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Follow-up on the effects of Covid-19 on the Egyptian economy Agriculture sector



General introduction

The Egyptian Center for Economic Studies (ECES) provided an analysis of the impact of the Coronavirus pandemic on the various aspects and sectors of the Egyptian economy. The analysis was supported by

multiple scenarios whose expectations varied with respect to the performance of these sectors according to the indicators and conditions prevailing at the time of their construction. To complement this effort, ECES is currently monitoring the performance of the sectors following their exposure to the Covid-19 pandemic, in light of the relevant official data recently published by the Central Agency for Public Mobilization and Statistics (CAPMAS), the Central Bank, relevant ministries or any other concerned parties. The analysis assesses available data and monitors the situation on the ground through four main aspects, first: assessing published data and aspects of change on the ground; second, the extent to which they are consistent with previous trends and expectations in the studies of ECES and others, and reasons for that; third, future expectations; and fourth, proposals to improve the performance of the sector whenever possible.

In this report, we follow up on the implications of the Covid-19 pandemic on the agricultural sector on the ground. The harvest season of major crops such as potatoes, beans, corn, rice and others have ended. The Central Agency for Public Mobilization and

Statistics (CAPMAS) has issued the following bulletins: the monthly bulletin for foreign trade (July 2020), the monthly bulletin for consumer prices (August 2020), as well as the quarterly bulletin of the labor force survey for the second quarter of 2020. Through these bulletins, it is possible to follow up on the real impact of the pandemic on the agricultural sector.

First: Assessing the published data and aspects of change on the ground

Several points should be taken into consideration before assessing any data related to the agricultural sector in Egypt and analyzing the sector's position on the ground, namely:

- The prices of crops mentioned in this report differ from the official prices announced by CAPMAS, because the prices announced by CAPMAS are the final consumer prices that include the prices of imported products on the one hand, as well as the profits obtained by the chain of commercial intermediaries on the other hand. While the prices mentioned in this report are the prices of buying the crop from the land, and are more accurate to indicate the direct impact on the farmer.

- There are no official data announced by the Ministry of Agriculture regarding the actual impact of the pandemic on farmers in Egypt. CAPMAS relies in its data on foreign trade of agricultural crops on the Customs Authority and the General Organization for Export and Import Control—while such data are suitable for evaluating the external trade performance of the sector, they do not reflect in any way developments regarding farmers' conditions on the ground.
- In its Foreign Trade Bulletin, CAPMAS provides foreign trade data for agricultural crops as a value in million dollars, but no quantities are provided, which prevents isolating the real impact of the crisis on imported or exported quantities from the nominal effect resulting from price changes, especially for commodities whose price is determined globally, such as grains.
- To deal with these problems of lack of data, the data and information contained in this report have been supplemented with direct communication with a representative geographical sample of farmers and traders of various sizes.

As for the actual assessment of the data published by the official authorities:

- Table 1 shows the big difference that is twice as large between the price a farmer actually gets and the final consumer price for a selected group of agricultural crops. This is partly due to the existence of a long chain of commercial intermediaries who get most of the profit on the one hand, and to the inefficiency of supply chains on the other hand. So, the merchant is forced to compensate for inefficiency in transportation, storage and distribution by raising the price, especially that we are talking here about reselling the product in its raw form without any value added.

Table 1. Land price versus final consumer prices for a selected group of crops (pounds / kilo)

Crop	Price to farmer*	Final consumer price**
Beans	15 – 17	31.79
Green beans	16 - 18	29.31
potato	1.3 - 2	8.77
tomatoes	2 - 3	6.74
the banana	7 - 8	15.07

* These prices were obtained through a representative geographical sample of farmers during the period 20-25 August 2020.

** Monthly Bulletin of average Consumer Prices for key food commodities, August 2020.

- In the “Views on the Crisis” report, Issue No. 14, on assessing the impact of the pandemic on the agricultural sector in Egypt, experts and exporters reported that the orange crop specifically benefited from the crisis because Spain, Egypt's main competitor, did not export large quantities. In light of higher European consumer demand on oranges as a fruit that boosts immunity against viruses, the demand for Egyptian oranges increased and their prices doubled. On the other hand, CAPMAS data indicate that orange exports decreased in May, June and July 2020 by 52%, 87% and 79%, respectively, compared to the same month in 2019. This raises many questions about accuracy of the available data on the one hand, and about the actual export volume and whether exporters faced any obstacles that arose after the issuance of the ECES report.

Second: The extent to which the data is consistent with previous trends and expectations

- Tables 2 and 3 present a brief summary of the expectations previously developed by ECES regarding the impact of the pandemic on the agricultural sector in Egypt versus what actually happened for each type of crop separately, as well

as the impact of the crisis on agricultural labor, accompanied by a set of necessary clarifications.

Table 2. ECES expectations of the impact of the crisis on the various agricultural crops versus what actually happened so far

The crop		Forecasts according to the Views on the Crisis Report (Issue No. 14 of May 18, 2020)	What actually happened so far	Reason / comment
Wheat and rice		Global prices would rise if major producers resorted to export bans.	The global price of wheat and rice increased by 9% and 51%, respectively, during the period from April to October 2020.	Ukraine and Russia banned wheat exports in April 2020, which is similar to what the Philippines did with regards to rice for a specified period.
Maize	Cereals	Global price increases	The price increased by 35% during the period from April to October 2020.	Disruption of production and hence supply in world markets due to the drought that struck major producers
	Silage	-	The price fell to EGP 180 in the current season compared to EGP	The demand of livestock farms for silage decreased due to the low prices of meat and losses that

			400 pounds last season.	forced them to reduce the volume of their business.
potato	Farmers' losses will be exacerbated despite resorting to cold storage on a large scale to sell potatoes as seeds in the winter cycle instead of selling them at a loss in the summer cycle.	The price of a ton of local seeds is approximately EGP 1500 pounds, while its cost for the farmer reaches EGP 5000 after adding the costs of packing, transport and cooling, especially since each ton loses from 50 to 100 kilograms according to the quality of storage.	The widespread use of refrigerated storage has resulted in an increase in the supply of local seeds this season. The volume of import requests reached about 150,000 tons of seeds by the end of last week, despite the increase in local supply.	
Green beans	Bean prices are slightly lower than at the beginning of the season due to increased supply and expansion of harvesting operations	The price of a ton actually decreased to about EGP 16 thousand in the middle of the season compared to EGP 24 thousand at its beginning. But the price started to rise again after the end of the season, and is currently about EGP 20 thousand per ton.	Beans are among the few crops that have maintained relatively good performance during the crisis, due to their exception from the ban on the export of legumes issued by the Ministry of Trade and Industry, in addition to the high demand of Arab countries as a major commodity for them.	

		Green bean exports also recorded \$10.8 million in July 2020, an increase of 46% over the same month in 2019.	
Fruit	The high rate of waste and the decline in the volume of exports	<p>According to data of the Central Agency for Public Mobilization and Statistics, the exports of agricultural crops recorded \$98 million in July 2020, compared to \$135 million in the same month of 2019, a decrease of 27.5%.</p> <p>This percentage ranges from 12.1% for fresh grapes to 66.8% for fresh or chilled onions.</p>	<p>Many exporters stated that the main obstacle facing them at the present time is the inability to access foreign markets due to the many problems encountered in cross-border shipping operations, especially land freight; as goods are unloaded and reloaded from one truck to another at the border more than once, which causes high rates of wastage. In addition to the lack of access for Egyptian drivers to neighboring Arab countries due to the pandemic and the high rates of infection.</p>

Beans	-	Large losses for traders and middlemen working in storing the domestic fava beans, due to the ban on exporting them, so the price of ardeb has decreased from about EGP 2,800 at the time of harvest to EGP 2,000 now.	The price of a kilo of domestic fava beans is EGP 15-17, compared to EGP 8-9 for the imported variety. Therefore, there is no great local demand for domestic beans, and the ban on their export has led to a decline in their prices.
Sesame	-	The price of sesame fell from EGP 30-34 per kilo last season to only EGP 18-19 in the current season.	This is due to the increase in supply this season due to the price hike last season, and at the same time, external demand declined due to the pandemic.

Source: The Egyptian Center for Economic Studies, based on a representative geographical sample of farmers, traders and exporters.

Table (3): Impact on agricultural employment

<p>Forecasts according to the “Views on the Crisis” Report (Issue No. 14 of May 18, 2020)</p>	<p>What really happened</p>	<p>Reason / comment</p>
<p>The participatory nature of rural labor will prevent lower employment rates. At the same time, this means a decrease in the number of working hours, a decline in the income level of workers in the agricultural sector, and a decline in their living standards.</p>	<p>The data of the quarterly bulletin of the labor force indicates a very slight and insignificant decline in the employment rate in the agricultural sector from 21.1 in the second quarter of 2019 to 21 in the second quarter of 2020.</p> <p>However, the average number of weekly working hours for wage earners in the agricultural sector decreased from 43.7 hours in the second quarter of 2019 to only 30.4 hours in the second quarter of 2020.</p>	<p>This is due to two main reasons:</p> <p>First: Reducing the number of working hours in many fruit companies and farms in light of the decline in export rates and the increase in waste rates.</p> <p>Second: The strength of social solidarity in countryside, in addition to the nature of agricultural work during the harvest season—it is more like piece-work and hence it can be divided.</p> <p>For example: The total wage for harvesting and packing an acre of potatoes is about EGP 1000, and it needs about 10 workers.</p> <p>(The daily wage is EGP 100), so the contractor helps his unemployed relatives and friends through harvesting the crop with 15 or perhaps 20 workers, dividing the thousand pounds among them, instead of dividing it among 10 workers only.</p>

Source: The Egyptian Center for Economic Studies, based on data from the Central Agency for Public Mobilization and Statistics.

With reference to the “Views on the Crisis” report (Issue No. 14) on the effects of the pandemic on the agricultural sector during the successive phases of the crisis, ECES expectations were broadly consistent with what actually happened on the ground, as shown in Tables 2 and 3, despite lack of available data and ambiguity of general economic landscape at the time of writing the report.

Third: Future expectations for the coming period

- All expectations indicate that a second wave of the pandemic will be more violent than the first wave in parallel with the advent of winter. This wave has already started in Europe, and comes in parallel with the start of a new agricultural cycle for strategic crops such as green beans, winter potatoes, strawberries and others. Hence, we are expected to a large extent to witness the same scenarios that were previously prepared by ECES in its original report for each crop. The following are detailed future projections of the most important strategic crops in the current agricultural cycle:
 - **Potatoes:** It is likely that we will witness the same scenario that occurred during the last summer cycle (Summer 2020) again in terms of an increase in supply compared to demand

and then a decline in prices and an exacerbation of farmers' losses due to:

1. Decline in the domestic demand for potatoes despite the drop in their prices, and despite the return of the restaurant sector to operation. This is due to the suspension of the tourism and hotel sector, which represented about 20% of the total domestic consumption of agricultural crops in general in Egypt.
2. A large percentage of farmers, especially small ones, continues to cultivate the usual areas annually despite the heavy losses they witnessed during the summer cycle, which can be explained by the following:
 - Farmers, especially small ones, mistakenly believe that the pandemic has ended or is over, while expectations indicate that a second wave will be more violent than the first in the coming months.
 - High risks associated with all agricultural crops in general, and potatoes in particular, which prompts farmers to diversify the area planted between potatoes and winter beans or other crops to reduce the possibility of loss
 - The almost complete absence of the agricultural extension role, in addition to the limited information

available regarding the markets and their future trends, which limits the farmer's ability to make sound production decisions.

- However, losses are likely to be generally less than those experienced by farmers during the summer cycle, due to:
 1. Experience gained to better respond to a crisis if it recurs.
 2. The tendency of owners of medium and large areas to reduce the cultivated area of potatoes in favor of other alternative crops.
 3. There is a shortage in the Russian market of potatoes, and it is possible that there will be an increase in demand there for Egyptian potatoes during the current cycle, especially that their needs from the European market will not be met in light of the Russian-European boycott at the present time.
- **Green beans:** The good performance of the beans crop will continue during the current winter season, because it is still excluded from the decision to ban the export of legumes on the one hand, and the great demand for them in the Arab markets on the other hand, especially since the beans are

not easily damaged and thus are more capable to withstand shipping and storage conditions for longer periods compared to other crops.

- **As for fruits**, they are expected to witness lower rates of loss, due to the lower possibility of crop damage in winter compared to summer. It is expected that the demand externally and locally for citrus fruits will increase, as a fruit that enhances immunity against viruses. However, the increase in fruit exports in general depends on effectively solving shipping problems:

1. Air transport costs doubled after the crisis, which prompted many importers abroad to cancel import orders in protest of the price hike.
2. There is a shortage of reefer containers.
3. The existence of many obstacles related to road transport between Egypt and the Arab countries in particular, including not allowing Egyptian drivers to pass through the Jordanian borders, for example, for fear of the Coronavirus, which requires unloading and re-charging the cargo, implying high costs, late delivery times and an increase in losses.

Fourth: Proposals to alleviate the severity of the crisis for workers in the agricultural sector

- Promptly activate the marketing and informational role of agricultural cooperatives and agricultural extension.
- Activate the role of commercial representation offices in importing countries to provide accurate and up-to-date information on the differences in precautionary measures between countries, so that Egyptian exporters are not surprised by these measures after actually traveling long distances with the crop, which forces them to take more distant routes, involving additional cost and high losses.
- Prompt customs clearance for all agricultural crops, especially perishable vegetables and fruits, and exempting importers and exporters from paying any storage fees as long as the cause of delay is beyond their control.
- Dedicating air freight lines for perishable crops at subsidized prices until the end of the crisis and shipping costs return to normal levels.
- Writing off the debts of all defaulters in the agricultural sector, especially small farmers, and enabling workers to benefit from the initiatives of the Central Bank in this regard.

- Exceptionally subsidize agricultural production inputs, and compensate those badly affected by low prices until the end of the pandemic.

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