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Egypt Cotton Production Rebounds

Country: Egypt

Post: Cairo

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Report Highlights:

In market year (MY) 2021/22, cotton area harvested is forecast to increase seven percent to 70,000 hectares (ha), from 65,000 ha in MY 2020/21. Post estimates production of MY 2021/22 at 250,000 bales compared to 215,000 bales in MY 2020/21. Public spinners are still under renovation limiting the domestic use. However, Egypt plans to set up the world's largest spinning and weaving factory in Mahalla al-Kubra, at a cost of about EGP 900 million (\$57 million).

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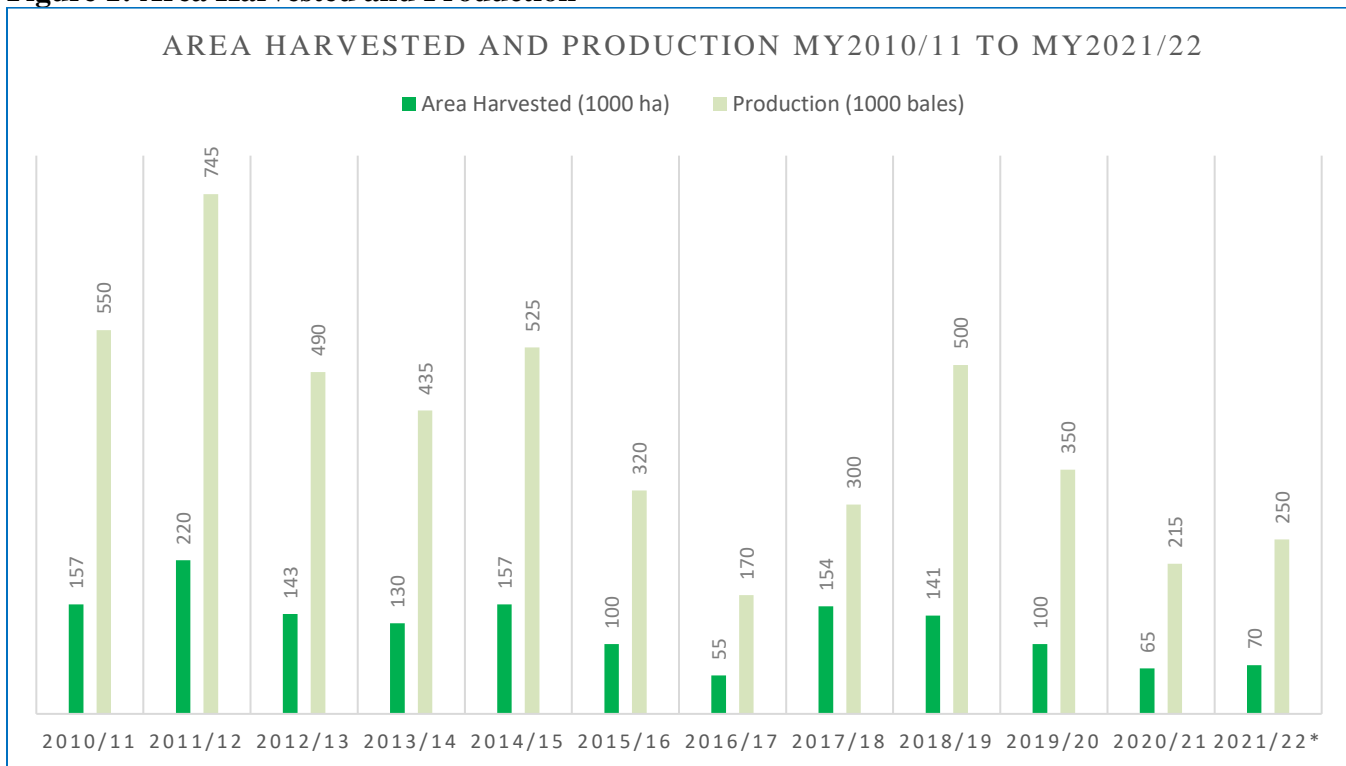
Narrative

Production

FAS/Cairo (Post) forecasts market year (MY) 2021/22 cotton area harvested to increase by seven percent to 70,000 hectares (ha), from 65,000 ha in MY 2020/21. Post estimates production of MY 2021/22 at 250,000 bales compared to 215,000 bales in MY 2020/21. Post attributes the increase to higher area harvested and containment of the white fly infestation that caused losses in MY 2020/21.

Cotton yields declined in MY 2020/21 due to low quality seeds and losses from whitefly infestation. Reportedly, farmers mixed the cultivation of cotton with tomato and this encouraged the infestation of whitefly in both crops. If uncontrolled, whiteflies can reduce cotton yields and affect cotton quality. Immature whiteflies infest the underside of the leaves and secrete honeydew, which is a sticky, sugary solution. Industry contacts report that some producers did not safely dispose infested tomatoes and instead dumped them in irrigation canals which led to a rise in infestation.

Figure 1: Area Harvested and Production



Source: FAS/PSD, *FAS forecast

In MY 2018/19, improved cottonseed varieties pushed yields upward while, during the same period, area harvested increased to 141,000 ha. This is compared to just 55,000 ha in MY 2016/17. The improved seed varieties produced an extra two *quintar* per *feddan*, or 0.17 bales/ha. [Note: 1 *quintar* equals 50 kilograms (kg) of lint cotton]. As a result, supply outstripped demand, forcing prices downward to 2050 EGP/*quintar* (\$567/bale) in March 2019. As a result of the low prices, farmers and industry decreased production in MY 2019/20 to raise cotton prices and to preserve the industry’s reputation as a supplier of high-quality cotton. However, prices remained low. Average price averages that year were 2100 EGP (\$133) – 2300 (\$146) EGP for extra-long varieties and 1900 EGP (\$120) – 2100 (\$133) EGP for long-medium staple cotton.

Figure 2: Egyptian Cotton Production

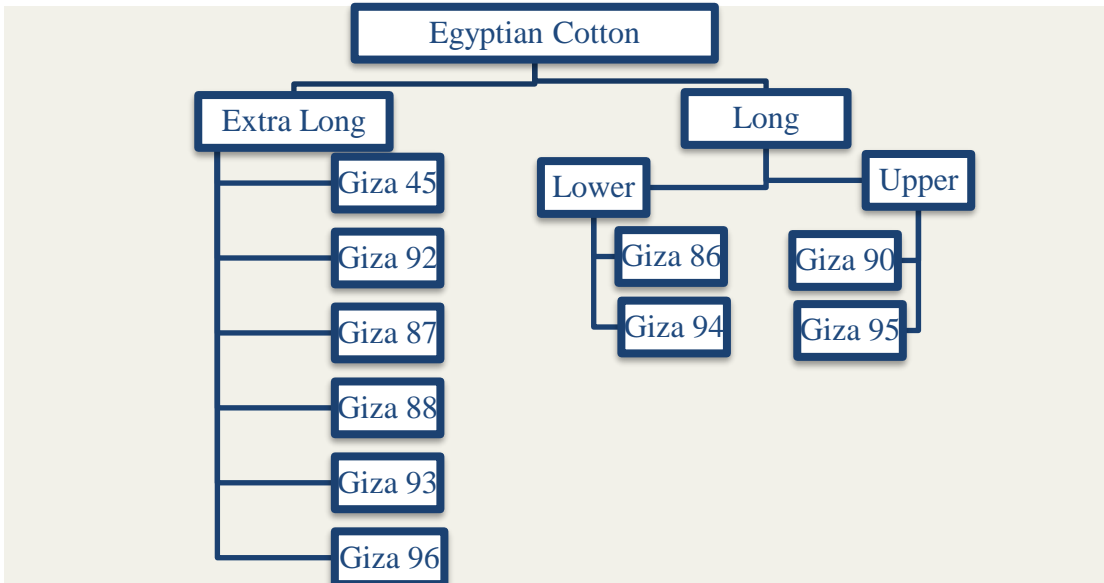


Source: FAS\PSD, *FAS Forecast

Egyptian Cotton Varieties

The Cotton Arbitration and Testing General Organization (CATGO), which is affiliated with the Egyptian government, identifies ten different varieties of cotton that come under two categories: Extra Long Staple (ELS) cotton and long staple cotton. Long staple cotton is divided into lower-long staple varieties that grow in the Delta region and upper-long staple varieties that grow in Upper Egypt. However, traders and industry identify and market the upper-long staple cotton as medium staple cotton, as it is used to produce the same type of yarns that Upland produces. Figure 3 shows the different Egyptian cotton varieties.

Figure 3: Egyptian Cotton Varieties



Source: FAS Cairo

Typically, every year, two months before the onset of the planting season, the Minister of Agriculture issues a decree that identifies the cotton varieties allowed for planting by region. According to this decree, each variety must be grown only in the specified areas. The varieties of extra-long staple cotton include Giza 45, 87, 88, 92, and 93. The varieties of long staple cotton include Giza 86, 94, 90, and 95. Giza 86 and 94 are the long staple varieties that grow in the Delta region while Giza 90 and 95 are the upper-long staple varieties grown in Upper Egypt. Figure 4 shows images of the Egyptian cotton varieties.

Figure 4: Egyptian Cotton Varieties



Source: FAS Cairo office research

The Egyptian government is still conducting a research project in Sharq El-Owainat (East Owainat) to cultivate trials of medium and short staple upland cotton. Ministry of Agriculture leadership chose the area due to its remoteness and isolation from existing cotton cultivations, as to avoid seed mixing.

Egyptian Cotton Prices Updates

Previously, the government provided cash payments to the textile industry, which allowed them to pay a government-announced price for Egyptian cotton. Following the reform of that system, the government now announces an indicative price before the planting season commences. The indicative price is a subtle attempt to urge the textile industry to buy cotton from farmers at the indicative price; however, it is not a price support or commitment from the government to buy the crop.

In MY 2020/21, the government continued to avoid announcing an indicative price as it did in MY 2019/20. The prices varied widely from the beginning of the season through March 2021. This year, prices for Giza 95 ranged from 1600 EGP (\$102) at the beginning of the season and reached 2100 EGP (\$134)/*quintar*. Giza 94 started off at 1800 EGP (\$115) and reached 2850 EGP (\$157)/*quintar*. The prices for Giza 86 was 2450 EGP (\$157) – 1820 EGP (\$115)/*quintar*. As for Giza 92, prices ranged from 1980 EGP (\$126) to 2700 EGP (\$172)/*quintar*. (See Table 1: Cotton Prices in MY 2019/20 and MY 2020/21 and Percent Change)

In MY 2019/20, for the first time the government did not announce indicative prices which had adverse effects on MY 2020/21 cultivation. In MY 2019/20, the prices were still low even with the drop in production, averaging 2100 EGP (\$133) – 2300 EGP (\$146) for extra-long varieties and 1900 EGP (\$120) – 2100 EGP (\$133) for long-medium staple cotton.

In MY 2018/19, the government announced indicative price for Giza 86 and 94 was 2800 EGP (\$160)/*quintar* or \$776/bale. The announced price for Giza 90 and 95 was 2700 EGP (\$154)/*quintar*, or \$747/bale. As the crop was harvested and farmers began to market their product, prices dropped considerably, approximately 18 percent below the government-announced price. Prices were even less at the end of last season, which had dropped to 2150 EGP (\$122) for Giza 86 and 94 and 2050 EGP (\$117)/*quintar* for Giza 90 and 95.

Post anticipates that in MY 2021/22, farmers will respond to higher returns by increasing the area harvested and production. Table 1 illustrates the price changes from MY 2019/20 and MY 2020/21.

	<i>MY 2019/20 Price per Bale in EGP</i>	<i>MY 2020/21 Price per Bale in EGP</i>	<i>Percent Change in EGP</i>
<i>Extra-Long Staple Varieties</i>	9,579	11,349	+18%
<i>Long-Staple Varieties</i>	8,708	10,476	+20%

A Steady Improved Supply after Deficient Supply

In MY 2019/20, unexpectedly, cotton yields dropped not only because of the decreased area cultivated, but also due to the use of lesser quality seeds compared to the previous season. In MY 2018/19, yields

were two *quintar* more than normal or about nine *quintar/feddan*. This season, yields are five *quintar* less than last season, or four – five *quintar/feddan*. The yield was also affected by the infestation of whitefly which caused losses.

In MY 2020/21, yields are returning to normal with an average of seven to eight *quintar/feddan*, 0.6 U.S. bale/Ha. The whitefly control program paid off successfully and the losses encountered with last year's production were contained.

In MY 2018/2019, production increased to 489,000 bales, an increase of 63 percent over the 300,000 bales produced in MY 2017/18 and 190 percent above MY 2016/17 production. The increase reflected farmers' reaction to the high government announced indicative price of 2800 EGP/*quintar*, which came at a time of greater restrictions on rice cultivation, further pushing farmers toward expanding cotton acreage. Additionally, enhanced varieties of cottonseed distributed by the government drove up yields per hectare. The reported ending stocks in February 2019 was 362,000 bales, an increase of 218,000 bales or 150 percent, over the previous season. The surplus supply added significant pressure on prices; some contacts indicated that product was sold at cost.

Government Efforts to Improve Cotton Quality

Since 2017, the Egyptian government has taken control of the production and distribution of cottonseed, which was handled by the private sector in the past. The change was made in an effort to restore seed purity and cotton quality. The government was forced to intervene as Egyptian cotton's reputation and quality had deteriorated significantly, due to seed companies' lack of effective quality assurance systems that resulted in inferior, mixed variety output.

The government efforts were clear. The quality and the physical properties of the MY 2018/19 cotton harvest improved significantly and improved again in MY 2019/20. Analysis released by CATGO on the physical fiber properties of Egyptian cotton varieties confirms this improvement. The length, strength, firmness, color, trash count and maturity continued to improve in cotton produced in MY 2020/21 (see [Physical Properties of Egyptian Cotton Season 2020/21](#)) compared to cotton produced in MY 2019/20 (see [Physical Properties of Egyptian Cotton Season 2019/20](#)).

Cotton Production Policy Revised

In early 2017, the government announced a new policy that aimed to reverse the Egypt's cotton industry's decline. The Egyptian Ministry of Agriculture implemented the 19-step plan beginning in the 2017 planting season. More information on the reform efforts is available [here](#). The Ministry's efforts are now paying off. Specifically, the plan has:

- Provided high quality seeds to increase yields and quality: The length, strength, firmness, color, trash count and maturity all improved in cotton produced in MY 2018/19. The better-quality seeds were also reflected in the increased yield per area cultivated.
- Developed the local spinning and weaving industries: The government is developing the public spinning and weaving industries. Industry contacts indicated that the government used the expertise of a foreign consulting agency to conduct a feasibility study and provide recommendations on means to develop spinning and weaving facilities. The recommendations include vertical integration of spinning and weaving, as well as updating existing equipment.
- Helped to encourage the use of good agricultural practices.

- Prepared annual economic studies that determine the production area needed based on demand. The Ministry’s decision to decrease the planted area for the first time in MY 2019/20 is a response to this effort, given the decrease in prices in MY 2018/19.

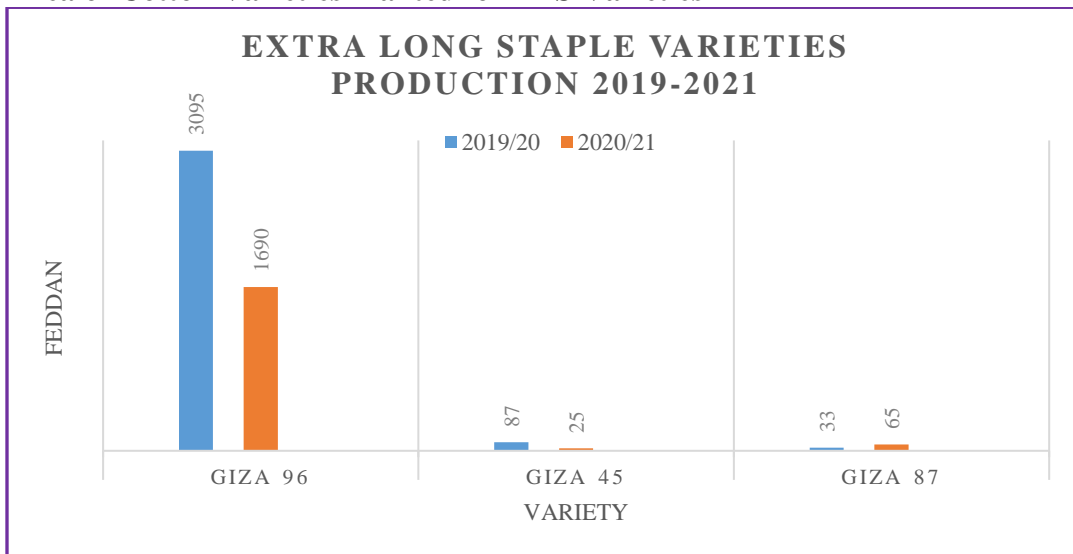
Cotton Varieties Quantities and Area Planted

In MY 2020/21, of the six extra-long staple varieties, only three varieties were cultivated and planted on around 474 ha. Giza 96 is the dominant variety planted at 95 percent of the total ELS cultivation. Giza 45 production and Giza 87 were cultivated on a very small scale, 10 ha and 27 ha respectively.

Of the lower long-staple varieties grown in the Delta region, Giza 94 is the most widely grown accounting for 75 percent or 56,520 ha. Giza 86, accounting for 14 percent of Egypt’s total cotton production, or 10,000 ha, is the second most produced.

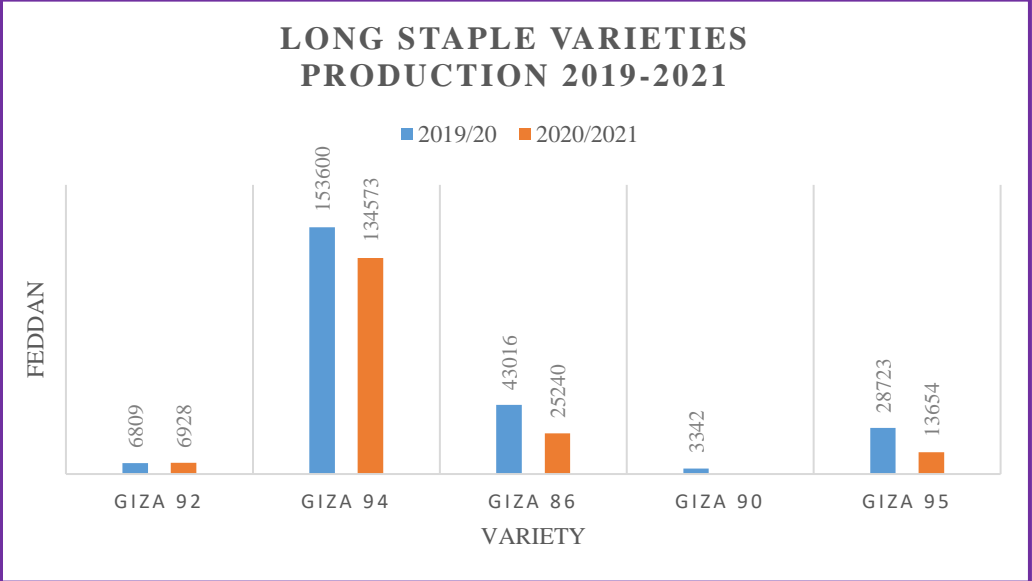
Of the upper-long staple varieties grown in Upper Egypt – which are generally used as medium staple cotton – Giza 95 is the most widely grown, accounting for 7.5 percent of Egypt’s total cotton production a total area of 5,700 ha. (See Figures 5 and 6)

Figure 5: Area of Cotton Varieties Planted for ELS Varieties



Source: Information and Documentation Center- IDC/CATGO

Figure 6: Area of Cotton Varieties Planted for LS Varieties



Source: Information and Documentation Center- IDC/CATGO

Consumption

Post forecasts MY 2021/22 consumption to decrease by 75,000 bales to 550,000 bales, a drop of 13 percent over last year. Post attributes the decrease in local consumption to the decline in demand from public spinners due to the renovation program the Egyptian government recently initiated. While the public spinners are being renovated, they are not operating at full capacity.

There are media reports that Egypt plans to set up the world's largest spinning and weaving factory in Mahalla al-Kubra, at a cost of about EGP 900 million (\$57 million). The factory is scheduled to be completed by the end of 2021, after the coronavirus pandemic delayed construction. It marks a major step towards further developing the Egyptian textile industry by investing more than EGP 21 billion (\$1.3 billion) over two years. There are plans to develop similar factories in Cairo, Kafr al-Dawar, and the Delta region in the future.

Most of the cotton consumed locally is upper long staple varieties, whether Giza 90 and 95 produced locally or imported from Greece, Burkina Faso, Benin, and Sudan. Some spinners use Egyptian extra-long and long staple varieties, while others depend on imported U.S. Pima cotton upon requests from their international buyers.

Trade

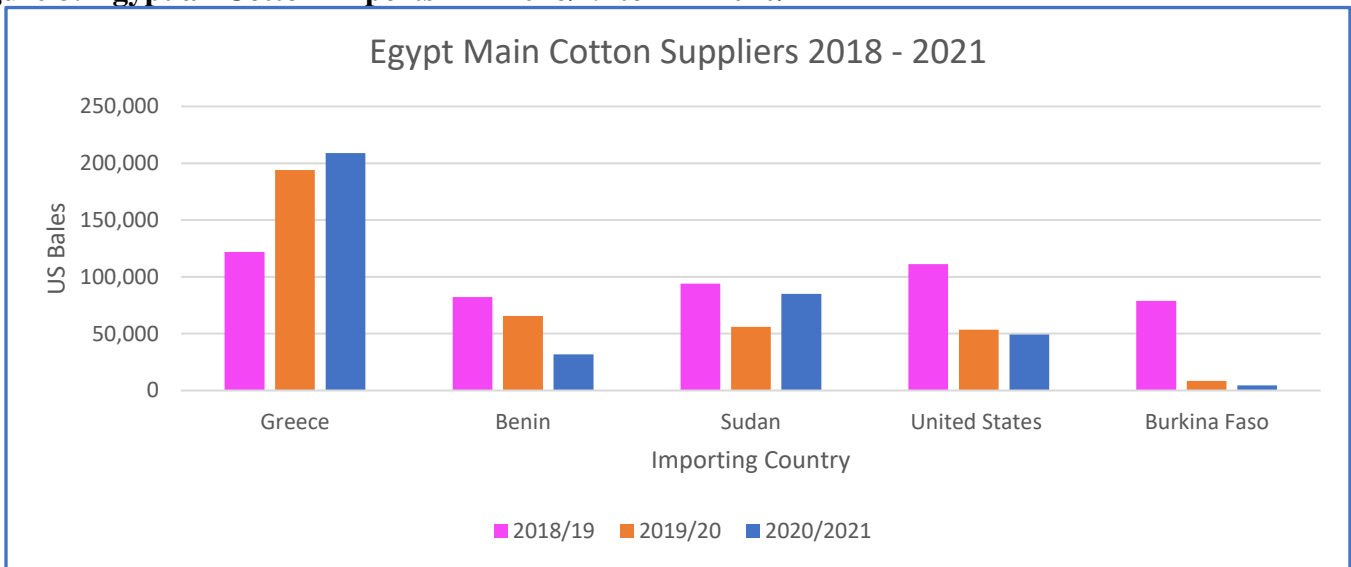
Imports

In MY 2021/22, cotton imports are forecast to decrease by 17 percent to 535,000 bales, down by 95,000 bales from MY 2020/21 imports. Post attributes this decrease to the decline of domestic use due to the renovation of public spinners, as they would either be not operating at full capacity or completely shut down.

Cotton import demand does not solely depend on domestic production levels. Egypt's spinners need certain qualities and specifications that imports provide and are not available in domestic supplies. This season, even with low prices of domestic cotton, traders and yarn manufacturers prefer to source their needs from abroad.

In MY 2020/21, Greece, Benin, Sudan, the United States, and Burkina Faso were Egypt's main cotton suppliers and are expected to remain so in MY 2021/22 based on historical trade relations.

Figure 8: Egyptian Cotton Imports MY 2018/19 to MY 2020/21



Source: Central Administration for Plant Quarantine (CAPQ)

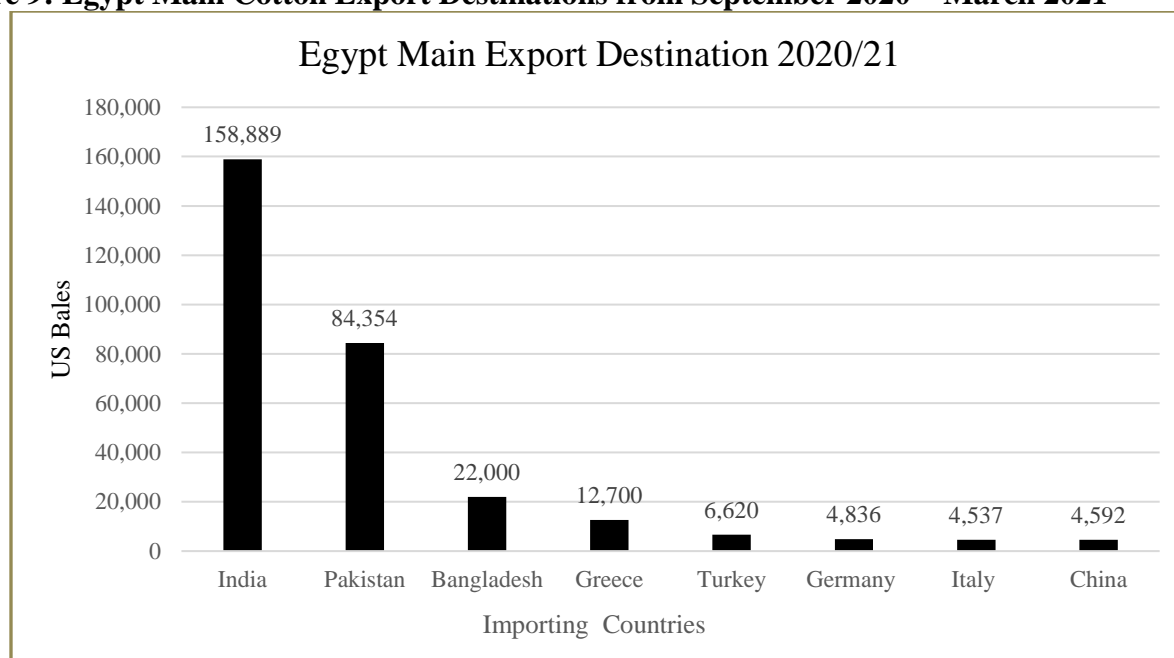
Local traders and yarn manufacturers appreciate the quality of U.S. Pima and upland cotton. One of the biggest yarn manufacturers told Post that even with the relative high prices of imported Pima cotton, his yarn importers in Europe are requesting yarn produced from Pima cotton and are willing to pay the extra cost due to its high quality. However, for upland cotton, the high shipping costs of U.S origin has led traders and yarn manufacturers to source their needs from neighboring countries like Greece and Sudan, as well as West African suppliers.

Exports

Post forecasts Egypt’s total lint cotton exports in MY 2021/22 to slightly increase by four percent or 10,000 bales to reach 260,000 bales. Post attributes the increase in Egypt’s total lint cotton exports to its low prices compared to global cotton prices. Post expects increased international demand for Egyptian cotton as prices are low and there is lower domestic demand.

In MY 2020/21, India remains the main importer of Egyptian cotton. However, exports to India in 2021/22 may decrease due to the recent 10 percent tax the Indian government imposed on imported cotton. Pakistan, Bangladesh, Greece, Germany, and Italy are also Egypt’s top export destination.

Figure 9: Egypt Main Cotton Export Destinations from September 2020 – March 2021



Source: ALCOTEXA

In MY 2020/21, Egypt mainly exported long staple varieties grown in lower Egypt in comparison to seasons before 2017/18 where more upper varieties were exported. In MY 2019/20, out of the long staple varieties exported, 75 percent was Giza 94 and 19 percent Giza 86. Four percent of the total exports are extra-long staple, mainly Giza 92 and Giza 96.

The Egyptian Ministry of Industry and Trade (MoIT) and the Alexandria Cotton Exporters' Association (ALCOTEXA), owners of the Egyptian Cotton trademark logo (Figure 10), formed the Cotton Egypt Association (CEA). The purpose of the CEA is to improve the marketing and image of Egyptian cotton through the licensing of their logo. The licensing of the logo is intended to certify the authenticity of Egyptian cotton through DNA analysis in an effort to prevent fraud and ensure consumers that they are purchasing genuine Egyptian cotton products.

To accomplish this, CEA established a monitoring system covering the entire supply chain of their licensees. The organization monitors the quantities purchased and sold by each licensee, mapping their sales and establishing a traceability system. They verify and ensure that quality and standards in using the logo are met and conduct random audits to licensee premises. Moreover, CEA checks websites that promote Egyptian cotton products and works to notify them of their proper usage. CEA regularly collects samples of products that are promoted as Egyptian cotton from retailers, tests them, and follows up with the manufacturers and retailers if issues arise.

Figure 10: Egyptian Cotton Logo



The contract signed by MoIT and ALCOTEXA with CEA that gave the latter the sole rights to market the Egyptian Cotton logo ended in June 2017. Sources at ALCOTEXA expressed concerns over renewing the contract. ALCOTEXA's concerns surfaced after CEA licensed the Egyptian cotton logo to an Indian company that was accused of misusing Egyptian cotton label. It is not clear if MoIT will renew the contract with the CEA, though it is in favor of its renewal as it feels that the licensing of the Indian company was a prudent business decision.

Trade Policy

Importers must apply for an import permit from the MALR's Central Administration for Plant Quarantine (CAPQ), which is valid for one year. Egypt imposes zero import tariffs on raw cotton or cotton lint (HS: 520100) and 5 percent import tariffs on carded or combed cotton (HS: 520300).

According to CAPQ regulations, importers should request import permits before importation, identifying the port of entry and date of arrival in order to reserve the equipment required for fumigation. In addition, the shipment must be accompanied by a fumigation certificate from the quarantine authorities at the port of origin and less than three months should have elapsed from the date of issuance to the date of arrival. If the three-month validity period is exceeded, the shipment must be returned to its origin, and the fumigation should be repeated, or the product may be re-exported to a third destination.

Egypt's cotton import regulations stipulate that imported cotton should be free from whole or broken seeds or foreign materials (Annex 15: of the Egyptian Plant Quarantine Rules & Regulations: Ministerial Decree 562/2019 attached, Annex1). When a shipment is found to have whole or broken seeds, even if one seed is found in baled cotton, it will not be released. The importer can either destroy it under the supervision of CAPQ, re-export it to another destination, or return it to the country of origin. If the importer decides to re-export, CAPQ issues to the importer a certificate stipulating the reason for its rejection, which would need to be presented to authorities at final port of destination.

Egypt also requires that cotton exported to Egypt be fumigated at the country of origin using methyl bromide, magtoxin, or phostoxin at specified concentrations found in the import permit. Fumigating the shipment at country of origin does not exclude it from being fumigated at Egyptian ports. The following statement must be in the certificate: “The cotton is free from boll weevil - *Anthonomus grandis*”. The government also recommends an optional pre-shipment inspection at origin. If this is selected, two plant quarantine inspectors travel and inspect the shipment and supervise fumigation prior to its departure from the port of origin. Although pre-shipment inspection is optional, some importers prefer to bear the cost, which serves as an insurance policy of sorts, to avoid delays at the port of entry.

Better Cotton Pilot Project Launches in Egypt

The United Nations Industrial Development Organization (UNIDO) has launched a multi-stakeholder pilot project in Egypt to train cotton farmers on the Better Cotton Initiative’s holistic approach to sustainable cotton production. The pilot comes as part of a renewed drive in the country to increase sustainability and improve conditions for Egyptian cotton producers.

Funded by the Italian Agency for Development Cooperation, the project is implemented by UNIDO in collaboration with the Ministry of Trade and Industry, the Ministry of Agriculture and Land Reclamation as well as with local and international textile private sector stakeholders. The Better Cotton Initiative (BCI), in coordination with selected implementing partners, supported UNIDO on the activation of the pilot in select areas in Egypt during the 2018/19 cotton season. BCI provided guidance, shared knowledge, developed materials and provided relevant agricultural and cotton experts.

Approximately 5,000 smallholder cotton farmers were involved in the initial pilot project, receiving training on the Better Cotton Principles and Criteria. By adhering to these principles, existing (licensed) BCI Farmers around the world produce cotton in a way that is [measurably better](#) for the environment and farming communities.

In May 2020, Egypt officially became a new BCI Program country, following the successful trial project and completion of the necessary new country start-up process. Together with the Cotton Research Institute and implementing partners, ALKAN and Modern Nile Cotton, UNIDO will ensure that farmers receive the knowledge and tools to improve their agricultural practices through the collaboration with Cotton Connect, a specialized organization in implementing BCI programs worldwide.

From the 2020-21 cotton season onwards, farmers in Egypt who participate in the BCI Program may be eligible to receive a license to sell their cotton as “Better Cotton.”

Table 2: Statistical Position of Egyptian Cotton

Statistical Position of Egyptian Cotton Season 2020/2021 From beginning of season until February 21, 2021								
Variety	Beginning Stock at season 2020/2021	Estimated Crop 2020/2021 (ton)	Total Supply 2020/2021	Distributed		Total Distributed	Remaining in Feb 02, 2021	Export Commitment Season 2020/2021 until Feb 02, 2021
				Mills Deliveries Season 2020/2021 From Sep 3. 2020 to Feb 6, 2021	Shipping Season 2020/2021 until Feb 02, 2021			
Giza 45	15,65	10,90	26,55	5,50	1,35	6,85	26,35	1,35
Giza 70								
Giza 87	193,15	19,65	212,85		24,00	24,00	12,85	24,00
Giza 88	8,20		8,20					
Giza 92	572,65	2175,50	2748,15	326,85	803,00	1129,85	1618,30	1824,00
Giza 93	2,70	97,50	100,20		23,13	23,13	77,07	47,13
Giza 96	1932,80	703,00	2635,80	75,50	482,00	557,50	2078,30	1296,00
Giza 86	11194,30	5872,10	17066,40	4319,60	5385,00	9704,60	7361,80	8349,00
Giza 94	14876,35	45363,95	60240,30	3344,40	30342,15	33686,55	26553,75	47702,00
Giza 90	1986,55		1986,55	7,50	781,10	788,60	1197,95	2130,00
Giza 95	7582.00	8568.05	11150.05	1037.00	5436.050	6473.50	4676.55	7369.00
ET								
Grand Total	38378.85	57860.25	96239.10	9118.60	43278.23	52396.83	43842.27	68742.48

Table 3: Production, Supply, and Distribution

Cotton	2019/2020		2020/2021		2021/2022	
	Aug 2019		Aug 2020		Aug 2021	
Market Year Begins	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Egypt						
Area Planted (1000 HA)	0	0	0	0	0	0
Area Harvested (1000 HA)	100	100	65	65	0	70
Beginning Stocks 1000 480 lb. Bales	224	224	194	155	0	125
Production 1000 480 lb. Bales	305	305	215	215	0	250
Imports 1000 480 lb. Bales	450	512	550	630	0	535
MY Imports from U.S. 1000 480 lb. Bales	0	0	0	0	0	0
Total Supply 1000 480 lb. Bales	979	1041	959	1000	0	910
Exports 1000 480 lb. Bales	225	220	200	250	0	260
Use 1000 480 lb. Bales	550	620	560	615	0	540
LOSS 1000 480 lb. Bales	10	10	10	10	0	10
Total Dom. Cons. 1000 480 lb. Bales	560	630	570	625	0	550
Ending Stocks 1000 480 lb. Bales	194	155	189	125	0	100
Total Distribution 1000 480 lb. Bales	979	1005	959	1000	0	910
Stock to Use % (PERCENT)	25.03	18.45	24.87	14.45	0	0
Yield (KG/HA)	664	664	720	720	0	0
(1000 HA) ,1000 480 lb. Bales ,(PERCENT) ,(KG/HA)						

Table 4: Unit Conversions

Unit	Equivalent
1 Quintar	50 Kg of lint cotton
1 US bale	480 lbs
	217.724 Kg
	<i>Quintar/4.85</i>
1 Feddan	0.42 Hectares
1 L.E.	0.064USD

Attachments:

[Ministerial Decree 562.2019, Annex 15, Article 24 - Importation and Treatment Controls for Importing Cotton Products.docx](#)

Attachments:

No Attachments