An economic study of Cotton Marketingin the Arab Republic of Egypt

Cotton is a mam contributor to the GOP and a 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 ofeconomic and trade activities , and major input for spinning and weavingindustries. a unique comparative ad Egypt hasvantage in the production of high quality cotton, it used to have a considerable market share of the extra long fine cotton category .. The objective of this study is to analyze marketing system and reasons of reduction of the Egyptian cotton exports during different eras which can be divided into three stages : First stage is before the nationalization of cotton trade and Government control of marketing , Second stage is from nationalization until the beginning of the economic reforms policy, the Thirdstage start with the application of the economic reforms policy until 1996 .andthe set of the policy reforms advocated in currently pursued structural adjustment program related to production, marketing and trade liberalization of cotton. The time period (1952-1996) was divided in three subperiods namely, (1952-1964) before cooperative marketing, (1965-1986) time of cooperative marketing, and (1987-1996)time of economic reform. The study includes five chapters besides the introduction and the executive summary The most important finding could be summarized as follow :- - The study showed that cotton area has annually increased at a rate of 3.2 thousand fed.during free market period (1952-1964) ,while it has decreased.t:}at a rate of39.83 thousand fed. during the cooperative marketing (1965-1986)& 26.8 thousand fed. during the period (1987-1996). - The cotton production has annually increased at a rate of 170 thousand kentars during free market period (1952-1964) & 90.6 thousand kentars during the cooperative marketing (1965-1986) , while it has decreased at a rate of 57.65 thousand kentars during the period (1987-1996). - The study showed that cotton yield has annually increased at a rate of 0.096kentars Ifed. during free market period (1952-1964) ,and 0.11 kentarsIfed during the cooperative marketing (1965-1986)and 0.105 kentars Ifedduring the period (1987-1996) . - Describing marketing system during free market period ,the study showed that cotton was marketed in spot and futuremarkets and that many middlemen are involved. This has led to an increasing marketing costs. As forcooperative marketing farmers deliver their crop to governmental concentrationpoints at a fixed price every season. Under this system several governmentalcommittees are involved which add to marketing costs and complications.- The study found that it is possible to reduce marketing cost of cottonunder coop. marketing by reducing ginning costs which represent a highpercentage of total marketing costs . Other cost items such as inters, fees,commissions, etc ....., may also be reduced . The study revealed that cottonmarketing efficiency under coop. marketing is higher than that under the free market system, despite the increase of marketing costs of the first. - The study estimated the marketing efficiency during the time period 1970/1971-1985/1986 at 84.6 percent. This is to be compared with themarketing efficiency estimated for the period 1958/1959-1960/1961 (beforecooperative marketing) at 77 percent, while it was 80.32. percent during theperiod (1986/1987-1993/1994). The relatively high efficiency of the firstperiod is due to relatively lower marketing costs through subsidization ofagricultural inputs and credits. 262- Analyzing the economic effects of both free and cooperative marketing, the study revealed that farm price has no significance trend during the free market period

, while it took an increasing trend during the cooperativemarketing period & also during the period (1987-1996) . - The Farmgate price to export price ratio decrease in sharply during the second stage(1965-1986) until it reached about 48 % while it was about 71 % in the first stage (1952-1964), but in the third stage(1987-1996) it reached to 100 % in 1996. - The results of the study indicated that the Egyptian annual cotton exports has been decreasing in the period 1980-1996 at a significant rate of 9.83 thousand metric tons. -- The study also showed that the Egyptian exports of raw cotton were concentrated in markets of West Europe. Asia. and East-Europe, where its imports of Egyptian cotton amounted to about 37.6 % , 55.42 % , 2.3 % respectively of the annual average of the Egyptian exports during the period 1991-1996. Empirical analysis of the international demand on the total Egyptian cotton exports was conducted using data of the period 1980/1981-1995/1996 . Results indicated that the size of exports of ELS Egyptian cotton, totallocal production, the quantity of domestic consumption of cotton and ratio between eht prices of Egyptian cotton and competitive cotton were the most significant explanatory variables that determine the volume of the Egyptian cotton exports, these factors explain about 95 % of the fluctuationsin the cotton exports.- According to the analytical results of the applied model of linear programming • if the Egyptian raw cotton exports are directed to markets as the results of the model .an increase in the total return of about 9.4 7 million LE. will be gained • in an increasing percentage of about 2.34.% ofthe actual total return which amounted to 404 million LE. during the same period.