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(IDSC)

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Publication Objectives

This food security monitoring publication, which is jointly published by the Egyptian Cabinet's Information and Decision Support Center (IDSC) and WFP, systematically tracks trends in the production, consumption and prices of key food commodities and their impact on the food security[1] situation of the vulnerable households in urban and rural areas across Egypt. It identifies emerging local and global issues and monitors trends that can affect food security in Egypt. Aimed at policy makers and development partners, this publication seeks to provide updates and analysis of Egypt's food security situation to assist its audience in policy decision-making.

Initially released monthly, the publication is now being produced quarterly to better highlight longer-term changes in the food security situation of the country and provide more comprehensive analysis to decision makers.

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[1] "Food security exists when all people, at all times, have physical, social and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life", FAO (1996), *Declaration of the World Food Summit.* The food security encompasses food availability, access, utilization and stability.
[2] Due to political turmoil and consequent emergency state called in different governorates frontier governorates were excluded from current round of the survey.

Highlights

- **Inflation,** as measured by the Consumer Price Index, continued its increase this quarter. It **increased by 12.5% in December 2013 year-on-year** (compared to December 2012) against 4.7% and 0.2% in the same period the previous year. (Page 4)
- **With 65.4% of the vulnerable[1] households' (HHs) expenditure going to food**, this makes them particularly vulnerable to higher food prices and highlights that food security remains an issue of economic access. (Page 4)
- **The cost of the average food basket**[2], as measured by the **Monthly Price Burden** continued to increase this quarter by **0.4% between September and December 2013** against an increase of 2.8% in the previous quarter (June to September 2013). (Page 4)
- **Prices continued to increase** between September and December 2013, with Urban governorates seeing slight increase (1.3%), Lower Egypt (0.5%) and Frontier governorates (0.06%). While, Upper witnessed a slight decrease during the same period (0.4%). (Page 4)
- **Some 16.4% of vulnerable HHs surveyed do not hold a ration card.** (Page 10)
- **Shortage in commodities (88.0%)** at ration grocers continued to be the main reason cited in preventing HHs from purchasing rationed commodities, followed by poor quality of commodities (8.0%). (Page 10)
- **Only 5.9% of vulnerable HHs knew that rationed oil is fortified with vitamin (A) and vitamin (D),** suggesting the need for awareness raising on fortification and its benefits. (Page 10)
- HHs whose income was insufficient to meet their monthly needs used **coping strategies including borrowing food or money/ depending on assistance from family members/ friends', which in Q4 of 2013 represented 30.8% of coping strategies**, consuming cheaper food items (26.7%), reducing food intake (12.2%) and buying on credit (17.1%). (Page 9)
- **This quarter witnessed a continuation of low consumption of animal protein by vulnerable HHs, with meat (beef and lamb), and fish (tilapia and catfish) consumed less than once a week**. All HHs consumed oil/ butter and sugar (6.6 days a week) and vegetables (6.5 days a week) on a daily basis. Eggs form the main source of animal protein consumed by 90.9% of HHs 2.6 days a week. (Page 11)
- The Percentage of working children that belong to vulnerable HHs (6 – 18 years) "**child labor**" has amounted to 5.6%, about three quarters of these children (75.8%) belonging to the 15-18 years age group. (Page 7)
- In Q4 of 2013 **some 80.2% of vulnerable HHs** surveyed reported their income to be **insufficient** to cover total monthly needs, down from 89.7% in Q3 of 2013. (Page 9)

Special Report: Price Distortions: What Happened to the Prices of Basic Food Commodities

- The **Egyptian** market suffers evident price distortion in many commodities where the same commodity records different prices in different geographical regions and among urban and rural areas of the same governorate. Wholesale – retail price dispersion is also evident in the local market. Egyptian food market is also negatively affected by global price volatility.
- Findings signify that price dispersion is **a symptom of a structural problem in the functions of the Egyptian food market; a problem which necessitates governmental intervention for rectification of food market distortions.**
- In spite of governmental efforts to control market prices, tangible impacts on decreasing or even stabilizing domestic prices are not sensed by consumers. More concrete and harmonized plans are needed to combat price hikes and dispersion. Among the governmental recommended interventions are:
  - The Egyptian Competitiveness Authority to investigate the root causes for price dispersion between farm gate, wholesale and retail prices of main food commodities.
  - Monitoring prices throughout supply chain phases to identify root causes for price hikes.
  - Disclosure of daily wholesale and retail prices of food commodities on a more wider scale .

[1] See Annex (p. 15) for the criteria of vulnerable household selection.

[2] See Annex (p. 15) for full list of items in the food basket.

1. Trends and Impact of Food Commodity Price Changes

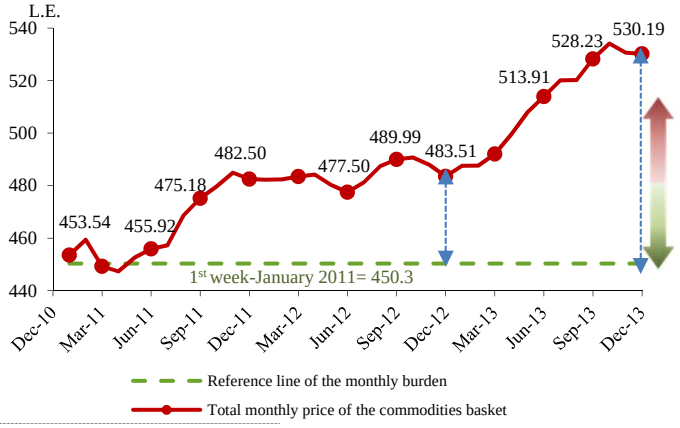
1.1 Food Basket Price Changes

- **Quarter 4 (Q4) of 2013 witnessed slight increase in prices, where the cost of the average food basket**[1], (denoted by the **monthly price burden** – Fig. 1) **increased by 0.4% between September and December 2013** compared to an increase of 2.8% in the previous quarter (June to September 2013). Since the 1st week of **January 2011, December 2013 prices increased by 17.7%,** resulting in a nominal price increase of L.E. 79.9 per food basket.
- **Prices increased slightly** between September and December 2013, with Urban governorates seeing a slight increase (1.3%), Lower Egypt (0.5%) and Frontier governorates (0.06%). While, Upper Egypt witnessed a slight decrease during the same period (0.4%).
- It is worth noting that there is a slowdown in price hikes this quarter compared to the previous two quarters, which is reflected in slowing down the rate of increase in the cost of average food basket.

1.2 Inflation Rates

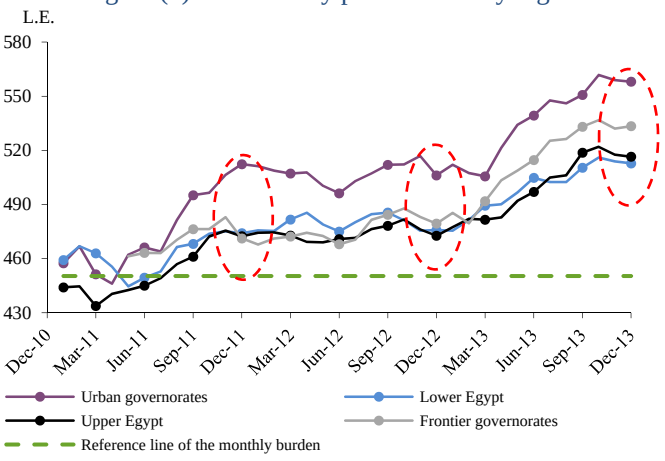
- **Inflation,** as measured by the Consumer Price Index (CPI), **increased by 12.5% in December 2013 year-on-year** (compared to December 2012) and decreased by **-1.3% month-on-month**[3]. This is against 4.7% and 0.2% in the same period the previous year[2]. Such steady trend of increase in inflation rates since December 2012 is attributed to the increase in food and beverage inflation index where food inflation always exceed the overall inflation level. (Fig. 3)
- **The food and beverages inflation witnessed a sizeable increase of 18.1% in December 2013** year-on-year (Fig.3) and **-1.8% month-on-month**[3], against 6% annually and -0.2% monthly last year. (Fig. 3)
- **Of note was the annual price increase of fish and seafood** (by 27.0% annually and 1.5% monthly) follows **milk, cheese and eggs** (by 25.5% annually and 0.9% monthly), vegetables (by 25.3% annually and -10.9% monthly), meet and poultry (by 17.3% annually and 0.1% monthly) and bread and cereals (by 15.8% annually and 0.0% monthly)[3].
- As 65.4% surveyed HHs expenditure goes to food (page 8), thus they are particularly vulnerable to price fluctuations. This affirms that food security remains an issue of economic access (purchasing power).

Figure (1) The monthly price burden[1]



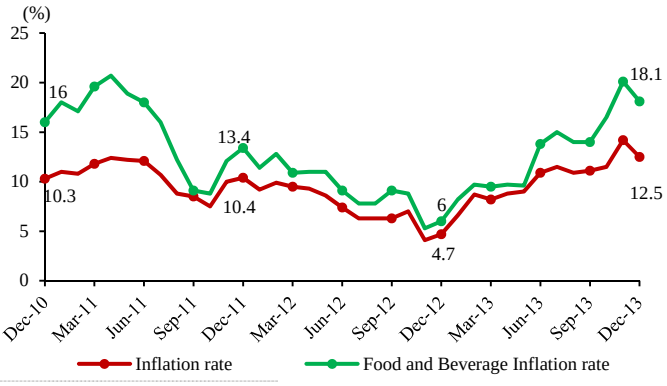
[1] Reference line of the monthly burden has been updated upon the completeness of prices data in different governorates.
Source: Field Monitoring Network, Cabinet-Information and Decision Support Center.

Figure (2) The monthly price burden by region



Source: Field Monitoring Network, Cabinet-Information and Decision Support Center.

Figure (3) Overall Inflation rate versus Food and Beverage Inflation Rate



Source: Central Agency for Public Mobilization and Statistics (CAPMAS) Monthly Bulletin for Price Indices obtained through website; http://www.capmas.gov.eg/, December 2010 through December 2013 Editions.

[1] The food basket includes 27 commodities presented in the Annex (page 14).
[2] CAPMAS (December 2013), Consumer Price Index.
[3] http://www.capmas.gov.eg/reports/indx/indx.aspx?parentid=1095&id=3521&free=1

1.3 Regional Variations in Commodity Prices

- Table 1 below shows an increase in the number of commodities that recorded a price decrease in Q4 of 2013, in line with a relative slow-down in price increases noted in Section 1.1.
- Contrary to Q3, Q4 of 2013 has witnessed a decrease in the price of potatoes across all regions, following the December harvest[1].
- Poultry prices continued to decrease in Q4 of 2013 in all regions. Sugar prices have decreased, contrary to the previous quarter, due to the decrease of the international prices of white sugar.
- Tables 1 & 2 highlight evident price dispersion among most of the surveyed commodities where the same commodity recorded different prices in different geographical regions and in urban and rural areas of the same governorate. (Section 3 willaddress such practice).
- Urban and rural commodity prices were monitored in December 2013 in Al-Gharbia, Menofya, Fayoum, Assuit, Sohag, Luxor, Al-Behera, and Ismailia governorates to compare prices in urban and rural areas within the same governorate (see Table 2).
- It is worth noting that 60.5% of urban prices were higher than rural prices; whereas 5.5% of rural prices compared were identical with urban prices.

Table (1) December 2013 prices and the rate of change compared to September 2013 prices of some food commodities

L.E. Kg (%)

Goods	Urban	Lower	Upper	Frontier
Beef	68.2 (3.9) ↑	62.5 (2.7) ↑	57.4 (1.2) ↑	61.8 (-0.3) ↓
Poultry[1]	19.4 (- 0.7) ↓	17.9 (-4.6) ↓	19.2 (-1.4) ↓	19.8 (-4.4) ↓
Tilapia fish	13.8 (3.9) ↑	13.4 (- 1.2) ↓	16.2 (0.3) ↑	16.2 (1.0) ↑
Eggplant	2.9 (-11.9) ↓	2.6 (-13.2) ↓	2.3 (-16.9) ↓	2.9 (-14.2) ↓
Potatoes	4.0 (-34.4) ↓	3.5 (-40.5) ↓	3.1 (-46.7) ↓	3.5 (-37.4) ↓
Onions	3.9 (17.4) ↑	3.3 (0.6) ↑	3.5 (-5.1) ↓	3.8 (-6.6) ↓
Tomatoes	1.8 (0.9) ↑	2.4 (15.4) ↑	1.9 (- 5.7) ↓	2.4 (- 15.1) ↓
Local beans[2]	8.4 (-4.2) ↓	8.4 (2.0) ↑	7.8 (- 0.3) ↓	8.7 (0.1) ↑
Yellow lentils[3]	9.1 (- 4.3) ↓	10.3 (-0.2) ↓	9.7 (0.8) ↑	10.3 (5.5) ↑
Flour[3]	4.7 (-0.5) ↓	5.1 (-0.6) ↓	4.5 (0.9) ↑	4.5 (-3.8) ↓
Rice[4]	4.4 (-5.3) ↓	4.3 (-4.0) ↓	4.7 (3.9) ↑	4.4 (-2.8) ↓
Macaroni[5]	5.7 (-5.0) ↓	4.8 (-2.7) ↓	5.1 (-0.2) ↓	5.3 (10.0) ↑
Sugar[6]	5.6 (-4.1) ↓	5.5 (- 1.0) ↓	5.4 (-0.5) ↓	5.4 (-1.9) ↓
Corn oil[7]	15.2 (-0.6) ↓	14.2 (2.2) ↑	14.5 (-1.1) ↓	14.5 (2.9) ↑

[1] Poultry prices are defined as average local, and white live and frozen poultry.
[2] Unpacked bean [3] Packed [4] Include packed and bulk
[5] Ordinary Packed [6] Packed by private sector [7] L.E./ liter

Source: Field Monitoring Network, Cabinet-Information and Decision Support Center.

[1] http://www.fao.org/agriculture/seed/cropcalendar/cropcalendar.do

Table (2) Comparison of food commodities prices between urban and rural areas

Goods	Comparison of price per Kg*
Local beans	o Ismailia: urban > rural by L.E. 2.5 (25.0%). o Sohag: urban < rural by L.E. 2.0 (26.7%).
Yellow lentils	o Al-Gharbia and Fayoum: urban < rural by L.E. 2.8 and L.E. 2.0 (29.3% and 20.0%, respectively).
Black lentils	o Ismailia and Sohag: urban > rural by L.E. 7.5 and L.E. 4.5 (44.1% and 42.9%, respectively). o Luxor: urban < rural by L.E. 1.5 (21.4%).
Rice	o Al-Gharbia and Sohag: urban > rural by L.E. 1.4 and L.E. 1.2 (34.0% and 24.2%, respectively).
Onion	o Al-Gharbia and Sohag: urban < rural by L.E. 1.0 (35.5% and 25.5%, respectively).
Eggplant	o Sohag: urban > rural by L.E 0.6 (26.1%). o Ismailia, Fayom and Menofia: urban < rural by L.E. 2.0, L.E. 1.6 and L.E. 1.4 (100.0%, 73.1% and 66.7%, respectively).
Eggs	o Sohag and Luxor: urban > rural by L.E. 6.9 and L.E. 5.2 (31.5% and 21.8%, respectively).
Poultry	o Ismailia, Luxor, Assuit and Al-Gharbia: urban > rural by L.E. 5.4, L.E. 5.4, L.E. 4.6 and L.E. 4.4 (28.0%, 25.8%, 25.0% and 25.0%, respectively).
Catfish	o Assuit, Luxor and Fayom : urban > rural by L.E. 8.0, L.E. 3.0 and L.E. 2.7 (44.4%, 21.4% and 21.1%, respectively).
Tilapia fish	o Assuit: urban > rural by L.E. 4.5 (26.5%).
Beef	o Fayom: urban > rural by L.E. 18.0 (28.6%).
Lamb	o Al-Gharbia : urban > rural by L.E. 20.0 (26.7%).

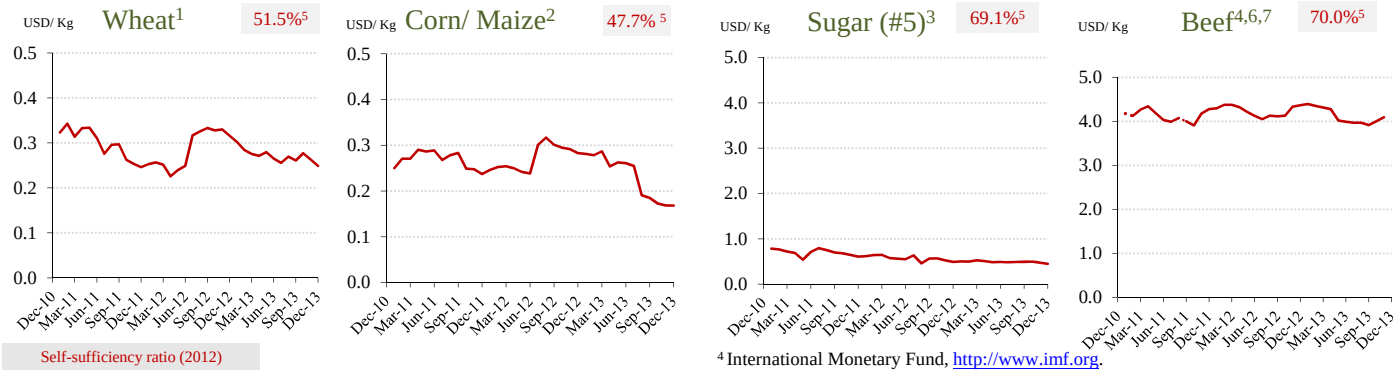
*Percentages were calculated by dividing the difference between urban and rural prices by the urban price.

1.4 Global Food Commodity Prices

1.4.1 Global prices of key food commodities

- Cereal import requirements for Egypt are estimated at 15.4 million tons in 2013/ 2014, some 10% higher than in 2012/ 2013[1].
- The General Authority for Supply Commodities, announced that Egypt purchased 535 thousand tons of wheat from several countries, including Russia, for shipment in the period from 21 to 31 January 2014[2].
- Global wheat prices started to increase this quarter after several months of decline (December 2012 - May 2013), due to increased demand from Egypt (top wheat importer), ban of wheat exports in Argentina,, coupled with the loss of about 4 million tons of the Russian wheat because of the rainy Autumn[3].
- Global prices of rice and corn decreased by 0.03%, 8.9%, respectively, between Q3 and Q4 of 2013.

Figure (4) Global price developments of selected food commodities



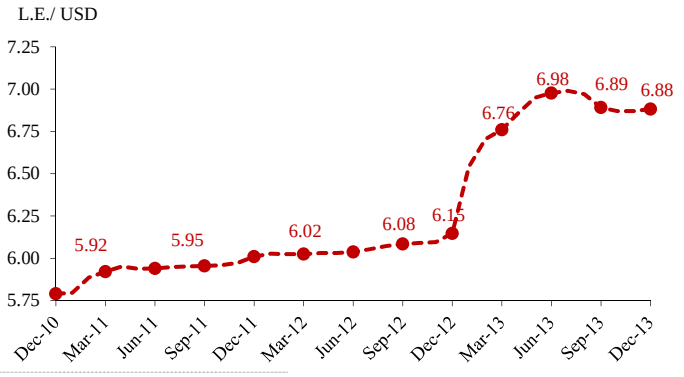
Self-sufficiency ratio (2012)

[1] Stock Exchange of Kansas City Council of Commerce.
[2] Stock Exchange of Chicago Council of Commerce.
[3] New York Stock Exchange.
[4] International Monetary Fund, http://www.imf.org.
[5] Ministry of Agriculture and Land Reclamation.
[6] U.S.A Department of Agriculture, http://www.ams.usda.gov
[7] Values of December aren't published yet.

1.4.2 Egyptian Pound-US Dollar Exchange Rate and Net International Reserves

- The value of the Egyptian pound continued its increase against the U.S. dollar (0.15%). This comes as a result of a pledge by the Central Bank of Egypt to intervene in the exchange market, in a timely manner, to eliminate black market[5]. (Fig 5)
- Net foreign reserves reached USD 17.8 bn at the end of November 2013[4]. The Governor of the Central Bank attributed the decline in foreign reserves in November to the payment of State obligations[6]. With the economy envisaged to remain weak and the political situation uncertain, it is expected that downward pressure on the currency will increase again, pushing the pound against USD down to an average of L.E. 7.21 in 2014 from L.E. 6.87in 2013[7].
- Balance of payments witnessed a marked improvement during the first quarter (Q1) of 2013/ 2014, recording a surplus of about USD 3.7 bn compared to a deficit of USD 0.5 bn during the same period of the previous year[8].

Figure (5) Development of the Egyptian Pound exchange rate versus the US Dollar



Source: The Central Bank of Egypt

- Trade balance deficit was reduced in August 2013 amounting to L.E 16.86 bn compared to L.E. 21.69 bn in August 2012 (i.e. decreasing by 22.3%)[9].

[1] FAO, Crop Prospects and Food Situation, October 2013.
[2] Anbamoscow,4 January 2014,http://anbamoscow.com/russia/20140104/388510180.html
[3] El Shorouk, 24 Oct 2013, The price of wheat begins with the rise of global production of Argentine.
[4] Central Bank of Egypt website, http://www.cbe.org.eg/Arabic/
[5] Al-Masry Al-Youm, 29/ 12/ 2013, http://www.almasryalyoum.com/news/details/367405
[6] Al ahram, 9 December 2013, USD 825 million decline in foreign reserves in November.
[7] Economist Intelligent Unit, Egypt Country Report, 29 January 2014.
[8] Ministry of Finance, the financial report, January 2014, p. 64.
[9] CAPMAS, Monthly Summary for foreign trade data, December 2013.

2. Vulnerable Households' Food Security

2. 1 Characteristics of Vulnerable Households

- The **number of HHs sampled** in this survey was **1,679** (7,739 household members) equally distributed across 10 governorates. (see map back-cover)
- **Female headed HHs constituted 22.8% of total HHs surveyed.** Total HH heads' participation in the labor force across Egypt amounted to 67.1%, representing around 80.9% among male and 20.4% among female HH heads.
- **About 34.9% of the surveyed individuals in the sample whose age are 10 years or more are illiterate, constituting 41.7% and 27.7% among females and males, respectively.**
- **The rate of enrollment in education among the sampled group (6+ years old) amounted to 75.6% constituting 83.8% and 67.9% among males and females, respectively.**
- **Around 29.0% of the total sample (aged 6+ years) who had been enrolled in school, had dropped out of basic education** (before preparatory level). Drop-out rates increased among the elder groups of the sample. In this regard, drop-out rates was 1.5% among the 6 – 10 age group compared to 15.9% in the 11– 20 age group. **Drop-out rates recorded 30.6% and 27.2% among males and females (ages 6+ years), respectively.**
- Table 4 highlights that the vulnerable groups are engaged in casual labor, with 70.2% of employed male HH heads working as drivers, carriers/ office boys, farmers, sellers, workers/ technicians, or craftsmen; whereas 45.7% of employed female HH heads work as sellers.
- **Unemployment rate[1] among the vulnerable at working age** (15 – 64 age group) has decreased by 20.1% in Q4 of 2013 compared to Q3 of 2013 and amounted to 15.1% constituting 9.4% among males and 36.5% among females. This is against the national unemployment rate of 13.4% in Q3 of 2013; 9.9% and 25.1% among males and females, respectively[2].

- **Child labour, represented by the percentage of working children (6 – 18 years) has reached 5.6%, with 75.8% of these children belonging to the age group (15 – 18 years).**

Table (3) Breakdown of the sample, enrollment and drop out rates by age groups

(%)

Age Group	Age Distribution	Enrollment Rate[1]	Drop out Rate[2]
10-	25.7	91.1	1.5
(11-20)	23.1	95.4	15.9
(21-30)	15.5	83.4	30.0
(31-40)	12.6	73.6	47.4
(41-50)	10.0	56.2	56.1
(51-60)	6.8	45.5	74.5
(61-70)	4.3	27.2	87.9
71+	2.0	17.1	88.9
Total	100.0	75.6	29.0

[1] Enrollment rates had been calculated for individuals who are 6+.
[2] Drop out rates had been calculated for individuals who are 6+ and stopped education whereby did not complete preparatory schooling.
Source: Assessment Survey of the Vulnerable Households, Egyptian Food Observatory, December 2013.

- **About 47.6% of the employed HH heads suffer** from unstable employment constituting 47.7% among males and 45.7% among females.

Table (4) Breakdown of employed household heads by occupation and gender[1]

(%)

Occupation	Male	Female	Total
Seller	**12.3**	**45.7**	14.4
Carrier - Office boy	**14.0**	15.7	14.1
Driver	**14.9**	0.0	14.0
Farmer (not holding property)	**12.5**	5.7	12.1
Worker – Technician	**11.3**	1.4	10.7
Craftsman	**5.2**	1.4	5.0
Chef - Waiter	5.1	2.9	5.0
Construction Worker	4.9	0.0	4.6
Security guard	3.7	0.0	3.4
Carpenter	2.8	0.0	2.6
Other	13.2	27.1	14.1

[1] Based on investigation of the employment status of household heads in the week preceding the survey; unemployed persons are excluded before calculating the proportional breakdown.
Source: Assessment Survey of the Vulnerable Households, Egyptian Food Observatory, December 2013.

[1] Includes those who don't work, but are seeking a job (i.e. excluding those who are economically inactive such as housewives, school or university students, army recruits, etc.).
[2] CAPMAS, Labor Force Survey Bulletin (July– September 2013), http://www.capmas.gov.eg/Pepo/Labour.pdf

2. 2 Changes in Income and Expenditure of Vulnerable Households

2.2.1 Vulnerable Household Expenditure

- **Average spending on food and non-alcoholic beverages amongst vulnerable HHs constituted some 65.4% of total HH spending** this quarter, **down from 66.6%** in the previous quarter, and against 37.6% by the average HH in Egypt[1].
- **Average monthly expenditure of vulnerable HHs surveyed this quarter**, **amounted to L.E. 773.9** (or daily per capita expenditure of around L.E. 5.9), **up from L.E. 749.5 in Q3 of 2013**.

2.2.2 Vulnerable Household Income

- **HH incomes continued to remain largely static**. Based on a recall question for the previous month (December to November 2013), some **93.7% of HHs surveyed reported that their monthly income remained unchanged**, compared to 90.1% in Q3 of 2013. About 5.3% of HHs reported an income reduction by an average of L.E. 162.2. Whereas 1.0% of the surveyed HHs reported an income increase amounting to L.E. 146.3 on average. (Fig. 6)
- About **33.7% of the surveyed HHs** reported exposure to some form of crisis/ problem which affected their financial situation over the past year, **decreasing from 41.0% in Q3 of 2013. About 35.2% of these HHs identified increased health expenditures as a major crisis,** followed by **debt repayment (17.0%)**.
- **About 45.4% of the surveyed HHs reported obtaining additional sources of income to supplement that from their main job, constituting 31.6% of male headed HH and 91.9% of female headed HH.**
- **Retirement/ insurance pension constituted the most significant supplementary income source**; it brought about 38.9% of additional income compared to 29.2% in Q3 of 2013.
- **Governmental assistance/ social solidarity pension constituted, on average, 30.8% of additional income sources**, while **charitable assistance constituted about 22.2%,** either in the form of family assistance (9.3%), philanthropic community assistance (8.5%), or assistance from non-governmental organizations (4.4%).

[1] CAPMAS (2013) Highlights from Household Income, Expenditure and Consumption 2012/ 2013 Survey.

Figure (6) Vulnerable households income change compared to the month preceding the survey and exposure to financial crises during the previous year[1]

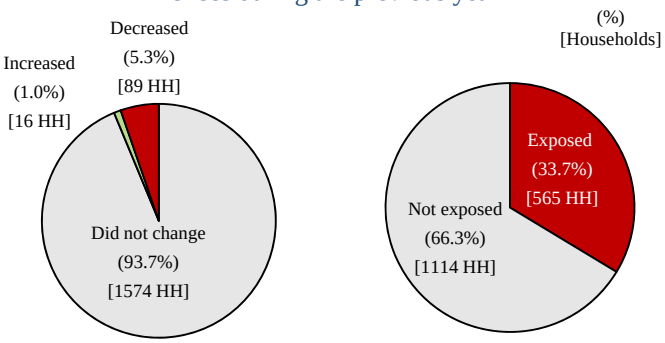


Figure 6) a) Breakdown of households according to income change compared to the month preceding the survey

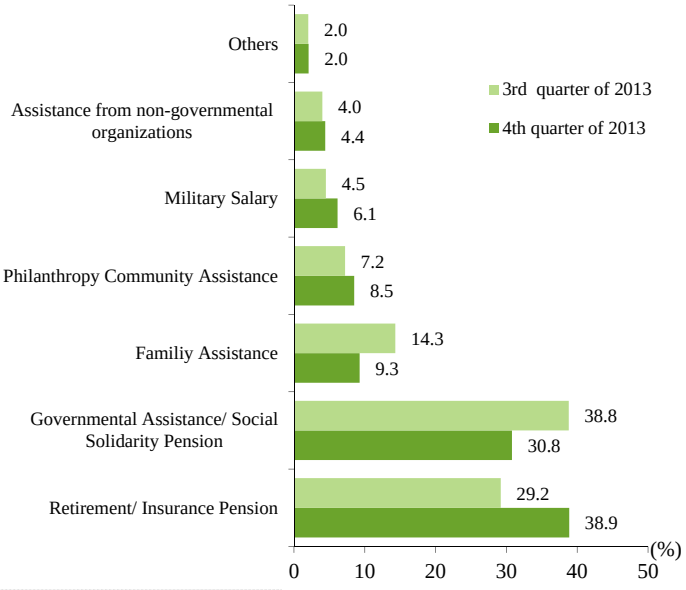
Figure 6) b)Breakdown of households according to Exposure to financial crises over the previous year

[1] Percentages are calculated based on recall question "During the past year has your family been exposed to any crisis/ problem that affected your financial situation?".
Source: Assessment Survey of the Vulnerable Households, Egyptian Food Observatory, December 2013.

- **Gender of HH head significantly affect HH expenditure where monthly expenditure of female headed HH amounted to L.E. 583.3 compared to L.E. 830.3 among male headed HH.**

- **Static income of surveyed vulnerable HHs coupled with slight increase in the cost of the average food basket result in slight variations of the percentage of HHs income spent on food (65.2% and 65.9% among male headed and female headed HHs).**

Figure (7) Breakdown of the sources of vulnerable households' additional income apart from the main job



Source: Assessment Survey of the Vulnerable Households, Egyptian Food Observatory, September 2013, December 2013.

- **80.2% of vulnerable HHs surveyed reported their income to be insufficient to cover <u>total monthly needs</u>** (including food, clothes, shelter etc.), **down from 89.7%** in Q3 of 2013 (Fig. 8). Of those 80.2%, some **79.1% reported insufficient income to cover <u>monthly food needs</u>** in Q4 of 2013.
- **The percentage of HHs whose income was insufficient to meet their <u>total monthly needs</u> recorded its highest value in El-Behera (91.7%),** followed by Luxor (87.5%) and Assuit (85.7%).
- **The highest percentage of HHs** stating that their **income was insufficient to meet their monthly <u>food needs</u>** was recorded in **Ismailia (95.8%),** followed by El-Behera (94.8%) and Assuit (94.4%).

Figure (8) Vulnerable household income sufficiency

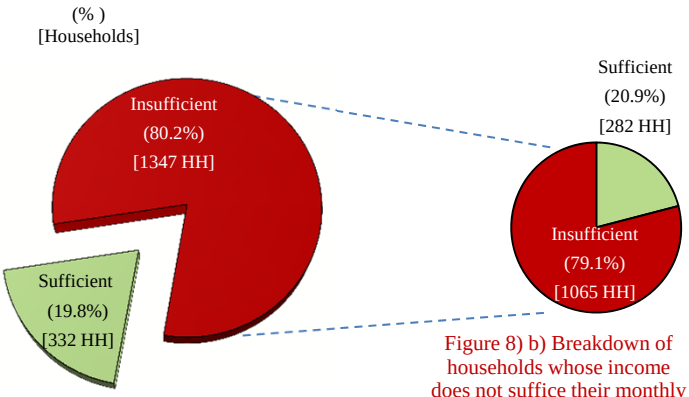


Figure 8) a) Breakdown of households according to income sufficiency to meet **<u>total monthly needs</u>**

Figure 8) b) Breakdown of households whose income does not suffice their monthly needs according to income sufficiency to **<u>food needs</u>**

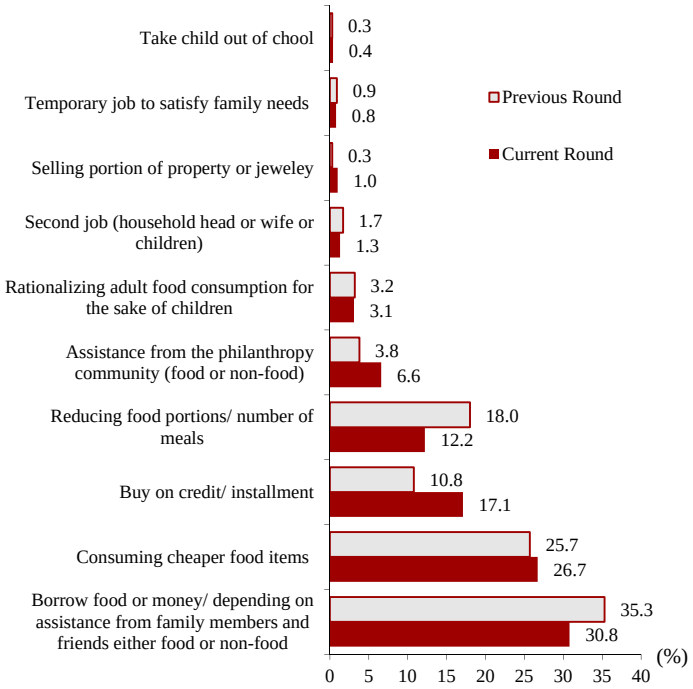
Source: Assessment Survey of the Vulnerable Households, Egyptian Food Observatory, December 2013.

- **79.4% of the monthly income of surveyed <u>male headed</u> HHs is not sufficient to cover their <u>total monthly needs</u>** (food and non-food), of which about **78.3% reported their income is not sufficient to cover their <u>monthly food needs</u>.**
- Whereas, **83.0% of the monthly income of surveyed <u>female headed HHs</u> is not sufficient to cover their <u>total monthly needs</u>. Of these HHs 81.4% indicated that their income is not sufficient to cover their <u>monthly food needs</u>.**

2.2.3 Coping Strategies

- HHs whose income was insufficient to meet their monthly needs resorted to employing a number of coping strategies. **The most prevalent in December 2013 was 'Borrowing food or money/ depending on assistance from family members/ friends'** (Fig. 9) **representing 30.8% of coping strategies**, down from **35.3**% in Q3 of 2013. This is against the established pattern from September 2011, where consuming cheaper food items used to top the coping strategies that has been reverted in Q2 of 2013. Q3 and Q4 sustained such change in the overall trend. However borrowing is taking downward trend.
- **Borrowing** and **consuming cheaper food items are the most prevalent coping strategies that vulnerable HHs used to cover their needs, suggesting that vulnerable HHs are adopting more severe coping mechanisms where incomes do not suffice. Consuming cheaper food items** by families whose income was insufficient to meet their monthly needs **represented 26.7% of coping strategies in Q4 of 2013 compared to 25.7% in Q3 of 2013.**
- Other coping strategies adopted included; **buying on credit (17.1% up from 10.8% in Q3 of 2013), reducing food intake (12.2%)**, and rationalizing adult food consumption for the sake of children (3.1%).

Figure (9) Coping strategies used by vulnerable households whose income is insufficient to meet monthly needs



Source: Assessment Survey of the Vulnerable Households, Egyptian Food Observatory, September 2013, December 2013.

2. 3 Vulnerable Households Use of Ration Cards for Subsidized Food

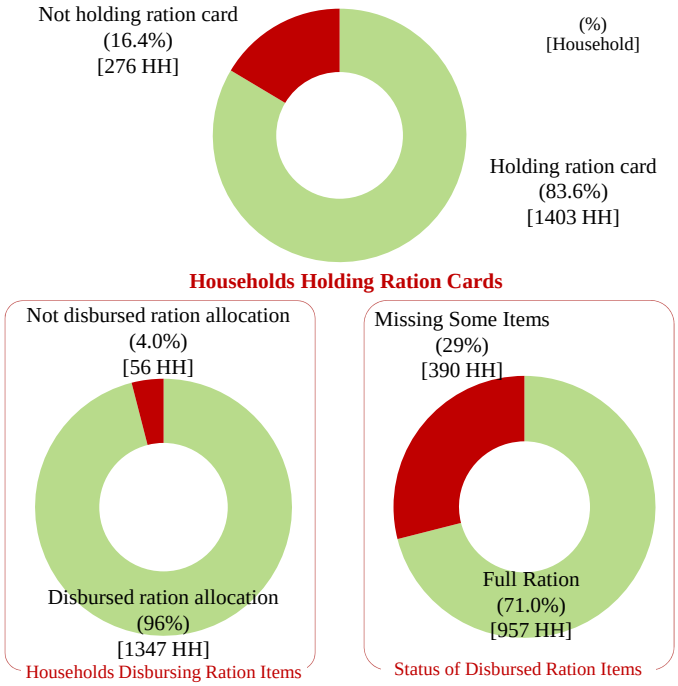
- **Some 16.4% of vulnerable HHs do not hold a ration card (Fig. 10).** The highest percentage of vulnerable HHs not holding ration cards was recorded in Alexandria (33.3%), followed by Sohag (25.0%) and Suez (23.8%).
- **About 39.1% of vulnerable HHs** have **children under the age of five**. **Approximately one quarter** of these HHs (24.7%) do not hold a ration card. In Egypt, some 66.7 million people hold ration cards[1]. **This highlights the need to review and improve targeting criteria, particularly during challenging economic times.**
- Given the fact that the average vulnerable HH holding ration cards contains 4.7 persons in Q4 of 2013, the survey found that on average 3.6 persons per HH have access to ration cards, indicating that only 75.6% of the HH members are likely to benefit from ration cards.
- The **majority (96.0%) of vulnerable HHs holding ration cards utilized them** to **purchase their ration allocations**. Of those, **29.0% did not purchase their full ration allocation.** Q4 of 2013 has witnessed significant improvement in the percentage of HHs reporting missing some items from their regular allocation 29% compared to 49.6% in Q3 of 2013.

- **Shortage in commodities at ration grocers** was cited as the main reason preventing HHs from purchasing different commodities (88.0%), followed by poor quality of commodities (8.0%).
- Despite the fact that sugar, oil and rice are the most widely purchased commodities with ration cards, 38.8%, 41.1% and 25.8% of surveyed vulnerable HHs' purchasing these commodities respectively reported that it does not suffice their needs.
- Subsidized macaroni and tea are only occasionally purchased through ration cards (12.5% and 5.0% respectively), with HHs attributing this to low stock at the ration grocers.

- **Rationed commodities which are considered dispensable and could be replaced were macaroni (28.6%) and tea (27.6%).** Such inputs match with the reported list of the least consumed commodities on ration cards.

[1] Ministry of Supply and Internal Trade special data request from the ministry.

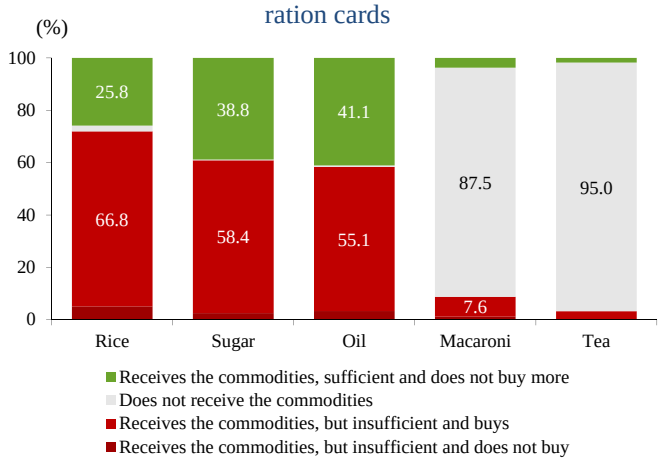
Figure (10) Breakdown of vulnerable households holding a ration card



Source: Assessment Survey of the Vulnerable Households, Egyptian Food Observatory, December 2013.

- **HH head gender didn't affect HH possession of ration cards, or its utilization. Nevertheless, 30.4% of male headed HHs reported missing some items from their regular allocation compared to 24.2% among female headed HHs.**

Figure (11) Sufficiency of the subsidized commodities on the ration cards



Source: Assessment Survey of the Vulnerable Households, Egyptian Food Observatory, December 2013.

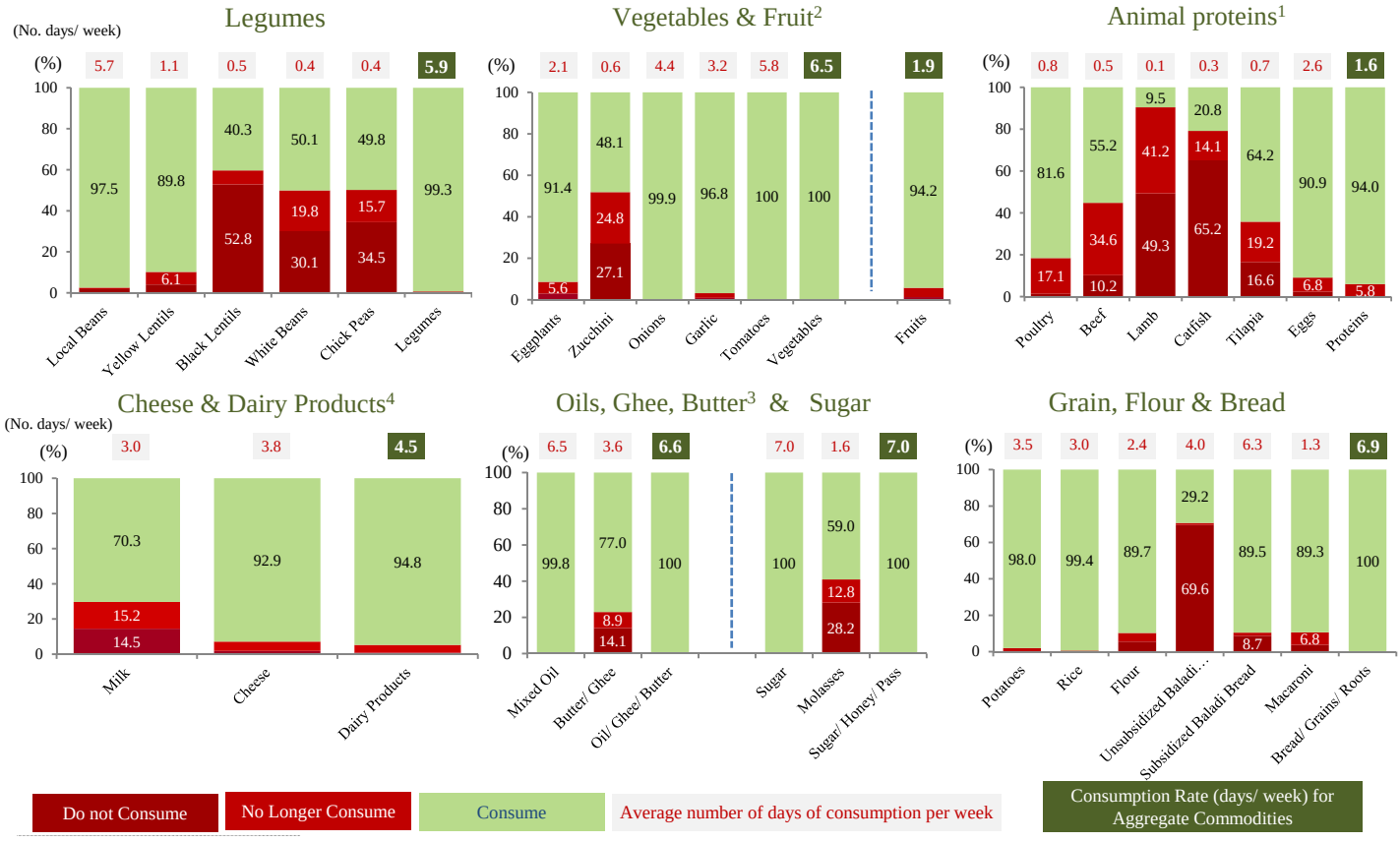
- **Only 5.9% of vulnerable HHs knew that rationed oil is fortified with vitamin (A) and vitamin (D),** suggesting the need for awareness raising of the fortification and its benefits.

2. 4 Vulnerable Households' Food Consumption

- Vulnerable households' (HHs) food consumption patterns have remained largely constant since the launching of the EFO in September 2011, showing **a continued over-reliance on subsidized cereals and bread, oil and sugar and a poor dietary diversity.**
- As Figure 12 below indicates, **cereals and carbohydrates (bread/ grains/ roots) are the main food group that all HHs surveyed consume on a daily basis** (noted at 6.9 days a week). Of these items, subsidized bread was the most frequently consumed item (6.3 days a week) by the majority of HHs (89.5% of HHs).
- **All HHs consumed oil/ ghee/ butter and sugar on a daily basis** (6.6 days a week).
- HHs surveyed show a lower consumption of fruits as 94.2% consume it only 1.9 days a week.
- All HH consumed vegetables on an average of 6.5 days a week.
- **There is low consumption of animal proteins by vulnerable HHs, with meat** (beef and lamb)**, and fish** (tilapia and catfish) **consumed less than once a week**. About 81.6% of HHs eat poultry approximately once a week. **Eggs** remain **the main source of animal protein, consumed** by 90.9% of HHs 2.6 days a week.
- **Consumption patterns are driven largely by prices**, as well as the composition of subsidized rations and poor nutritional awareness.
- About 11.3% of the vulnerable HHs have complained about the unavailability of subsidized baladi bread through Q4 of 2013.

- **Given the high and rising food prices** that have placed certain items beyond the vulnerable's purchasing power, about 41.2% of **the surveyed HHs ceased to consume Lamb since 3.5 month** on average and 34.6% ceased to consume beef for 2.8 month on average.
- **About 15.2%** of **the surveyed HHs ceased to consume milk since 4.5 month** on average.

Figure (12) Breakdown of vulnerable households' consumption by commodity type (from the food basket), frequency of consumption (number of days a week)

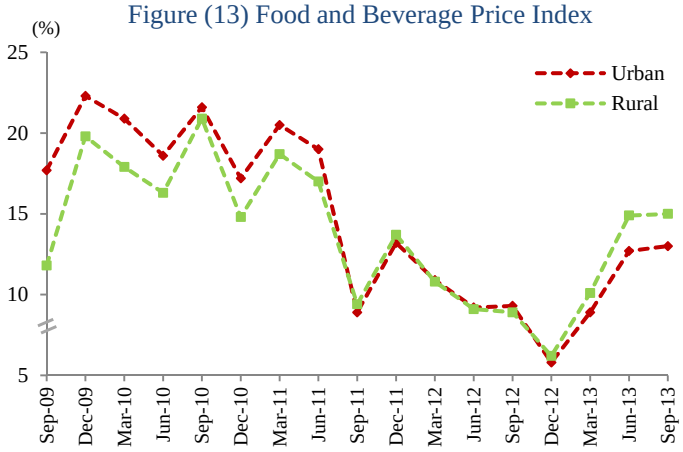


[1] Proteins including meat, poultry, rabbits, fish and eggs.
[2] Vegetables including leafy and non-leafy vegetables.
[3] Butter/ghee including natural and manufactured.
[4] Dairy Products except for butter.
Source: Assessment Survey of the Vulnerable Households, Egyptian Food Observatory, December 2013.

3. Special report: Price Distortions : What Happened to the Prices of Basic Food Commodities

- Prices in the Egyptian market are distorted where consumers are exposed to two types of risks; price dispersion and price volatility. **Price dispersion** defines the situation where different sellers offer **different prices** for **the same good** in a given market and where consumers have imperfect information[1], this is likely to increase the monopoly power of sellers[2]. While, **price volatility** results from the dependency on international markets to meet local demand, where net importers are negatively affected by shortages of domestic commodities coupled with rises in local prices that erode the purchasing power[3] of HHs. Thus, both smallholder farmers and consumers are more vulnerable[4].

Figure (13) Food and Beverage Price Index



Source: CAPMAS website.

3. 1 Egyptian Food Market Price Dispersion

- The Egyptian food observatory has highlighted, since its launch in September 2011, the dispersion of food prices among geographical regions as well as dispersion between urban and rural areas within surveyed governorates.
- Figure 13 highlights food price dispersion between urban and rural areas using the Food and Beverage Price Index data during the period September 2009 - September 2013. The figure shows that the gap in prices has narrowed between September 2011 and December 2012. However, political turmoil and weakening economy have resulted in widening the gap again from December 2012 onwards. Moreover, table 5 highlights food price dispersion among various geographical regions using the data of the Monthly Price Burden Index (June 2011–September 2013). Urban governorates have always exceeded the national average, contrary to Upper Egypt governorates which were always lower than the national average.

Table (5) Monthly Price Burden Index according to geographic region

L.E.

Period	Urban	Lower	Upper	Frontier	National
Jun-11	466.2 🔴	449.4 🟢	445.0 🟢	463.1 🔴	455.9
Sep-11	495.1 🔴	468.2 🟢	461.1 🟢	476.3 🟡	475.2
Dec-11	512.3 🔴	474.1 🟢	472.4 🟢	471.2 🟢	482.5
Mar-12	507.1 🔴	481.7 🟢	472.8 🟢	472.2 🟢	483.4
Jun-12	496.2 🔴	475.0 🟡	470.8 🟢	467.9 🟢	477.5
Sep-12	512.0 🔴	485.5 🟡	478.2 🟢	484.3 🟢	490.0
Dec-12	506.1 🔴	475.8 🟢	472.7 🟢	479.4 🟡	483.5
Mar-13	505.6 🔴	489.3 🟡	481.5 🟢	491.8 🟡	492.1
Jun-13	539.3 🔴	504.7 🟢	496.9 🟢	514.6 🟡	513.9
Sep-13	550.8 🔴	510.4 🟢	518.7 🟢	533.1 🔴	528.2

🟢 Region price level is lower than the national level.
🟡 Region price level is approaching the national level.
🔴 Region price level is exceeding the national level.

As Shown in Section (1) of the Bulletin that Monthly Price Burden Index measures the cost of an average food basket composed of 27 food commodity illustrated in Annex (1).
Source: Egyptian Food Observatory, Monthly Price Burden Index.

- **Local beans, black lentils, poultry, yellow lentils, and garlic** are the main food commodities that have shown significant urban – rural price dispersion within surveyed governorates during most of the rounds. **Beef, lamb, veal, catfish and tilapia fish** follows these commodities in terms of capturing urban – rural price dispersion.

Source: Egyptian Food Observatory, researchers secondary analysis to information provided through previous 13 editions of the EFO bulletin (regional price variation).

- **Garlic, mullet fish, black lentils, tomatoes, eggplant, catfish, lamb, yellow lentils, tilapia fish, and veal are** the top food commodities recording significant geographic price dispersion among different governorates.

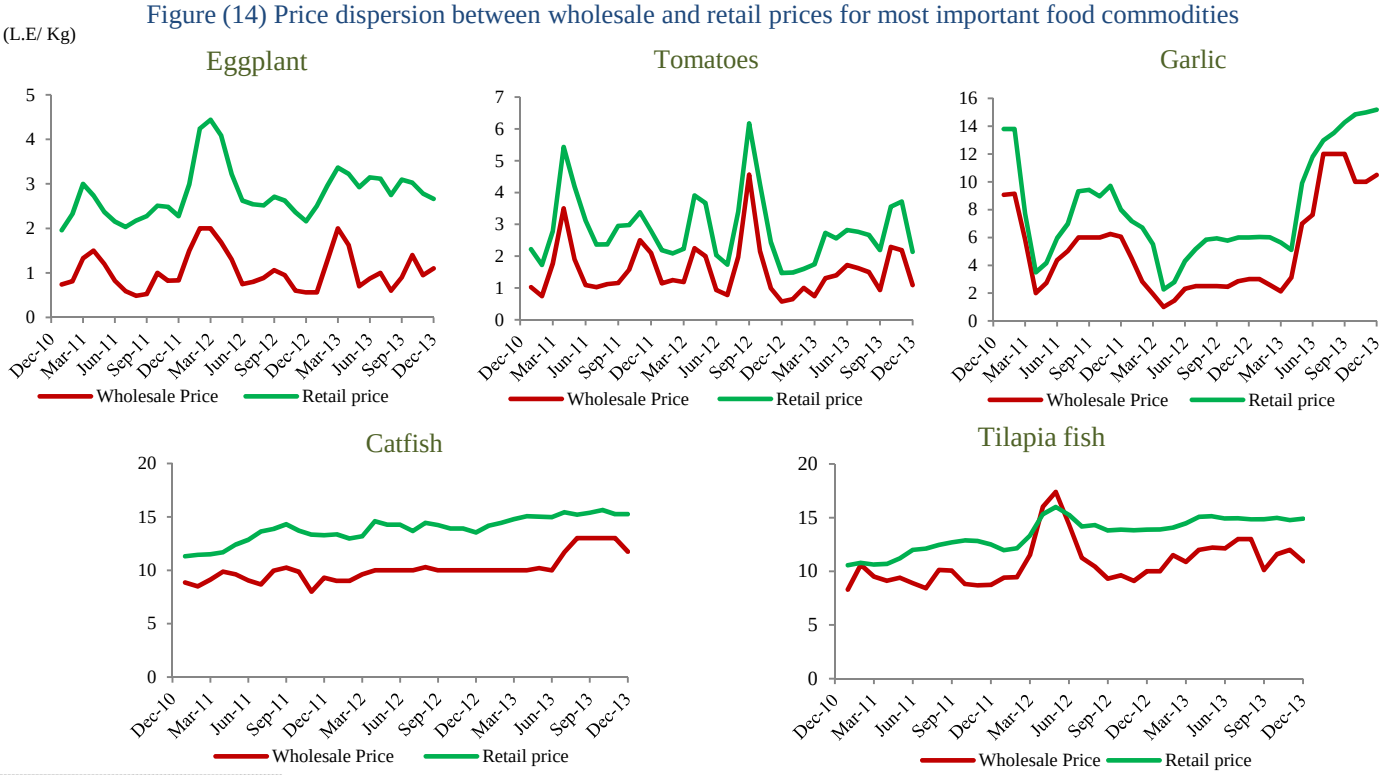
Source: Egyptian Food Observatory, researcher analysis to prices raw data for 27 food commodities in all governorates between 2nd week of January 2011 and 3rd week of November 2013.

[1] Hopkins · Edward, Price Dispersion, November, 2006.
[2] Nelson ,Phillip, Information and Consumer Behavior State, Journal of Political Economy, Vol. 78, 1970.
[3] High Food Prices: The What, Who, and How of Proposed Policy Actions, http://www.ifpri.org/sites/default/files/publications/foodpricespolicyaction.pdf
[4] FOA, World hunger report 2011: High, volatile prices set to continue http://www.fao.org/news/story/en/item/92495/icode/

- Figure 14 portrays price comparisons during the period December 2010– December 2013 for a number of main food commodities at retail and wholesale levels for the commodities with rural – urban and geographic region price dispersion.

- Previous findings signifies that price dispersion is **a symptom for a structural problem in the functions of the Egyptian food market, that necessitate governmental intervention to correct the distorted food market.**

Figure (14) Price dispersion between wholesale and retail prices for most important food commodities

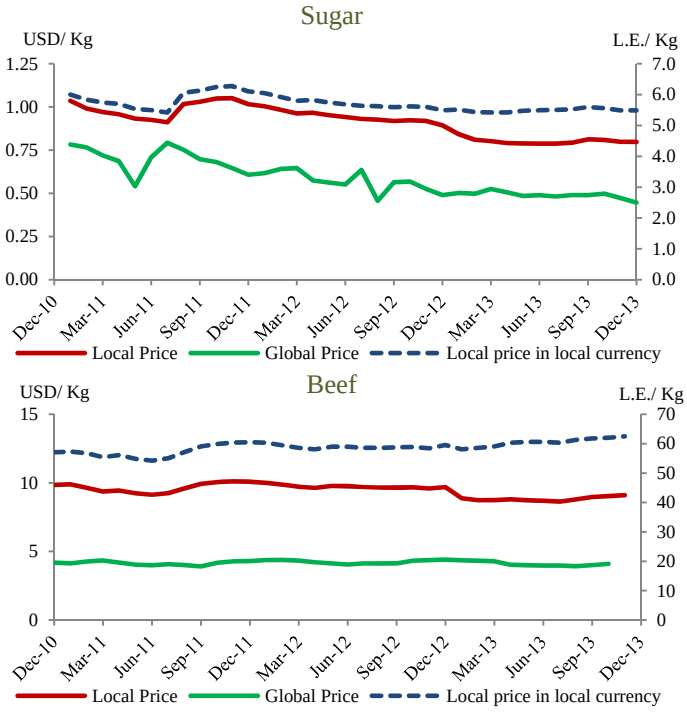


Wholesale prices were collected from Obour Wholesale market.
Source: Field Monitoring Network, Cabinet-Information and Decision Support Center.

3. 2 Global Price Volatility

- As a net food importer, Egypt is vulnerable to the volatility of global prices. The situation became worse in 2013 with the devaluation of the Egyptian pound against the USD. (fig. 5 page 6) Thus, local prices always exceeded global prices. Such a trend is portrayed when comparing local prices of beef and sugar with global prices (Fig 15). The increase in the portrayed gab between local and global prices in 2013 is due to the devaluation of the pound, where prices in local currency has either remained unchanged or increased.

Figure (15) Prices in Local and Global Markets



Source: Local Price is the average of 4 regional prices (urban, upper Egypt, lower Egypt, and frontier governorates) that are calculated from IDSC Field Monitoring Network data that where processed with monthly exchange rates to convert them in USD/ Kg prices, whereas global prices are extracted from International Monetary Fund, http://www.imf.org.
Daily exchange rate from Central bank of Egypt was used to estimate monthly exchange rate that was used to transform local prices to USD.

A study was conducted to investigate the role of retail sellers in inducing price volatility. It identified critical problems including the high average profit margin of retail traders in Egypt reaching 21% compared to 4.4% in reference countries, as well as the temporary storing of commodities for the increased profits that follow the induced shortages. The study identified weaknesses in the Egyptian market that includes the following:

- Excessive number of decrees/ laws governing food safety, that exceeds 2300 (diversified between laws, presidential or ministerial decrees).
- Penalties on business institutions ranging between L.E. 5000 – L.E.100,000 , which is a significant amount to large institutions.
- Despite the initiation of the Consumer protection Agency (CPA) in 2006, several governmental institutions are engaged in consumer protection, creating conflicts and overlaps.
- The absence of a decree setting out clearly concerned parties with consumer protection mandate/ responsibility and the coordination mechanism among them.

Source: Egyptian cabinet, IDSC, Towards building a national strategy for managing food security issue in Egypt, June 2012, unpublished document.

3. 3 Measures Taken by the Government to Regulate the Market

The Egyptian government has taken measures to control prices that include:

- Organizing monthly discounts campaigns on food commodities; sugar, oil, meat and poultry, fish, ..etc by the Ministry of Supply and Internal Trade (MOSIT) through consumer cooperatives[1].
- Issuing indicative prices by the MOSIT. This can be escalated to compulsory pricing if needed[2].
- MOSIT, in collaboration with the army have assigned a number of trucks to sell food commodities in the various squares in Greater Cairo at prices significantly below market level[2].

Moreover, the government is planning for:

- The use of consumer cooperative outlets for the sale of food commodities to citizens at discounted prices and where subsidized ration cards beneficiaries can utilize their smart cards, ~~in those outlets~~[1].
- The General Union of Chambers of Commerce is planning to coordinate with its chambers in various governorates to declare daily weighted averages of wholesale and consumer prices that can be used as a guiding reference for consumers[3].

The Egyptian Cabinet's IDSC in collaboration with the Ministry of Finance monitors daily wholesale and retail prices of vegetables, fruits, fish, groceries, meat and poultry, diary, grains and sugar as well as global prices of fruits and vegetables and main staple commodities daily. available at: http://www.agriprice.gov.eg/SiteMap/Sitemap.aspx

3. 4 Proposed Policy Recommendations

In spite of Governmental efforts to control market prices, consumers do not sense a tangible decrease or even the stability of domestic prices. More concrete and harmonized plans are needed to combat price hikes and price dispersion. More concrete and harmonized plans are needed to combat price hikes and price dispersion.The following are proposed **governmental intervention :**

- The Egyptian Competitiveness Authority (ECA) to investigate the root causes for price dispersion between farm gate, wholesale and retail prices and the root causes for price urban – rural price dispersion in the same governorate for main food commodities.
- Disclosure of daily wholesale and retail prices of food commodities on a wider scale.
- The CPA to invest in further training and advocacy activities for consumer protection NGOs to ultimately enable consumers to better understand their rights.
- Enhancing the role of consumer cooperatives in controlling main food commodities prices through offering discounts in its outlets throughout the whole month, thus pushing down the free market price.
- Monitoring prices throughout the various supply chain phases to identify root causes of price hikes and dispersions.
- Food import policies have to be based on a comprehensive crop importation plan that specifies the country of import, the optimal timing for importation in light of worldwide harvest agendas. Implementing such policies would help in benefiting from low prices of main staples at the harvest season.
- Enhance the efficiency of wholesale and retail food supply chains that are currently suffering from poor logistics and inadequate supply chain services.

[1] Shorouk newspaper, 09/ 12/ 2013, "Minister of supply: developing 3600 consumer cooperative outlets to sell commodities to citizens at discounted prices" http://www.shorouknews.com/news/view.aspx?cdate=09122013&id=4cb6995b-1727-4c52-95ec-971c5fc5d19b.
[2] Almal newspaper, 06/11/2013, "Indicative pricing is succeeding despite chambers of commerce boycott", http://www.almalnews.com/Pages/StoryDetails.aspx?ID=115466
[3] Al-Ahram newspaper, 03/ 09/ 2013, "Chambers of commerce determine average wholesale and consumer prices", http://www.ahram.org.eg/NewsPrint/234609.aspx
4 El Megarbel, Nihal, *Efficiency of Wholesale and Retail Services in Egypt, Egyptian Center for Economic Studies*, Working paper#153, February 2010.

Annex: Survey and Composite Index Methodology

1 Monthly Burden Index Methodology

- Index of the "Monthly Price Burden" indicates the differences between the prices of basic food commodities basket in each one of the months under observation against a specific reference time point.
- Development of the index depended on selecting a basket of commodities representing the main food groups (27 commodities), which the Egyptian HH uses in their meals. This basket would include one measuring for each selected commodity. This will include:

1. **Meat, poultry and fish** group including a kilo of: beef, veal, lamb, poultry, catfish, mullet fish, and tilapia.
2. **Vegetables** group including a kilo of: eggplants, potatoes, onions, garlic and tomatoes.
3. **Legumes** group including a kilo of: local beans, yellow lentils and black lentils.
4. **Grain and flour** group including a kilo of rice and wheat flour.
5. **Butter, oil and ghee** group including: corn oil (liter), sunflower oil (liter), natural ghee (kg) and processed ghee (kg).
6. **Eggs, dairy products, cheese and others** group including: eggs (package of 30), dairy (Liter), cheese (kg), macaroni (kg), tea (kg) and sugar (kg).

In order to measure the monthly price burden of the commodities basket, first, the monthly average of the unit price of each commodity should be calculated using the weekly prices collected by the Field Monitoring Network based on the following equation:

$$X_{jk} = \sum_{i=1}^{n_j} x_{ijk} / n_j$$

Since:

X_{jk}: is average monthly price of the commodity K in month j.
X_{ijk}: is the unit price (L.E.) of the commodity k in week i of the month j.
n_j: is the number of weeks in the month j.

Then total monthly prices of the commodities basket is calculated (27 commodities) in each of the months subject to measuring by using the equation:

$$X_j = \sum_{k=1}^{27} X_{jk}$$

Since:

X_j: is total monthly average of the price (L.E.) for the commodities basket in month j.

This total is then compared during each of the months of measuring against the reference price of this given basket which had been selected to be its price in the first week of January 2011[1] which is calculated using the equation:

$$Y = \sum_{k=1}^{27} x_{11k}$$

Since:

Y: is the reference line for measuring the monthly burden of prices.
X_{11k}: is the unit price of commodity k (in Egyptian Pounds) in the first week of January 2011.

2 Rural Price Observatory Methodology

The Rural Prices Observatory addresses prices of the commodities' basket according to the weekly market in the villages visited during the round of the Survey on the vulnerable HHs in all governorates except urban ones.

3 Survey Selection Methods

✪ Selecting governorates:

In each round, the survey targets 10 governorates, covering Egypt's four main regions: 2 urban, 3 Lower Egypt, 3 Upper Egyptian governorates (north and central Upper Egypt), and 2 Frontier governorates in the Eastern and Western regions. The 10 governorates are so that each governorate is surveyed at least once every 4 rounds.

✪ Selecting Districts:

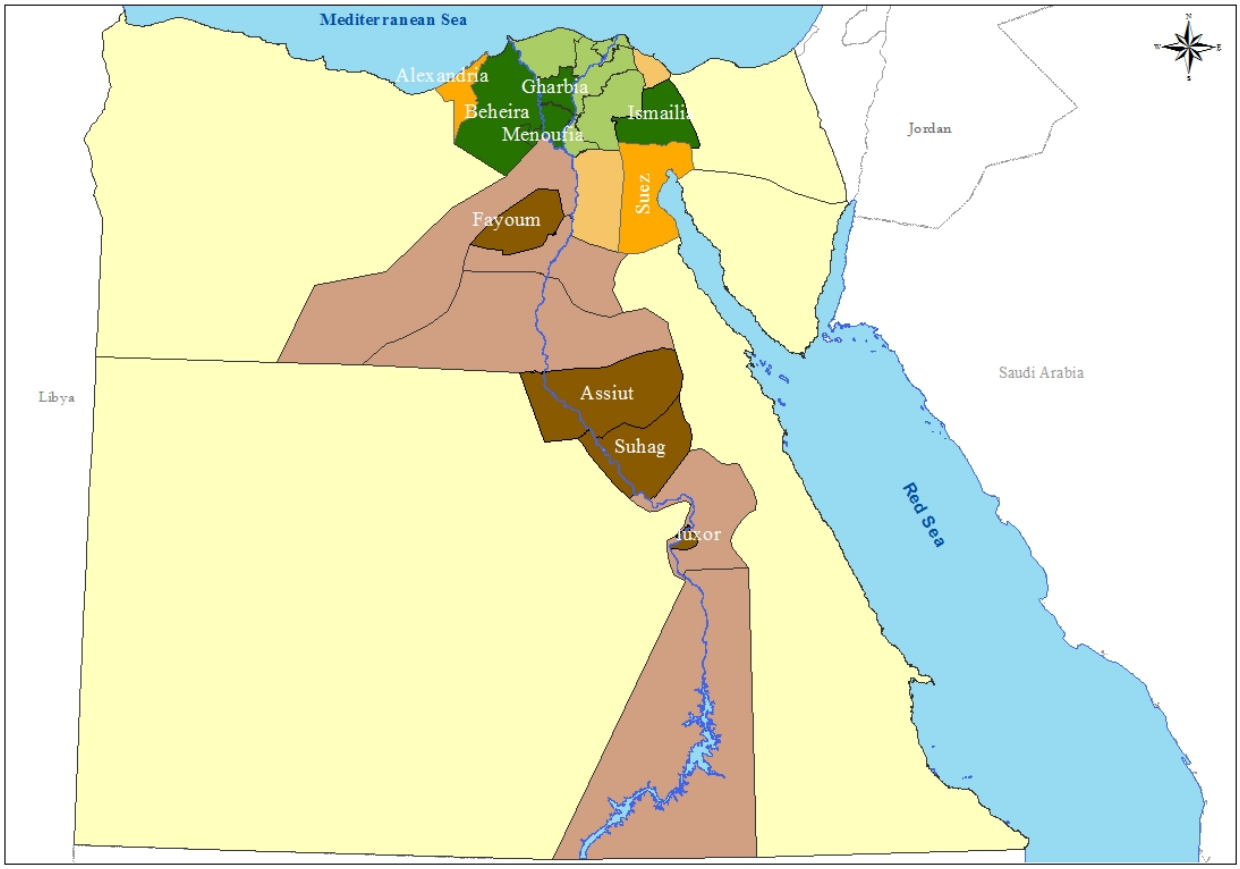
In each governorate, two urban and two rural areas are surveyed. For urban governorates four urban areas are surveyed based on 2007 CAPMAS poverty map where areas with the highest poverty rates (50% or more) are selected.

✪ Selecting Households:

The survey was conducted during last week of December 2013, for a sample of 1679 vulnerable households (about 168 households per Governorate – the Governorates are mapped on back-cover). In each village or urban area ,the most vulnerable areas are selected based on community feedback, then HHs are screened for eligibility based on: **educational status of HH head** (below university degree), **occupation of HH head** (those working in high or medium levels, government sector, business sector or as a contractors are excluded), and **based on income and asset ownership**. HHs are excluded if they have agricultural holdings, if any of its members are in private education, and if per capita HH expenditure and income on an average month exceeds L.E. 300.

[1]The first week of January 2011 had been selected instead of the average prices of the month in order to evade consequent impacts of the January 25th Revolution.

Map of Targeted Governorates*



Due to political turmoil CAPMAS didn't approve for the team to survey frontier governorates, hence these were replaced by a governorate from Upper Egypt and a governorate from Lower Egypt

Upper Egypt governorates
Urban governorates
Targeted Upper Egypt governorates
Targeted Urban governorates
Frontier governorates
Lower Egypt governorates
Targeted Lower Egypt governorates

*Governorates sampled in this edition include: Alexandria, Suez, Al-Gharbia, Al-Menofia, El-Behera, Ismailia, Fayoum, Assuit, Suhag, and Luxor.

For online editions see: http://eip.gov.eg/Periodicals/Periodicals.aspx?ID=225 and http://www.wfp.org/content/egypt-food-observatory-2013

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