

USDA Foreign Agricultural Service

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Global Agricultural Information Network

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Citrus Annual

Egyptian Orange Exports Thrives Thanks to Currency Devaluation

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Report Highlights:

FAS Cairo forecasts a five percent increase in area planted and six percent increase in production to meet the local and international demand for Egyptian oranges. The devaluation of the Egyptian pound that took place on November 3, 2016, will positively impact exports for the second year as Egyptian orange prices on international markets are more competitive than other suppliers. FAS Cairo forecasts exports at 1.6 MMT, an increase of five percent or 80,000 MT compared to 1.520 MMT in previous year. Most likely Egypt will remain the sixth largest orange producer and the first or second largest orange exporter in the world depending on Spain's performance in MY2017/18. Russia, Saudi Arabia, Netherlands and China will likely remain the top import destinations for Egyptian oranges.

Planted Area:

FAS Cairo forecasts 2017/18 orange total planted area at 154,200 ha, a five percent increase from the previous year. Post estimates 2016/17 planted area at 146,950 ha. The increase in planted area is attributed to the increased demand for the Egyptian oranges in the local and international markets. FAS Cairo forecasts 2017/18 orange total harvested area at 142,100 ha, a four percent increase from previous year. Post estimates 2016/17 total harvested area at 136,475 ha. The increase in area harvested is attributed to improved weather conditions that prevailed in 2017, following exceptional storms in 2016. Continued stable weather is expected to continue in 2018.

The demand for Egyptian oranges in the local and international markets has increased significantly in the last ten years. Local orange prices are more affordable than other domestically-produced fruit, increasing domestic demand. The continuing efforts by the government and private sector in gaining market access for Egyptian oranges in new markets, and the devaluation of the Egyptian pound have resulted in higher international demand for Egyptian oranges. In 2017, the Ministry of Agriculture and Land Reclamation (MALR) announced that the Central Administration for Plant Quarantine (CAPQ) concluded market access for Egyptian oranges in Australia and Vietnam. Due to the increased local and international demand, farmers are encouraged to steadily increase the area planted with orange versus other agricultural commodities. Since 2006, the area planted with oranges increased by 41 percent or 42,567 ha to reach 146,950 ha estimated in MY2016/17 versus 104,383 ha in MY2006/07.

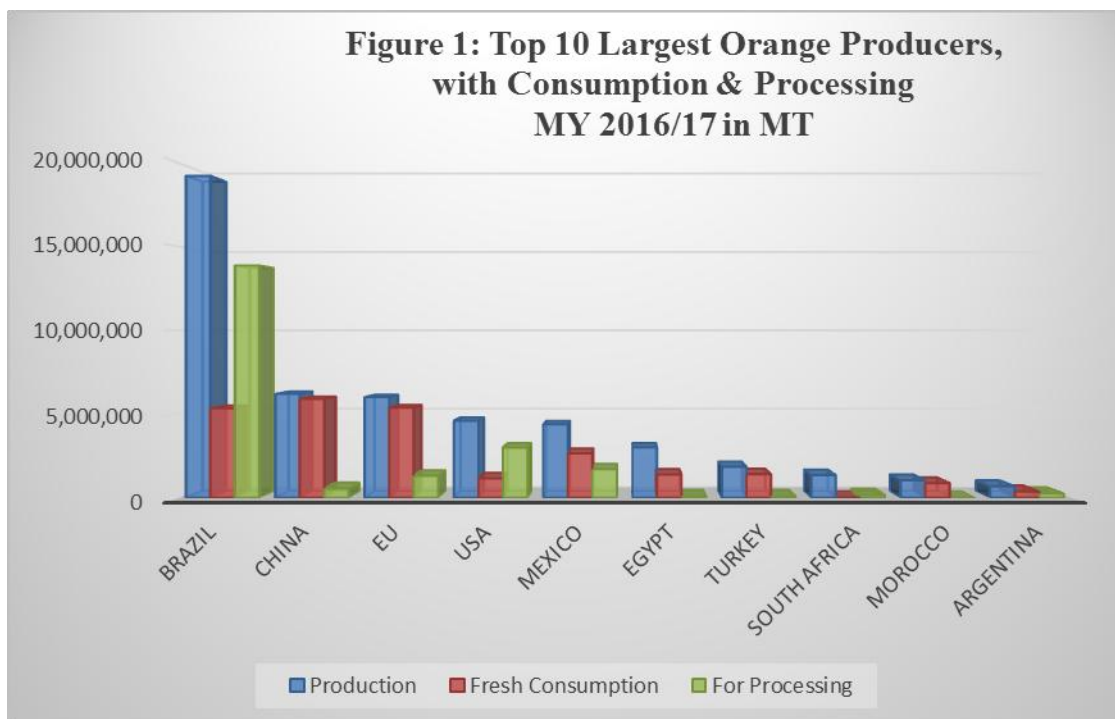
Of the citrus varieties, oranges are the largest species cultivated, as farmers prefer to grow oranges over other fruit due to their high export demand and value. Well-established supply chains allow small farmers, who would otherwise not have the capacity to export, to capitalize on export markets by selling their crop to larger farmers and exporters. Oranges are grown in almost all of Egypt's governorates; however, the delta governorates of Qalyoubia, Beheira, Sharqiya, Ismailia and Menufia are the main producing areas (see the green area on both sides of the Nile Basin). The orange harvest usually lasts four to five months. Of all the varieties mentioned, navel oranges are the predominant variety, representing 60 percent of all orange production.



Production:

In MY2017/18, FAS Cairo forecasts orange production to increase by six percent or 180,000 MT from 3.0 MMT to 3.180 MMT. Post attributes the increase in production to growth in the total area harvested due to improved weather conditions, as well as an increase in the number of new fruit bearing trees. Total bearing trees are forecast to increase by 1.800 million trees to reach 12.300 million trees compared to 10.500 million trees in the previous season. Orange production has increased significantly in the last ten years to meet the demand from local and international markets. Production increased by 64 percent or 1.170 MMT to reach 3 MMT in MY2016/17 versus 1.830 MMT in MY 2006/07.

According to the United States Department of Agriculture (USDA), in 2016/17 Egypt was the sixth largest orange producer in the world after Brazil, China, US, EU (excluding Spain), and Mexico (Figure 1). Around 46 percent of the orange production in Egypt is consumed fresh, 51 percent is exported and 3 percent is used for processing. In Brazil, the world largest orange producer, around 28 percent of the production is consumed fresh and 72 percent is used for processing (Figure 1).



Source: USDA

Egyptian orange production is dependent on irrigation. The Nile River, along with fertile soil and year-round sunshine permit high yields and good quality fruit. The economic viability of Egypt's orange production is facilitated by low labor costs and proximity to major import markets. Although some Egyptian groves maintain orange trees for up to 25 years, trees in the Egyptian climate are most productive between years 4 and 15.

Several orange varieties are produced in Egypt. The six dominant types are as described in Table 1. Valencia and navel are the main export varieties while others are more for domestic consumption.

Baladi Orange	Two varieties are grown, the seeded baladi orange and the seedless baladi orange both used mainly for juice.
Valencia Orange	Summer variety and mainly for juice but also fresh use.
Blood Orange	Very good taste, seedless variety and mainly for juice
Navel Orange	Two varieties, the early maturing navel that is consumed domestically and the late maturing navel that is exported
Khalily Orange	Good variety for juice
Sweet Orange (Sukkari)	Sweet variety consumed fresh, with seeds

In Upper Egypt (Southern Egypt), producers prefer to plant oranges during early February, while in other areas in the delta region the planting season runs into March. Orange trees will start producing after four years of planting and the trees can live up to 50 years, but production decreases after 20 years. Orange trees bloom throughout most of the year, based on the variety, except during August and September due to hot weather (Table 2). The export season starts during the middle of November and, through cold storage, extends to late August.

Variety	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Navel	*	*	*	*	*	*						
Baladi			*	*	*	*						
Sweet Orange (Sukkari)			*	*	*	*						
Valencia					*	*	*	*	*	*		
Blood Orange				*	*	*						

Navel Variety starts from middle of October, and Valencia variety starts from middle of February

Source: MALR

Mediterranean fruit fly (*Ceratitis Capitata*) is the main economic pest negatively affecting production and exports. The Egyptian government is funding the “Fruit Fly Resistance Project” that aims to control the spread of the pest and administers regulations to control quality of the exported fruit. Although Egyptian exports are expanding, complaints have been raised by some importing countries (Russia and Ukraine) regarding fruit fly infestations. To mitigate fruit fly presence, cold treatment is required by some importing countries. Egypt also has peach fruit fly.

As oranges are a primary Egyptian fruit export, the government along with the local producers and exporters are always keen to improve the quality of Egyptian oranges. Improving the quality is important to maintaining export demand and competing with global suppliers. In October 2017, Egypt decided to take extra steps to improve the quality of fruits and vegetables from pesticide residues and diseases. Egypt's Agricultural Export Council and MALR announced plans to mandate that orange farms to comply with a new food safety system. The new system aims to register and code orange farms involved in export to determine the size and quality of production in order to be able to control their agricultural methods and better manage pesticide use.

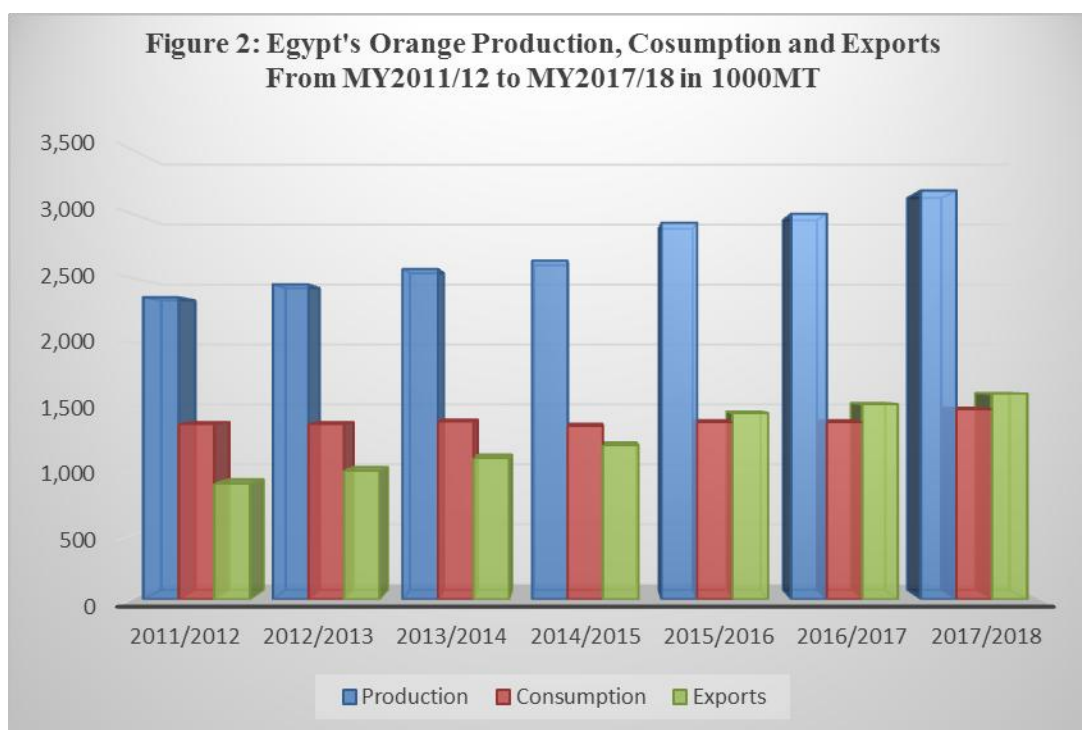
During the last season, the Agricultural Export Council began to register farms producing grapes, strawberries and peppers to better manage pesticide use. This move was in response to recent blockades

of Egyptian products by certain importing countries due to pesticide residues. The council will begin to request that companies and specialized farms submit production data in preparation for the implementation of this system. Councilmembers expect that citrus exports will enter the new system officially with the start of the export season of MY2018/19.

This is not the first attempt to improve the orange quality. In November 2016 MALR announced a national campaign to improve access for horticultural products in international markets through the application of Good Agricultural Practices (GAP). The campaign, which is implemented by Union of Producers and Exporters of Horticultural Commodities (UPEHC), depends mainly on applying the international standards for good agricultural practices especially for small producers in different governorates.

Consumption:

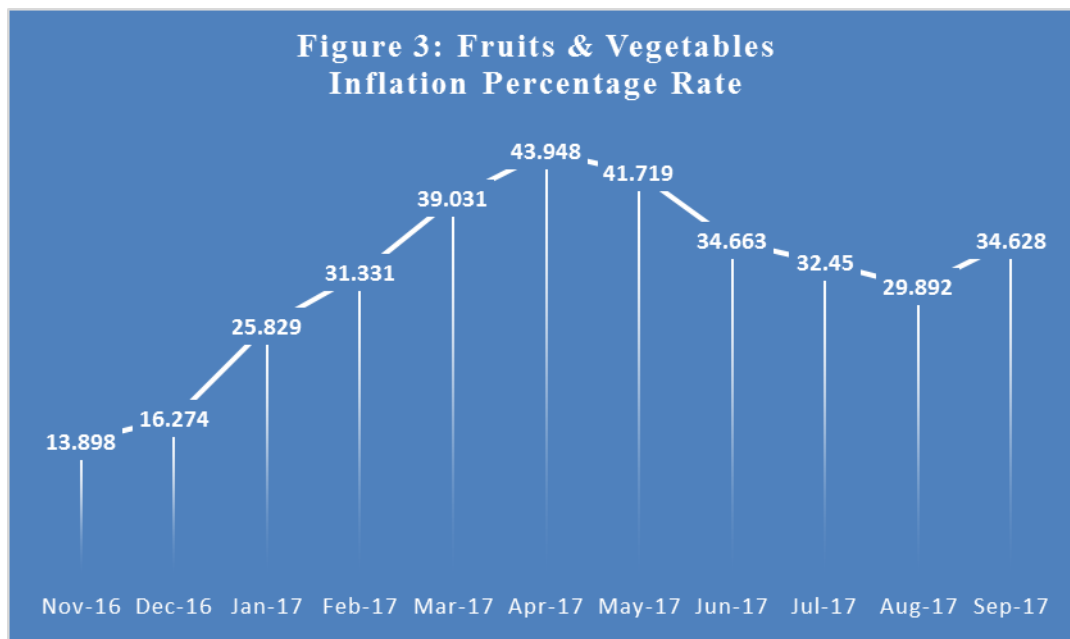
In MY 2017/18, FAS Cairo forecasts that fresh domestic consumption will increase by seven percent or 100,000 MT to reach 1.480 MMT. Post estimates fresh domestic consumption at 1.380 MMT in MY2016/17. Roughly 46 percent of the orange crop is consumed fresh, three percent or 100,000 MT is consumed as juice and 51 percent is exported. Oranges are highly popular amongst Egyptian consumers during the winter season.



Source: FAS Cairo Gain Annual Reports

On November 3, 2016, the government unpegged the Egyptian pound, allowing its value to float. The currency was initially devalued to about EGP 13 per USD as indicative price; down from the previous rate of EGP 8.88 per USD, which had been in place since March 2016. The Egyptian pound has since toppled further, and is now down to EGP 17.59 per USD, as of November 10, 2017. The rapid currency

devaluation resulted in dramatic price increase for all commodities in pound-terms, including fresh oranges. According to the Central Bank of Egypt (CBE), the inflation rate for fruits and vegetables increased from 13.898 percent in November 2016 to 34.628 percent in September 2017 (Figure 3).



Source: CBE

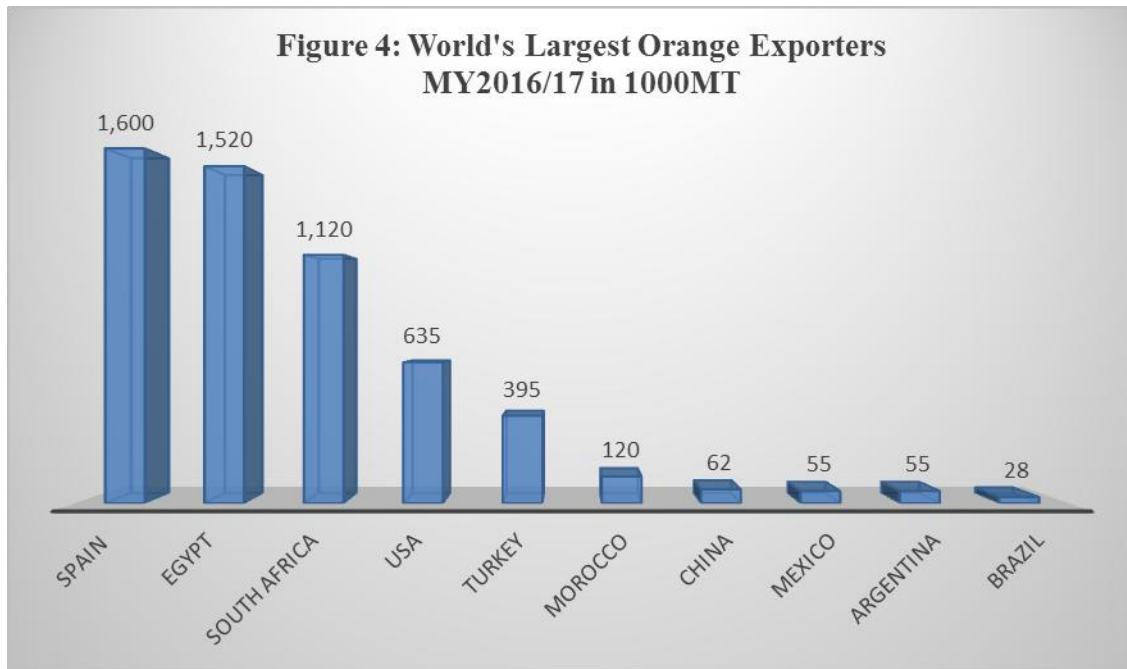
As of November 2017, the average consumer price for one kilogram of fresh oranges was EGP 7 compared to EGP 3.50 before the devaluation, an increase of 50 percent in nominal terms. Note that in real terms the value remains relatively unchanged. Even though the nominal price of oranges has increased since the devaluation, they are still relatively cheap as compared to other fruit whose prices have increased at a higher rate. As of November 2017, banana sold for EGP 15/kilogram, compared to EGP 11/kilogram pre-devaluation; apple prices are now EGP 20/kilogram, previously EGP 15/kilogram; guava is now EGP 10/kilogram, compared to EGP 8/kilogram before the devaluation.

The majority of orange exporters are producers who also own packing facilities that are approved for exports by the government. They also buy from local farmers in case their production does not meet their needs for export. Other exporters own packing facilities but do not produce orange and depend mainly on local farmers. Farmers are required to deliver their crop to one of the approved packing facilities which are usually close to their farms and receive the procurement price. However, many exporters have contracts with farmers to buy their total orange crop and, in this case; the exporters are responsible for transporting the crop to their packing facilities.

The procurement price is determined every year by members of the citrus committee at the Egyptian Agricultural Export Council. The committee convenes before the onset of the harvest to agree on an appropriate procurement price based on criteria that includes mainly the size and the shape of the fruit. In spite of the official procurement price, some exporters may offer higher prices to attract farmers, especially those with higher crop quality. Other exporters contract with farmers before the onset of the harvest season and usually assist with the harvest and carrying the crop to their packing facilities.

Trade:

In MY2017/18 FAS Cairo forecasts total exports to increase by five percent or 80,000 MT to reach 1.6 MMT. Post estimates that fresh orange exports in MY 2016/17 will reach 1.520 MMT. This increase is attributed to higher demand from the import markets due to the competitive prices that are expected to continue as a result to the devaluation of the Egyptian currency. Orange exporters have benefited from the devaluation of the Egyptian pound as a low exchange rate for the Egyptian pound led to cheaper prices compared to those offered by competitors such as Spain and Morocco.



Source: USDA

In MY2016/17, Russia, Saudi Arabia, Netherlands, China, United Arab Emirates, Bangladesh, United Kingdom, Kuwait, Iraq and Ukraine were Egypt's top ten export destinations. Russia and Saudi Arabia continue to absorb roughly 43 percent of Egypt's total orange exports. Post expects that export destinations will remain unchanged for MY2017/18.

In MY2016/17, Egypt's orange exports increased significantly in certain markets. Orange exports to China increased by 204 percent or 67,117 MT to reach 99,930 MT, compared to 32,813 MT in previous year. Exports to Hong Kong increased by 123 percent or 24,433 MT to reach 44,228 MT, compared to 19,795 MT the previous year. Other notable increases include: Iraq, 1314 percent or 28,113 MT to reach 30,252 MT, compared to 2,139 MT; Turkey, 932 percent or 23,506 MT to reach 26,026 MT, compared to 2,520 MT; and Italy 222 percent or 13,243 MT to reach 19,205 MT, compared to 5,962 MT.

In early August 2014, Russia suspended imports of meat, fish, fruit, vegetables and milk products from the United States, the European Union, Norway, Canada, and Australia for a year in retaliation for the economic sanctions imposed by these countries due to the crisis in Ukraine. In January 2016, Russia suspended imports of oranges from Turkey in response to the downing of a Russian jet in Syria in November 2015. With these two bans, Egyptian orange exports to Russia have surged during the last

two marketing year as a consequence of the void created given the exclusion of products from Spain, Greece, Italy and Turkey.

In August 2013, the United States approved the importation of Egyptian oranges and tangerines. However, cold treatment training for Egyptian inspectors and exporters, which is a required step before any import permits are issued, has not been scheduled.

Marketing:

Spain, South Africa, Turkey and Morocco are Egypt's main competitors in the international marketplace. Other competitors include the United States, China, Australia, and Argentina.

Russia: South Africa, Turkey, and Morocco are Egypt's main competitors in the Russian market but Egypt is, by far, dominant. Egypt's total exports to Russia in MY2016/17 were at 217,988 MT while Turkey reached only 96,397 MT, followed by South Africa exporting 70,711 MT and Morocco at 13,353 MT. Turkish orange exports to Russia are picking up and increased by 39 percent or 26,957 MT to reach 96,397 MT in MY2016/17, versus 69,440 MT in MY2015/16. This increase is attributed to the removal of the Russian ban on Turkish oranges among other fruit. Food imports from Turkey were blocked on January 2016 as a response to the downing of a Russian jet in Syria on November 2015. The ban was cancelled on October 2016. Egypt was one of the primary beneficiaries of the Russian ban on Turkish products. In 2015/16, Egypt's orange exports to Russia were 281,885 MT, an increase of 29 percent or 64,168 MT compared to 217,717 MT in MY2014/15.

On June 30, 2017, President Putin signed decree No. 293 extending Russia's ban on the import of agricultural products, including oranges, from the countries that applied economic sanctions against Russia. These include the United States, the European Union, Norway, Canada, and Australia and are valid until December 31, 2018. The continued ban will help Egyptian exporters continue to replace the product that was previously sourced from Spain, Greece, Italy, Cyprus, United States and Australia.

Saudi Arabia: South Africa is Egypt's main competitor in the Saudi Arabian market. However, Egypt is, by a wide margin, the leading exporter with total 164,741 MT in MY2016/17, versus the 79,599 MT exported by South Africa and 16,039 MT exported by Spain,

Netherlands: Spain and South Africa are Egypt's main competitors in the Netherlands. In MY2016/17, South Africa's total exports were 283,967 MT while Spain exported 140,647 MT, versus 120,655 MT exported by Egypt.

China: South Africa, United States and Australia are Egypt's main competitors in the Chinese market. In 2016/17, South Africa exported 106,284 MT versus 99,930 MT exported by Egypt. The United States orange exports to this market were at 70,852 MT, while 44,069 MT were shipped from Australia. Over the past two years, the volumes of imported oranges in the Chinese market have been going up. China is suffering from citrus greening disease, causing a rapid decline in local production and a steady rise in the price of domestic oranges. Egypt is benefiting from this as Egyptian oranges are available for purchase in the same period of local production, helping to fill the gap in the Chinese market.

United Arab Emirates: South Africa is Egypt's main competitor in the UAE. In 2016/17, South Africa

exported 80,594 MT versus 69,998 MT exported by Egypt.

Tariffs are not the main constraint for Egyptian orange exports. Exports remain constrained by transportation costs, competitors' proximity to export markets, and seasonality. Spain's comparative advantage in the EU market is its geographic proximity, which means lower transportation costs and shipping time. South Africa's advantage lies in their different production season (July-September) for its Valencia oranges compared to Egyptian Valencia oranges, harvested in December. In some instances, South African exporters saturate markets before Egypt commences its own harvest.

PSD Table:

Oranges, Fresh	2015/2016		2016/2017		2017/2018		
Market Begin Year	Oct 2014		Oct 2015		Oct 2016		
Egypt	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Planted	139,950	139,950	146,950	146,950	0	154,200	HECTARES
Area Harvested	133,200	133,200	136,475	136,475	0	142,100	HECTARES
Bearing Trees	10,200	10,200	10,500	10,500	0	12,300	1000 TREES
Non-Bearing Trees	9,000	9,000	9,250	9,250	0	9,000	1000 TREES
Total No. Of Trees	19,200	19,200	19,750	19,750	0	21,300	1000 TREES
Production	2,930	2,930	3,000	3,000	0	3,180	1000 MT
Imports	0	0	0	0	0	0	1000 MT
Total Supply	2,930	2,930	3,000	3,000	0	3,180	1000 MT
Exports	1,464	1,450	1,520	1,520	0	1,600	1000 MT
Fresh Dom. Consumption	1,366	1,380	1,380	1,380	0	1,480	1000 MT
For Processing	100	100	100	100	0	100	1000 MT
Total Distribution	2,930	2,930	3,000	3,000	0	3,180	1000 MT

Note: This is not USDA official data