Voluntary _ Public

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GAIN Report Number:

Egypt

Post: Cairo

Wheat Update

Report Categories:

Grain and Feed

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Report Highlights:

Egyptian wheat imports are forecast to increase further in MY 2010/11 to 10.2 MMT as GASC builds reserves in the face of an uncertain domestic and foreign wheat situation. GASC will also need to supply wheat for a new program to substitute macaroni for half of the rice distributed under the ration card system. U.S. wheat exports to Egypt have been extremely strong and should total over 3.5 MMT this marketing year.

General Information:

Post forecasts a further increase in wheat imports in 2010/11 as GASC (the General Authority for Supply of Commodities) is anticipating tightening supplies and increased local demand. Discussions with the trade confirm this forecast. Post raised imports from 9.2 MMT to 10.2 MMT which brings it more in line with USDA's official forecast. Government statements in the local press indicate that GASC has already purchased 4 MMT of imported wheat which has already been delivered or will be delivered through February 2011. GASC purchased about 2 MMT of local wheat from the 2010 crop. Further, the reports indicate that GASC will need to purchase an additional 1.5 MMT for the remainder of the marketing year. GASC currently accounts for somewhat more than half of Egypt's wheat imports.

Post lowered domestic wheat production from 8.6 to 8.5 MMT reflecting new estimates.

A new factor contributing to increased wheat demand will be GOE plans to substitute 500 TMT of macaroni for an equal quantity of rice in the ration card program. Post increased FSI consumption by 300 TMT to account for this new source of demand which will use 72% flour. The GOE had faced severe problems in procuring the 88 TMT per month of rice used in the ration card program. The GOE has also been under pressure from rice millers and exporters to open a channel for some rice exports, but does not want to see domestic rice prices increase. By reducing government demand on local rice supplies, the GOE will likely be able to permit some rice sales without impacting prices, although probably not on a one-for-one basis with the macaroni substitution.

Post also expects GASC to build up stocks as the wheat supply situation facing Egypt next marketing year is unclear. Post increased stocks from 4.5 to 5.1 MMT. Sources indicate that domestic planted area for the MY 2011/12 crop declined approximately about 100,000 hectares. Yields may also be down because of the lack of availability of high quality seeds. Approximately 25-30 percent of the crop was planted with high quality seeds. The Ministry of Agriculture has announced plans to increase certified seed and other high quality seed production to account for 50 percent of the planted area in future years.

Post is forecasting U.S. sales of at least 3.5 MMT in MY 2010/11. U.S. Export Sales data show that, as of December 6, 2010, sales of wheat to Egypt have reached 2.56 MMT, mostly HRW, but with sizeable quantities of HRS, WW, and SRW. As noted above, GASC needs to tender for more than 1.5 million tons to cover its needs for Baladi bread through June and Post anticipates the U.S. winning the major share of those tenders. Additional sales will come through the private sector.

Production, Supply and Demand Data Statistics :

Wheat Egypt	2008/2009		2009/2010		2010/2011	
	Market Year Begin: Jul 2008		Market Year Begin: Jul 2009		Market Year Begin: Jul 2010	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,226	1,226	1,322	1,322	1,320	1,320
Beginning Stocks	4,255	4,120	4,818	4,793	5,732	4,711
Production	7,977	7,977	8,523	8,523	8,600	8,500
MY Imports	9,900	9,900	10,300	9,000	9,800	10,200

TY Imports	9,900	9,900	10,300	9,000	9,800	10,200
TY Imp. from U.S.	1,636	1,680	366	650	0	3,500
Total Supply	22,132	21,997	23,641	22,316	24,132	23,411
MY Exports	114	4	9	5	10	5
TY Exports	114	4	9	5	10	5
Feed and Residual	2,600	2,600	2,600	2,600	2,600	2,500
FSI Consumption	14,600	14,600	15,300	15,000	15,800	15,800
Total Consumption	17,200	17,200	17,900	17,600	18,400	18,300
Ending Stocks	4,818	4,793	5,732	4,711	5,722	5,106
Total Distribution	22,132	21,997	23,641	22,316	24,132	23,411
1000 HA, 1000 MT						