



The Egyptian Cabinet  
Information and Decision Support Center  
(IDSC)



World Food  
Programme

wfp.org

# Egyptian Food Observatory

## Food Monitoring and Evaluation System

Quarterly Bulletin, Issue 9, July - September 2012





## Publication Objectives

This food security monitoring publication, jointly produced 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 situation of the most vulnerable households in urban and rural areas across Egypt. It monitors and identifies emerging local and global 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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## Highlights

- ✧ In September 2012, **86% of the vulnerable households interviewed reported their income as insufficient to cover monthly needs, a sizeable increase from 74% in June 2012.** This percentage recorded its highest values in Cairo (93.5%) and Matrouh (91.7%). In the context of low economic growth in Egypt<sup>1</sup>, this is associated with the combination of largely static income levels reported by 89.2% of households and rising prices. (Page 8-9)
- ✧ The **price of the food basket<sup>2</sup> has recorded its highest monthly value in September 2012, increasing by about L.E. 14** compared to June 2012, while it **grew annually** by 3.4%. Some **61.7% of vulnerable households' income goes towards food** against the national average of 40%. (Page 4)
- ✧ To cover their needs, **46.6% of households reported having additional sources of income to their current job, up from 43.1% in June 2012.** Of these, retirement/insurance pensions and Government assistance/ solidarity pension remained the most important, accounting for 61.7% of other sources of income. (Page 8)
- ✧ The **main coping strategies adopted by households this quarter included: consuming cheaper food items (by 28.2% of strategies, up from 19.6% in Quarter 2),** borrowing money (27.7%), reducing food intake (14.5%), buying on credit (13.8%) and assistance from community (9.2%). Relative to the previous quarter, consuming cheaper food items overtook borrowing as the most prevalent coping strategy, suggesting **vulnerable households are adopting more severe coping mechanisms where incomes did not suffice.** (Page 9)
- ✧ Some **20.1% of vulnerable households are not ration card holders for subsidized food.** (Page 10)
- ✧ **Inflation remained steady at 6.3% in September 2012, down from 8.5% in the year to September 2011.** Food and beverage annual inflation witnessed a **9.1% increase from September 2011,** associated with increased prices for specific items in the food price index (including vegetables, 26.4% increase; fish and seafood, 12.2%; and dairy and eggs, 11.1%), as well as increased demand during Ramadan and the Eid. (Page 4)
- ✧ The **Balance of Payments (BOP) deficit for 2011/12 increased to USD 11.3 billion** from 9.8 billion in 2010/11, mainly due to **increases in imports** of USD 58.7 billion in 2011/12 against USD 54.1 billion in 2010/11.
- ✧ In 2011/12, 11.7 million tons (MT) of wheat were imported to Egypt. **Wheat prices continued to rise above 2011 prices** due to poor production in some major producing countries. Egypt expects increased wheat production from 8.4 MT in 2011 to 8.7 MT in 2012, that could lower import requirements to 10 MT in 2012/13.<sup>3</sup> (Page 6)

## Special Report: How to Improve the Baladi Bread Subsidy System

- The previous quarter's Special Report provided highlights from a major study undertaken by the World Food Programme and the Ministry of Supply and Internal Trade (MOSIT) entitled *Optimizing the Baladi Bread Supply Chain*.<sup>4</sup> The study underscored how **greater centralization, automation and monitoring of the supply chain, as well as proper targeting could improve the Baladi bread subsidy program.**
- This edition summarizes findings from WFP's follow-on study, entitled *Simplification of the Baladi Bread Subsidy System in Egypt*.<sup>5</sup> The study looked specifically at measures that could enhance efficiencies and effectiveness in the production of subsidized Baladi bread, by **concentrating the entire subsidy at the bakery end, making it more demand-driven.** The assessment found that this shift could **reduce recurrent costs of the existing bread subsidy program by 30 to 35%.**
- The MoSIT is piloting liberalizing flour and wheat prices.



For full details of findings and recommendations see pages 12-13.

<sup>1</sup> Real GDP growth rates reached 2.2% in 2011/12, down from an average of 6.2% between 2005 and 2010 ( Ministry of Finance, *General Economic and Financial Outlook*; November 2012). GDP growth in July-September 2012 was reported to have dropped to 2.6% down from 3.3% in the preceding quarter, Al Ahram, 25 November 2012

<sup>2</sup> See Annex (p. 14) for full list of items in food basket.

<sup>3</sup> FAO, Food Outlook Global Market Analysis, November 2012, page 80. <http://www.fao.org/docrep/016/a1993e/a1993e00.pdf>

<sup>4</sup> World Food Program (WFP) and the Egyptian Ministry of Supply and Internal Trade (MoSIT), *Optimizing the Baladi Bread Supply Chain*, July 2012.

<sup>5</sup> WFP, *Simplification of the Baladi Bread Subsidy System in Egypt: An Assessment prepared by the World Food Programme for the Ministry of Supply and Internal Trade*, July 2012.



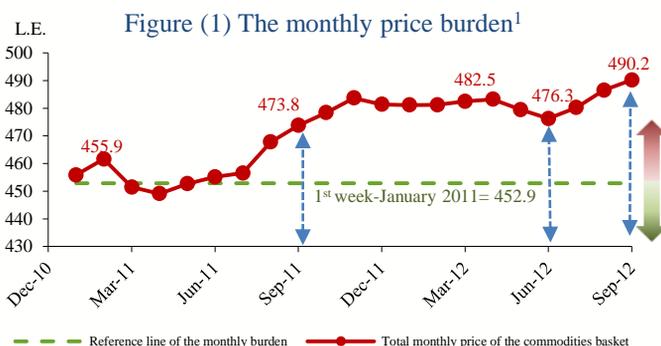
## 1. Trends in and Impact of Food Prices Changes

### 1.1 Food Basket Price Changes

- ★ The **monthly price burden** (Fig. 1), which indicates price changes in the food basket<sup>1</sup>, saw an **increase of 2.9%** in Quarter 3 (Q3) of 2012. This is against a slight decrease of 1.3% in Q2 2012, but a comparable increase in Q3 of 2011. The **annual trend in price increases in the year to September 2012 was of a 3.3% increase** from 474 Egyptian Pounds (L.E.) in September 2011 to L.E. 490 in September 2012.
- ★ **Between the 1<sup>st</sup> week of January 2011 and September 2012 prices increased by 8.2%**, resulting in a nominal price increase of L.E. 37.4 per food basket.
- ★ The price changes could be **linked with seasonality** in the production of certain food items, as well as the impact of **greater demand for some food items during the month of Ramadan in August and the Eid**.
- ★ **Increases in the price of the food basket** that includes basic commodities consumed by the most vulnerable households, **combined with largely static income levels reported by 89.2% of households surveyed** (p. 8), can partly explain the **greater proportion of vulnerable households' income going to food** (61.7% against the national average of 40%<sup>2</sup> - p.8) and the **greater proportion of households reporting insufficient income to meet needs** (86% in Q3 against 74% in Q2 - p.9).
- ★ **Price increases noted in Q3 were evident across most regions**, except Lower Egypt and Frontier Governorates, where prices remained stable in the last month of the current quarter. (Fig. 2)

### 1.2 Inflation Rates

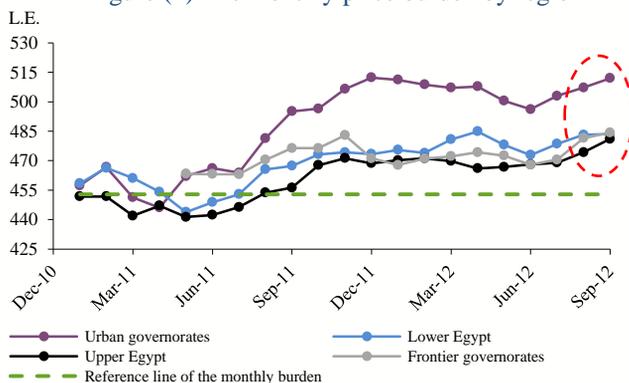
- ★ **Inflation remained steady at 6.3% in September 2012** (Fig. 3), **down from 8.5%** in the year September 2011 to September 2012.
- ★ **Food and beverage price index witnessed a 9.1% increase compared to September 2011** (Fig. 4); this is associated with the increases in the prices of vegetables (by 26.4%), fish and seafood (by 12.2%), and dairy, cheese and eggs (by 11.1%).
- ★ Food and beverage price index change rate between August and September 2012 amounted to 2.1%<sup>3</sup>.



<sup>1</sup> Reference line of the monthly burden has been updated upon the completeness of prices data in different governorates.

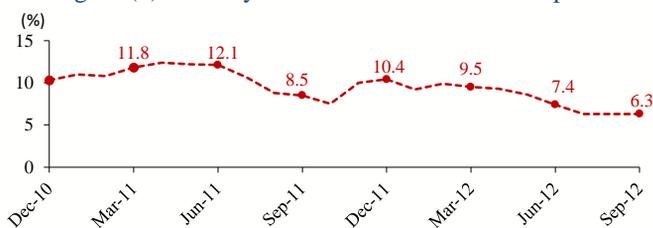
Source: Field Monitoring Network, Cabinet-Information and Decision Support Center.

**Figure (2) The monthly price burden by region**



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

**Figure (3) Monthly inflation rate for consumer prices<sup>1</sup>**



<sup>1</sup>Reference month (January 2010=100%).

Source: Central Agency for Public Mobilization and Statistics, CAPMAS.

**Figure (4) Food and Beverages Price Index<sup>1</sup>**



<sup>1</sup>Reference month (January 2010=100 points).

Source: Central Agency for Public Mobilization and Statistics, CAPMAS.

<sup>1</sup>The food basket includes 27 commodities presented in the Annex (page 14).

<sup>2</sup>Central Agency for Public Mobilization and Statistics (2011) *Household Income Expenditure and Consumption Survey*.

<sup>3</sup>CAPMAS website, <http://capmas.gov.eg/database.aspx?parentid=1095&free=1>.



## 1.3 Regional Variations in Commodity Prices

- As noted in Table 1 below, **vegetables recorded the most significant quarter-on-quarter price increase across all regions between June and September 2012**, while pulses also saw an increase.
- Tomato prices doubled in almost all regions** due to seasonality, high temperatures and the consequent damage in the tomato loop and harvests, as well as diesel shortages that hindered the transport of crops to market. The resultant lower supply of tomatoes led to a significant increase in prices.<sup>1</sup>
- Beef prices witnessed relative stability in all regions in September 2012**, with a slight increase noted in Upper Egypt and Frontier governorates, and a slight decrease in Lower Egypt and Urban governorates (Table 1).

Table (1) September prices and the rate of change between July and September-2012 of some food commodities

Goods	L.E. Kg (%)			
	Urban	Lower	Upper	Frontier
Beef	61.6 (- 3.5) ↓	59.9 (- 0.4) ↓	52.7 (0.5) ↑	60.0 (1.4) ↑
Poultry <sup>1</sup>	17.7 (- 0.9) ↓	16.2 (- 4.6) ↓	17.3 (- 8.2) ↓	18.9 (1.5) ↑
Tilapia fish	12.3 (- 8.4) ↓	12.1 (- 12.7) ↓	15.9 (- 9.0) ↓	15.0 (- 8.4) ↓
Eggplant	3.0 (6.2) ↑	2.5 (6.8) ↑	2.3 (7.6) ↑	3.0 (- 5.0) ↓
Potatoes	3.1 (83.3) ↑	2.9 (79.5) ↑	2.8 (62.7) ↑	3.0 (52.8) ↑
Onions	2.4 (20.3) ↑	2.2 (51.5) ↑	2.4 (35.3) ↑	2.4 (20.3) ↑
Tomatoes	5.8 (233.1) ↑	6.0 (234.9) ↑	6.1 (168.1) ↑	6.8 (191.1) ↑
Local beans <sup>2</sup>	8.0 (- 4.2) ↓	7.6 (7.3) ↑	7.5 (- 3.9) ↓	8.4 (5.5) ↑
Yellow lentils <sup>3</sup>	10.1 (2.5) ↑	10.3 (16.2) ↑	8.9 (6.9) ↑	8.5 (2.5) ↑
Flour <sup>3</sup>	4.5 (1.9) ↑	4.7 (- 1.6) ↓	3.8 (- 0.6) ↓	4.1 (- 0.9) ↓
Rice <sup>4</sup>	4.4 (- 5.5) ↓	4.1 (- 7.1) ↓	4.2 (- 8.6) ↓	4.8 (5.8) ↑
Macaroni <sup>5</sup>	5.2 (- 7.2) ↓	4.5 (- 1.9) ↓	4.4 (10.2) ↑	4.4 (3.1) ↑
Sugar <sup>6</sup>	5.6 (- 3.5) ↓	5.8 (- 0.2) ↓	5.5 (- 1.8) ↓	5.5 (- 1.4) ↓
Corn oil <sup>7</sup>	14.6 (0.5) ↑	13.1 (- 2.8) ↓	13.9 (0.0) —	13.5 (0.3) ↑

<sup>1</sup> Poultry prices are defined as average local, and white live and frozen poultry.

<sup>2</sup> Unpacked bean <sup>3</sup> Packed <sup>4</sup> Include packed and bulk

<sup>5</sup> Ordinary Packed <sup>6</sup> Packed by private sector <sup>7</sup> L.E./ liter

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

- Due to the high attained self-sufficiency rate of rice, resulting from local production amounting to about 4 **Million Tons (MT)** during 2011/ 2012 to **reach 4.5 MT in 2012/13** against a 4.1 MT average between 2008/09-10/11, and resultant low net imports (0.2 MT),<sup>2</sup> along with lower global prices, **domestic prices fell across most regions.**
- Each month a comparison of food commodities prices is undertaken between urban and rural areas across a number of Governorates. For September 2012, an assessment of prices in one urban and one rural market in each of four Governorates (Ismailia, Menofya, Assuit, Gharbia) was undertaken. The **most sizeable differences in urban and rural prices were noted for garlic, black and yellow lentils, lamb, sunflower oil, tilapia and veal**<sup>3</sup>, (table 2).

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

Goods	Comparison of the price per Kg by amount and as %*
Yellow lentils	<ul style="list-style-type: none"> <li>Assuit: rural &gt; urban by about L.E. 2.5 (representing 35.7% of the urban price).</li> <li>Menofya: rural &lt; urban by L.E. 2.8 (25.9%).</li> </ul>
Black lentils	<ul style="list-style-type: none"> <li>Ismailia: rural &lt; urban by L.E. 5.2 (39.4%).</li> <li>Menofya: rural &lt; urban by L.E. 3.8 (29.7%).</li> <li>Assuit: rural &gt; urban by L.E. 2.5 (41.7%).</li> </ul>
Garlic	<ul style="list-style-type: none"> <li>Gharbia: rural &lt; urban by L.E. 5 (64.3%).</li> <li>Menofya: rural &lt; urban by L.E. 2.4 (51.1%).</li> </ul>
Tea	<ul style="list-style-type: none"> <li>Menofya: rural &gt; urban by L.E. 7.3 (25.0%).</li> <li>Ismailia: rural &gt; urban by L.E. 3.2 (9.3%).</li> </ul>
Egg	<ul style="list-style-type: none"> <li>Assuit: rural &lt; urban by L.E. 3.2 (16.2%).</li> <li>Ismailia: rural &lt; urban by L.E. 2.2 (9.0%).</li> <li>Gharbia: rural &gt; urban by L.E. 2.1 (10.3%).</li> </ul>
Sunflower oil	<ul style="list-style-type: none"> <li>Ismailia: rural &gt; urban by L.E. 2.8 (28.9%).</li> <li>Menofya: rural &lt; urban by L.E. 3.5 (28.0%).</li> </ul>
Poultry	<ul style="list-style-type: none"> <li>Gharbia, Assuit, Ismailia and Menofya: rural &lt; urban by about L.E. 3.4 on average (20.9%).</li> </ul>
Tilapia	<ul style="list-style-type: none"> <li>Gharbia, Assuit and Menofya: rural &lt; urban by about L.E. 4.2 on average (28.6%).</li> </ul>
Mugil Cephalus	<ul style="list-style-type: none"> <li>Assuit and Menofya: rural &lt; urban by about L.E. 5.25 on average (18.2%).</li> </ul>
Veal	<ul style="list-style-type: none"> <li>Gharbia: rural &lt; urban by L.E. 25 (29.4%).</li> <li>Ismailia: rural &lt; urban by L.E. 10 (15.4%).</li> </ul>
Lamb	<ul style="list-style-type: none"> <li>Assuit: rural &lt; urban by L.E. 20 (30.8%).</li> </ul>

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

<sup>1</sup> IDSC, *Prices and Basic Needs in Light of Current Events*, a daily report for monitoring the prices of main commodities and basic needs, Issue No. 408, 27 September 2012.

<sup>2</sup> FAO, *Food Outlook Global Market Analysis*, November 2012, page 90. <http://www.fao.org/docrep/016/a1993e/a1993e00.pdf>

<sup>3</sup> Field survey work for rural prices was conducted during the 1<sup>st</sup> week of October; prices during this week have been used in the comparison between urban and rural rates in different governorates.



## 1.4 Food Commodity Price Trends

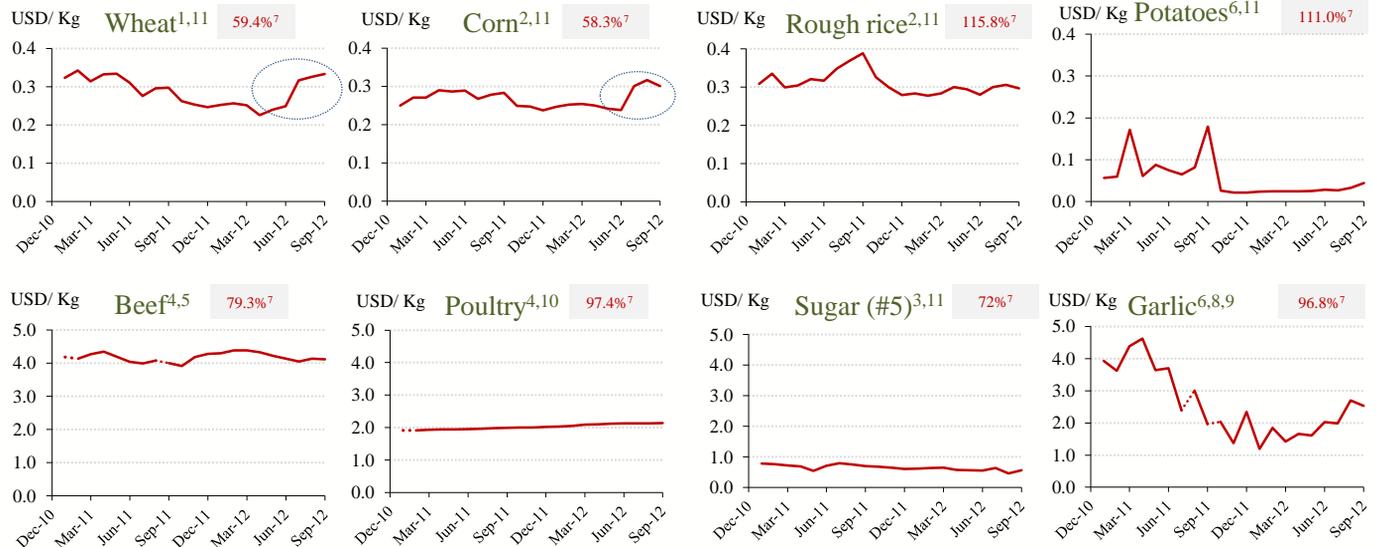
### 1.4.1 Global prices of key food commodities

- ★ The trade balance deficit amounted to USD 31.7 billion in the fiscal year 2011/12, increasing by 17% compared to 2010/11. This was driven by increased prices amongst non-oil imports (by 4.6%) that brought total imports to USD 58.7 billion.<sup>1</sup>
- ★ The General Authority for Supply Commodities (GASC) was tasked to buy 375,000 tons of wheat from Russia and Ukraine<sup>2</sup> in anticipation of expected price increases in both countries during the coming period, due to adverse weather conditions. These and

poor wheat production in the US in 2012, are forecast to drive up wheat prices up potentially by as much as 20% over the next two months. In October, Ukraine applied an informal wheat export ban but promised to fulfill supply commitments to Egypt; Egypt gets 2 to 9% of its wheat imports from Ukraine.<sup>3</sup>

- ★ Corn prices also rose in Q3 2012, while beef saw a slight decrease in global prices. These were not reflected in beef prices in Egypt which saw a slight increase, largely due to Ramadan and Eid.
- ★ While global poultry and potato prices continued their upwards trend, this did not affect local prices given domestic self-sufficiency.

Figure (5) Global price developments of selected food commodities



Self-sufficiency ratio (2010)

<sup>1</sup> Stock Exchange of Kansas City Council of Commerce.

<sup>2</sup> Stock Exchange of Chicago Council of Commerce.

<sup>3</sup> New York Stock Exchange.

<sup>4</sup> International Monetary Fund, <http://www.imf.org>.

<sup>5</sup> Values of the 3<sup>rd</sup> week of January, the 3<sup>rd</sup> and 4<sup>th</sup> weeks of February, March and the 1<sup>st</sup> and 3<sup>rd</sup> weeks of October had been estimated using moving average because they are unavailable in the source.

<sup>6</sup> U.S.A Department of Agriculture, <http://www.ams.usda.gov>.

<sup>7</sup> Ministry of Agriculture and Land Reclamation.

<sup>8</sup> Values of September and November have been estimated using moving average because they are unavailable in the source

<sup>9</sup> Prices of November and December refer to the 1<sup>st</sup> week of November and the 2<sup>nd</sup> week of December.

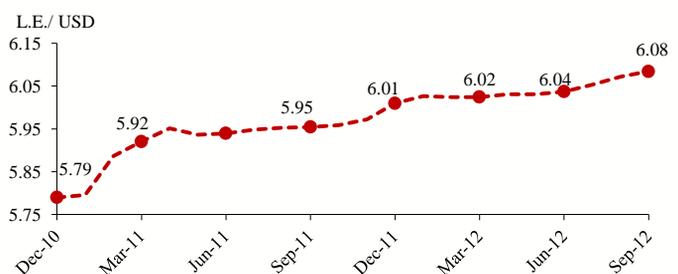
<sup>10</sup> Values of the 3<sup>rd</sup> and 4<sup>th</sup> weeks of February as well as values of March have been estimated because they are unavailable in the source.

<sup>11</sup> Values of the 1<sup>st</sup> week of October have been estimated because they are unavailable in the source.

### 1.4.2 Egyptian Pound-US Dollar Exchange Rate

- ★ In Q3 of 2012, the Egyptian pound (L.E.) continued to weaken slightly against the USD from L.E. 6.04 to L.E. 6.08 between June and September 2012 (Fig. 6).
- ★ Despite the increase in foreign exchange reserves at the Central Bank of Egypt recording USD 15.5 billion in October 2012, that balance dropped by 57% compared to its value at the end of 2010 (USD 36 billion); the highest value since late 2010<sup>1</sup>.

Figure (6) Development of the Egyptian Pound's exchange rate versus the USD



The Central Bank of Egypt

<sup>1</sup> Ministry of Finance, the monthly financial report, September 2012.

<sup>2</sup> El-Wafd newspaper, 10 September 2012.

<sup>3</sup> El-Wafd newspaper, 23 August 2012; Reuters, 26 October 2012.



## 2. Vulnerable Households' Food Security

### 2.1 Characteristics of Vulnerable Households

- ★ The **number of households sampled** in this survey was **1680** (7532 household members) equally distributed across 10 governorates.
- ★ **Female headed households constituted 19.6% of total household in the sample.**
- ★ About two thirds of the sample (65.4%) are aged 30 years or under.
- ★ The rate of enrollment in education among those sampled (6+ years old) amounted to 75.7%.
- ★ Enrollment rates increased amongst those aged 30 years or under, where it ranged between 84.5%-96.4%. These rates decreased in the 31-70 age group, where enrollment rates do not exceed 70.6%.
- ★ **Around 31.1% of the total sample (aged 6+ years) who had enrolled in school, had dropped out of basic education** (before preparatory level). Drop-out rates increased with age amongst the groups sampled, as is to be expected. In this regard, drop-out rates came to 1.0% among the 6-10 age group compared with 56.6% in the 41-50 age group and 86.7% in the 61-70 age group.
- ★ **Around 30.3% of household heads surveyed were unemployed.**
- ★ Around 13.8% of male household heads surveyed worked as carrier or janitor or office boy, about 10.0% worked as farmer, and about 10.1% worked as worker.
- ★ Around 8.4% of female heads of households worked as sellers, whereas 2.4% worked as farmers.

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

Age Group	Age Distribution	Enrollment Rate <sup>1</sup>	Drop out Rate <sup>2</sup>
10-	25.1	96.4	1.0
(11-20)	23.6	95.2	20.9
(21-30)	16.7	84.5	32.6
(31-40)	11.8	70.6	49.8
(41-50)	9.8	53.5	56.6
(51-60)	7.0	38.9	83.0
(61-70)	4.1	31.4	86.7
71+	1.8	14.8	85.0
<b>Total</b>	<b>100.0</b>	<b>75.7</b>	<b>31.1</b>

<sup>1</sup>Enrollment rates had been calculated for individuals who are 6+.

<sup>2</sup>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, September 2012.

Table (4) Proportional break down of heads of households by employment and gender (%)

Employment status	Male	Female	Total
Unemployed <sup>1</sup>	17.9	81.2	30.3
Carrier or janitor or office boy	13.8	1.8	11.4
Seller <sup>2</sup>	9.1	8.5	9.0
Farmer (not holding property)	10.0	2.4	8.5
Worker <sup>3</sup>	10.1	0.3	8.2
Driver <sup>4</sup>	10.0	0.0	8.0
Writer (personnel, record, accounts)	2.3	1.5	2.1
Construction Worker	2.4	0.0	1.9
Carpenter <sup>5</sup>	2.2	0.0	1.8
Other	22.3	4.2	18.8
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

<sup>1</sup>Investigation into the employment status of those surveyed covered the week preceding the survey for those aged 15 years or more. It includes those not working and seeking a job in the last week (i.e., excluding those who are economically inactive such as; housewives, school or university students, army recruits, etc.). According to recent CAPMAS data, Egypt's national unemployment rate rose to 12.6% in Q2 2012 up from 11.8% for the same quarter in 2011.

<sup>2</sup>Includes (vegetables and fruits, ready-made garments, cattle, cigarettes, grocery ...).

<sup>3</sup>Includes (maintenance, electrical, chemical, mining.....).

<sup>4</sup>Includes (truck, microbus, private car, taxi, bus.....).

<sup>5</sup>Includes (furniture, construction, iron).

**Source:** Assessment Survey of the Vulnerable Households, Egyptian Food Observatory, September 2012.



## 2.2 Changes in Income and Expenditure

### 2.2.1 Household Expenditure

- ★ Average spending on food and beverages amongst vulnerable households constituted about **61.7%** of total household spend this quarter, against **40%** by an average household in Egypt<sup>1</sup>.
- ★ Average monthly expenditure of vulnerable households surveyed, amounted to **L.E. 699.8**, reflecting a daily expenditure of around **L.E. 5.5** per person, **down from about L.E. 705** in June 2012, but up from **about L.E. 623** in September 2011. That pattern is consistent with increasing price trends over the last quarter.

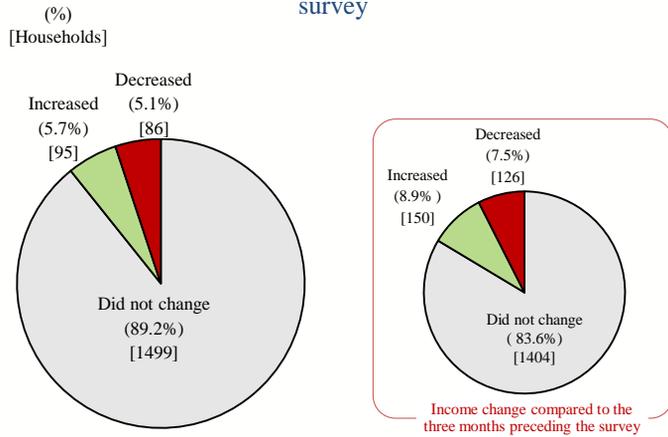
### 2.2.2 Household Income Sources

- ★ Household incomes this quarter continued to remain largely static. Based on a recall question for the previous month (September to August), some **89.2%** of households surveyed reported that their monthly income remained unchanged, compared to **95.5%** for the previous quarter (May to June), while **5.1%** of households reported an income reduction by an average of **L.E. 164.4**, whereas **5.7%** of the surveyed households reported an income increase amounting to **L.E. 84.7** on average (Fig. 7).
- ★ Compared to the **three months preceding** the survey in June, results showed that **about 7.5% of the households reported an income reduction** (Fig. 7).

★ About **46.6%** of the surveyed households reported having additional sources of income to supplement that from their main job. This is against **43.0%** in June 2012.

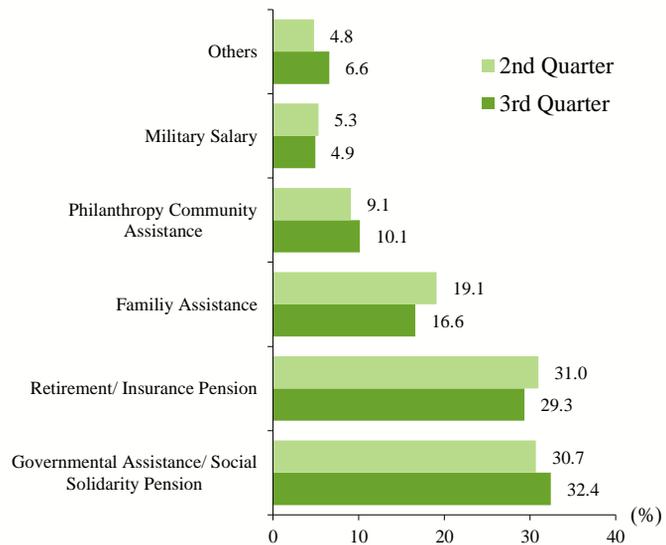
- ★ Governmental assistance/ solidarity pension constituted the most sizeable supplementary income source, making up about **32.4%** of additional income for surveyed households. This is compared to **30.7%** in June 2012, and **22.0%** in September 2011.
- ★ Retirement / insurance pensions constituted on average **29.3%** of additional income sources, while charitable assistance constituted was about **26.7%**, either in the form of family assistance (**16.6%**) or philanthropy community assistance (**10.1%**).

Figure (7) Proportional break down of households according to income change compared to the month preceding the survey



Source: Assessment Survey of the Vulnerable Households, Egyptian Food Observatory, September 2012.

Figure (8) Proportional break down of the sources of households' additional income apart from the main job



Source: Assessment Survey of the Vulnerable Households, Egyptian Food Observatory, September 2012.

★ The percentage of households receiving governmental assistance/ social solidarity pensions recorded its highest value in Luxor (**42.1%**), and North Sinai (**41.3%**), whereas it recorded its lowest value in Ismailia (**23.4%**).

★ The percentage of households taking retirement/ insurance pension recorded its highest value in Fayoum (**39.5%**), and Ismailia (**37.4%**), whereas it recorded its lowest value in Matrouh (**14.3%**), and North Sinai (**14.7%**).

<sup>1</sup> Central Agency for Public Mobilization and Statistics (2011) Household Income Expenditure and Consumption Survey.



✧ In September, **86% of the surveyed households reported their income to be insufficient to cover total monthly needs** (including for food, clothes, shelter etc.), **up from 74% in June 2012** (Fig. 9). **This is associated with the rise in prices seen over the year and static income levels** (reported by 89.2% of households surveyed) in the context of a fragile economic climate within Egypt after the Revolution.<sup>1</sup> **Average spend on food and beverages amongst vulnerable households constituted 61.7% of total household spend this quarter**, compared to the national average of 40%.

✧ **The percentage of households whose income was insufficient to meet their total monthly needs recorded its highest value in Cairo (93.5%), followed by Matrouh (91.7%).** Conversely, the percentage of households reporting sufficient income to meet their monthly needs recorded its highest value was in North Sinai, however those households constituted only 21.4% of households.

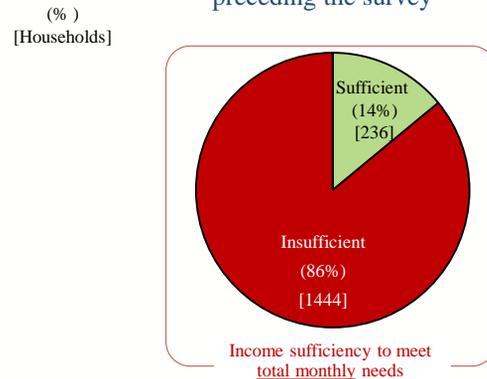
✧ Overall, **81.4% of households surveyed said their income was insufficient to meet their monthly food needs.** The highest percentage of households surveyed stating their income was insufficient to meet their monthly food needs was recorded in Fayoum (93.3%), followed by Matrouh (92.9%).

### 2.2.3 Household Exposure to Shocks and Coping Strategies

✧ Households whose income was insufficient to meet their monthly needs resorted to a number of coping strategies. **The most prevalent coping strategy was “consuming cheaper food items” in September 2012** (Fig. 10) **representing 28.2% of coping strategies**, as this quarter witnessed a growth in the percentage of households consuming cheaper food item, up from 19.6% in the previous quarter.

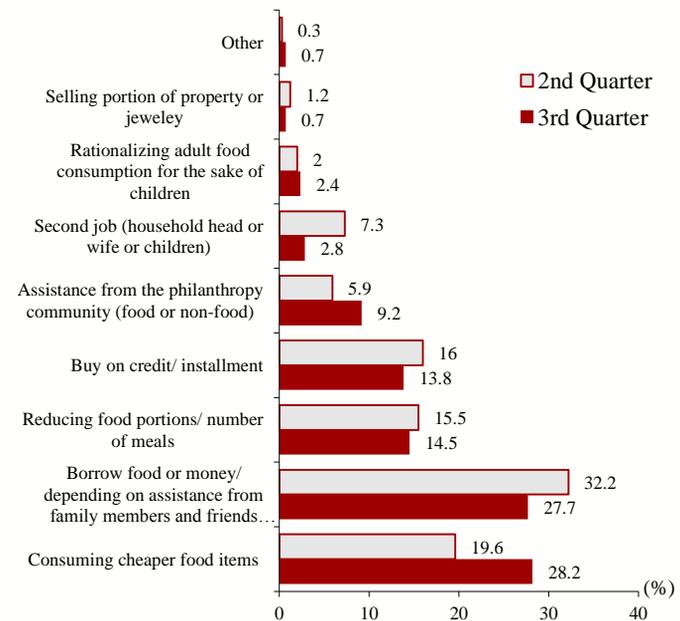
✧ “Consuming cheaper food items” overtook “borrowing” relative to the previous quarter, suggesting that vulnerable households are adopting more radical coping mechanisms where incomes do not suffice. **Borrowing by families whose income was insufficient to meet their monthly needs represented 27.7% of coping strategies in**

Figure (9) Households break down according to income sufficiency to meet the monthly needs during the month preceding the survey



Source: Assessment Survey of the Vulnerable Households, Egyptian Food Observatory, September 2012.

Figure (10) Coping strategies used by households whose income is insufficient to meet monthly needs



Other includes: One of the members of the family working, Remove the child from the school and appended to the labor market, Spending from savings.

Source: Assessment Survey of the Vulnerable Households, Egyptian Food Observatory, September 2012.

**this quarter, down from 32.2% in the previous quarter.**

✧ Other coping strategies adopted included; **reducing food intake** either reducing food portions or the number of meals (14.5%), **buying on credit (13.8%).**

<sup>1</sup> Real GDP growth rates reached 2.2% in 2011/12, down from an average of 6.2% between 2005 and 2010, implying stagnant real GDP per capita. Ministry of Finance (November 2012) *General Economic and Financial Outlook*; <http://www.mof.gov.eg/MOFGallery/Source/English/Reports/monthly/2012/November2012/a-b.pdf>.

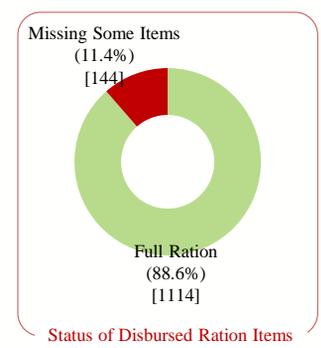
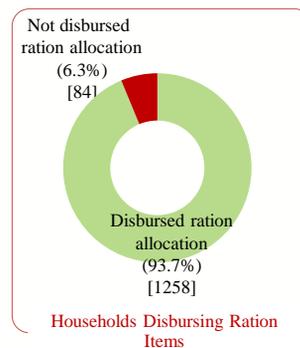
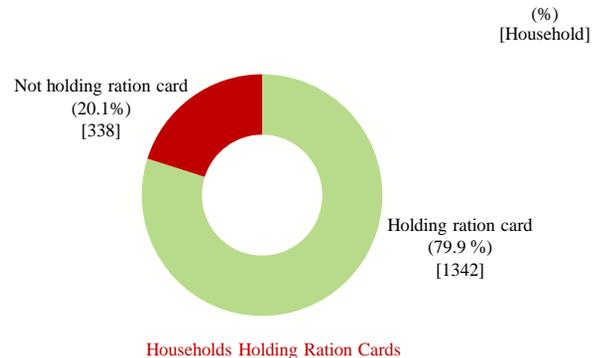
GDP growth in the July-September 2012 period was reported to have dropped to 2.6%, down from 3.3% in the preceding quarter, Al Ahram, 25 November 2012, <http://english.ahram.org.eg/NewsContent/3/12/59074/Business/Economy/Egypt's-first-quarter-economy-growth-rate-shrinks--.aspx>



## 2.3 Use of Ration Cards for Subsidized Foods

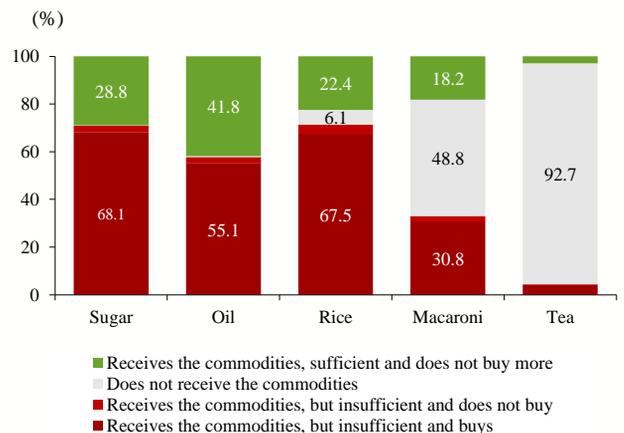
- ★ A sizeable proportion of vulnerable households (20.1%) do not hold a ration card (Fig. 11). In the current sample of 10 governorates the highest percentage of vulnerable households not holding ration cards were recorded in Cairo governorate (36.9%), followed by Alexandria (32.1%).
- ★ Fayoum governorate had the highest percentage of vulnerable households holding ration cards (91.7% of the sampled households in the governorate), followed by Monofya governorate (88.1%).
- ★ The majority (93.7%) of vulnerable households holding ration cards utilized them to purchase their ration allocations for September. Of those, 11.4% did not purchase full items from their allocation.
- ★ Of governorates surveyed in September 2012, the highest percentage of households purchasing their full allocation was in Monofeya (97.2% households), while Alexandria had the lowest (75.5%).
- ★ The highest percentage of vulnerable households who received insufficient quantities of rationed rice and are obliged to buy additional quantities was recorded Matrouh governorate (84.8%). Similarly for sugar, Gharbia also registered the highest (89.0%).
- ★ Some 67.6% of vulnerable households surveyed who hold ration cards in Gharbia received insufficient quantities of oil and were obliged to buy additional quantities (which is the highest among all governorates).
- ★ In response to the desire of the vulnerable households holding ration cards it was decided to disburse local rice instead of Philippine rice, consequently rice crop was marketed at prices that are 20% lower than last year prices<sup>1</sup>.

Figure (11) Break down of vulnerable households holding a ration card



Source: Assessment Survey of the Vulnerable Households, Egyptian Food Observatory, September 2012.

Figure (12) Sufficiency of the subsidized commodities on the ration cards



Source: Assessment Survey of the Vulnerable Households, Egyptian Food Observatory, September 2012.

<sup>1</sup>Al-Ahram newspaper, 9 September, 2012.



## 2.4 Vulnerable Households' Food Consumption

- Consumption patterns remained largely stable relative to the last two quarters with the commodities most consumed by vulnerable households being: local beans, onions, potatoes, garlic, tea, sugar, rice, mixed oil, and subsidized Baladi bread.
- With reference to Figure 13 below, **cereals and carbohydrates** (grain, flour and bread) are the only food group that all households surveyed consume on a daily basis (noted at 7.0 days a week).
- All households consume oil/butter on average 6.9 days a week and 98% of households consume sugar 6.8 days a week.
- Some 99.6% of surveyed households consume some form of legumes on daily basis.
- However, households only consume vegetables on

average 3.1 days a week and 87.4% of households only consume fruit 1.4 days a week.

- Meat (beef and lamb), and fish (tilapia and catfish) are rarely purchased by vulnerable households. Some 91.5% of households eat poultry approximately once a week, however the majority of consume beef, lamb and fish less than once a week. Eggs form the main form of animal protein, consumed by 90.5% of households 2.6 days a week.

- Around 45.6% of the surveyed households ceased to consume beef in the last six months on average, while 18.3% ceased to consume milk in the last four months on average.
- During September 2012, some of the vulnerable households ceased consumption of certain food items (fruit, poultry, beef and milk), due to price increases that placed certain items beyond their purchasing power.

Figure (13) Break down of vulnerable households' consumption by commodity type (from the food basket) and by frequency (number of days a week)



<sup>1</sup>Proteins including meat, poultry, rabbits, fish and eggs.

<sup>3</sup>Butter/ghee including natural and manufactured.

<sup>2</sup>Vegetables including leafy and non-leafy vegetables .

<sup>4</sup>Dairy Products except for butter.

Source: Assessment Survey of the Vulnerable Households, Egyptian Food Observatory, September 2012.



## 3. Special Report: Simplifying the Baladi Bread Supply Chain

### 3.1 Report Background and Context

As part of wider efforts by the Government to reform its food subsidy system, the Ministry of Supply and Internal Trade (MoSIT) mandated the World Food Program (WFP) to explore means of **increasing the efficiency and reducing the cost of the Baladi bread subsidy system**. Through a series of studies on the Baladi bread supply chain, WFP provided practical recommendations to the Government with the overall aim of improving beneficiary targeting for subsidies and reducing waste.

The previous quarterly report<sup>1</sup> highlighted the scale of **potential benefits that could be gained from greater centralization, automation and monitoring of the supply chain**. Building on this analysis, MoSIT requested WFP to investigate whether shifting the part of the supply chain to which the subsidy is provided would further improve efficiency. WFP's detailed study<sup>2</sup> found that **concentrating the entire subsidy at the bakery end** of the supply chain would **improve efficiency and reduce the cost of the subsidy**. MoSIT is currently piloting some of these key recommendations in Port Said; this pilot is soon to be extended to three other Governorates (see box overleaf).

### 3.2 The Current Baladi Bread Supply Chain

- **All Egyptian citizens are entitled to three loaves of subsidized Baladi bread per day**. There is, however, **no registry of entitled persons** and thus no control of how much bread each person can access. Anyone can queue at bakeries licensed to produce Baladi bread and **can purchase up to 20 loaves at a time at the subsidized price of 5 piaster per loaf**. Better-off Egyptians often do not take up this entitlement due to the queuing time involved and the poorer quality of subsidized to commercial bread.
- The General Authority for Supply Commodities (GASC), a parastatal organization affiliated to MoSIT, **manages the procurement and distribution of all strategic commodities, including wheat and flour on behalf of the Government**. GASC procures and imports wheat and corn through

commercial tender and stores it in silos near major ports. GASC also procures local wheat through the Principal Bank for Development and Agricultural (PBDAC), **another parastatal organization that procures wheat from farmers at harvest time and arranges for its local storage** by village cooperatives.

- On demand from GASC, **PBDAC arranges the transfer of stored grain to mills** that are managed by a third parastatal, the Food Industries Holding Company (FIHC). FIHC maintains silos near flour mills for temporary storage of imported and local wheat supplied to it by GASC.
- Mills grind imported and local wheat and then blend the flour. **MoSIT establishes the blend ratios for flour and bread production quotas**, varying these according to changes in the relative price of imported to local wheat and demand for bread.
- Grain procured is generally of good quality, however, sub-standard storage and poor handling practices mean wheat delivered to mills often contains stones and other contaminants. Similarly, variations by mills in the wheat blend ratio can affect bread quality.
- In controlling the daily supply of flour to mills, and through those to bakeries, **GASC currently absorbs all costs incurred and thus related subsidies throughout the Baladi bread supply chain**.
- The current **incentive structure for public sector millers and licensed bakers** of subsidized Baladi bread serves as a key **challenge to the production of good quality bread**. Both millers and bakers are currently restricted in producing to quotas established by Government. They **obtain raw materials at low**



Baladi bread bakery, WFP Photo, July

<sup>1</sup> World Food Programme (WFP) and the Egyptian Ministry of Supply and Internal Trade (MoSIT), *Optimizing the Baladi Bread Supply Chain*, July 2012

<sup>2</sup> WFP, *Simplification of the Baladi Bread Subsidy System in Egypt: An Assessment prepared by the World Food Programme for the Ministry of Supply and Internal Trade*, July 2012



or no cost from Government while having to charge their customers a similarly low price of 5 piaster that is barely sufficient to cover production costs. A resultant unofficial market for premium quality local wheat that is free of stones and contaminants has been created. This wheat is used to produce better quality bread for commercial sale at 25 or 50 piaster per loaf, depending on the quality.

3.3

## WFP's Study Findings and Recommendations

The findings of the assessment which are summarized below, highlighted that **providing the entire subsidy to the bakery end of the supply chain**, so making the subsidy system more demand than supply driven, **could reduce recurrent costs by 30 to 35 percent**. To maximize efficiencies, the following actions were recommended:

- 1. Introduce an automated payment system to credit eligible persons** with the subsidy for bread. Similarly **automated fixed point-of-sale devices would be transfer payment** to bakers or Baladi bread distributors on purchase of the bread.
- 2. Clarify eligibility for subsidized Baladi bread while maintaining the entitlement at 3 loaves per person per day**. Two options have been suggested for determining eligibility for the entitlement:
  - **Using national ID cards to deliver the entitlement**. Credit would be allotted to each individual through the national ID registry. To minimize exclusion risk, a nationwide campaign could help register persons without ID numbers.
  - **Focus bread subsidy entitlements on persons eligible for food rations**, as better-off households tend not to take up Baladi bread entitlements. The existing smartcard system would then need to be adapted to list the names of all household members with a ration card. Each household's smartcard would be credited with the bread subsidy for all entitled members. On purchase, payment against subsidy allotments would be transferred to bakers through an automated subsidy payment system.
- 3. The efficiency of the Baladi bread supply chain could be improved through simplification such as deregulating the flour and bread markets and making them demand-driven** by abolishing quotas

for production of flour and bread, and allowing licensed mills and bakeries to operate commercially, selling bread at open market prices.

#### 4. Improve the quality of bread by:

- Establishing a **licensing system** managed by GASC for managers of all grain storage facilities across the supply chain.
- Providing **access to capital and training to modernize grain storage facilities and improve storage and handling practices**, for those applying for grain storage licenses.
- Promoting **quality standards for the nutritional content of subsidized bread**, while allowing millers to determine the ratios of imported to local wheat and grains used in flour blending.

#### 5. Enhancing GASC's strategic and regulatory role by:

- **Authorizing it to operate as a commercial trader in local and international wheat markets**. Its role as manager of the country's Strategic Grain Reserve would be enhanced to **procure and store local and imported wheat** as part of Grain Reserve operations. It would cease to supply wheat to mills and flour to bakeries, and instead sell to mills at commercial prices as part of its turnover of Strategic Grain Reserve stocks and **when required maintain price stability**.
- **Establishing a wheat price stabilization policy**.
- Authorizing GASC to **manage the Strategic Grain Reserve and implement the price stabilization policy**, intervening to prevent sharp price increases or supply shortages.

*For further information on this report and the WFP project please contact Abraham Abatneh at: [abraham.abatneh@wfp.org](mailto:abraham.abatneh@wfp.org)*

### Piloting liberalization of wheat and flour prices

The Ministry of Supply and Internal Trade (MoSIT) have formed a committee to look at the liberalization of wheat prices, and separating wheat production and distribution. The aim of this is to ensure the subsidized Baladi bread supply chain becomes more demand-driven and to reduce leakages. Subsidized bread will be delivered to bakeries and sold at the price of 8 piastres rather than at the current price of 5 piastres. The pilot has been successful tested in Port Said with wheat prices set at international levels, and will now be rolled-out to three other Governorates<sup>1</sup>.

<sup>1</sup> Al-Ahram newspaper, 29 Sept and 31 Oct 2012. See: <http://english.ahram.org.eg/NewsContent/3/12/56877/Business/Economy/Egypt-Port-Said-to-set-wheat-prices-at-global-lev.aspx>



## Annex: Survey and Composite index Methodology

### 1 Monthly Burden Index Methodology

✦ Index of the "Monthly Price Burden" reflects differences between the prices of basic food commodities basket in each one of the months subject to observation, as well as their prices based on 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 household uses in its meals. This basket would include one measuring unit from each one of the selected commodities that contains:

1. Meat, poultry and fish group including a kilo of: beef, veal, lamb, poultry, catfish, Mugil Cephalus, 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 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:

$$X_j = \sum_{k=1}^{26} X_{jk}$$

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<sup>1</sup> which is calculated using the equation:

$$Y = \sum_{k=1}^{26} x_{11k}$$

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 households in all governorates except urban ones.

### 3 Vulnerable Households Survey Methodology

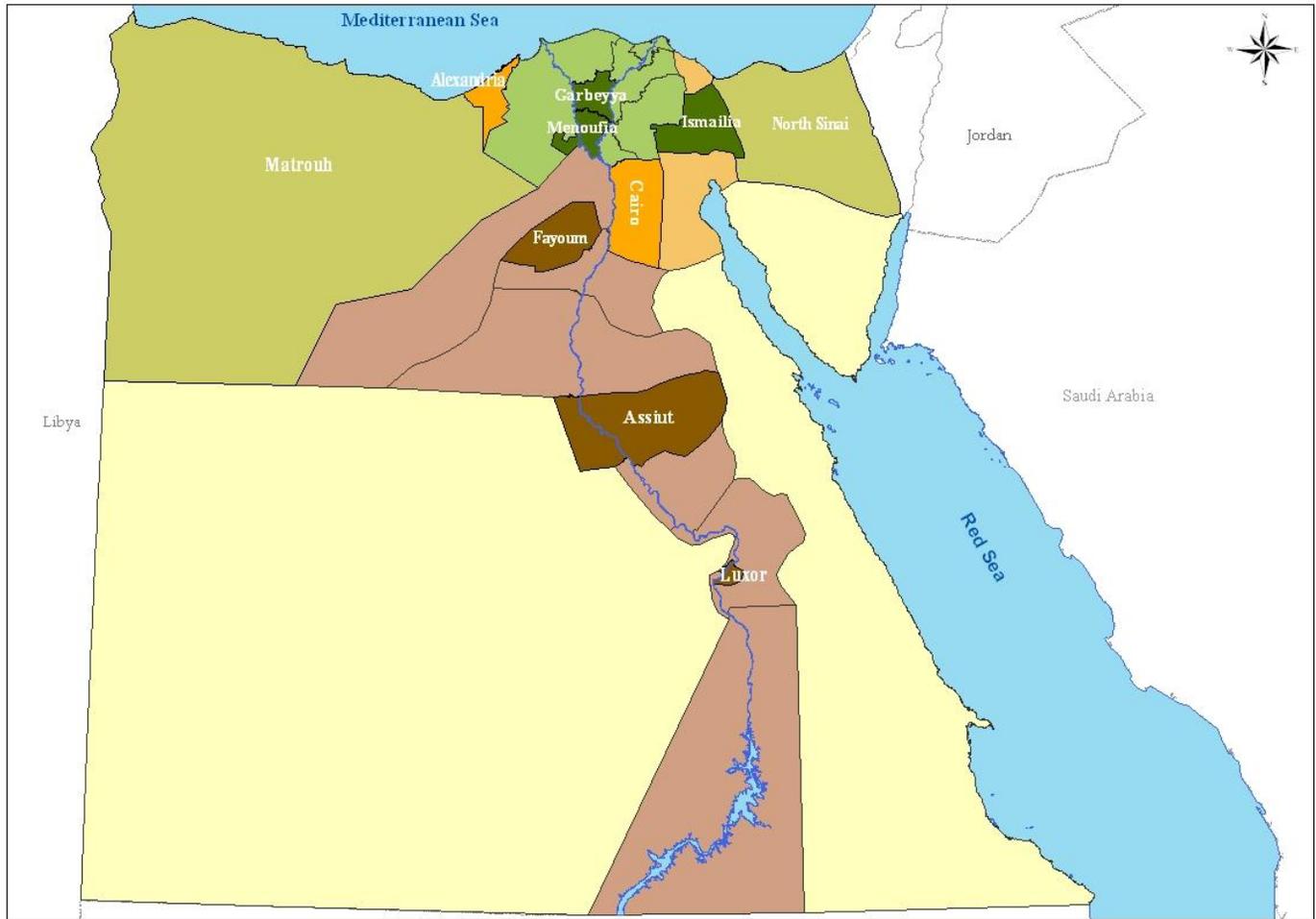
In each round the survey targets 10 governorates including two urban, three Lower Egypt and three Upper Egyptian governorates (north and central Upper Egypt), in addition to two frontier governorates in the Eastern and Western regions. The 10 governorates are changed in each round in order to demonstrate the scale of differences nationwide. In each governorate, one urban and one rural areas are targeted except urban governorates where two urban areas are targeted. Informal or poor areas are targeted where vulnerable households are identified within each target area.

The assessment survey of the vulnerable households was conducted in the first week of June-2012, for a sample of vulnerable households (1618 households amounting to about 162 household per governorates) distributed on governorates in main regions as illustrated by the GIS system, (see map on page 15).

<sup>1</sup>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\*



- Upper Egypt governorates
- Targeted Upper Egypt governorates
- Frontier governorates
- Targeted Frontier Governorates
- Urban governorates
- Targeted Urban governorates
- Lower Egypt governorates
- Targeted Lower Egypt governorates

\*Governorates sampled in this edition include: Cairo, Alexandria, Garbeyya, Menoufia, Ismailia, Fayoum, Assiut, Luxor, Matrouh, North Sinai

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