



# Grain Trade Policy

August 6, 2004

## Egypt

### Summary

According to U.S. trade statistics, total U.S. agricultural exports to Egypt amounted to \$1 billion in 2003 compared to \$812 million in 2002. Most of these exports to Egypt consisted of bulk grains (\$788 million), and most of this overall increase was due to resurgence of U.S. wheat exports to Egypt, which lost substantial market share to competitors in the previous year. Although tariffs for bulk grains are low, Egypt's economic performance remains a hindrance to imports. Egypt has been undertaking structural economic reforms, however, the pace of these reforms has slackened in recent years. The Egyptian government devaluated the Egyptian pound several times in an attempt to stamp out a thriving parallel market, but the parallel exchange rate system still remains active.

### Market Access

#### Tariffs and Tariff Rate Quotas (TRQs):

Import tariffs on bulk products are relatively low in Egypt:

<i>COMMODITY</i>	<i>IMPORT TARIFF</i>
Wheat	5 percent
Barley	5 percent
Oats	5 percent
Corn	1 percent
Rice	1 percent
Grain sorghum	5 percent

**Domestic Support:**

Egyptian subsidies on agricultural production are modest and did not reach threshold levels of the last WTO round; thus Egypt has no requirement to reduce any of its subsidies. The government still maintains voluntary prices for wheat, cotton, and sugar cane.

The total wheat area for the MY 2002/2003 is estimated at 1,008,000 HA or about 6 percent less than the 2001/2002 area. For MY 2003/2004, Ministry of Agriculture forecast that the area will be about the same as 2002/03. Total production for MY 2002/2003 is expected to be 6,150,000 MT compared to 6,130,000 MT for 2001/2002. The government has set a procurement price for local wheat at LE 667 MT (\$121 per MT) for the 2002/03 wheat crop. The total quantity of locally produced wheat sold to the Ministry of Supply in MY 2002/2003 was 2,150,000 MT. For the 2003/04 crops, The General Authority For Supply Commodities (GASC) is targeting to purchase 3 million MT. However, actual local wheat purchases seldom exceed 2.3 MMT. The subsidy on baladi bread cost the government about LE 3 billion last year.

**Other:**

Government intervention in the flour market has led to a decline in private sector wheat imports. In November 2003, for the first time in 12 years, the Ministry of Supply authorized the General Authority for Supply Commodities (GASC) to import 120,000 metric tons of wheat per month for the production of traditionally unsubsidized flour by the Food Industries Holding Company (FIHC) which competes with private sector mills in the open market. A portion of the flour is used to make Fino bread for schools, while the other portion is sold by GASC to FIHC. This effectively displaces private sector wheat imports. As a result, most private sector mills are increasingly finding difficult to buy wheat. If this situation remains, several private sector mills will likely be forced to shut down in the near future.

**Economic Policy:**

On January 28, 2003, the Government of Egypt reversed a long-standing policy of fixed exchange rates and announced that its currency would float. The foreign exchange rate will be determined by the free market allowing commercial banks to determine the rate based on the market demand. Before the new mechanism, the foreign exchange has been virtually unavailable at the official rate. According to the Government, the new mechanism would enhance confidence in the Egyptian economy and make Egyptian exports more competitive. Banks are now offering letters of credit to importers of raw materials, components, and semi-finished products, but not for finished products. Banks are now financing imports and are responsible for allocating the foreign currencies necessary for opening the letters of credit.

**Biotechnology**

The Ministry of Agriculture is a strong supporter of biotechnology, and its Genetic Engineering Research Center is developing a number of GM products for commercialization including maize, tomatoes, cotton, and potatoes by working with leading biotechnology companies and universities in the United States. An Inter-ministerial Committee chaired by the Minister of Agriculture is responsible for formulating policy on biotechnology. Egypt does not have a national legislation on biotech, but there is a general government policy regarding the importation of genetically modified crops into Egypt. At present, there is no requirement to label GM food products.

The Agricultural Genetic Engineering Research Institute (AGERI) Ministry of Agriculture has high credibility with countries of the region in explaining the benefits of biotechnology, and officials from all over the region have been astonished and pleased to learn about Egyptian advances in biotechnology. Egypt is actively developing biotech crops, in cooperation with US companies and universities, and is a very convincing example of how developing countries will benefit from biotechnology.

## **Bilateral Agreements with the United States**

At present, Egypt does not have a free trade agreement (FTA) with the United States. The GOE has expressed its strong desire to enter into a negotiation with the USG to establish an FTA between the two countries, and a number of discussions have been held on policy changes required prior to an implementation of an FTA.

## **U.S. Non-Party Agreements**

Following is a list of free and preferential trade agreements between Egypt and the Arab countries:

- 1) Tariff and Trade Agreement between Egypt and Libya (signed on December 3, 1990).
- 2) Trade Agreement between Egypt and Syria (signed in July 19, 1991).
- 3) Free Trade Agreement between Egypt and Tunisia (signed on March 5, 1998).
- 4) Free Trade Agreement between Egypt and Morocco (signed on May 27, 1998).
- 5) The executive program to support trade between Egypt and Lebanon (signed on Jan. 1, 1999).
- 6) The executive program to support trade between Egypt and Jordan (signed on Dec. 10, 1998).
- 7) The executive protocol to establish free trade area between Egypt and Iraq (signed On Jan 18, 2001).

In addition, Egypt and the European Union ratified a free trade agreement on June 1, 2004.

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