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Egypt: Post-2013 policies impoverished wheat farmers

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The Egyptian Constitution states that agriculture is a basic component of the national economy; and Article 29 commits the government to develop the countryside and raise the standard of living of its residents through the development of agricultural and animal production, provide agricultural and livestock production requirements, buy basic agricultural crops at appropriate prices to achieve a profit margin for farmers and protect both farmers and agricultural workers against exploitation.

However, since General Abdel Fattah al-Sisi assumed power in mid-2014, his government has implemented systematic policies to impoverish farmers, particularly wheat farmers, amid measures to distract them from the crop cultivation, including abolishment of wheat subsidies allocated in the general budget since 2016, as well as obstruction of the process of buying wheat from farmers, to the extent that [Al-Ahram Al-Tawony](#), a state-owned newspaper, highlighted a bold headline on its front page, reading: "Demise of wheat cultivation in Egypt ... Agriculture and Supply ministers announce the end of the crop cultivation era in Egypt".

The newspaper accused the Agriculture and Supply ministers of changing the wheat system and passing a new system to buy the crop from farmers in accordance with international prices that are often low during the harvest season, with supporting wheat farmers with only EGP 1,300 per feddan (acre). Al-Ahram Al-Tawony says that the new wheat system leads to a major loss for Egyptian farmers, as the price of an ardeb will not exceed EGP 300, while it used to exceed EGP 420 in previous years.

The government-owned newspaper also denounced the statement of Khaled Hanafi, the former Minister of Supply, that Egypt holds a strength card, being the largest wheat importer across the world, alleging that thus it can control the global price, which requires ensuring that Egypt does not reach self-sufficiency in wheat, as this is not in favor of the country's interest!

The newspaper quoted Hamdi Al-Assi, the former First Undersecretary of the Ministry of Agriculture, as saying that there is a systematic plan to strike wheat cultivation in Egypt, adding that the new policy is nothing but an attempt to strike the only successful contract farming in Egypt, as had happened with the cultivation of cotton, white and yellow maize.

Al-Assi said that the proposed wheat cultivation support ranges between EGP 55 and EGP 60 per ardeb; where at the wheat harvesting time in Egypt, international prices often drop, ranging between EGP 200 and EGP 250 per ardeb, to become nearly EGP 310 per ardeb after adding the support value, instead of EGP 420 per ardeb during the era of late President Mohamed Morsi. Al-Assi concludes that this will certainly push Egyptian farmers to refrain from wheat cultivation in the coming seasons, making Egypt a wheat consumer market instead of being a wheat producer.

Global wheat price hike:

In early November 2021, the Food and Agriculture Organization of the United Nations (FAO) revealed that the FAO Food Price Index (FFPI) rose again last October by 3 percent up from its level in September. On an annual basis, the index rose by 31.3 percent from its level in October 2020, to reach its highest level since July 2011, warning governments in the region of a food crisis similar to that which preceded the Arab Spring.

FAO attributed the significant hike in the index to the continued rise in global prices of main cereals, especially wheat, the basic component in bread industry, where Egypt imports about 13 million tons, as the top wheat importer across the world. The UN organization warned that wheat prices would continue to rise steadily for the fourth consecutive month, after recording an additional increase of 5 percent in October compared to the previous month, up to 38.3 percent higher than wheat prices in the previous year, recording the highest level since November 2012.

In a weekly report on 12 November 2021, the US Wheat Associates, a US organization concerned with marketing American wheat exports around the world, announced negative future forecasts for global wheat prices, which have reached their highest level since December 2012. The organization revealed a decline in production and supply of the strategic commodity in the global market, and an expected increase in demand until the middle of next year. The organization also expects decline of the Canadian wheat production by 38% compared to last year due to the hottest and driest summer in the country's history, sending wheat prices to their [highest levels](#) in 13 years.

The US Wheat Associates, which has access to reliable data, confirmed that global wheat stocks are at their lowest level in 6 years. It also stated that Russia, the largest wheat exporter in the world, has

imposed a tax to reduce its wheat exports by 32% to meet the local market needs, considering that the Russian citizens' needs have the priority to meet.

Historic decision:

Only one week after the reports of FAO and the US Wheat Associates, the Egyptian cabinet announced setting the price of the local wheat supply of the 2021/2022 season at EGP 820 per ardeb, (an ardeb is equivalent to 150 kilograms), an increase of EGP 95, by 13%, over the 2020/2021 prices. In fact, this is the first time for the government to announce the local wheat prices before the harvest time that begins in mid-April each year. The government spokesman considered the price increase a positive message to the Egyptian farmers that the government stands by and supports them. He stated that the new price came after the Agriculture and Supply ministers studied the "average" [global prices](#) and the cultivation costs of a feddan.

The Minister of Agriculture said that the decision was historic, allowing farmers freedom to compare alternative crops and choose wheat cultivation, which will bring them the highest profits, taking into account that the average feddan productivity in Egypt reached 18 ardebs, which would encourage farmers to increase wheat-cultivated areas to 3.7 million feddans against 3.4 million feddans last season, and accordingly increasing the [wheat quantities](#) supplied by farmers.

Although this decision may suggest that the government has started to change its negative policy towards the Egyptian farmer and wheat growers, and that it has finally realized the significance of wheat as a strategic crop, but there are several questions that should be answered first in this regard:

- Does the new price actually support the farmer, and encourage him to increase the wheat-cultivated area?!
- Can increasing the wheat-cultivated area from 3.4 million feddans last year to 3.7 million feddans this year (i.e. an average of 300 thousand feddans, by 8.8%, compared to last year), reduce the wheat imports?!
- Did the government intend to raise the wheat price by 13% before increasing the prices of chemical fertilizers by 50%, to absorb the farmers' rage?!

Some interpret the decision to raise the price of wheat by EGP 95 per ardeb before the wheat cultivation season as an attempt from the government to encourage farmers to grow the crop. But unfortunately the government soon raised the price of fertilizers by EGP 1,500 per ton to nullify the effect of the first decision.

One week after the decision to increase the wheat price and the accompanying propaganda raised by the pro-regime media, the government decided on Thursday, November 18, 2021 to raise the price of subsidized urea fertilizer sold to farmers by 50%, without the decision having any coverage from the pro-regime media or even announced by the government spokesperson or the Minister of Agriculture, except for a memo published on the Facebook account of the Ministry of Agriculture on raising the price of a [sack of urea](#) by EGP 240 , bringing the price to EGP 4,500 instead of EGP 3,290.

Average global prices

Taking into account the quality of Egyptian wheat, the setting of the purchase price of wheat (from farmers) at EGP 820 per ardeb on the basis of "average global prices," according to a government spokesperson, is in fact a wrong and [unfair basis](#) against the Egyptian wheat farmer.

Egyptian governments used to import cheap wheat, regardless of its quality. The fact is that the government buys fourth-grade wheat because its price is less than first-class wheat by about \$40 per ton.

In December 2003, a company affiliated to the Ministry of Public Enterprise Sector imported 31,000 tons of low-priced French wheat. A sample of the shipment was sent to the laboratories of the Ministry of Agriculture's Food Technology Research Institute examine it and issue a report on conformity with specifications and validity.

However, the report stated that the wheat is not suitable for the production of bread, but can only be allocated to animal feed. However, Youssef Wali, Deputy Prime Minister and Minister of Agriculture at the time, got angry and dismissed the institute's deputy from his position due to his integrity and refusal to change the report, and referred two researchers that signed the report to investigation after refusing to change the result of the analysis.

In 2006, Egypt bought a shipment of Ukrainian wheat that was found out to be not appropriate for making bread, where it is only sold as animal feed. When the shipment caused a crisis in Egypt, the Egyptian government tried to avoid the bad effects of this by requesting compensation from the importing company. But Ukraine objected and threatened to seek compensation for harming the reputation of Ukrainian wheat, stating that the Egyptian government used to only look for the low price and overlook quality specifications; and ultimately, the case was completely closed. However, this situation was repeated in 2006 and 2008.

Egyptian wheat's real price

The quality of Egyptian wheat is not less than that of American first-class wheat, but rather more. The US Wheat Associates has recently announced the prices of American wheat used in the bread industry at \$ 435 per ton, FOB, i.e. without calculating shipping and insurance costs. The organization also expected that the price would continue as such until the middle of 2022. If we add 40 dollars per ton as costs for shipping to Egypt, the price becomes \$ 475 per ton, which is equivalent to [EGP 1120 per ardeb](#).

Adding the value of government wheat cultivation support provided to farmers in the United States and other countries, within the range of \$100 per ton, the actual price of a ton of wheat in the global market, whose quality is no higher than that of Egyptian wheat, becomes about \$580 per ton, equivalent to EGP 1,350 per ardeb, an increase of EGP 530 higher than the price recently announced by the government. In fact, if the government allows farmers to export their wheat production, the price of Egyptian wheat in the global market will not be less than such prices.

If the government is serious in supporting farmers and encouraging them to increase the area planted with wheat, it should adopt a price stimulus policy, as it is the case in all countries around the world, including the value of wheat cultivation support, in order to achieve a real profit margin for farmers, motivating them to grow the costly wheat crop.

Wheat between Morsi and Sisi

History bears witness that General Sisi has never talked about seeking achievement of self-sufficiency in wheat until now. During his reign, the areas planted with wheat have unfortunately regressed, according to an official report issued by the Ministry of Agriculture's agricultural directorates affairs in

2016, revealing that there was a decline estimated at 500,000 feddans compared to the previous year, by 16%; with another report issued by the same authority in 2017 revealing another decline of about 269 thousand feddans compared to the previous year, by 11%.

However, the late President Mohamed Morsi pledged to achieve self-sufficiency in wheat within 4 years. Under Morsi, the wheat-cultivated area increased by 10%, and the productivity by 30%, according to the statistics of US Department of Agriculture. The Minister of Supply during Morsi's tenure, who is currently in prison, Dr. Bassem Odeh, prevented importing one million tons of wheat during the harvest season; and the import bill during his reign did not exceed seven million tons.

Late President Morsi used to greatly appreciate wheat farmers. In a wheat field in a village in the Alexandria Governorate, Morsi opened the wheat harvest season, extending his great support to wheat farmers and encouraging them to increase production, "We must produce so that no one can control us; whoever wants to possess his own will must produce his own food," Morsi said.