Near East and North Africa Regional Network for Agricultural Policies (NENARNAP)

Egypt

INTRODUCTION

Egypt faces a unique dilemma in its heavy reliance on food goods and natural resources such as water being derived from abroad. The situation is exasperated by the fact that internal food production is based on a relatively limited area of cultivation operating at full capacity, and which usually takes precedence over the use of the dwindling water resources from abroad (ISFP, 2009 a). Egypt is highly exposed to global market forces, which is an asset during times of economic growth (as demonstrated by rapid economic growth during 2006-08) (ISFP, 2009a). Yet, the fact that Egypt's most vulnerable were hit hard by the food crises could imply a much more dire situation in which they find themselves, if faced with both a weak domestic economic growth and higher food prices.

CONSUMER ORIENTED MEASURES

Not every social safety net in Egypt did adequately and effectively reach all those who needed them. Due to the inability of many households to obtain the required credentials to prove their eligibility for ration cards, roughly 50% percent of those eligible were denied access to them. Also, many of the poor households found that either the quantity of commodities on the ration cards did not meet the needs of the families, or that they did not have the financial means to purchase the items allocated to them on the ration cards (ISFP, 2009 b). Against this background, the Ministry of Social Solidarity began to require ration cards information to be edited and completed (FAPDA 1.2.1.0). In May 2009, the receivers of rational card were expanded to include new groups such as retirees, head of the households, chronic diseases, widows, temporary workers, divorcees, street vendors, technical handcrafters, those with monthly incomes of less than 400LE, and orphans) (FAPDA 1.2.3.2).

In addition to food assistance through the ration card system, the Government of Egypt also subsidized foods, with bread being one of the most highly subsidized items. The Government subsidized a loaf of bread to be sold at 5 piaster, instead of the real cost of approximately 20 piaster. This could cost the country the around of 13 billion LE annually. Flour for bread production (flour type 76%) also started being subsidized since June 2009. As well, to facilitate access to food (in particular, bread), some local governments, such as Alexandria, allocated land to build bakery houses (FAPDA 1.2.1.0). In other areas, reform of consumer cooperative societies for bread distribution was announced. Also, the Government of Egypt is considering introduction of the smart card system for distribution purposes, and increasing social assistance to more beneficences. In addition, the government enacted a 30 percent increase in wages of public service employees (estimated at about 30% of the total workforce) (ISFP, 2009 c). Followed by the increase in salaries for civil servants, effective May-08, the government has now increased pension and subsidy coverage (FAPDA 1.4.0.0). Still, it is estimated that only 20% of the highly vulnerable households were receiving social assistance cash transfers by early 2009 (ISFP, 2009 c).

For nutrition enhancement purpose, fortification of bread appeared to be a main tool, with the ash ratio in bread increased to enhance nutrition by ministerial decree (FAPDA 1.5.1.0).

PRODUCER ORIENTED MEASURES

The economic and food security issues faced by agricultural producers prospective are usually compounded, since not only do they take second place with respect to national policies that are mainly focused on consumer well-being, but they are left with producer oriented policies of limited impact due to the restricted amount of land and natural resources available. Agriculture production not only represents a large sector of employment in Egypt, but it is also dominated by small-scale farmers who are more vulnerable to economic shocks. Therefore, with these given restrictions, a successful producer oriented policy strategy must look at increasing productivity, proper use of natural resources (namely water), and market efficiency (ISFP, 2009 a).

Increasing Productivity

2009 saw the announcement of several policies aimed at increasing productivity of Egypt's main crops. The core of the genetic improvement and quality assurance polices focused on increasing cultivation of crop varieties with higher productivity and resistance to pests and diseases for wheat, barley, rice, maize, beans, cotton, corn, and other crops (FAPDA 2.1.1.11, 2.1.5.2, 2.1.13.1). These measures included output oriented policies, with a goal to increase wheat productivity to 30 ardab per feddan, maize to 30-40 ardab per feddan, and rice to 4.5 tons per feddan (FAPDA 2.1.5.2). Land management policies were also employed for this purpose with the announcements of; creating a Desert Research Center devoted to exploring the potential of expanding total national cultivation area available; minimizing the encroachment of buildings on cultivable land; and allocating land for reclamation, investment, and cultivation (FAPDA 2.1.8.3).

Water Resources

Water scarcity is of particle concern in the MENA region, and Egypt has seen a decline of roughly 15% in its water availability in the last decade. This places Egypt's agricultural sector in the spotlight, considering that it uses over 80% of the countries water supply (ISFP. 2009 a). In support of legislation for rice cultivation in favor of water protection, the Ministry of Agriculture had decreed, in the beginning of 2009, that the allowable area for rice cultivation would be decreased from 1.4 million to 1.1 million feddan. This marked a 15-20% decrease, in order to redirect more water usage towards corn, which had been facing water shortages (FAPDA 2.1.8.2; MoA Economics Affair Sector). In 2009, further water related policies were announced by the Ministry of Agriculture and Ministry of Water Resources and Irrigation involving the recycling of agricultural drainage water towards the irrigation of certain crops, the implementation of modern methods of irrigation (FAPDA 2.1.3.1; MoA Economics Affair Sector), and further modification for protecting and conserving the Nile river and its extended water canals.

Improving Market Efficiency

Market inefficiency in Egypt is characterized by the inability of small hold farmer's, representing the majority of the agricultural sector, to effectively deliver their products to the urban market (ISFP, 2009 a). The Ministry of Agriculture had announced the support for crop loans through the Principle Bank for Development and Agricultural Credit. The fund also extended the cotton loan payments only for the first year, in order to help payment of the loans the following year (FAPDA 2.1.4.4). The Government is also supporting small and micro enterprises through the Social Fund for Development, which offers cash funding and advice to small producers (FAPDA 2.2.3.2), and competition laws were amended to prevent monopolies through penalties (FAPDA 2.2.2.0). In late 2009, the Government allowed maize producers the option of supplying their produce outside of the

General Authority for Rational Commodities. However, maize supplied to the General authority would be bought for 180 LE/1 ardab(140kg) when cleanliness conditions are met (FAPDA 2.2.2.0). Local wheat supply must meet similar conditions of cleanliness (regarding insects, sand, flint, etc.) in order for producers to be able to receive remunerative prices of up to 240LE/ardab (150kg) for a purity of 22.5 (FAPDA 2.2.2.0). The Ministry of Agriculture also announced in 2009 the support of sugar cane prices, raising prices to 234.5LE/ton from the previous year price of 200LE/ton (FAPDA 2.1.11.0).

Animal Health – Avian flu

Being one of only a handful of countries remaining that are still tackling the issue of Avian flu, Egypt's documented policy decrees understandably shows a continued focus on this issue by the Government. Policies to improve the production infrastructure for poultry has seen a large number of decrees allowing for the establishment of automated or semi-automated slaughterhouses, throughout the countries many governorates (FAPDA 2.1.12.0), and to ensure that existing slaughterhouses move towards maintaining an adequate level of safety and cleanliness by 2014 (FAPDA 2.1.13.0). Several other policies, categorized under food safety measures, had been drafted in order to ensure the prevention of further spread of the Avian Flu. A law had been drafted in 2009 to establish a National Food Safety Association, for monitoring the various stages of food handling. This Association is supported by other food safety policies that require appropriate licenses from market shops for poultry sales, and organizing proper marketing and handling regulations for the poultry industry to combat the Avian Flu (FAPDA 2.1.13.2).

TRADE ORIENTED MEASURES

Import Measures

In addition to reduction of import tariffs on more than 1000 items including foodstuffs, in Feb 2007, and further reduction of import tariffs on processed foods, agricultural goods and others, in April 2008 (Presidential Decree 103), the stimulus package of the Government, in Feb 2009, lowered or entirely removed import duties on some raw materials (Presidential Decree 51/2009) as a temporary stimulus measure (Global Trade, 2009).

Inspections and close regulations for potato goods to be imported are still effective in Egypt. This was first introduced when the European Commission (EC) placed conditional restrictions on imports of potatoes from Egypt with fear of spread of Psudomonas solanacearum, which caused potato brown rot in 1996 (Soliman, 2009). In 2008, contamination with Pseudomonas solanacearum drove complete confiscation of potato shipments from Egypt, and only in December 2009 did the EU commission give permission to resume import Egyptian potatoes (Potatopro, 2009). Egypt also reacted with measures to prohibit the companies involved in supplying contaminated potatoes from exporting during the next three seasons. Export permits for the areas from where the contaminated potatoes came are also banned.

In terms of white sugar item, in January 2009, the Ministry of Trade and Industry imposed import duty of 500 LE per ton for white sugar, in order to protect the local sugar industry against growing signs of dumping. This new import duty was in addition to an already existing 10% duty on white sugar. However, as the price of sugar increased at the local market, the Egyptian government removed this newly introduced duty of 500LE/ton temporarily (FAPDA 3.1.1.3). The import duty

exemption was supposed to last till the end of December 2009, but has been extended to June 2010 (announced in Nov 2009).

Treatment of Methyl Bromid (MB) on imported cotton changes the major importing county partners. Although cotton can only be imported into Egypt when free from the plant pest and treated under 'Vacuum fumigation' with MB at the port of shipment, in the exporting country, or under "atmospheric fumigation" with MB at the port of shipment and vacuum fumigation with MB at the port of arrival (Ministerial Decree 2007/2002), the EU has banned the use of MB in fumigation of cotton in the EU that started on March 18, 2010 thus no longer allowing exports of cotton to Egypt. The Ministry of Agriculture is currently examining the substitution of MB with Megatoxin which is approved by the EU countries (GAIN report, April 2010).

Export Measures

To secure the availability of affordable rice on the local market and to mitigate the adverse impact of the global slowdown on Egyptian exports, the export ban of rice introduced in September 2009 was temporarily lifted. The ban, being periodically extended (last proposed date of ending export ban was October 2009), is now effective until 1 October 2010. Despite such measure, 15 companies have been given rice export licenses. The expected amount of export through these companies is 13,950 tonnes of rice between 1 December 2009 and 1 January 2010.

Egypt is a major peanut exporting country of which 68% peanut products head to the European market. In May, 1999, however, the European Commission suspended the import of peanuts from Egypt due to the presence of aflatoxins exceeding the allowed maximum levels. Since then, the Egyptian government has rigorously regulated the aflatoxin content in peanuts, eventually prompting the EU to ease their restriction. Certain companies which violated the rule were prohibited from the export (FAPDA 3.2.1.2) and warning against export prohibition to the EU market has been repeatedly announced by the Government through decrees.

REMARK AND CONCLUSION

This report largely owes to the FAPDA exercise of FAO which collects food and agriculture policy measures, and categorizes them for easier analysis of such policies. Not all the recommended actions for improving the state of the Agricultural sector and Food Security in Egypt had been found in the policies collected for the FAPDA exercise. This does not necessarily mean such policies being decreed by the Government are lacking. Rather it is most likely due to the limited access to the available measures. However, there is still a clear example of several topics of concern within *producer-oriented policies* that are reflected within the FAPDA exercise, namely; to increase the productivity of cultivatable land already in use, through increasing quality of crops and their varieties; to more efficiently use the countries limited water resource through limiting its use on specific crops, and increasing the use of more efficient irrigations methods; and improving access of small farmers to markets through crop subsidies, remunerative programs, anti-monopoly laws, and easier access to loans. It was also pointed out the focus of the Egyptian government on health measures due to the Avian flu is continued as well as their attempt to minimize its spread through laws that ensure appropriate monitoring and handling of poultry.

Consumer- oriented policies also revealed two major governmental intervention measures to ensure safety nets – ration cards and food subsidies, while acknowledging the concern about growing

deficits. *Trade-oriented policies* of FAPDA Egypt help streamline export/import ban, and show the strong impact of sanitary measures of major importing countries (in many cases, the EU) on production of food and agricultural products, most importantly cotton and peanuts. It was witnessed on the report that violations against sanitary measures led to closure of the companies involved or removal of export licenses.

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