

COTTON POLICY PERFORMANCE IN EGYPT

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Abstract

In the past few years, Egyptian farmers called the cotton crop “White Gold”. This is a very clear definition of what cotton means to Egyptians. However, the different policies and systems affected the Egyptian agriculture in the past 100 years, affected the cotton industry in turn. The value of raw cotton is about 50% - 60% of the costs of yarn. This put raw cotton as a fatal element in the textile industry. This research will review the Egyptian cotton policies in the past 100 years. This research includes four parts: the first part is the history of the cotton policies in Egypt. In this part the regulations and policies in the different periods from 1898 to 2001 will be summarized.

The second part deals with the effect of the cotton policies on its production and trade in Egypt. In this part a detail review of the cotton production, export and import will be done to link between the policies in each period and the cotton production, area, yield, export, and import.

The third part deals with the analysis of the current situation of cotton price policies in Egypt. In this part, the nominal protection coefficient (NPC) as a measure to the market distortion will be used to analyze the cotton price policies in the last ten years. In addition, the NPC analysis will be performed for the Extra Long Staple and Long Staple cotton as well. The analysis showed that the price distortion exists in the LS cotton. The LS cotton fits with the textile technology in Egypt. Then the government gives incentive to farmer to plant the LS varieties. In the past five years there was no market distortion in the ELS cotton. The farmers just receive the economic value of their cotton.

The last part is the conclusion and recommendations. In this part the research focuses on the importance of linking between cotton production and textile industry as parts of one body. The privatization of the textile industry and the liberalization of cotton production and markets should be done at the same time. This will insure a successful implementation of the policy reform programs.

Introduction

Cotton is one of the most important crops in Egypt. Most of the agricultural cropping policies are based on cotton. Cotton was the main source of income to farmers and to the Egyptian Economy. Also, the value of raw cotton forms about 50-60% of the costs of yarn. Raw cotton is not a final product by itself, it has to be processed or manufactured to come to its final form for consumption. Then, raw cotton is part of the textile industry. In order to liberalize the cotton production, it is important to liberalize the whole chain of the textile industries. Most of the textile specialists try to find the best formula in order to set price for the raw cotton. It is better to think about the mechanism of price discovery instead of price setting.

During the last century the Egyptian Agricultural Sector faced several policies and was affected by different organization and authorities in Egypt. The purpose of this research is to review the Egyptian cotton policies through different periods and the main organizations that affect the cotton production and trade policies. In addition, the paper will analyze the price policies of the Egyptian Extra Long Staple (ELS) and Long Staple (LS) cotton to measure the impacts of these policies on cotton production and trade.

The major organizations that affect cotton policies, indirectly, are Alexandria Cotton Exporters Association (ALCOTEXA) and Cotton Arbitration and Testing General Organization (CATGO). In addition, Ministry of Agriculture and Land Reclamation (MALR), Ministry of Supply and Home Trade (MSHT), and Ministry of Foreign Trade (MOFT) play a major role in the Egyptian cotton price policies. Also, the Agricultural Cooperatives and the Principal Bank for Development and Agricultural Credit (PBDAC) affected the cotton production in Egypt in the last century.

The History of the Cotton Policies in Egypt

Table (1) includes the major laws and decrees that affect the cotton industry in Egypt. The table includes laws and decrees since 1913 to help understand the regulations, which were the tools and instruments in implementing the different policies during this long period.

During 1898 – 1913 (before the establishment of the Ministry of Agriculture): During this period, there was no clear national cotton policy in Egypt. Cotton was in the hands of a few foreign traders and large Egyptian cotton producers. In 1883, two cotton bourses (one for future markets and the other for spot markets) have been established under the name of Association Cotonniere d'Alexandrie. In 1884 the name of the two bourses changed to Alexandria General Produce Association. The purpose of establishing it was to organize and facilitate cotton bourses (spot & future markets) in Egypt (El-Rifai, 2000). In addition, there were no national cotton research and extension policies. The cotton policies at that time were based on individuals, mainly cotton traders, who produce and promote specific varieties without in-depth research methods. According to the individual cotton policies, the number of cotton varieties reached 22 varieties in one year, which was a large number compared to the total area of cotton and the world demand on the Egyptian cotton

During 1913 – 1952 (establishment of the Ministry of Agriculture until Egyptian Revolution): Egyptian cotton policies including research and extension, were identified and established at different capacities. Since the first year of the establishment of the Egyptian Ministry of Agriculture, it started in formulating the major legislations to protect and promote the cotton production in Egypt. During this period the transportation of the seed cotton from Upper Egypt to Lower Egypt, was prohibited without permission from the government. The law was issued to avoid the mix between the varieties which were produced in the two regions. The organized cotton research started with the establishment of the Ministry of Agriculture. Several committees and authorities were established to organize the cotton research under the supervision of the Ministry of Agriculture until the establishment of the Agricultural Research Center (ARC). The Cotton Research Committee (CRC) was established on May 19, 1919. During the short period of the CRC from 1920 to 1927, several technical reports were produced to help in the cotton production improvements. In May 1928, the Technical cotton Research (TCR) replaced the CRC. In 1955, the Agricultural and Animal Research Authority (AARA) was established to replace the TCR and cover other agricultural products not only cotton. In 1958, the Permanent Committee for Research (PCR) was established to replace the AARA. Then the Cotton Research Institute (CRI) under the Agricultural Research Center (ARC) took the overall technical supervision of the Egyptian cotton research until the present. The CRI controls the cotton varieties and their areas/allocations in Egypt. Law # 41/1920 was issued to protect the cotton varieties from the mechanical mix, starting from the cotton picking until its ginning. Law # 20/1921 was issued to protect cotton from the cotton bollworm by treating the cotton bolls by hot air in the gins to kill the bollworms in the infected cottonseeds. During this period the Ministry of Agriculture had the monitoring authority on all the steps starting from cotton ginning until using the cottonseed in the following year of cotton production or sell it to cottonseed mills to produce cottonseed meals and oil. The reason for that is to avoid mixing the two kinds of cottonseeds, which are totally different in their way of production. The government separated the cottonseed protection from the seeds for other crops. The Alexandria Cotton Exporters Association (ALCOTEXA) was established in 1932.

During 1952 – 1971 (under the socialism regime): The government gradually controlled most of the agricultural activities using the existing Agricultural Cooperatives and the Agricultural and Cooperative Credit Bank (ACCB), which was called the Egyptian Agricultural Credit Bank (EACB) from 1931 to 1948. The period from 1952 to 1962 was the period in which the government of Egypt was preparing for the nationalization of the cotton sector in mid 1960's.

Since 1958, the Ministry of Agriculture established two systems: the first system protected the Egyptian cotton from the natural crossbreeding in the cotton fields. This system divided the country into specific zones, in each zone only one cotton variety was allowed to be planted. The second system protected the Egyptian cotton from the mechanical mix in the cotton gins. This system classified the cotton gins in Egypt according to the number of planted cotton varieties in the season. Each gin or group of gins was allowed to gin only one specific variety during the season (*Ministry of Agriculture in fifty years, 1913-63*). The two systems are still implemented in Egypt.

In 1959, Giza 45 was certified as a commercial variety. Giza 45 is the finest commercial cotton variety around the world. Also, the Egyptian Cotton Improvement Fund (ECIF) was established by the presidential decree number 212/1959 to

encourage the cotton farmers, traders, and ginneries to protect and improve the handling of the cottonseeds. The ECIF encouraged the agricultural cooperatives to be involved in the cottonseeds production. In 1963, the agricultural cooperatives contracted about 275 thousands feddans to produce cottonseeds (*Ministry of Agriculture in fifty years, 1913-63*).

During 1971 – 1981 (under the open door policy): The government continued its control on the agricultural activities using the Principal Bank for Development and Agricultural Credit (PBDAC) from 1976, which was previously called the Agricultural and Cooperative Credit Bank (ACCB). However, the socialistic system failed to maintain the economic relation between food supply and its demand. It was the time for the Government of Egypt to begin thinking of a different system as a tool for the economic policy reforms.

During 1981 – 1991 (liberalization of “agricultural markets – except cotton, rice and sugarcane” and elimination of input subsidies “fertilizers”): During the early 1980’s the Government of Egypt started to study the feasibility of reducing or eliminating the agricultural subsidies and increasing the crops prices. In the mid 1980’s the Government of Egypt with the help of foreign donors especially USAID, started the implementation of eliminating the agricultural subsidies gradually and the liberalization of the agricultural crops except cotton, rice and sugarcane. During this period the government gradually increased cotton prices using the adjusted world prices equivalent at farm level. Also, the government just reduced the compulsory delivery quota of rice to the government and then eliminated this quota all together. The complex relationship between farmers and the sugar factories, which was (and still) owned by the public sector, did not help in the sugarcane liberalization process. In addition, the government gradually eliminated the fertilizer subsidies.

During 1991 – 2001 (liberalization of “cotton and rice” and “fertilizer distribution” markets): The government liberalized the cotton trade; however, the public sector is still involved in the cotton trade and textile industries. The government liberalized the rice milling sector and the fertilizer distribution system; however, the public sector remained the producer of fertilizers in Egypt. Also, during a fertilizer crises in 1995, the government directed PBDAC to distribute most of the nitrogen fertilizer in Egypt. This affected badly the liberalization process. Private sector lost tremendously as a result of the reversed policy in fertilizer distribution. However, several laws were issued to liberalize the cotton production and marketing in Egypt. This included the re-open the cotton spot market in Mina El-Bassal, Alexandria. In addition the government is trying to organize the domestic cotton trade in Egypt and allow the private sector to participate in exporting raw cotton and to eliminate the authority of the government commissioners.

The Effect of the Cotton Policies on its Production and Trade in Egypt

During 1898 – 1913, before the establishment of the Ministry of Agriculture: During this period, the Egyptian cotton production was increasing due to the rapid increase in the cotton area “Chart (1)”. The cotton production increased from 272 thousand metric tons in 1900 to 375 thousand metric tons in 1912. The area of cotton increased from 517 thousand hectares in 1900 to 723 thousand hectares in 1912. The yield per feddan decreased from 526 kilograms per hectare in 1900 to 518 kilograms per hectare in 1912 “Chart (2)”. In 1910, the Egyptian cotton was infected by the cotton bollworm. As a result of all that, it was a dramatic reduction in the cotton yield per feddans. The Egyptian exports increased from 270 thousand tons in 1900 to 367 in 1912. At that time Egypt did not import any kind of raw cotton because there was no textile industry in Egypt. During this period, the Egyptian exports had an increasing trend, except in 1910. The exports increased from 270 thousand tons in 1900 to 367 thousand tons in 1912 “Chart (3)”.

During 1913 – 1952, establishment of the Ministry of Agriculture until the Revolution: During this period, the Egyptian cotton production fluctuated due to the cotton area fluctuation “Chart (1)”. There was a sharp drop in the early and mid 1940’s in the Egyptian cotton production due to the sharp reduction in the Egyptian cotton area as a result of World War II. However, the area of cotton in Egypt increased rapidly in mid 1940’s to reach its peak by the end of this period. The cotton production decreased from 450 thousand tons in 1940 to 228 thousand tons in 1944, then it increased to reach 394 thousand tons in 1951. This was due to the reduction of area from 708 thousand hectares in 1940 to 358 thousand hectares in 1944. Then, the Egyptian cotton area increased to reach 832 thousand hectares in 1951. Meanwhile, the yield per feddan had an increasing trend during this period “Chart (2)”. The cotton yield increased from 529 kilograms per hectare in 1913 to 636 kilograms per hectare in 1940. It reached its peak in 1948; it was 721 kilograms per hectare. Then it decreased to 474 kilograms per hectare in 1951. However, it was higher than the yield in the beginning of this period. During this period, the Egyptian exports had some fluctuations, however, it declined dramatically during the late 1930’s and early 1940’s due to World War II. The Egyptian cotton exports was 368 thousand tons in 1913 and 289 thousand tons in 1951 “Chart (3)”.

During 1952 – 1971, under the socialism regime: During the start of this period cotton production fluctuated up and down with a minimal increasing rate, however from the mid 1960’s (the start of the nationalization policy) the production took a decreasing trend due to a rapid decrease in the area of cotton “Chart (1)”. The Egyptian cotton production increased from 486 thousand tons in 1952 to reach 509 thousand tons in 1970, through several fluctuations during this period. At the same

time, the area decreased from 826 thousand hectares in 1952 to 684 thousand hectares in 1970. The increase in production was due to the increase in yield “Chart (2)”. The yield increased from 588 kilograms per hectare in 1952 to 744 kilograms per hectare in 1970. However the yield reached its peak (795 kilograms per hectare) in 1969. During this period, the Egyptian cotton exports fluctuated with a slight declining trend “Chart (3)”. The Egyptian cotton exports decreased from 356 thousand tons in 1952 to 325 thousand tons in 1970. During this period the Egyptian textile industry started to consume a significant amount of the Egyptian raw cotton.

During 1971 – 1981, under the open door policy: The result of the implementation of the nationalization policy was very clear in this period and in the coming periods “Chart (1)”. The Egyptian cotton production fluctuated up and down during this period. It increased from 510 thousand tons in 1971 to 529 thousand tons in 1980. The area was reduced from 641 thousand hectares in 1971 to 523 thousand hectares in 1980. As a result of the long time research in cotton, the yield increased from 796 kilograms per hectare in 1971 to 1,011 kilograms per hectare “Chart (2)”. During this period, the Egyptian cotton exports had a decreasing trend “Chart (3)”. The Egyptian cotton export decreased from 306 thousand tons in 1971 to 165 thousand tons in 1980.

During 1981 – 1991, liberalization of “agricultural markets – except cotton, rice and sugarcane” and elimination of input subsidies “fertilizers”: The effect of the previous cotton policies was very clear in this period, see charts (1) and (2). The cotton production declined due to the reduction in the cotton area and the decrease in the yield of cotton. The cotton production decreased from 495 thousand tons in 1981 to 296 thousand tons in 1990. This reduction was due to the decrease in the cotton area from 495 thousand hectares in 1981 to 417 thousand hectares in 1990 and the reduction of cotton yield from 999 kilograms per hectare in 1981 to 709 kilograms per hectare in 1990. During this period, the Egyptian cotton exports continued its decline. It decreased from 194 thousand tons in 1981 to 18 thousand tons in 1990. In addition, Egypt started to import cotton to fulfill the demand of the domestic cotton textile industry “Chart (3)”. All cotton imports was from California and Arizona because these two areas are the safer places to import short staple cotton, which is considered as boll weevil free area.

During 1991 – 2000, liberalization of “cotton and rice” and “fertilizer distribution” markets: The economic policy reform succeeded in reducing the deteriorated rate of the production of cotton. The damage in the cotton sector in Egypt was very high. The reduction in cotton production in this period was from 291 thousand tons in 1991 to 206 thousand tons in 2000. This decline was mainly due to the reduction in the cotton area that decreased from 358 thousand hectares in 1991 to 223 thousand hectares in 2000 “Chart (1)”. The cotton yield increased slightly from 815 kilograms per hectare in 1991 to 926 kilograms per hectare in 2000 “Chart (2)”. During this period the Egyptian cotton exports did not have a specific pattern. Also, the cotton imports did not take a specific pattern. 1993 was considered the peak period for Egyptian cotton exports, which reached 117 thousand tons of cotton.

Analysis of the Current Situation of Cotton Price Policies in Egypt

In the nationalization time, the Egyptian cotton producers suffered from the heavy tax on their crops, especially cotton. In the 1960's, the government started to control most of the agricultural activities. This had a bad effect on farmers, who started to find some other cash crops instead of cotton. Under the socialism system there was no difference in the quality of the produced cotton. This caused deterioration in the quality and cleanliness of the procured cotton from farmers to the government. Lately, as part of the reform programs, which was the start of the privatization and liberalization, the government started to give farmers some of the benefits they had already lost in the past periods. However, there is a lot to be done in order to have real liberalized markets.

In the late 1980's, a lot of work was done under the Egyptian policy reform programs to convince the government to pay farmers at least half of the economic value of their cotton. In the early 1990's, the policy reform programs aimed to give farmers at least two third of the economic value of their cotton. This was a step to have the liberalized cotton market, which gave the farmers the right to get the actual economic value of their cotton.

Extra Long Staple (ELS) Cotton

Table (2) includes the nominal protection coefficient (NPC) for the ELS cotton. In 1990 the farmer got 70% of the economic value of the ELS cotton, this means that farmers were taxed. In 1995 the NPC was 1.39, this means that farmers were subsidized by 39%. During the period 1990 – 1995 the NPC's were fluctuating, which means that the government did not have one policy (either to subsidize or tax farmers). It is like a price stabilization policy, i.e. the government has two limits (upper and lower) of the farm prices. When the world price exceeds the upper limit, the government taxes farmers. When the world price goes below this limit, the government subsidizes farmers. During the period 1996 – 2000 farmers got almost the economic value for their cotton because the NPC's ranged from 0.94 to 1.05, which is very close to one. Table (2) describes three scenarios. All

of the three scenarios affect the ELS cotton negatively. Farmers will be taxed if the cotton world prices increased by 10%, the exchange rate reached the shadow exchange rate of 2001, or reached the shadow value of 2002.

Long Staple (LS) Cotton

Moreover, table (2) includes the nominal protection coefficient (NPC) for the LS cotton. In 1990 and 1991 the farmers got almost the economic value. Because the government mainly uses the LS cotton varieties in the public sector textile industry, then the government is subsidizing the LS cotton producer with about 20% to 32% more than the economic value of their cotton. The government does that to encourage farmers to accept the LS cotton varieties. The government did not use explicit policies to affect the cultivation of the LS cotton varieties. Table (2) describes three scenarios. The first scenario affects the LS cotton by reducing the level of subsidy from 22% to 12%. The other two scenarios will let farmers get almost the economic value of their cotton.

Conclusion and Recommendations

In the last 14 years, the Government of Egypt did a lot of work towards the liberalization and privatization of the cotton sector. However, still a lot of work needs to be done in order to liberalize the cotton sector. The privatization of the textile sector is a must, because cotton is not a final product by itself. It is the raw material for the textile industry. It is recommended to improve the quality of cotton production to meet the requirements of the local and foreign markets as well. Chart (4) explains the relation between Exports and production. During the period from 1961 until 1991 the ratio of exports to production was declining. It increased in 1993 as a quick response to the cotton market liberalization. It declined again in 1995, and then it increased to reach its peak in 1998 then declined again. This explains the need for a clear cotton trade policy. The Egyptian cotton faced by two different demand functions one for the domestic textile industry, and the other one for the foreign markets. Egypt should have two different crops of cotton one for export and the other for domestic market.

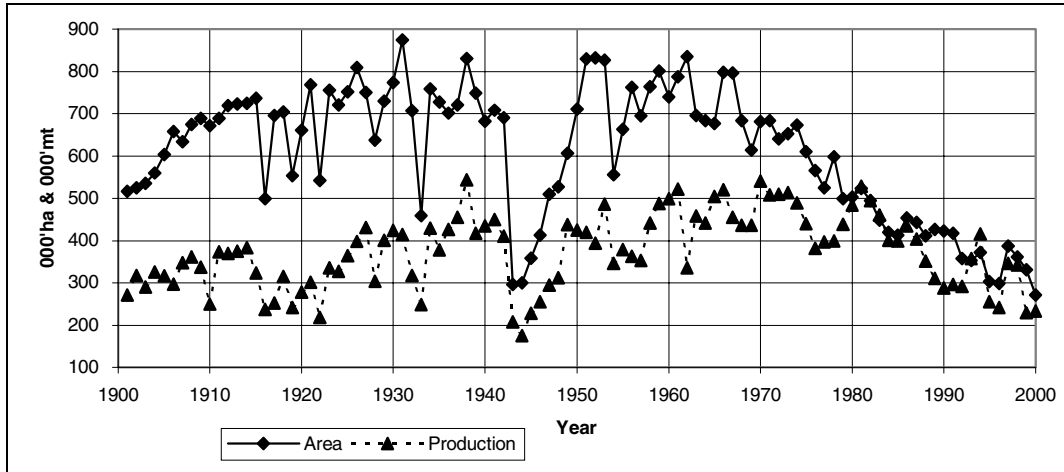
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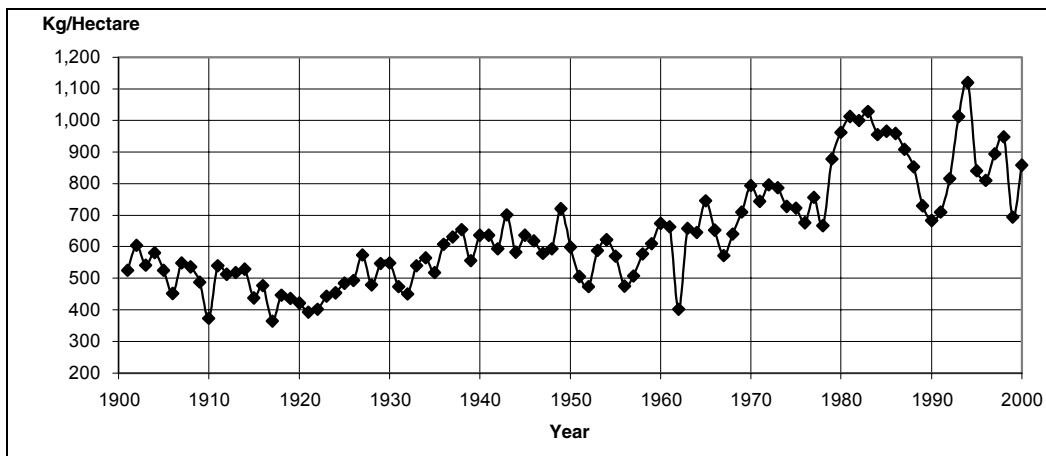
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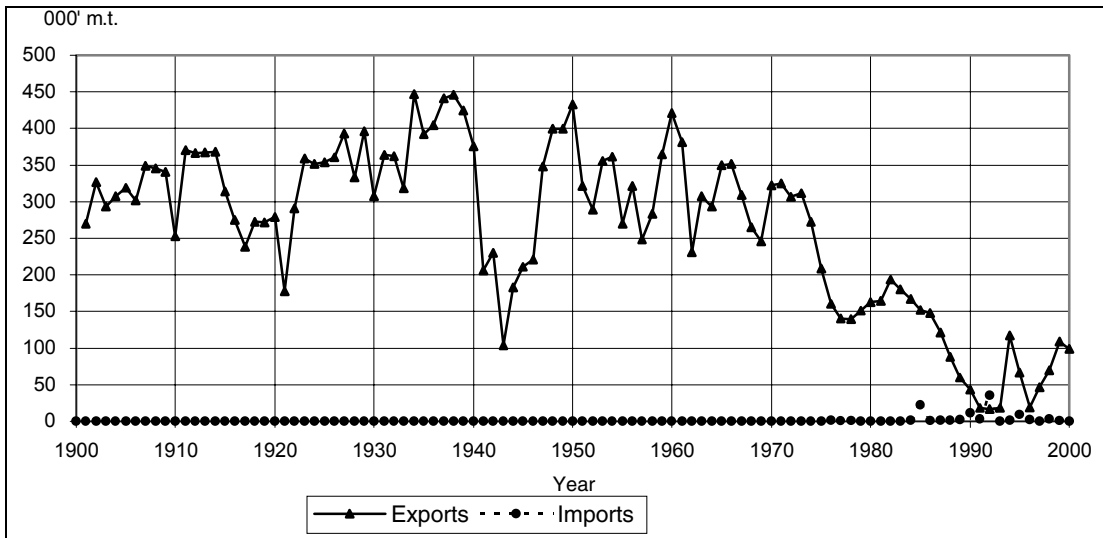
Source: Alexandria Cotton Exporters Association (ALCOTEXA). 2001. The Egyptian Cotton Gazette, Journal of ALCOTEXA, D.P El-Adham Press, Issue No. 116, Alexandria, Egypt.

Chart 1. Egyptian Cotton Area and Production.



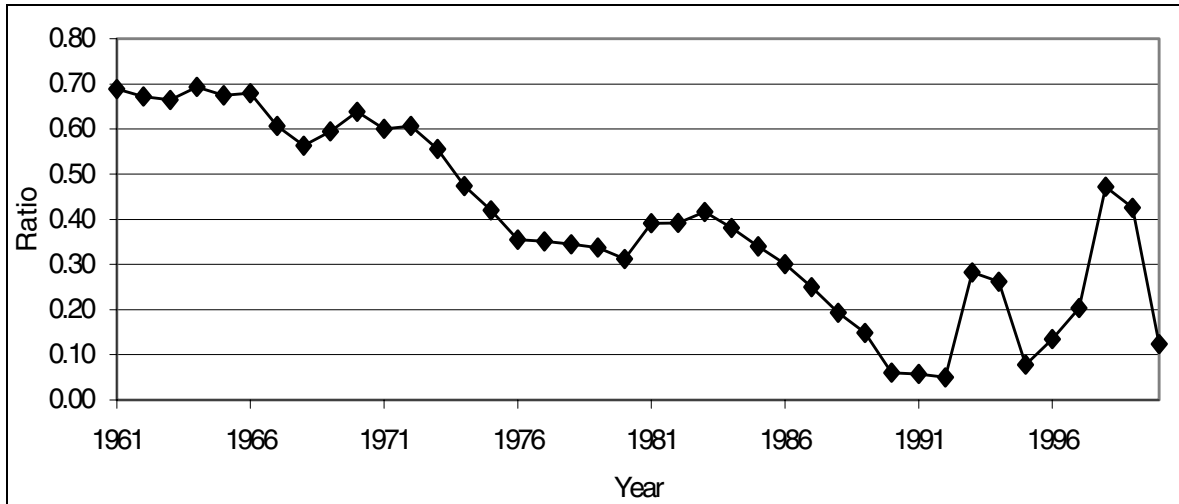
Source: Alexandria Cotton Exporters Association (ALCOTEXA). 2001. The Egyptian Cotton Gazette, Journal of ALCOTEXA, D.P El-Adham Press, Issue No. 116, Alexandria, Egypt.

Chart 2. Egyptian Cotton Yield per Hectare.



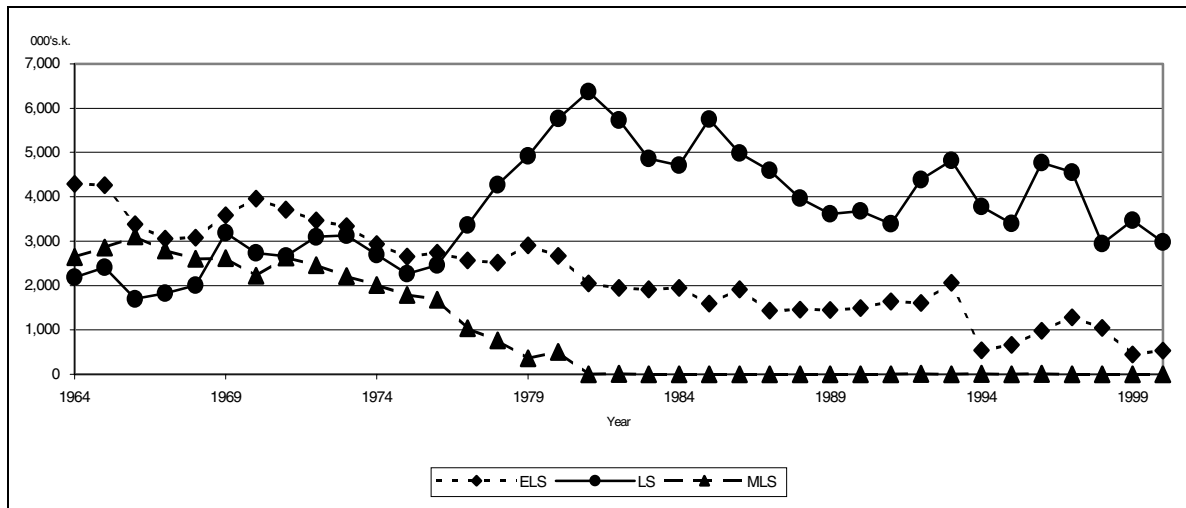
Source: Alexandria Cotton Exporters Association (ALCOTEXA). 2001. The Egyptian Cotton Gazette, Journal of ALCOTEXA, D.P El-Adham Press, Issue No. 116, Alexandria, Egypt.

Chart 3. Egyptian Cotton Exports and Imports.



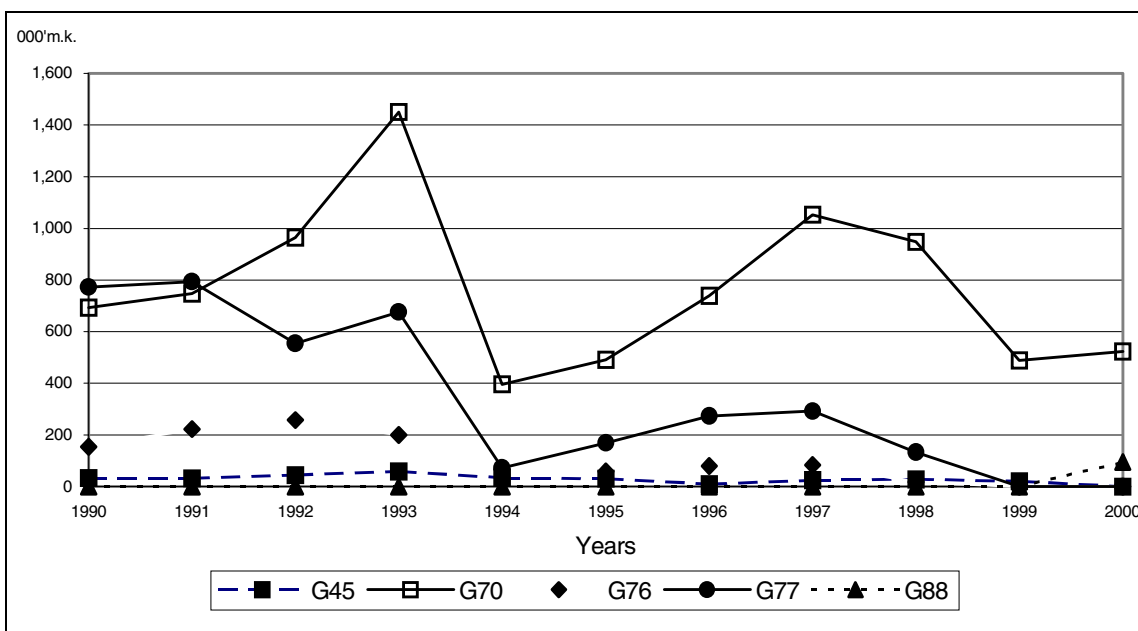
Source: Alexandria Cotton Exporters Association (ALCOTEXA). 2001. The Egyptian Cotton Gazette, Journal of ALCOTEXA, D.P El-Adham Press, Issue No. 116, Alexandria, Egypt.

Chart 4. Egyptian Cotton Export to Production Ratio.



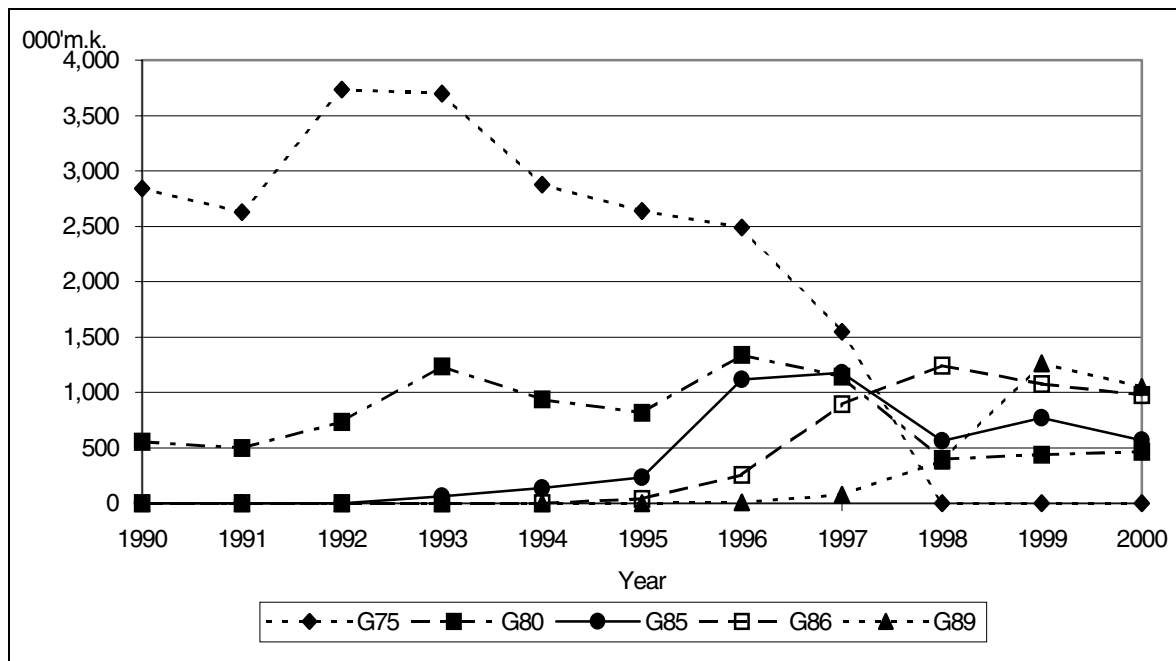
Source: Ministry of Agriculture and Land Reclamation. (Different issues). Agricultural Economics Publication by the Economic Affairs Sector. Ministry of Agriculture and land Reclamation (MALR), Doki, Giza, Egypt.

Chart 5. Egyptian Seed Cotton Production by Staple Length.



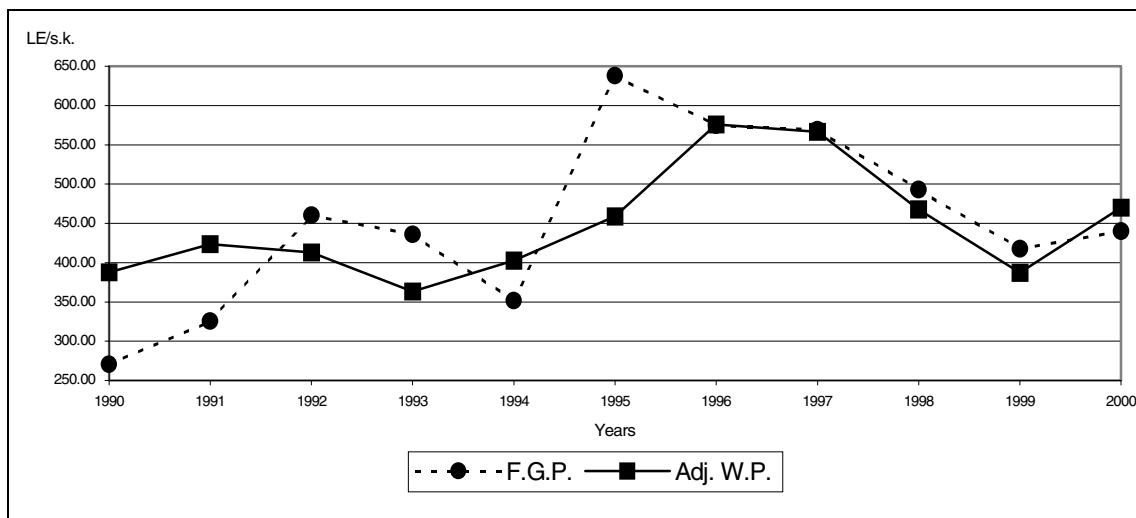
Source: Ministry of Agriculture and Land Reclamation. (Different issues). Agricultural Economics Publication by the Economic Affairs Sector. Ministry of Agriculture and land Reclamation (MALR), Doki, Giza, Egypt.

Chart 6. Egyptian ELS Lint Cotton Production by Variety.



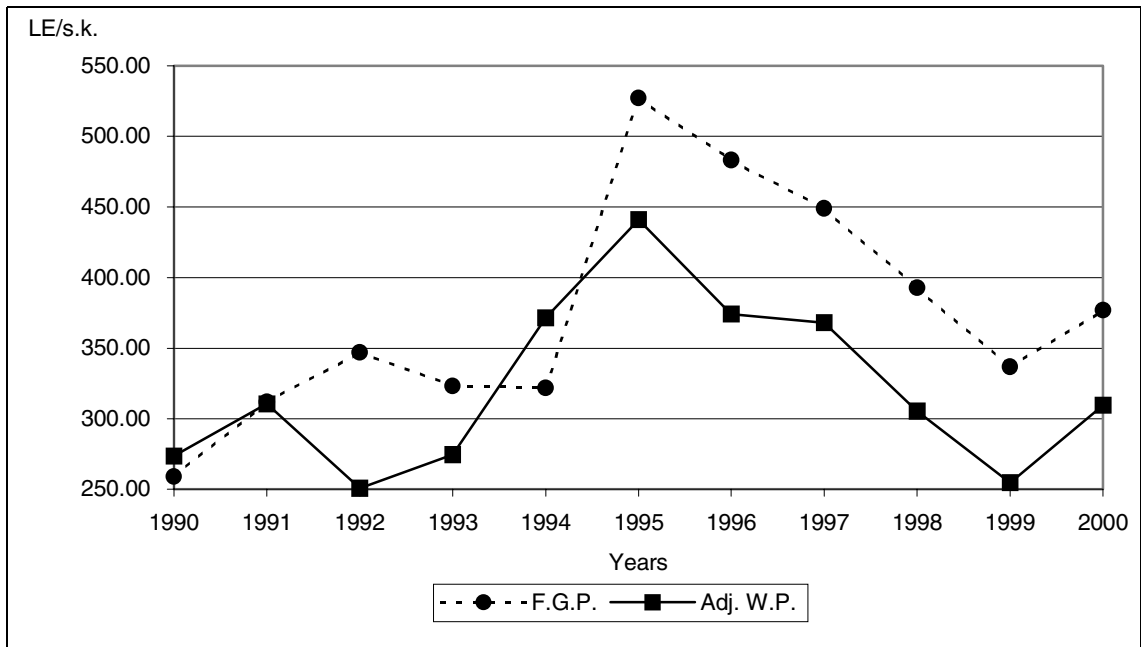
Source: Ministry of Agriculture and Land Reclamation. (Different issues). Agricultural Economics Publication by the Economic Affairs Sector. Ministry of Agriculture and Land Reclamation (MALR), Doki, Giza, Egypt.

Chart 7. Egyptian LS Lint Cotton by Variety.



Source: 1) Ministry of Agriculture and Land Reclamation. (Different issues). Agricultural Economics Publication by the Economic Affairs Sector. Ministry of Agriculture and Land Reclamation (MALR), Doki, Giza, Egypt. 2) International Monetary Fund (IMF). September 2001. International Financial Statistics: monthly report. 3) International Monetary Fund (IMF). 1999. Government Finance Statistics Yearbook. 4) International Monetary Fund (IMF). 1996. Direction of Trade Statistics Yearbook.

Chart 8. Egypt ELS Farm Gate Price and Adjusted World Price of US Pima.



Source: 1) Ministry of Agriculture and Land Reclamation. (Different issues). Agricultural Economics Publication by the Economic Affairs Sector. Ministry of Agriculture and land Reclamation (MALR), Doki, Giza, Egypt. 2) International Monetary Fund (IMF). September 2001. International Financial Statistics: monthly report. 3) International Monetary Fund (IMF). 1999. Government Finance Statistics Yearbook. 4) International Monetary Fund (IMF). 1996. Direction of Trade Statistics Yearbook.

Chart 9. Egypt LS Farm Gate Price and Adjusted World Price of Liver Index.

Table 1. Cotton Major Laws and Decrees in Egypt

Decree/Law	No.	Year	Purpose/Remarks
Law	16	1913	To prohibit the transportation of the seed cotton from Upper Egypt to Lower Egypt without perdition to avoid the mix between the varieties were produced in the two regions.
Law	41	1920	To protect the cotton varieties from the mechanical mix, starting from the cotton picking until its ginning. The government separated the cottonseed protection from the seeds for other crops.
Law	30	1921	To protect cotton from the cotton bollworm by treating the cotton bolls by hot air in the gins to kill the bollworms in the infected cottonseeds. "Superseded by the agricultural law # 53/1966"
Law	5	1926	To give the Ministry of Agriculture the monitory authority on all cotton seed production steps, starting from cotton ginning until using the cottonseed as seeds for next year cotton production or sell it to cottonseed mills to produce cottonseed meals and oil. The reason for that is to avoid mixing the two kinds of cottonseeds, which are totally different their way of production. The government called them non-cotton seeds in Law # 52/1932 and Law # 123/1946. "Superseded by the agricultural law # 53/1966"
Law	59	1938	To monitor and investigate all cotton varieties in Egypt. "Superseded by the agricultural law # 53/1966"
Law	651	1953	To encourage farmers to remove strange varieties in cotton fields. "Superseded by the agricultural law # 53/1966"
Law	445	1954	To prohibit the use of fertilizer or pesticide sacks in picking and/or packing cotton. "Superseded by the agricultural law # 53/1966"
Law	449	1954	For handling the seed cotton that is produced in the areas of producing Ashmoni cottonseeds. "Superseded by the agricultural law # 53/1966"
Law	339	1956	For other varieties, which are produced in the areas of producing cottonseeds in general. "Superseded by the agricultural law # 53/1966"
Law	200	1957	To specify the zones for planting cotton varieties. areas of producing Ashmoni cotton seeds. "Superseded by the agricultural law # 53/1966"
Law	158	1958	To protect the cottonseed purity in the cottonseed production areas, which was amended by Law# 93/1960. "Superseded by the agricultural law # 53/1966"
Presidential Decree	212	1959	To establish the Egyptian Cotton Improvement Fund (ECIF) to promote and improve the cotton quality. And, to encouraged the agricultural coops to involve in the cotton production and marketing through the agricultural rotation
Law	258	1960	To prohibit the exportation of cottonseeds, which was amended by Law# 68/1962. "Superseded by the agricultural law # 53/1966"
Law	11	1964	For organizing the agricultural crop rotation. "Superseded by the agricultural law # 53/1966"
Law	53	1966	According to the latest changes as of 1993: Article 4: The minister of agriculture has the authority to issue ministerial decrees in the following issues: (f) Prohibit the transportation of seed cotton from a village to any other place without proofing the verity, weight, and village name according to the conditions in the Ministerial Decree. Article 20: To prohibit mixing the seed cotton for producing cottonseeds without a permission from the ministry of agriculture. Article 21: The minister of agriculture issues annual decree to specify the zone for planting cotton for cottonseeds. The Minister has the right to prohibit other cotton plantation in this zone or permit certain variety. Also, it is prohibited to have beehives in the zones that are specified by the ministerial decree – the farmer has to be compensated, if a farmer already has a beehives.
Ministerial Dec.	55	1967	To establish the conditions that controls the importation of cotton and its products.
Law	141	1994	To re-open the cotton spot market in Mina El-Bassal, Alexandria.
Law	210	1994	To organize the domestic cotton trade in Egypt
Law	211	1994	To allow the private sector to participate in exporting raw cotton and eliminate the authority of the government commissioners.

Source: 1) Ministry of Agriculture. 1963. Ministry of Agriculture in Fifty Years- November 1913-1963, Golden --- of Ministry of Agriculture, Department of Agricultural Cultural, Cooperative Press, Garden City, Cairo, United Arab Republic. 2) El-Kholie, Sayed A. 1993. Encyclopedia of Agricultural Regulations and Decrees, Volume 1, Minister's office, Ministry of Agriculture and land Reclamation.

Table 2. Nominal Protection Coefficient (NPC) for the Extra Long (ELS) and Long Staple (LS) Cotton in Egypt, 1990-2000.

Year	ELS	LS
1990	0.70	0.95
1991	0.77	1.00
1992	1.11	1.38
1993	1.20	1.18
1994	0.87	0.87
1995	1.39	1.20
1996	1.00	1.29
1997	1.00	1.22
1998	1.05	1.29
1999	1.08	1.32
2000	0.94	1.22

Table 3. Nominal Protection Coefficient (NPC) for the Extra Long (ELS) and Long Staple (LS) Cotton in Egypt, according to different scenarios.

Scenario #	ELS	LS
1. Assumes an increase in the cotton lint world price by 10%	0.86	1.12
2. Uses the shadow Exchange rate according to 2001 exchange rate	0.80	1.03
3. Uses the shadow Exchange rate according to 2002 exchange rate	0.73	0.94

Note: The base year is 2000