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GAIN Report

Global Agricultural Information Network

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Egypt

Livestock and Products Annual

Political and Economic Stability Will Influence Beef Consumption.

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Report Highlights:

FAS Cairo forecasts that in 2014 Egypt's total beef production, imports and domestic consumption will slightly increase. Total beef production is anticipated to reach 290 thousand metric tons (TMT), up by about 5 TMT or 1.7 percent from the 2013 level. In 2014 an additional 15,000 head of cattle will be slaughtered, and we project that calf production will commence to recover. We see calf production reaching 1.7 million head, up some 80,000 head or about 5 percent from the 2013 level. FAS Cairo similarly forecasts beef imports to reach 230 TMT, up 15 TMT or about 7 percent from the 2013 level. Imports of live cattle in 2014 will likely reach 105,000 head, up 5,000 head from 2013's numbers. We

assume that beef consumption will surpass 520 TMT, up 20 TMT from the 2013 level as Egypt's political and economic situation gradually stabilizes.

Commodities:

Animal Numbers, Cattle. Meat, beef and veal.

Production:

Cattle Numbers, Egypt	2012		2013		2014		
	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	
Total Cattle Beg. Stocks	6,175	6,175	6,180	6,180		6,260	(1000 HEAD)
Dairy Cows Beg. Stocks	3,960	3,960	3,980	3,980		3,990	(1000 HEAD)
Beef Cows Beg. Stocks	0	0	0	0		0	(1000 HEAD)
Production (Calf Crop)	1,550	1,550	1,620	1,620		1,700	(1000 HEAD)
Total Imports	95	95	100	100		105	(1000 HEAD)
Total Supply	7,820	7,820	7,900	7,900		8,065	(1000 HEAD)
Total Exports	0	0	0	0		0	(1000 HEAD)
Cow Slaughter	320	320	340	340		355	(1000 HEAD)
Calf Slaughter	60	60	80	80		70	(1000 HEAD)
Other Slaughter	920	920	920	920		930	(1000 HEAD)
Total Slaughter	1,300	1,300	1,340	1,340		1,355	(1000 HEAD)
Loss	340	340	300	300		250	(1000 HEAD)
Ending Inventories	6,180	6,180	6,260	6,260		6,460	(1000 HEAD)
Total Distribution	7,820	7,820	7,900	7,900		8,065	(1000 HEAD)

Not official USDA data. Official USDA data is available at <http://www.fas.usda.gov/psdonlineonline>.

Meat, Beef and Veal, Egypt	2012		2013		2014		
	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	
Slaughter (Reference)	1,300	1,300	1,340	1,340		1,355	(1000 HEAD)
Beginning Stocks	0	0	0	0		0	(1000 MT CWE)
Production	280	280	285	285		290	(1000 MT)

Total Imports	250	250	225	215		230	CWE) (1000 MT CWE)
Total Supply	530	530	510	500		520	(1000 MT CWE)
Total Exports	0	0	0	0		0	(1000 MT CWE)
H. Dom. Consumption	530	530	510	500		520	(1000 MT CWE)
Other Use, Losses	0	0	0	0		0	(1000 MT CWE)
Total D. Consumption	530	530	510	500		520	(1000 MT CWE)
Ending Stocks	0	0	0	0		0	(1000 MT CWE)
Total Distribution	530	530	510	500		520	(1000 MT CWE)

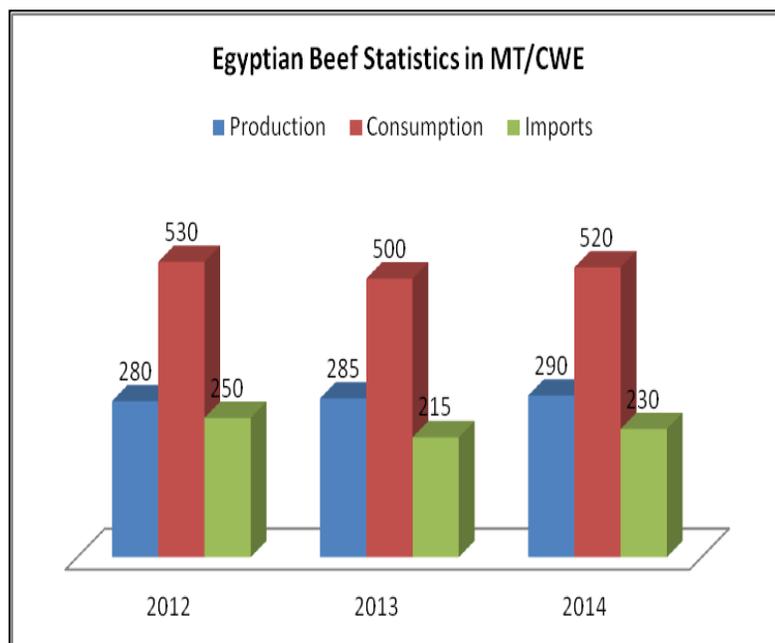
Not official USDA data. Official USDA data is available at <http://www.fas.usda.gov/psdonlineonline>.

FAS Cairo forecasts Egypt's calf production growing to 1.7 million head in 2014, up some 80,000 head or about 5 percent compared to the 2013 level. We attribute the increase to more effective vaccination of Egypt's cattle and buffalo herds against foot-and-mouth disease (FMD-SAT2).

In May 2013, Egypt amended Agricultural Law 53 (1966) making livestock immunization and insurance mandatory. To control the spread of FMD-SAT2 and other livestock diseases, farmers and livestock breeders are obligated to vaccinate their livestock, as well as purchase insurance against disease-induced animal losses. The mandatory fee for this service is Egyptian Pounds (LE) 70/year (~\$10/year)/animal. Reports indicate that 40 percent of Egypt's herd is currently vaccinated against the FMD virus. This has lowered to 40 the reported number of positive FMD cases in 2013.

Virtually the entire Egyptian livestock herd (both cattle and buffaloes) are maintained for dairy production. Egypt does not maintain a domestic beef herd. Animals consist of imported dairy cows and mixed breeds. FAS Cairo's herd data in its production, supply and demand (PS&D) table assumes a roughly even split between cattle (dairy cows) and buffaloes.

FAS Cairo forecasts total beef production in 2014 to reach 290 thousand metric tons (TMT), about 5 TMT or 1.7 percent the 2013 level. In 2014 we an additional 15,000 head of being slaughtered, as well as production recovering. Beef production is still however from the 2011 high of 312 due to the lingering effects of 2012 FMD-SAT2 outbreak notwithstanding improved vaccination levels.



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Egypt continues to promote its twenty year old “veal project” with the hope of achieving self-sufficiency in meat production. The government’s underperforming program aims to entice small livestock breeders with low interest micro-credit loans. However, the credit facilities are often insufficient to cover high breeding and feed costs.

Consumption:

FAS Cairo forecasts that local beef consumption will surpass 520 TMT, up about 4 percent from the 2013 level as Egypt’s political and economic situation gradually stabilizes. This increase is largely dependent on physical security improving sufficiently enough to woo tourists to return to Egypt. Otherwise we would see demand stagnating, remaining at close to 2013 levels of 500 TMT.

Hotel occupancy rates in Cairo, Alexandria, Luxor, and the Red Sea resorts have dropped precipitously since May 2013 to 10 percent of their pre-January 2011 Revolution levels. The July 2013 ouster of Freedom and Justice Party (Muslim Brotherhood) President Mohamed Morsi has seen occupancy rates further dip to 5 percent of their pre-2011 levels. Egypt’s Airport Company (local airport authority) confirms that commercial air traffic to Egypt is now down 50 percent; the Red Sea tourist resort towns of Hurgada and Sharm El-Sheikh have been especially hard hit.

Political and economic turmoil has also adversely impacted non-tourist consumption patterns. The country’s foreign exchange liquidity crisis of 2012-13 has led to the depreciation of the Egyptian Pound, limiting imports of beef and beef products and driving consumer prices upward. Faced with a shortfall in beef and beef products, Egyptians have turned increasingly to more affordable alternative protein sources such as poultry and fish (when available) or cutback outright on consumption.

Egypt normally imports 40 percent of its beef needs to bridge the gap between domestic production and consumption. Egyptian consumers prefer domestic beef over imported beef due to distrust of foreign halal slaughter practices. Until the recent depreciation of the Egyptian Pound, domestic beef prices commanded a price premium over imports; this situation has now been inverted.

Beef and beef product importers have commented to FAS Cairo that their costs in 2013 have increased by 20 percent, with costs being passed onto consumers. Frozen imported beef until July 2013 had been sold at between LE 30 to LE 45/kilogram (kg) or at about \$4.29 to \$6.43 (~\$1 = LE 6.99). This represents a notable increase in Egyptian Pounds compared to the 2012 price of LE 24 to LE 37/kg. Prices have however just dropped to 2012 levels thanks in large measure to the \$12 billion infusion of Saudi Arabia and Gulf States funds (direct cash transfers, loans, and fuel).

	2012 Prices (kg)	2013 Prices (kg)
Locally Produced Beef	LE 60 to LE 90	LE 50 to LE 85
Imported Frozen Beef	LE 24 to LE 37	LE 22 to LE 33
Imported Live Cattle for Slaughter (live weight)	LE 27 to LE 45	LE 22 to LE 40

Egyptians prefer beef to other types of meat including poultry and lamb. Domestic consumers also prefer fresh over frozen beef for cultural reasons. Egypt’s more affluent consumers view frozen imported beef as being an inferior product. Their opinion is premised on the fact that the bulk of frozen imported beef are low-quality cuts sold at government outlets at reduced prices. The exception to this

being the very limited, high-quality (more expensive) largely U.S. beef cuts sold in upscale restaurants and hotels.

Trade:

FAS Cairo forecasts live cattle imports in 2014 to reach about 105,000 head, up some 5,000 head from 2013 numbers. Importers comment that they are sourcing increasing numbers of Sudanese and Ethiopian livestock. Live cattle imports are earmarked for immediate slaughter; however, dairy cows are also being imported. Egypt's main suppliers of live cattle for slaughter include Brazil, Sudan, Ethiopia, Croatia, and Australia.

U.S.-origin live cattle enjoy a positive reputation. In the course of 2013, one of Egypt's largest fresh milk producers has imported 2,400 head of U.S.-origin bred dairy heifers. This producer informs FAS Cairo that he is expanding milk production capacity by 33 percent to 80,000 MT/annum in 2014.

Australian live cattle imports continue to encounter problems since Egypt reopened its market in 2010. Egypt in August 2012 suspended the imports of Australian live cattle following the detection of animal growth promotants (hormones) in two shipments totaling 32,000 head of cattle. Australia suspended exports of live cattle in 2013 due to animal cruelty concerns with Egypt's slaughter facilities. We anticipate Brazil supplanting Australia in 2014 as Egypt's largest supplier of live cattle for slaughter.

To ease inter-state tensions among the Nile basin countries disputing Nile River water quotas, Egypt is actively promoting increased cooperation and improved economic/trade ties. In a bid for continued access to upstream water, Egypt is increasingly favoring the import of Sudanese and Ethiopian live cattle and chilled beef from Ethiopia. Egypt is a water scarce country (receiving less than 1,000 cubic meters/capita/annum), which by 2020 will need to identify additional water to meet a 20 percent expansion in demand relative to current supply.

The policy of favoring imports of cattle from Sudan and Ethiopia is not without pitfalls. Besides high transportation costs due to inadequate roadways, a key concern is the potential introduction of animal diseases that can rapidly become epidemics due to Egypt's poor control and vaccination measures.

The Ministry of Agriculture and Reclamation (MALR) – General Organization for Veterinary Services (GOVS) confirms that Egypt will import 5,500 Ethiopian cattle in September 2013, representing the largest import volume since the resumption of imports in 2010. Previously Ethiopian cattle imports were banned due to the 2007 outbreaks of FMD, lumpy skin disease (LSD), and three-day fever. Egypt's 2012 FMD-SAT2 outbreak is attributed to Ethiopia-origin infected live cattle shipments and to smuggled animals (including sheep) from Libya.

Egypt and Sudan signed a memorandum of understanding in June 2012 establishing a joint livestock production facility. Sudan has allocated 1,750 feddans (~735 hectares) for this project. This farm will handle 4,000 head of cattle and a similar number of sheep. Egypt's MALR confirms that it has completed its assessment of the technical requirements for implementing this project.

Egyptian Imports of Beef and Buffalo Meat – January to July 2013								
	Jan.	Feb.	Mar.	Apr.	May	June	July	Total
Frozen/Chilled Beef	12,595	5,885	4,345	7,071	7,428	9,480	8,428	55,232
Frozen Buffalo Meat	2,857	3,680	3,571	4,857	7,142	11,571	9,714	43,392
Total	15,452	9,565	7,916	11,928	14,570	21,051	18,142	98,624

NOTE: Numbers per metric ton in Carcass Weight Equivalent (CWE)/Conversion to CWE rate equivalent to 1.4.

Source: General Organization for Veterinary Service and FAS Cairo office research.

FAS Cairo forecasts frozen beef imports in 2014 to reach 230 TMT, up 15 TMT compared to the 2013 level. The projected uptick in 2014 is based on the assumption of increased political stability and a lessening of economic uncertainty. If this holds true, consumers will return to previous consumption preferences favoring fresh beef over frozen product. Egypt's main suppliers of frozen beef through 2014 are Brazil, Argentina, the United States, Australia, Uruguay, and New Zealand. India will remain Egypt's main supplier of frozen buffalo meat.

Egypt's foreign exchange liquidity crisis has constrained imports in 2013, forcing importers to rely on the Central Bank of Egypt's dollar auctions. Reportedly importers continue to struggle to secure sufficient amounts of dollars, especially for larger transactions, to meet their international payment obligations. This situation has led importers to not finalize import purchases, as well as caused foreign (including U.S.) suppliers to either withhold credit and or shorten payment terms.

Egypt does however partially ban the import of beef and beef products from Brazil, namely imports originating in Parana state. Egypt has banned Parana state imports since the December 2012 positive detection of an atypical case of *bovine spongiform encephalopathy* (BSE). This ban has had a minimal impact on Brazil's overall exports of frozen beef to Egypt.