MONITORING, VERIFICATION AND EVALUATION UNIT
AGRICULTURAL POLICY REFORM PROGRAM

PROGRESS AND OBSTACLES IN RICE SECTOR LIBERALIZATION IN EGYPT: A RAPID APPRAISAL TO VERIFY POLICY BENCHMARKS

Ismaël S. Ouédraogo
Abt Associates Inc.

Abdel-Rahim Ismail
Environmental Quality International

Verification Report No. 4

October, 1997

Sponsored by:

Government of Egypt, Ministry of Agriculture and Land Reclamation

United States Agency for International Development/Cairo
Office of Economic Growth, Agricultural Policy Division

Abt Associates Inc.
Environmental Quality International, Management Sciences International
USAID Award 263-C-00-97-00003-00

Project Office: 15th Floor, 7 Nadi El Seid Street, Dokki, Cairo
Telephones: 20 2 337 0357, 337 0592, 335 8879   Fax: 20 2 349 9278

TABLE OF CONTENTS

LIST OF TABLES AND FIGURES ii

LIST OF ACRONYMS iii

EXECUTIVE SUMMARY iv

1. INTRODUCTION v
- 1.1 Background v
- 1.2 Objectives 2

2. STUDY QUESTIONS AND WORKING HYPOTHESES 3
- 2.1 Hypothesis Testing 3
- 2.2 Data Collection 4

3. RESULTS 5
- 3.1 Benchmark I.C.1: Market Liberalization 5
- 3.1.1 Trade Regime Regarding Paddy and Milled Rice 6
  - 3.1.2 Rules and Regulations in Domestic Paddy Trade and Processing 13
  - 3.1.3 Extent of the Private Sector Participation in Rice Marketing 16
- 3.2 Benchmark II.D.3: Complete Market Liberalization by July 1997 17

4. CONCLUSIONS 19
- 4.1 Controls on Rice Marketing 19
- 4.2 Complete the Rice Liberalization 20

REFERENCES 21

ANNEXES 23

Annex A: Time Line of Policy Measures Affecting Rice Marketing
Annex B: Trade Regime
Annex C: Calculation of Domestic to Border Price Ratio
Egyptian Medium-Grain Rice at Wholesale
Annex D: Rice Export Statistics
Annex E: Persons Interviewed

LIST OF TABLES AND FIGURES

Table 1: Time Line of Major Policy Measures Relevant to the Rice Liberalization Benchmark 5

Table 2: Egyptian Standard Specifications for Rice 8

Table 3: Basic, One-Time Business Registration fees 9

Table 4: Export Inspection Fees (Per Ton) 11

Table 5: Quality Standards for Local and Exported Rice 15

Table 6: Public Mills' Current Capacity 17

Figure 1: Ratio of Domestic to World Price at Wholesale 7

Figure 2: Share of the Private Sector in Rice Export 17

LIST OF ACRONYMS

APRP	Agricultural Policy Reform Program
CAPMAS	Central Agency for Public Mobilization and Statistics
FAS	Foreign Agricultural Service (USDA)
GOCEI	General Organization for Export and Import Control
GOE	Government of Egypt
HCRFM	Holding Company for Rice and Flour Mills
IFPRI	International Food Policy Research Institute
LE	Egyptian Pound
MALR	Ministry of Agriculture and Land Reclamation
MD	Ministerial Decision
MEFT	Ministry of Economy and Foreign Trade
MELES	The Middle East Library for Economic Services
MTS	Ministry of Trade of Supply (formerly Ministry of Internal Trade and Supply)
MVE	Monitoring, Verification, and Evaluation Unit APRP
PBDAC	Principal Bank for Development and Agricultural Credit
PD	Presidential Decree
SGS	Societe Generale de Surveillance
SOE	State Owned Enterprise
USAID	United States Agency for International Development

EXECUTIVE SUMMARY

The objectives of this study are to (a) gain an up-to-date understanding of progress and obstacles in rice subsector liberalization; and (b) evaluate the extent to which the rice subsector is "completely liberalized." The tasks are to establish whether controls, if they ever existed, are currently abolished or still in place and to determine whether any additional measures or new regulations, constraining or increasing private sector participation, have been taken and implemented since rice policy benchmarks were designed in mid-1995.

The study finds that all major controls of the rice marketing have been abolished, but some issues still remain to be clarified. Fortunately, the measures that could have hampered private participants or introduced further market distortions are not implemented. For example, the regulations regarding import of rice and paddy, though not transparent, remained untested mostly because of the import tariff. Because of this the quality standards and inspections for imported medium grain rice and paddy remain a moot issue. The credit and storage restrictions, if they still exist, have not hampered rice dealers, millers, and exporters from conducting business. Finally, the export subsidy, a major market distortion, has not been implemented.

The GOE may want to consider the following recommendations. To build on the very substantial progress made in liberalizing rice marketing, clarifying these issues would help improve the transparency of policies and regulations affecting the rice market.

- **Drafting standards for paddy exports and imports** (since the trade regime allows both import and export of paddy), including careful quarantine procedures for paddy import, as there are for cotton, for example.

- **Harmonizing standard specifications for milled exported, imported, and local rice.** In particular, quality standards for rice traded domestically should not be so high as to appear to unfairly restrict imports, especially when these domestic standards are not actually enforced.

- **Leveling off registration fees for importers and exporters.** There does not appear to be a difference in services rendered at import and export to justify that the registration fee for import should cost 10 times as much as for export.

- **Rescinding measure restricting access to credit and storage from public banks** to registered rice traders and millers, if the measure is still pending.

- **Avoiding further market distortions, such as the proposed export subsidy**. The export subsidy, if implemented, will put pressure on the budget, when the import tariff rate in place is already a squeeze on poor consumers' incomes. It would contribute to distort domestic prices.

- **Reducing the rice import tariff rate**, following the GOE's general trend to streamline its overall tariff regime. The protection provided by the rice import tariff is one of the reasons why paddy prices have soared with market liberalization. Under market liberalization, imports appear to be the best option for containing high domestic prices.

The authors gathered information for this study several ways. Studies, particularly on previous benchmarks verification, were reviewed to assess the information gaps to be filled.
A rapid appraisal was conducted to verify the current benchmarks. Rapid appraisal entails the collection of available secondary data (official trade regime, other trade rules and regulations, as well as trade, production, and price data) and interviews of key public and private participants. Questionnaire guidelines were used to conduct interviews of the key participants. Whenever possible, copies of rules and regulations and actual receipts of charges paid by private sector participants were collected. In iterative rounds of the interviews, these documents provided a consistency check and a valuable context to the inquiry, helping to improve the accuracy of the information collected.

1. INTRODUCTION

1.1 Background

The Monitoring, Verification, and Evaluation (MVE) unit of the Agricultural Policy Reform Project (APRP) seeks to verify two policy benchmarks related to market liberalization of the rice subsector in Egypt:

(1) *Market liberalization.* Abolish government controls on rice exports (and imports), and allow the private sector to purchase, process, store and export rice at prevailing free market prices (I.C.1).

(2) *Complete the liberalization of the rice subsector by June 1997* (II.D.3).

Since 1991, the Government of Egypt (GOE) has made steady, praiseworthy progress in the liberalization of the rice subsector. In 1991, the GOE renounced its monopoly on rice external trade, opening rice exports and imports to the private sector; and the public sector rice mills and export companies were transferred from ministerial oversight to the Holding Company for Rice and Flour Mill (HCRFM) to be operated under principles of private business management. In 1993, reference prices for paddy and rice exports were phased out; export reference prices were issued as "guiding" prices but no longer as mandatory; and exporters no longer needed to request an authorization to export. Thus, the rice subsector appeared to be well on its way to full liberalization. Starting in 1995, however, questions were raised, some of which lead to the design of the policy benchmarks.

One issue that appears to have been important when the rice policy benchmarks were formulated (mid-1995) concerns private exporters' access to high quality milled rice for export. According to one source, the best quality milled rice is produced by the public sector mills, which may put private exporters at a competitive disadvantage vis-a-vis public rice trading companies.

Another (ephemeral) issue in early 1995/96 season was the exportation of some paddy and, reportedly, an ensuing GOE decree forbidding paddy exports. Some exporters allegedly exported paddy due to the high cost of milling by public sector mills. The GOE agreed to bear 50% of the cost of milling for exported rice that had been milled in public mills. This related issue needs to be clarified and verified as to whether it still applies and represents a distorting market intervention by the GOE, giving an unfair advantage to public mills.

In November 1996 there were accounts of brief interdictions on transport of rice among governorates affecting three governorates. These bans were reportedly removed after a short time. There were also reported to be restrictions on imports of rice.

Similarly, there have also been reports of the GOE undercutting domestic rice marketing by not granting credit and storage facilities to private rice traders and millers, as well as restraints on movements and even rice confiscations.

Public sector rice milling and trading companies, under the umbrella of the Rice and Flour Holding Company, are also slated to undergo privatization. Most of the public mills have good processing equipment, which results in a high quality milled rice product, but several have had low, variable throughput recently and rather high levels of debt, which could be barriers to privatization. The progress of privatization needs to be carefully monitored and verified, as it is tied to whether the rice market is completely liberalized, (i.e., one without intervention of fully-State Owned Enterprises).

1.2 Objectives

The objectives of this study are as follows:

- Gain an up-to-date understanding of progress and obstacles in rice subsector liberalization;

- Evaluate the extent to which the rice subsector is "completely liberalized."

2. STUDY QUESTIONS AND WORKING HYPOTHESES

Many of the issues mentioned in the introduction regarding the controls imposed on market liberalization have not been fully documented so as to serve as a baseline for monitoring and evaluation. Thus, the task is to establish whether controls, if they ever existed, are currently abolished or still in place . Following closely the policy benchmark that asks that rice trade be allowed (more) private sector participation, the next task of the verification effort is to determine whether any additional measures or new regulations, constraining or increasing private sector participation, have been taken and implemented since the policy benchmark was designed in mid-1995.

The outcomes of these two tasks are necessary conditions of whether a complete liberalization of the marketing system would be achieved by June 1997. A complete market liberalization, however, is also closely linked to the operations of existing state owned enterprises (SOEs) requires no market activities of government affiliated enterprises, or at least no unfair competition from SOEs. Thus, a complete market liberalization requires the privatization of the public mills and public rice export companies. Indeed, benchmark (II.D.3) is part of the privatization benchmark examined in a separate report..

2.1 Hypothesis Testing

The tasks related to benchmark (I.C.1) require a careful examination of the following specific elements of the rice marketing system:

(a) Changes in the official trade regime and rules and regulations affecting the domestic rice market. Does the current official trade regime and other rules and regulations still include controls of international and domestic trade of rice? This test relies on the analysis of official documents.

(b) The way in which the trade regime and domestic rules and regulations are being implemented. Does the implementation of official rules and regulations deviate from their intention so that they impose burden on the private sector? These tests are based on interviews of public and private sector participants.

(c) Empirical evidence of the extent of the private sector's participation in the rice sector. Has the participation of the private sector increased, as intended, or decreased because of the current business environment? This series of tests relies on the analysis of secondary data completed, when possible, with data collected through interviews.

The Monitoring, Verification, and Evaluation (MVE) unit of the Agricultural Policy Program (APRP) has determined that benchmark (II.D.3) "complete the liberalization of the rice subsector" need the same requirements as benchmark (I.C.1). Furthermore, however, this second benchmark is linked to the privatization of public rice mills, which is another separate benchmark. Thus, the task concerning benchmark (II.D.3) will be limited to a brief overview of the privatization plan of the public rice mills.

2.2 Data Collection

Studies, particularly on the verification of previous benchmarks, were reviewed to assess the information gaps to be filled. A rapid appraisal was conducted to verify the current benchmark. The method entails the collection of available secondary data and interviews of key public and private participants. Questionnaire guidelines were used to conduct interviews of key participants. Whenever possible, copies of rules and regulations and actual receipts of charges paid by private sector participants were collected. In iterative rounds of the interviews, these documents provided a consistency check and a valuable context to the inquiry, helping to improve the accuracy of the information collected.

3. RESULTS

3.1 Benchmark I.C.1: Market Liberalization

This benchmark (abolish government controls on rice exports (and imports), and allow the private sector to purchase, process, store and export rice at prevailing free market prices) is evaluated on the basis of the (I) trade regime, (ii) rules and regulations in the domestic market, and (iii) participation of the private sector. Official policy measures are identified and analyzed, and then evaluated in terms of their implementation by officials and perceptions by the private sector. The time line below provides an account of the changes in major policy measures (see more detailed time line in Annex A).

Table 1: Time Line of Major Policy Measures Relevant to the Rice Liberalization Benchmark

Year	Measures
1975	Procedures issued for export and import controls and for the commodities subject to these controls (Law 118/75). Then, only exported rice was subject of measure.
1991	Rice (including paddy) taken off the import ban list (MTS Decision No. 275/91).
1991	Compulsory paddy procurement canceled (MALR D. No. 1531/91)
1992	Quality standards issued for rice traded in local markets set maximum brokens at 15% (MTS Decision No. 383/92).
1992	Amended Law No. 118/75 includes rice in list of commodities subject to import controls (PD No. 432/92).
1993	Rice export reference price and prior authorization removed (MTS Decision 458/73)
1994	Import tariff of 20% applies to all types of rice (PD No. 38/94), whereas in 1991 import tariff for seed was 5% (PD No. 178/91).
1996	March 10: Measure providing all rice exporters a subsidy representing 50% of processing charge for export rice (Copy of measure available).
1996	October 20: Measure denies PBDAC credit and storage in rice trading (Cabinet decision reported by newspaper).
1996	October: Governorates' ban on paddy movement canceled within 2-3 days of implementation (Source: Interviews).
1997	April: GOCEI cancels the export notification fee of LE 1.5/ton (Verbal notification of GOCEI reported by exporters in Alexandria, May 1997).

Sources: Translation by The Middle East Library for Economic Services; Interviews
Notes: PD is presidential decree. MTS stands for Ministry of Trade and Supply, if when it was known as Ministry of Supply and Internal Trade. Ministerial measures are translated as decrees or decisions.

3.1.1 Trade Regime Regarding Paddy and Milled Rice

The GOE has made considerable progress in streamlining the trade regime concerning rice (Annex B). In 1991, it abolished its monopoly on rice export, and further took rice off the import ban list.[1] In 1993, the GOE also removed any prior authorization to exporting rice and eliminated the export

[1] Ministry of Trade and Supply Decision No. 275/1991, amending Law No. 118-1975.

reference price,[2] thus reversing measures that have been instituted in 1986 (Ministry of Economy and Foreign Trade Decision No. 301/1986). Private exporters comment that the export reference price was usually above world market prices, forcing them to resort to over-invoicing to conduct their export business. Profit margins then were high enough to compensate for the higher business taxes that resulted from such a practice.

Custom Tariff and Other Taxes. As part of its economic reforms, the GOE is gradually consolidating and reducing import tariff rates.[3] Tariff rates for rice import, however, have not followed this trend. In 1991, import tariffs on rice were set 5% for seed and 20% for other types.[4] Since 1994, one unique tariff rate of 20% is applied to rice, regardless of type. Customs Heading 10.06 comprises rice on the husk (paddy or rough); husked rice (brown rice); semi-milled rice or wholly milled; and broken rice (Presidential Decree No. 38/1994 dated February 13, 1994.) The Customs Service reports that rice import is subject to a 3% import service charge. Introduced in 1993 at 1%, the service charge was raised to 3% for tariff rates between 5% and 30% (in which bracket rice belongs), and 6% for tariff rates above 30% (USDOC, 1995). Rice export, however, is not subject to an export duty or service charge.

Already in 1986, the GOE had eliminated miscellaneous other taxes and charges supplementary to customs duties, such as the statistical tax, maritime consolidation tax, and economic development duty have.[5] Rice is also exempt from the sale taxes instituted in 1991. Sometimes, mistakenly, private entrepreneurs add to the customs tariff the 1% business profit tax withheld by tax authorities. The 1% business tax withholding also applies to rice exports or imports.

Export Subsidy. On March 10, 1996, the Prime Minister signed a measure aimed at subsidizing rice exports. The measure provides a subsidy representing 50% of the cost of processing rice for export. The subsidy is paid to all exporters, public and private, once they have completed the export transaction. The processing cost, applicable to all rice exported, regardless where it was processed, is to be determined by the Ministry of Trade and Supply and the Ministry of Public Enterprises.

The export subsidy is the government's attempt to boost rice exports at the same time as it is protecting rice farmers and millers through the import tariff. The GOE's projected, or target rice export

---

[2] Ministry of Trade and Supply Decision No. 458/1993.

[3] Decree No 304/1996 dated September 30, 1996 amended rates of 135% down from 160%; 55% down from 70%; 45% down from 60%; 40% down from 50%, and 30% down from 40%. In later amendments (Customs Tariff, April 1997 edition) the highest rate was slashed to 55%, thus fulfilling the GOE's pledge of reducing the maximum duty rate.

[4] Presidential decree No. 178/1991, dated May 5, 1991 amending Customs Law No. 66/1963.

[5] Presidential decree No. 187/1986, dated August 21, 1986.

level was 600,000 tons for the 1996/97 season. This substantial increase (100%) over the previous year's export now appears over optimistic in view of the meager 83,000 tons exported as of February 1997. Private exporters estimate that the season's exports would be about 130,000 tons.

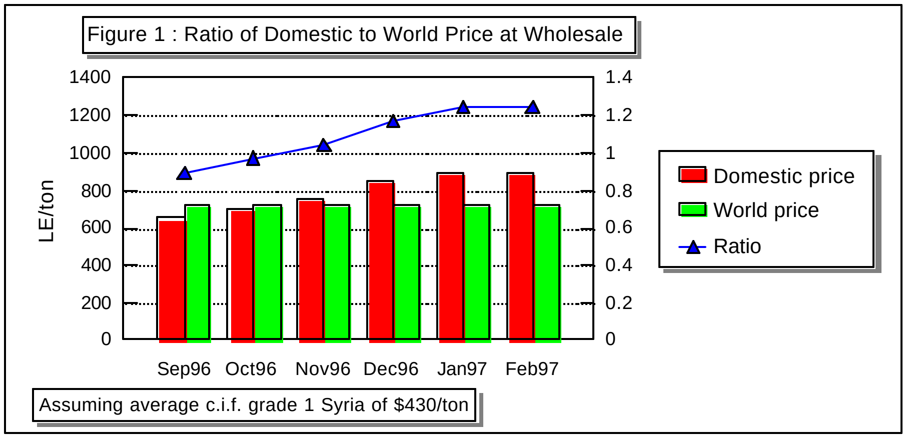


Figure 1 : Ratio of Domestic to World Price at Wholesale

Assuming average c.i.f. grade 1 Syria of $430/ton

Prices of Egyptian rice export are high prices for at least two important reasons: (a) high paddy prices resulting from the protection of the domestic market, which allows farmers and dealers to get high prices after a few months of storage; and (b) public mills' high cost of producing export quality rice. Exporters' and millers' complaints of the high domestic prices of paddy relative to world prices is supported by empirical evidence (figure). Assuming for illustrative purposes, an average world price for the season (derived from c.i.f. price of medium grain rice grade 1 landed in Syria), the figure shows that domestic prices shot above world prices in December, January, and February making export impossible. Indeed, December 1996 was the last time many exporters have sold rice until March-April 1997.

Some Egyptian exporters are quick to blame their poor performance on the US, which they accuse of subsidizing rice exports to Egypt's traditional markets in the Middle East, such as Jordan, Syria and Turkey. However, high paddy prices since December and high processing costs in Egypt appear to be the more obvious culprits.

Although the export subsidy introduces a distortion in rice marketing (compounding the distortion introduced by the import tariff), it is not a control measure and it does not discriminates against the private sector. Private exporters now dominate the market and buy from both public and private mills, many of which have now new and sophisticated equipment capable of producing the high quality that only public mills could in the past. The measure does not require exporters to have bought rice from a public mill. Actually, exporters and millers, public and private alike, applauded the measure. Despite a reported GOE's renewed pledge to carry it through, the measure has yet to be implemented, however.

Quotas and Bans. The actual trade regime carries no ban or quota on the export or import of either milled rice or paddy rice. To repeat, rice has been off the import ban list since 1991 (M.D. No. 275/1991 of MTS). Also Krenz (MALR, 1994) reports that in December 1993, the Prime Minister made an announcement in the daily *El Ahram* to emphatically deny any ban on export or import of rice or paddy, and to reaffirm the GOE's stance on liberalized exports and imports.

Quality Controls, Sanitary and Other Inspections. Egyptian Standard Specifications for rice follow procedures stipulated in Law No. 118/1975 regarding import and export regulations. Article 73 of the law (as amended in 1992),[6] states that controls will apply to imported commodities specified in Annex 8 (as amended in 1994),[7] which includes rice in Customs Tariff Chapter 10; to exported commodities specified in Annex 9, which also includes rice; and to commodities at the demand of importers and importers.

The General Organization for Standardization issues and approves the standards, which the General Organization for Export and Import Control (GOCEI) implements. When rice was taken off the import ban list, one may assume (and GOCEI maintains it) that the Standard Specifications for exported milled rice (Annex c) were automatically applied to imported milled rice.[8] The maximum broken rate for milled rice in the standard specifications is 40% for grade 6 (see box). These specifications cover milled rice -- natural, *camolino* (oil processed), and glazed rice -- and cargo or brown rice. Yet, there is no official standard specifications exist for paddy either to be exported or imported.

Table 2: **Egyptian Standard Specifications for Export Rice**

	Maximum tolerance (%)	
Grade	**Broken**	**Foreign matter**
Extra superior	1.0	0.02
Superior	2.0	0.03
Grade 1	3.0	0.05
Grade 2	6.0	0.10
Grade 3	12.0	0.20
Grade 4	20.0	0.30
Grade 5	30.0	0.60
Grade 6	40.0	0.70

Source: Exporters
(See complete specifications in annex xx).

Also, rice is subject to phytosanitary, health and radiation controls. Only the latter, however, is referred to specifically in Law No 118-1975 in Annex 3, which includes foodstuff commodities, seeds and transplants. As will be discussed later, routine export controls apply only to quality standards and phytosanitary inspection. Officials state that radiation is mandatory only for imported rice. Exporters, however, may demand it, at the request of their client.

For the most part, the rules and procedures of exported rice, whether they apply or not to imported rice, have yet to be tested for large quantities of medium, Egyptian-type rice. Rice currently imported in Egypt consists of small quantities of pricey long-grain type, basmati or parboiled rice in

---

6 Presidential Decree No. 432/1992.

7 Presidential Decree No. 396/1994

8 Studies report that products were removed from the list of banned imports but then put on the quality control list to retain the import restrictions (World Bank, 1996). Since there are two separate lists for imports and exports, a product could conceivably be controlled when exported but not when imported. Yet, subjecting both rice imports and exports to similar (which should be emphasized) controls does not appear as a barrier to imports.

convenience packages targeting well-to-do expatriates. This rice poses no threat to local rice, and its importation, by containers, gives little hint as to how officials will handle large imports of Egyptian type rice. There have been two cases of paddy exports reported by GOCEI: 1,078 tons in 1993/94 and 6,939 tons in 1995/96 (MTS, 1997). Apart from the fact that the latter was to Hungary by a private exporter, no information on these paddy exports is available, unfortunately. Also, an attempt to import paddy from the US by a private importer was thwarted by authorities. An Egyptian quarantine team, which traveled to the US for inspection, notified the importer that it found evidence of bugs that could cause a great threat to local production.

Restrictions and Bans on Rice Purchases for Export. With market liberalization and the disintegration of socialist regimes in Eastern Europe, public exporters have lost the advantage of government bilateral trade contracts. Private sector exporters are better disposed to strike deals with importers, be they private or parastatal companies. As the section on the extent of participation of the private sector will show, private exporters have gained considerable market share over public exporters since the start of the liberalization of exports in the 1991/92 season. That means that even when the public mills were operating at higher capacity than now, more and more public mills were selling to the private exporters. Currently, because of their high operating costs, public mills are all too pleased to sell high quality rice to a private exporter, if the latter can afford their prices.

Registration for Export and Import. Once on the commercial registry, a business entity may register separately as an importer or as an exporter. The registration procedures differ for each type, as do the fees (see box). The import registration is submitted to GOCEI by specifying the commodity groups to be imported. There are 21 homogenous commodity groups according to customs import categories, four of which include all agriculture and agro-industrial food products.[9] The charge for adding one commodity group, whatever the number of groups, remains LE 50 per group; the renewal on time for the importer registration is LE 200. (The application fee is refundable should the business person cancel the registration.) By contrast, registration as an exporter is ten times less, and covers all commodity groups (see box). As the commodity group covers a wide range of products, these registration fees become small per unit of product traded throughout the year, especially

Table 3: Basic, one-time business registration fees

Items	LE	US$
Commercial registry	300	88.76
Tax licence (card)	50	14.79
Export registration	300	103.55
Import registration*	3,500	1,035.50

Source: Wakelex; Law No. 121/1982

*: Includes LE 500 for 10 commodity groups.

9 These four groups are: (1) live animals and animal products; (2) vegetal products; (3) animal and vegetal fat and oil; and (4) agro-industry products including beverages and tobacco. Law No. 121/1982, dated December 4, 1982. (MELE, May 1996. The Register of Importers: Law No 121/1982 With its Executive Regulations M.D. No. 343/1982. Cairo: The Middle East Library for Economic Services.)

if importers tend to import a wider range of products than exporters. Clearly, however, the differential registration fee favors export promotion.

Implementation of the Trade Regime. The export subsidy announced in mid-1994/95 season (March 1996) has not been implemented. This measure actually runs counter to the GOE's objective of containing its budget expenditures. On October 29, 1996, the Finance Minister in a meeting with the Federation of Egyptian Industries said that his ministry aims at reducing the increase in government expenditures to 6 percent down from 14 percent (*El Ahram*; translation: Gladys Larkham, USAID/Cairo).

The controls routinely conducted for rice exports are the quality and phytosanitary controls, respectively by the General Organization for Export and Import Control (GOCEI) and the Ministry of Agriculture and Land Reclamation (MALR). At any rate, exporters could only show receipts for quality controls and phytosanitary inspection. However, specific health and even radiation tests can be requested by the Egyptian exporter if the foreign importer demands them. Only one exporter mentions health inspection in relation to the first ever Egypt's rice export to Japan. (As a testimony to the quality of Egyptian rice, Japan allowed rice import from Egypt, one of only 12 countries granted permission to do so.) Also, foreign importers often retain, or would prefer, international agencies, such as the Swiss-based Societe Generale de Surveillance (SGS), to conduct quality control at the point of origin.

GOCEI uses a three-stage, random sampling process to test rice quality at the rice mill.[10] First, 50 grams are drawn from each of the bags that makes a 10% sample of an homogenous lot; next, rice from this first sample is mixed and 1 kg is drawn; finally, 100 grams are drawn from this kilogram for test. As for the MALR, it takes bags at random, which are then spread for visual inspection. Results of GOCEI's and the MALR's inspections are available the next day, according to exporters.

GOCEI's scheduled inspection charge is LE 0.1 per bag and LE 0.30 per ton. That is, for shipments in 25 kg bags (40 bags/ton), the fee is LE 0.70 (0.40+0.30) and for 50 kg bags (20 bags/ton), it is LE 0.50/ton. Before the inspection, exporters pay LE 1.50/ton when they notify GOCEI of their intention to export and to schedule inspection. The inspection itself, at LE

Table 4: Export inspection fees (per ton)

Items	LE	US$
GOCEI export notification	1.50	0.44
Quality control (25 kg-bags)	0.70	0.21
Quality control (50 kg-bags)	0.50	0.15
Phytosanitary inspection	1.10	0.33
Total (for 25 kg-bags)	3.30	0.98
Price millgate Grade 1:	1,300	384.62

Source: Wakalex; field survey

Note: Total is LE/ton for shipment in 25 kg bags.

[10] This is also in line with a Finance Minister's decree stipulating that export procedures take place at the production site by a joint committee from Customs and Imports and Exports Authorities (Ahram, Sept. 29, 1996)

0.70 /ton (for 25 kg-bags shipments), is less than half the other fee charged to exporters.[11]

No clear explanation was given either by GOCEI (as seen on GOCEI's receipt for the fee) or by exporters for this fee of LE 1.50/ton. Its cost, however, is truly insignificant relative to the f.o.b. price. This charge has been reportedly canceled in mid May. The fee for phytosanitary inspection at LE 1.10/ton is also insignificant relative to f.o.b. prices.[12] In this example, the total of LE 3.70/ton is only 0.25% of the price at millgate. In fact, it would appear that GOCEI, and possibly the Ministry of Agriculture and Land Reclamation (MALR), subsidize exporters because their services seem to be provided at a low cost. (For example, SGS charges LE 2/ton for its quality inspection.) This subsidy, if it exists, should not be cause for alarm, as it could be taken as an accepted service provided by Government to exporters and to consumers. (Sample copies of GOCEI's and MARL's receipts are available upon request.)

A couple of exporters mentioned that they pay a fee to Customs, but could not provide receipts showing these charges. All other exporters contend that these are only charges for various documents, including stamps, that do not exceed LE 0.5 per ton. The certificate of origin is free, though it needs many seals and stamps, among which the seal of the Ministry of Foreign Affairs.

Most exporters, small and large, praise GOCEI for the quality of its export rice inspection. (Only two exporters, who have elected to do their own testing and also rely on SGS, criticized GOCEI but could not come up with any specific grievance.) Perhaps, the most telling performance of GOCEI's service is that importers have never complained that the quality of the rice received was below the quality indicated by the tests.

Thus far, rice imports are exclusively basmati-type and Uncle Ben's or similar long grain rice. Import quantities are so small that they are not even recorded in official statistics. Therefore, Egypt's would-be importers have had no practical experience that truly tested the implementation of rice import measures in Egypt. Since rice was taken off the import ban list, only one case of an attempt to import paddy has been reported. To reiterate, the would-be importer reports that the paddy was rejected on phytosanitary grounds, after inspection by a quarantine team from the Ministry of Agriculture (MALR). This aborted attempt, however, is given as proof by private rice traders that rice or paddy imports would be denied by authorities. It should be noted that millers would like to import paddy or cargo rice for reexport (taking advantage of the tariff drawback system), but they argue against importing milled

---

[11] The Import and Export Regulations (Law 118/1975), as amended by Decree No. 108/1994, states that in all cases, the inspection should be done after the payment of the lawfully established duties, and in accordance with the rates. specified in decisions issued by the MEFT (MELE, September 1996: *Import and Export Regulations*). Some exporters thought the fee was for collection of statistical information, which GOCEI does provide. Technically, however, it is not a statistical tax because this tax was abolished in 1986.

[12] In one actual case of a shipment of 100 tons, the phytosanitary inspection of the representative sample took 3.5 hours and the total cost paid was LE 100 (copy of receipt available). Thus the phytosanitary inspection cost LE 28.60 per person hour.

rice for the domestic market. For their part, rice exporters who are not rice millers would like to consider importing milled rice. All these would-be importers maintain that the rules are not all transparent. However, most fundamentally, they are not confident they could make a profit in remilling paddy or cargo for rice, or paying the tariff duty in importing rice for the domestic market.[13]

On the other side of the paddy trade, GOCEI reports two cases of paddy export in 1993/94 and 1995/96, but the rapid appraisal team was misled and could not identify the exporters of this paddy. None of the known large exporters in Cairo and Alexandria were involved in this transaction.

In conclusion, it appears that the GOE has done away with the controls in the trade regime that previously raised considerable concerns about its commitment to rice market liberalization.[14] Yet, because of the one failed attempt to import paddy, rice millers and importers appear to lack the confidence to undertake imports of rice or paddy. However, more important than their lack of confidence, importers note that rice imports would not be profitable for the following reasons: (a) the import tariff rate (20% and 3% of service charge) provides too much protection to domestic rice if rice was to imported for local consumption, and (b) the high standards imposed for imported rice to match those of domestic rice. That is, although the rice import tax is not the highest of the tariff schedule (currently 55%), it clearly provides protection to domestic producers and millers. The rice import tariff rate has not followed the recent trend in tariff reductions.

Remaining Issues in Need of Clarification. Despite this impressive progress made by the GOE in rice market liberalization, a few issues remain in the official trade regime. We hasten to say that these issues have had no effective impact on the participation of the private sector, and consequently appear minor compared to the progress made by the GOE over the years. However, with the anticipated new developments in the rice subsector (possible water and area restrictions, land tenure issues, perceived speculation by rice dealers, and bad quality of the paddy stored in poor conditions), these issues could become limiting factors in the ability of the private sector to take advantage of market opportunities.

One issue apparently overlooked by the General Organization for Standardization is that, technically, the standard specifications designed for exported rice are not entirely applicable to imported rice. Instead, imported rice must follow the more restrictive standards for rice traded domestically (further discussed in the section about domestic market). Whereas the standard specifications for export rice go as far down as 40% brokens (grade 6), the maximum broken rate allowed in the domestic rice trade goes only to 15% (somewhat equivalent to grade 3 of exported rice). It is certainly to the authorities' credit to require high quality products for consumers, and officials appropriately note that the quality of Egypt's exported rice ultimately depends on the foreign customer, who could demand even

[13] Talking about the tariff protection given to domestic producers and millers (tariff of 20% and service charge of 3% on imported rice), private traders complain that the rice market is not totally free.

[14] Note that eventual transactions in export and import controls, particularly at various ports of entry and export are beyond the scope of this exercise.

more than 50% brokens. However, private business people note that the domestic standards are not really enforced, as there is rice sold domestically with more than 25% brokens. (In fact, if the standards for domestic were enforced, poorer consumers might not be able to afford the pricey domestic higher grades.) However, the standards for imported rice would be enforced at the border, at a maximum of 15% brokens.

Another minor issue, should traders decide to import or export paddy (as is allowed under the current trade regime), is the lack of standard specifications for paddy rice. This apparent oversight contributes to add uncertainty about whether paddy export and import are de facto banned.

Also, one could argue that registration fees for importers and exporters should be at the same level for similar services rendered by authorities. One importer commented that the registration fee for importer (from the 1982 Law No 121/1982) is a remnant of past policies and practices. According to this importer, the GOE wanted this seemingly important sum from importers (then mostly government agents in a state monopolized marketing system) to eventually compensate, if only partially, foreign exporters. Today, the GOE certainly does not feel such an obligation, which should be settled by the proper commercial courts. (Importers say that the registration is refundable if the importers decide to cancel his import registration.)

3.1.2 Rules and Regulations in Domestic Paddy Trade and Processing

This section inquires whether the following measures are currently in place, or are being implemented despite being officially abolished: administered paddy prices and procurement, restrictions on paddy movements, restrictions on credit, restrictions and bans on storage, and restrictions and bans on milling.

Administered Prices and Paddy Procurement. In 1991, the GOE canceled mandatory paddy procurement from producers. Before the measure, farmers were forced to deliver 1.5 ton/fedan at the reference price to agricultural cooperatives .[15] (Note that farmers could then sell any balance to private rice dealers at market prices.) This measure also eliminated the paddy reference price. Today, public mills still decide on a reference price, with the help of the Ministry of Agriculture and Land Reclamation, which provides cost of production data. Since 1991, however, public mills have had to follow, and sometimes bid up, market prices to buy paddy from producers and increasingly from dealers. "Guiding" references decided by public mills were LE 350/ton in 1993-94, and since then have been increased by LE 100/ton each year, to reach LE 650/ton in 1996-97.

Restrictions and Bans on Movement. Participants, both in the public and private sectors, confirm that at the beginning of the rice marketing season (October 1996), local governments, especially those rice-producing governorates, had sought to ban the movement of rice across, or in some cases even

[15] Ministry of Agriculture and Land Reclamation Decision No. 1531/91 (Ali et al. In MALR, 1994).

within, governorates. The measure was to provide an easy access to cheap paddy by public mills. The measure, fortunately, was rescinded by the Prime Minister only a couple of days later, after rice traders appropriately complained that such a measure went against the government's stated objective of rice market liberalization.

Restrictions on Credit. Also on October 20, 1996 the press reported a decision of the Cabinet to restrict the access to PBDAC credit and bank warehouses in rice trading. The measure has been interpreted differently as being targeted only against non-registered rice dealers, or against all private rice traders.[16] A private rice exporter in Mansoura told the team that he was the one that suggested this measure on TV. He had argued that non-registered rice dealers[17] were bent on speculation to drive up paddy prices and consequently export prices, thus hurting rice exporters and the government's projected level of rice export revenues. The rapid appraisal team has not been able to ascertain whether the measure was officially issued, was canceled a few days after its announcement as claimed some exporters, or is still on the books. At any rate, no registered rice trader or rice miller complained of being denied credit by their usual banks.

Restrictions and Bans on Storage. The previous measure restricting credit was accompanied by a restriction on storage in public banks' warehouses. Even if the measure on credit did not take hold, this measure might have inconvenienced certain established millers. One miller-exporter complained that he could not get access to PBDAC's warehouses. For him, access to these warehouses was a matter of having the convenience of ample space, rather than cost, which remains the same at private warehouses. However, it would appear that rice dealers willing to use the bank's warehouses could well have been dealers storing rice to seek high prices later. A private miller noted that rice paddy stored in PBDAC's warehouses was of no better quality than that stored in private warehouses.

Restrictions and Bans on Milling. Various reports estimate the number of village scrubbers at about 4,000. With the score of new private mills being built, and the reported 1 million ton capacity of public mills, Egypt has considerably increased its rice milling capacity, possibly above paddy production. The GOE had until recently encouraged village milling by financing young unemployed entrepreneurs through its Social Development Fund (Adel Moustafa, personal communication). This funding could explain the increased number of village scrubbers. Because of the perceived milling overcapacity, the Social Fund has put an end to financing of village scrubbers.

[16] The daily *Akhbar* reports of a decision made in a cabinet meeting on October 20, 1996, "to stop giving credit for rice trading, stop storage of rice, and reduce costs of rice milling" (Translation: Gladys Larkham, USAID/Cairo).

[17] Established rice millers and exporters complain that the new entrants brought by market liberalization lack experience in rice storage. Instead of using jute bags that allow the paddy to breathe and eventually lose moisture, these new entrants use cheaper poly-propylene bags that trap the already too high moisture (20%-22% against the ideal 14%) and temperature.

Table 5: Quality standards for local and exported rice (Maximum tolerance in %)

Items	Local	Grade2	Grade3	Grade4
Broken	15.0	6.00	12.0	20.0
Foreign matter	0.50	0.10	0.20	0.30
Red grains	1.50	2.00	2.50	3.00
Yellow grains	1.00	0.50	1.00	1.50
Chalky grains	2.50	2.50	3.50	5.00
Paddy	0.02	0.03	0.03	0.04
Humidity	14.0	14.5	14.5	14.5

Source: MD No. 383/1992 (MTS); GOCEI

As noted in the trade regime regarding imported rice, the GOE (Ministerial Decision No. 383/1992, dated November 30, 1992 of then the Ministry of Supply and Internal Trade) set high quality standards for milled rice traded domestically. These standards are above grade 4 for the brokens, and even above grade 3 for red grains and chalky grains, the content of foreign matter, and other elements (box). Many observers maintain that the standards are so high that they cannot be enforced. One reason is that contrary to the well-defined rules for inspecting rice for exports, there appear to be no similar procedures for inspecting rice milled for the domestic market. The second reason is that doing so would hurt poorer consumers who could only afford the 25% and more brokens offered in villages. As Egyptian exporters to Eastern bloc countries note, poor consumers in these countries also must resort to slightly lower grades because of similar budget constraints.

The export subsidy representing half the milling cost announced by the government in the 1995/96 season was in response to the high cost of paddy and processing by mills, particularly public mills (LE 150/ton for export rice).[18] The measure supports mills indirectly by making high quality, high cost milled rice affordable to exporters. The measure is supposed to apply to all exporters, consequently private exporters who buy from either public or private mills. (Besides, a number of private rice exporters are also millers.) As noted earlier, the measure has yet to be applied.

Implementation of Rules and Regulations in Domestic Trade. Market participants report no current government controls in domestic rice purchase, movement, storage, and processing.[19] Public mills still set reference prices for paddy, but these prices serve truly no purpose in the face of free market prices. The credit measure, whether it is still on the books or not, has not made much dent in the ability of non-registered rice dealers, let alone well-established private rice millers and exporters, to trade. As with most informal sector actors, non-registered rice dealers do not rely on banks to finance their trade. Instead they rely on their savings or remittances from parents. When non-registered rice dealers do get bank credit, it is because of their other formal, though not necessarily trading activities, such as farming or livestock production. Credit being highly fungible, these actors can divert money borrowed for

[18] According to the manager of a public mill in Mansoura, actual cost is about LE 180/ton, meaning that the public mill is losing money. The chairman of the Rice Holding confirmed that the mills are losing money. Processing fees for local rice, grades lower than for export rice, is about LE 110 - LE 120/ton.

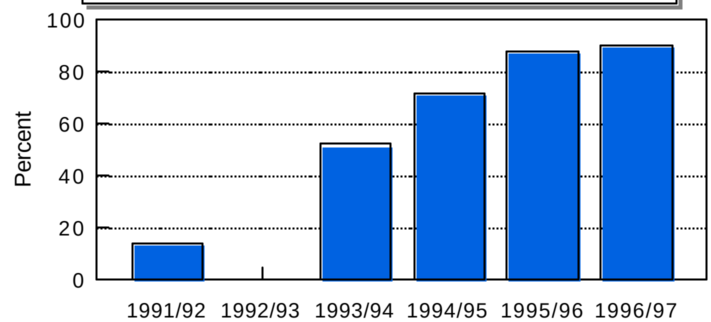
[19] Contrary to still subsidized commodities such as sugar and bread, about which the Minister of Trade of Supply said that the state is one of the traders in the free trade of sugar and wheat flour to stabilize prices and prevent unnecessary price increases (*Al Ahram*, August 27, 1996: Translation: Gladys Larkham, USAID/Cairo).

something else to buy paddy. One participant told the rapid appraisal team that if they need cash, even farmers prefer to sell jewelry instead of paddy, which is stored to wait for price increases.

3.1.3 Extent of the Private Sector Participation in Rice Marketing

This section attempts to determine the extent of private sector participation in rice marketing. Unfortunately, updated information only exists for rice exports. Anecdotal evidence, however, appears to amply support increased private sector participation in other marketing activities.

Figure 2: Share of the Private Sector in Rice Export



Source: GOCEI
1991/92: Not available; 1996/97 until February 1997

Change in Number of Private Rice Exporters. The number of private exporters has increased 6 times from 1991/92, when exports were liberalized, to 1995/96, from 20 to about 160 (Annex D). Another significant indication of the increased private sector participation in rice exports is the increased share of private exporters. In 1991/92, the share of private exporters was a paltry 14%, and public exporters' share, 86%. In 1995/96, however, the private sector's share (in volume) stood at 87% and public exporters' share at 13% (box). For the current season, the share of private sector is about 90%. The largest public rice exporter, the Rice Marketing Company, has yet to export rice.

Change in Number and Shares of Private Mills. The number of private, modern mills has increased to about 100 with an daily capacity of 100 t/day of paddy, according to private millers. Village scrubbers, which have been in operation for much longer, have seen their number increased as well. The Rice Holding Company usually gives 1 million tons of paddy per year as the total capacity of public mills. Interviews with public mills management give a total capacity of 4,644 tons/day (i.e. 893,000 tons/year to 1.2 million tons/year for 200 days to 250 days of operations). This season, public mills are estimated by the Rice Holding to be working at about 10% capacity (i.e., 100,000 tons of paddy for the assumed capacity of 1 million tons) . Although similar figures are not available for

Table 6: Public Mills' Current Capacity (paddy tons/day)

	Milling Units		Capacity	
Company Utilized	**Total**	**Stopped**	**Total**	
Dakahalia	8	3	727	83
Domiatt	8		2	469
50				
Gharbia	6	0	623	50
Alex	5	1	534	33
Rashid	6	0	520	50
Sharkia	4	0	413	NA
Kafr el Sheiksh	6	0	710	NA
Behira	5	0	648	NA
Total	48	6	4,644	NA

Source: Rice Holding Co.; field survey.

whole private sector, information from a limited number of private mills suggests that private mills are doing much better, even if the utilization of milling capacity is generally down this year.

Increased Number of New Entrants in Paddy Marketing. Anecdotal evidence suggests that rice liberalization has been a boon to previously unemployed young graduates and to unskilled labor as well. These new entrants went into paddy trading in 1994/95 season, attracted by the previous year's high price of up to LE 1,000/ton and the high profit margin from storage. One rice dealer in Mansoura told the team that the number of rice dealers has increased ten-fold in the last three years in his area.

3.2 Benchmark II.D.3: Complete Market Liberalization by July 1997

This benchmark has the same requirements as benchmark CI.1. A complete market liberalization requires that the measures that control export, import, and domestic trade are abolished, as in benchmark (I.C.1). Furthermore, it requires that direct market activities of state owned enterprises (SOEs) are abolished, or that SOEs do not compete unfairly with private enterprises. The second condition is related to the privatization of the public mills and public rice export companies, which is the subject of another study (see MVE's report on the privatization benchmark). Only a brief overview is provided here.

A plan for privatizing public rice mills one unit at a time (except for Kafr el Sheikhs company to be sold whole) have been drafted and is being implemented. All 48 public milling units will be privatized in 1998, according to a plan already drawn and being implemented. Of these, 26 units and the Kafr El-Sheikh company (with its 6 units) will be privatized by December 1997. Of these 32 units, 17 units are already on the block to be privatized by June 1997.

The public mills that are also rice exporters will cease their export activities. Already this year, the export branch of the Rice Holding Company has ceased to export rice. Among the four other public export companies that do not belong to the Rice Holding Company, one has stopped its rice activities. This year, with over 90% share, the private sector has all but taken over all rice exports. It remains unclear, however, whether public companies will cease all their marketing activities elsewhere (though possibly except in wheat flour and sugar, as the government sees these as strategic, food-security areas.)

4. CONCLUSIONS

Compliance to the benchmarks is scored on the following scale: benchmark exceed, benchmark fully accomplished, benchmark partially accomplished, or no progress. Although, the terms of reference of this exercise do not call for recommendations, a few suggestions are discussed on how to fully accomplish the benchmarks.

4.1 Controls on Rice Marketing

This benchmark (I.C.1) is almost fully accomplished because although major controls of the rice marketing have been abolished, some issues still remain to be clarified. Fortunately, the measures that could have hampered private participants or introduced further market distortions are not implemented. For example, the regulations regarding import of rice and paddy though not transparent, remained untested mostly because of the import tariff. Because of this, the quality standards and inspections for imported medium grain rice and paddy remain a moot issue. The credit and storage restrictions, if they still exist, have not hampered rice dealers, millers, and exporters from conducting business. Finally, the export subsidy, a major market distortion, is not implemented. Nonetheless, clarifying these issues would help improve the transparency of policies and regulations affecting the rice market.
The GOE may want to consider:

- **Drafting Standards for Paddy Exports and Imports** (since the trade regime allows both import and export of paddy), including careful quarantine procedures for paddy import, as there are for cotton, for example.

- **Harmonizing Standard Specifications for Milled Exported, Imported, and Local Rice.** In particular, quality standards for rice traded domestically should not be so high as to appear to unfairly restrict imports, i.e., when these domestic standards are not actually enforced. Since the standard specifications for export milled have proven adequate, they could also apply to imported and domestic rice. Redefining the quality standards for rice traded domestically could also revitalize modern mills allowing them to offer a wider range of the rice qualities demanded by different income classes of Egyptian consumers.

- **Leveling Off Registration Fees for Importers and Exporters.** There does not appear to be a difference in services rendered at import and export to justify that the registration fee for import should cost 10 times as much as for export.

- **Rescinding Measure Restricting Access to Credit and Storage from Public Banks** to registered rice traders and millers, if the measure is still pending.

! **Avoiding Further Market Distortions, such as the Proposed Export Subsidy**. The export subsidy, if implemented, will put pressure on the budget, when the import tariff rate in place is already a squeeze on poor consumers' incomes. The export subsidy may possibly exacerbate domestic price increases because as exporters' margins increase with the subsidy, paddy dealers would tend to increase further their prices to capture part of the export subsidy.

! **Reducing the Rice Import Tariff Rate**, following the GOE's general trend to streamline its overall tariff regime. The protection provided by the rice import tariff is one of the reasons why paddy prices have soared with market liberalization. Under market liberalization, imports appear the best option for containing high domestic prices.

4.2 Complete the Rice Liberalization

This benchmark (II.D.3) is partially accomplished, as its requirements are the same as those of benchmark I.C.1. Furthermore, this benchmark is closely linked to the on-going privatization plan, which will not be complete in July 1997 but rather by December 1998. The plan appears to be on track, however. Already public mills and public rice export companies pose no threat to the private sector, which now controls the quasi totality of rice processing and export in Egypt.

REFERENCES

Ali, Sonia M. et. al. September 1994. "Food Policy Reform in Egypt: Its Impact on the Poor" in *Maintaining Food Security in Egypt During and After Agricultural and Food Policy Reform*. Cairo: Ministry of Agriculture and Land Reclamation

Badiane, Ousmane et al. September 1994. Agricultural Input and Output Market Reforms in Egypt: Initial Impact and Future Policy Issues in *Maintaining Food Security in Egypt During and After Agricultural and Food Policy Reform*. Cairo: Ministry of Agriculture and Land Reclamation

CAPMAS, July 1996. Statistical Yearbook Arab Republic of Egypt, 1990-1995. Cairo: Central Agency for Public Mobilisation and Statistics.

El Amir, M. Ragaa, M. Hamdi Salem, and Eric J. Wailes, March 1996. Analysis of Egypt's Rice Marketing System. Final Report prepared for USAID/Cairo. Washington, D.C.: DATEX Inc.

Fletcher, Lehman B. (Ed) 1996. Egypt's Agriculture in a Reform Era. Ames: Iowa State

IFPRI, December 1996. Rice Monitoring and Policy Options Study. Final Report prepared for the Asian Development Bank. Washington, D.C.: Market and Structural Studies Division, IFPRI

Khedr, Hassan, Rollo Ehrich, and Lehman Fletcher, 1995. The Egyptian Agricultural Policy Reforms: An Overview, for the Agricultural Policy Conference: Taking Stock Eight Years of Egyptian Agricultural Policy Reforms, Cairo, March 26 - 28, 1995. Cairo: U.S. Agency for International Development.

Larkham, Gladys, 1997. Monthly Economic Press Summary (Compilation for August 1996 - May 1997). Cairo: United State Department of International Development.

MALR/IFPRI, 1994. Maintaining Food Security in Egypt During and After Agricultural Food Policy Reform. Cairo: Ministry of Agriculture and Land Reclamation.

MALR, April 1994. Tranche VI Monitoring and Verification Report on Performance Under the Agricultural Policy Reform Program Agricultural Production and Credit Project. A Report to the U.S. Agency for International Development. Cairo: Ministry of Agriculture and Land Reclamation.

MALR, June 1992. Tranche V Monitoring and Verification Report on Performance Under the Agricultural Policy Reform Program Agricultural Production and Credit Project. A Report to the U.S. Agency for International Development. Cairo: Ministry of Agriculture and Land Reclamation.

MELES, September 1993 (Translation). The Commercial Register Law (up to September 193). Cairo: The Middle East Library for Economic Services.

MELES, May 1996 (Translation). Law No. 121/1982: The Register of Importers With its Executive Regulations MD No. 343/1982. Cairo: The Middle East Library for Economic Services.

MELES, September 1996 (Translation). Import and Export Regulations (The Executive Regulations Amended by the Following Decrees: 432/92, 16/93, 288/93, 108/94, 99/94,182/94, 227/94, 396/94, 633/94, 300/94, 269/95, 178/96, 269/96, and 363/96). Cairo: The Middle East Library for Economic Services.

Ministry of Trade and Supply, 1997. Ministry of Trade and Supply Rice Export Committee Meeting Reports (various issues).

Sadek, Tawfik M. (Translator) 1997. Customs Tariff (Modified up to April, 1997). Cairo: The Middle East Library for Economic Services.

USDOC, 1996. Country Commercial Guide: Egypt 1995/96. Washington D.C.: USDOC, International Trade Administration.

Wailes, Eric J. April 1995. The Uruguay Round of GATT: Potential Opportunities for Egypt. Paper presented at the Workshop *Prospects for Egypt in the International Rice Market*, Cairo, April 16-18, 1995.

Wailes, Eric J. et al. March 1994(?) Impacts of Rice Policy Reforms on Production, Milling, Marketing and Trade. Cairo: USAID/Cairo

World Bank, 1997. Arab Republic of Egypt: Country Economic Memorandum (In four volumes). Washington, D.C.: The World Bank.

World Bank, 1993. Arab Republic of Egypt: An Agricultural Strategy for the 1990s. Washington, D.C.: The World Bank.

ANNEXES

Annex A

Time Line of Policy Measures Affecting Rice Marketing

Time Line of Policy Measures Affecting Rice Marketing

Date	Ref. & Nature	Content	Source
630000	Law No. 66/1963	Custom Law (Custom tariff)	MELES
750925	Law No. 118/1975	Radiation inspection is required for foodstuff imports. Quality control is required for rice exports (Annex 9).	MELES
860727	MEFT No. 301/1986	Approval of the Export Committee is needed for exports of agricultural commodities and the export reference price is mandatory.	MELES
900000	N/A	GOE rescinds transportation, private milling, and marketing restrictions.	FAS, 1993
910000	MD No. 184/1991	Cancellation of the authority granted to governors to issue operating licenses for local mills.	U of Arkansas, 1995
910000	MPE D. No. 203	Transfer of public sector rice mills from MTS to the Holding Company for Rice and Flour Mills (HCRFM).	Krenz, 1994
910000	N/A	Removal of controls governing : a) transport of rice, b) processing permits, c)number of mills, d) distance between mills, and e) governors' control of mills	U of Arkansas, 1995
910000	Ministerial D. No. 179/1991	Cancellation of decree 596/1990 delegating to governors the authority to identify the number of local mills and establish new ones.	U of Arkansas, 1995
910502	PD No. 178/1991	Amendment to Custom Law No. 66/1963: Import Tariff rate for rice is 5% for seeds and 20% for other rice.	MELE
910700	MTS D No. 275/1991 Amending Law No. 118-1975	Cancellation of the ban on rice import* Cancellation of the government's monopoly on rice export	Al Komsan and FAS, 1993
910800	MTS	Paddy procurement price set at LE 300/t	Mansoura
9208000	MPE (?)	Paddy procurement price for public mills raised to LE 400/t	FAS, 1993

Date	Ref. & Nature	Content	Source
921130	MTS D No. 383/92	Setting of minimum standards for milled rice traded domestically equivalent to grade 3 or better, addressed to millers and scrubbers. Maximum of 15% brokens, 5.5% total foreign matter and other rice parts, and 14% humidity.	Copy of decision
930000	MPE (?)	Procurement price raised to LE 400 /mt	FAS, 1993
930000	MTS (?)	GOE reduces quantity allocated per person under ration card to 900 grams	FAS, 1993
910000	MALR D. No. 1531/91	Elimination of compulsory paddy procurement and the cooperative marketing for rice (quota was 1.5 ton/fedan).	MARL, 1994
930000	MTS D. No. 288/93	Narrowing of the import ban list	MELES
930400	MTS (?)	Removal of rice from ration card system (subsidy).	FAS/USDA, 1995
931108	MTS D. No. 458/93	Removal of approval for export and Elimination of mandatory export reference price (The reference export price is said to be only a guiding, not a mandatory, price.)	Copy of decision
931202	Press announcement attributed to MPE.	Decision by the MPE to stop export of paddy rice.	El Ahram cited by Krenz, 1994
931206	Press announcement attributed to PM	Statement by Prime Minister that no decree had been issued to ban paddy export	El Ahram cited by Krenz, 1994
931206	Press announcement attributed to PM.	Reaffirmation of policy of free trade by the Prime Minister.	El Ahram cited by Krenz, 1994
940000	MTS D No. 99/94	Amendment to Law 118/1975 re: hides and scrap metal still need export approval.	
940200	N/A	Implementation of an import service charge instituted, in 1993, raised from 1% to: 3% for tariff rate between 5% and 30%, and 6% for tariff rate above 30%	USDOC, 1996; interview

Date	Ref. & Nature	Content	Source
940213	PD No. 38/1994 Amending Custom Law No. 66/1963	Import tariff rate for rice (chapter 10.06) set at 20%, with no distinction made for seeds.	
940500	Press announcement attributed to HCRFM	The Holding Company for Rice is willing to lease mills to private, but none was because of contract's restrictions.	FAS/USDA, 1995
941000	MALR (?)	Allocation of LE 120 million credit to rice producers, traders, millers, and private sector companies	FAS/USDA, 1995
950000	PBDAC Report	disbursement, from 1 July 94 to 30 April 1995, by PBDAC of LE 30.3 million in loans to rice dealers who used 96,000 tons as collateral.	Benchmark No. 9, PBDAC reforms
960310	Cabinet Decision	Subsidy of 50% of the cost of processing of paddy for export granted to public and private rice exporters, after export is completed, with the processing cost to be determined by MTS and MPE.	Copy of decision
960900	Governors' decision	Ban on paddy movements across rice-growing governorates. Measure revoked two-three days later.	Interviewers (conflicting dates)
961020	Cabinet Decision	Instruction by the Prime Minister to public banks to deny credit and storage at bank's warehouses to non-registered rice traders (or to all private traders?)	Interviews
970300	GOCEI	Export notification fee of LE 1.50/ton is canceled	Exporter

Note: N/A not available;

D. Decision or decree; PD, presidential decree

MTS, Ministry of Trade and Supply, MARL, Ministry of Agriculture and Land Reclamation, MEFT, Ministry of Economy and Foreign Trade

MPE, Ministry of Public Entreprises, FAS, Foreign Agricultural Service.

Annex B

Trade Regime

Current Trade Regime and Recent Changes Regarding the Export and Import of Rice

Trade regime	Export of rice		Import of rice	
	Current situation	Observations	Current situation	Observations
Custom tariff	None	Never applied	20%	1991 (5% for seed)
Variable levies	None	Never applied	None	Never
Service tax	None	Never applied	3%	1993 (1%)
Statistical tax and other	None	Eliminated in 1986	None	Never
Subsidy	Measure not implemented	Never one before		
Quota (paddy/rice)	None	1991*	None	Never
Bans (paddy/rice)	None	Never	None	ban lifted in 1991
Quality control	Yes	See rules in 1975	Yes	1993 ****
Phytosanitary inspection	Yes	See rules in 1975	Yes	1993 ****
Radiation inspection	None	Never compulsory	Yes	1993 ****
Other restrictions	None **	Never compulsory	None **	Never
Reference price	None	1993***	None ****	Never
Sale tax	N/A	N/A	None	Never

Source: MELE (various issues), interviews.
N/A Non applicable
Service tax instituted in 1993 at 1% of import value was raised in 1994 to 3% for custom duty between 5% and 30%, and 6% for custom duty above 30%.
(1) In 1991, custom tariff was 5% for seed and 20% for other rice.
No health inspection reported by exporters, despite statement by GOCEI
* Then, public exporters were allocated quotas for sale to other countries' state monopolies
** Save for quality and sanitary controls and inspections
*** Since 1993, export reference price is considered a "guide" and not mandatory

****	Import values sometimes estimated by Customs when import voices appear suspicious (under-invoicing)

Annex C

Calculation of Domestic to Border Price Ratio
Egyptian Medium-Grain Rice at Wholesale

Calculation of Domestic Border Price Ratio for Egyptian Natural Rice, Grade 1

Items	USD/LE	USD	
c.i.f milled rice grade 1 Syria	$430		
Exchange rate LE/$1	3.38		
c.i.f milled rice grade 1 Syria in LE	1,453.40	$430.00	
Less freight and insurance in LE	48.00	$14.20	
World price f.o.b. Alexandria	1,405.40	$415.80	
Less port cost	18.00	$5.33	
Less internal transport	20.50	$6.07	
Less handling	8.00	$2.37	
Less fumigation	2.00	$0.59	
Less export inspection	3.30	$0.98	For 25 kg bags
Less exporter's margin	17.00	$5.03	
Subtotal: exporter cost and margin	68.80	$20.36	
World price ex-mill paid by exporter	1,336.60	$395.44	
Less bagging	17.00	$5.03	For 25 kg bags
Subtotal: millgate without bagging	1,319.60	$390.41	
Conversion rate 3% broken	0.62	0.62	
Equivalent millgate paddy basis	818.15	$242.06	
Less (net) processing cost paddy basis	90.00	$26.63	
World price incoming paddy at mill	728.15	$215.43	
Less transport to market	4.00	$1.18	
Border price paddy at wholesale market	724.15	$214.25	
Local wholesale price of paddy (by dealer)	650	$192.31	
Ratio domestic/border price	0.90		

Sources: Exporters

Note: Local wholesale price as of September 1996. Local prices increased as follows: October, LE 700/ton; November, LE 750/ton; December, LE 850/ton; Jan-Feb, LE 900/ton.

Annex D

Rice Export Statistics

D.1. Major importing countries of Egyptian Rice (Tons)

Country	1995/96	1996/97*
Jordan	61,500	7,875
Syria	55,021	12,570
Romania	49,199	5,062
Turkey	42,751	5,297
Lybia	23,900	
Sudan	20,943	2,765
Bulgaria	17,931	2,474
Russia	12,179	2,432
Albania	11,595	2,200
Lebanon	9,926	1,915
Spain	8,201	
Ukraine	8,087	2,525
Switzerland	6,200	
Kajiskistan	5,150	
Saudia Arabia	4,269	
Gaza	3,491	
Greece	2,687	
Ozikestan	2,190	
Arab Emirates	1,677	
Israel	1,412	
Palestine	1,383	
Nicargua	1,242	
Macedonia	1,000	1,600
Germany	0	1,000
Others	3,295	2,477
Total	355,229	50,192

Source: GOCEI (Courtesy Wakelex), Ministry of Trade and Supply
Note: * up to December 13, 1996
It could be that some countries are in "Others" when volume is below 1,000 t.

D.2 Bids for Japanese tender of 7,000 tons: December 1996

Countries	Volume Accepted	Share	Volume Proposed	Acceptance rate
USA	5,773	83.55%	16,743	34.48%
Philippines	408	5.90%	9,047	4.51%
Vietnam	204	2.95%	921	22.15%
Thailand	190	2.75%	980	19.39%
Uruguay	103	1.49%	663	15.54%
Egypt	103	1.49%	544	18.93%
Australia	68	0.98%	578	11.76%
Indonesia	17	0.25%	16	106.25%
Italy	17	0.25%	17	100.00%
India	17	0.25%	30	56.67%
Pakistan	10	0.14%	34	29.41%
Total	6,910	100.00%	29,573	

Source: Egyptian Embassy to Japan, courtesy of Wakelex (Sunday May 18, 1997)

D.3 Share of the private sector in rice export (volume by tons)

Year	Public	Private	Total	Share private	Share public
1991/92	152,431.25	24,158.75	176,590.00	13.68%	86.32%
1992/93	NA	NA	NA	NA	NA
1993/94	122,600.00	133,000.00	255,600.00	52.03%	47.97%
1994/95	44,016.00	111,592.00	155,608.00	71.71%	28.29%
1995/96	44,379.00	310,850.50	355,229.50	87.51%	12.49%
1996/97	8,296.21	75,125.81	83,422.02	90.06%	9.94%

Sources: Wakelex; The Rice Group (both from GOCEI)
Note: 1996/97 as of February 1997

Annex E

Persons Interviewed

PERSONS INTERVIEWED DURING RICE SUBSECTOR RAPID APPRAISAL

Mr. Essam Ibrahim Hassan, Chairman, Macca El Moharam Co. For Milling and Packing Rice, a rice miller and exporter. 151 Pyramids Street, Giza, Cairo (Tel: 383 4576)

Mr. Moha M. Saleh Mohamed, Export and P.R. Manager, Mecca El Moharam Co.

Mr. Moussa Kassab, Chairman, Rice milling Association, Gharbia Rice Milling Co., a public milling company Mahala El Kubra, Gharbia, Tel: 040- 228 555; 223 154; 223 816

Mr. Moustafa Ghorab, Managing Director, Fosta Est. For Foreign Trade, a rice exporting company, 43a Kasr El-Nil Street, Cairo (Tel 390 5400)

Mr. Mamdouh M. Labib, Financial Manager, Fostat Est. For Foreign Trade

Mr. Ahmed El Akkad, General Manager, Akkad Imports and Exports Co., a small rice exporter, 66 Aasma Fahmi St., Heliopolis, Cairo (Tel: 291 5090)

Eng. Omar M. El Said, Managing Director, GEFCO for Rice Mills, a rice miller and exporter (with photoelectric sorter), Gogar, Talkha, Dakahlia, Mansoura (Tel: 050- 526 691)

Mr. Fathy E. Pharaon, Chairman, El Farana Co. For Rice Milling and Packing, a rice miller and exporter, Dakirness, Dakahalia (Tel 050-475 225)

Mr. Ahmed El Wakil, Chairman, Wakalex Exp. and Imp., a rice exporter
10 Km. Alex/Cairo Agricultural Road, Abbis, Alexandria., Tel 03- 572 0112, 571 7517

Ms. Iman N. Karkoura, Export Manager, Wakalex Exp. and Imp., a rice exporter

Mr. Alexander Ghaly, Chairman, Alkami Trade Co., a rice exporter, Alex. Tel 03 482 6851

Mr.Mohamed Khalifa, Consultant, El Mabrouk Co, a rice miller and exporter
Alex. Tel 03 420-2222

Mr. Ahmed El Moursi, Chairman, Alex. Rice Mill Co., a public mill company

Mr. Kafr Abou Nasr, operator, rice scrubber, Dakirness

Mr. Hassan Al Said Osman, non-registered rice dealer

Mr. Yosouri Hassan, non-registered rice dealer, Mansoura

Dr. Mokhtar A. Khatab, Advisor, the Ministry of State Enterprises.
Cairo, Garden City, Latin America St. No. 2 (Tel 355 9253, Fax 355 9233)

Dr. Hamdi Salem, Director, The Export Developing Center and Advisor, the Ministry of Trade and Supply

Mr. Sayed Abo El-Komsan, Deputy Minister for Foreign Trade
Cairo (tel: 203 7726/203 7674)

Abdel Rahman Fawzy General Manager for Anti-Dumping and Subsidies, the Ministry of Trade and Supply

Mr. Kamel Khonien, Holding Company for Rice and Flour Mills, El-Sawah Square No. 1 Sarai El-Qubba close to the Qubba Presidential Palace

Fenton Sands, Said/Cairo (Tel. 557 2136/7; 355 7371 354 8211)

Dr. Chang Po Yung, World Bank, Cairo (Tel 574 1670)

Mr. Fakhr El-Din Abo El-Ezz, Chairman, General Organization for Import and Export Controls (GOCEI), Cairo, (Tel: 575 8716 / 575 6130)

Mr. Kamel El-Nagar, Chairman Customs Office, Cairo (Tel: 260 5709/ 260 5710)

Mr. Sayed Ibrahim, GOCEI, Alexandria (met at the Customs Office)

Mr. Samir Abo-Steet, The Rice Marketing Co. No. 6 Middan EL-Falaky, 8th floor (Tel: 355 7049/ 354 9983)