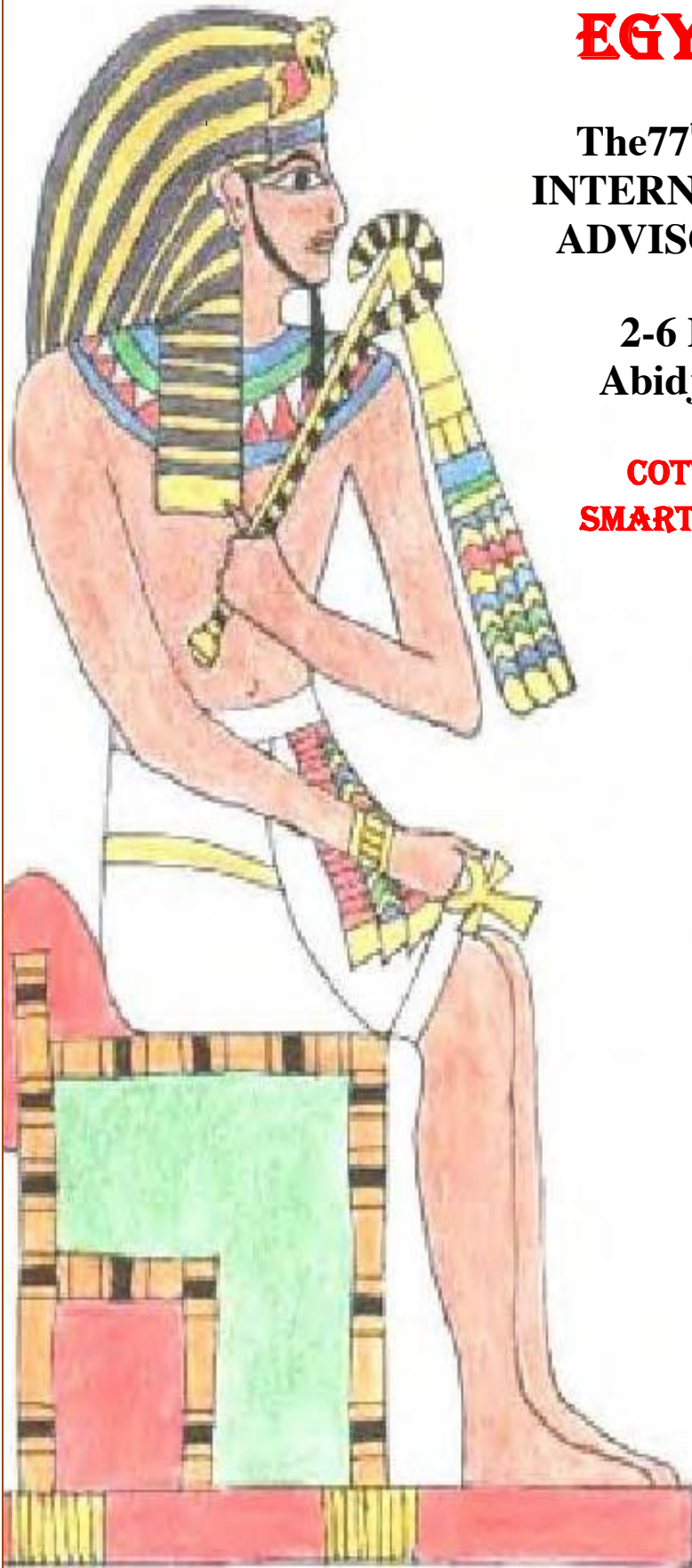

EGYPT REPORT

The 77th Plenary Meeting
INTERNATIONAL COTTON
ADVISORY COMMITTEE

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**COTTON CHALLENGES:
SMART AND SUSTAINABLE
SOLUTIONS**



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Introduction:

It is a pleasure for the Egyptian delegation to present this Egyptian economic report in such a great event. In Egypt, more than one million rural families work in cotton production, over 850 thousand individuals participate in cotton manufacturing and trading and more than 1 million 250 persons serve indirectly in the cotton sector. The exports of cotton and textile products reached around US \$2400 million, while exports of raw lint cotton reached around US \$170 million in 2017/2018 due to the rise of world cotton prices. Egypt is considered one of the founders of the ICAC since 1939. Egypt seeks to face the challenges of cotton value chain and put intelligent and sustainable solutions for its cultivation, manufacturing and trading.

Cotton Challenges:

Smart and Sustainable Solutions

***Challenges facing the sustainability of cotton cultivation and manufacturing in Egypt:**

One of the major challenges facing cotton is the high costs of scientific research in various cotton fields as the development of a new variety may take 15 to 20 years in order to obtain a variety with high yield and excellent qualities to be in line with or exceed the existing Egyptian cotton varieties, moreover should be resistant to diseases and pests and highly adaptable to the agricultural environment and climatic changes.

The competition of low-priced synthetic fibers which resemble the properties of cotton, especially polyester fibers that are widely accepted in manufacturing is considered another challenge facing cotton.

The recent manufacturing technologies added new properties to synthetic fibers to give the same properties of natural fibers to be used to produce fabrics and yarns that compete with cotton products.

Recently, fabrics made of synthetic fibers are distinguished in the process of dyeing and preparation. However, most consumers around the world still prefer garments made from natural fibers.

In addition to the aforementioned challenges, the productive, marketing and manufacturing problems negatively affect cotton production in the world. Therefore, cotton needs more attention from the producing countries to maintain the continuation of its production and manufacturing. Cotton represents a great economic value for Egypt, so that the current government represented by the Ministry of Agriculture, CATGO, Agricultural Research Institute and other concerned parties strive to maintain the development of cotton cultivation systems, production, marketing, manufacturing and exporting as well as the development of spinning and weaving industry, dyeing and other industries based on cotton. The producing countries must expand new industrial zones and provide facilities to meet the many challenges facing cotton. Egypt can overcome the problems of agriculture and production through more interest in scientific research to achieve higher yield and hence increase the return of the unit area.

It is necessary to work on developing the local industries and expanding exports of raw cotton, yarns and fabrics to promote Egypt in order to achieve higher national income for the country.

***The government seeks to find smart and sustainable solutions:**

1-Encouraging Cotton Demand:

-Egypt seeks to promote demand for cotton through encouraging new investments in various cotton fields including production, manufacturing, spinning and weaving and apparel industries. This can be done by holding economic meetings in Egypt that host big investors aiming to establish new factories for processing cotton in the new industrial and free zones. These forums also aim to aid and facilitate procedures for investors through activating the single

window system, in addition to opening new training centers for skilled labor to meet the needs of the new established spinning and weaving plants.

-Furthermore, the government has expanded the cotton cultivated area for the coming seasons in new reclaimed and traditional areas, and also has pumped national investments in various cotton fields. The government aims to retain Egyptian cotton competitiveness among similar varieties through upgrading the national program for developing cotton strains, besides introducing high yield varieties characterized by superior properties such as length, strength and micronaire reading.

Finally, the national program also aims at retaining Egyptian cotton reputation against synthetic fibers, specially polyester, to meet the requirements of different investment fields.

2- Restructuring Spinning and Weaving Companies:

Spinning and Weaving companies are currently being restructured for increasing its production capacity through training skilled labor and modernizing current production lines and introducing new ones.

3- Modernizing the cotton ginning system in Egypt:

Within the framework of the government concern in cotton cultivation sustainability, developing cotton industry and eliminating contaminants in cotton, it has set a plan to develop the public sector ginneries, under the supervision of the Holding Company for cotton, apparel and spinning and weaving. This plan aims to develop 11 ginneries by providing them with the latest cotton ginning stands as well as with updated technological instruments for measuring the quality parameters of cotton to cope with the recent technologies used in developed countries. The Misr ginnery, El-Fayoum Governorate, has already been developed and used as a model for the utilization of developed ginning technology on Egyptian varieties, to be applied on all ginneries of the country.

4-Using the latest technologies in preparation systems:

This is accomplished by the expansion in utilizing the latest technologies in preparation, dyeing and apparel industry to match with the customer desires and the world consumption in international fashion houses.

5- The participation of the private sector:

Currently, the government is carrying out its duties and commitments together with the private sector, towards the development of cotton cultivation and industry and directing the new investments for establishing modern mills as well as developing the production lines in the spinning and weaving mills.

The Planted area season 2017/2018:

It is worth mentioning that nine commercial varieties of ELS and LS cotton have been planted:

- ELS cotton in Lower Egypt (Giza 45, Giza 87, Giza 88, Giza 92 and Giza 96)
- LS cotton in Lower Egypt (Giza 86 and Giza 94)
- LS cotton in Upper Egypt (Giza 90, Giza 95)

- Cotton planted area season 2017/2018 reached around 90963 by hectares against 55254 hectares in season 2016/2017, an increase around 35709 hectares. This increase in 2017/2018 is due to the increase in seed cotton prices in 2016/2017 leading to satisfying revenues received by cotton farmers and producers.
- Giza 94 ranked the first in planted area season 2017/2018 as it reached about 46365 hectares (50.97% of total planted area). It is planted in Upper Egypt as it is a heat tolerant variety with short growing period, high yield and out turn in addition to quality properties that are required by local and international spinners.

- Giza 86 ranked the second in the planted area as it reached about 28560 hectares which represent 31.40% from the total cotton planted area.
- Giza 95 ranked the third in the planted area, as it reached about 6450 hectares which represent 7.1% from the total planted cotton area.
- Giza 90 ranked the fourth in the planted area, as it reached 3554 hectares which represent 3.91% from the total cotton planted area.
- Giza 96 ranked the fifth in the planted area, as it reached 2255 hectares which represent 2.48% from the total cotton planted area.
- Giza 92 ranked the sixth in the planted area, as it reached around 2110 hectares which represent 2.32% from the total cotton planted area.
- Giza 87 ranked the seventh in the planted area, as it reached around 1295 hectares which represent 1.42% from the total cotton planted area.
- Giza 88 ranked the eighth in the planted area, as it reached 350 hectares which represent 0.38% from the total cotton planted area.
- Giza 45 ranked the ninth in the planted area, as it reached 24 hectares which represent 0.02% of the total cotton planted area.
- Intensive efforts are made by the Egyptian Government to maintain cotton sustainability through research programs based on the latest international technologies and plans that aim at producing new varieties, developing commercial varieties and improving yield.

This in turn will help to increase cotton production, achieve the best revenues to cotton producers, enhance lint cotton quality, and make full use of cotton seeds to obtain oil which will fulfill the human demand in addition to the feed for the livestock.

Crop and Yield Season 2017/2018:

In 2017/2018, the cotton production reached 70370 metric tons of lint up by 34070 compared to 36300 metric tons of lint in 2016/2017. The average yield was around 774 kg/ha in 2017/2018 compared to 648 kg/ha in 2016/2017.

- Giza 94 comes to the fore as its production reached 34400 metric tons of lint which represents 48.88 % of the total lint cotton crop.
- Giza 86 reached around 24013 metric tons of lint (34.12% of total lint cotton crop).
- Giza 95 reached around 6100 metric tons of lint (8.67%).
- Giza 90 reached around 1900 metric tons of lint (2.70%).
- Giza 96 reached around 1680 metric tons of lint (2.39 %).
- Giza 92 reached around 1500 metric tons of lint (2.14 %)
- Giza 87 reached around 530 metric tons of lint (0.75 %)
- Giza 88 reached around 240 metric tons of lint (0.34 %)
- Giza 45 reached around 7 metric tons of lint (0.01%)

The demand of local spinning mills for Egyptian cotton.

Local spinning mills were the main consumer of the Egyptian cotton, as it consumed half of the production.

But in recent years, as a result of the trade and industry liberalization and price fluctuations in the global and local markets, the local demand for Egyptian cotton decreased sharply due to its high prices that the local spinning mills could not afford. Therefore, it is substituted by imported cheaper varieties to fulfill the local demand and the spinning mills quota that may consume about 150,000 to 200,000 metric tons of lint.

Local spinning mills received about 19,000 metric tons of Egyptian lint cotton until August season 2017/2018.

The demand of foreign markets for Egyptian cotton.

In 2017/2018, the contracts and commitments on Egyptian cotton reached about 56,000 compared to 39,000 metric tons of lint cotton last season due to an increase in the demand on fine yarns, in addition to the higher demand in some global markets that affected the luxury goods more than the cheap ones.

Egyptian cotton policy

The Egyptian cotton policy is an extension of the policies that were adopted since the beginning of the liberalization of the cotton trade in Egypt. It is based on liberalization in cotton planting, trading, exporting and manufacturing, as the policy allows purchasing and selling of seed cotton in the collecting centers managed by cotton traders that are registered in the committee of internal cotton trading.

The purchasing price of seed cotton is determined according to the domestic market, supply and demand and under the guide prices set by the committee of internal cotton trading which includes cotton producers, traders and representatives of various agricultural sectors.

Seed cotton prices are affected locally by the market mechanism, supply and demand, world cotton prices, demand of local spinning mills, dollar exchange rate, international and domestic economic growth, in addition to the demand of international and domestic markets for ELS/LS cottons and its production, stock and supply.

In 2016/2017 , the prices fluctuated significantly as of Giza 86 started at 130 cent/lb and in the 50th week record the highest price as it reached 160 cent/lb while the export price for Giza 88 started at 156cent/lb and then recorded the highest level at 170cent/lb in the eighth week while in the 15th week it declined to reach 128cent/lb and the season is ended at 156 cent/lb . Giza 94 started the season at 137 cent/lb and recorded the highest level in the 13th week at 167 cent/lb.

In 2017/2018, Giza 94 started at 153 cent /lb then reduced to reach at 131 cent/lb in the 11th week then increased in the 29th week at 147 cent/lb and ended the season with a drop at 132 cent/lb.

Giza 96 started at 166 cent/lb then it recorded its highest level in the 33rd week at 177 cent/lb and ended the season at 167 cent/lb.

Giza 86 increased over than the year before as it reached 141 cent/lb, and then stabilized through the season and ended down at 135 cent/lb.

Outlook for 2018/ 2019:

There is a great concern by the government and different cotton sectors towards modernizing the cotton production system through studying the legislations and laws related to cotton production and marketing in Egypt.

The Egyptian president issued the law no. 4 for the year 2015 for the amendment of law no. 210 for the year 1994 that regulates international cotton trade:-

The propagation varieties are not subjected to the accompanying law, but to be commercialized through the ministry of agriculture and land reclamation only.

The ministry of agriculture and land reclamation issues an annual declaration that identifies varieties, in addition to the terms and procedures of their commercialization, in order to maintain these varieties from free trading according to the market mechanisms.

These regulations must be followed to re-use these seeds for the next season in order to maintain the purity and of seeds prevent mixing or contamination.

Continuous developments are carried out in the free zones through encouraging new investments in cotton fields and activities by increasing the number of spindles, establishing new spinning mills in industrial zones such as the 10th of Ramadan or 6th of October cities and other industrial free zones as Borg El Arab, Damietta and Port Said,... etc.

Earlier in 2015, the ministry of Agriculture and land reclamation adopted a new strategy that aims at reforming the cotton production and marketing system, as it focused on six main factors:-

- 1- Developing new high yield varieties with early maturity properties; as Giza 94, Giza 95 and Giza 96 have been introduced recently.
- 2- Maintaining the genetic purity of currently cultivated varieties by issuing the law number 4 for the year 2015, which concerns the excluding of propagation seeds from the Act 210 for the year 1994.
- 3- Evaluate the actual needs of local spinning mills from lint cotton.
- 4- Evaluate the actual needs of lint cotton for exportation, as required by ALCOTEXA.



- 5- Develop the local ginneries for propagation seeds (for breeder and foundation seeds).
- 6- Reviewing the legislations and laws concerning cotton production and marketing.

Based on the aforementioned strategies, cotton cultivation area increased from 55,000 hectares in 2016/2017 to 91,000 hectares in 2017/2018, to end up at 141,000 hectares in 2018/2019. However, all local and international reports have stated the recovery of the Egyptian cotton regarding its superior quality and properties.

Moreover, this strategy has started to achieve its goals, through the increase of world demand on Egyptian cotton, as the net exports in 2017/2018 reached to 55,000 tons to more than 20 countries all over the world, including : India , Pakistan , Germany , China , Turkey , Bangladesh and Vietnam.

Seed and lint cotton marketing is considered the cornerstone of any strategy to enhance the competitiveness of cotton and textile sectors. Despite the increase of foreign demand on Egyptian cotton, the local spinning consumption decreased to reach its lowest level in the last season. This requires studying the reasons and setting mechanisms to increase the local demand on Egyptian cotton to achieve balance between local supply and demand and maximize the value added returns.

The Egyptian government as well encourages new investments from many European countries like Italy, France, Spain and directs some of them to the cotton industries in new regions as Suez Canal, as these industries play an important role in reducing the unemployment issue. State should facilitate all procedures to the establishment of new projects in order to attract these investments to create new activities and finally to make Egyptian weaving products match the international ones.

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