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Egypt

Cotton and Products

Cotton Update

2004

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Report Highlights:

The Egyptian government recently announced a new program to subsidize 35,000 MT of extra long cotton varieties at a cost of LE 70 million. This action was taken to help traders minimize their losses which resulted from the difference between higher purchasing prices paid to farmers and lower-than-expected export prices.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Cairo [EG1]
[EG]

With the beginning of the new cotton picking season approaching in September 2004, the government announced the guaranteed procurement price for the 2004/05 crop. The prices are as follows, based on per seed kantar (one seed kantar =157.5 kg):

Variety	Price (LE)
Giza70	620
Giza 88	610
Giza86	590
Giza 89	550
Giza85	540
Giza 80	485
Giza 83	450
Giza 90	485

These prices are slightly higher than last year's market prices.

The government recently announced a new subsidy program to help cotton traders minimize their losses due to a drop in world prices which are estimated at LE 300 to LE 400 per kantar. The program also aims to encourage the use of Egyptian extra long staple cotton by local mills. The new program is on extra long staple (Giza 70 and Giza 88) and long staple variety (Giza 86). Approximately 35,000 MT of these varieties were contracted for export in the last marketing year. However, none of the contracts were honored due to lower than expected international prices and relatively high local prices. Traders paid as high as LE 1,100 per kantar anticipating higher export prices. Many traders attribute the drop in world prices to overproduction in the United States associated with Step 2 payments. In response to traders' reactions to lower world prices, in July 2004 the government approved a new subsidy that offers LE 100 per kantar for local mills to purchase the affected varieties at the current prevailing price of 725 per kantar.