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## Egypt's private-sector wheat importers suffer an urgent crisis

The price of wheat and flour used to make unsubsidised bread has spiked in Egypt as importers struggle to pay for wheat stuck at ports amid a US 'dollar shortage', traders and the country's chamber of cereals told Reuters in the first week of October.

Around 700,000 tonnes of wheat haven't been released from customs, causing around 80 percent of mills producing commercially sold bread, pasta and other goods to "cease activity completely," according to a September 26 letter from the Federation of Egyptian Industries' Chamber of Cereals to the minister of supply.

While global wheat prices have fallen to their levels before the Russia-Ukraine war, prices in Egypt have risen due to depleting stocks, said Hussein Boudy, the Chamber's deputy head.

Egypt's importers can no longer replenish their wheat stocks amid a US dollar shortage caused by a rising import bill and decreasing tourism revenues from two of its largest markets — Ukraine and Russia.

Wheat prices rose by around 10 percent to 9000 Egyptian pounds (US\$458.02) per tonne in the last two weeks, Mr Boudy said, while some traders reported steeper rises of up to 15 percent. Flour also rose by 18 percent to 11,500 Egyptian pounds (US\$585.24) per tonne.

"Bigger mills ... used to store for a month and a half or two, but today some mills have stocks for seven to five days," said Walid Diab, managing director of the Egyptian Millers Company. "We are in the red zone."

The government "will work on the issue" of declining private sector wheat stocks, Egypt's Supply Minister told Reuters on the sidelines of a conference.

### Supply crunch

As foreign currency reserves dwindled, authorities introduced rules in March that restricted access to dollars for imports.

Although wheat and other strategic goods were exempted, private-sector traders say wheat import payments have nearly stopped since September and no new contracts have been signed.

Imports of corn, poultry, and soybeans have also been affected, traders say.

"Suppliers understand that there's an issue with Egypt but now they don't want to do new business until the old stocks are released," said one local trader.

Since early September, only 2000-3000 tonnes of wheat got through customs, the Chamber's letter said. Monthly private sector needs are estimated at around 450,000 tonnes, and according to the Chamber, mills need the immediate release of around 300,000 tonnes.

The supply crunch has caused a spike in the price of bread in some bakeries, said Hesham Soliman, a Cairo-based private sector trader.

There were no signs of shortages at bakeries, said Attia Hammad of the Cairo Chamber of Commerce, though he said some bakeries could hike prices or decrease the weight of loaves because of rising costs.

Egypt, with a population of 104 million, is typically the world's biggest wheat importer. Private sector imports recently overtook those by the state buyer, which purchases wheat for a large, subsidised bread program.

The war in Ukraine has exacerbated the shortage of foreign currency. Capital inflows have dried up, particularly to the local debt market. Net foreign reserves decreased to around US\$33 billion at the end of August, dropping from around US\$41 billion in January 2022.

According to an article that appears in print in the October 6, 2022 edition of Al-Ahram Weekly, which declared that grain mills are also affected. The Cereals Chamber of the Federation of Egyptian Industries wrote a memo to the Ministry of Industry complaining that mills were coming to a standstill because of a lack of wheat to grind.

Speaking on television Karim Abu Ghali, a member of the chamber, said 700,000 tonnes of wheat imported by the private sector are sitting at ports because they cannot access the hard currency to release it.

He said if the CBE made US\$50-US\$60 million available enough wheat would be released to cover the needs of the market for 10-15 days. At a time when the price of wheat has fallen to pre-Ukraine War levels the scarcity of hard currency has caused its local price to jump to LE11,500 per tonne whereas a more realistic level would be around LE9500.

Abu Ghali estimated that at the moment 60-70 percent of mills cannot find the wheat to grind, and for three to four weeks no new wheat has entered the market. He added that suppliers are reluctant to conclude new contracts until goods already held in ports are released.

In repose to the scarcity of flour, private bakeries are selling smaller loaves rather than raising the unit price. Poultry producers also complain that feed is selling for triple its real value.

Matta Bishai, head of the Internal Trade Committee in the Importers' Division of the Federation of Egyptian Chambers of Commerce said, "Traders are hiking prices, but who can blame them if the bulk of their capital is frozen in the form of goods stuck in ports?"

"They need to increase the price of the stocks they have in order to cover their expenses."