

SUMMARY

Cotton is a main contributor to the GDP and major source of foreign finance essential for economic development. It constitutes a major source of income for around two million farmers and over half a million of laborers in processing and trade . Moreover ,cotton is a major input for a vast majority of economic and trade activities , and major input for spinning and weaving industries.

Egypt has unique comparative advantage in the production of high quality cotton , it used to have a considerable market share of the extra long fine cotton category . the decline of Egyptian cotton exports over the last few year has resulted in remarkable loss of the source of foreign exchange and noticeable shrinking of its market share .

Traditional importers of the Egyptian cotton have found it more advantages for them to replace the Egyptian cotton for other varieties of cotton .

In view of the exaggeration of the quality price premier for the Egyptian cotton varieties, international .spinners were forced to reduce their imports of Egyptian cotton specially with the technological . advancement in the spinning industry which has made it possible to produce the same quality of yarn from a lower quality cotton .

The objective of this study is to analyze reasons of reduction of the Egyptian cotton exports and the set of the policy reforms advocated in the currently pursued structural adjustment program

related to production , marketing and trade liberalization and its likely impact on determining the market has of the Egyptian cotton exports .

The study aims at investigating the impact of the economic liberalization policy on the cotton crop economy , beside estimating detailed special impact of each of the policies major implications on the Egyptian cotton economy . It also seeks an assessment of the cotton economy performance and dynamics and their determinants .

Furthermore , the study tends to analyze and discuss the difficulties and obstacles that face the increase of productivity , profitability , competitiveness and continuity of the cotton sector , and finding out the possible solution for improving its performance level .

The study adopts many statistical methods and analytical tools in estimation . In addition , it uses some standard indicators for estimating the economic and production efficiency during the base period (1974-1986) before applying the economic liberalization policy , and during the comparative period (1987-1999) . Moreover , the study uses the " T test " to test the differences between means , and the dummy variables to identify and shed light upon the differences between the two economic periods with respect to both the economic and physical variables . The study indicated a decrease in the average cultivated area from about 1189 thousand feddan during the period (1974-1986) presenting the period before applying the economic

liberalization policy to about 863 thousand feddan as an average for the period (1987-1999) representing a period of the economic liberalization policy implementation reflecting upon the crop's total production .

Use of dummy variables permitted comparisons between the rates of annual change for either area , yield or total production in general , the diminishing trends characterizing both periods were noticeably slowed down during the second period , i.e. economic liberation phase .

The study set focus on major economic factors that influence the cotton crop production . It was shown that farm-gate prices , total costs per feddan , the net return of feddan , the net feddan and profitability per monuth in current prices took an increasing time trends during the studied periods , with expected higher increasing rates for the “ T test “ period . Despite the highest inflationary rate for a “ T test “ period real (deflated) growth rates were higher than the corresponding estimates for the per liberalization period .

Emergence of large private sector vertically integrated firms is expected in the very near future such firms may be domestic firms tied to international cotton traders or garment buyers , more coordination action and agreements or partnerships between traders , ginnerers and spinners are eminent . Private seed cotton traders may buy lint , import cheaper lint and polyester to blend and have it spun , woven and made it and exported .

The study estimated the marketing efficiency during the time period . 1987/1988 – 1998/1999 per 83.42 % this is to compared with the marketing efficiency estimated for the period 1974/1975-1986/1987 (befor applying the economic liberalization policy) at 84.97% .