

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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POLICY

Voluntary Public

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Egypt

Post: Cairo

Short Sugar: Egyptians Find It Harder To Buy The Sweet Stuff

Report Categories:

Sugar

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Report Highlights:

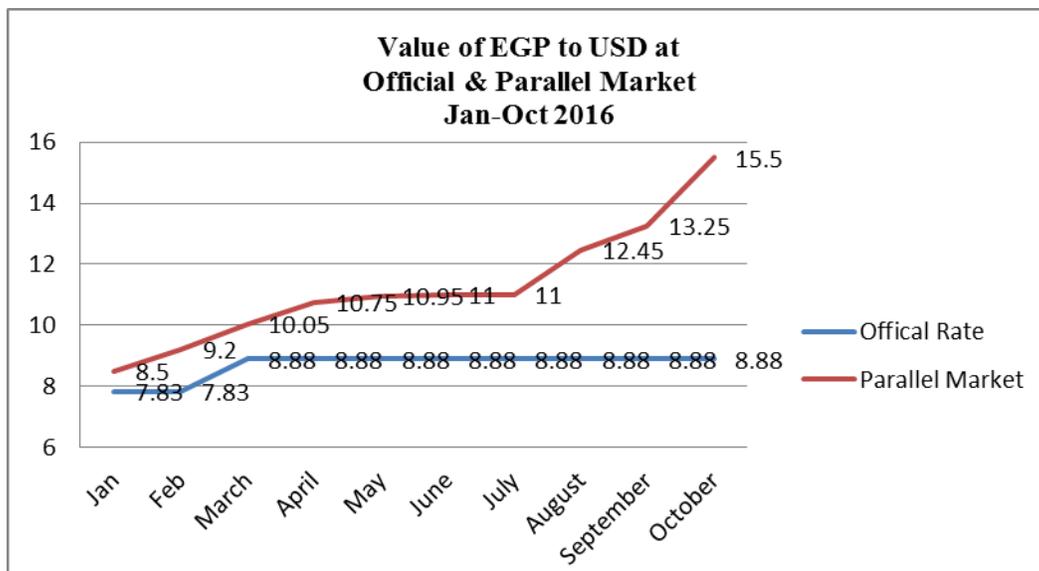
Sugar shortages have been widely reported over the last few weeks in most of Egypt's governorates. Post believes that both traders and consumers are hoarding and stockpiling sugar stocks, due to the escalating inflation driven by a depreciating Egyptian pound.

Summary:

Over the last few weeks, sugar shortages have been reported in most of Egypt's governorates, including the capital Cairo. This affects the unsubsidized sugar sold at market prices, and to a lesser extent the subsidized sugar sold at government-owned shops. To demonstrate the reality of the shortage, FAS/Cairo office staff was unable to buy one kilogram of sugar from shops surrounding the area where the U.S. Embassy is located in the Garden City neighborhood of Cairo, an affluent and economically active quarter. The area has an array of private shops and includes a consumer complex belonging to the Ministry of Supply and Internal Trade (MoSIT), which sells subsidized food products to subsidy card holders. The complexes are offering sugar for card holders at EGP 5 per kilogram limited only by the amount of funds in their cards. However, the complexes were ordered to sell the sugar for all customers at EGP 6 per kilogram.

Post believes that both traders and consumers are hoarding sugar in expectation of price increases, due to the Egyptian pound's (EGP) daily depreciation in the parallel market against the U.S. dollar (USD). Escalating sugar prices in the international market have also played a role, as these have increased from USD 440 per ton in August to over USD 515 per ton in October.

The Egyptian pound's official rate is currently at USD 1= EGP8.88, however, in the parallel market the pound has continued to weaken since it was last devalued in March of 2016, reaching a high of 16/USD in October of 2016. This has had the predictable effect of daily price changes, as Egypt must meet its needs by importing one million tons or about one- third of its annual consumption.



Foreseeing an arbitrage opportunity, traders and middlemen have purchased huge amounts of refined sugar mainly from the state-owned crushers in the course of 2016. Instead of distributing and selling it in the local market, these brokers have essentially hoarded the product on a more significant scale than usual, speculating that they could make a considerable profit by selling it later at higher prices. In addition, even some consumers, fearing future price increases, have gotten into the act, by buying larger-than-normal quantities as a hedge.

In September 2016, the government responded by limiting the distribution of sugar to MoSIT's Holding Company for Food Industries (HCFI), leaving out hundreds of traders and packaging factories. The government stated that the decision was intended to control prices as well as the market and to limit stockpiling. However, this resulted in sugar shortages as HCFI was not able to cover all areas and distribute sugar in areas that are typically covered by small traders and packaging factories.

Currently, the government is obligating HCFI's consumer complexes and shops to provide sugar for all citizens at EGP 6 per kilogram and at EGP 5 for ration card holders. The government also announced that it will import sugar from the international marketplace to address the shortage. To date, MoSIT's General Authority for Supply Commodities GASC has contracted to purchase 154,300 MT of refined sugar and 100,000 MT of raw sugar through a number of tenders announced since early September 2016. Most of these quantities will have been imported no later than November 2016. Still, GASC is facing problems with surging international prices, which resulted in their cancelling a 100,000 MT tender earlier this week due to the high prices offered.

Earlier this year, Egypt raised tariffs on imported raw and refined sugar. Import tariffs on raw cane and raw beet sugar (HS 170112, 170113 and 170114) rose from 2 percent to 20 percent and from 10 percent to 20 percent on refined sugar imports (HS 170191) [Sugar Gain Voluntary Report May 2016](#). However, the current import tariffs, the scarcity of dollars, the depreciation of the Egyptian pound against the dollar, and the increase of sugar prices in the international markets have made it harder for the private sector to import. GASC is exempted from the 20 percent import tariffs and has access to dollars at the official rate.

Egypt consumes slightly more than 3 million tons of sugar annually but produces just over 2 million tons leaving a gap of a million tons a year for imports [Sugar Gain Annual Report 2016](#).