

# **ECONOMIC ANALYSIS OF RICE MARKETING IN ARAB REPUBLIC OF EGYPT**

## **SUMMARY =====**

Rice is one of the most strategic Crops in Egypt, from both the nutritional and export point of views. It is of a great importance to the nutritional balance as one of the main sources of Carbohydrates. Rice comes in the export list after cotton for its high revenues of hard currency, which is very important to finance investment and economic development programs in Egypt, in either agricultural or industrial sector. Rice export revenues in 1978 whether peeled or non-peeled amounted to £.E 20 million which equals about 3% of total export revenues.

The first chapter of this thesis illustrates the declining of Rice crops to Co-operatives. The Rice mills received about 1322 thousand tons in 1969/68 compared to 1107 thousand tons in 1979/1978. Rice exports have declined too from 555 thousand tons in 1968 to 145 thousand tons in 1978 with a decrease of 410 thousand tons. It is presumed that the marketing system is a key factor to cause the changes in domestic and foreign Rice trade.

A historic background is given in the second chapter to show the Rice market which was entirely free up to 1940. Since then a new system has been adopted according to which major Rice dealer organized a national network which help of some brokers to collect Rice from small producers and dealers and sell it

The ministry of supplies. They used to gain high profit out of this trade which in the meantime deprived the small producers and dealer of having suitable revenues.

It is for this reason in 1966/1965 the government adopted the co-operative Rice marketing system to guarantee reasonable prices to the producers. At the same time it was believed that this system can reduce the marketing costs to the minimum as long as it abolishes the commission of the brokers and dealers. The government also depended on that system to help achieving some of production and export prospectives.

The second chapter also gives in detail a panorama of the co-operative Rice marketing system beginning with Rice fields survey in co ordination with the agriculture round followed by the delivery to central stations belonging to Rice mills companies, the monopoly Rice wholesalers. At this stations Rice is weighted and classified and if any problem arise about the classification an arbitration act is taken to determin the producers rights.

It is of a great importance to the study to assess the competition between the governmental Rice mills and the illegal private plants that deal with about 51.5% of the Rice crops. It is then clear that the producers keep some of their Rice for their own consumption and they prefer to sell most of the rest to the private dealers then the governmental companies. The private dealers give them F.O.B prices while the governmental companies prices don't include the transport charges.

Statistics in 1968 - 1978 show that 32% of the supply standard per Feddan (1.5 ton ) is not delivered to the government mills. This deficit amounts to 45.6% of the standard production per Feddan and about 22.6% escaping from delivery of average productivity per Feddan. statistics also shows that there is a very weak correlation between Rice co-operatives supply and the governmental Price index that amounts to just 0.3, with an elasticity of 0.002. The co-operative Rice marketing include also penalty system that shows a great effect on Rice supplies.

The co-operative marketing system also suffers other problems such as the lack of staff that believe in coöperative system and understand it's goals. This phenomenon generated a lot of problems such as the absence of scientific planning for the co-operative movement and the lack of co-operative tendency among the farmers as well as the increasing of ignorance illiteracy all over rural- egypt, as result to all these factors , Rice supply in the last few years continued to declining .

The Rice cultivated area in 1973 was less than the planed area about 4698 feddan and in 1978, this defect amount 73132 feddan, whict means a shortage in Rice production of about 10711 and 166741 tons respectively. It is obvious that producers prefer to grow other crops with better revenues such as zea Maise and vegetables, the avarege net profit of which was about £.E 178.48 per feddan in 1968-1978 compared with Rice that gives only £.E 22.06.

A spectrum of the domestic Rice market is given in third chapter. In this respect Rice mill economics show the supply stream in this market. Rice processing industry manufactures Rice, adding to its value by means of peeling and bleaching. the governmental Rice mills every ton of Rice gives 55.4% standard table rice and 8.4% broken Rice a total of 63.8%, the rest of the quantities supplied to the mills is processed into byproducts. this waste has to be reduced to a minimum to raise the economic efficiency. the illegal mills known to work with a lower standard of technology process about half the Rice crop, and of course they have a much higher waste in the final products compared the governmental mills.

Domestic demand on Rice is raising systematically. Annual consumption increased from 899 thousand tons in 1968 to about 1347 thousand tons, this shows also a high correlation estimated with 0.9 between consumption growth and time factor 15 % of consumption increase is referred to production growth and the rest was caused by other factors such as population growth. There is also a great mutual effect between Rice consumption and export, it is recorded by that 74% of changes in exported Rice was effected by the changes in the domestic consumption.

The individual consumption too was growing all over the period since 1968-1978. It was 28.8K.G per capita in 1968 and became about 34K.G per capita in 1978, with an average annual growth of 0.6 K.g; i.e. 1.638%

Demand on white Rice differentiate from one governate to another in the country. In urban upper Egypt only £.E 0.72 and it was £.E 2.7 in rural lower Egypt compared with £.E 0.9 in rural upper Egypt . This shows the high demand on Rice in Egypt compared with Macaroni as an alternative which had only £.E 0.4 as an average annual consumption per capita.

Anslysis shows that population growth is one of the main factors affecting Rice consumption growth. It is estimated that one million population growth would need an increase in Rice consumption of 32 thousand tons. Rice production is responsible of about 15% of the increase in consumption. Domestic demand has a 0.38 rate of elasticity as long as price are concerned, so that a 10% change in Rice prices causes about 3.8% change in the demand.

Rice demand has almost no elasticity to income changes, study in 1975/74 showed that Rice demand income elasticity in Egypt equals only 0.08; i.e a change in consumption expenditure of 10% changes Rice consumption with only 0.8%, while in rural Egypt the Rice demand income elasticity amounted only 0.07, i.e a change in consumption expenditure of 10% changes Rice consumption with only 0.7%.

Rice and Macaroni as alternative foodstuff has a considerable demand cross elasticity estimated with 0.65. It is the demand on Macaroni has a great correlation with Rice Price index.

Anatural relation is there between Rice demand and it's prices . It is elasticity to prices changes is estimated at 0.38. A 5 mellems raise in Rice prices causes a declining in demand of 1.8436 tons.

The government subsidize Rice prices. It is known that marketing costs are raising continuously but the average increase in consumer prices is only 42.4% of the average increase of course. Cost increase is also affected with other factors such as the state polices on wages and changes in other cost items. The marketing efficiency of Rice in egypt shows a law indication . It is about only 48.9% this is explained by the continuous raising of cost such as bleaching , transport, classification and labour cost .

Chapter IV discusses Rice export in view of income planning prospectives , foreign trade promotion and the conversion the Egyptian monoeconomy into a multiple one. Rice export is very essential to egyptian foreign trade policy. as a very important source of hard currancy considering the tight relation between Rice production and export, the study goes in discussing world Rice production . In this respect it is found that Rice cultivated area is decreasing with an avergge of 17 thousand feddan in 1968/78 and the production is also decling by an average of 33778 tons yearly. On the contemporary productivity of feddan is increasing with 4 K.g per feddan annually .

Main competitors to Egypt in Rice supply are in Asia where 90% of world production is supplied. South America comes in second position and supplies 3% of the world Rice productions, followed by African countries that supply about 2.5% . The rest of Rice supplied are comes from the other countries . China , India , Indonesia and Bangaladish are the main Rice producers. Egypt has only 0.76% of world Rice supply and comes the 15th in producers order in 1968-1978.

World market includes some main producers that are not at the same time exporters they consume all the production and even they might import some additional quantities to cover the domestic consumption, Egyptian Rice foreign market is distributed among which comes eastern Europe with the quota of 44.2 % of Rice importer from Egypt .

Asian countries also receive 16.1% of Egyptian Rice exports having India as the main importer. The Arab world is supplied by 15.7% of Egyptian Rice exports and 9% is exported to the African countries mainly to Serralione. North and South America are minor Rice importers to Egypt. As much as individual countries are concerned we can nominate as main Rice markets to Egypt ; U.S.S.R , Jordan , Saudia Arabia , Libanon , Libya , Serbia and Chichoslovakia .

The world-wide demand on Egyptian Rice is very elastic to price . 85% of changes in demand is caused by changes in prices and the elasticity rate is estimated at 1.01. Net profit of Rice export in 1968 - 1978 was £.E 5.887 per ton. It came up to £.E 16.722 in 1979/1978 there are other unfortunate times when government is obliged to export Rice with prices less than the cost or when of suffers a shortage in Rice supply available for export, in the mean time , the domestic consumption is continuing to Rise with subsidized prices. this is all together during the period of study a loss of £.E 67.55 millions.

/ Much more short comings are expected in the future of Egyptian Rice trade . / Egypt may return from a Rice exporter to an importer. The study gives a ten years in advance project of Rice export that gives such an indication .

The main problems facing Egyptian Rice foreign trade are production and consumption changes in terms of quantity and quality .

The co-operative marketing system too has a great impact in foreign marketing . Also new marketing techniques have to be followed to promote Egyptian Rice market abroad with great emphasis on international policies impact on world Rice market.



The 5th chapter gives some recommendation to improve Rice marketing system through developing the paying a greater share to the co-operative societies and marketing organizations and improving the financial dealing system with the producers. Also it would be of a great help to raise the standard of technology and producer organizations to use Rice marketing centers. In the foreign market some suggestions are given to increase Egyptian Rice foreign supply and changing domestic consumption tendencies to Rice.

It would also in this respect be of a great importance to benefit from other world producers experiences and adopting modern marketing techniques specially surveying the foreign consumer needs.

---