

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Egypt

### Citrus Annual

## Egyptian Pound's Devaluation to Boost Orange Exports

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**Report Highlights:**

In MY2016/17, Post forecasts total orange exports to increase by 5 percent or 70,000 MT to 1.520 MMT compared to 1.450 MMT in the previous year. FAS Cairo attributes this increase to higher demand from import markets driven by the Egyptian pound's devaluation, which should boost Egyptian products' competitiveness in general. Orange production is to increase by 2.5 percent or 70,000 MT from 2.930 MMT to 3.0 MMT. The expansion is attributed to the increase in the total area harvested due to improved weather conditions, as well as an increase in the number of new fruit bearing trees. Post revised PSD numbers for MY2015/16 to reflect the increase in planted area, production, and exports.

## **Planted Area:**

MY2016/17 total orange planted area is forecast at 146,950 hectares (ha), a 5 percent increase from the previous year. Post has revised its estimated planted area for MY2015/16 at 139,950 ha; a 5 percent increase from USDA's forecast of 133,236 ha.

The increase in planted area is due to the increasing demand for Egyptian oranges in international markets and joint government and private sector successful efforts in opening new markets, mainly in Africa and South Asia. During the last few years, Egypt has benefited from the import ban imposed by Russia on EU and Turkish citrus exports. Additionally with the devalued Egyptian pound, Egypt's oranges are more competitive internationally. All of these developments support a positive outlook, encouraging producers to expand their planted areas.

In October 2016, the government offered for sale 210,000 ha in new areas for cultivation as part of Egypt's effort to reclaim 630,000 ha (1.5 million feddans) of marginal or desert lands for agricultural use (please see [Egyptian Land Reclamation Efforts GAIN voluntary report May 2016](#)). Many key producers and exporters of fruits and vegetables have had a standing request for the government to make newly reclaimed areas available in order to expand their production to capitalize on growing export potential. The majority of these producers are bullish with regard to prospects for Egyptian vegetable and fruit exports. According to the government, a company can purchase an area of not less than 840 ha but not more than 42,000 ha.

As of November 22, 2016, 36 companies submitted applications to obtain land purchasing rights under this initiative. The government will review the applications and make the corresponding allotments. It is expected that the government will sign contracts and hand over land use rights to new owners by April 2017. Post expects that area planted with oranges will increase significantly starting in MY2017/18 in response to this development, but it's too early to estimate the magnitude of such development. Interest abounds. In April 2016, a key orange producer and exporter announced that he intends to cultivate 6,600 ha in newly reclaimed land, using between 30-40 percent of the area for orange production.

Post forecasts MY2016/17 orange total harvested area at 136,475 ha, a 2.5 percent increase from the previous year. Post is revising its MY2015/16 total harvested area upwards to 133,200 ha, an 8 percent increase from the previous forecast of 122,800 ha. The increase in area harvested is attributed to preferable weather conditions that prevailed in 2016 and that are expected to continue in 2017.

## **Production:**

FAS Cairo forecasts MY2016/17 orange production to rise by 2.5 percent or 70,000 MT to a level of 3.0 MMT, a 6.5 percent increase from USDA's forecast of 2.75 MMT. Post attributes the increase in production to an expansion in the area harvested due to improved weather conditions and from the addition of approximately 180,000 trees new fruit bearing trees. The number of fruit bearing trees will reach 10.5 million trees compared to 10.2 million trees in the previous season. Egypt is the sixth largest orange producer in the world after Brazil, China, the U.S., the EU, and Mexico.

Many orange varieties are produced in Egypt but six are the most dominant as listed in Table (1).

Valencia and navel are the main export varieties while others are used mostly for domestic consumption.

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

In Upper (southern) Egypt, orange seedlings are typically planted in early February while in other areas in the Delta region, planting is best completed in March. Orange trees will start producing four years after planted 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 extreme, hot weather (Table 2). The export season starts in mid-November and, through cold storage, extends to late August, therefore capitalizing on many market windows.

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

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

Source: MALR

In an effort to improve production and reduce post-harvest losses, in November 2016 the Minister of Agriculture and Land Reclamation, Dr. Essam Fayed, launched the national campaign for the adoption of Good Agricultural Practices (GAP). The campaign, which will be implemented by Union of Producers and Exporters of Horticultural Commodities (UPEHC), is intended to promote greater adoption of GAP, especially targeting small producers across the different governorates. The ministry expects that by applying GAP, production will increase, post-harvest losses will decrease, food safety will be enhanced, and the image abroad of Egyptian horticultural products, including citrus, will improve.

### **Consumption:**

Post forecasts fresh domestic consumption to remain stable at 1.38 MMT. Roughly 46 percent of the orange crop is consumed fresh, while 3.3 percent or 100,000 MT is consumed as juice. Orange is a preferred fruit for Egyptian consumers during the winter season.

So far in 2016, prices of food products, including fruits and vegetables, have increased by 20-30 percent. The Central Bank of Egypt estimated that the inflation rate (Consumer Price Index, (CPI) for

fruits and vegetables increased from 12.7 percent in August 2014 to 15.4 percent in August 2015 and to 36.1 percent in August 2016. However, prices of oranges were stable and more favorable compared to other fruits. This November 2016 list of representative fruit prices demonstrates this:

Fruit Price/Kilogram

Oranges - EGP 3.50 (\$.20 cents)

Bananas - EGP 11 (\$.61 cents)

Guavas - EGP 8/kilogram (\$.45 cents)

Peaches - EGP 15/kilogram (\$.84 cents)

The majority of orange exporters are producers who also own packing facilities that are government approved and inspected. Most of them also source locally from farmers to increase their export volumes. Other exporters own packing facilities but do not produce oranges, depending on local farmers for their supply. Farmers are required to deliver their crop to an approved packing facility, which usually is close to their farm, and are paid an agreed-upon “procurement price”. The procurement price is determined annually by members of the Citrus Committee at the Egyptian Agricultural Export Council (Council). The Council convenes before the onset of the harvest to agree on an appropriate procurement price based on the size and the shape of the fruit. However, some exporters may offer higher prices to attract farmers, especially those with higher crop quality or large areas. Other exporters will contract the whole production with farmers before the beginning of the harvest season and usually assume responsibility for the harvest and transportation of the crop to their packing facilities.

Procurement prices per kilogram for MY2015/16 were 150 piasters (\$.19 cents). The Council announced that for MY2016/17 many farmers were reluctant to deliver or sell their crop at last year’s prices and requested a doubling of prices due to the overall inflation rate and the increase in the cost of living. As a result, the Council decided to set the per kilogram price at 300 piasters which, because of the devaluation, is equivalent to \$.16 cents.

**Trade:**

In MY2016/17 FAS Cairo forecasts total exports to increase by 5 percent or 70,000 MT at 1.520 MMT compared to the revised MY2015/16 total of 1.450 MMT. Post attributes this increase to the higher demand from import markets due to the competitive prices that are expected to be offered by exporters in view of the Egyptian pound’s devaluation.

On November 3, 2016, the government devalued the Egyptian pound, allowing it to float against the U.S. dollar. The currency was initially devalued to EGP 13 per USD 1 as an indicative price, down from the pegged rate of EGP 8.88 per USD 1, which had been in place since March 2016. It has since toppled further, and is now at about EGP 18 per USD as of early December, 2016.

Exporters are expecting to benefit from the devaluation as labor, transportation, electricity and other domestically supplied incomes become cheaper in terms of foreign exchange. The move has also motivated many import companies to shift to exports. One key agribusiness source estimates that at least 20 percent of import companies have shifted to exports in order to benefit from the exchange rate, offsetting some of their high import costs. As an example, one company that was completely dedicated to importing fruits including apples and bananas is now exporting fruits including oranges and mangoes

to markets in the Arab region and EU.

In MY2015/16, the following markets were Egypt's top export destinations: Saudi Arabia, Russia, Netherlands, United Arab Emirates, United Kingdom, Oman, Kuwait, India and Bangladesh. Saudi Arabia and Russia absorbed roughly 43 percent of Egypt's total orange exports. Post expects that export destinations will remain unchanged in MY2016/17. In MY2015/16, Saudi Arabia was Egypt's top export market, absorbing 320,000 MT or 22 percent of Egypt's total orange exports while Russia was Egypt's second export destination importing 304,000 MT or 21 percent of Egypt total orange exports.

In MY2015/16, Egypt's orange exports attained major breakthroughs in certain markets. Orange exports to Oman increased by 208 percent at 69,903 MT compared to 22,670 MT in the previous year. Exports to Spain increased by 1,226 percent at 15,096 MT compared to 1,138 MT, to France by 357 percent at 2,944 MT compared to 644 MT in MY14/15, and exports to Belgium increased by 346 percent at 5,389 MT compared to 1,206 MT the year before.

Table (3): Egypt Export Statistics								
Commodity: 080510, Oranges, Fresh								
Year Ending: September								
Partner Country	Unit	Quantity			% Share			% Change
		2014	2015	2016	2014	2015	2016	2016/2015
<b>World</b>	T	832,665	1,299,117	1,465,200	100.00	100.00	100.00	12.78
<b>Saudi Arabia</b>	T	162,903	349,736	319,966	19.56	26.92	21.84	- 8.51
<b>Russia</b>	T	190,472	218,531	303,426	22.88	16.82	20.71	38.85
<b>Netherlands</b>	T	38,840	68,224	107,247	4.66	5.25	7.32	57.20
<b>United Arab Emirates</b>	T	56,529	93,234	92,548	6.79	7.18	6.32	- 0.74
<b>United Kingdom</b>	T	36,268	51,619	76,312	4.36	3.97	5.21	47.84
<b>Oman</b>	T	14,463	22,670	69,903	1.74	1.75	4.77	208.34
<b>Kuwait</b>	T	25,485	59,785	59,956	3.06	4.60	4.09	0.29
<b>India</b>	T	39,355	37,022	57,455	4.73	2.85	3.92	55.19
<b>Bangladesh</b>	T	36,114	40,248	54,987	4.34	3.10	3.75	36.62
<b>China</b>	T	6,046	20,755	34,110	0.73	1.60	2.33	64.35
<b>Malaysia</b>	T	20,389	28,256	28,603	2.45	2.18	1.95	1.23
<b>Jordan</b>	T	13,737	20,269	25,931	1.65	1.56	1.77	27.93
<b>Sudan</b>	T	18,656	33,369	25,833	2.24	2.57	1.76	- 22.58
<b>Ukraine</b>	T	36,415	34,639	22,018	4.37	2.67	1.50	- 36.43
<b>Hong Kong</b>	T	8,478	16,217	16,363	1.02	1.25	1.12	0.90
<b>Others</b>		128,515	204,543	170,542				

Source: GTA

The Russian ban on EU and US meat, fish, fruit, vegetables and milk products in August of 2013 and the subsequent ban on Turkish products in January 2016 benefitted Egypt for much of 2016. Egyptian orange exports to Russia surged during the last two marketing years as a consequence of the ban. Egypt's orange exports to Russia increased by 60 percent in MY2015/16 compared to MY2013/14. Egypt's orange exports which were at 190,472 MT in MY2013/14 increased to 218,531 MT in MY2014/15 and to 304,000 MT in MY2015/16. However, in October 2016, Russia lifted the import ban on Turkish oranges, among other products.

In November 2016, the Eurasian Economic Union (EEU), which is comprised of Armenia, Belarus, Kazakhstan, Kyrgyzstan, and Russia, announced the removal of its 5 percent import tariffs on orange imports. The decision, which will take effect January 3, 2017, is expected to increase Egypt's orange exports to these countries. In MY2015/16, Egypt's orange exports to Russia, Kazakhstan and Armenia

were 304,000 MT, 3,630 MT and 975 MT respectively.

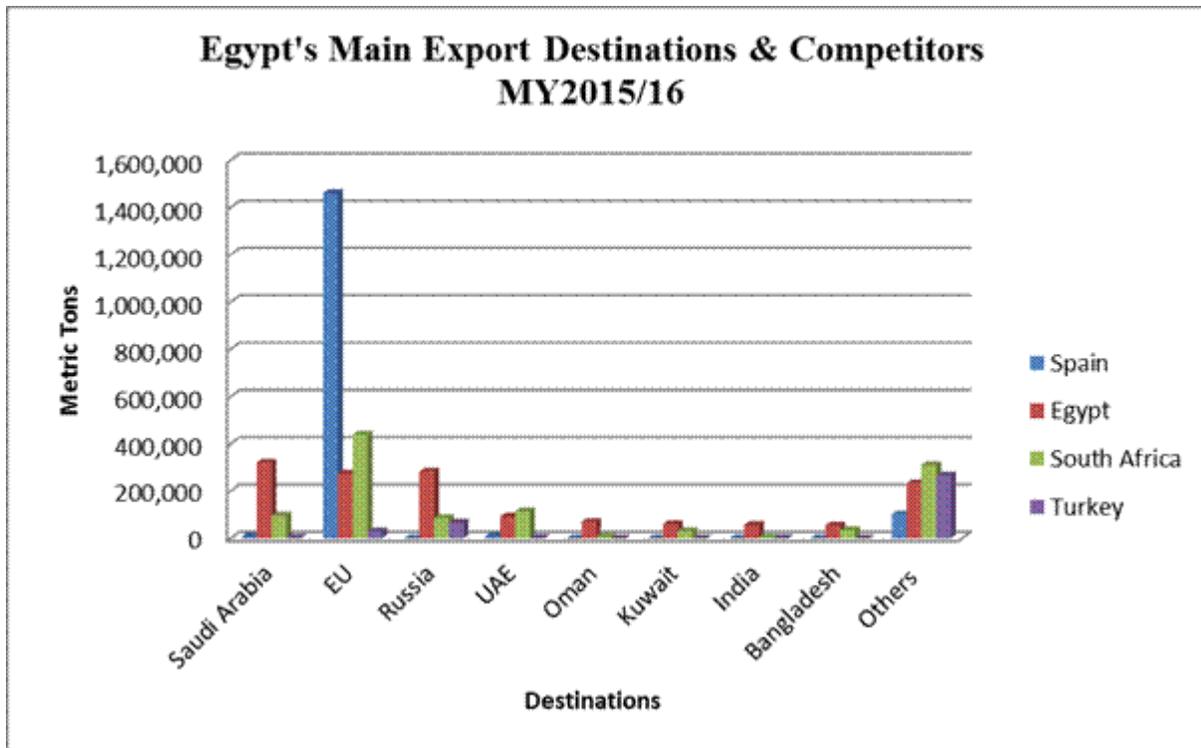
On September 13, 2016, the Russian Federal Service for Veterinary and Phytosanitary Surveillance announced on its official website that starting September 22, 2016, it would impose a temporary restriction on Russia’s imports of products of high phytosanitary risk from Egypt including oranges. The announcement stated that the supplies of agricultural products from Egypt to Russia revealed systematic violations of international and Russian phytosanitary requirements.

The announcement prompted a delegation of Egyptian senior officials from the Ministries of Agricultural and Land Reclamation and Industry and Trade and representatives from Egypt’s Agricultural Export Council to travel to Russia on September 26, 2016. The officials held meetings in Moscow with officials from the Russian Federal Service for Veterinary and Phytosanitary Surveillance to solve the issue. The meeting was devoted to ensure compliance of Egypt with the Russian phytosanitary requirements for products export to Russia. On September 28, 2016, Russia rescinded the temporary ban on Egyptian agricultural products including oranges, but the ban on potatoes remained pending additional consultations with Egyptian authorities.

The move by Russian authorities was perceived as a retaliatory response to Egypt’s rejection of Russian wheat due to the presence of the ergot fungus. Throughout 2016, Egyptian quarantine authorities inconsistently implemented a zero tolerance for the presence of ergot in wheat shipments, creating severe disruptions in global supply chains. Russia’s retaliatory threat had the intended effect, forcing Egyptian authorities to reverse their decision and accept the internationally recognized 0.05 percent ergot presence in wheat shipments.

<b>Egypt’s Main Export Destinations</b>	<b>Suppliers (Egypt’s Main Competitors)</b>				
	<b>Spain</b>	<b>Egypt</b>	<b>South Africa</b>	<b>Turkey</b>	<b>Morocco</b>
<b>World</b>	<b>1,568,174</b>	<b>1,465,200</b>	<b>1,160,656</b>	<b>367,209</b>	<b>94,072</b>
<b>Saudi Arabia</b>	9,545	319,966	95,958	3,663	195
<b>Russia</b>	0	281,847	86,184	67,199	10,090
<b>EU</b>	1,460,531	274,429	438,782	30,032	68,049
<b>United Arab of Emirates (UAE)</b>	10,331	92,548	113,979	2,334	2
<b>Oman</b>	118	69,903	5,583	59	35
<b>Kuwait</b>	245	59,956	31,002	267	0
<b>India</b>	46	57,455	3,874	1,296	0
<b>Bangladesh</b>	0	54,987	34,380	48	0
<b>Others</b>	101,261	232,530	309,125	265,969	13,876

Source: GTA Volumes in Metric Tons



Source: GTA

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 can be 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.

Tariffs are not a major constraint for Egyptian orange exports, but transportation costs, competitors’ proximity to export markets, and seasonality are major challenges. Being an EU member state, Spain’s also capitalizes on its geographic proximity, which means lower transportation costs and shipping time. South Africa’s competitive advantage relies on a different production season (July-September) for its Valencia oranges compared to Egyptian Valencia oranges that are harvested starting in early-December, providing South African exporters the opportunity to exploit key market windows before Egypt commences its own harvest.

A constraint that Egyptian orange producers and exporters are facing is mounting import countries’ concerns about Mediterranean and peach fruit fly. Most countries require that Egypt utilize cold treatment to eliminate the presence of fruit flies. Egypt is funding the “Fruit Fly Resistance Project” with the aim of controlling the spread of fruit flies. It is also adopting regulations to implement quality control requirements for exported oranges that would mitigate the presence of these pests.

**Russia:** South Africa, Turkey, and Morocco are Egypt’s competitors in the Russian market but Egypt is, by far, dominant. Egypt’s total exports to Russia in MY2015/16 were at 281,847 MT while South Africa exported 86,184 MT followed by Turkey at 67,199 MT and Morocco at 10,090 MT. Russia lifted its ban on Turkish products on October 16, 2016, after imposing the ban in January 2016. The ban had a noticeable effect on Turkey’s orange exports as exports decreased by 21 percent in MY2015/16 to 69,859 MT from 88,275 MT in MY2014/15, something on which Egypt capitalized. In a joint meeting with his Turkish counterpart, Russian President Vladimir Putin stated that lifting the ban on Turkish products will slash prices in the Russian market, especially for oranges.

Turkish orange exports to Russia take place from October to March but the majority of exports occur between November and January, hence the impact of the Russian ban was a 26 percent drop. It is expected that Egypt will face increased competition from Turkey in the Russian market in MY2016/17. Nonetheless, Russia’s extension of the import ban on the United States, the European Union, Norway, Canada, and Australia until the end of 2017 will continue to favor Egypt. This extension will help Egyptian exporters replace most of the share of oranges that previously came from Spain, Greece, Italy, Cyprus, United States and Australia. In MY2013/14, Russian orange imports from these countries were at 26,000 MT representing 5.5 percent of Russia’s total orange imports.

**Gulf Countries:** South Africa is Egypt’s main competitor in the Saudi Arabian and the United Arab Emirates’ markets. However, Egypt is, by a wide margin, the leading exporter with total exports of 319,966 MT in MY2015/16 to Saudi Arabia versus 95,958 MT exported by South Africa. Egypt’s total exports to the United Arab Emirates were at 92,548 MT compared to 113,979 MT exported by South Africa in MY2015/16.

**Netherlands and United Kingdom:** Spain and South Africa are Egypt’s main competitors in the Netherlands and United Kingdom markets. In MY2015/16, Spain continued as a leading exporter with total exports of 243,329 MT to these markets while South Africa’s total exports were at 284,865 MT versus 183,559 MT exported by Egypt.

**Mandarins:**

Post estimates that in MY2015/16, total mandarin planted area was at 50,000 ha. Mandarin is the second largest citrus crop grown in Egypt and total area represents roughly 25 percent of total area planted with citrus crops. Area planted with mandarins has increased during the last 5 years by 12 percent due to increased demand from the local and international markets. In MY2015/16, total exports of mandarin were at 54,390 MT, a 54 percent or 19,000 MT increase from the previous year of 35,391 MT (table 5). The increase in exports stems from rising demand from Kuwait, Russia, Sudan and Jordan.

Table (5): Egypt Export Statistics
Commodity: 080520, Mandarins (Including Tangerines And Satsumas); Clementine, Wilkings And Similar Citrus Hybrids, Fresh Or Dried
Year Ending: July 2016

Partner Country	Unit	Quantity			% Share			% Change
		2014	2015	2016	2014	2015	2016	2016/2015
World	T	16,526	35,391	54,390	100.00	100.00	100.00	53.68
Kuwait	T	581	1,280	16,597	3.52	3.62	30.51	1196.20
Russia	T	1,724	5,901	16,018	10.43	16.67	29.45	171.46
Sudan	T	505	1,278	4,925	3.06	3.61	9.06	285.36
Jordan	T	1,443	1,231	3,446	8.73	3.48	6.34	179.97
Saudi Arabia	T	2,246	2,990	2,626	13.59	8.45	4.83	- 12.16
Ukraine	T	832	1,240	1,823	5.04	3.50	3.35	46.97
Malaysia	T	210	195	1,158	1.27	0.55	2.13	493.37
Hong Kong	T	114	208	1,152	0.69	0.59	2.12	455.08
United Arab Emirates	T	690	667	935	4.17	1.88	1.72	40.23
Singapore	T	223	193	678	1.35	0.54	1.25	251.95
Oman	T	176	156	647	1.06	0.44	1.19	314.63
Netherlands	T	923	599	628	5.58	1.69	1.15	4.87
Others	T	6,859	19,453	3,757				

Source: GTA

In MY2015/16, Kuwait, Russia, Sudan, Jordan and Saudi Arabia were Egypt's top export destinations. Kuwait and Russia absorbed roughly 60 percent of Egypt's total mandarin exports. Post expects that export destinations will remain unchanged for MY2016/17. Kuwait was Egypt's top export market, absorbed roughly 16,597 MT or 31 percent of Egypt's total mandarin exports while Russia was Egypt's second export destination absorbed roughly 16,018 MT or 29 percent of Egypt total mandarin exports.

PSD Table:

Oranges, Fresh	2014/2015		2015/2016		2016/2017		
Market Begin Year	Oct 2014		Oct 2015		Oct 2016		
Egypt	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Planted	133,236	133,236	133,236	139,950	0	146,950	HECTARES
Area Harvested	117,000	117,000	122,800	133,200	0	136,475	HECTARES
Bearing Trees	9,250	9,250	9,550	10,200	0	10,500	1000 TREES
Non-Bearing Trees	8,070	8,070	8,300	9,000	0	9,250	1000 TREES
Total No. Of Trees	17,320	17,320	17,850	19,200	0	19,750	1000 TREES
Production	2,630	2,635	2,750	2,930	0	3,000	1000 MT
Imports	0	0	0	0	0	0	1000 MT
Total Supply	2,630	2,635	2,750	2,930	0	3,000	1000 MT
Exports	1,200	1,200	1,300	1,450	0	1,520	1000 MT
Fresh Dom. Consumption	1,345	1,350	1,365	1,380	0	1,380	1000 MT
For Processing	85	85	85	100	0	100	1000 MT
Total Distribution	2,630	2,635	2,750	2,930	0	3,000	1000 MT

Note: This is not USDA official data