



Conflict Factsheet

## Food Price Shocks in Egypt

Type of conflict  
Sub

Intensity  
1.5

Conflict Locality  
Northern Africa

Time  
1977 –ongoing

Countries  
Egypt

Resources  
Agricultural / Pastoral Land



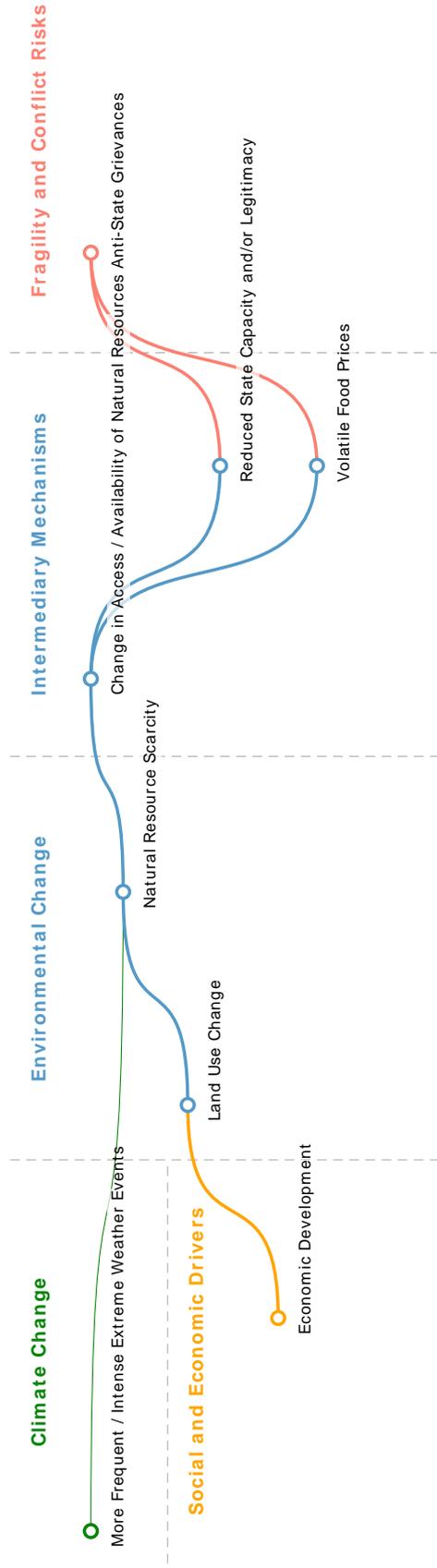
Volatile food prices and provision

### Conflict Summary

As world commodity prices rose in 2007 and 2010, Egypt experienced significant food price increases, followed by strikes and protests. Beyond the food crisis however, the population's grievances stemmed from a deep-rooted discontent with the Egyptian government.



### Conceptual Model



### Context Factors



Agricultural / Pastoral Land

Water-stressed Area

Eroded Social Contract  
Food Import Dependency  
High Food Expenditure  
High Unemployment



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## Conflict History

In the years 2007-2008 and 2010-2011, adverse weather events affected major food exporting countries, resulting in the rise of global food prices. In Egypt, a country highly dependent on imported food, this had major knock-on effects on food security and living standards, especially for poorer households. This situation arose at a time when the regime of President Hosni Mubarak was already coming under severe criticism for its lack of democracy, as well as its failure to address rising unemployment and widening social inequalities in Egypt.

In January 2011, protests demanding President Mubarak's resignation erupted across the country, eventually leading to the Egyptian revolution of 2011. Although the origins and driving forces behind this uprising were multi-faceted, the fact that the Egyptian revolution should coincide with global food price spikes has led numerous experts and media outlets to draw a connection between the two events ([Maystadt et al., 2014](#); [Null and Prebble, 2013](#); [Grossman-Cohen, 2011](#)).

### Soaring food prices as a factor of political instability

Changes in weather patterns and extreme climatic events make food production more difficult and lead to scarcer food resources. In 2010 for instance, drought affected the largest producers of wheat, i.e. Russia, Ukraine and China, resulting in a rapid increase in global food prices (see: [Global food price shocks](#)).

As a result of debilitating agricultural reforms, severe water scarcity, and thus low internal production capacities, Egypt remained highly dependent on food imports and was therefore particularly vulnerable to such a development ([Bush, 2007](#)). Indeed, the country satisfied nearly 60% of its demand with imported wheat; mostly from Russia and Pakistan ([Zimmerman, 2011](#); [Wojciechowski, 2015](#)).

Despite high subsidies, especially on bread, food prices in Egypt rose to record heights: consumer food prices in 2011 were twice that of 2007 ([FAO, 2016](#)). In 2008, Egyptians spent on average 38% of their income on food, a share rising to over 50% for poorer households. These prices had significant impact on food security and living standards ([Washington State University, 2008](#); [Ghoneim, 2012](#)).

The failure of the government to contain food price inflation - especially rising bread prices - became a major source of political grievance and contributed to the flaring of discontent with the autocratic regime of President Mubarak ([Hanley, 2011](#); [Ciezahl, 2011](#)).

### A general political crisis

Indeed, Egypt was already gripped by a profound political crisis at the time global food prices peaked.

#### Unemployment and widening social inequalities

In particular unemployment and rising social inequalities were a major source of grievance for many Egyptians ([Bush, 2007](#); [Bush, 2010](#)). In 2008, one fifth of the population lived below the national poverty line ([Kliger, 2008](#)). Structural adjustment measures and privatisation policies harking back to the 1970s,



which were meant to lower public debt and restore the trust of foreign investors, resulted in sizeable cuts to public spending and subsidies directed at the poorest part of the population (Tinoco, 2013). Unemployment remained consistently high - especially among those aged under 30 (accounting for more than 85% of the unemployed population: Lowrey, 2011) - with almost no increase in salaries, therefore deepening the feeling of unfairness amongst young Egyptians (Tinoco, 2013).

#### Failed agricultural reforms and loss of rural livelihoods

Rural populations were particularly disadvantaged (Bush, 2010; Wojciechowski, 2015). Poor management of the agricultural sector and significant cuts to farmer subsidies, as part of structural adjustment policies in the 1980s and 1990, in combination with growing water scarcity (see: [Security Implications of Growing Water Scarcity in Egypt](#)) undermined domestic food production and worsened rural poverty (Bush, 2007; Breisinger, 2012).

Beginning in the 1970s, Egypt progressively switched to producing non-food crops with higher export-values. This was an attempt to boost export revenues and satisfy domestic food demand with cheap grain imports from the U.S. (Baragona, 2011; Bush, 2010). As a result, however, Egypt's agricultural deficit more than tripled in less than 10 years. The World Bank blamed this failure on poor agricultural management, a lack of skilled business management and poor post-harvest processing (Bush, 2007). Furthermore, Mubarak's government put an end to the provision of input, marketing and credit supply to small-scale farmers in 1987. Without government support, only the richest were in a position to invest in the infrastructure necessary to grow the selected non-food crops for exports (Bush, 2007). Thereafter, a reform undid measures to secure tenure and low fixed-rents for small-scale farmers (Prosterman, 2011). Land-owners took back their land and land rents skyrocketed, making it difficult for small-scale farmers to bear such costs (Bush, 2007).

These developments not only fuelled discontent with the government, but also contributed to make Egypt highly dependent on food imports and thus also particularly vulnerable to global food price shocks (Prosterman, 2011).

#### Corruption, lack of democracy and violent repression

Popular grievances with Mubarak's regime were also deeply linked to the president's authoritarian rule. Protests had already erupted in 2005 in an attempt to prevent Mubarak from running for president for a fifth time and to demand a reduction of the president's powers (Stimson, 2013).

The violence used by the government to silent opposition and the endemic corruption in the country, which increased with the liberalisation reforms, were also main sources of discontent (Tinoco, 2013; Bush, 2007). Corruption, whether it came from public servants or the government, benefited a small elite and contributed to the exclusive character of the regime (Hanley, 2011; Stimson, 2013; Tinoco, 2013).

#### A history of 'bread-riots'

In 1977, an attempt by the Egyptian government to remove bread subsidies, as required by the International Monetary Fund (IMF), sparked bloody riots, known as the 'bread riots', which caused over 800 deaths (Brinkman and Hendrix, 2011). A similar episode re-occurred in 2007-2008, when Mubarak's



government announced a reduction of subsidies, but finally stepped back (Cohen and Garrett, 2010). Egyptians, however, experienced difficult access to bread, and panic over a new bread shortage brought deadly protests again, with violence in bread queues and demonstrations to denounce shortages of subsidised bread (Berazneva and Lee, 2011). In fact, strikes and protests in reaction to rising living costs and other issues had become increasingly frequent since 2004, although they are prohibited under Egyptian law (Tinoco, 2013).

The above analysis illustrates that food prices were by no means the only or major cause of the 2011 revolution in Egypt, but rather a factor contributing to and exacerbating a range of existing grievances against president Mubarak's regime.

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## Resolution Efforts

### Curbing food price inflation

The Egyptian government has taken several measures in response to the food price crisis, among which two important policies to mitigate food price inflation. First, a tax on rice exports has been implemented, to limit the amount of food exported abroad. These levies have been accompanied by agricultural production policies, such as the strict monitoring of rice and a regulation to limit water use in rice farms. This situation has encouraged farmers to switch their production to other crops. The export tax has, however, showed ineffective as traders managed to get around it, hence the government decided to ban rice exports in 2008, with continuous adaptive changes in the policy (Ghoneim, 2014). These policies did not have the expected results. At the beginning, domestic prices decreased. However, when the ban ended, traders began exporting rice they stored at high international prices, thus making domestic prices rise again. Domestic production of rice has also been harmed by the ban.

In April 2008, the government reduced tariffs on many imported commodities. Nonetheless, as tariffs were already very low, this measure did not help to reduce inflation (Ibid.; Brown, 2008).

### Ensuring better access to food

Food security has been targeted by government policies, but also by international organisations. As illustrated in a study led by the World Food Programme (WFP) and the Egyptian government, the main issue in Egypt is not food availability, but rather the access of households to it (WFP, 2015). To reduce the direct impact of the crisis on the population, the government has supported food subsidies with broader allocation of ration cards, and increased wages and cash transfers. These policies were led by the Ministry of Social Solidarity supported by the General Agency for the Supply of Commodities (GASC), interacting with other ministries. Their coordination was essential in the implementation of these food policies.

Food subsidies witnessed a growing share of public expenditure, representing 2% of GDP in 2008-2009, growing from EGP 9.5 billion planned in 2007-2008 to over EGP 21 billion the next year. They have been



significantly increased for baladi bread, oil, rice and sugar (Ghoneim, 2012). In 2014, however, the subsidy system still suffered from structural issues being fiscally unsustainable, while food security was still undermined by high levels of wastage (Power, 2014).

The ration cards system has been reformed to extend the pool of beneficiaries and reach young people and vulnerable groups (e.g. recipients of government cash transfers, widows), so that in 2008, 79% of the Egyptian population was eligible. Furthermore, quantities of food items on the ration cards have been increased and their prices adjusted by several decrees (Ghoneim, 2014; Ahmed, 2014).

Whilst these measures have protected the poorest to some extent, they remained limited and represent high fiscal costs. Low income households receive proportionally less subsidies and about 19% of them do not even benefit at all from the subsidy system (Ghoneim, 2012; WFP, 2008; Lorenzon, 2016). Other problems lie in corruption, inefficient logistics and difficulty to access ration cards without the required documents. While the current subsidy system is highly unsustainable in the long-term, the population strongly relies on it. Reforms in this policy thus need to occur gradually to avoid renewed social unrest.

Progressive changes have been made under Sisi's government, such as a smartcard bread rationing scheme introduced in 2014 to reduce waste and costs of the subsidy programme (Lehane, 2014). The government has also attempted to lead stronger reforms by imposing austerity measures to improve the fiscal situation of the country. While discussing a USD 12 billion loan with the IMF, it plans to further cut subsidies and privatise state-owned companies, which can adversely affect some Egyptians' food supply (Farid, 2016).

### **Social policies**

Cash transfers have been doubled, targeting more beneficiaries, and employees from the public sector have seen their wages rise by 30% in 2008 (Ghoneim, 2012). Cash transfers should be further encouraged as they are often considered to be the most efficient policy to improve the situation of Egyptian households in place of in-kind food provision (Power, 2014; Lorenzon, 2016; Ghoneim, 2014).

### **Stocking policies**

The government has also been leading a local procurement policy to buy wheat from farmers by offering farmers higher prices to encourage them to grow wheat. However, due to the lack of available wheat storage and because farmers still had incentives to sell to traders, the policy did not have a significant impact in the first place, apart from motivating the creation of new wheat storage (Ghoneim, 2014). A company from the United Arab Emirates (UAE) has rented grain silos in Egypt for Egyptian consumption, under the condition that the UAE can access the grain in the case of a food emergency (Scott, 2015). For several years, this measure has been hindered by the smuggling of foreign wheat, which the government tackled by banning the trading of imported wheat in 2016 (El Wardany, 2016).

### **School feeding programmes**

Whilst a school feeding programme to increase school attendance was already implemented in Egypt, its outcomes remained limited, as it excluded many rural areas. The World Food Programme further supports these policies by providing food to community schools with focus on girls education from



rural areas. Supported by European Union funding, the programme has been scaled up in 2015 to reach over a million children in vulnerable areas (WFP, 2015). Beyond food incentives to push education and prevent malnutrition, the WFP also encourages better monitoring and responding to food security risks, in particular through an appropriate safety net reform. Poor communities should be able to adapt to market shocks, and hence agricultural productivity be improved (*ibid.*).

### **Investing in land abroad**

The global food and fuel crisis pushed companies and governments to invest in land abroad, a phenomenon often described as 'land grabbing' (see: [Global Land Grabbing](#)). Qalaa Holdings, one of the biggest equity finance firms in Africa, is an Egyptian company, which has invested in land in Sudan and South Sudan to secure food supply in the region (Ayeb and Bush, 2014; Dixon, 2014).

### **Improving agricultural productivity**

As the rural population suffers from a high level of poverty and unemployment, local and international civil society organisations have been supporting farmers to build capacities and increase the productivity of their land (Ghoneim, 2014). USAID, for instance, has been leading programmes to create jobs, empower farmers, help them increase their earnings and facilitate access to markets (e.g. supply contracts with companies) (USAID, 2016). Co-operatives supposed to support farmers have additionally failed to achieve their goal due to their inefficiency and inactivity partly caused by corruption, understaffing and insufficient funding (Ghoneim, 2012). Although the agricultural sector in Egypt can hardly achieve self-sufficiency, current production can still be significantly improved in terms of productivity and waste reduction. The country could highly benefit from better management of agriculture and food supply chain (Power, 2014).

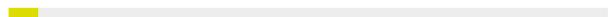


### Intensities & Influences



#### INTENSITIES

International / Geopolitical Intensity

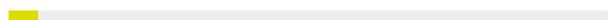


Human Suffering



#### INFLUENCES

Environmental Influences



Societal Influences



Violent Conflict

Yes



Salience with nation

National



Mass displacement

None



Cross Border Mass Displacement

No



### Resolution Success

Reduction in geographical scope

There has been no reduction in geographical scope.



Increased capacity to address grievance in the future

The capacity to address grievances in the future has increased.



Grievance Resolution

Grievances have been partially addressed.



Causal Attribution of Decrease in Conflict Intensity

Decrease in conflict intensity at least partially the result of conflict resolution strategies.





## Entry Points for Resilience and Peace Building

### Humanitarian & Development aid 2

School feeding policies are supported by the World Food Programme (WFP) and the European Union.

### Reducing dependence on specific supplies 2

Local and international civil society organisations have been supporting farmers to build capacities and increase the productivity of their land. Furthermore, Egyptian companies have invested in land abroad as a way to increase food supply in Egypt.

### Containing (effects of) price volatility 2

The Egyptian government implemented an export tax on rice, and reduced tariffs on imported commodities in an effort to curb food price inflation. However, neither measure assisted in reducing inflation. The government also implemented a subsidy system, but it has been proven to be unsustainable.

## Resources and Materials

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[Global Food Price Shocks](#)

[Security Implications of Growing Water Scarcity in Egypt](#)

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Further information

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