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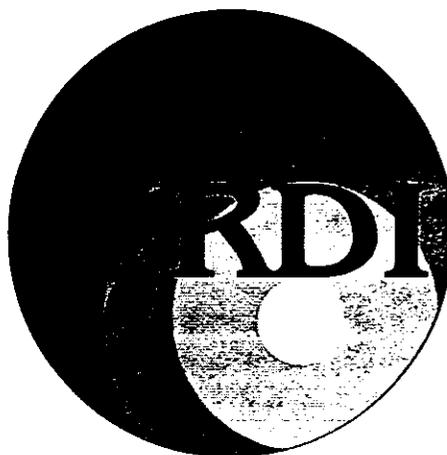
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Report No. 115

**COMMERCIAL
COTTONSEED FOR
VEGETABLE OIL**
Pricing and Marketing Issues

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Commercial Cottonseed for Vegetable Oil: Pricing and Marketing Issues

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Commercial Cottonseed for Vegetable Oil: Pricing and Marketing Issues

Background to the Study

The Egyptian vegetable oil market is dominated by imports, with over 85% of domestic consumption being met by imported oils and oilseeds. Domestic production, however, is not insignificant, with about 90,000 tons of vegetable oil being produced each year from domestic oilseeds with a value of almost 50 million dollars.

Egyptian production of oil from domestic seeds is dominated by cottonseed oil (90% of the total) followed by soybean then sunflower oil. In recent years, domestic production of commercial cottonseed has varied between 375,000 and 560,000 metric tons per year, which is then processed to produce between 50,000 and 80,000 tons of cottonseed oil.

Two years ago, serious problems emerged in the domestic oilseed marketing system. The main seed used for oil -- "commercial cottonseed" (to distinguish it from "seed for planting") -- was piling up in storage areas because oilseed crushing plants were reluctant to buy it at the high price fixed by the government. These crushing plants preferred to buy imported seeds and oils which were available at lower prices. The large "carry over stock" of unsold commercial cottonseed was deteriorating in quality and value over time. The seeds were said to serve as a potential vector for agricultural pests. By April 1998 there were over four million *ardebs* (half a million tons)¹ of unsold stocks worth almost 300 million Egyptian Pounds (LE).

The problem was caused, reportedly, by the government's system of fixing administratively the prices of commercial cottonseed. Unlike most other agricultural commodities, a free market has not yet been allowed in commercial cottonseed. In 1998, the head of the government's holding company for cotton trading wrote to the Government requesting reform.

In the summer of 2000, the need for reform was brought to the attention of the RDI Unit of the Agricultural Policy Reform Project. The RDI Unit was asked to consider proposing a reform to commercial cottonseed policy for inclusion in the annual set of policy reforms ("benchmarks") agreed between USAID and the GOE under the APRP Project. In response, RDI organized a small team of consultants to investigate the issue in more detail.

Objective of the Study

The objective of the study was to find out how the commercial cottonseed market operates and how it is regulated, in particular in regards to pricing and movement controls, in order to identify the causes of the 1998 crisis and propose reforms to keep such a crisis from developing again. The study team was asked to focus on the specifics of cottonseed marketing rather than making a broad study of the production of all vegetable oils and oilseeds in Egypt.

¹ An *ardeb* of cottonseed is about 120 kg.

Findings

How the Pricing System Works

In recent years, the official price to be paid to farmers for cottonseed has been determined by the Government when setting the official pricing system for "seedcotton" (that is harvested cotton that contains both lint and seed). Each August, the Ministries of Agriculture, Public Enterprise, Trade and Supply issue a joint decree on cotton pricing. This decree specifies the official prices for commercial seed and linters (*scarto*) as well as handling costs -- numbers to be used by CATGO in conjunction with international lint cotton prices supplied by Alcotexa to calculate the official prices that trading companies are to pay when buying "seedcotton" from farmers. The pricing formula involves basically taking the world price for cotton lint, adding in an official value for cottonseed and *scarto*, then subtracting out handling costs. Figure 1 illustrates the marketing path and Annex 1 provides a detailed example of the pricing formula.

This official system of pricing seedcotton allows for some flexibility when world prices of lint cotton change during a season -- normally such changes should affect the Alcotexa price and thereby affect the calculation of the official price to be paid to farmers for seedcotton. However, the official pricing system does not allow for flexibility when world prices of cottonseed -- or similar oilseeds -- change during a season. The official price of cottonseed remains the same regardless of changes in world prices. From August 1993 until August 1998 the official price was fixed at 80 LE per ardeb (120 kg.).

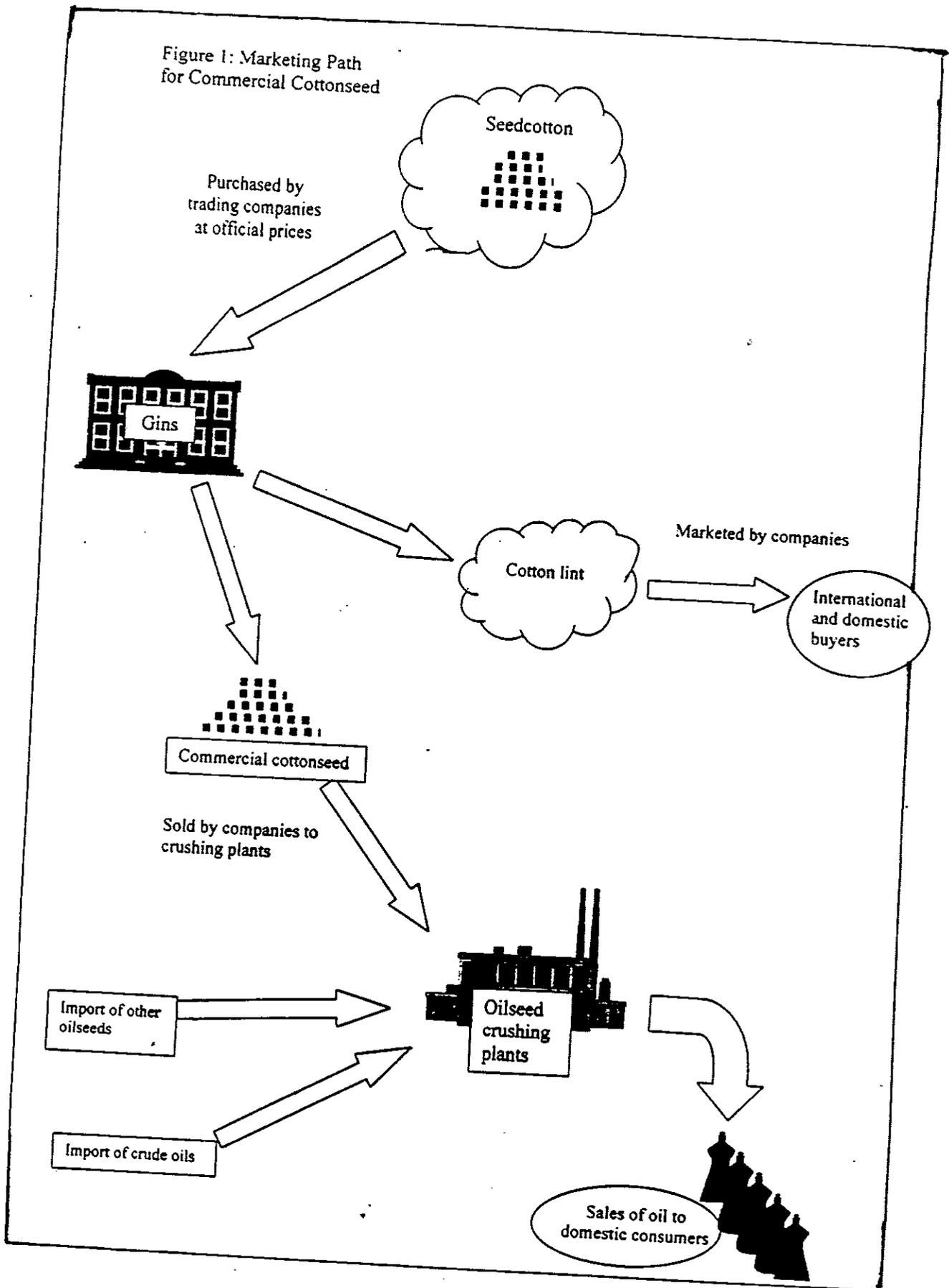
The six major public sector cotton trading companies that buy cottonseed at the official price (integrated into the official price they pay for seedcotton) felt obliged to sell the seed at that same fixed price. There is no official decree stating that seed trading companies must *sell* seed at the official *buying* price, however, in practice they feel that they should, because any sales at lower prices would imply losses and be badly viewed by government auditors.

How the System Resulted in Unsold Stocks

This official pricing system and the inability to adjust to changes in world prices of oilseeds appears to have been the primary cause of the crisis of unsold stocks that peaked in 1998. Vegetable oil producing companies -- mostly public sector companies -- dramatically reduced their purchases of cottonseed from cotton trading companies when they saw that it was cheaper to purchase alternative raw materials -- mainly soybean and crude vegetable oils -- on the world market. The head of the holding company representing the seven public vegetable oil companies stated at the time that reduced demand for oilseed cake was also a factor in the reduction in seed purchases; however, the relatively high cost of domestic cottonseed appears to have been the main reason.

By the end of the 1997 ginning season, about 300,000 ardebs of seed were unsold and had to be carried over in storage at the gins. By the end of the 1998 ginning season, over four million ardebs were unsold -- an inventory worth over 300 million LE.

Figure 1: Marketing Path for Commercial Cottonseed



Every month that this stock went unsold was costing the cotton trading companies over 3 million LE in financing costs, and the oil content (value) of the seeds was diminishing as they aged.² Managers at the gins where the seeds were stored complained that the stocks were hindering their ability to gin subsequent crops for fear of contaminating new varieties with old seeds.³

Reactions to the Crisis

The public trading companies for cotton were the main financial losers from the inflexible price system. Initially they – represented by their Holding Company – insisted that the public companies for vegetable oil production should be forced to purchase the stocks at the official price of 80 LE/ardeb (“otherwise our Company will incur LE 48 million in losses.”). But the oil production companies – represented by the Holding Company for Food Industries – refused, and instead argued for price reductions.

Private cotton trading companies were the first to accept selling seed at market prices – that is at prices below the official cost price – in order to sell off their stagnating inventories of seed. They negotiated prices and sold seeds at prices varying between 60 and 70 LE/ardeb, i.e., at a loss, but in way that would stop the hemorrhaging of money through high monthly carryover costs.

The public trading companies began to realize that the oil companies were not planning to buy their old stocks of seed at 80 LE/ardeb. Nonetheless, they held out a few more months, hoping that the Government would compensate them for the difference if they were forced to sell at below cost. By the Fall of 1998, they realized there would be no bailout, and the Holding Company authorized the affiliated companies to sell their stocks at the reduced price of LE 70/ardeb.

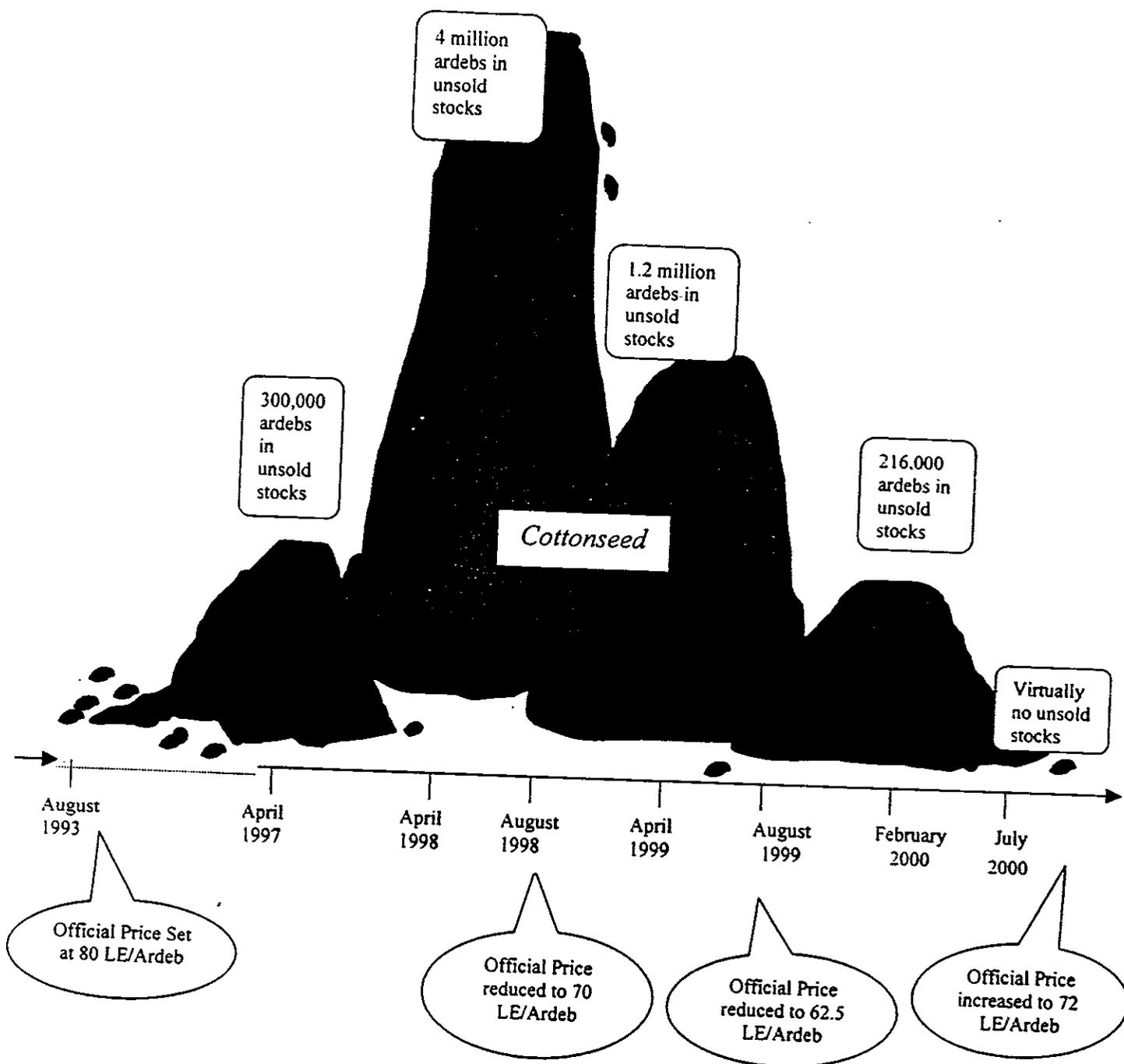
However even at 70 LE/ardeb, the oil processing companies were unenthusiastic about purchasing the stocks and they asked for further markdowns due to the reduced quality (in terms of oil content) and weight of the old stocks. Eventually each trading company struck deals with the oil companies, mostly at prices between 60 and 70 LE/ardeb. Some particularly deteriorated stock was sold at 50 LE/ardeb to be used as animal feed (after obtaining special permission from the Ministry of Agriculture). Directors of trading companies who initially were reluctant to “realize a loss” eventually consulted with their boards and made the tough decisions.

In August 1998, the Ministries of Agriculture, Public Enterprise, and Trade and Supply issued their annual joint decree on cotton pricing and cut the official purchase price of seed to 70 LE/ardeb for the upcoming season. These events are illustrated in a timeline in Figure 2.

²Gins provide storage free of charge so there are no warehousing charges.

³A gin will not be licensed to begin ginning operations of a new variety if seeds of a different variety remain in storage at that gin.

Figure 2: Timeline of Commercial Cottonseed Unsold Stocks Issue



Official Prices Become Less Binding

Increased flexibility on the side of the trading companies and increased demand on the side of the oil companies combined to draw down the stock of carryover seeds during the following months. By April 1999 the stock was down to 1.2 million ardebs, but this still cost the trading companies almost a million pounds per month in financing costs.

In August 1999 the three ministries announced a reduced price of 62.5 LE/ardeb in their annual decree to determine seedcotton-purchasing prices. By February 2000 the amount of commercial seed in stock fell to 216,000 tons and by the summer it was virtually sold out.

The reduction in official prices played an important role in selling off the stocks, as did an increase in demand related to slight increases in world prices for alternative oilseeds. Some observers feel that demand was also enhanced by the recent establishment of new private vegetable oil producing companies (giving sellers an alternative to the public companies); although only a few of these companies are equipped to crush cottonseed. And increased livestock production may have enhanced demand for cottonseed oilcake.

Indeed by July of 2000, the small amounts of commercial cottonseed that were still available on the market (mostly rejected planting seed) were being sold at competitive market prices of up to 86 LE/ardeb.

Is the Pricing Problem Solved?

Many observers interviewed by the study team felt that the problem of unsold stocks that peaked in 1998 was now largely solved, because:

- ◆ Official prices have been decreased;
- ◆ Demand has increased;
- ◆ Private trading companies are not bound by official prices when they sell commercial seed;
- ◆ Public trading companies are learning to become more flexible in their selling prices for commercial seed;
- ◆ Increasing difficulties in obtaining foreign exchange will increase the cost of importing oilseeds and crude.

These factors have effectively solved the problem for the moment; however, the root cause of the problem has not yet been tackled – officially decreed prices for seed rather than a free market pricing system.

In August 2000 the ministries again issued their official joint decree on cotton marketing and again announced an official price for purchases of cottonseed – this time moving the price back up to LE 72/ardeb.

This new official price seems unlikely to cause problems if market conditions remain constant throughout the upcoming year; but no one can predict accurately the future of international prices for vegetable oilseeds and crude. If later in the season

importing soybeans becomes cheaper than buying domestic cottonseed, the oil companies are likely to stop purchasing cottonseed. At that point it will be interesting to see if the cotton trading companies will feel obliged to sell at the official price or if they will cut prices to remain competitive.

Approaches to Reforming the Price System

1. The most direct way to reform the price system would be to stop announcing an official seed price in the annual ministerial decree on seedcotton marketing and instead accept market pricing. But such an approach implies removing a key element from the current system of calculating official prices for the *seedcotton* sold by farmers. The government probably cannot stop announcing official seed prices until it decides to end its current system of calculating official prices to be paid for seedcotton – an issue that goes beyond the scope of this paper.
2. The government can, however, make it clear that the official seed prices are simply a tool used to calculate *purchase prices* for seedcotton and these seed prices need not apply to actual *sales* of seed, which should be conducted at market prices. A letter from the Minister of Public Enterprises or the head of the relevant Holding Company to the heads of the public cotton trading companies would probably be adequate to accomplish this simple reform.
3. A third potential reform worthy of consideration is the integration of more international pricing information and flexibility into the system of determining the seed price to be used in the official pricing formula. This would involve changing the price during the season according to international price changes (as is done, at least in theory, for seedcotton prices by linking them to international/Alcotexa prices). A sub-committee composed of representative of the relevant ministries and armed with international price data for soybeans and crude oils could meet periodically throughout the seed-marketing season to adjust official prices as necessary. Of course these official prices should only apply to calculations of purchase prices and not to sales prices (see recommendation #2).

Another Issue: Restrictions on Commercial Cottonseed Movements

The movement of cottonseed has been tightly regulated in Egypt for many years. In 1966 the current Agricultural Law (#52) decided among other things that:

- ◆ Commercial cottonseeds shall not be transported from gins without a prior permission from the Ministry of Agriculture.
- ◆ The Minister of Agriculture shall issue a decree defining the procedures to be observed in delivery, receipt and transport of tradable cottonseeds between gins and oilseed crushing plants; and determining tolerances in the weight to tradable cottonseeds delivered to plants.
- ◆ The Minister is entitled to prevent transport of commercial cottonseeds of any variety from gins to crushing plants for a period to be specified (in a ministerial decree).

- ◆ Commercial cottonseeds shall not be stored except in the internal basins at gins and/or crushing plants, or in the storage areas annexed to either of them as licensed by the Ministry of Agriculture... However, the commercial cottonseeds may with a written permission from the Ministry be stored unpacked in the internal yards of the crushing plants if they were treated for killing embryo vigor.
- ◆ No oilseed crushing plant to extract cottonseed oil shall be operated without a special license from the Ministry of Agriculture
- ◆ Cottonseeds shall not be moved from the crushing plants except with a permission (license) from the Ministry of Agriculture

The Ministry assigns two or three of its employees to be based at each cotton gin and each crushing plant to ensure that the quantities of commercial cottonseed leaving the gins is the same quantity that is delivered to the plants. These tight controls are all designed to avoid any commercial cottonseed from being sold to farmers as "planting seed." The Government fears that any such "uncontrolled sales" to farmers could threaten the national cotton variety zoning policy which requires that one and only one specific variety be planted in each geographic zone designated by the Ministry.

These heavy controls on commercial seed movements are inconsistent with the normal principles of free trade in a market economy and therefore have been questioned by several analysts:

- ◆ If the embryo of commercial seeds can be killed by heat treatment, isn't the threat of their misuse for planting greatly reduced thereby obviating the need for movement controls?
- ◆ Do these movement controls impose heavy costs in terms of keeping commercial seeds from flowing quickly to the oilseed crushing plants or other industries (such as animal fattening) that need them most?

To explore these questions the consulting team visited several trading companies that hold title to commercial seed, a gin, an oil pressing company, and the Ministry unit that implements these controls – the Central Administration for Seed Certification. These visits and interviews led to these findings:

- ◆ **Sterilization.** Currently, all gins are required to subject commercial cottonseed to hot air treatment at between 65 and 80 degrees Celsius for ten minutes to reduce the viability of the embryos (sterilization). This treatment appears to be effective in killing any insect infestations but is inadequate to completely sterilize the seeds. In fact, recent research on this topic in Egypt found that "such treatment was practically useless and might even improve seed germination and seedling growth as a result of controlling the microorganism surrounding the seed."⁴ CASC, fearing that the treated seeds might still germinate if they were diverted to and planted by farmers, therefore maintains the tight movement controls.

⁴Elemery, M.I. "Effects of Different Treatments on Viability and Chemical Composition of Cotton Seed," Egyptian Journal of Applied Sciences, Vol. 14, July 1999.

Research on other methods to sterilize cottonseeds has been conducted at the Agricultural Research Center but has not yet yielded a practical solution that will maintain the oil value while sterilizing the seed.

- ◆ **Movement Licenses.** The CASC inspection systems in the mills involve some paperwork and delays for the issuing of movement licenses; however, this paperwork is not considered a significant problem by the trading companies, gins, and oil press managers who have grown comfortable with the system. The cost of maintaining CASC inspectors at every gin and oil press does not seem to be an issue of concern to the officials involved. This may change if the number of private presses continues to grow.
- ◆ **Use as Feed.** The current system makes it difficult for Egyptian livestock ranchers to obtain whole cottonseed to feed to their animals. In other countries, whole cottonseed is often used as an animal fattener; however, in Egypt, this requires a special permission issued on a case by case basis by the Minister of Agriculture himself. Requests for such permissions are reported to be rare, because ranchers find the purchase of cottonseed cake to be more economical than the purchase of cottonseed, unless its price is discounted due to its age. The Animal Production Research Institute of the Agricultural Research Center is conducting research on this topic, with initial findings suggesting benefits to buffalo diets but at relatively high costs. Interestingly, the Institute reported great difficulty in obtaining permission to procure the small quantity of cottonseed it needed for its research.

Summary of Findings and Recommendations

1. The relatively high official purchasing price for commercial cottonseed resulted in large unsold stocks in 1997 and 1998 because oilseed-crushing plants preferred to import cheaper raw materials. Private cotton trading companies felt free to cut their selling prices below the official purchasing price and remain competitive, but public sector companies were reluctant to sell below cost and thereby accumulated stocks that were costly to finance.
2. Only when the official price was lowered, demand increased, and managers of public trading companies learned to be more flexible in their pricing of seed, did the problem dissipate.
3. To avoid the reoccurrence of this problem, the government should make it clear that the official seed prices are simply a tool used to calculate *purchase prices* for seedcotton and these seed prices need not apply to actual *sales* of commercial seed, which should be conducted at market prices. A letter from the Minister of Public Enterprises or the head of the relevant Holding Company would probably be adequate to accomplish this simple reform.
4. A sub-committee composed of representative of the relevant ministries and in possession of international price data for soybeans and crude oils should meet periodically throughout the seed-marketing season to adjust official prices as

necessary. Of course these official prices should only apply to calculations of purchase prices and not sales prices.

5. Research should be intensified in the ARC to (a) find a more effective and practical method to sterilize cottonseed, and (b) investigate the economic viability of using cottonseed in animal fattening. If the latter is promising, procedures should be simplified for obtaining permission to use cottonseed as feed.

Annex 1: An Example of the Use of the Official Formula to Calculate Official Prices for Seedcotton

Procurement prices are calculated by the Cotton Arbitration and Testing General Organization (CATGO) based on the formula described below, using the official cost numbers provided in the ministerial decree on seedcotton marketing.

The official cost numbers for commercial seed, scarto, domestic marketing expenses, and conditioning for export (fobing) are announced in the decree.

The international price is provided by Alcotexa.

The turnout rate is provided by CATGO based on testing of samples from delivered seed cotton.

One kentar of seedcotton is 157.5 kg.

At a turnout rate of 100% this yields 50 kg of lint, about 95 kg of seed, and a few kg of scarto

Below is an example of calculating an official purchasing price for the Giza 70 cotton variety in 1999-2000.

Lint value

If the international price for Giza 70 variety lint is announced by Alcotexa at 100 cents/pound, then the official number for fobing costs (10 cents) are deducted to get 90 cents/pound.

The 90 cents are converted to LE, resulting in equivalent amount of LE 3.06 LE/pound.

Multiplied by 2.204 pounds/kg gives 6.744 LE/kg.

At a turnout rate of 100% there are 50 kg of lint/kentar.

50 kg multiplied by 6.744 LE/kg yields LE 337.3 for a kentar of lint.

Marketing costs

The officially decreed cost of marketing is LE 50.

This is subtracted from LE 337.3 to calculate net revenue from lint at 287.2 LE/kentar.

Turnout multiplier

If the turnout rate is 115%, the 287.2 is multiplied by 115% to obtain an official buying price of 330.395 LE/kentar of lint.

Seed value

The seed value is assumed to be 90 kg/kentar of seedcotton or 3/4 of an ardeb.

At 62.5 LE/ardeb this means 46.875 LE in seed value per kentar of seed cotton.

Scarto value

The value of the scarto is announced in the decree to be LE 10/kentar of seedcotton.

Official purchasing price

This is calculated by adding the multiplier-adjusted net revenue from lint (330.395 LE) and the calculated value of seed (46.875 LE) and

the announced value of scarto (10 LE)

to yield an official purchasing price of 387.27 LE/kentar of seedcotton.

Annex 2:

**Total Production, Total Consumption, Food Gap Per Thousand Ton,
Percentage of Self-Sufficiency, Average Per Capita Consumption in Kg., Imported Quantities per
Thousand Tons and the Average Import Price per Ton in U.S. Dollars for Edible Oils during the period 65/66 – 97/98**

Year	Production				Total Production	Total Consumptio	Food Gap	Percentage of Self Sufficiency	Average per Capita Consumptio	Imported quantities of oils	Average of Import Price
	Cotton Seed Oil	Soybean oil	Sunflower oil	Maize oil							
65/66	149.0				149	186	37	80 %			
1972	136.0				136	263	127				
80/81	82.3	9.4		0.4	92	454	362	52	7.8		
81/82	85.0	11.0		0.6	97	485	388	20	11.0	320	703
86/87	82.9	37.3		1.5	122	605	483	20	11.5	387	656
87/88	87.0	25.4		1.7	114	550	436	21	12.5	414	511
88/89	84.0	22.1		1.9	108	609	501	18	11.1	416	686
89/90	75.0	23.0		2.0	100	585	485	17	11.9	526	643
90/91	73.0	11.6		6.2	91	464	373	20	11.2	565	536
91/92	50.0	18.0	5	3.9	77	428	351	18	8.5	477	662
92/93	78.0	35.0	5	5.0	123	461	338	18	7.7	414	661
93/94	94.0	14.0	6	6.9	121	466	338	27	8.1	537	466
94/95	58.0	16.0	4	6.0	84	674	546	26	8.2	352	454
95/96	49.0	36.0	11	12.9	109	709	590	12	11.4	364	670
96/97	78.0	24.0	16	11.0	129	890	600	15	12.0	429	672
97/98	80.0	18.0	7	9.0	114	726	612	14	14.7	598	620
								16	11.9	684	536

- Note: Production of cottonseed oil is all from domestic seeds, but soybean oil, sunflower oil, and maize oil is produced mainly from imported oilseeds.

- Note: Imported quantities are dominated by crude palm oil and crude soybean and sunflower oil, which are locally refined.

Source : Compiled and computed from:

- Fawzy Halim Rizk (Dr.), Economic Reform Policies of Food Subsidy in Egypt, The Egyptian Society of Political Economy, Statistics and Legislation, Contemporary Egypt No. 449-450 Cairo, January and April 1998.

- Records of Ministry of Agriculture and Land Reclamation.

- Records of Ministry of Supply and Home Trade.

Annex 3: Production of Major Oilcrops in Egypt

	Cottonseed production in ardebs	Cottonseed in thousand tons	Soybeans in thousand tons	Oily Sunflower in thousand tons	Total in thousand tons	Cottonseed as % of total
1965	8,009	961			961	100%
1970	7,363	884			884	100%
1980	7,146	858	92		950	90%
1981	6,750	810	130		940	86%
1982	6,149	738	166		904	82%
1983	5,456	655	162		817	80%
1984	5,301	636	143		779	82%
1985	5,913	710	140		850	84%
1986	5,612	673	133		806	84%
1987	4,884	586	134		720	81%
1988	4,453	534	129		663	81%
1989	4,141	497	113	14	624	80%
1990	4,198	504	126	22	652	77%
1991	4,025	483	127	30	640	75%
1992	4,759	571	59	38	668	85%
1993	5,407	649	50	42	741	88%
1994	3,423	411	67	18	496	33%
1995	3,167	380	63	29	472	81%
1996	4,598	552	40	25	617	89%
1997	4,643	557	35	12	604	92%
1998	3,210	385	48	7	440	88%
1999	3,125	375	19	2	396	95%

Source: Compiled and computed from Records of Ministry of Agriculture and Land Reclamation

- Fawzy Halim Rizk, "The Fixed Farm Prices of Egyptian Field Crops, which are Supplied to Government,"

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- Abd El hamid Fawzy El Atar and Fawzy Halim Rizk, "Study of Production Economics of Oil and Cotton Seed Cake,"

The Egyptian Society of Political Economy, Statistics and Legislation, Contemporary Egypt, No. 355, April 1974.

Annex 4: References

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2. Fawzy Halim Rizk, "Production, Marketing and Pricing of Cottonseed and Important Oilseeds," unpublished report, RDI/APRP, August 1999.
3. Fawzy Halim Rizk, "Economic Reform Policies of Food Subsidy in Egypt," The Egyptian Society of Political Economy, Statistics and Legislation, Contemporary Egypt No. 449-450, Cairo, January and April 1998.
4. Labonne, M., "Oil Crops Strategy for Egypt: A Design," prepared by INRA/Agripol for the Ministry of Agriculture and Land Reclamation, May 1999
5. Labonne, M., "Oil Crops Strategy for Egypt: Elements for Implementation," prepared by INRA/Agripol for the Ministry of Agriculture and Land Reclamation, November 1999.
6. Oraykat, Samir, "Report on Handling and Pricing of Cottonseed (Commercial Use)," unpublished report, RDI/APRP, August 1999.
7. Records of Ministry of Agriculture and Land Reclamation.
8. Records of Ministry of Supply and Home Trade.
9. Records of Central Agency for Public Mobilization and Statistics.

Annex 5:

**Memoranda from the Chairman of the Holding Company
for International Cotton Trading
(January 1998 and November 1998, in Arabic original and
translations into English)**

Situation of Cotton Seeds' Disposal

- On 09/20/93, a meeting was held under the chairmanship of the Prime Minister. Among other things, the meetings decided the cotton seed procurement price for 93/1994 at L.E. 80/- per ardab.
- The Ministerial Committee approved the same price in 1997 season.
- Edible Oil companies, affiliated to the Holding Company for Food Industries were committed to receive the commercial seed at that price until 96/1997 season.
- Starting from 96/1997, the oil companies were reluctant to receive the commercial seeds from the gins, thus leading to backlog of seed stocks. Some of those gins were to stop operation in the beginning of this season 97/1998 due to changes in the varietal map. A letter was sent to H.E. the Deputy Premier and Minister of Agriculture, asking him to intervene towards moving commercial seed stocks carried over from the previous season especially at the gins here the variety assigned has been changed. He has issued his instructions to the Holding Company to evacuate the gins from seeds stocks.
- Such a delay was conducive to financial problems for the cotton companies, let alone damage to and dehydration of the commercial seed.
- The remaining stock from 96/1997 is 200,000 ardabs. This season's output (97/1998) is estimated at 4.6 m. ardab, i.e. total supply is 4.8 m. ardabs, worth of L.E. 384 m.
- According to the Deputy Premier's decree No. 1675 of 1997 varieties will be changed in a number of gins. Stocks have to be withdrawn from gins to avoid backlog. MALR refuses to license gin operation if there were stocks of a variety other than the one assigned to the gin.
- In Jan., 11th 1998 the Holding Company for Food Industries conducted a study which concluded that an economically viable price is L.E. 70 per ardab, in the light of the world prices of edible oil.
- Our company (CIT) has paid L.E. 80 / per ardab of commercial seed to the cotton producers.

I am writing this memo to Your Excellency to issue your instruction to the Holding Company to pay L.E. 80 per ardab or our company will incur L.E. 48 m. in losses.

I therefore, suggest the following:

1. Precedence should be given to the oil extracted from cotton seed. A time-schedule must be agreed upon between MoTS, CIT and the Holding Company for Food Industries.
2. Oil processing plants must be instructed, within the Optional Marketing System, to receive the commercial seeds, just like the cotton trading companies.
3. MALR should agree to crushing the seeds under its supervision for use in the production of animal feeds or for exportation.

**Board Chairman
Nabil El-Marsafawy**

Jan. 18, 1998



مذكرة

بشأن موقف تصريف بذرة القطن

- بتاريخ ١٩٩٣/٩/٢٠ تم عقد اجتماع برئاسة السيد الأستاذ الدكتور
رئيس مجلس الوزراء لدراسة أسعار استلام القطن من المنتجين لموسم
١٩٩٤/٩٣ وقد تقرر في هذا الاجتماع تحديد سعر البذرة بمبلغ
٨٠ حنيه للأردب اعتبارا من هذا الموسم .
- حددت اللجنة الوزارية بحلستها المنعقدة في ١٩٩٧/٧/٦ برئاسة
السيد الأستاذ الدكتور رئيس مجلس الوزراء سعر الحد الأدنى (المضان)
لاستلام القطن من المنتجين يبلغ ٥٠٠ حنيه للطن ، متضمنا قسيمة
البذرة يبلغ ٨٠ حنيه للأردب .
- التزمت شركات الزيوت التابعة للشركة القابضة للصناعات الغذائية باستلام
البذرة من شركات الأقطان بهذا السعر وذلك حتى موسم ١٩٩٧/٩٦ .
- اعتبارا من موسم ١٩٩٧/٩٦ تباطأت شركات الزيوت في استلام
البذرة مما أدى الى تكديس البذرة بالحالج وتعرضت بعض المحال
التي توقف عن التشغيل في بداية الموسم الحالي ١٩٩٨/٩٧ نظرا
لتغير أصناف القطن الحلوجة ، الأمر الذي أدى الى رفع الأسعار
التي السيد الأستاذ الدكتور نائب رئيس الوزراء ووزير الزراعة للتدخل
نحو سرعة قيام شركات الزيوت بنقل أرصدة البذرة المتخلفة عن الموسم
الناضي بالحالج التي تغيرت الأصناف بها ، وقد أصدر سيادته
توجيهاته للشركة القابضة للصناعات الغذائية لسرعة اخلاء هذه المحال
من البذرة وقبل بداية موسم ١٩٩٨/٩٧ .
- كما أدى هذا التأخير الى مشاكل في التمويل لشركات الأقطان بالاضافة
الى تعرض البذرة للجفاف والطف .



- وتحدر الاشارة الى أن الرصيد العالي للبذرة المتبقية من الموسم الماضي ١٩٩٧/٩٦ تبلغ حوالي ٢٠٠ ألف أردب ومن المتوقع أن يبلغ انتاج البذرة خلال الموسم الحالي ١٩٩٨/٩٧ حوالي ٤٣٦ مليون أردب أي أن إجمالي البذرة المعروضة ٤٣٦ مليون أردب تبلغ قيمتها ٣٨٤ مليون جنيه .

- كما صدر قرار السيد الأستاذ الدكتور نائب رئيس الوزراء ووزير الزراعة رقم ١٦٧٥ لسنة ١٩٩٧ بتعيين مناطق زراعة أصناف القطن نسي السنة الزراعية ١٩٩٨/٩٧ ، وعليه سيتم تغيير الصنف في عدد كبير من المحاليج ما يتطلب ضرورة سحب أرصدة البذرة أولاً بأول تفادياً لتكدسها في المحاليج سيما وأن وزارة الزراعة ترفض التصريح بالتنفيذ للمحاليج التي توجد بها أرصدة بذرة من صنف مغاير للصنف المقرر حلجه بمعنى أن نفس مشكلة الموسم الماضي ستظهر في الموسم القادم .

- بتاريخ ١٠/١/١٩٩٨ تم الكتابة للسيد المهندس رئيس مجلس ادارة الشركة القابضة للصناعات الغذائية لحت شركات الزيوت التابعة لسرعة نقل البذرة وبالسعر الذي قامت شركات الأقطان بحاسبة المنتجين على أساسه وهو ٨ جنيه للأردب .

- بتاريخ ١١/١/١٩٩٨ ورد اليها خطاب السيد المهندس رئيس مجلس ادارة الشركة القابضة للصناعات الغذائية يفيد بأنه بالدراسة مع شركات الزيوت والصابون ، وفي ضوء الأسعار العالمية للزيوت النباتية واقتصاديات تشغيل بذرة القطن المحلية ، وقد أسفرت الدراسة على أن السعر المناسب لتشغيل المعاصر لأردب البذرة هو ٧٠ جنيهها وذلك للموسم الحالي ١٩٩٨/٩٧ وتطالب بتسليم بذرة القطن على أساس ٧٠ جنيه للأردب حتى تتمكن شركات الزيوت في البسده في استلام البذرة للموسم الحالي .

- بتاريخ ١٥/١/١٩٩٨ تم عقد اجتماع بالشركة القابضة للقطن والتجارة الدولية ضم ممثلين من شركة القطن والتجارة الدولية والشركات التابعة لها والمختصين بالشركة القابضة للصناعات الغذائية



- ٣ -

حيث أصروا على موقفهم بتحديد سعر البذرة بـ ٧٠ جنيه
للأردب للمبررات صالفة الذكر .

بناء على ذلك نتشرف بعرض الأمر على سيادتكم ، وقد تسرون
التفضل بالتوجيه نحو قيام شركات الزيوت باستلام البذرة بسعر ٨٠ جنيه
للأردب أي بقيمة ما تم سدادها للمنتجين من شركات الأقطان ضمن مكونات
سعر القطن والا فان هذه الشركات ستتحمل بخسائر لا يد لها فيها
تقدر بـ ٤٨ مليون جنيه .

هذا بالإضافة الى أن شركات الزيوت تقوم باستيراد خامات لصناعة
الزيوت من الخارج بعملات حرة ويتمين عليها استخدام بذرة القطن في
انتاجها قبل الاستيراد من الخارج لأية خامات أخرى .

لذلك نقترح الآتسى :

- أن تكون الأسيمة في استلامات الزيت التمويهي للزيت المستخلص من
بذرة القطن المحلية ووفقا لبرنامج زمني يتم الاتفاق عليه بين وزارة
التجارة والتموين والشركة القابضة للقطن والتجارة الدولية والشركة
القابضة للصناعات الغذائية .

- أن يتم في الموسم القادم - في حالة صدور قرار بالتسويق الاختباري
لحصول القطن - تكليف شركات معاصر الزيوت باستلام البذرة ناتج
الأقطان الواردة للحلقات التسويقية ، شأنها شأن شركات التجساة
التي يتم تكليفها باستلام الأقطان منها .

- أن توافق وزارة الزراعة على جرث البذرة بالمعالج وتحت اشرافها
لاستخدامها محليا كعلف للماشية أو تصديرها للخارج .

والأمر معروض ،
رئيس مجلس الإدارة

والأمر معروض ،

تحريرا في ١٨/١/١٩٩٨

(م . نجل الرضاوى)

ن ٠ ز

**Cotton and International Trade Company
Board-Chairman's Office**

- Due to the presence of carry-over from 97/1998 season and to the slow withdrawal of adequate volume thereof by the oil companies, especially from gins where the variety assigned has been changed; and
- Based on MALR's instructions to evacuate the gins of the carry-over, as a preliminary step for disinfecting on the set Date.

A letter has been sent to Eng. Adel El Shehawi, Board Chairman of the Holding Company for Food Industries, to this effect.

CIT has favorably responded to the oil companies' request for applying the actual weight rather than a seed sack's weight of 121.5 kgm. Likewise, the oil companies have been given facilities for payment, extending up to 10 months.

Despite all this, the carry-over stock from 97/98 is estimated at 900,000 ardabs. The output from this current season is estimated at 3.2 million ardabs, thus making the total supply within the domain of 4.1 million ardabs.

I would like to invite Your Excellency's attention to Article (4) of the Joint Ministerial Decree No. 1048 of 1998, duly signed by your goodself, the Deputy Premier and the Minister of Trade and Supply, which reads as follows:

"Oil presses of the subsidiary companies of the Holding Company for Food Industries shall be linked / assigned to specific gins, as was the case in the past, wherefrom they shall receive the output of the cotton commercial seed on regular basis. They also obliged to provide intact sacks to reduce losses".

The 15th of April has been specified as a deadline for the receipt of the entire stocks by weight. A special committee (representing the oil press, the gin, MALR at gins and the company holding title deed to the commercial seed) shall set the rules of seed delivery and receipt."

The Holding Company for Food Industries has enumerated the following reasons for the sluggish withdrawal of seeds in 97/1998:

1. Low production of feed concentrates due to low demand.
2. Increasing stock of the cotton seed cake at the presses caused the pressing operation to fall down.
3. High stocks from 96/1997 (1 m. ardabs) mostly withdrawn during the ongoing season.

Under the best scenario, the oil companies will only need no more than 2.5 m. ardabs in 98/1999. The set price is L.E. 70 per ardab, 10 pounds less than the previous seasons.

We therefore propose:

1. Linking the oil presses to specific gins according to the joint Ministerial Decree 1048 of 1998.
2. Ministry of Supply should give precedence to oil produced from the local cotton commercial seed, according to a time-schedule agreed upon between MoTS, CIT and HCFI.
3. Permit exportation of Commercial Seed under MALR Supervision.
4. MPES should either prohibit or reduce importation of crude oil or seeds from which oil is extracted.
5. Oil companies are obliged to receive the carry-over stock at L.E. 80 per ardab, which is the price paid to producers. The cotton companies should not incur loss for no mistake of them.

**Board Chairman
Nabil El-Marsafawy**

Nov. 5th 1998



قضاء / دمشق ولديكم
شركة القطن
ملا

شركة القطن والتجارة الدولية

ش. ق. م. م. م.

رئيس مجلس الإدارة

١٩٩٩ في

مذكرة

بشأن موقف تصريف بذرة القطن

نظراً لتكدس المحالج بالبذرة ناتج موسم ١٩٩٨/٩٧ وبطن شركات الزيوت في سحب كميات مناسبة منها لاخلء المحالج سيما وأن عدد كبير منها قد تغير صنف القطن المقرر حليجه في الموسم الحالي ١٩٩٩/٩٨ وبناء على تعليمات وزارة الزراعة بضرورة اخلاء المحالج من البذرة حتى يمكن تطهير المحالج في المواعيد المحددة.

فقد تم الكتابة الى السيد المهندس / عادل الشهاوي رئيس مجلس ادارة الشركة القابضة للصناعات الغذائية عدة مرات للتفضل بالتنبيه على شركات الزيوت نحو سحب البذرة من المحالج ، كما استجابت شركات الاقطن الى طلب شركات الزيوت لاستلام البذرة بالوزن الفعلي خلافاً لما كان متبعاً وهو استلام زكية البذرة على أساس ١٢١,٥ كجم قائم واحتساب مجز الطريق ، كما تم إعطاء شركات الزيوت دسبيلاً في السداد بلغت في بعض الاحيان عشرة أشهر وبالرغم من ذلك فإن أرصدة البذرة المتخلفة عن موسم ١٩٩٨/٩٧ تبلغ أكثر من تسعمائة الف أردب وأنه من المتوقع أن يكون ناتج البذرة للموسم الحالي ١٩٩٩/٩٨ حوالي ٣.٢ ملايين أردب وذلك يكون إجمالي المعروض من البذرة خلال الموسم الموسمي الحالي حوالي ١٠.٤٨ مليون أردب .

وقد ورد في المادة ٤ من الاحكام العامة في القرار الوزاري المشترك رقم ١٠٤٨ لسنة ١٩٩٨ بشأن التسويق الاختياري للقطن والموقع عليه من سيادتكم ومن السيد الاستاذ الدكتور نائب رئيس الوزراء ووزير الزراعة واستصلاح الاراضي والسيد الاستاذ الدكتور وزير التجارة والتموين ما يلي :-

يتم ربط معاصر شركات الزيوت التابعة للشركة القابضة للصناعات الغذائية بالمحالج أسوة بما كان متبعاً في انحاء استلام ناتج البذرة التجاري نكث محتج أولاً بأول مع التزامها بتقديم زكائب جديدة حفاظاً على تقليل فاقد البذرة

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شركة القطن والتجارة الدولية

ض. ق. م. ٥٠٠

رئيس مجلس الإدارة

هذا وقد تم تحديد سعر البصرة لتاريخ موسم ١٩٩٩/٩٨ بمبلغ ٧٠ جيه للأردب بخصم قدره ١٠ جيهات عن المرسوم السابقة تشجيعاً لشركات الزيت على سحب كميات البصرة الناتجة .

لذلك نفرض الآتي :-

- أن يتم ربط المعاصر على اصحاج تفيداً لما جاء لدى القرار الوزاري المشترك للتسويق الاختياري للقطن لسنة

١٩٩٨ .

- أن تكون الاسبقية في استلامات الزيت التمويهي للزيت المستخلص من بلرة القطن المحلية ووفقاً لبرنامج زمني يتم الاتفاق عليه بين وزارة التجارة والتموين والشركات القابضة للقطن الدولية والشركة القابضة للصناعات الغذائية .

- أن يصرح بصدير البصرة التجاري تحت اشراف وزارة الزراعة .

- ان يصدر توجيه من السيد الاستاذ الدكتور وزير قطاع الاعمال العام مجمع أو بتخفيض استيراد شركات قطاع الاعمال العام زيوت الطعام وكلما البات التي يتم استخراج الزيت الخاصة بالطعام منها .

- التزام شركات الزيت باستلام الأرصدة المتخلفة عن المراسم السابقة بسعر ٨٠ جيه وهو السعر الذي تم تحبته التسجين على أساسه حتى لا تتحمل شركات الائتمان خسارة لا يند لها بها .

والأمر معروض برجاء الكرم بالنظر ،،،

رئيس مجلس الإدارة

(نبيل عبد الحلیم المرصفازي)

غزير الى ١٩٩٨/١١/٥

سرقات :- صافي تحليل قيمة نواتج اردب البذره



نر / / ١٩٩

وتحديد موعد غايته ١٩٩٨/٤/١٥ لاستلام كامل الارصدة المتواجدة بالمحالج بالوزن الفعلي وعلى ان تتولى اللجنة المشكلة من ممثلين عن المعصرة / المحالج / وزارة الزراعة بالمحالج / الشركة المالكة للبذرة بوضع ضوابط الاستلام .
كما وان ترك ارصدة البذرة بالمحالج يترتب عليه جفافها ونقص في وزنها وفي هذا اهدار للموارد الاقتصادية بالاضافة الى تحمل شركات الاتطان بفوائد التمويل وكذا فان شركات الزيوت هي المستهلك الوحيد للبذرة التجارى نظراً لحظر تصديرها للخارج .

وقد تم بحث موضوع تكديس البذرة بالمحالج والبذرة المنتظر انتاجها في الموسم الحالى ١٩٩٩/٩٨ في اللجنة الاشرافية لتسويق القطن حيث اوصت اللجنة بالكتابة الى السيد المهندس رئيس الشركة القابضة للصناعات الغذائية في هذا الشأن .

وقد ورد كتاب شركة الصناعات الغذائية موضحاً به أسباب انخفاض سحب البذرة من المحالج لموسم ١٩٩٨/٩٧ وهي :-

- ١ - انخفاض الانتاج من الاهلاف الحبرانية بشركات الزيوت نتيجة انخفاض الطلب على هذه الاهلاف المركزة بالسوق المحلى لقيام المربين بشراء خامات الاهلاف وخلطها بمعرفتهم في المزارع .
 - ٢ - ارتفاع ارصدة كسب القطن بالمعاصر ادى الى خفض معدلات عصير البذرة لان زيادة فترة تخزين الكسب قد يؤدى الى تلف او تعفن او اشتعال ناتجاً .
 - ٣ - زيادة الارصدة المتبقية من بذرة القطن للموسم السابق ١٩٩٧/٩٦ (مليون اردب) وزيادة التركيز على سحبها في بداية الموسم الحالى ادى الى انخفاض السحب نسبياً من بذرة موسم ١٩٩٨/٩٧ .
- كما ورد في الكتاب سالف الذكر ان الاحتياجات السنوية المتوقعة من بذرة القطن لشركات التابعة سوف لا تتعدى ٢.٥ مليون اردب في احسن الاحوال .