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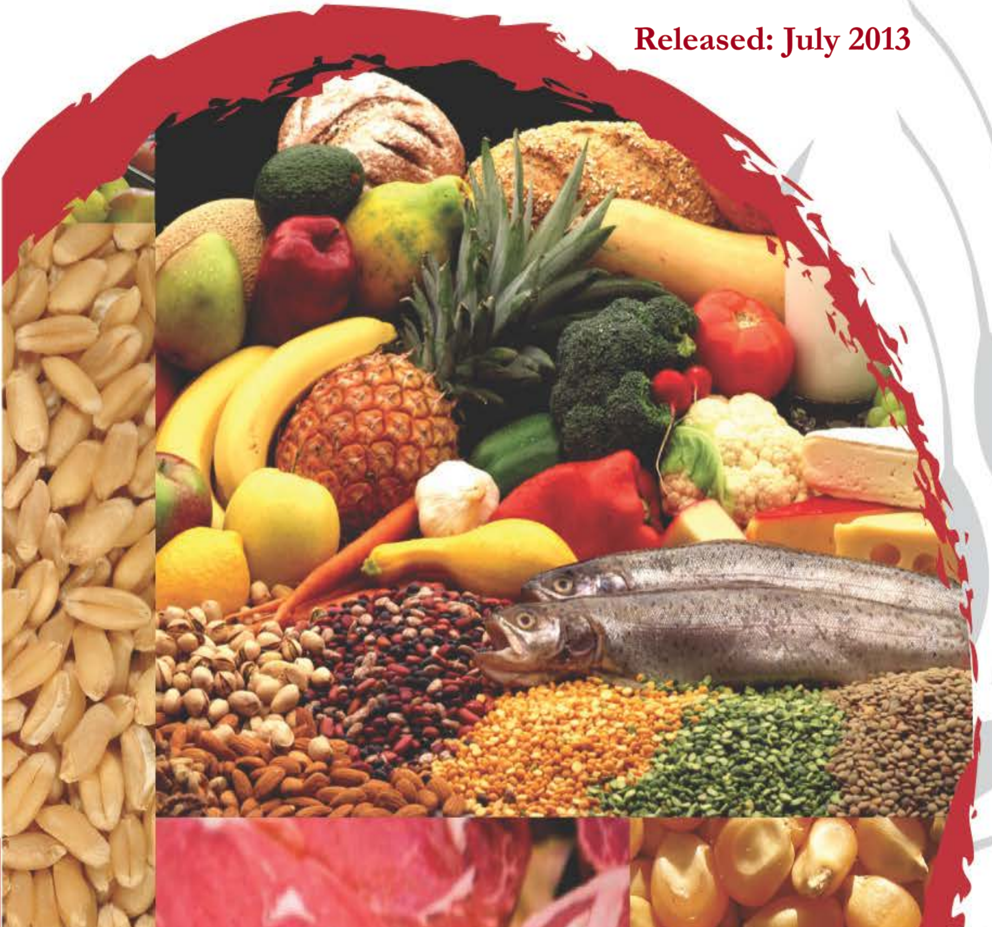

Publication Objectives

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

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

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[1] "Food security exists when all people, at all times, have physical, social and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life", FAO (1996), *Declaration of the World Food Summit*. The food security encompasses food availability, access, utilization and stability.

Highlights

- Quarter 2 (Q2) 2013 saw a **significant increase in inflation**, as measured by the Consumer Price Index, **with an even higher jump in food prices**. Inflation increased by 10.9% between June 2012 and 2013, while the **food and non-alcoholic beverages price index increased by a sizeable 13.8% in the same period**. (Page 4)
- **With 64.7% of the surveyed households' expenditure going to** food, this makes **them particularly vulnerable to higher food prices** and highlights that food security remains an issue of economic access. (Page 8)
- The average cost of food basket increased by 4.4% in Q2 compared to 1.8% in Q1 2013. This significant increase coupled with static incomes further erode the purchasing power of the most vulnerable (Pages 8 & 9).
- **Food prices rose across the regions during this quarter**, with urban Governorates seeing the steepest increase of (6.7%) followed by frontier Governorates (4.6%). (Page 4)
- The food subsidy system aims to serve as a safety net for the most vulnerable, however **21% of vulnerable households surveyed this quarter reported not having access to a ration cards.** (Page 10)
- **Food consumption patterns of vulnerable households continue to show poor dietary diversity and an over-reliance on bread, grains and roots (**consumed 7 days a week by 100% of households surveyed), with **subsidized bread consumed the most frequently** (6.4 days). **Oil, butter and sugar were also consumed daily**, legumes and dairy products 5 days a week, while **vegetables and fruit were consumed 6.4 and 1.8 days, respectively**. **Meat, poultry and fish were consumed just over once a week,** with eggs forming the main source of animal protein**. High and fluctuating food prices have compounded poorer households' over-reliance on cheaper calorie-dense food** with adverse nutritional implications. (Page 11)

Special Report Summary: Wheat Supply Challenges at a Time of Transition

- Wheat is the key staple in Egypt with total consumption reaching 18.8 MT in 2011/12.
- This report (see page 13) follows on from last quarter's to highlight **a continued risk to the regular supply of wheat** at a time of transition. With the bulk of local wheat harvested between April and June, final production **forecasts vary from 8.7 million tonnes (MT) to initial government projections of a bumper harvest of 9.4 MT. Between 2007 and 2011, domestic wheat production averaged 7.8 MT, increasing to 8.37 MT in 2011 and 8.7 MT in 2012.** Based on previous production levels, soaring fuel (solar) costs in 2013 and recent challenges to its availability, wheat producers have voiced concerns on the ability to attain the higher production figure which is expected to be closer to last year's rate.
- **High dependence on wheat imports has made Egypt vulnerable to fluctuations in its global price, and more recently to the depletion of its foreign currency reserves required to purchase imports**. Historically, around 45 to 50% of the country's wheat needs, some 9-10 MT, have been imported. For 2012/13, initial government projections were of a reduction in imports to 8 MT, given highly depleted foreign currency reserves and expectations of a domestic bumper harvest.
- While recent financial support from the Gulf has improved short term access to foreign reserves. **greater political stability is required** to shore up confidence by investors, tour operators and other traditional sources of foreign currency and so facilitate more sustainable longer term access to reserves. Moreover, **sizeable short term savings in wheat use can be made by reducing losses in the supply chain of subsidized Baladi bread** (that stand at over 25%), through improving storage facilities built through the private sector in strategic locations. Introducing a Control Tower mechanism to oversee the supply chain of subsidized Baladi bread could facilitate more effective monitoring. **Restructuring GASC's role to act as a private trader and maintain a strategic inventory of wheat** at around one million tonnes, purchasing during periods when prices are low (June through September), as well as allowing private sectors to operate in the market would reduce pressure in securing foreign currency reserves to procure wheat internationally (for full recommendations see page 13).

1. Trends and Impact of Food Commodity Price Changes

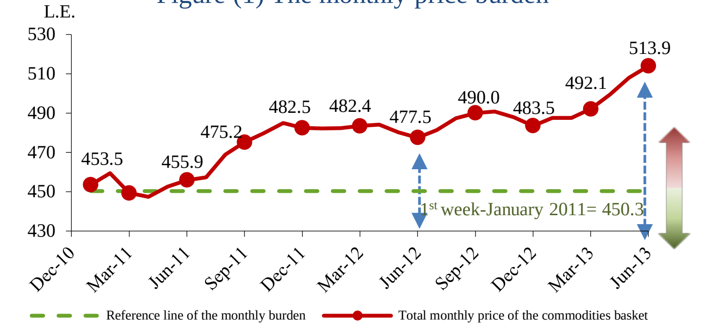
1.1 Food Basket Price Changes

- **Quarter 2 (Q2) 2013 saw the steepest increase in the last 2 years in the cost of the average food basket**[1], (denoted by the **monthly price burden** – Fig. 1), which **increased by 4.4% between March and June 2013** compared to an increase of 1.8% in the last quarter (December 2012 to March 2013). Since the 1st week of **January 2011 June 2013 prices increased by 14.1%,** resulting in a nominal price increase of L.E. 63.6 per food basket.
- **Prices rose across all regions** (Fig. 2), **with urban governorates seeing the steepest increase of 6.7%** during Q2, followed by frontier governorates (4.6%), Upper Egypt (3.2%) and Lower Egypt (3.1%).
- The reasons behind the sizeable price increases in Q2 include political turmoil, a steadily weakening Egyptian Pound that pushed up import prices, the diesel shortages crisis that pushed up transport costs[2], and households (HHs) stocking up for Ramadan[3].

1.2 Inflation Rates

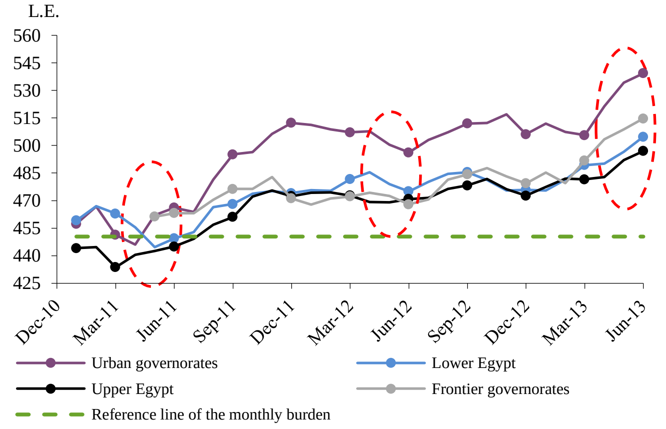
- **Inflation,** as measured by the Consumer Price Index (CPI), **increased by 10.9% in June 2013 year-on-year and 1.0% month-on-month**, against 7.4% and -0.7% in the same period the previous year[4]. (Fig. 3)
- **The food and non-alcoholic beverages price index increased by a sizeable 13.8% between June 2012 and 2013**, and 2.3% from May 2013, against 9.1% annually and -1.5% monthly last year[4]. (Fig.4)
- **Of note adding to food price increases** was a rise in the price of **vegetables** (by 5.8% monthly and 23.1% annually) and **bread and cereals** (by 2.2% monthly and 16.3% annually); the latter driven by an annual increase of 20.7% for rice and 16.4% for wheat. Milk, cheese and eggs also saw a sizeable annual price increase of 15% between June 2012 and 2013[4].
- **With 64.7% of surveyed HHs' expenditure going to food** (page 8), they are particularly vulnerable to price fluctuations, highlighting that food security remains an issue of economic access (purchasing power).

Figure (1) The monthly price burden[1]



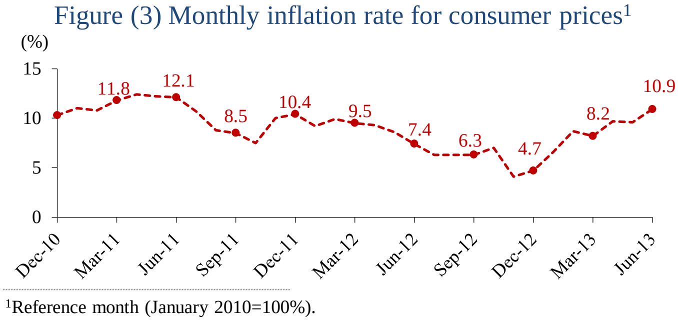
[1] Reference line of the monthly burden has been updated upon the completeness of prices data in different governorates.
Source: Field Monitoring Network, Cabinet-Information and Decision Support Center.

Figure (2) The monthly price burden by region



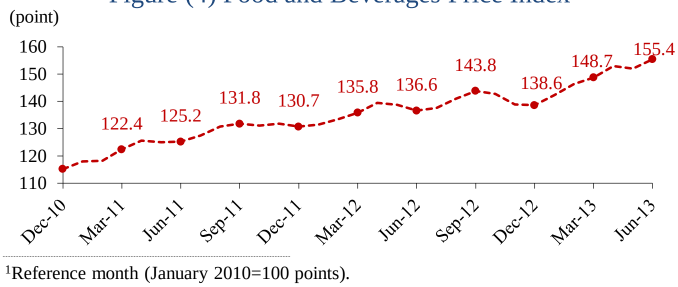
Source: Field Monitoring Network, Cabinet-Information and Decision Support Center.

Figure (3) Monthly inflation rate for consumer prices[1]



[1]Reference month (January 2010=100%).
Source: Central Agency for Public Mobilization and Statistics, CAPMAS.

Figure (4) Food and Beverages Price Index[1]



[1]Reference month (January 2010=100 points).
Source: Central Agency for Public Mobilization and Statistics, CAPMAS.

[1]The food basket includes 27 commodities presented in the Annex (page 14).
[2] Masrawy website, 9 April 2013, "Four reasons for food commodities price hike".
[3] Daily News Website, 8 July 2013, available at: http://www.dailynewsegypt.com/2013/07/08/stocking-up-for-ramadan/
[4] CAPMAS (June 2013), Consumer Price Index, http://capmas.gov.eg/pepo/436_e.pdf

1.3 Regional Variations in Commodity Prices

- As noted in Table 1 below, most commodities recorded price increases in Q2 of 2013, in line with general price increases noted in Section 1.1.
- Tomato prices increased significantly across all regions in Q2, despite April to June being a period of harvesting[1]. This is likely to be associated with shortage of fuel used for transport.
- Beef and tilapia prices also saw a notable increase in Q2 due to the imposition of a 20% tax imported fish which increased the demand for and subsequently price of beef as a substitute. A weak Egyptian Pound and shortages in foreign currency added to higher prices for imported goods[2].

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

L.E. Kg (%)

Goods	Urban	Lower	Upper	Frontier
Beef	66.3 (7.8) ↑	61.2 (1.8) ↑	54.0 (1.1) ↑	60.9 (2.8) ↑
Poultry [1]	20.4 (- 0.7) ↓	19.1 (- 0.7) ↓	20.0 (0.5) ↑	20.5 (7.6) ↑
Tilapia fish	13.8 (2.6) ↑	13.8 (5.7) ↑	16.5 (2.0) ↑	15.6 (2.4) ↑
Eggplant	3.1 (- 26.1) ↓	3.2 (2.1) ↑	2.8 (3.2) ↑	3.4 (2.0) ↑
Potatoes	3.5 (8.4) ↑	3.2 (11.0) ↑	3.5 (21.1) ↑	3.6 (13.6) ↑
Onions	2.8 (- 31.6) ↓	2.7 (- 32.3) ↓	3.0 (-16.8) ↓	3.6 (- 6.2) ↓
Tomatoes	2.8 (58.4) ↑	2.7 (49.5) ↑	2.7 (83.6) ↑	3.1 (59.2) ↑
Local beans[2]	8.5 (3.9) ↑	8.3 (8.7) ↑	7.9 (2.5) ↑	8.6 (19.0) ↓
Yellow lentils[3]	9.7 (- 2.5) ↓	9.6 (- 2.3) ↓	9.4 (7.5) ↑	9.1 (8.5) ↑
Flour[3]	4.4 (- 2.7) ↓	5.1 (5.2) ↑	4.4 (4.2) ↑	4.5 (5.5) ↑
Rice[4]	4.4 (- 0.4) ↓	4.3 (1.3) ↑	4.7 (3.4) ↑	4.4 (- 0.5) ↓
Macaroni[5]	5.6 (3.1) ↑	4.9 (0.3) ↑	5.0 (- 0.8) ↓	4.8 (- 5.6) ↓
Sugar[6]	5.4 (-2.1) ↓	5.6 (2.2) ↑	5.4 (0.5) ↑	5.5 (4.9) ↑
Corn oil[7]	15.0 (2.8) ↑	13.7 (2.7) ↑	14.6 (2.8) ↑	14.1 (2.9) ↑

[1] Poultry prices are defined as average local, and white live and frozen poultry.
[2] Unpacked bean [3] Packed [4] Include packed and bulk
[5] Ordinary Packed [6] Packed by private sector [7] L.E./ liter
Source: Field Monitoring Network, Cabinet-Information and Decision Support Center.

- Potatoes prices also recorded a significant increase due to increased demand for exports to Russia[3].
- Onions prices significantly decreased in all regions in Q2 following recent harvests[1].
- Urban and rural commodity prices were monitored in June 2013 in Ismailia, Assuit, Qena, El-Behera, North Sinai, South Sinai, Al-Gharbia and Fayoum Governorates (see Table 2).
- It is worth noting that 58.4% of urban prices were higher than rural prices; whereas 5.6% of rural prices compared were identical with urban prices.

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	o South Sinai : rural < urban by L.E. 3.0 (27.3%). o North Sinai and Qena: rural > urban by L.E. 2.4 and 1.5, respectively (31.6% and 20.0%, respectively)
Yellow lentils	o North Sinai: rural > urban by L.E. 3.8 (46.3%).
Black lentils	o Ismailia and North Sinai: rural > urban by L.E. 7.2 and 3.4, respectively (44.3% and 39.5% respectively).
Tomato	o Ismailia: rural < urban by L.E. 1.1 (43.2%). o North Sinai: rural > urban by L.E. 1.3 (50.0%).
Potato	o North Sinai: rural > urban by L.E. 1.4 (44.0%).
Onion	o South Sinai: rural < urban by L.E. 1.8 (41.6%). o North Sinai: rural > urban by L.E. 1.5 (56.9%).
Garlic	o Qena, South Sinai, North Sinai and Ismailia: rural < urban by L.E. 7.7, 7.1, 5.5 and 5.2, respectively (56.1%, 41.4%, 45.8% and 50.8%, respectively). o El-Behera: rural > urban by L.E. 2.2 (27.7%).
Eggplants	o Qena and South Sinai: rural < urban by L.E. 1.9 and 1.8, respectively (60.1% and 42.1%, respectively). o El-Behera and North Sinai: rural > urban by L.E. 1.0 (45.5% and 33.3%, respectively).
Poultry	o Al-Gharbia: rural < urban by L.E. 4.5 (23.3%).
Catfish	o Assuit, Al-Gharbia and Fayoum: rural < urban by L.E. 6.0, 3.5 and 3.0, respectively (37.5%, 29.2% and 23.1%, respectively).
Tilapia	o Qena and Al-Gharbia: rural < urban by L.E. 7.0 and 3.2, respectively (31.8% and 21.6%, respectively).
Beef	o Ismailia: rural < urban by L.E. 12.5 (20.8%).
Lamb	o Ismailia rural < urban by L.E. 15.0 (21.4%). o Fayoum: rural > urban by L.E. 10.8 (21.0%).

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

[1] FAO Crop Calendar http://www.fao.org/agriculture/seed/cropcalendar/searchbycountry.do
[2] Al Ahram newspaper, 17 April 2013, "Increasing prices of municipal and frozen meat".
[3] Al Ahram Massai newspaper, 17 April 2013, "L.E. 4 for potatoes and L.E. 3.5 for tomatoes; prices ignite vegetables and fruits markets".

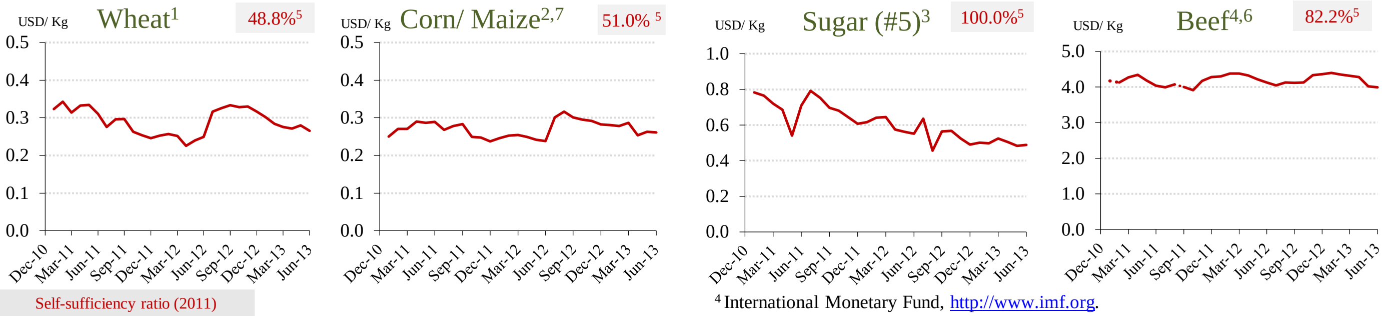
1.4 Global Food Commodity Prices

- **With Egypt a net food importer, particularly of wheat, global prices of key commodities, Egypt's net international reserves (NIR) and its exchange rate have a sizeable impact on domestic prices and more recently have challenges the steady supply of wheat imports**, posing a risk to wheat availability and thus food security (see Special Report).

1.4.1 Global prices of key food commodities

- **Global cereal production is estimated to increase in 2013 by about 7%** given bumper harvests in many producing countries in the Northern Hemisphere. International wheat prices consequently declined slightly, raising hopes for improved market stability[1].
- Egypt has imported some 6.66 million tons (MT) of wheat so far in 2012/13, coming largely from USA, Russia, and Ukraine, against 10 MT in 2011/12[2].
- Corn prices increased slightly as global supplies remained constrained[1].
- Global sugar and rice prices decreased by 3.2% and 4%, respectively between Q1 and Q2[3]. Expectations are of stronger global rice harvest this year[1].

Figure (5) Global price developments of selected food commodities

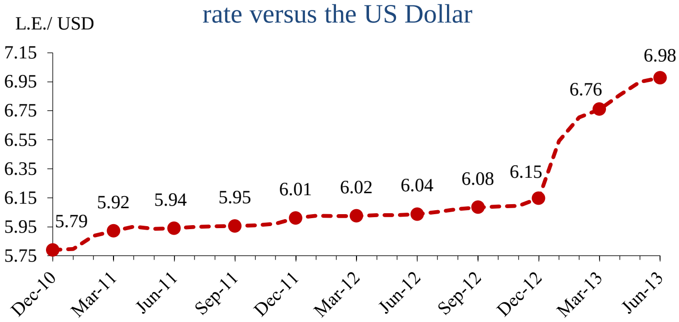


[1] Stock Exchange of Kansas City Council of Commerce.
[2] Stock Exchange of Chicago Council of Commerce.
[3] New York Stock Exchange.
[4] International Monetary Fund, http://www.imf.org.
[5] Ministry of Agriculture and Land Reclamation.
[6] U.S.A Department of Agriculture, http://www.ams.usda.gov
[7] Values of the 1st week of October have been estimated because they are unavailable in the source.

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

- **The Egyptian pound (L.E.) continued to weaken in Q2 2013, losing 3% of its value against the USD,** from L.E. 6.76 to 6.98 **between March and June 2013** respectively. In total, it has lost 13.5% of its value against the USD since December 2012.
- The ongoing slide in the LE has increased inflationary pressure with the increasing cost of imports, and adverse with implications for HHs as demand for food increases during the month of Ramadan.
- In Q2, net international reserves (NIR) increased to USD 16 billion (bn) in May, and fell back to USD 14.9 bn in June[6]; the latter being equivalent to 3 months of imports. The increase was due to a USD 3 bn Qatar deposit into Egyptian treasury bonds[7]. Following more recent pledges of support from Saudi Arabia and the UAE, CBE's Governor noted reserves have risen to USD 20 bn[7] .

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



Source: The Central Bank of Egypt

- The deficit in the balance of payments (BoP) fell to USD 2.1 bn between July 2012 and March 2013 compared to USD 11.2 bn during the same period in the fiscal year 2011/12. The drop in the national trade deficit is attributed to an increase in the value of exports, while import values remained constant. Remittances flowing into Egypt also remained high, while foreign investment also increased slightly[4].

[1] FAO, July 2013, Crop Prospects and Food Situation, http://www.fao.org/docrep/018/aq114e/aq114e.pdf
[2] Al-Ahram, 16 June, "USA open their markets for Egyptian citrus decline in imported wheat imports by 34%".
[3] Egypt Information Portal, 2013 , http://www.eip.gov.eg/News/PressReleaseDetails.
[4] http://www.cbe.org.eg/NR/rdonlyres/15384EB6-EFCD-4DD8-B9F3-231E88B11F45/1930/JulyMarchpress2013releaseAR.pdf
[5] NIR values from April 2012- 2013 from IDSC, Economic and Social Indicators Bulletin, May 2013, p5, May 2013 and from http://www.cbe.org.eg/English/
[6] http://www.cbe.org.eg/Arabic/
[7] Al Ahram, 18 July 2013, http://english.ahram.org.eg/NewsContent/3/12/76823/Business/Economy/Egypts-foreign-reserves-reach-around--bn-in-Arab-a.aspx

2. Vulnerable Households' Food Security

2. 1 Characteristics of Vulnerable Households

- The **number of HHs sampled** in this survey was **1679** (7602 household members) equally distributed across 10 governorates (see map on p.15)[1].
- **Female headed HH constituted 19.7% of total HHs surveyed.** Total HH heads' participation in the labor force across Egypt amounted to 71.8%, constituting about 85.4% among male and 16.6% among female HH heads.
- About two thirds of the sample (65.5%) are aged 30 years or under.
- The rate of enrollment in education among those sampled group (6+ years old) amounted to 76.8%.
- Enrollment rates increased amongst those aged 30 years or under, where it ranged between 85.2%-96.2%. These rates decreased in the 31-70 age group, where enrollment rates did not exceed 74.1%.
- **Around 29.8% of the total sample (aged 6+ years) who had been enrolled in school, had dropped out of basic education** (before preparatory level). Drop-out rates increased amongst the sampled groups with elder age. In this regard, drop-out rates came to 0.7% among the 6-10 age group compared with 81.5% in the 51-60 age group.
- Table 4 highlights that the vulnerable groups are engaged in casual labor, with 64.1% of employed male HH heads working as drivers, workers, office boys, sellers, or farmers; whereas 55.3% of employed female HH heads work as sellers.

- **About 54% of the employed HH heads suffer** from unstable employment/ income.

- **Unemployment rate[2] among the vulnerable at working age** (15 – 64 age group) amounted to 23.2% constituting 14.5% among males and 55.7% among females. This is against the national unemployment rate of 13.2% in Q1 of 2013; 9.7% and 25.0% among males and females, respectively[3], i.e. unemployment in Egypt continues to be a youth issue and it affects both vulnerable and non-vulnerable.

- The percentage of working children (6 – 18 years) "child labor" has amounted to 6.4%, more than three quarters of these children belong to the age group (15-18 years).

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

(%)

Age Group	Age Distribution	Enrollment Rate[1]	Drop out Rate[2]
10-	26.0	85.2	0.7
(11-20)	23.0	96.2	18.6
(21-30)	16.4	87.1	29.3
(31-40)	12.4	74.1	44.8
(41-50)	9.7	58.6	56.7
(51-60)	6.9	45.6	81.5
(61-70)	3.8	30.1	80.2
71+	1.8	19.1	80.8
Total	100.0	76.8	29.8

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

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

(%)

Occupation	Male	Female	Total
Driver[2]	15.2	0.0	14.6
Worker[3.]	13.9	6.4	13.6
Carrier or office boy	12.5	8.5	12.3
Seller	10.5	**55.3**	12.3
Farmer (not holding property)	12.0	8.5	11.9
Security guard	4.6	0.0	4.4
Construction worker	3.7	0.0	3.6
Chef or waiter	3.4	0.0	3.2
Other	24.2	21.3	24.1
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 (private, taxi, truck, bus, tractor, Vehicle…..).
[3] Includes (resistance to crop pests, breeding cattle and sheep, Painter, Farm, Welder, Maintenance. ……).
Source: Assessment Survey of the Vulnerable Households, Egyptian Food Observatory, June 2013.

[1] Each governorates 168 households (HH) were surveyed except for North Sinai where 167 HH were surveyed.
[2] Includes those who don't work, but are seeking a job (i.e. excluding those who are economically inactive such as housewives, school or university students, army recruits, etc.).
[3] CAPMAS, Labor Force Survey Bulletin (Jun–Mar 2013), http://capmas.gov.eg/pdf/qrr/lab.pdf

2. 2 Changes in Income and Expenditure

2.2.1 Household Expenditure

- **Average spending on food and non-alcoholic beverages amongst vulnerable HHs constituted some 64.7% of total HH spending** this quarter, **down from 66.1%** in the previous quarter, and against 40.6% by the average HH in Egypt[1].
- **Average monthly expenditure of vulnerable HHs surveyed this quarter**, **amounted to L.E. 761.3** (or daily per capita expenditure of around L.E. 5.9), **up from L.E. 661.7 in Q1 2013**, reflecting an upward pressure in prices. The combination of static incomes and rising prices have resulted in the erosion of HHs' purchasing power.

2.2.2 Household Income

- **HH incomes continued to remain largely static**. Based on a recall question for the previous month (June to May 2013), some **95.3% of HHs surveyed reported that their monthly income remained unchanged**, compared to 93.7% in Q1 of 2013. About 3.6% of HHs reported an income reduction by an average of L.E. 188.2, whereas 1.1% of the surveyed HHs reported an income increase amounting to L.E. 141.1 on average (Fig. 7).
- About **36.2% of the surveyed HHs** reported exposure to some form of crisis/ problem which affected their financial situation over the past year. **About 26.2% of these HHs identified increased health expenditure as a major crisis,** followed by **significant food price increase (25.9%)**.
- **About 41.9% of the surveyed HHs reported having additional sources of income to supplement that from their main job**. This is against 45.2% in Q1 of 2013.
- **Retirement/ insurance pension constituted the most sizeable supplementary income source**; about 36.6% of additional income slightly up from 35.7% in Q1 of 2013 (Fig. 8).
- **Governmental assistance/ social solidarity pension constituted 35.0% on average of additional income sources**, while **charitable assistance constituted about 19.6%,** either in the form of family assistance (11.5%), philanthropic community assistance (4.1%), or assistance from non-governmental organizations (4.0%).

Figure (7) Households income change compared to the month preceding the survey and exposure to financial crises during the previous year[1]

(%)
[Households]

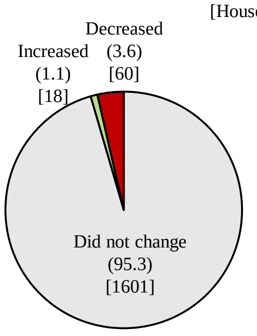


Figure 7) a) Proportional break down of households according to income change compared to the month preceding the survey

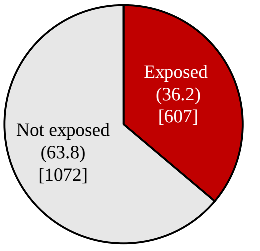
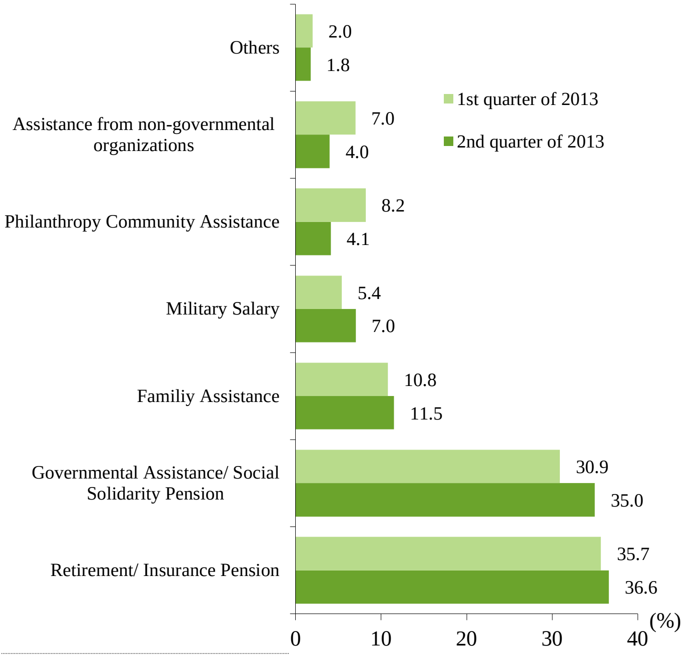


Figure 7) b) Proportional break down of households according to Exposure to financial crises over the previous year

[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, June 2013.

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, March 2012, June2013.

- Economic or political turmoil appear to have affected the social solidarity context with the percentage of families obtaining assistance from philanthropic community or non-governmental organizations significantly decreasing in Q2 of 2013.

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

- In Q2 of 2013, **82.7% of vulnerable HHs surveyed reported their income to be insufficient to cover <u>total monthly needs</u>** (including food, clothes, shelter etc.), **down from 88.9%** in Q1 of 2013 (Fig. 9). Of those 82.7%, some **77.8% reported insufficient income to cover <u>monthly food needs</u>** in Q2 of 2013,
- **In current sample covering 10 governorates, the percentage of HHs whose income was insufficient to meet their <u>total monthly needs</u> recorded its highest value in Behaira (97.6%),** followed by Alexandria (91.7%) and South Sinai (86.3%).
- **The highest percentage of HHs** stating that their **income was insufficient to meet their monthly <u>food needs</u>** was recorded in **Fayoum (98.6%), followed by Behira (97.6%) and Gahrabia (97.1%).**

2.2.3 Coping Strategies

- HHs whose income was insufficient to meet their monthly needs resorted to a number of coping strategies. **The most prevalent coping strategy in June 2013 was "Borrowing food or money/ depending on assistance from family members/ friends"** (Fig. 10) **representing 38.4% of coping strategies**, up from 27.8% in Q1 of 2013, this is against the established pattern where consuming cheaper food items used to top the coping strategies. This trend can be partially explained in light of the reduction in philanthropic community or non-governmental organization assistance, reported in section 2.2.2.
- **Borrowing** and **consuming cheaper food items are the most prevalent coping strategies that vulnerable HHs used to cover their needs, suggesting that vulnerable HHs are adopting more severe coping mechanisms where incomes do not suffice. Consuming cheaper food items** by families whose income was insufficient to meet their monthly needs **represented 19.7% of coping strategies in Q2 of 2013.**
- Other coping strategies adopted included; **buying on credit (17.6%),** and **reducing food intake** either by reducing food portions or the number of meals

Figure (9) Household income sufficiency

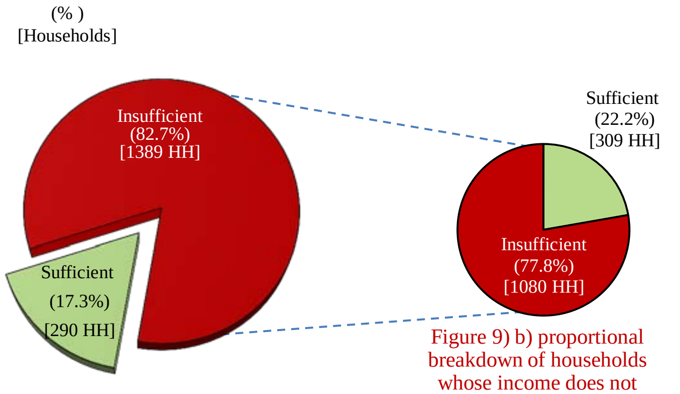
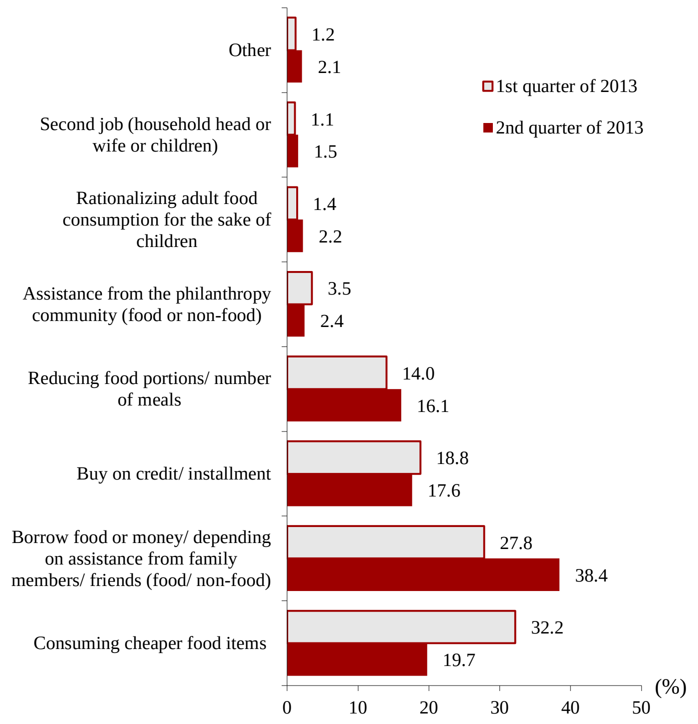


Figure 9) a) proportional breakdown of households according to income sufficiency to meet **<u>total monthly needs</u>**

Figure 9) b) proportional breakdown of households whose income does not suffice their monthly needs according to income sufficiency to **<u>food needs</u>**

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

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



Other include; a family member engaging in casual work, and taking child out of school to be appended to labor market.
Source: Assessment Survey of the Vulnerable Households, Egyptian Food Observatory, March 2013, June 2013.

(16.1%), which rose compared to Q1 of 2013, as did rationing adult food consumption for the sake of children (2.2%, up from 1.4%).

2. 3 Use of Ration Cards for Subsidized Foods

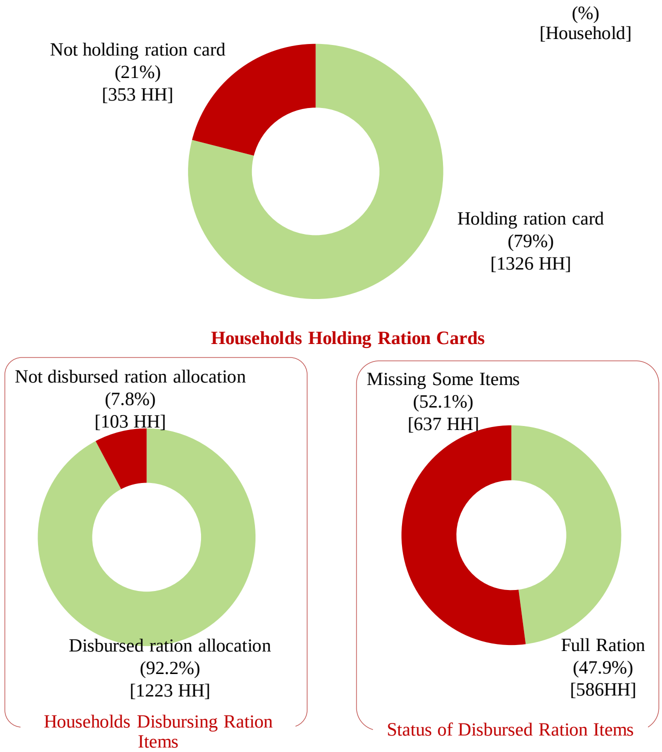
- **Some 21.0% of vulnerable HHs do not hold a ration card (Fig. 11).** In the current sample of 10 governorates, the highest percentage of vulnerable HHs not holding ration cards was recorded in North Sinai (38.9%), followed by Alexandria (31.5%).
- **About 41.3% of vulnerable HHs** have **children under the age of five**. **Less than one third** of those HHs do not hold a ration card. In Egypt some 66.7 million people hold ration cards[1]. **This highlights the need to review and improve targeting criteria, particularly during challenging economic times.**
- In light of a 4.5 person per HH vulnerable HH average size in Q2 of 2013, 3.6 person per household on average have access to ration cards, indicating that only 80% of the HH members is likely to benefit from ration cards.
- The **majority (92.2%) of vulnerable HHs holding ration cards utilized them** to **purchase their ration allocations**. Of those, **52.1% did not purchase their full ration allocation**. It is worth mentioning that **the percentage of HHs who reported missing some items from their regular allocation has doubled from 24.9% in Q1 of 2013 to 52.1% in Q2 of 2013.**

- **The shortage in commodities at ration grocers** was cited as the main reason preventing HHs from purchasing different commodities (89%), followed by poor quality of commodities (9.4%).

- Despite the fact that sugar, oil and rice are the most widely purchased commodities on ration cards, quantities of each of the three commodities cover only 31.3%, 34.1% and 14.6% of vulnerable HHs' needs respectively.
- Subsidized macaroni and tea are only occasionally purchased through ration cards (7.6% and 8.7% respectively), as HHs attributed this to low stock at the ration grocers.

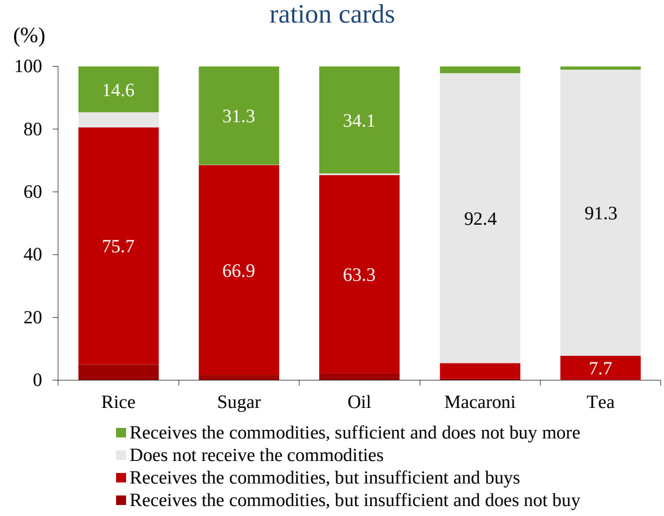
- **Rationed commodities which are considered dispensable and could be replaced were macaroni (26.0%) and tea (21.4%).** Such input match with the reported list of the least consumed commodities on ration cards.

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



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

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



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

- **Only 7.5% of vulnerable HHs knew that rationed oil is fortified with vitamin (A) and vitamin (D),** suggesting the need for awareness raising of the fortification and its benefits.

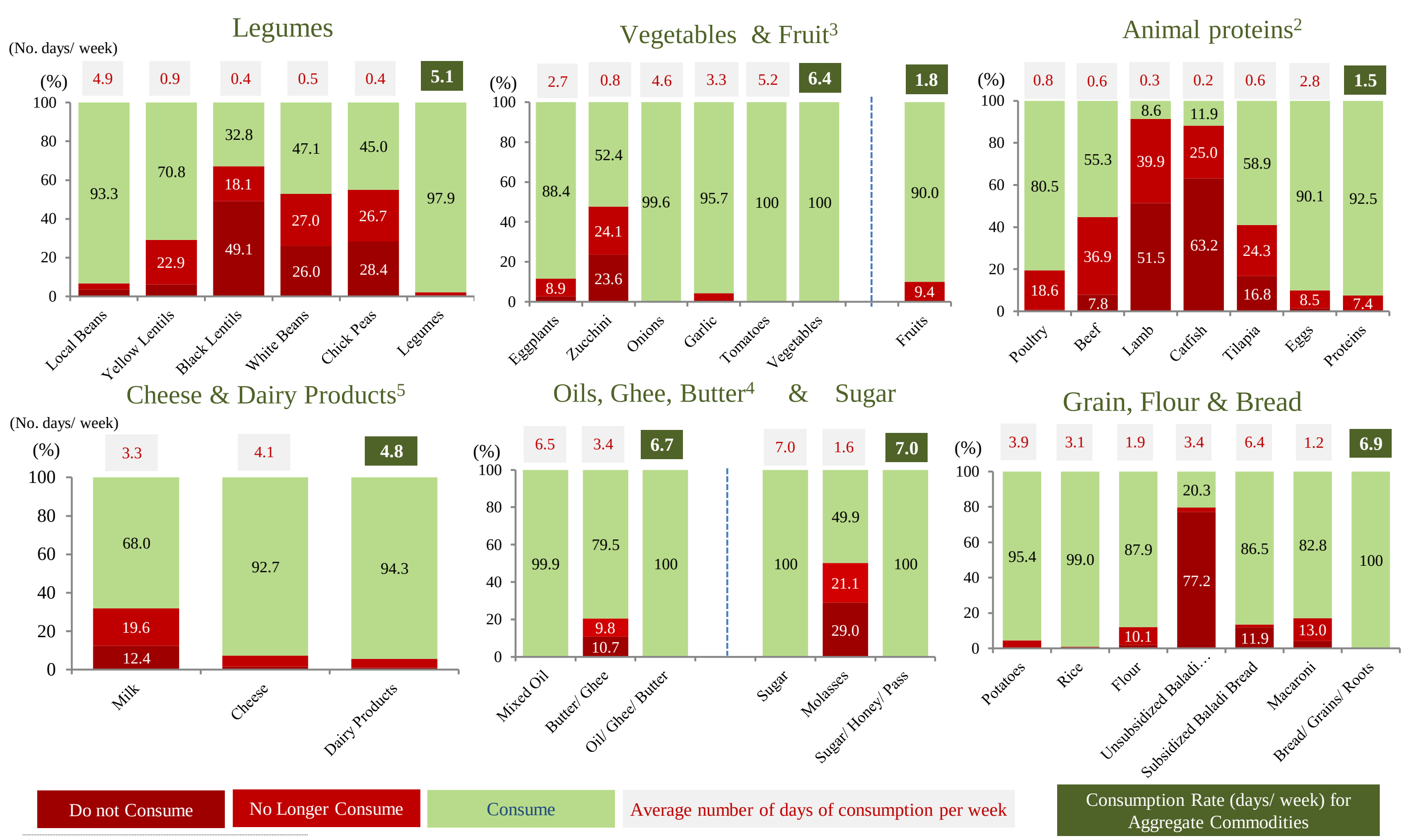
[1] Ministry of Supply and Internal Trade (April 2012) Monthly bulletin, issue 315.

2. 4 Vulnerable Households' Food Consumption

- Vulnerable HHs' food consumption patterns remained largely similar since the launching of the EFO in September 2011, which shows **a continued over-reliance on cereals and bread, oil and sugar and a poor dietary diversity**.
- As Figure 13 below indicates, **cereals and carbohydrates (bread/ grains/ roots) are the main food group that all HHs surveyed consume on a daily basis** (noted at 6.9 days a week). Of these items, subsidized bread was the most frequently consumed item (6.4 days a week) by the majority of HHs (86.5% of HHs).
- **All HHs consumed oil/ ghee/ butter and sugar on a daily basis** (6.7 days a week).
- HHs surveyed show lowered consumption of fruits as 90.0% consume it only 1.8 days a week.
- All HH consumed vegetables on an average of 6.4 days a week such rate has significantly increased compared to Q1 of 2013 (3.5 days a week)[1].
- **There is low consumption of animal proteins by vulnerable HHs, with meat** (beef and lamb)**, and fish** (tilapia and catfish) **consumed less than once a week**. About 80.5% of HHs eat poultry approximately once a week. **Eggs form the main form of animal protein consumed** by 90.1% of HHs 2.8 days a week.
- **Consumption patterns are driven largely by prices**, as well as the composition of subsidized rations and poor nutritional awareness.
- About 13.3% of the vulnerable HHs have complained about the availability of subsidized baladi bread.

> - **Given high and rising food prices** that have placed certain items beyond the vulnerable's purchasing power, more than one third of **the surveyed HHs (36.9%) ceased to consume beef in the last five months** on average.
> - **One fifth** of **the surveyed HHs (19.6%) ceased to consume milk in the last 3.8 months** on average.

Figure (13) Breakdown of vulnerable households' consumption by commodity type (from the food basket), frequency of consumption (number of days a week)[1]



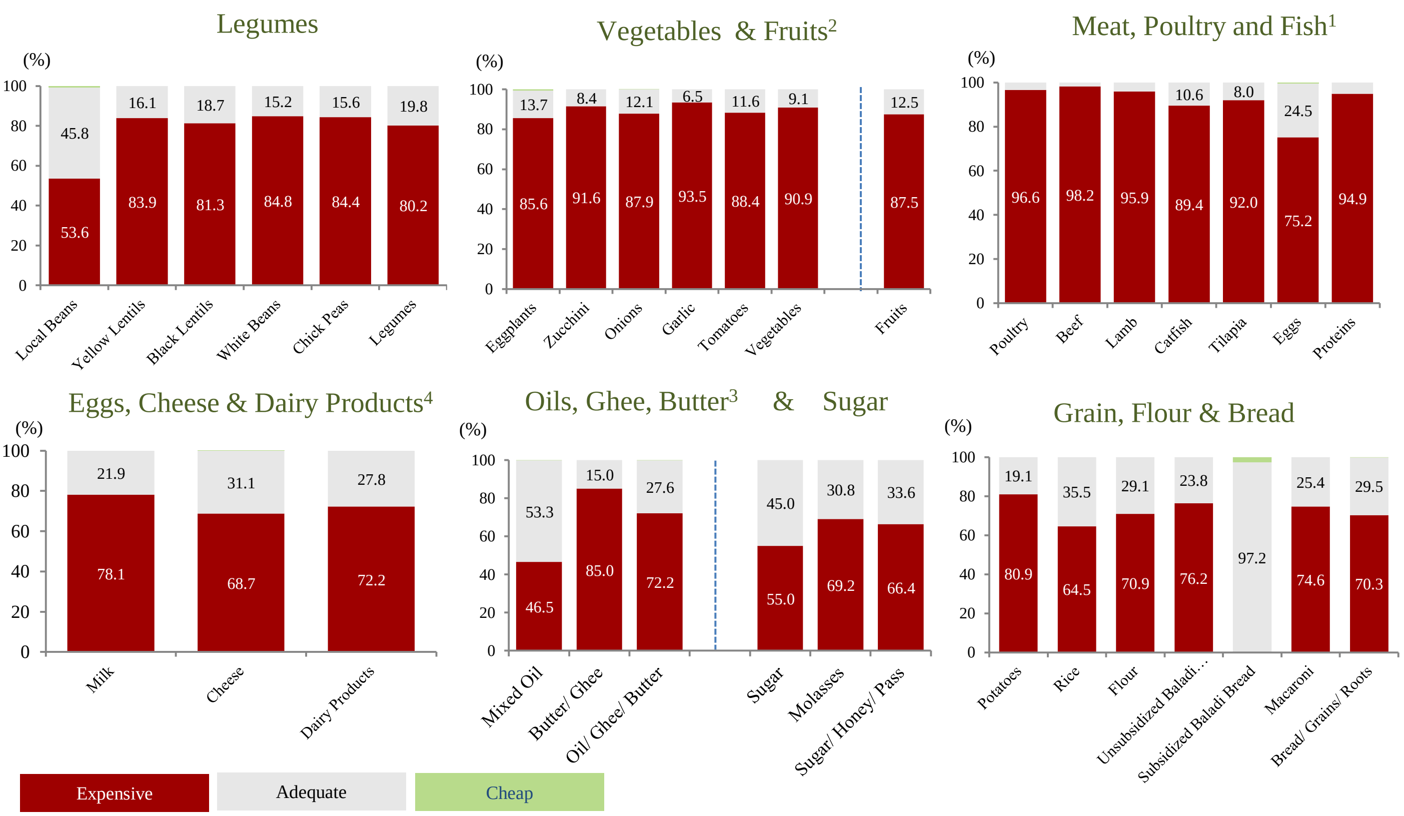
[1] Some consumption rates has changed significantly compared to Q1 of 2013 this could be due to real consumption preference change or due to the changes made to the questionnaire of the vulnerable HH survey where food items have been rearranged.
[2] Proteins including meat, poultry, rabbits, fish and eggs.
[3] Vegetables including leafy and non-leafy vegetables.
[4] Butter/ghee including natural and manufactured.
[5] Dairy Products except for butter.
Source: Assessment Survey of the Vulnerable Households, Egyptian Food Observatory, June 2013.

2. 5 Households Perception of Food Prices

- As part of the vulnerability survey conducted HHs were asked for their perception of food commodities prices, by classifying each commodity either as expensive, adequate or cheap.
- As shown in Figure 14, animal proteins were the main food group reported by the majority of the vulnerable HHs as beyond their purchasing power. This was followed by vegetables and fruits, then legumes (except for local beans), and oil, ghee and butter (except for mixed oil).
- Price perceptions match with consumption patterns by vulnerable households as mapped out in section 2.4. and are largely in line with inflation trends. Just over half of HHs (52.9%) reported an increase in the price of vegetables, more than one third in the price of animal proteins (42.5%), almost one third in the price of diary products (30.6%), and 31.0% in the price of legumes.

> **About 97.2% of the vulnerable HHs find the price of subsidized baladi bread to be reasonable and within their purchasing power.**

Figure (14) Breakdown of vulnerable households' perception of consuming diverse food groups



[1] Proteins including meat, poultry, rabbits, fish and eggs.
[2] Vegetables including leafy and non-leafy vegetables .
[3] Butter/ghee including natural and manufactured.
[4] Dairy products except for butter.

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

2. 6 10 Facts on Child Nutrition in Egypt[1]

- Dietary, health and sanitation practices all have implications for the nutritional status of vulnerable HHs, and particularly their most vulnerable members: children aged under five.
- A recent study by the Egyptian Cabinet's Information and Decision Support Center (IDSC), WFP and the African Union on *The Social and Economic Impact of Child Undernutrition* in Egypt highlighted the following key findings. The preview overleaf will be followed by full coverage of findings in the next quarterly edition of the EFO.

[1] Egyptian Cabinet's Information and Decision Support Center, World Food Program, United Nation Economic Commission for Africa, "The Cost of Hunger in Egypt: The Social and Economic Impact of Child Undernutrition" http://www.wfp.org/content/egypt-cost-hunger-implications-child-undernutrition-social-economic-development-june-2013

Figure (15): Ten Key Facts about Child Undernutrition in Egypt[1]

1	• Today, there are more stunted children in Egypt than 10 years ago.
2	• As many as 81% of all cases of child undernutrition and its related pathologies go untreated.
3	• 51% of the health costs associated with undernutrition occur before the child turns 1 year-old.
4	• 11% of all child mortality cases in Egypt are associated with undernutrition.
5	• 10% of all repetitions in primary school are associated with stunting.
6	• Stunted children achieve 0.2 years less in school education.
7	• Child mortality associated with undernutrition has reduced Egypt's workforce by 1%.
8	• 41% of the adult population in Egypt suffered from stunting as children.
9	• The annual costs associated with child undernutrition are estimated at L.E. 20.3, which is equivalent to 1.9% of GDP.
10	• Prevention of stunting in Egypt is a key intervention for development in the country.

[1] Egyptian Cabinet's Information and Decision Support Center, World Food Program and United Nation Economic Commission for Africa, "The Cost of Hunger in Egypt: The Social and Economic Impact of Child Undernutrition" http://www.wfp.org/content/egypt-cost-hunger-implications-child-undernutrition-social-economic-development-june-2013

3. Special Report: Wheat Supply Challenges at a Time of Transition

3. 1 Challenges to Wheat Availability

- Wheat is the key staple in Egypt with **total consumption reaching 18.8 million tonnes (MT) in 2011/12**[5], or 12 MT excluding farmers' own consumption.
- This report follows on from last quarter's to highlight a continued risk to the regular supply of wheat at a time of transition. With the bulk of local wheat harvested between April and June, **final production forecasts vary from 8.7**[1] **MT to initial government projections of a bumper harvest of 9.4 MT**[2]**. Between 2007 and 2011, domestic wheat production averaged 7.8 MT, increasing to 8.37 MT in 2011 and 8.7 MT in 2012**[3]. Given previous production levels, soaring fuel (solar) costs and recent challenges to its availability, **wheat producers have voiced concerns on the ability to attain the higher production figure**[4] which is expected to be closer to last year's. Silo storage space is a further constraint for both domestic production and imported stocks.
- Historically**, around 45 to 50% of the country's wheat needs, some 9-10 MT, have been imported**[6]. For 2012/13, initial government projections were of a reduction in imports to 8 MT, given highly depleted foreign currency reserves and greater expectations of a domestic bumper harvest. A recent FAO report estimated that while import requirements were currently lower than the recent average (at about 40% of total requirements), a 6% increase in imports against 2012/13 levels is expected to be required to meet needs[7].

3. 2 Depleted Foreign Currency Reserves Have Challenged Access to Wheat Imports

- High dependence on wheat imports and depleting foreign currency reserve reserves have made Egypt vulnerable to global price fluctuations and its ability to purchase imports.
- Towards the end of 2012, reserves reached a low of USD 13.4 bn, sufficient to cover less than 3 months of total imports, rising to USD 16 bn in May and falling back to USD 14.9 bn in June[8]. Following recent pledges of support from Saudi Arabia and the UAE, Egypt's Central Bank Governor noted that reserves have risen to USD 20 bn[9].
- Given foreign reserves limitations to secure imports, **emphasis in 2012/13 focused on raising domestic production, reducing losses and seeking to leverage Egypt's position as a major importer to negotiate steady access to supplies**[10]. The country held its first tender to buy wheat internationally in February 2013, with longer than usual delay to a second and third tender held in July for 0.54 MT of Ukrainian, Romanian and Russian wheat[11]. These purchases are expected in late August and early September[12].
- The interim Minister of Supply, Mohamed Abu Shadi, has noted that **wheat stocks currently stand at 3.3 MT**[13]**, sufficient to cover requirements to early November**. This follows on from concerns raised in a statement by the former Supply Minister, Bassem Ouda, that imported wheat stocks were only sufficient for two months coverage[14].

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[1] FAO, April 2013,GIEWS Country Brief: Egypt, http://www.fao.org/giews/countrybrief/country.jsp?code=EGY; US Department of Agriculture (USDA) Foreign Agricultural Service, July 2013, Global Agricultural Information Network Report: Egypt, http://agriexchange.apeda.gov.in/marketreport/Reports/Wheat_Stocks_and_Import_Tenders_During_a_Period_of_Civil_Unrest_Cairo_Egypt_7-8-2013.pdf
[2] FAO, July 2013, Crop Prospects & Food Situation, http://www.fao.org/docrep/018/aq114e/aq114e.pdf
[3] FAO, April 2013,GIEWS Country Brief: Egypt.
[4] Trade Arabia, 9 June 2013, http://www.tradearabia.com/news/REAL_237490.html
[5] USDA, April 2013, Grain: World Markets and Trade http://www.fas.usda.gov/psdonline/circulars/grain.pdf; FAO, March 2013, Crop Prospects and Food Situation, http://www.fao.org/docrep/017/al998e/al998e.pdf#page=12
[6] WFP, 2010, Baladi Bread Supply Chain Review; USDA (April 2013), Grain: World Markets and Trade; FAO, March 2013, Crop Prospects and Food Situation.
[7] FAO, July 2013, Crop Prospects and Food Situation.
[8] Central Bank of Egypt, Press Release July 2013; http://www.cbe.org.eg/English/
[9] Al Ahram, 18 July 2013, http://english.ahram.org.eg/NewsContent/3/12/76823/Business/Economy/Egypts-foreign-reserves-reach-around--bn-in-Arab-a.aspx
[10] Financial Times, 26 March 2013, http://www.ft.com/cms/s/0/781f945e-9560-11e2-a4fa-00144feabdc0.html#axzz2R2i1s28C
[11] GASC, 2 July 2013, http://www.gasc.gov.eg/wheat%20bids_en.htm; Bloomberg, 3 July 2013, http://www.bloomberg.com/news/2013-07-02/corn-futures-swing-after-reaching-32-month-low-wheat-rebounds.html
[12] Ahram Online, 24 Jul 2013, http://english.ahram.org.eg/News/77305.aspx
[13] Al Ahram, 19 July 2013, http://english.ahram.org.eg/NewsContentPrint/3/0/76882/Business/0/Egypts-wheat-stock-ample-for-four-months,-imports-.aspx
[14] Reuters, 11 July 2013, http://uk.reuters.com/article/2013/07/11/uk-egypt-protests-wheat-idUKBRE96A08Y20130711

3. 3 Requirements for Subsidized Baladi Bread

- In recent years, some 2.6 MT of locally produced wheat were purchased through the General Agency of Supply Commodities (GASC) for subsidized Baladi bread, rising to 3.7 MT in 2012 following higher production[14]. In line with 2012 levels**, 3.6 MT have been purchased to date in 2013**[15].
- To maximize stocks, millers reported[16] of being advised by the Ministry of Supply to reduce the amount of international wheat used in flour while maximising local wheat use.

3. 4 Recommendations

- While recent financial support from the Gulf has improved short term access to foreign reserves for imports, **greater political stability is required** to shore up confidence by investors, tour operators and other traditional sources of foreign currency and so **facilitate more sustainable longer term access to reserves**.
- As highlighted in previous EFO publications, **sizeable short term savings in wheat use can be made by reducing losses in the supply chain of subsidized Baladi bread** (that stand at over 25%), through improving storage facilities and by covering open bunkers (shonas), complemented by additional silo capacity built through the private sector in strategic locations. Introducing a Control Tower mechanism to oversee the supply chain of subsidized Baladi bread could facilitate more effective monitoring.
- **Restructuring GASC's role to act as a private trader and maintain a strategic inventory of wheat** at around 1 million tonnes, purchasing during periods when prices are low (June through September). Furthermore, allowing the private sector to operate in the market would reduce pressure in securing foreign currency reserves to procure wheat internationally.

[14] Interview with GASC official, 21 April 2013.
[15] Interview with Ministry of Agriculture official, 14 July 2013.
[16] Aswat Masriya, 3 July 2013, http://en.aswatmasriya.com/news/view.aspx?id=c38c8f3b-a393-4d3e-8b1d-bd532c0fd86e

Annex: Survey and Composite Index Methodology

1 Monthly Burden Index Methodology

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

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

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

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

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

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

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

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

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

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

2 Rural Price Observatory Methodology

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

3 Survey Selection Methods

Selecting governorates:

In each round, the survey targets 10 governorates, covering Egypt's four main regions: 2 urban, 3 Lower Egypt, 3 Upper Egyptian governorates (north and central Upper Egypt), and 2 Frontier governorates in the Eastern and Western regions. The 10 governorates are 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 CAPMAS HIECS are selected for the survey.

Selecting Households:

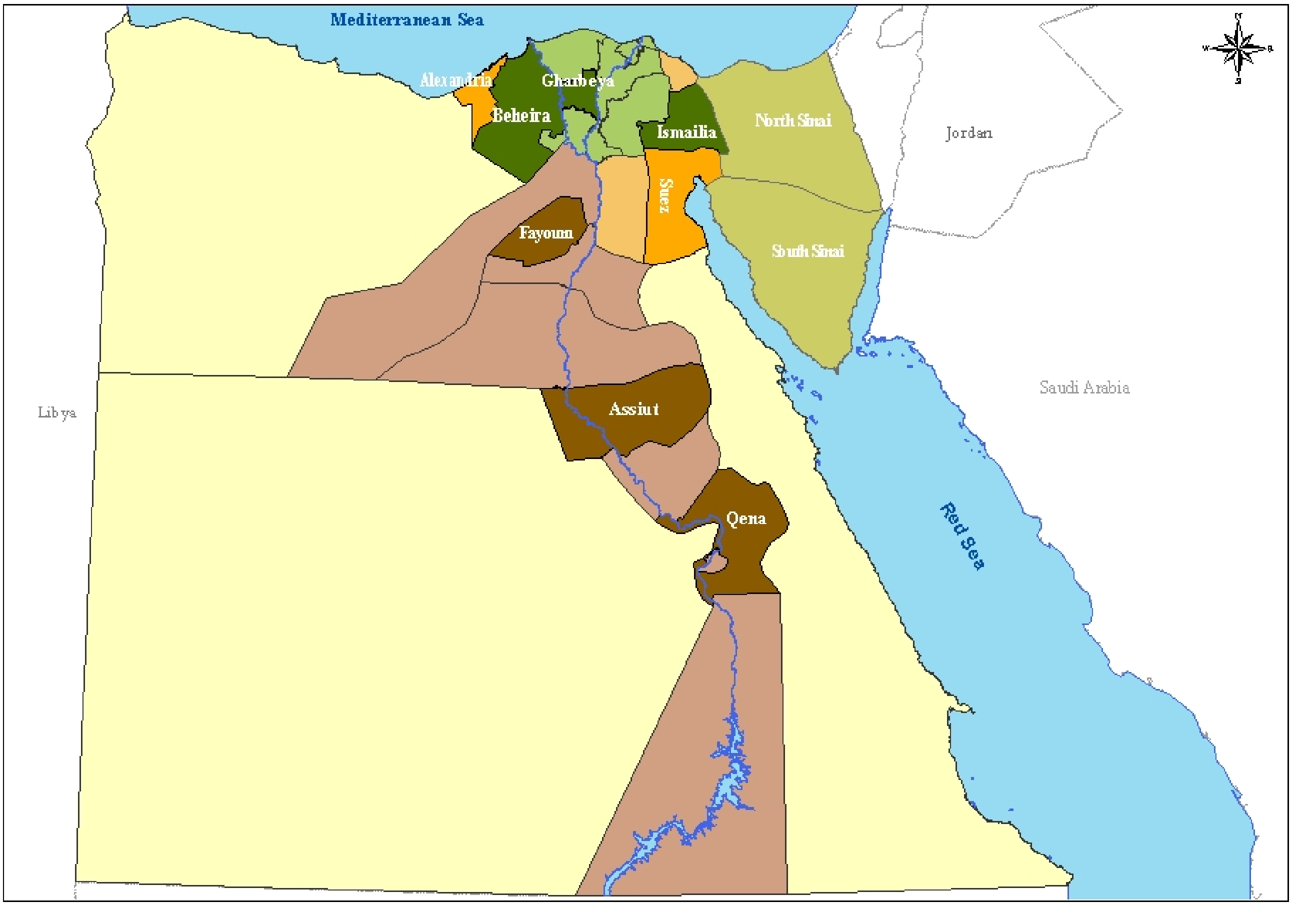
The survey was conducted in the last week of June 2013, for a sample of 1679 vulnerable households (about 168 households per Governorate – the Governorates are mapped on page 15). In each Governorate, vulnerable households are selected based on certain criteria, including: **educational status of HH head** (below university degree), **occupation of HH head** (those working in high or medium levels, government sector, business sector or as a contractors are excluded), and **based on income and asset ownership**: HHs are excluded if they have agricultural holdings, if any of its members are in private education, and if per capita HH expenditure and income on an average month exceeds L.E. 300.

Defining Vulnerable Households:

HHs 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, HH 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.

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

Map of Targeted Governorates*



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

*Governorates sampled in this edition include: Alexandria, Suez, Gharbeyya, El-Behira, Ismailia, Fayoum, Assuit, Qena, North Sinai, South Sinai

For online editions see: http://www.eip.gov.eg/ and http://www.wfp.org/content/egypt-food-observatory-2013

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