



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Required Report - public distribution

Date: 5/29/2002

GAIN Report #EG2012

Egypt

Cotton and Products

Annual

2002

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Report Highlights:

In MY 2002/2003, area and production are expected to increase by about 1.6% and 1.7% respectively. Exports for 2002/03 are expected to increase by about 15% compared to the previous season with private sector companies accounting for about 70% of total exports. Opportunities for US cotton exports to Egypt continue to be limited due to the availability of cheaper short staple cotton from neighboring countries.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Cairo [EG1], EG

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Area Planted and Production

The total cotton area in MY 2002/2003, is estimated at 762,000 feddans (320,000 HA), compared to 750,000 feddans (315,000 HA) in MY 2001/2002. This slight increase is mainly attributed to the higher income that cotton farmers obtained in the 2001/2002 season. Also, cotton is more secure crop for farmers because the government usually provides purchase guarantees. In addition, depressed rice prices in the MY 2001/2002 season, and more serious efforts by the government to impose fines to those that exceed their targeted rice areas, swayed more farmers to plant cotton rather than rice. As a result, another large cotton crop is expected in the MY 2002/2003. Industry sources estimate that cotton production may reach 315 MT (6.3 million Kentars) or about 2.6 percent higher than MY 2001/2002 cotton production.

In MY 2002/2003, 56,000 HA or about 17.5 percent of the total Egyptian cotton crop is devoted to extra long staple (ELS) varieties (i.e., staple lengths of 1 3/8 inches and above, as compared with 17 percent for MY 2001/2002. This increase in ELS area is mainly due to increased demand for ELS cotton varieties by the new modern spinning mills for export during the last three years. Major ELS varieties are Giza 70 and Giza 88. These two varieties are considered to be among the finest cottons produced in the world. The remainder of the crop is comprised of long staple (LS) varieties (i.e., staple lengths of 1/14 inches): Giza 86, Giza 89, Giza 85, Giza 80 and Giza 83. Every year the government specifies certain varieties of cotton for each region and farmers are obligated to cultivate those varieties according to their respective areas. The Ministry of Agriculture is the sole distributor of cotton seed. The Egyptian government continues to provide some assistance to cotton farmers to help with the cost of production such as land preparation, pesticide and planting seeds. It is estimated that on average, that the government will provide cotton farmers a total support equivalent of LE 230 per feddan in MY 2002/2003.

Overall, cotton lint yields for the MY 2001/2002 crop averaged 8.4 Kentar lint cotton per feddan (1 Kentar= 50 Kg) compared to 8.1 kentar per feddan in MY 2000/2001. Yields for MY 2002/2003 crop are expected to be about the same as in MY 2001/2002, provided that weather conditions remain normal for the rest of the growing season.

Consumption and Utilization

The consumption of local cotton has been declining in the past few years. Until few years ago, the textile industry's annual requirement of raw cotton used to average between 5.5 to 6 million kentars (275,000 to 300,000 MT). However, total local consumption in MY 2001/2002 is expected to amount to only 190,000 MT and this is expected to further decline next year. The downward trend in cotton consumption is attributed mainly to the higher price of domestic cotton and to financial difficulties that face most textile companies. The high price of Egyptian cotton encouraged imports of large quantities of cheap cotton yarn mainly from Pakistan and India to be used in the production of course count fabrics (i.e. Ne 20/1 to Ne 30/1), which is used for shirts, knitwear and toweling. Textile and garment exporters are also forced to import fabric from cheaper sources such as Syria, Pakistan and India under the temporary admission system of imports in order to be competitive in the international market.

Prices

The nominal level of farm floor prices for all varieties is calculated based on indicative export prices which are set by the Alexandria Cotton Exports Association (ALCOTEXA) after deducting fobbing and preparation costs. Export prices are calculated and updated weekly by ALCOTEXA Board of Directors. Local mills purchase Egyptian cotton at the export price minus the FOB cost, which is about 14-17 cents per pound.

Private sector companies assumed control of the ALCOTEXA in January 2001 for the first time in history. Ten of the twelve member- board are from the private sector, and the remaining two represent public sector companies.

Government Policy

In early 2002, Egypt sought to protect its garment industry by replacing import bans with an extremely high customs duties on imported garments. Heightened restrictions on garment imports closed down some free-port business in Port Said. The new regulations also briefly played havoc with travelers until authorities relaxed the rules to permit international travelers to bring in a few garments duty free. Both the USG and the EU protested the new prohibitive tariffs, which exceed Egypt's WTO tariff binding.

Trade

In MY 2001/2002, the private sector companies share of total export contracts increased to 70 percent as compared to 51 percent in 2000/2001. This substantial increase in the private sector companies's share is due to private sector companies's ability to discount their exports prices. Reportedly, some private sector companies provide as much as \$.16/Lb discount for their international buyers. In previous years, the private sector share of the export market did not exceed 18%. Egypt's cotton exports in MY 2001 was about the same as MY 2000 level or about (100,000 MT). Egyptian cotton exports during the last two seasons maintained a good level mainly due to increased export price competitiveness as ALCOTEXA was adjusting the export prices of Egyptian cotton periodically according to the international prices. Also, additional incentives that were given by private sector exporters to importers (i.e cancellation of storage fees and 2% discount for early shipments, also contributed to the increase in exports. Export estimates for MY 2002, are expected to be about 15% higher than the MY 2001 level. This expectation is based on the current trend of weakening Egyptian Pound against the U.S. dollar, which is expected to reflect positively on Egyptian cotton export price competitiveness. The government usually subsidizes cotton farmers by paying traders the difference between export prices and the procurement prices. However, government subsidy payments are usually delayed for several months. In order to promote the sale of Egyptian cotton, the Alexandria Cotton Exporters Association and the Ministry of Foreign Trade developed an Egyptian Cotton Logo. The logo is owned by ALCOTEXA and the Ministry of Foreign Trade. The logo is marketed by "Cotton Egypt" the Fiber Promotions Department of ALCOTEXA. The Logo is to be used on products made from 100% Egyptian Barbados cotton. The logo is licensed in Egypt to cotton growers that follow specific growing instructions. Cotton traders, and cotton ginneries in addition cotton yarn spinners, fabric producers, cut and saw manufacturers, and retailers both inside Egypt and around the world can apply for the license.

In 2001, Egyptian exports of cotton yarn totaled 34,195 MT, valued at LE 898 million compared to 35,000 MT, valued at LE 527 million in 2000. This increase was due to the devaluation of the Egyptian pound against the U.S dollar. Exports of textile and netting products in 2001 totaled 14,213 MT with a market value of LE 215 million, compared with 11,000 MT, or LE 178 million in 2000. Cotton garment exports in 2001 are estimated at 25,116 MT, or LE 238 million compared with 38,000 MT, or LE 1,617 million in 2000.

In MY 2001/2002, Egypt imported a total of 45,000 MT of short staple cotton, of which 30,000 MT was imported from Sudan at a reported price of LE 220 CIF per kantar (1 kantar = 50 kg), 14,000 MT from Syria at a reported price at \$0.58 per lb/CIF and 1,000 MT from Ethiopia. Imports for MY 2002/2003 are expected to decrease to 30,000 MT due to expected increase in stocks and the shortage of foreign exchange.

Importing cotton into Egypt from any source is subjected to the following quarantine regulations:

- Importers must obtain import permission from the Agricultural Quarantine Office before contracting.
- Shipping of imported cotton must be made directly from the country of origin and take place outside the cotton planting period (January - February).
- In the case of importing from countries where vacuum fumigation is not available, shipments should not exceed 5,000 bales and must be re-fumigated under vacuum with Methyl Bromide in Egyptian ports under the supervision of Egyptian Agricultural Quarantine.
- Visits by Egyptian PQ officials to potential cotton exporting countries will be arranged to review the pest and disease status in these countries.

Stocks

With another anticipated large cotton crop in MY 2002/03, and limited exports in MY 2001/02, stocks are expected to reach 174,248 MT in MY 2002/03. Stocks are projected further increase in 2003/2004 to 259,248 MT. The expected increase in the cotton stocks is mainly due to the expected increase in production and anticipated stagnation in exports.

Factors Affecting US Exports

Until few several years ago, most Egyptian cotton imports originated from the U.S. (only from California and Arizona) because the GOE considers only these two states to be free of boll weevil. Egypt requires that all imported cotton be grown in areas free of pests (e.g., boll weevil) and diseases that are, or could be harmful to domestic production. However, Egypt changed its import requirements and began allowing imports from other suppliers including Greece, Syria, Sudan and Ethiopia. This reduced the price competitiveness of the U.S cotton because of the freight differential. However, the availability of the GSM-102 export credit program and other export credit programs may help increase the competitiveness of U.S. cotton exports.

Cotton PSD Table

PSD Table						
Country:	Egypt					
Commodity:	Cotton					
		2001		2002		2003
	Old	New	Old	New	Old	New
Market Year Begin		08\2001		08\2002		08\2003
Area Planted	315000	315000	325000	320000	0	325000
Area Harvested	315000	315000	325000	320000	0	325000
Beginning Stocks	10248	10248	87248	72248	0	174248
Production	250000	310000	320000	315000	0	318000
Imports	45000	45000	40000	30000	0	20000
TOTAL SUPPLY	305248	365248	447248	417248	0	512248
Exports	85000	100000	100000	115000	0	120000
USE Dom. Consumption	190000	190000	195000	125000	0	130000
Loss Dom. Consumption	3000	3000	2500	3000	0	3000
TOTAL Dom. Consumption	193000	193000	197500	128000	0	133000
Ending Stocks	27248	72248	149748	174248	0	259248
TOTAL DISTRIBUTION	305248	365248	447248	417248	0	512248

Cotton Export Trade Matrix

Export Trade Matrix			
Country:		Units:	
Commodity:			
Time period:			
Exports for	2000		2001
U.S.	10,909	U.S.	6,490
Others		Others	
Italy	22,000	Italy	16,076
Turkey	12,385	India	13,255
India	10,855	Switzerland	7,818
S.Korea	7,560	S.Korea	6,824
Germany	4,186	Turkey	5,802
Switzerland	5,007	Pakistan	5,769
Thailand	4,885	Japan	4,205
Japan	4,763	Thailand	3,388
Greece	3,443	Germany	3,302
China	3,175	China	2,573
Total for Others	78259		69012
Others not listed	16,138		24,498
Grand Total	105306		100000