FAO investment-related policy work in the Egyptian grain sector with the European Bank for Reconstruction and Development.

Keys figures:

- **Consumption is on the rise**: Cereals account for about 60 percent of the total food calorie supply in Egypt (as compared with animal products for about 9 percent and sweeteners for about 8 percent). Egyptian wheat consumption alone has grown by 35 percent over the past ten years, with domestic production increasing by 9 percent and imports by 54 percent over the same period.

- **Work at scale**: With USD 6 billion grain and oilseed imports (2015) Egypt is only second to China. Egypt is the single largest global importer of wheat (about 10-11.5 million tonnes imported every year);

- **Imports** of grain will remain essential for Egypt’s food security due to population growth, limited arable land and water scarcity. By 2025, FAO-OECD forecast that wheat consumption in Egypt will rise by a further 15 percent, with the growth of imports (17 percent) exceeding that of domestic supply (12 percent);

- **Potential efficiency savings**. A lack of pier/berth capacity at major ports is a significant infrastructure constraint. Reducing grain vessel waiting time by two days would deliver cost reductions of **USD 516 million** in the next ten years. Lowering imported grain price premiums (due to phytosanitary or quality rejection reasons in Egypt) would result in further **USD 430 million** savings over the same period.

Context

In Egypt, bread continues to be valued as a main staple food. Country’s limited agricultural land, which is confined to a small stretch along the Nile riverbanks, and the high demand for bread of its 95 million inhabitants have made the country the world’s largest importer of wheat (considering almost two thirds of total wheat supply is used to produce *baladi* bread). The wheat sector is therefore of strategic importance for the country, and the State is heavily involved at all levels of the wheat value chain, from subsidized fertilizers to subsidies for the final product. This has skewed the market and distorted incentives for private sector investments.

With a rapidly growing population, a weaker currency and higher wheat prices the country faces growing fiscal pressure to maintain these support programmes. While reducing public subsidies and relying more on the private sector promise significant cost savings. However, reforms are politically sensitive as the population feels a strong sense of entitlement. In view of these realities, FAO has gradually worked with the Egyptian government and private sector actors to improve the wheat sector, and to create an environment that is more conducive to investment, including from foreign companies.

FAO’s involvement started in 2011, with an analysis of the wheat supply chain, jointly with the World Bank. When Egypt became a country of operation of the European Bank for Reconstruction and Development (EBRD), FAO conducted a thorough wheat sector review in 2015. The report identified major policy and regulatory bottlenecks in the purchase of imported wheat, such as uncertainties of wheat import costs, lack of quality and efficiency of storage facilities, and cumbersome inspection procedures in the ports, all factors that led to high-risk premiums. Some of these findings were a bitter pill to swallow, but the evidence presented in the report was simply too compelling while the pressure to guarantee the country’s food security was continuously mounting in view of rising wheat import volumes.

**Sector is transforming**

FAO and EBRD are bringing public authorities and private companies around the same table to discuss specific issues affecting sector development. The recent regulatory changes include:

- The removal of costly Egyptian inspection requirements at the port of loading for grain exports;

---

2. [http://www.fao.org/3/a-i4898e.pdf](http://www.fao.org/3/a-i4898e.pdf)
Issuing a new government decree on acceptable levels of the ergot fungus and communicating it to Egypt’s trading partners through the World Trade Organization.

Important policy changes include improved targeting of the food subsidies through the smart-card system, while the domestic wheat procurement price moved closer to the import parity. In the 2012-13 grain marketing year, the domestic price for wheat was USD 78 per tonne above the price of imported wheat. It dropped to less than five dollars per tonne in the 2018-2019 marketing year, thereby reducing market distortions.

The private sector grain suppliers established the **Egyptian Grain Suppliers Association (EGSA)** in 2017, the first private sector institution that gives a voice to grain suppliers in their discussions with the government.

**Knowledge transfer**

FAO has conducted several trainings to strengthen the capacity of the association’s members and of staff in public institutions, notably on grain fumigation, international grain quality standards and sampling procedures, regulated pests, and other technical issues (please refer to the MedAgri website).

An equally important achievement was the successful organization of a high-level agricultural investment forum in Cairo in December 2017, where the country’s new investment law was presented. The event saw the signing of a memorandum between FAO and Nibulon, a large Ukrainian grain-trading firm, on knowledge sharing in grain storage and transportation. The company has already started cooperation with the Ministry of Supply and Internal Trade of Egypt, specifically, in reviewing investment options for grain transportation from Damietta Port up the Nile River by barges.

**Next steps**

Continued improvements to grain quality control, sampling and phytosanitary inspection as well as investment in new storage and port handling are critical as the annual imports of grain, oilseeds and protein meals are forecast to increase from **23 million tonnes** (average 2015-2017) to 27 million tonnes in 2025, an increase of or **4 million tonnes, or 17%**.

Learning from the experience of Spain, one of the major importers of grains and oilseeds in the Mediterranean region (19.6 million tonnes valued at USD 4.9 billion in 2017) is beneficial for the Egyptian grain stakeholders.

FAO and EBRD propose to organize a public-private delegation to visit the ports of Tarragona and Malaga on **27 October to 3 November 2018**. The experience of grain terminals of Sitasa in Tarragona and the new grain terminals in Malaga are of particular interest.

---

3. [https://members.wto.org/crnattachments/2018/SPS/EGY/18_0209_00_e.pdf](https://members.wto.org/crnattachments/2018/SPS/EGY/18_0209_00_e.pdf)