consumption	590	584	545	529	575	505	(1000 MT CWE)
Other Use, Losses	0	0	0	0	0	0	(1000 MT CWE)
Total Dom. Consumption	590	584	545	529	575	505	(1000 MT CWE)
Ending Stocks	0	0	0	0	0	0	(1000 MT CWE)
Total Distribution	590	584	545	529	575	505	(1000 MT CWE)

