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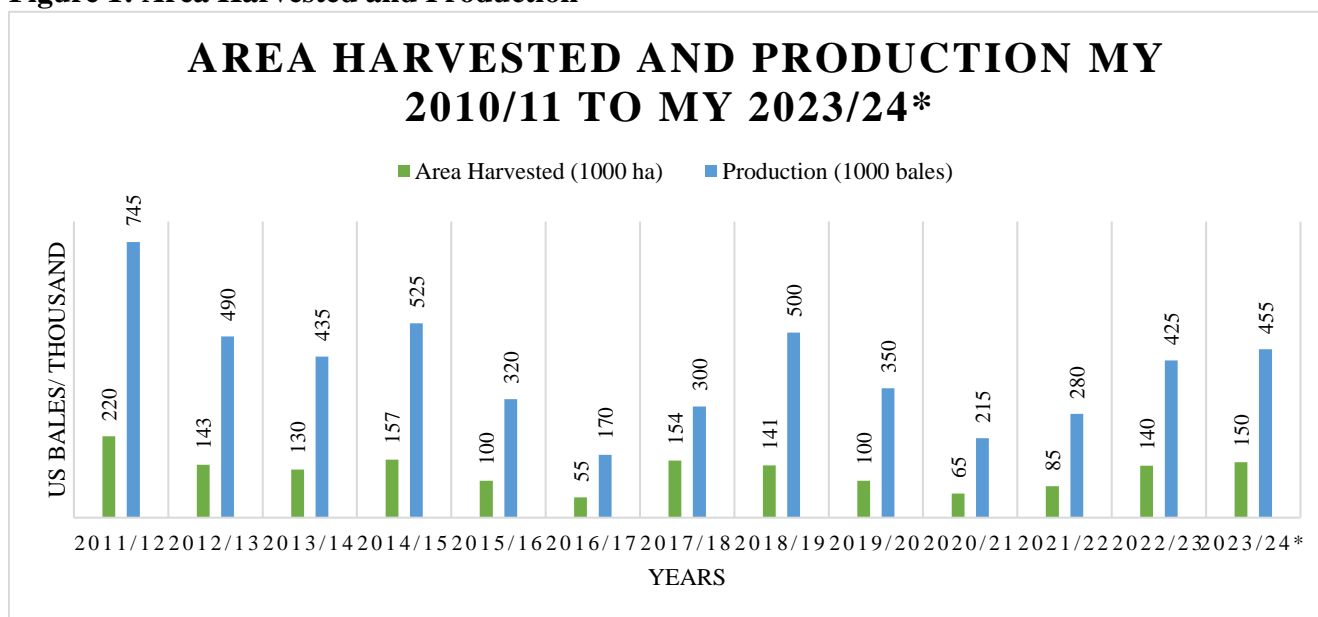
Report Highlights:

Like many countries in the world, Egypt has been greatly affected by the Russian war on Ukraine, which has caused strain on the Egyptian economy. In 2022, the Egyptian government struggled to rein in inflation caused by rising food and energy prices. In October 2022, Egypt decided to sharply devalue the currency by the end of 2022, inflation reached almost 22 percent. This greatly affected the cotton industry by low international demand for cotton and challenges with imports. Quantities for domestic use of local cotton have massively increased to address the limited imports and high prices caused by the high exchange rate of the US dollar. The cotton industry has also experienced a change in the way Egyptian farmers buy cotton. Currently, the farmers buy via an auction, which was created to try and guarantee the highest returns for cotton growers. Therefore, the purchase prices are high, and area is expected to increase as farmers were incentivized to plant more.

FAS/Cairo (Post) revises MY 2022/23 figure of cotton area harvested to 140,000 hectares (ha) instead of 97,000 ha due to higher cotton prices. Post forecasts MY 2023/24 cotton area harvested at 150,000 ha, an increase of seven percent compared MY 2022/23. As for production, Post revises MY 2022/23 to be 425,000 US bales due to increased harvested area. Post estimates MY 2023/24 production at 455,000 US bales, a seven percent increase over revised MY 2022/23 production.

The increase in harvested area is mainly due to higher prices of cotton in 2022, which has remained high through 2023. The increased prices incentivized farmers to continue planting cotton, particularly since Egyptian cotton farmers now buy via an auction, which is specifically dedicated to cotton purchases. This was created to try to guarantee the highest returns for the cotton growers. Under the new system, cotton is graded by the Cotton Arbitration and Testing General Organization (CATGO) and sold at auctions. The initial price before bidding varies depending on the quality of the cotton and referencing the international cotton prices. This new system has offered farmers high prices compared to the old system, where the government set a fixed price for cotton each year before the cultivation season.

Figure 1: Area Harvested and Production



Source: FAS/PSD, *FAS forecast

Egyptian Cotton Prices Updates

Egyptian cotton prices recorded at the latest auction (February 2023) at an average of 5,600 Egyptian pounds (EGP)/quintar (\$182) for Giza 94. Giza 95 reached 6,000 EGP/quintar (\$195) and Giza 96 at 7,900 EGP/quintar (\$257). Before the auction system, average prices varied around 2,500 EGP/quintar (\$82) for the lower-long staple cotton and 5,000 EGP/quintar (\$163) for upper-long staple varieties. (Note: 1 quintar equals 50 KG of lint cotton. 1 USD exchange rate until October 2022: 15.7 EGP; current exchange rate after devaluation: 30.63)

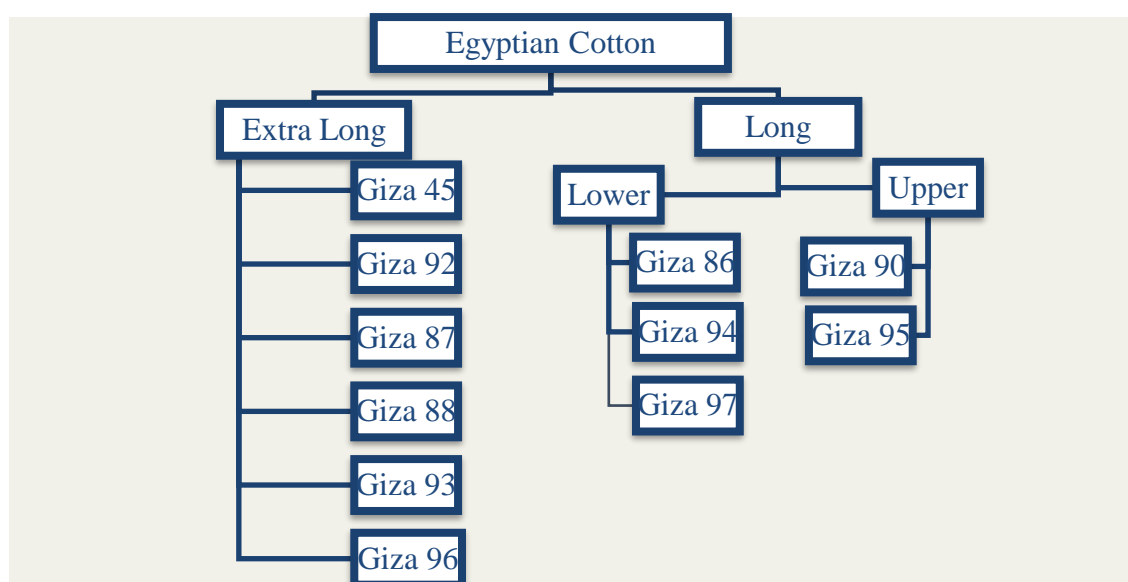
Table 1: Cotton Prices in MY 2019/20 and MY 2020/21 and Percent Change

	MY 2021/22 Price per Bale in EGP	MY 2022/23 Price per Bale in EGP	Percent Change in EGP
Extra-Long Staple Varieties	23,690	31,190	+32%
Long-Staple Varieties	20,160	32,250	+60%

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 yarn that upland produces. Figure 2 shows the different Egyptian cotton varieties.

Figure 2: Egyptian Cotton Varieties



Source: FAS Cairo

Typically, two months before the onset of the annual 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, 93 and 96. The varieties of long staple cotton include Giza 86, 94, 97 (a relatively new variety cultivated in very small areas), 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. For MY 2023/24 the decree issued by the Ministry of Agriculture identified four long staple varieties including Giza 94, 97, 86, 95. As for the extra-long, the Ministry determined Giza 96 and 92 to be

cultivated. Figure 3 shows images of the different Egyptian cotton varieties. Figure 4 demonstrates the Egyptian cotton map for MY 2022/23.

Figure 3: Images of the Egyptian Cotton Varieties



Source: CATGO

Figure 4: Cotton Map 2022/23



Source: ALCOTEXA

Government Efforts to Improve Cotton Quality

In 2017, the Egyptian government took control of the production and distribution of cottonseed, which in the past was handled by the private sector. The government was forced to intervene, as Egyptian cotton's reputation and quality had deteriorated significantly due to a lack of effective quality assurance systems by local seed companies that resulted in inferior, mixed variety output.

The quality and the physical properties of the MY 2018/19 cotton harvest improved significantly and improved again in MY 2019/20 as a result of the government's intervention. Analysis on the physical fiber properties of Egyptian cotton varieties released by CATGO confirmed that the length, strength, firmness, color, trash count and maturity continued to improve in cotton produced through MY 2022/23.

Cotton Production Policy Revised

In early 2017, the government announced the 19-step plan as an effort aimed at reversing the Egyptian cotton industry's decline. More information on the reform efforts is available [here](#). The Ministry's efforts have been largely successful, and have:

- 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: Industry contacts indicate 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.

Consumption

Post is revising up MY 2022/23 consumption figure to 615,000 US bales instead of 500,00 US bales. Post attributes the increase of the consumption quantities due to spinner purchasing domestically, rather than importing as a result of Egypt's lack of US dollar. Egypt, like many countries, has faced consequences from Covid-19 and the Russian war in Ukraine. As a result, the Egyptian government struggled in 2022 to rein in inflation caused by rising food and energy prices. Nonetheless, Egypt is suffering from a lack of US dollars, which has put pressure on the Egyptian pound and has significantly slowed imports, on which Egypt is heavily dependent.

In October 2022, Egypt decided to devalue the Egyptian pound sharply and by the end of 2022, inflation reached almost 22 percent, and the Egyptian pound had lost 57 percent of its value. The floating of the Egyptian pound and the removal of subsidies (most notably fuel subsidies) put upward pressure on prices across the food sector. This affected all import quantities and prices including cotton.

Accordingly, there was no significant difference in prices between domestic and imported cotton. Furthermore, the unavailability of US dollars discouraged traders to import, especially as cotton is not perceived by the government as a strategic commodity.

Post forecasts the consumption in MY 2023/24 to decrease by seven percent at 570,000 US bales. However, this is still considered relatively high compared to normal domestic consumption, as it is unlikely that the exchange rates of the Egyptian pound and US dollar will improve.

Post attributes the decrease in local consumption to the decline in demand from public spinners due to the renovation program which the Egyptian government initiated in 2022 to public spinners, through replacement, consolidation, and expansion. Since then, public spinners are not working at their full capacities.

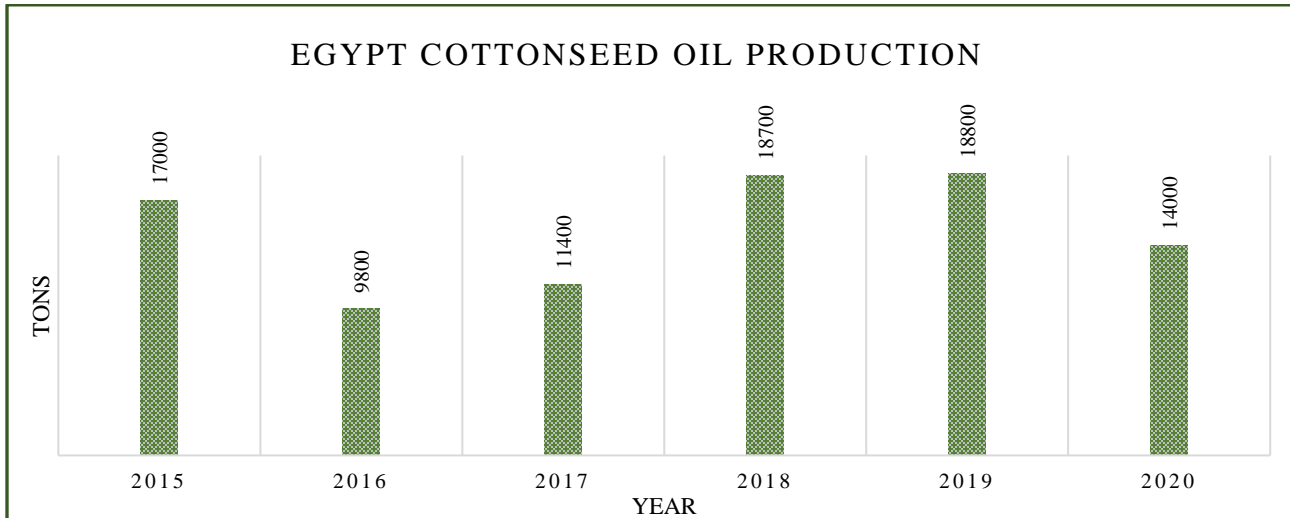
Local media continues to report on Egypt's plans to set up

<https://gcc02.safelinks.protection.outlook.com/?url=https%3A%2F%2Fegyptindependent.com%2Fegypt-to-establish-worlds-largest-textile-factory-in-mahalla%2F&data=05%7C01%7COmarSR%40state.gov%7C0f5500a8685a48ae392308da2202d0b7%7C66cf50745afe48d1a691a12b2121f44b%7C0%7C1%7C637859692737575881%7CUnknown%7CTWFpbGZsb3d8eyJWljojMC4wLjAwMDAiLCJQIjoiV2luMzliLCJBTiI6I6k1haWwiLCJXVCi6Mn0%3D%7C3000%7C%7C%7C&sdata=it4duCjxkBJC6sFOZILTzS60MiQ74j6g4560TqGB0Tg%3D&reserved=0> a large spinning and weaving factory in Mahalla al-Kubra, at a cost of about 900 million EGP (\$57 million). More information on the media report is available [here](#). The project, if finalized, will mark a major step towards further developing the Egyptian textile industry by investing more than 21 billion EGP (\$1.3 billion) over two years. There are still plans to develop similar factories in Cairo, Kafr al-Dawar, and the Delta region in the future.

Usually, most of the domestic cotton consumed locally is upper-long staple varieties, whether Giza 90 and 95 is produced locally or varieties 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.

Egypt also utilizes cottonseed for oil extraction. Contacts declared that cottonseed oil production has been a vital byproduct for cotton and the government is seeking expansion. Especially with the rise in global oil seeds prices, cottonseed oil can provide an affordable alternate.

Figure 5: Egypt Cottonseed Oil Production 2015 – 2020



Source: FAOSTAT

Trade

Imports

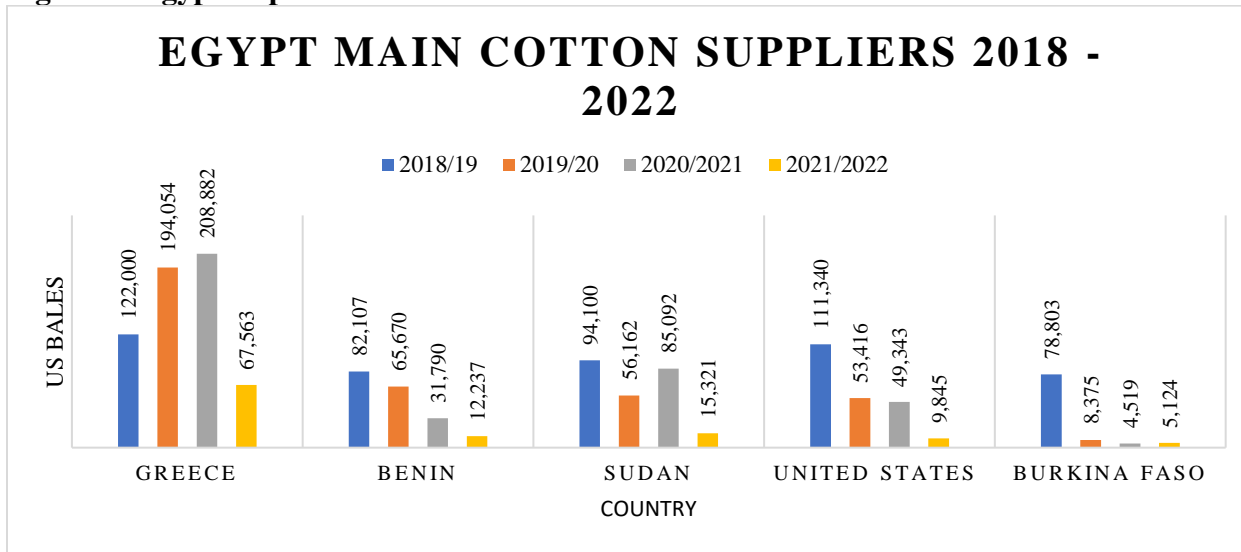
Due to the economic challenges that were mentioned under the consumption section, Post is revising down imports of MY 2022/23 by 50,000 US bales to reach 500,000. In MY 2023/24 Post forecasts cotton imports at 450,000 US bales, down by 50,000 US bales. Post expects that imports will continue to be affected by the strained economic situation. The Egyptian pound, which has lost half of its value since March 2022, has currently reached a new low of 30 Egyptian pounds against the US dollar. With the Central Bank of Egypt shifting to a flexible exchange rate regime, it could cause further devaluation of the Egyptian pound and lead to further financial struggle for the economy. The cotton importers who can maintain their flow of imports are those who are exporters as well; thus, importers would be able to redirect the export cash revenues in US dollars to reimburse for the imports.

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, spinners were obliged to source their needs from domestic production due to the disruption of the importation process, in addition to the higher prices of imported cotton.

In MY 2022/23, Greece, Benin, Sudan, the United States, and Burkina Faso were Egypt's main cotton suppliers and are expected to remain the same in MY 2023/24.

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

Figure 6: Egypt Imports of Cotton



Source: Trade Data Monitor

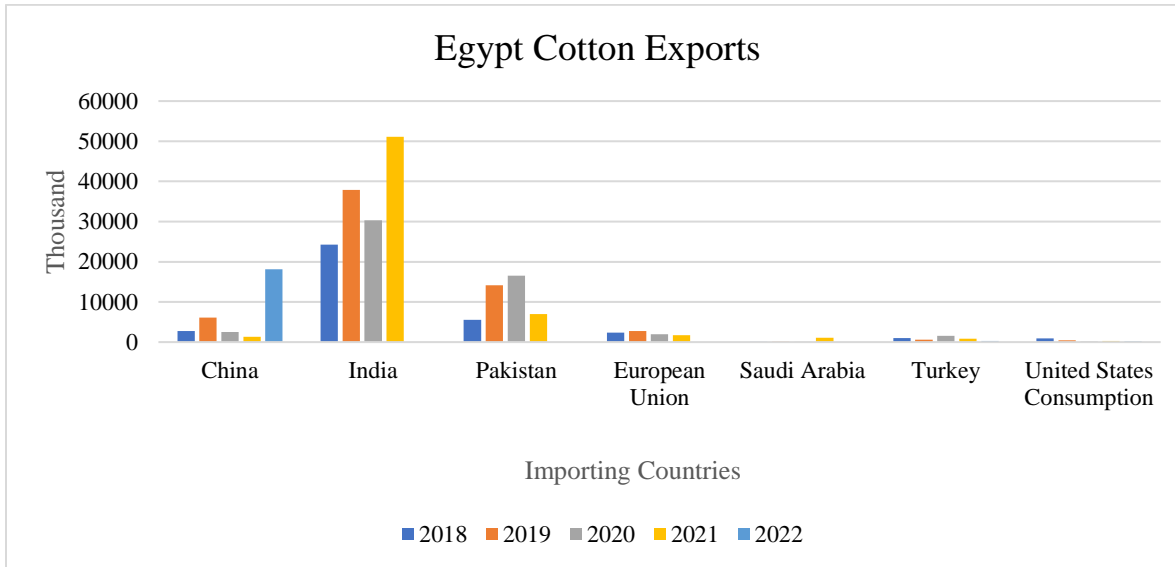
Exports

Post forecasts Egypt’s total lint exports in MY 2023/24 to remain unchanged from MY 2022/23 at 300,000 bales. Exports of cotton are facing challenges due the decreased international demand on cotton, which is considered relatively low given the high production. The Russian war in Ukraine has created disruption in the global markets, and the cotton market (which is experiencing tight supply), is seeing uncertainty and added volatility due to decreased demand and ripple effects from higher energy prices in Europe. More importantly, as many European Union (EU) countries depend on wheat and energy products from Russia and Ukraine, increased prices of these commodities have influenced the overall markets and consumer confidence. Moreover, as Europe is the major end consumer of Egyptian cotton, utilizing cotton yarns in garments and textiles imported from India has disrupted Egyptian exports to India as the EU is purchasing less yarn from India. However, contacts declared that they are impatiently waiting for China to open its market for exports. Additionally, the price of the Egyptian cotton is relatively competitive compared to the international prices. The average price of Egyptian cotton as of February 2023 was 116.5 cents/pound (lb) compared to 200 cents/lb for the U.S. pima cotton.

In MY 2021/22, exports of cotton lint were higher than expected. In July 2021, Post revised export quantities to 320,000 bales from the initial projection of 260,000. Post attributed this increase mainly to higher cotton demand in 2021 as result of pandemic shutdown recovery. The demand is still high, though stabilizing, and is why exports are forecasted higher than normal, but slightly less than last year.

In MY 2022/23, India remains the number one importer of Egyptian cotton, with Pakistan, Bangladesh, Turkey, and Italy also importing Egypt’s production. In MY 2023/24, India is expected to remain the major importer of Egyptian cotton. If China opens its market for Egyptian cotton (as expected), Egyptian cotton exports would find an alternative with China over India (See Figure 7).

Figure 7: Egypt Exports of Cotton



Source: Trade Data Monitor

In MY 2022/23, Egypt mainly exported lower-long staple varieties. Out of the long staple varieties exported, 70 percent was Giza 94 and 14 percent was Giza 86. Upper-long staple variety, Giza 95, made up 13 percent of the total long staple varieties exported.

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 was Giza 86. Four percent of the total exports were 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 (see Figure 8), 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. 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 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 they 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 8: 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. ALCOTEXA's expressed concerns after CEA licensed the Egyptian cotton logo to an Indian company that was accused of misusing the Egyptian cotton label.

Trade Policy

Importers must apply for an import permit from the Ministry of Agriculture and Land Reclamation (MALR) Central Administration for Plant Quarantine (CAPQ), which is valid for one year. Egypt imposes zero import tariffs on raw cotton and 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 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 less than three months 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 and foreign materials (Annex 15: of the Egyptian Plant Quarantine Rules & Regulations: Ministerial Decree 562/2019 attached, Annex 1). 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 the final port of destination.

Egypt also requires that cotton exported to Egypt be fumigated at the country of origin specifically 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 in Egypt

The United Nations Industrial Development Organization (UNIDO) launched in 2019 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 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 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. Starting in MY 2020/21, Egyptian farmers who participated in the BCI Program were 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 2022/2023 - From beginning of season until March 03, 2023								
Variety	Beginning Stock at season 2022/2023	Estimated Crop 2022/2023 (ton)	Total Supply 2022/2023	Distributed		Total Distributed	Remaining in Feb 02, 2021	Shipments Season 2022/2023 until March 03, 2023
				Mills Deliveries Season 2022/2023 From Sep 1, 2022 to March 12, 2021	Shipping Season 2022/2023 until Mar 03, 2022			
Giza 45	12		12		10.00	10.00	2	10.3
Giza 87	50		550		50	50		
Giza 93	2	14	16		16.00	16.00		16.00
Giza 96	437	2651	3088	6.33	2138.00	2144.33	943.67	1635.80

Giza 92	1126	3278	4404	672.89	1970.50	2643	1760.61	1374.00
Total Extra Long	1672	5943	7570	679.22	4184.50	4863.72	2706.28	3033.10
Giza 97	55	3935	3990	166.15	1673.00	1839.15	2150.85	991.00
Giza 94	7775	77914	85689	3113.75	49281.50	52395.25	33293.75	29563.40
Giza 86	951	13709	14660	2167.15	5230.00	7397.15	7262.85	2949.90
Total super cotton	8781	95558	104339	5447.05	56184.50	61631.55	42707.45	33504.30
Giza 95	83	10334.73	10417.73	4922.00	3784.00	8706.00	1711.73	2544.50
Total Giza Cotton	83	10334.73	10417.73	4922.00	3784.00	8706.00	1711.73	2544.50
Total	10493	111835.73	1223328.73	11048.27	64153.00	75201.27	47127.46	39081.90
Mixed & low Mixed ET	37	500	573		83.00	83.00	454.00	83.00
<i>Grand Total</i>	10530	112335.73	122865.73	11048.27	64236.00	75284.27	47581.46	39164.90

Table 3: Production, Supply, and Distribution

Cotton	2021/2022		2022/2023		2023/2024	
Market Year Begins	Aug 2021		Aug 2022		Aug 2023	
Egypt	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	0	0	0	0	0	0
Area Harvested (1000 HA)	85	85	130	140	0	150
Beginning Stocks 1000 480 lb. Bales	149	125	204	145	0	145
Production 1000 480 lb. Bales	280	280	420	425	0	455
Imports 1000 480 lb. Bales	350	550	525	500	0	450
MY Imports from U.S. 1000 480 lb. Bales	0	0	0	0	0	0
Total Supply 1000 480 lb. Bales	779	955	1149	1070	0	1050
Exports 1000 480 lb. Bales	265	320	425	300	0	300
Domestic Use 1000 480 lb. Bales	375	550	525	615	0	570
Loss 1000 480 lb. Bales	10	10	10	10	0	10
Total Dom. Cons. 1000 480 lb. Bales	385	560	535	625	0	580
Ending Stocks 1000 480 lb. Bales	129	0	189	145	0	170
Total Distribution 1000 480 lb. Bales	779	0	1149	0	0	0
Stock to Use % (PERCENT)	25.82	0	19.89	0	0	0
Yield (KG/HA)	717	0	703	0	0	0
(1000 HA), 1000 480 lb. bales, (PERCENT) ,(KG/HA)						

Table 4: Unit Conversions

Unit	Equivalent
1 <i>Quintar</i>	50 kg of lint cotton
1 US bale	480 lbs
	217.724 Kg
	<i>Quintar</i> /4.85
1 <i>Feddan</i>	0.42 Hectares
1 EGP	0.032 USD

Attachments:

No Attachments