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Cotton and Products Annual 2017

A Devalued Egyptian Pound and Cotton Now Correctly Labeled "Egyptian" Injecting New Life Into What Was a Moribund Industry

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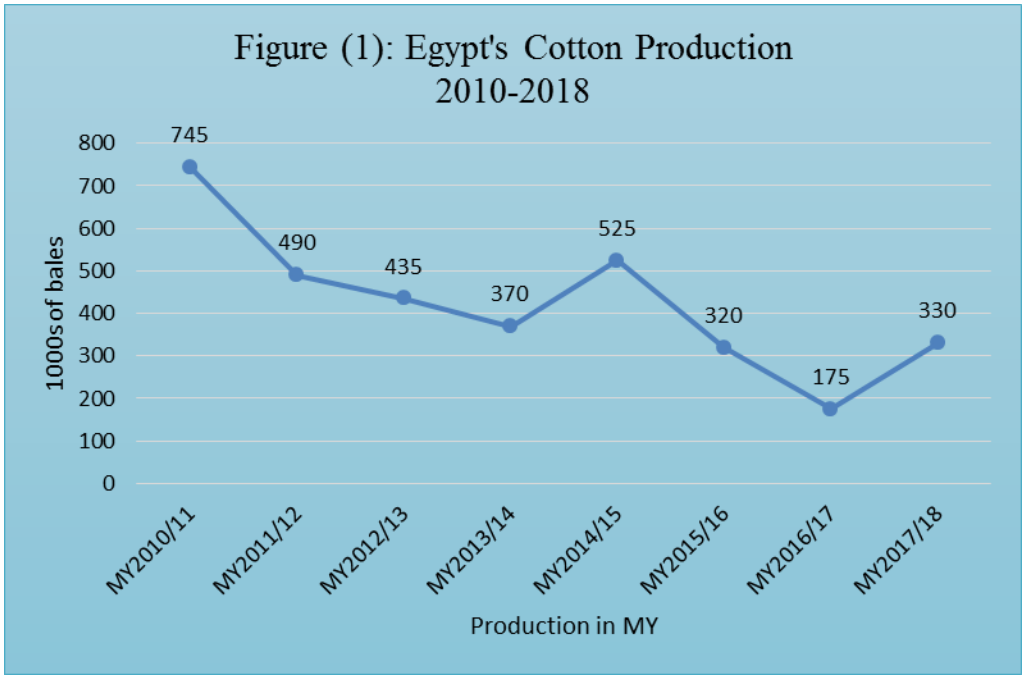
Report Highlights:
In MY2017/18, cotton area is forecast to double to 110,000 ha and production is set to almost double and reaches 340,000 bales. Post estimates cotton harvested area and production in MY2016/17 at 55,000 ha and 175,000 bales, respectively. FAS/Cairo attributes the increase in area and production to record cotton prices in MY2016/17, encouraging farmers to double the area planted with cotton. High prices were a result of several factors including a devalued Egyptian pound, tighter supplies, and increased global demand after fraudulent claims of 100 percent Egyptian cotton by a key Indian manufacturer came to light. Imports are forecast to drop by 20 percent to a record low of 420,000 bales, while exports are forecast to increase by 66 percent to reach 200,000 bales.

Production:

FAS/Cairo forecasts MY2017/18 cotton harvest area to double to 110,000 ha, from MY2016/17 estimated area of 55,000 ha. Post attributes the increase in area to farmers' expectations of attractive returns, a result of MY2016/17 better-than-expected prices. Several factors contributed to the rebound in Egypt's cotton prices in MY2016/17. These include an historical drop in cotton area and production, the floating of the Egyptian pound by which it weakened essentially 100 percent vis-à-vis the U.S. dollar, and an increased demand for Egyptian cotton in international markets.



High Prices and a Devalued Pound = Large Returns

In MY2016/17, farmers were able to sell their long staple varieties grown in the Delta at EGP 2,700 ($150) per qintar ($727/bale) for Giza 86 and EGP 2,750 ($153) per qintar ($741/bale) for Giza 94, 116 percent higher than the indicative prices announced by the government of EGP 1,250 ($69) per qintar ($337/bale) for both varieties. As for short and medium staple varieties grown in Upper Egypt region (Giza 90 and 95), farmers sold their crop at EGP 1,900 ($105) per qintar (or $512/bale), 73 percent higher than the government's indicative prices of EGP 1,100 ($61) per qintar (or $296/bale). (Note: 20 lint cotton qintar = 1000 kg = 1 ton = 4.12 bales).

These outsize returns were amplified on November 3, 2016, when the government floated the Egyptian pound. The currency was initially devalued to EGP 13 per USD as an indicative price from the pegged rate of EGP 8.88 per USD. It has since toppled further, currently trading at EGP 18 per USD as of late March. The devaluation made exports more competitive, encouraging exporters to offer farmers higher prices for their cotton. Table 1 illustrates the increased income per bale achieved between MY2015/16 and MY2016/17.

Table (1): Selling Prices in MY2015/16 and MY2016/17 and Percent Change

	MY2015/16 Price per Bale in EGP	MY2016/17 Price per Bale in EGP	Percentage Change in EGP
Extra-Long Staple Varieties	6,790	13,338	96%
Long-Staple Varieties	5,577	13,086	135%
Short & Medium Varieties	5,335	9,216	73%

Tight Supplies

In MY2016/17, cotton production decreased from 320,000 bales to a record low of 175,000 bales, a drop of 45 percent. The drop in production was due to a surprising decline in area planted of 55 percent to just 55,000 ha, a record low. At the time, the steep decline reflected farmers' concerns about their ability to sell the crop, since the government did not make a firm commitment to buy the crop as it had done in the past. The tight supplies added significant pressure to prices. In the end, the few risk takers were handsomely rewarded.

Increased Demand as Fraudulent Claims of Egyptian Cotton are Exposed

In August 2016, a U.S. retail chain accused an Indian textile manufacturer of using cheaper, non-Egyptian cotton in bedsheets and pillowcases. The Indian manufacturer acknowledged the accusations admitting that some of their products were falsely labeled as 100 percent Egyptian cotton. Following this announcement, internationally, retailers have begun to more closely monitor their products labeled as 100 percent Egyptian cotton, many requiring manufacturers to provide attestation for products labeled as such.

In an effort to crack down on these fraudulent practices and ensure quality, in 2016 the Cotton Egypt Association (CEA) started licensing the use of the Egyptian Cotton™ logo to suppliers and manufacturers all over the world. Carrying the logo means that CEA certifies the authenticity of Egyptian cotton through DNA analysis. CEA's managing director told FAS/Cairo that firms are trying to avoid the aforementioned foul play and regain consumer confidence; subsequently, CEA has been receiving requests from many manufacturers to license their Egyptian cotton logo. This has increased the demand for Egyptian cotton in the world market and is expected to continue as more companies get licensed.

Additionally, officials at MALR confirm that the government is genuinely determined to prevent the mixing of cotton varieties. In 2016, MALR announced that 27 companies were convicted of mixing cotton varieties. Around 6,000 bales of lint cotton of Giza 94 were mixed with Giza 86 as some unscrupulous traders sought extra profits as prices offered for Giza 94 were higher than those of Giza 86.

Government Efforts to Improve Cotton Quality are Paying Off

In the past two years, the government has taken control over the production and distribution of cottonseed, which used to be handled by the private sector, 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 are paying off nicely. The quality and the physical properties of the MY2016/17 cotton harvest improved significantly and are expected to improve again in MY2017/18. Analysis released by the Central Arbitration and Testing General Organization (CATGO) on the physical fiber properties of Egyptian cotton varieties confirms this improvement. The length, strength, firmness, color, trash count and maturity have all improved in cotton produced in MY2016/17 (see Physical Properties of Egyptian Cotton Season 2016/17) compared to cotton produced in MY2015/16 (see Physical Properties of Egyptian Cotton Season 2015/16). This development has increased the demand and the prices for Egyptian cotton in the local and international markets and is expected to continue in MY2017/18.

Cotton Production Policy Revised

In early 2017, the government announced a new policy that aims to reverse Egypt's cotton industry's decline. The policy, which consists of 19 steps, will be implemented starting with the 2017 planting season. This includes:

1. Encourage contract farming to solve marketing bottlenecks.
2. Provide high quality seeds to increase yields and quality.
3. Identify the areas suitable for each cotton variety.
4. Enforce the ban on prohibited varieties and implement an awareness campaign to educate farmers on the specifications and requirements of each variety.
5. Develop the local spinning and weaving industries.
6. Tighten control over the transfer of seeds between governorates to prevent seed mixing.
7. Apply good agricultural practices.
8. Coordinate with the relevant ministries to agree on an indicative price before the planting season commences to encourage farmers to grow quantities needed by the local industry and traders.
9. Ensure that regulatory agencies crack down on black market trade in cotton with unfair prices.
10. Prepare annual economic studies that determine the production area needed based on the industry's need.
11. Encourage the spinning industry to use Egyptian long-staple cotton to reduce imports.
12. Develop new varieties to increase yields.
13. Intensify the promotions of Egyptian cotton in international markets, protect Egyptian cotton, and define the role of the concerned authorities that work in planting, trading, and cotton-related industries.
14. Limit the growing of cottonseed for plantations to certain farmers based on contracts with government.
15. Provide urgent solutions to farmers facing seed shortages, especially for those growing long-staple varieties.
16. Punitive measures to certified seed farmers who decide to sell their crop to traders, including failure to provide seeds or deliver the seeds to MALR's Central Administration for Seed Production (CASP).
17. Stop all agricultural services to seed farmers that violate the contract terms with MALR.
18. Establish seed distribution and collection centers by CASP, identifying selling and buying prices.
19. CASP serves as the sole entity responsible for inspecting and certifying seed production.

FAS/Cairo believes that the government is serious in implementing this policy as it has been discussed and approved by higher authorities, including the president and the parliament.

MY2016/17 Subsidy Regime*:*

After the government reformed its subsidy regime, by which it used to provide cash payments to the textile industry so that entities in this subsector would buy the cotton production at an announced price, 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 said prices, and in no way a price support or commitment from the government to buy the crop.

Before the planting of the MT2017/18 crop commenced, MALR announce an indicative price of EGP 2050 ($114) per qintar ($552/bale) for the long-staple variety Giza 86. MALR did not announce indicative prices for the extra-long staple varieties or for the short and medium-staple varieties grown in Upper Egypt.

To avoid seed mixing, on February 14, 2017, Ministerial Decree Number 1340/2016 was published in Egypt's Gazette regarding cottonseed to be used for next year's crop. The decree stipulates that seed cotton production is only permitted to farmers who signed contracts with the government based on the Ministerial Decree 277/2016, which stipulates areas eligible for growing cotton varieties. Under the decree, the CASP will sign contracts with eligible farmers and buy back the production at the following prices: Extra-long staple varieties, Giza 87, 88 and 92 at EGP 1,700 ($94) per qintar (or $458/bale); long-staple varieties Giza 86 and 94 at EGP 1,500 ($83) per qintar (or $404/bale); and short and medium-staple varieties of Giza 90 and 95 at EGP 1,300 ($72) per qintar (or $349/bale). The government will also pay a premium of EGP 20 if the cotton is Egyptian Grade" Good + 1/4"), and an extra EGP 20 per qintar for cotton graded 1/4 higher.

In MY2016/17, the government delayed the announcement to May 10, 2016, two months after most cotton was planted. The government tried to encourage the textile industry to contract the harvest before the planting season, ensuring farmers would be able to market their crop. However, the industry reacted with aversion, prompting the government to intervene and buy the production through the Holding Company for Spinning, Weaving and Textiles (HCSWT). The prices it offered were as follows: EGP 1,100 ($61) per qintar (or $296/bale) for short and medium-staple varieties grown in Upper Egypt (Giza 90 and Giza 95), EGP 1,250 ($69) per qintar (or $337/bale) for long and extra-long staple varieties grow in the Delta region (Giza 86 and Giza 94), and EGP 1,450 ($81) per qintar (or $393/bale) for seed cotton (table 2).

However, soaring prices prevailed in the market place, triggering farmers to refrain from delivering their crop to HCSWT, and preferring to sell it to traders, who were offering premium prices. On the other hand, the HCSWT was not able to compete and offer similar prices, stating that it had budget limitations.

In order to discourage seed producers from selling their crop to traders, MALR intervened by mandating that its agricultural cooperatives increase the seed cotton price from at EGP 1,450 ($81) per qintar (or $391/bale), to EGP 1,700 ($95) per qintar (or $458/bale) in August 2016. It was forced again to increase the price to EGP 2,700 ($150) per qintar (or $727/bale) in October 2016.

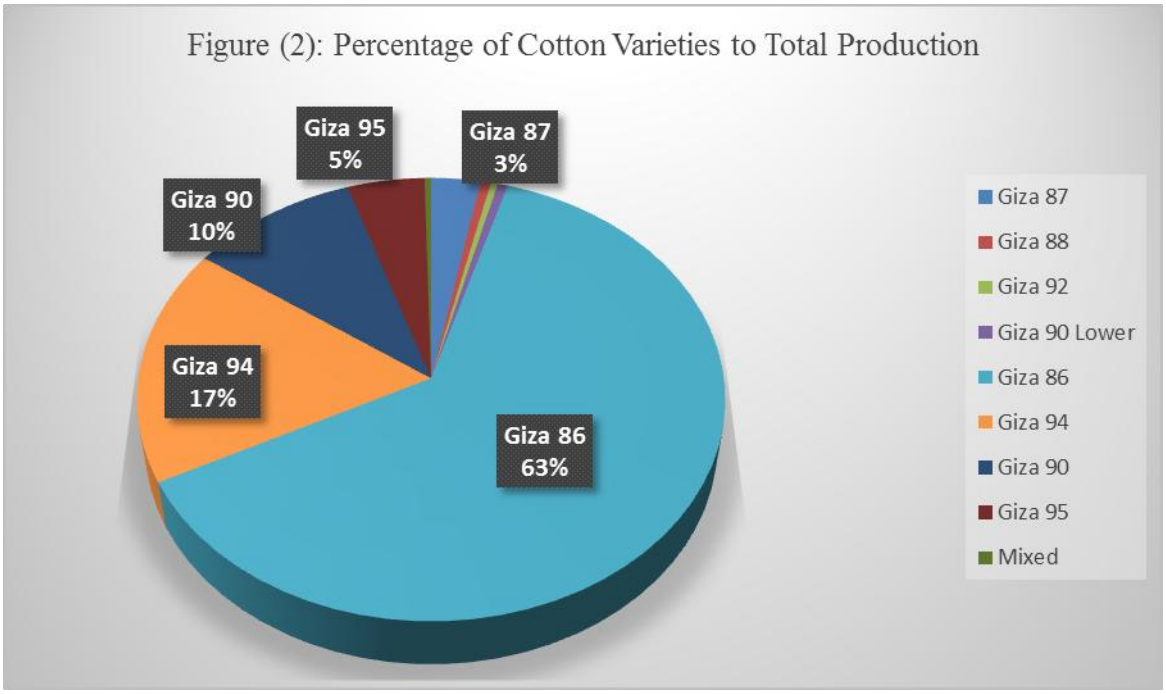
Table (2): Egyptian Government's Indicative Prices Announced And The Actual Selling Prices Paid for Seed Cotton Used For The 2017 Crop			
	Gov's Indicative Prices Announced MY2016/2017 Price per Bale in EGP	Actual Selling Prices Paid by the Gov. MY2016/17 Price per Bale in EGP	Percentage Change in EGP
Extra-Long Staple Varieties	7,032	13,095	116%
Long-Staple Varieties	6,062	13,095	116%
Short & Medium Varieties	5,335	N/A	N/A

Cotton Varieties Planted:

The Central Arbitration and Testing General Organization (CATGO) identifies 10 different varieties of cotton that come under two categories: extra-long staple cotton and long-staple cotton. Long-staple cotton is divided into lower-long staple varieties that grow in the Delta and upper-long staple varieties that grow in Upper Egypt. However, traders and industry identify and market the upper-long staple cotton as medium and short-staple cotton, as it is used to produce the same type of yarns that short and medium-length varieties, like Upland and Greek cotton, yield.

Every year, two months before the onset of the planting season, the minister of agriculture issues a decree that identifies the varieties that are allowed for planting by region, as each variety must be grown in specified areas. In MY2017/18, the minister issued Ministerial Decree 95/2017, identifying the cotton varieties allowed for the season's planting and the areas for each variety. 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 while Giza 90 and 95 are the upper long-staple varieties grown in Upper Egypt and are equal to the medium and short-staple varieties.

Of the extra-long staple varieties, Giza 87 is the most widely grown, accounting for 3 percent of Egypt's total cotton production in MY2016/17, while of the lower long-staple varieties grown in delta region, Giza 86 is the most widely grown accounting for 63 percent, followed by Giza 94 accounting for 17 percent of Egypt's total cotton production. Of the upper-long staple varieties grown in Upper Egypt, which are equal to medium and short staple cotton, Giza 90 is the most widely grown, accounting for 10 percent of Egypt's total cotton production, followed by Giza 95 accounting for 5 percent of Egypt's total production (See figure2).



MALR's Cotton Research Institute announced plans geared towards expanding the area planted with Giza 95, a medium-staple variety, from 2,100 ha to 42,000 ha in the coming years to meet the needs of the spinning industry. The expansion would mostly occur in reclaimed desert land under the government's program to reclaim 1.5 million acres. How successful this plan actually turns out to be, only time will tell. The Egyptian textile industry needs yarn produced from short and medium-staple cotton to produce most of its garments such as t-shirts and denim products including jeans, and other products. Finer Egyptian cotton is used for bed sheets and more expensive clothing.

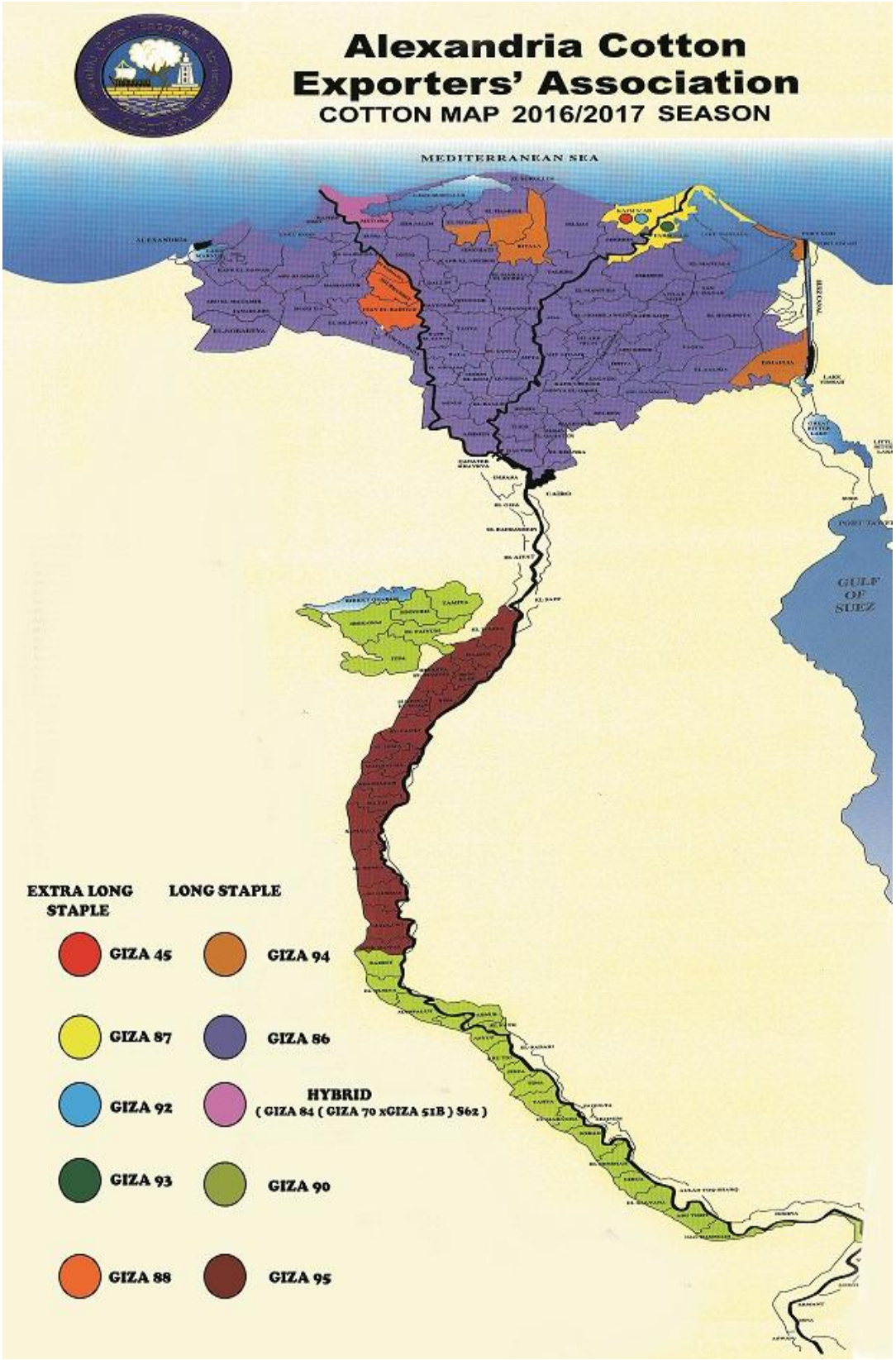


Figure (3): Cotton Map 2016/17

Consumption:

In MY2017/18, FAS/Cairo forecasts local consumption of lint cotton to increase by 5 percent or 30,000 bales at 620,000 bales. Local consumption is estimated at 590,000 bales of lint cotton in MY2016/17. Post attributes the increase in local consumption to the increase in demand from local spinners who are increasing their production to benefit from the high return of yarn exports after the devaluation of the Egyptian pound and the strengthening global demand for Egyptian cotton.

Expectations of much higher consumption growth after the floating of the Egyptian pound did not materialize. Several factors account for this including the lingering inability of spinners to secure foreign exchange to import raw cotton and increased electricity costs as part of the government's subsidy reform program. Moreover, big retailers who source their finished products have yet to show marked, new interest in garments that are Egypt-sourced as prices are still relatively more attractive from other origins.

The majority of cotton consumed locally is short and medium-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 MY2016/17, cotton imports are forecast to drop by 20 percent to a record 420,000 bales, down by 105,000 bales from MY2016/17's imports of 525,000 bales. Post attributes this drop to the increase in local cotton production, the devaluation of the Egyptian pound increasing importers' costs, inability to source foreign currency, and tepid overseas demand for Egyptian yarn and garments.

The increase in local cotton production from 175,000 bales to 340,000 bales will ease local cotton prices. This will encourage traders and yarn manufacturers, especially those using extra-long and long-staple varieties, to source their needs from the local cotton industry. However, yarn manufacturers who are dependent on short and medium-staple varieties will maintain their import levels to meet their domestic and international needs. Industry sources confirm that yarn producers can use the Egyptian long-staple cotton in lieu of imported short and medium-staple cotton if the prices of local cotton are more competitive than those of imported cotton.

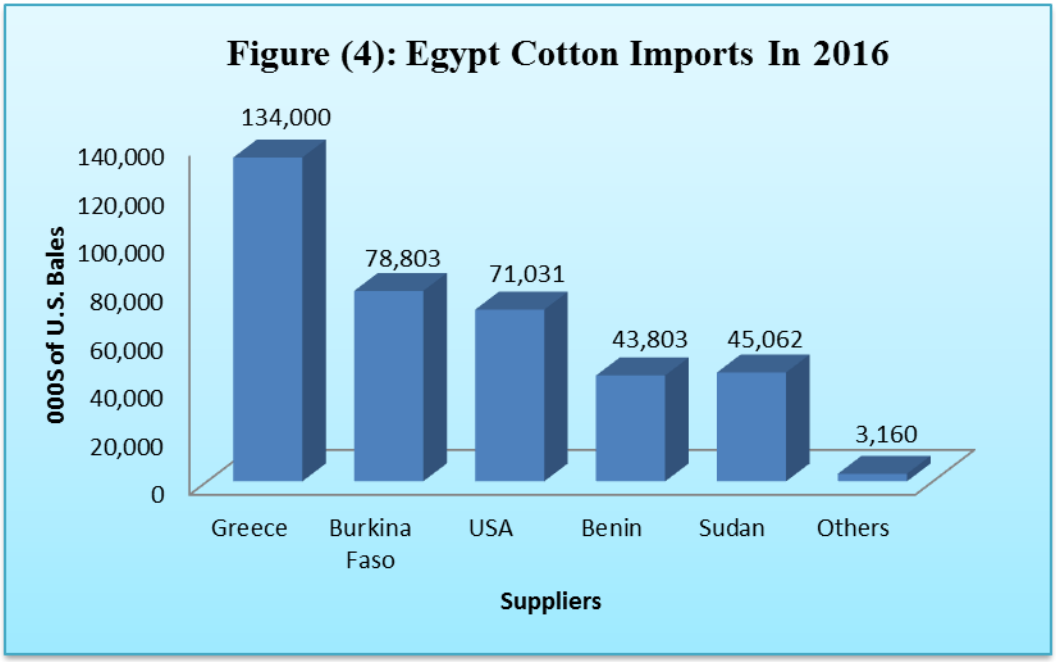
In 2016, U.S. cotton exports of lint cotton to Egypt dropped by 16 percent or $6.54 million to reach $33.47 million compared to $40.015 million in 2015. Volume dropped by 27 percent or 26,855 bales to 71,031 bales compared to 97,886 bales in 2015. The drop in U.S. cotton exports was a result of the decline in Egypt's total imports of all commodities due to the forex problems that prevailed in 2016. Egypt, which relies heavily on imports, has been facing a shortage of foreign currency since the 2011 revolution, which drove away tourists and investors, two major sources of hard currency. Importers found it difficult to source their dollar needs to pay for their shipments, as the government instituted a series of measures to tackle the forex drainage Cotton GAIN Annual Report 2016 .

Table (3): U.S. Exports of Cotton to Egypt

		CY2014		CY2015		CY2016	
HS Code	Product	Value	Qty	Value	Qty	Value	Qty
5201009000	CT,NT PMA,>28.58	14,596	22,776	32,013	83,523	23,869	56,676
5201002030	PIMA,ETC,>28.58	6,035	7,054	5,701	7,564	9,604	14,354
5201001090	CT,>25.4,<28.58	7,102	16,252	2,301	6,799	0	0
	Total	**27,734**	**46,082**	**40,015**	**97,886**	**33,473**	**71,031**
Quantities in U.S. bales	Values in Thousands of Dollar				Source: GTIS		

In MY2016/17, Greece, Burkina Faso, the United States, Benin and Sudan were Egypt's main cotton suppliers and are expected to remain so in MY2017/18. According to Egypt's Central Agency for Public Mobilization and Statistics (CAPMAS), in 2016, Greek exports were 134,000 bales representing 36 percent of Egypt's total cotton imports; Burkina Faso's exports were 78,803 bales or 21 percent; the United States' sales were at 71,031 bales or 19 percent; Benin exports were at 9,839 bales representing 12.3 percent, and Sudan's exports were at 9,564 bales or 11.7 percent of Egypt's total imports.

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 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 this U.S. variety has led traders and yarn manufacturers to source their needs from neighboring countries like Greece and Sudan and from West Africa.



Source: GTA/CAPMAS

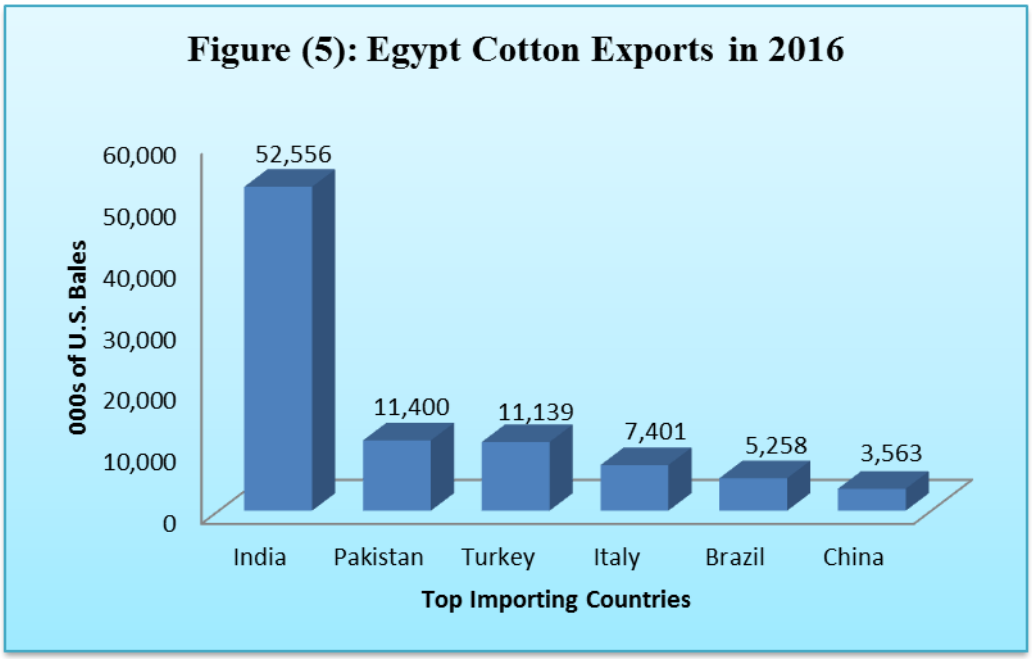
Exports:

In MY2017/18, FAS/ Cairo forecasts Egypt's total lint cotton exports to increase by 66 percent or 80,000 bales to reach 200,000 bales. Post attributes the increase in Egypt's total lint cotton exports to the increase in local production, demand from international buyers, and attractiveness of Egyptian products given the weakening of the Egyptian pound to the U.S. dollar.

On November 3, 2016, the government floated the Egyptian pound against the U.S. dollar. The currency was initially devalued to EGP 13 per USD as an indicative price, down from the pegged rate of EGP 8.88 per USD, which had been in place since March 2016. It has since toppled further, and is now hovering at EGP 18 per USD as of late March, 2017.

Spurred by the fact that Egypt's products including cotton became less expensive in the course of 2016, demand for this product increased in MY2016/17 and is expected to continue through MY2017/18. The implementation of an accreditation system for Egyptian cotton following the fraudulent labelling by a major Indian textile company will improve demand as retailers are requiring companies to attest to the validity of such claims.

In MY2016/17, post estimates Egypt's total lint cotton exports at 120,000 bales. India, Pakistan, Turkey, Italy, Brazil and China were Egypt's top export destination in MY2016/17 and are expected to remain so in MY2017/18. India is the main importer of Egyptian cotton varieties, sourcing close to 40 percent of Egypt's total lint cotton exports (figure 5).



Source: GTA/CAPMAS

This year and for the first time ever, Egypt was able to export short and medium-staple varieties grown in Upper Egypt. According to CATGO, from September 2016 to March 2017, Egypt had total export commitments of 16,709 bales of Giza 90 and 95; this represents 58 percent of Egypt's total production of these varieties. Out of these commitments, Egypt shipped a total of 10,074 bales of which 6,274 bales were Giza 90 and 3,800 bales of Giza 95.

The Egyptian Ministry of Industry and Trade (MoIT) and the Alexandria Cotton Exporters' Association (ALCOTEXA), owners of the trademarked Egyptian Cotton logo (figure 6), 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. CEA monitors the quantities purchased and sold by each licensee, mapping their sales and establishing a traceability system. CEA verifies and ensures that quality and standards in using the logo are met, conducting random auditing visits 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 follow-ups with the manufacturers and retailers if issues arise.

Figure (6): 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 will end in June 2017. Sources at ALCOTEXA expressed to FAS/Cairo their concerns over renewing the contract. ALCOTEXA concerns surfaced after CEA licensed the Egyptian cotton logo to the Indian company that was caught falsely labelling its products under the guise of being 100 percent Egyptian cotton. It is not confirmed that 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 at least one month 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 needs to be re-exported to a third destination.

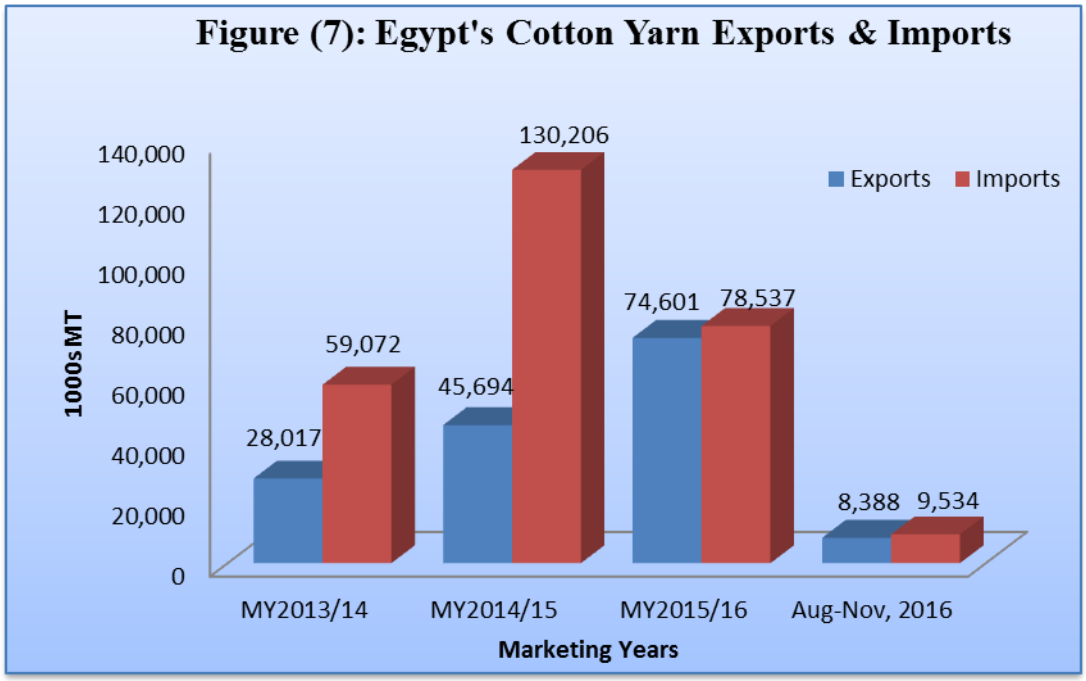
Egypt's cotton import regulations stipulate that imported cotton should be free from whole or broken seeds or foreign materials (Article 51 of the Egyptian Plant Quarantine Rules & Regulations: Ministerial Decree number 3007/2001). When a shipment is found to have whole or broken seeds (even if one seed is found in the baled cotton) it will not be released. The importer can either destroy it under the supervision of CAPQ or re-export it to another destination or its country of origin. If the importer decides to re-export, he will receive a certificate from CAPQ addressed to the destination stipulating the reason for its rejection.

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, if necessary. 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 done, two CAPQ inspectors travel and inspect the shipment prior to its departure from port of origin. Although pre-shipment inspection is optional, some importers prefer to bear the cost which serves as an insurance policy of sorts by sending inspectors to avoid delays at the port of entry.

Value-Added Cotton:

In MY2015/16, Egypt cotton yarn exports increased by 63 percent or 28,907 MT, totaling 74,601 MT compared to 45,694 MT in MY2014/15. However, from August through November 2016, Egypt cotton yarn exports dropped by 12 percent or 1,146 MT to reach 8,388 MT compared to 9,534 MT during the same period in 2015 (figure 7). Italy, Turkey, Portugal, France, Switzerland, Brazil, Germany, Pakistan, Bangladesh, Belgium and United Kingdom were Egypt's main export destinations.

In MY2015/16, Egypt cotton yarn imports dropped by 40 percent or 51,669 MT to reach 78,537 MT compared to 130,206 MT in MY2014/15. From August through November 2016, Egypt cotton yarn imports dropped by 29 percent or 7,466 MT to reach 18,155 MT compared to 25,621 MT same period in 2015. India, Turkey, Pakistan and China were Egypt's main cotton yarn suppliers.



Source: GTA

Egypt has a total of 2,525 textile plants. Of these, there are 25 government-owned and 2,500 private companies. The 25 government-owned companies are affiliated with HCSWT, and most of them are working in spinning and weaving with around 65,000 employees producing 35 percent of Egypt's textile production. The 2,500 private companies are mainly small-to-medium operations, mostly involved in garment manufacturing. The private companies employ around 1.135 million workers and account for 65 percent of Egypt's textile production.

Egypt's textile industry faces serious problems and has been in decline over the last 30 years. Much of the industry and the government-owned segment in particular, suffer from lack of renovation, high input prices and limited skilled labor. The industry lacks the modernization needed to increase productivity. Most of the 25 government-owned companies are equipped with the same machines they were fitted with back in the 1960s.

In an effort to renovate the textile industry, in late 2015 Egypt signed a deal with US-based Werner International, a management consultancy firm to the textile, apparel and fashion industries to restructure the 25 state-owned textile companies. According to the Egyptian government, Werner, in cooperation with another Egyptian consultant, is contracted to conduct a study on ways to develop and restructure the companies. In early February 2016, Werner began its work with field visits, expecting to finalize the study in early 2017. However, in early March 2017, the HCWST said that Warner would need to modify the study to reflect the impact of Egyptian pound's devaluation. The study was projected to be finalized by the end of March 2017.

Table (4): Statistical Position of Egyptian Cotton MY2016/2017								
Variety	Beginning Stock at Season 2106/17 until October 19, 2015	Estimated Crop Season 2016/17	Total Supply	Distributed		Total Distributed	Remaining in March 12, 2017	Shipping Season 2016/17 until March 11, 2017
				Mills Deliveries Season 2016/17 until March 8, 2017	Export Commitment Season 2016/17 until March 8, 2017			
Giza 45	63	0	63	40	12	53	10	12
Giza 70	2	0	2	0	0	0	2	0
Giza 87	4,197	5,512	9,709	919	1,699	2,618	7,092	417
Giza 88	1,926	1,145	3,071	521	2,318	2,839	233	414
Giza 92	0	795	795	0	0	0	795	0
Giza 93	12	0	12	0	12	12	0	12
Giza 86	120,419	116,714	237,133	75,572	89,711	165,284	71,849	59,612
Giza 94	9	32,084	32,093	6	13,510	13,516	18,578	7,005
Giza 80	0	0	0	0	0	0	0	0
Giza 90	2,078	19,950	22,029	1,348	11,901	13,249	8,780	6,274
Giza 95	665	8,634	9,299	530	4,808	5,339	3,960	3,800
Mixed	20	733	753	20	239	259	494	239
Total	**129,392**	**185,567**	**314,959**	**78,957**	**124,210**	**203,167**	**111,792**	**77,786**

Table (5): PSD

Cotton	2015/2016		2016/2017		2017/2018	
Market Begin Year	**Aug 2015**		**Aug 2016**		**Aug 2017**	
Egypt	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Planted	0	0	0	0	0	0
Area Harvested	100	100	55	55	0	110
Beginning Stocks	189	189	179	179	0	169
Production	320	320	175	175	0	340
Imports	450	450	525	525	0	420
MY Imports from U.S.	0	0	0	0	0	0
Total Supply	959	959	879	879	0	929
Exports	150	150	120	120	0	200
Use	620	620	580	580	0	610
Loss	10	10	10	10	0	10
Total Dom. Cons.	630	630	590	590	0	620
Ending Stocks	179	179	169	169	0	109
Total Distribution	959	959	879	879	0	929
(1000 HA) ,1000 480 lb. Bales						