

Egyptian Food Observatory

Food Monitoring and Evaluation System

Quarterly Bulletin, Issue 10, October - December 2012





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 situation of the most vulnerable households in urban and rural areas across Egypt¹. It monitors and identifies emerging local and global trends that can affect food security² 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 Household and price data collected in this issue covers the period September-December 2012, however secondary data including: exchange rate, inflation rate and foreign reserves are updated to include January 2013.

² "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.



Highlights

- ★ Some **34.7% of vulnerable¹ households surveyed this quarter** stated they were exposed to some form of **financial shock in 2012**; one third of those perceived food price increases to be the main cause. (Page 8)
- ★ Despite household perceptions, the **monthly price burden**, which indicates price changes in the food basket², saw a **decrease of 1.3%** in Quarter 4 (Q4) of 2012, standing at L.E. 483.9 compared to L.E. 490.2 in Q3. Prices eased due to seasonality, partly explains the slight reduction in the **proportion of households reporting insufficient income to meet their monthly needs** (83.1% in Q4 against 86% in Q3 of 2012). (Page 4)
- ★ **Largely static income levels reported by 94.8% of vulnerable households surveyed contributed to greater proportion of their income (63.3%) going to food** against the national average (40.6%). (Pages 7 - 8)
- ★ The **main coping strategies adopted by households this quarter** included: **consuming cheaper food items (by 30.7% of strategies)**, borrowing food or money (26.2%), buying on credit (17.9%), reducing food intake (13.7%) and receiving assistance from their community (4.5%). This indicates **vulnerable households are adopting more severe coping mechanisms where incomes do not suffice**. (Page 9)
- ★ Some **21.2% of vulnerable households surveyed are not holders of ration cards for subsidized food**. Nearly all ration-card owning households surveyed used their ration cards, however, lack of availability of some items at grocery stores hindered 69.7% of households from purchasing their full allocations. Subsidized tea and macaroni were cited as the most dispensable of subsidized commodities. (Page 10)
- ★ Consumption patterns of vulnerable households show **daily consumption of cereals and carbohydrates**; of these items, **subsidized bread was consumed the most frequently (6.5 days a week) by the majority (89.8%) of households**. Oil and butter were also consumed daily, and legumes 6.2 days a week. **On average, vegetables and fruit are only consumed 3.7 and 1.6 days a week respectively**, given high and fluctuating prices. **Meat and fish are rarely consumed, and eggs form the main source of animal protein (2.6 days a week)**. (Page 10)
- ★ **Female headed households constituted 20.9 of vulnerable households surveyed**, consequently female household heads' labor force participation rate amounts to 17.1%. (Page 7)
- ★ Between September 2012 and January 2013, the **Egyptian pound (L.E.) continued to weaken significantly losing 8% of its value against the USD** from L.E. 6.08 to L.E. 6.7 respectively, subsequently driving up the **price in local markets of some food items** such as wheat and sugar despite their decrease in global markets³.
- ★ **Net reserves fell by USD 1.4 billion (bn) in January 2013 to USD 13.6 bn from USD 15 bn in December 2012**, and by some USD 21 bn since 2011. **Reserve levels are currently sufficient to cover less than three months of imports**. The Central Bank reported that in the last two years, it availed USD 36 bn of special reserves funds largely to cover a rising import bill, particularly of petroleum (USD 9 bn) and wheat (USD 5 bn)⁴. (Page 6)

Special Report: Vulnerability grows in a challenging economic climate

- ★ With recent trends of low economic growth, high prices and static incomes, there has been a significant increase in the **poverty rate across Egypt (21.6% in 2009 to 25.2% in 2011⁵)**. A rising percentage of vulnerable households surveyed reported having insufficient income to meet monthly needs (up from **70.2% to 83.1% between December 2011 and 2012**) and are using more radical strategies such as reducing food consumption to cope.
- ★ Any reforms undertaken should **focus on protecting the most vulnerable**; and, while **safety nets play a critical role in this, improving targeting and making safety nets more efficient is ever more pertinent**. (Pages 12-13)



¹Currently households surveyed for the EFO are selected on the basis of poverty as defined by the CAPMAS Household Income, Expenditure and Consumption Survey (HIECS). In 2013 selection criteria will be adjusted to focus on vulnerability to food insecurity.

²See Annex (p. 14) for full list of items in the food basket.

³Youm 7 newspaper, 12 January 2013.

⁴Al Ahram, 5 February 2013 and Central Bank, February 2013.

⁵CAPMAS (2009 and 2011), Household Income, Expenditure and Consumption Survey (HIECS); WFP & CAPMAS (2009), Status of Food Security and Vulnerability in Egypt.



1. Trends and Impact of Food Commodity Price Changes

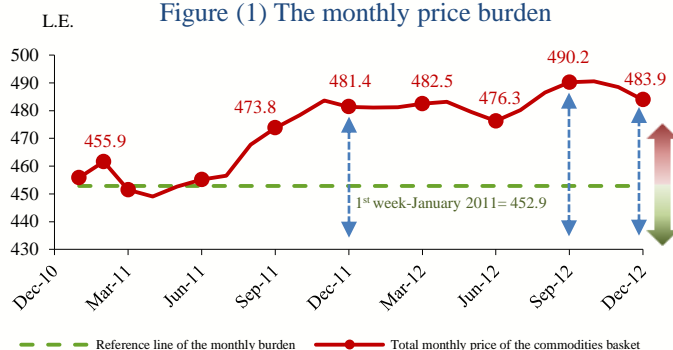
1.1 Food Basket Price Changes

- ★ The **monthly price burden** (Fig. 1) which indicates price changes in the food basket¹, saw a **decrease of 1.3% in Quarter 4 (Q4) of 2012**, and a decrease of 0.52% compared to Q4 2011. The **price of the food basket recorded LE 483.9 in December 2012** against LE 490.2 in September 2012.
- ★ **Between January 2011 and December 2012 prices increased by 6.8%**, resulting in a nominal price increase of L.E. 31 per basket.
- ★ The slight decrease in the price of the food basket in Q4 relative to Q3 is partly due to the effect of seasonality on prices of basic commodities. This likely contributes to the slight decrease in the proportion of households reporting insufficient income to meet needs (83.1% in Q4 against 86% in Q3-p.9). However, this proportion remains worryingly high and is in line with vulnerable households reporting that they spend about 63.3% of their income on food, relative to the national average of 40.6%².
- ★ In January 2013, food prices recorded a monthly high for the time of year, increasing by 2.7% from December 2012 against 0.6% a year ago. This was the highest monthly average for January since 2009³.
- ★ Against an overall falling trend in prices in Q4, a slight increase was noted in Lower Egypt for December compared to November. (Fig. 2)

1.2 Inflation Rates

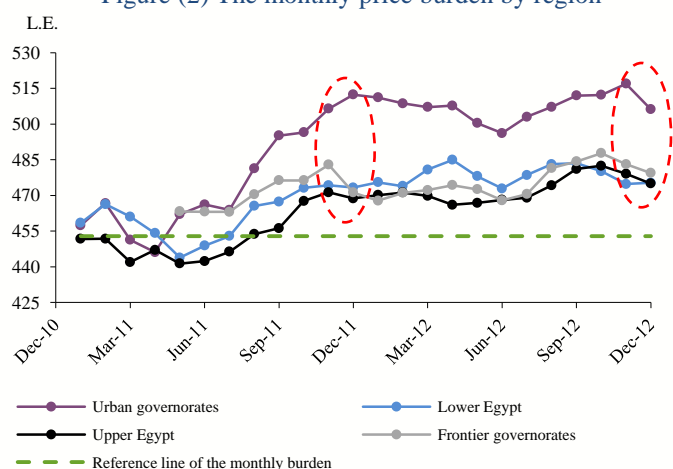
- ★ **Monthly Consumer Price Inflation (CPI) stood at 6.6% in January 2013, down from 9.2% in January 2012.**
- ★ In January 2013 the food and beverage price index saw a 8.8% increase relative to January 2012 (Fig. 4); this is associated with the increases in the price of meat and poultry (by 12.5%), fish and sea food (by 15.1%), dairy, cheese and eggs (by 13.5%) and fruits (by 19.6%)⁴.
- ★ With the CPI growing at a slightly diminished rate the food and beverages price index dipped between September and December 2012 by -3.6%.

Figure (1) The monthly price burden



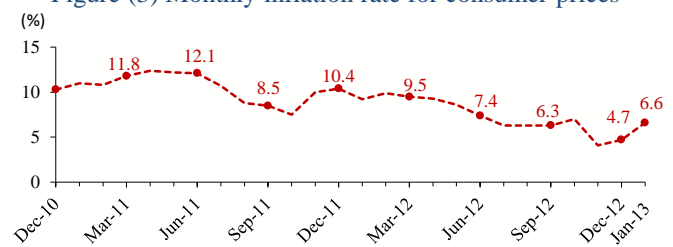
Source: Field Monitoring Network, Cabinet-Information and Decision Support Center.

Figure (2) The monthly price burden by region



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

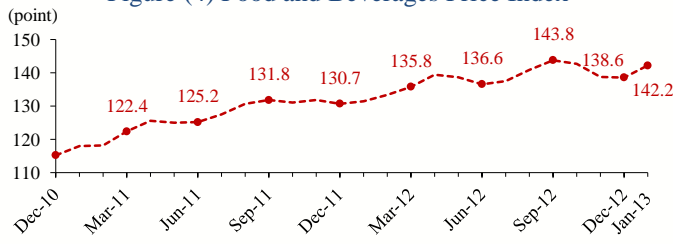
Figure (3) Monthly inflation rate for consumer prices¹



¹Reference month (January 2010=100%).

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

Figure (4) Food and Beverages Price Index¹



¹Reference month (January 2010=100 points).

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

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

²CAPMAS (2011) Household Income Expenditure and Consumption Survey.

³CAPMAS (January 2012), CAPMAS, http://www.capmas.gov.eg/pepo/janu_e.pdf

⁴CAPMAS website, <http://capmas.gov.eg/database.aspx?parentid=1095&free=1>.



1.3 Regional Variations in Commodity Prices

- ★ As noted in Table 1 below, most commodities presented recorded a price reduction.
- ★ Contrary to the last quarter, where tomatoes has recorded a significant price increase, in Q4 **tomatoes prices dropped significantly in all regions** returning to normal levels. This can be attributed to improvements in weather conditions, where adverse weather had previously damaged the tomato loop and harvest during Q3.
- ★ **Potatoes recorded the most significant quarter-on-quarter price increase across all regions between September and December 2012 due to the seasonality impact between summer and winter harvests**, followed by macaroni¹.
- ★ **Beef prices** witnessed a notable increase in Upper Egypt (6.1%).

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

L.E. Kg
(%)

Goods	Urban	Lower	Upper	Frontier
Beef	60.9 (- 1.3) ↓	58.5 (- 2.5) ↓	56.0 (6.1) ↑	60.3 (0.6) ↑
Poultry ¹	17.0 (- 3.9) ↓	15.6 (- 3.8) ↓	16.9 (- 2.2) ↓	16.2 (- 14.3) ↓
Tilapia fish	12.1 (- 1.1) ↓	11.6 (- 3.6) ↓	15.4 (- 3.2) ↓	16.2 (8.2) ↑
Eggplant	2.7 (-9.0) ↓	1.8 (-28.1) ↓	1.8 (-23.1) ↓	2.3 (- 25.2) ↓
Potatoes	3.5 (12.0) ↑	3.2 (9.9) ↑	3.0 (8.0) ↑	3.1 (3.2) ↑
Onions	2.5 (5.1) ↑	2.0 (-6.9) ↓	2.3 (-4.8) ↓	2.6 (9.4) ↑
Tomatoes	1.5 (-74.2) ↓	1.2 (-79.2) ↓	1.1 (-81.8) ↓	1.5 (-78.3) ↓
Local beans ²	8.1 (2.0) ↑	7.6 (-0.6) ↓	7.6 (0.7) ↑	6.8 (-19.4) ↓
Yellow lentils ³	9.7 (-3.5) ↓	9.3 (-9.6) ↓	8.3 (-6.2) ↓	8.6 (0.6) ↑
Flour ³	4.5 (0.3) ↑	4.6 (- 0.6) ↓	4.1 (7.4) ↑	3.9 (- 3.1) ↓
Rice ⁴	4.3 (- 2.1) ↓	4.1 (1.6) ↑	4.4 (5.4) ↑	4.1 (-13.1) ↓
Macaroni ⁵	5.3 (1.2) ↑	4.7 (4.0) ↑	4.8 (7.3) ↑	5.2 (19.2) ↑
Sugar ⁶	5.8 (3.4) ↑	5.5 (- 4.7) ↓	5.3 (- 3.4) ↓	5.3 (- 4.6) ↓
Corn oil ⁷	14.5 (-0.7) ↓	13.6 (3.3) ↑	13.9 (0.1) ↑	13.7 (1.4) ↑

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.

¹Ministry of Agriculture and Land Reclamation

- ★ Each quarter a comparison of food commodities prices is undertaken between urban and rural areas across a number of governorates. For December 2012, an assessment of prices in one urban and two rural markets in each of eight Governorates (Menofya, Gharbia, Fayoum, Ismailia, North Sinai, South Sinai, Luxor and Assuit) was undertaken. The **most sizeable differences in urban and rural prices were noted for local beans, black and yellow lentils, garlic, tea, eggs, sunflower oil, poultry, tilapia, veal and lamb** (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 %*
Local beans	○ Luxor: rural > urban by L.E. 3.8 (representing 61.3% of the urban price). ○ Menofya: rural > urban by L.E. 2.5 (33.3%).
Yellow lentils	○ Luxor: rural > urban by L.E. 4.9 (69.0%). ○ Assuit: rural > urban by about L.E. 3.5 (50.0%).
Black lentils	○ Ismailia: rural < urban by L.E. 5.2 (39.2%). ○ Luxor: rural > urban by L.E. 6.0 (100.0%). ○ Assuit: rural > urban by L.E. 4.3 (70.8%).
Garlic	○ Fayoum: rural > urban by L.E. 3.5 (233.3%). ○ Menofya: rural > urban by L.E. 2.3 (107.7%). ○ Assuit: rural < urban by L.E. 2.5 (43.3%).
Tea	○ Menofya: rural < urban by L.E. 7.5 (27.3%). ○ South Sinai: rural > urban by L.E. 3.1 (9.9%).
Eggs	○ Luxor: rural > urban by L.E. 4.9 (25.7%). ○ North Sinai: rural > urban by L.E. 4.2 (22.7%).
Sunflower oil	○ Assuit: rural < urban by L.E. 2.3 (18.0%). ○ North Sinai: rural > urban by L.E. 2.3 (18.8%).
Poultry	○ Menofya, Gharbia, Ismailia and Fayoum: rural < urban by about L.E. 3.1 on average (20.4%). ○ Luxor: rural < urban by L.E. 6.5 (36.1%). ○ South Sinai: rural > urban by L.E. 4.0 (27.6 %).
Tilapia	○ Ismailia: rural > urban by L.E. 4.8 (50.0%). ○ Gharbia, rural > urban by about L.E 2.8 (22.4%).
Veal	○ Menofya: rural > urban by L.E. 4.7 (10.3%). ○ Gharbia: rural < urban by L.E. 15.8 (25.0%). ○ Ismailia, Fayoum, Assuit, North Sinai and South Sinai: rural < urban by about L.E. 5.8 on average (9.5%).
Lamb	○ Ismailia: rural < urban by L.E. 15.0 (21.4%). ○ North Sinai: rural > urban by L.E. 2.5 (5.6%).

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



1.4 Food Commodity Global Prices Trends

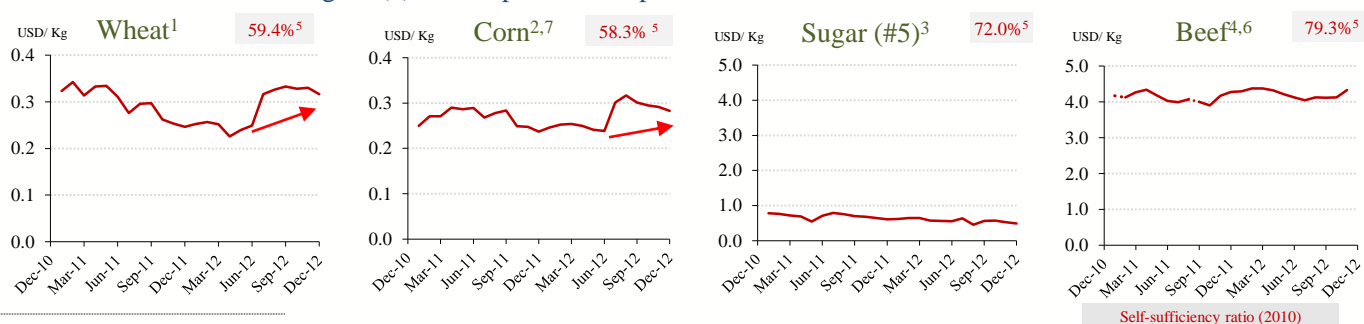
1.4.1 Global prices of key food commodities

- ★ The balance of payments deficit fell in Q3 of 2012 by about USD 0.5 billion, compared to a higher deficit of USD 2.4 billion during the same period in the previous year. The lower deficit was due to increased remittances and declining imports.
- ★ Beef prices witnessed slight increase during Q4 of 2012 compared to the slight decrease in wheat, sugar and corn prices in the same period.
- ★ Global wheat prices saw a diminishing rate of increase in Q4. Egypt continues to have a 6-7 month

stock of wheat (the local staple) from local and international sources, aided by an improved harvest in 2012 of some 8.69 million tones, up 4% from the 8.37 million tones in 2011. This is expected to reduce import requirements by about a million tones⁸.

- ★ Early prospects for world cereal production in 2013 are positive, with the Organization for Economic Cooperation and Development forecasting wheat price stabilization during 2013–14⁹.
- ★ According to FAO, Egypt sees a sizable food wastage of at least 1.5 million tons of wheat annually, 600 thousand tons of potatoes and 350 thousand tons of sugar beet¹⁰.

Figure (5) Global price developments of selected food commodities



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 the 1st week of October have been estimated because they are unavailable in the source.

⁸ Reuters, 3 January 2013, <http://www.reuters.com/article/2013/01/03/egypt-wheat-stocks-idUSL5E9C33OR20130103>

⁹ FAO, December 2012, Cereal Supply and Demand Brief, <http://www.fao.org/worldfoodsituation/wfs-home/csdb/en/>; OECD.

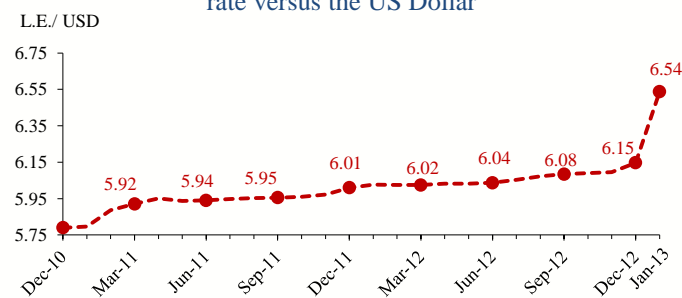
¹⁰ Al-Ahram News paper. 15th October 2012.

1.4.2 Egyptian Pound-US Dollar Exchange Rate

- ★ The Egyptian pound (L.E.) continued to weaken significantly in Q4, losing 8% of its value against the USD from L.E. 6.08 to L.E. 6.7 respectively between September 2012 and mid of February 2013 (Fig.6)¹.

- ★ Egypt's net foreign reserves fell by \$1.4 billion in January 2013 to \$13.6 billion (bn), from \$15 bn in December². The balance of reserves dropped by 58% compared to its value at the end of 2010, due to a widening trade deficit and the continued decline in income from tourism and foreign direct investment due to continued in-country upheavals³. The Central Bank reported that in the last two years it had made \$36 bn of special reserve funds available to largely cover a rising import bill, particularly of petroleum (\$9 bn) and wheat (\$5 bn)⁴.

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



The Central Bank of Egypt

- ★ Reserves levels at the end of 2012 were estimated to be sufficient to cover **less than 3 months of imports**².
- ★ The poorer exchange rate has seen rising import price for some food commodities such as wheat and sugar, despite their decrease in global markets⁵.

¹ The Central Bank of Egypt, <http://www.cbe.org.eg/English>

² Al-Ahram, 5 February 2013 <http://english.ahram.org.eg/NewsContent/3/12/64134/Business/Economy/Egypt-foreign-reserves-enough-for-months-of-impo.aspx>; Central Bank - <http://www.cbe.org.eg/SDDS/InternationalReserves.htm>

³ Ministry of Finance, The Monthly Financial Report, December 2012.

⁴ Central Bank, <http://www.cbe.org.eg/NR/rdonlyres/15384EB6-EFCD-4DD8-B9F3-231E88B11F45/1696/MajorNIRUtilizationsduring20112012.pdf> ; Al Ahram, 5 February 2013, <http://english.ahram.org.eg/NewsContent/3/12/63753/Business/Economy/Central-Bank-of-Egypt-reveals-forex-expenditures.aspx>

⁵ Youm 7 newspaper, 12 January, 2013.



2. Vulnerable Households' Food Security

2.1 Characteristics of Vulnerable Households

- ★ The **number of households sampled** in this survey is **1680** (7335 household members) who were equally distributed across 10 governorates (see map on p.15).
- ★ **Female headed households constituted 20.9% of total households surveyed.** Total household heads' participation in the labor force across Egypt amounted to 69.0%, constituting about 82.8% among male and 17.1% among female household heads.
- ★ About two thirds of the sample (65.2%) are aged 30 years or under.
- ★ The rate of enrollment in education among those sampled (6+ years old) amounted to 76.7%.
- ★ Enrollment rates increased amongst those aged 30 years or under, where it ranged between 84.5%-94.5%. These rates decreased in the 31-70 age group, where enrollment rates did not exceed 74.1%.
- ★ **Around 30.7% 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 1.8% among the 6-10 age group compared with 58.9% in the 41-50 age group and 85.0% in the 61-70 age group.
- ★ The vulnerable cannot afford to be unemployed, hence **unemployment rate among these households heads¹** amounted to 2.3%, constituting 1.8% and 11.7% among male and female household heads, respectively. This is against a national unemployment rate of 12% in 2011; 8.9%, and 22.7% among males and females, respectively².
- ★ Table 4 highlights that vulnerable households are engaged in casual labor, with 62% of employed male household heads working as farmers, office boys, workers, sellers, or drivers; whereas 47.1% of employed female household heads work as sellers.

★ **Some 19.5% of vulnerable households surveyed were unemployed** (with none of the household members working), as opposed to about **30.9% of the households with at least half of the household members are working.**

¹Includes 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.).

²CAPMAS, Statistical Yearbook, 2012.

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

Age Group	Age Distribution	Enrollment Rate ¹	Drop out Rate ²
10-	25.5	93.5	1.8
(11-20)	23.3	94.5	19.7
(21-30)	16.4	84.5	34.1
(31-40)	12.6	74.1	45.4
(41-50)	10.1	56.4	58.9
(51-60)	6.5	43.7	74.9
(61-70)	4.0	27.4	85.0
71+	1.6	20.7	95.8
Total	100.0	76.7	30.7

¹Enrollment rates had been calculated for individuals who are 6+.

²Drop 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 2012.

Table (4) Proportional breakdown of employed household heads by occupation and gender¹ (%)

Occupation	Male	Female	Total
Farmer (not holding property)	15.0	3.8	14.5
Seller ²	11.5	47.1	13.2
Carrier or office boy	12.8	15.1	12.9
Worker ³	11.8	1.9	11.3
Driver ⁴	10.9	0.0	10.4
Janitor or Security guard	4.5	0.0	4.3
Carpenter ⁵	4.3	0.0	4.1
Construction worker	3.5	0.0	3.3
Other	25.7	32.1	26.0
Total	100.0	100.0	100.0

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.

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

³ Includes (resistance to crop pests, breeding cattle and sheep, Painter, Farm, Welder, Maintenance,).

⁴ Includes (private, taxi, truck, bus, tractor, Vehicle.....).

⁵ Includes (furniture, construction, iron).

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



2.2 Changes in Income and Expenditure

2.2.1 Household Expenditure

- ★ **Average spending on food and beverages amongst vulnerable households constituted some 63.3% of total household spending** this quarter, against 40.6% by an average household in Egypt¹.
- ★ **Average monthly expenditure of vulnerable households surveyed this quarter, amounted to L.E. 628.5**, reflecting a daily per capita expenditure of around **L.E. 5.1**, down from about **L.E. 699.8 in Q3 2012**, and from **LE 658** at the end of 2011. There has been a consistent decrease in expenditure through-out 2012, due to high prices and static nominal incomes that have eroded real incomes².

2.2.2 Household Income and Exposure to Crisis

- ★ **Household incomes continued to remain largely static.** Based on a recall question for the previous month (December to November), some **94.8% of households surveyed reported that their monthly income remained unchanged**, up from 89.2% in Q3 in 2012 (August to September). About 4.8% of households reported an income reduction by an average of L.E. 169.0, whereas 0.4% of the surveyed households reported an income increase amounting to L.E. 168.6 on average (Fig. 7).
- ★ **About 34.7% of the surveyed households reported to have been exposed to some form of crisis/ problem which affected their financial situation over the last year.** About **one third of these households identified significant food price increase as a major crisis.**

About **42.3% of the surveyed households reported having additional sources of income to supplement that from their main job.** This is against 46.6 % in September 2012.

- ★ **Retirement/ insurance pension** constituted the most sizeable supplementary income source; about 36.2% of additional income sources up from 29.3 % in September 2012 (Fig. 8).
- ★ **Governmental assistance/ social solidarity pension** constituted on average 29.2% of additional income sources, while **charitable assistance** constituted was about 27.5%, either in the form of family assistance (13.6%), philanthropy community assistance (8.7%), or assistance from nongovernmental organizations (5.2%).

Figure (7) households income change compared to the month preceding the survey and exposure to financial crises during the previous year¹

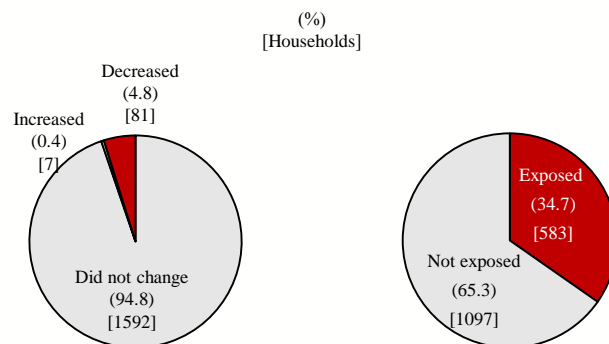
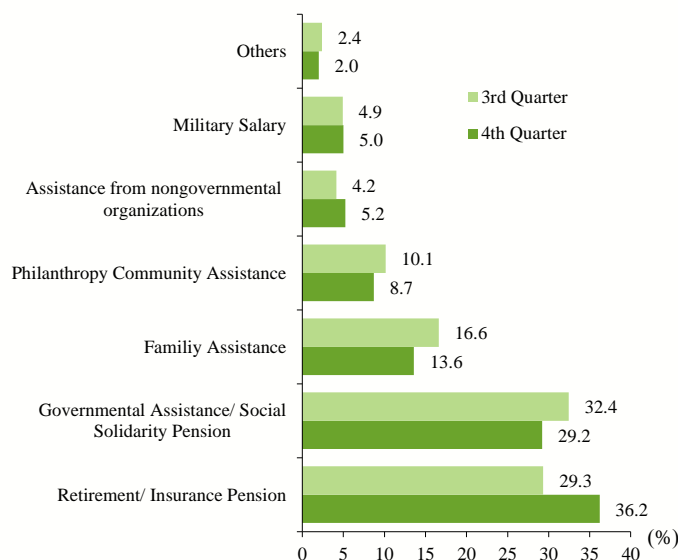


Figure 7 a) Proportional break down of households according to income change compared to the month preceding the survey

Figure 7 b) Proportional break down 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 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, December 2012.

The percentage of households receiving retirement/ insurance pension recorded its highest value in Luxor (48.3%), and Alexandria (47.7%), whereas it recorded its lowest value in Fayoum (15.3%).

The percentage of households receiving governmental assistance/ social solidarity pensions recorded its highest value in Luxor and South Sinai (36.8%), whereas it recorded its lowest value in Alexandria (14.8%).

¹ Central Agency for Public Mobilization and Statistics (2011) Household Income, Expenditure and Consumption Survey.

² Income after taking into consideration the effects of rising inflation that reduces purchasing power



★ In December, **83.1% of vulnerable households surveyed reported their income to be insufficient to cover total monthly needs** (including for food, clothes, shelter etc.), **down slightly from 86 %** in September 2012 (Fig. 9). Of those 83.1%, some **87.3% reported their income to be insufficient to cover monthly food needs** in Q4 of 2012. A slight easing in prices can be assumed to have contributed to this.

★ The percentage of households whose income was insufficient to meet their **total monthly needs** recorded its highest value in Fayoum (100%), followed by North Sinai (95.8%). Conversely, the percentage of households reporting sufficient income to meet their monthly needs recorded its highest value in Gharbia, however, those households constituted only 42.9% of households.

★ The **highest percentage of households** stating their income was insufficient to meet their **monthly food needs** was recorded in Fayoum (100%), followed by Menofya (97.5%).

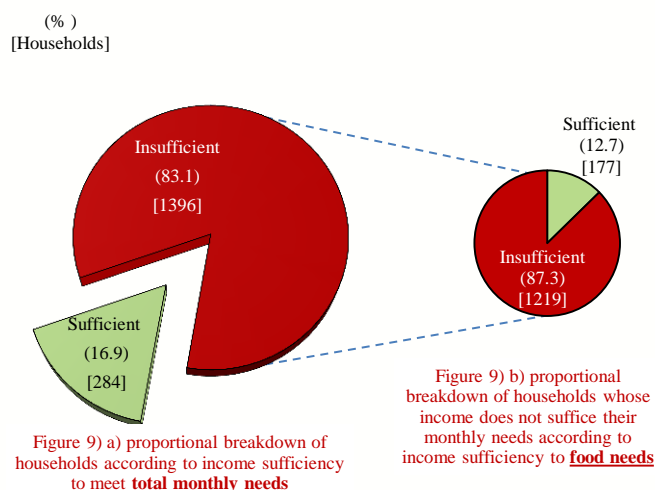
2.2.3 Coping Strategies

★ Households whose income was insufficient to meet their monthly needs resorted to a number of coping strategies. **The most prevalent coping strategy in December 2012 was “consuming cheaper food items” (Fig. 10) representing 30.7% of coping strategies**, up from 28.2% in Q3 in 2012, and from 19.6% in Q2 2012.

★ **Consuming cheaper food items and borrowing are the most coping strategies that vulnerable households adopt to cover their need, which indicates 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 26.2% of coping strategies in Q4 of 2012.**

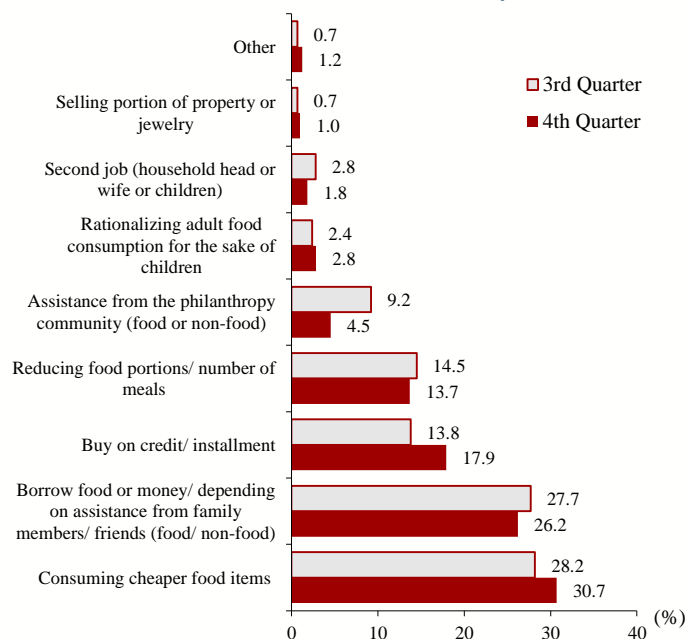
★ Other coping strategies adopted included; **buying on credit (17.9%), and reducing food intake either reducing food portions or the number of meals (13.7%).**

Figure (9) household income sufficiency



Source: Assessment Survey of the Vulnerable Households, Egyptian Food Observatory, December 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, take the child from the school to append him to the labor market.

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



2.3 Use of Ration Cards for Subsidized Foods

- ★ A sizeable proportion of vulnerable households (21.2%) 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 was recorded in Alexandria (38.7%), followed by South Sinai (30.4%).
- ★ Ismailia had the highest percentage of vulnerable households holding ration cards (88.1% of the sampled households in the governorate), followed by Gharbia (87.5%).
- ★ The majority (97%) of vulnerable households holding ration cards utilized them to purchase their ration allocations for November. Of those, 12.6% did not purchase their full ration allocation.
- ★ The highest percentage of households purchasing their full allocation was in Fayoum (100% of households) which recorded the highest percentage of households whose income was insufficient to meet monthly needs (either non-food or food needs).

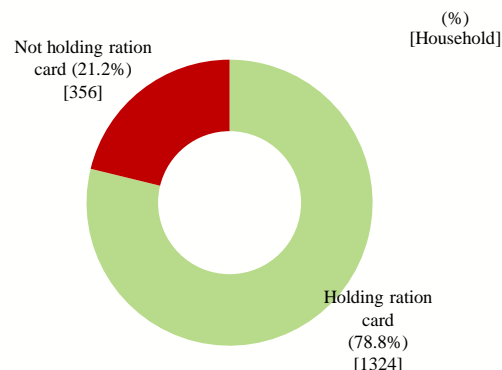
Lack of rationed commodities at ration grocers was cited as the main reason (69.7%) that prevented households from purchasing different rationed commodities, followed by bad quality of commodities (24.1%).

- ★ The highest percentage of vulnerable households who received insufficient quantities of rationed rice (90.6%), sugar (86.3%) and oil (76.9%) respectively and were obliged to buy additional quantities, were recorded in South Sinai.

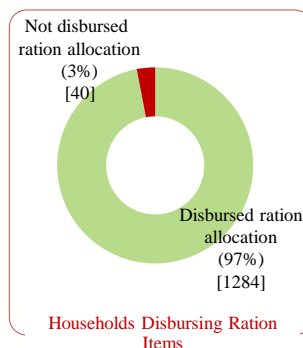
The rationed commodities seen as dispensable by vulnerable households and could be replaced by other commodities were tea (39.1%) and macaroni (12.6%), which is consistent with the least disbursed commodities through ration cards (91.8% and 42.7% respectively).

Only 3.3% of vulnerable households knew that rationed oil is fortified with vitamin (A) and vitamin (D), suggesting the need for awareness raising of the fortification and its benefits.

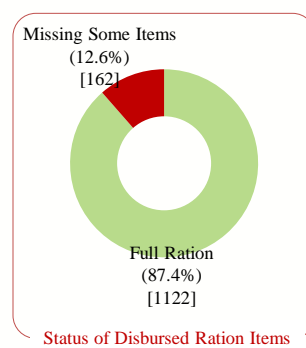
Figure (11) Breakdown of vulnerable households holding a ration card



Households Holding Ration Cards



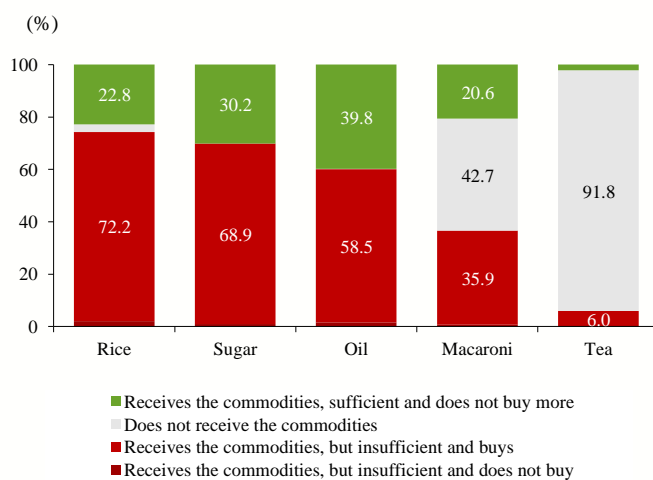
Households Disbursing Ration Items



Status of Disbursed Ration Items

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

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



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



2.4

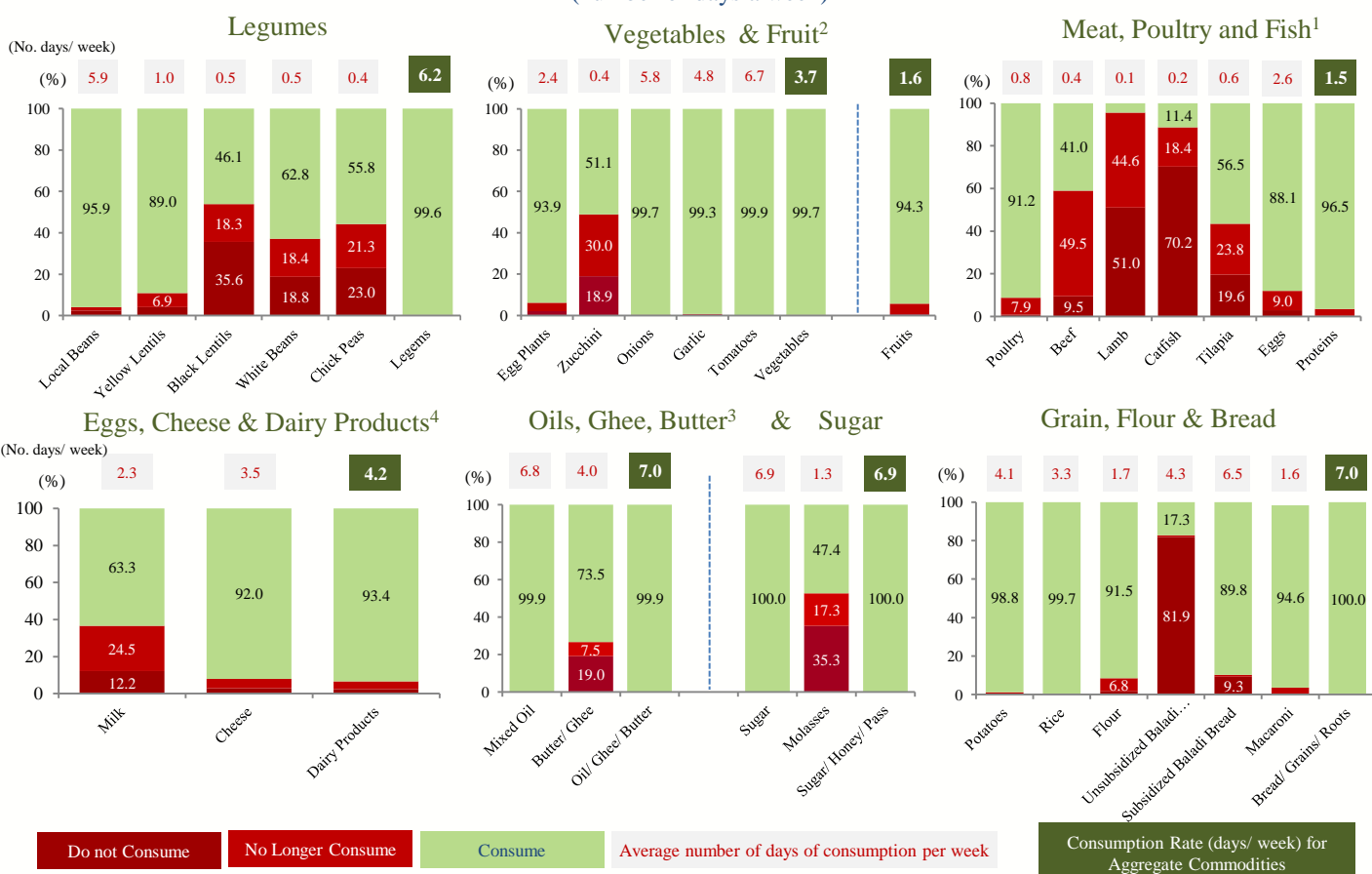
Vulnerable Households' Food Consumption

- ★ **Vulnerable households' food consumption patterns remained largely stable throughout 2012** 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, roots and bread) **are the main food group that all households surveyed consume on a daily basis** (noted at 7.0 days a week). Of these items, **subsidized bread was consumed the most frequently** (6.5 days a week) by the majority of households (89.8% of households).
- ★ **All households (99.9%) consume oil/ butter on a daily basis** and all households (100%) consume sugar on daily basis.
- ★ **about 99.6% of the surveyed households consume some form of legumes** 6.2 days a week.

- ★ **Households consume vegetables only 3.7 days a week** (on average) and **94.3% of households consume fruit and only on 1.6 days a week.**
- ★ **Meat (beef and lamb), and fish (tilapia and catfish) are rarely purchased by vulnerable households.** about 91.2% of households eat poultry approximately once a week. **Eggs form the main form of animal protein**, consumed by 88.1% of households 2.6 days a week.
- ★ Consumption patterns are driven by prices, the composition of subsidized rations and in some cases poor nutritional awareness.

- ★ **During December 2012, some vulnerable households ceased consumption of certain food items (fish, beef and milk), due to price increases that placed certain items beyond their purchasing power.**
- ★ **Around 49.5% of the surveyed households ceased to consume beef in the last three months on average, while 24.5% ceased to consume milk in the last four months on average.**

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



¹Proteins including meat, poultry, rabbits, fish and eggs.

³Butter/ghee including natural and manufactured.

²Vegetables including leafy and non-leafy vegetables .

⁴Dairy Products except for butter.

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

3. Special Report: Vulnerability Grows in a Challenging Economic Climate

3.1 Changes in the Post-Revolution Economy

- ★ This report reflects on changes in the economy after the 25th January Revolution and the implications on the food security of the most vulnerable households; most notably, the period has seen a significant increase in **the poverty rate across Egypt from 21.6% in 2009 to 25.2% in 2011**¹.
- ★ The transition period that has followed the Revolution has seen **lower economic growth and weaker revenues**. Economic growth fell from a **6.2% average between 2005-10** to 1.9% in 2010/11 and increased slightly to **2.2% in 2011/12**.² A simultaneous fall in revenues was seen, particularly from key foreign exchange sources, such as foreign direct investment and tourism that have been adversely affected by domestic turmoil. While these have been partly offset by an increase in remittances in late 2012, there has also been **a significant weakening of the Egyptian pound** which lost 8% of its value against the USD from mid-December³.
- ★ **As a net importer, and the world's largest importer of wheat, Egypt has seen an increased import bill particularly for food commodities such as wheat and sugar** despite their decrease in global markets.⁴ This has added to the country's balance of payments deficit, that reached LE29 billion in November 2012 against LE17 billion a year earlier.
- ★ The resultant drawdown on foreign reserves, has left **sufficient reserves for just under three months of imports**. Reserves fell by USD 1.4 billion (bn) in January 2013 to USD 13.6 bn from USD 15 bn in December 2012, and by some USD 21 bn since 2011⁵. The Central Bank reported that in the last two years, it has availed USD 36 bn of special reserves funds largely to cover rising import prices, particularly of petroleum (USD 9 bn) and wheat (USD 5 bn)⁶.

- ★ Despite poor global production and subsequently higher prices in 2012 than 2011, **access to wheat in Egypt was eased by stronger than expected local production.** This increased from 8.4 Million Tones (MT) to 8.7 MT in the 2011/12 and 2012/13 crop years. While that is expected to lower import requirements from 11.7 MT in 2011/12 to 10 MT in 2012/13 ⁷, pressures on other staples such as rice could place further demands on wheat access⁸. The General Authority for Supply Commodities (GASC), has confirmed sufficient wheat stocks to late July 2013 with ready access to a further five months of stock locally⁹.
- ★ While food supply is currently strong, a rising import bill will add pressure on already heightened **food prices which increased by 6% in 2012.** Though easing in the last quarter of 2012 in line with seasonal fluctuations, **food prices have picked up in January ahead of the seasonal cycle** ¹⁰.

3.2 The Impact of Rising Poverty

- ★ Vulnerability to food insecurity in Egypt is largely a function of household income and purchasing power. Poor economic growth, growing unemployment, static incomes and high food prices have eroded purchasing power and resulted in the adoption of more radical coping strategies¹¹.
- ★ The **majority of vulnerable households surveyed** in 2012 by the EFO **reported static incomes** (94.8% of households surveyed in December 2012 up from 91.1% in December 2011) or declining incomes (4.8% in December 2012 against 7% in December 2011). Challenges in the macro-economy have also seen the **unemployment rate rise to 13% in the last quarter of 2012**, up from 12.5% in the last quarter of 2011 and 8.9% in the last quarter of 2010¹².
- ★ **Combined with high food prices**, this resulted in the **percentage of households reporting to have**

¹ CAPMAS (2009 & 2011), Household Income, Expenditure and Consumption Survey (HIECS); WFP & CAPMAS (2009), *Status of Food Security and Vulnerability in Egypt*

²Ministry of Finance (January 2013), *Financial Monthly*, <http://www.mof.gov.eg/MOFGallerySource/English/Reports/monthly/2013/Jan2013/a-b.pdf> ; Economist Intelligence Unit (January 2013), *Country Report: Egypt*

³ The Central Bank of Egypt, <http://www.cbe.org.eg/English>

⁴ Youm 7 newspaper, 12, January, 2013

⁵ Al Ahram, 5 February, 2013; Central Bank - <http://www.cbe.org.eg/SDDS/InternationalReserves.htm>

⁶ Source Al-Ahram, 5 February 2013, <http://english.ahram.org.eg/NewsContent/3/12/64134/Business/Economy/Egypt's-foreign-reserves-enough-for--months-of-impo.aspx>

⁷ FAO (November 2012), *Food Outlook Global Market Analysis*, <http://www.fao.org/docrep/016/a1993e/a1993e00.pdf>

⁸ Agrimoney, (3 January 2013) <http://www.agrimoney.com/news/crop-fears-to-prompt-egypt-to-import-extra-wheat--2659.html>

⁹ Reuters (3 January 2013), <http://www.reuters.com/article/2013/01/03/egypt-wheat-stocks-idUSL5E9C33OR20130103>

¹⁰CAPMAS (January 2012), CAPMAS, http://www.capmas.gov.eg/pepo/january_e.pdf

¹¹ WFP & CAPMAS (2009), *Status of Food Security and Vulnerability in Egypt*

¹² CAPMAS, (2012), <http://www.capmas.gov.eg/pepo/202012%20%الربع%20الرابع%20العامة%20القوي%20بيان.pdf>, <http://capmas.gov.eg/pdf/labour.pdf>



insufficient income to meet their monthly needs increasing from 70.2% in December 2011 to 83.1% in December 2012.

- ✧ Consequently, the poverty rate rose to 25.2% in 2011, equating to some 21 million of Egypt's 83 million people. This rise was witnessed in both urban (from 11% in 2009 to 15.3% in 2011) and rural areas (from 28.9% in 2009 to 32.3% in 2011), with the largest concentration remaining in rural Upper Egypt particularly in the Governorates of Assuit, Sohag, Qena, Aswan and Beni Suef. Moreover, data highlights that between 2009 and 2011, 15% of Egypt's non-poor fell into poverty, while only 7.7% moved out of it, and 13% (or 45% of those classified as poor) remained in chronic poverty (the inability over the longer term to meet basic needs).¹
- ✧ In Q4 2012, vulnerable households surveyed by the EFO reported spending some 63.3% of their income on food, against the national average of 40.6%.¹ Some 34.7% surveyed reported their exposure to some form of financial shock in 2012, the main reason cited being high food prices.
- ✧ This has resulted in the adoption of more severe coping strategies where incomes do not suffice, with focus shifting from borrowing money as the most frequently adopted strategy in early 2012 (borrowing and purchasing on credit made up 48.6% of strategies adopted by vulnerable households to secure minimum monthly food needs)² to consuming cheaper food items by December 2012 (30.7% up from 27.9% in January 2012). Borrowing food or money and buying on credit have reduced as households debt levels have risen, while reducing food intake and receiving community assistance are on the up. In the second half of 2012 some of the most vulnerable households ceased consumption of certain food items, with over 75% explaining this as due to high prices placing the items beyond their purchasing power. In Q4, 49.5% of vulnerable households surveyed ceased to consume beef in the last three months on average (up from 27% in Q3), while 24.5% ceased to consume milk on average in the last four months.



WFP Photo, 2012

- ✧ Vulnerable households remain over-reliant on cheaper subsidized food commodities, particularly cheap carbohydrates, with negative nutritional implications. Consumption patterns include daily uptake of cereals and carbohydrates of which, subsidized bread is consumed the most frequently (6.5 days a week) by the majority (89.8%) of vulnerable households.
- ✧ While safety nets have served as an important means of cushioning the most vulnerable³, there is sizeable targeting exclusion that needs correcting; 21.2% of households surveyed in Q4 cited they are not holders of ration cards.

3.3 Recommendations

- ✧ In the face of continuing economic constraints requiring central reform it is ever more important that the most vulnerable are protected⁴.
- ✧ While social safety nets play a crucial role in facilitating this⁵ their reform to ensure more efficient supply and targeting of the most vulnerable is required. Baladi bread alone, accounts for some 61% of the LE 26.6 bn food subsidy in the 2012/13 fiscal year,⁶ and in the face of ongoing constraints in the economy, improving the efficiency of its production is a matter of urgency. Sizeable savings are feasible by reducing supply side with relatively straight supply-side efficiencies.⁷

WFP and CAPMAS will publish a fuller study on “*The Status of Food Security and Vulnerability in Egypt*” in Q2 2013. For further information, please contact Abraham Abatneh at:

abraham.abatneh@wfp.org

¹ CAPMAS (2009, 2011), *HIECS*; WFP & CAPMAS (2009), *Status of Food Security and Vulnerability in Egypt*, <http://www.wfp.org/content/egypt-status-food-security-and-vulnerability-december-2011>

² IDSC and WFP, (January 2012) *Egyptian Food Observatory*, Issue 5

³ World Bank (2010), *Egypt's Food Subsidies: Benefit, Incidence, and Leakages*

⁴ Al Ahram, 5 October 2012, <http://english.ahram.org.eg/NewsContent/3/12/54829/Business/Economy/Egypt-economic-reforms-must-protect-the-vulnerable.aspx>

⁵ World Bank (2011), Evidence and Lessons Learned from Impact Evaluations on Social Safety Nets, http://ieg.worldbankgroup.org/content/dam/ieg/ssn/ssn_meta_review.pdf

⁶ Ministry of Finance, February 2012

⁷ See also special reports on reforming the Baladi Bread supply chain in: IDSC and WFP (2012), *Egyptian Food Observatory*, Issues 8 and 9



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 household 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, 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 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:

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

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 2011¹ which is calculated using the equation:

¹The 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.

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

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 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 rotated in each round to provide a representative view national trends.

✧ Selecting Districts:

In each Governorate, one urban and one rural area are targeted. For urban governorates two urban areas are targeted. Areas with the highest poverty rates based on the 2005 CAPMAS HIECS are selected for the survey.

✧ Selecting Households:

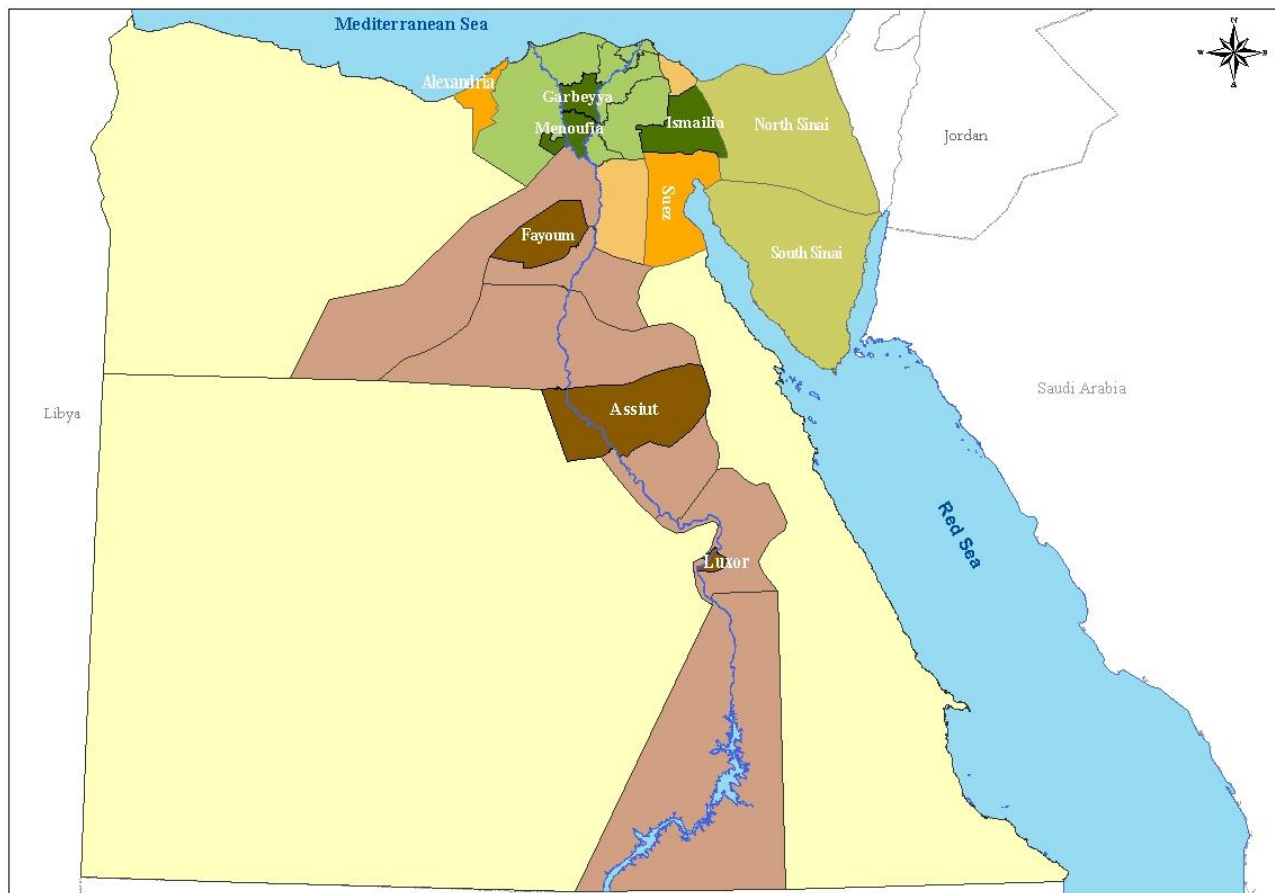
The survey was conducted in the fourth week of December 2012, for a sample of 1680 vulnerable households (about 168 households per Governorate – the Governorates are mapped on page 15). In each Governorate, vulnerable households are selected based on certain criteria, including: **educational status of household head** (below university degree), **occupation of household 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**: households are excluded if they have agricultural holdings, if any of its members are in private education, and if per capita household expenditure and income on an average month exceeds 300 L.E.

✧ Defining Vulnerable Households:

Households surveyed are selected **on the basis of poverty** as defined by the HIECS; the 2011 HIECS shows the national poverty rate to be **25.2% of Egypt's population of 83 million**. In 2013, household selection criteria will be adjusted to focus on vulnerability to food insecurity; a more forward-looking analysis that assesses household sensitivity to potential livelihoods shocks and ability to cope with them.



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: Alexandria, Suez, Gharbeya, Menoufia, Ismailia, Fayoum, Assiut, Luxor, North Sinai, South Sinai

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