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**OPPORTUNITIES AND  
OBSTACLES TO REFORM  
OF THE RURAL  
COOPERATIVE SYSTEM  
IN EGYPT**

**Examples from the Field and  
Recommendations for the Future**

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## EXECUTIVE SUMMARY

In Egypt today, cooperatives are the primary rural organizations dedicated to improving the productivity and income of small holders. Especially in the new liberalized environment, cooperatives in Egypt have the potential to become essential institutions for small farmers to help combat market inefficiencies and reduce transaction costs. Cooperatives can redress imbalances in market power by bringing together groups of small holders to achieve markets of scale, enabling them to acquire inputs at more equitable prices and to receive a range of services. This includes assistance with contract farming arrangements, crop inputs, credit, extension services, and management of land and water resources.

Liberalization, however, brings with it opportunities as well as challenges for the cooperative system in Egypt. As the government withdraws its managerial and financial control, cooperatives have the opportunity to serve the needs of their members and become independent, profitable, member-oriented associations. In order to consolidate this transition, however, cooperatives must function within an enabling structural and legal environment, and must be managerially competent and financially solvent. While some cooperatives in Egypt have already become self-sustaining associations that provide a number of income-generating services to farmers, the majority continues to face difficulties, hampering their potential for long-term success.

This study was commissioned to document the experiences of the most successful local multipurpose cooperatives in both Lower and Upper Egypt. These cooperatives have sustained and increased the value of membership in the associations by consistently achieving annual profits and maintaining farmers' access to markets and services. These examples serve as blueprints for other cooperatives to follow, providing them with the tools to revitalize their own associations and to ensure their sustainability within the context of Egypt's liberalized agricultural sector.

Chapter 1 begins by analyzing the role of cooperatives in the Egyptian countryside, differentiating them from commercial businesses as well as from governmental service providers. It then provides an overview of the cooperative structure in Egypt.

Chapter 2 examines the situation of cooperatives in the era of economic liberalization, beginning with a brief account of the history of the Egyptian cooperative system. The history of cooperatives' close relationship with the government indicates how and why cooperatives are now facing difficulties in making the transition to independent, profit-oriented associations.

Chapter 3 discusses how factors external to the local cooperative system itself influence cooperatives' success (or failure) in providing inputs to their members. Focusing on the system of fertilizer distribution in Egypt, the chapter elucidates where and how the system may fail, affecting even those village-level cooperatives with good management and healthy finances.

Having clarified how factors outside of the control of local cooperatives may influence their ability to carry out their primary activity—input provision—Chapter 4 moves to define cooperative “success,” taking into account both the external and internal factors affecting cooperatives. A cooperative’s health is thereby measured by the quantity and quality of services provided, combined with an assessment of its strategic planning and financial management capabilities.

Chapter 5 fleshes out how, where, and why leadership, management, and finances are important to a cooperative’s success based on the experiences of those cooperatives interviewed. This chapter provides a brief glance into the situation in the Egyptian countryside by describing specific case studies of success (and at times failure) encountered in the field.

The study concludes by outlining directions for the future. Taking into account both systemic and internal factors influencing cooperative success, this chapter highlights the roles of cooperatives, the government, and the private sector in reforming the cooperative system. This includes redressing the method of input distribution as well as promoting managerial and financial reform of local multipurpose cooperatives.

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## INTRODUCTION

Cooperatives are means farmers can use to gain access to new ideas, advanced technology, and profitable opportunities which growers acting alone would not have. All cooperatives share the goal of redressing imbalances in market power by enhancing both collective and individual ownership of capital resources by its members. Cooperatives offer protection within a group of persons having common needs and aspirations, making it possible to offer a wide array of services to farmers and the larger community. While commercial competitors would primarily ask whether such activities are profitable, cooperatives can opt for entering a new field if it provides long-term benefits to the members and to the community, provided it is economically feasible.

Cooperatives in Egypt, however, have been burdened with serious weaknesses and problems. For much of the second half of the century, the government managed all agricultural input and output markets. Agricultural cooperatives became the government's main tool in implementing development objectives, and thereby were the most important rural organizations in Egypt. The government taxed the agricultural sector to finance its industrial development and to provide urban citizens with low-priced food. Agricultural cooperatives lost their voluntary character during this period—their main role was to transmit government orders to the farmer.

Under the current government's economic reform program—particularly as the government withdraws from the market in the agricultural sector—the environment in which cooperatives operate is changing. This has led some cooperatives to make the successful transition to independent, profitable organizations, while other cooperatives have continued to face problems in adapting to the new liberalized environment.

Strong associations that have thrived in the new era of liberalization now provide members with a powerful and coherent voice in policy formulation and implementation, networking, market development, and opportunities for sharing business and industry news. These emerging associations are becoming key partners with the Government of Egypt in developing and implementing economic reform. Weak cooperatives, however, have found themselves facing problems in three key areas: the economic viability of the major activities undertaken; the cooperative leadership and management capacity; and the lack of democratic control by the members.

### Objectives of Study

This study documents the experiences of local multipurpose cooperatives in the process of disengaging themselves from government intervention and control. Focusing on examples of the most successful local cooperatives in Egypt, this study aims to identify those factors most salient in determining a cooperative's ability to provide services, achieve profits, and work independent of government control. A related subsidiary aim is to discuss areas in which the multipurpose local cooperatives need strengthening, including the

critical area of capital formation, with a view to making them viable and competitive in the emerging free market.

## **Methodology**

This study is not a country-wide statistical survey of cooperatives in Egypt, but is rather an in-field qualitative assessment based on open-ended interviews and site visits to specific multipurpose local cooperatives. While this research method may limit our ability to generalize the lessons learned, it enables us to collect detailed accounts of individual cooperatives' experiences, pursue in-depth case studies, and from this extrapolate a tentative analysis of the positive factors which characterize successful cooperatives in Egypt.

In order to conduct this evaluation, the consultant conducted in-field interviews with Undersecretaries of Agriculture, cooperative directors, and local cooperative presidents, managers, boards of directors, and members in the Governorates of Aswan, Luxor/Qena, Sohag, Assiut, Beheira, and Daqhaleya. Interviews were additionally conducted with the CEOs and Marketing Directors of Abu Qir and Kima fertilizer companies. In-depth discussions were held in Cairo with the Director of the Central Administrative Authority for Cooperatives, members of the Cooperative Reform Committee, as well as with key RDI staff.

## CHAPTER 1

### **The role of cooperatives in Egypt's agricultural sector**

An agricultural cooperative is a business owned and democratically controlled by the farmers who use its services and whose benefits are derived and distributed equitably on the basis of use. In many ways, cooperatives resemble other businesses such as input suppliers and traders. They perform similar functions and must follow sound business practices. But in some ways, cooperatives are distinctly different from other businesses. These differences are found in the cooperative's purpose, its ownership and control, and how benefits are distributed.

#### *Cooperative Purpose*

Farmers unite in a cooperative to get services otherwise not available, to get quality supplies at the right time, and to have access to markets. As cooperatives mature, they also may provide services for the entire community such as transport, family planning, and other activities. Working in concert gives members the advantage of economies of scale and bargaining power, and farmers benefit from the services made available such as group contracting agreements and low-cost high-quality agricultural inputs.

#### *Cooperative Distribution of Benefits*

Members also benefit by sharing the earnings on business conducted on a cooperative basis. When cooperatives generate profits from efficient operations and add value to products, these earnings are either returned to members in proportion to their use of the cooperative, or are rolled back into cooperative accounts to increase member services. Without the cooperative, these funds would go to middlemen or processors.

#### *Cooperative Ownership and Control*

Cooperative members control the activities of the cooperatives. Members vote to elect board of directors, and have the authority to make sure the cooperative provides the services they want. This keeps the cooperative focused on serving the members, rather than earning profits for outside investors or other objectives.

### **The raison d'être of cooperatives in Egypt**

In Egypt, agricultural cooperatives are primarily composed of small farmers seeking to achieve greater leverage in the sale of their produce to a concentrated and powerful distribution system. Cooperative members are also consumers anxious to be able to purchase agricultural inputs at the right price and from a trusted source. The specific benefits of cooperatives to small farmers in Egypt are numerous:

- Access to quality supplies and services at reasonable cost. By banding together and purchasing agricultural inputs and services as a group, farmers offset the market

power advantage of middlemen providing those supplies. Buying in bulk, farmers have access to volume discounts and are able to negotiate from a position of greater strength for better delivery terms, credit, and other arrangements. The larger the number of farmers purchasing supplies and services through the cooperative, the greater the potential for savings. And the more each individual member uses the supply operation, the more he or she may save over doing business elsewhere.

- Increased clout in the marketplace. Marketing on a cooperative basis permits members to combine their strength while maintaining their status as independent growers. They can lower distribution costs, engage in group contracting with exporters, and deliver their produce in the amounts and types that will attract better offers from purchasers.
- Reaching export markets. Through cooperative marketing, members can share information and negotiate with buyers from a position of greater strength and security. They can also develop processing facilities by themselves or as part of a joint venture with other cooperative or non-cooperative firms.

Members thereby form a cooperative to get a service—a source of supplies, market for products, and provision of specialized functions such as post-harvesting facilities. Activities are identified by the farmers for the farmers, and they themselves receive the dividends from such activities.

Cooperatives therefore work to the benefit of farmers in ways that traders cannot. Specifically, profits accrued from cooperative activities return back to the farmer-members as either increased shares, dividend returns, or improved services. Purchasing inputs or selling produce to traders may provide the farmers with some income, but potential earnings are limited as profits are siphoned to outside businessmen. Additionally, growers often view cooperatives as providing higher quality services. Farmers interviewed complained of the inputs sold to them by traders, and tended to characterize these traders as motivated solely by profit and not concerned with selling the correct inputs responding to the needs of the growers.

## **Agricultural Cooperative Structure in Egypt**

The independent agricultural cooperative structure in Egypt consists of four levels in addition to the Central Agricultural Cooperative Union (CACU) at the top. Below CACU, these four levels include general cooperatives, central cooperatives, joint cooperatives, and local cooperatives.

### **General Agricultural Cooperatives**

General agricultural cooperatives are formed at the national level and are located in Cairo. One general cooperative must be formed (according to the law) to serve its members in each of the fields identified in the law. Therefore, there are 14 general cooperatives: one

for each of the multi-purpose credit cooperatives, agricultural reform cooperatives, and land reform cooperatives; and 11 for the specialized cooperatives.<sup>1</sup>

### **Central Cooperatives**

Central cooperatives are formed at the governorate level (one for each governorate) to serve its members in the various development fields. Members of these cooperatives are basic multi-purpose and joint cooperatives within the specific governorate.

### **Joint Cooperatives**

Joint cooperatives are formed at the district (markaz) level, and are composed of local multi-purpose cooperatives formed at the village level. Their objective is to serve their member cooperatives within one or more districts to carry out their functions in the different fields.

### **Local Cooperatives**

Local cooperatives are established at the village level. They are expected to operate within the fields of agricultural production, service provision (including marketing), and rural development according to the needs of their members. Local cooperatives in Egypt are classified according to their services into two main types: multi-purpose cooperatives and specialized cooperatives.

*Multi-purpose cooperatives* include credit, agrarian reform, and land reclamation cooperatives (although the law classifies these latter two as specialized). They provide production and marketing services to their members. Their activities include establishing investment projects and providing support services for their members.

- Credit cooperatives. Credit cooperatives might not extend any credit to their members. However, qualifying them as credit cooperatives was meant only to differentiate between them and agricultural reform cooperatives that were established through the Agricultural Reform Law No. 178/1952. Credit cooperatives are located all over the country, and carry out their activities in the fields of service provision, production, marketing, and rural development.
- Agrarian Reform cooperatives. Agrarian reform cooperatives exist only in areas where land has been confiscated by force through agrarian reform laws. Membership in these cooperatives is mandatory and confined to the beneficiaries of the Agricultural Reform Law. Compelling beneficiaries to join the cooperatives was viewed as the best means to counteract the negative effects of distributing confiscated large estates that had been divided into small parcels of 3-5 feddans each among small farmers and landless peasants. These cooperatives carry out the same activities as those carried out by credit cooperatives.
- Land reclamation cooperatives. Land reclamation cooperatives, established according to Law No. 100/1964 regarding renting and selling public land, are located in reclaimed lands. They perform almost the same functions as the credit and agrarian reform cooperatives. However, they are more active in agricultural machinery services and less

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<sup>1</sup> These general cooperatives are for cotton, potatoes, onions and garlic producers, sugar cane producers; fruits, vegetables and medicinal and aromatic plants, fruit and vegetable producers, linen producers, mechanization, rice and grain producers, vegetable oil crops producers, and livestock producers.

active in investing in agricultural projects and in carrying out social activities. Of the three types of multi-purpose cooperatives, only land reclamation cooperatives and some of the specialized cooperatives get credit from PBDAC. This might be due to the fact that the Bank is presently (after liberalization) extending loans at the commercial rate rather than the subsidized rates applied before liberalization.

*Specialized cooperatives* operate in more than thirteen different fields, including livestock, poultry, fruits and vegetables, agricultural machinery, and specific field crops. They exist at the village, district, governorate, and national levels. However, about 90% of them exist at the village level, with only 8.5% at the governorate level, and 1.5% at the national level.

Cooperative Statistics 2000

Governorate	General Information							Area Served By Cooperatives				Investments in Services of Local Cooperatives				Property of Local Cooperatives				
	Total Number of Local coops	Total Number of Joint coops	Total Number of Cebtral coops	Area grown	Average Area Per Coop	Percent of Board Members Trained	Members Served	Cultivated	Fallow	General Utilities (Drains, Canals)	Total	Inputs	Food	Mechanization	Services	Headquarters owned	Number of Cooperatives with warehouses	Number of warehouses	Number of collection centers owned by cooperatives	Number of collection centers administered by PBDAC
Beheira	400	14	1	586,709	1,467	10%	220,058	586,709	95,265	77,676	759,670	3,563,136	921,431	7,992,935	25,823,108	145	160	264	5	33
Daqhaleya	431	11	1	666,093	1,545	17%	219,270	510,203	14,390	75,237	599,830	20,000,000	14,162,492	2,653,461	1,290,039	302	302	592	0	13
Asslut	216	11	1	310,232	1,436	7%	205,047	309,722	5,698	37,029	352,449	n/a	1,091,287	31,959	765,926	51	44	56	3	32
Sohag	265	11	1	280,600	1,059	9%	111,810	282,223	7,681	12,418	304,322	n/a	907,203	920,921	4,497,450	38	45	45	6	30
Qena	218	8	1	255,727	1,173	0%	6,215	29,995	91	9,312	309,389	n/a	25,000	8,000	1,042,119	108	95	100	0	29
Aswan	109	4	1	77,750	713	0%	30,630	94,574	2,898	5,907	103,379	662,465	58,000	n/a	211,469	61	70	70	0	8
Alexandria	12	0	1																	
Gharbia	324	8	1																	
Kafr El Sheikh	247	10	1																	
Damietta	78	0	1																	
El Manufaya	284	8	1																	
El Qalyubia	192	7	1																	
El Sharqaya	461	13	1																	
Ismailia	34	0	1																	
Swiss	7	0	1																	
Port Saeed	4	0	1																	
Cairo	8	0	1																	
Giza	160	7	1																	
Fayyum	167	5	1																	
Bani Suef	221	7	1																	
El Meriya	341	9	1																	
Wadi El Gadeed	37	0	1																	
North Sinai	37	0	1																	
South Sinai	8	0	1																	
Red Sea	3	0	1																	
	4,264	133																		

# Cooperative Organizational Structure



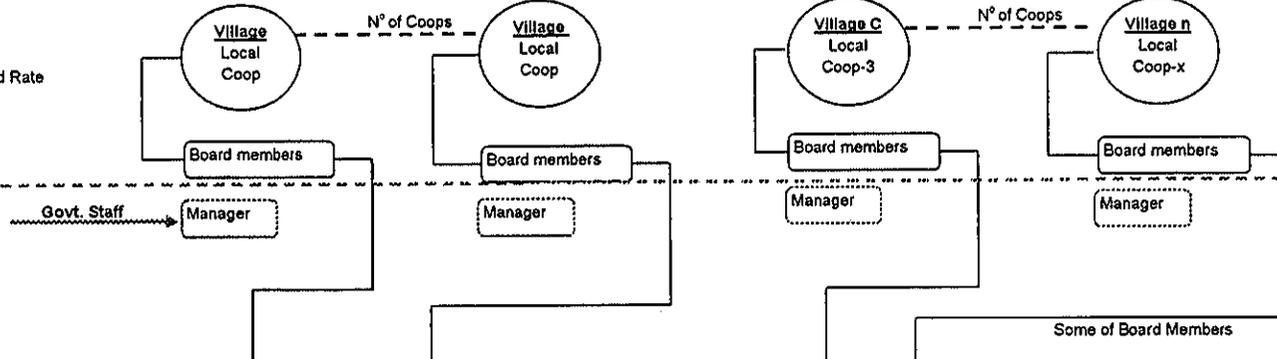
Local Farmers

Local Farmers

**Income Source**

Member Ship fees  
Re-sale of Input @ Profit mandated Rate  
other Services( if any)

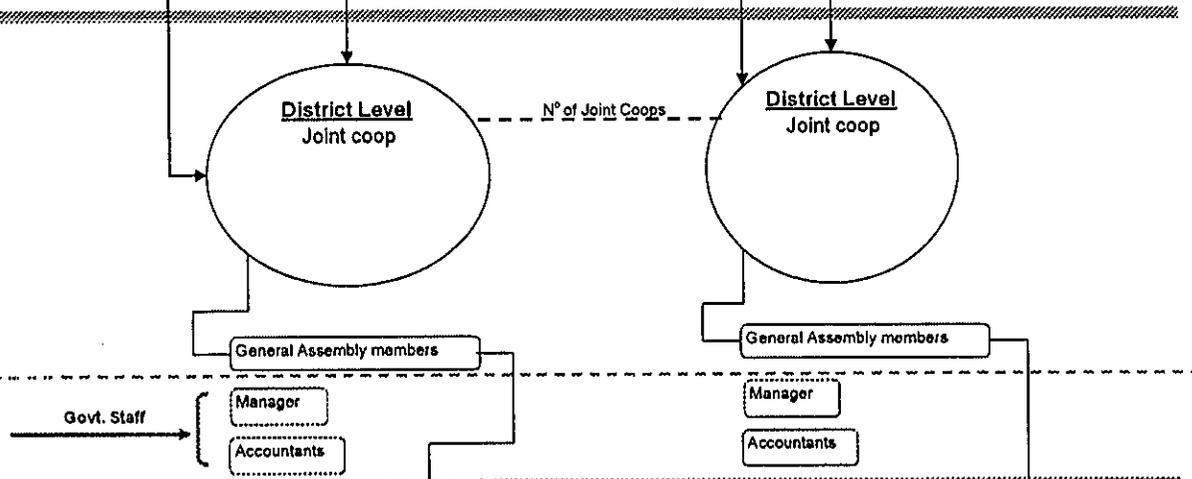
**Activities**



**Income Source**

Member Ship fees  
Re-sale of Input @ Profit mandated Rate  
other Services( if any)

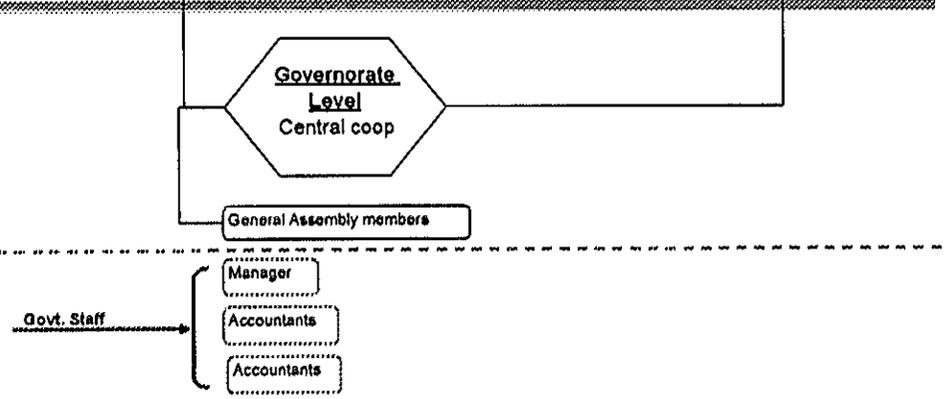
**Activities**



**Income Source**

Member Ship fees  
Re-sale of Input @ Profit mandated Rate  
other Services( if any)

**Activities**



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## CHAPTER 2

### Cooperatives in the Era of Liberalization

#### The History of Cooperatives in Egypt

During the 1950s to early 1990s, cooperatives in Egypt operated within relatively protected markets and benefited from government grants and access to subsidized credit. The price that cooperative members paid for this support, however, translated into a series of problems. These included: increased government intervention in running the cooperative's business affairs; management inefficiencies as more non-productive employees were hired (requiring higher marketing margins to be charged and lowering net revenues to member producers); delays in input provision and payments; and a low sense of member ownership in the cooperatives. But since the cooperative was the only permissible way in which small producers could market their crops, the system continued to survive because of its monopsony position as sole buyer of these products. In serving as instruments of government development policy, therefore, cooperatives were from the outset unable to foster a sufficient degree of member participation, mutual help and a sense of ownership.

After the implementation of the open door policy in the mid-1970s, Egypt began slowly moving toward liberalizing the economy. Agriculture was the first sector to adopt the liberalization policy. The Government started gradually decreasing its intervention and loosening its control over agriculture by increasing prices for major agricultural products and halting their forced deliveries. By the early 1990s liberalization of the agricultural sector was almost complete and resulted in a series of obstacles and opportunities for cooperatives.

#### The Effects of Liberalization on Cooperatives

REFORM POLICY	BENEFITS	CHALLENGES
Privatization and introduction of user-pays principle	Clients are more important	Lack of resources becomes a greater handicap for cooperatives
Reduction in the scale of public sector involvement in cooperatives	'Space' created for cooperatives to pursue activities and profitable partnerships as determined by the members of the cooperatives themselves	Complete government withdrawal from decision-making requires effective management replacements not currently available in many cooperatives
Decentralization of government	Decision-making at lower levels is easier to influence	Increased number of decision-making points increases costs of operation for cooperatives

The environment facing cooperatives has therefore changed dramatically in the past thirty years. The public sector role is being reduced and a new emphasis is being placed on creating space for the private sector and developing institutional partnerships for services provision and natural resource management.

Overall, these are favorable developments for farmers' organizations. Farmers are now able to invest in their own production, to choose the products they grow, the form in which they will sell their goods, and the markets into which they sell their output. However, the trends are not all positive. Certainly, if farmers' organizations are to capitalize on the positive aspects of the changes, they must be dynamic, flexible and opportunistic. This is a lesson that can be learned from several farmers' organizations in Egypt, which have evolved different structures, norms and operating procedures over time as a response to changes in their environment.

### **Cooperative Activities in Egypt's Liberalized Agricultural Sector**

Cooperatives in Egypt today are engaged in a range of activities to meet the production and marketing needs of farmers. This includes procuring inputs, marketing crops, and providing services including poultry farms, bee production, mechanization projects, dairy farms, etc. These activities are all oriented toward assisting cooperative members to maximize the return they receive for goods they produce.

The first and foremost function of all cooperatives in Egypt, however, is the purchasing and selling of agricultural inputs. Input provision allows farmers to gain access to affordable, high-quality production supplies such as fertilizer, feed, fuel, and seeds. When cooperatives are unable to provide this service—due either to internal factors of cooperative mismanagement or to external failures in the distribution system—members must resort to private traders whose products are generally more expensive and often less trusted by farmers.

In order to account for a cooperative's ability to meet the input needs of its members, and therefore judge its level of success, it is first necessary to understand the system of input distribution of agricultural inputs. The following chapter will focus particularly on the question of fertilizer, due to its importance in Egyptian agriculture<sup>2</sup> and to the complications experienced by farmers across the country in purchasing fertilizers from their local cooperatives.

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<sup>2</sup> In 1997, Egypt was classified as the second-highest fertilizer user in the world with about 342 kg units of nitrogen per hectare (Dr. Magdy El Guindy, Dr. Ibrahim Siddik, and Dr. Edgar Ariza-Nino, *Marketing and Price Policies for Nitrogen Fertilizers in Egypt, Report No. 22, APRP-RDI Unit, Dec. 1997, p.6*).

## CHAPTER 3

### From factory to farmer: following the fertilizer distribution system in Egypt

Egyptian farmers utilize three main types of fertilizer: nitrogenous, phosphorous, and potassium. Due to the fact that nitrogenous is considered one of the main inputs for the production of all crops, and that almost all phosphorous is imported (and therefore rarely dealt with by local cooperatives), this analysis will focus on the input distribution system of nitrogenous fertilizer in Egypt.

#### A Brief History of Fertilizer Marketing

Prior to 1991, PBDAC had been the sole fertilizer distributor to all farmers in Egypt. Growers received subsidies of low price levels for all inputs, including fertilizers, and these inputs were distributed under in-kind credit policies. Farmers repaid these in-kind loans through a crop quota delivery system.

This system slowly began to change when the GOE eliminated direct production subsidies in 1989 and then removed PBDAC distribution subsidies in 1991. Private sector traders moved into fertilizer marketing in July of the same year, and by July 1992 they dominated the market.<sup>3</sup> The "fertilizer crisis" of 1995<sup>4</sup> led to a temporary reversion of the sub-sector back to a public sector monopoly (with PBDAC once again sole distributor of domestically-produced fertilizer), but since this time PBDAC never again was able to capture fully the fertilizer market. Cooperatives and the private sector continued to operate parallel to the Bank, and farmers today have the option of purchasing fertilizers from three primary sources: private traders, PBDAC, or their local cooperatives.

#### Private Traders Marketing System

Private traders at all points in the distribution chain are cooperatives' primary competitors, and currently command an estimated 60 to 70 percent of the share of the fertilizer market.<sup>5</sup>

The distribution network of private sector traders includes large private companies, wholesalers, and retailers. Wholesalers purchase their products from the big dealers, and then sell them to retailers (who may also buy directly from the large companies).

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<sup>3</sup> El Guindy et al., *Marketing and Price Policies for Nitrogen Fertilizers in Egypt*, Report No. 22, APRP-RDI Unit, Dec. 1997.

<sup>4</sup> The fertilizer crisis represented a shortage of nitrogenous fertilizers and a dramatic rise in their prices. For a further account of these events refer to: John Mellor Associates, Inc, *Fertilizer Policy Options for Egypt*, August 1996; Chemonics International Inc, *The Assessment of Fertilizer Supply and Potential for Liberalization*, 1996.

<sup>5</sup> Interview with Director of Marketing of Abu Qir Company, Mr. Mohammed Saleh, 23 January.

Because the majority of traders work without a license, it is difficult to make an exact estimate on the number of fertilizer dealers in the market. In 1998, the number of licensed traders was more than 3700, and it was estimated that twice that number were actually involved in the process of fertilizer distribution.<sup>6</sup>

### **PBDAC Marketing System**

Until 1989, and between 1995 and 1997, PBDAC enjoyed a monopoly on the marketing of nitrogenous domestically-produced fertilizer in Egypt. In 1997, the People's Assembly sent an official letter to all fertilizer companies allocating an 87 percent quota to PBDAC, and in July of the same year Minister Wali decreased the quota to 49 percent. In 2000 PBDAC purchased an estimated 10 percent of fertilizer production, a favorable development for private traders and cooperatives. However, in 2001 MALR recommended an increase in PBDAC contract agreements to 20 percent of domestic production in response to fertilizer shortages in 2000.<sup>7</sup>

### **The Cooperative Marketing System**

Agricultural cooperatives began to play an important role in the marketing of fertilizer in 1990, and by mid July 1991 cooperatives at the Governorate level (Central Cooperatives) were allowed to contract directly with producing companies. It is estimated that cooperatives currently command between 10 to 20 percent of the fertilizer market.<sup>8</sup>

While Central cooperatives are the primary contractors, well-managed cooperatives with the requisite financial resources at the district and village levels may also purchase directly from fertilizer companies, but they likely number no more than 5 percent of all joint and local cooperatives. Generally speaking, Central Cooperatives of each Governorate contract with the producing companies, and then distribute these inputs to the Joint Cooperatives (at the district level), which then distributes them to the Local Cooperatives (at the village level).<sup>9</sup>

Whether this system is official policy of the Governorate or merely the traditional, commonly accepted method of input distribution depends upon the Governorate. In Luxor/Qena, for example, the Governorate has indicated that it is the responsibility of *solely* the Central Cooperative to purchase fertilizer, and that Joint and Local cooperatives are obligated to purchase inputs through the hierarchical distribution chain. In Aswan, on the other hand, any cooperative at any level may directly approach the factory, contingent of course upon its financial and managerial capacity to do so.

Regardless of the variations in policy among Governorates, the vast majority of cooperatives at the village level rely on the centralized system of distribution (of factory to

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<sup>6</sup> El Guindy et al., *Marketing and Price Policies for Nitrogen Fertilizers in Egypt*, Report No. 22, APRP-RDI Unit, Dec. 1997, p. 70.

<sup>7</sup> Details of this shortage are discussed in Chapter 7.

<sup>8</sup> To acquire exact estimates of cooperative market share, a full statistical survey must be conducted, a task beyond the scope of this study.

<sup>9</sup> See Distribution System Diagram

Central Cooperative to Joint Cooperative to Local Cooperative) to procure their inputs. Because of the number of links within the distribution chain separating the factory from the local cooperative, and ultimately to the farmer, a number of potential problems arise which may block a cooperative from procuring the correct quantity of fertilizers at the necessary time and at the lowest possible price. Because these problems are often outside of the local cooperative's control, we must account for them in order to be able to clarify and distinguish between the *internal* and *systemic* factors influencing a cooperative's success in providing inputs to its members.

### **Potential Fractures in the Distribution Chain**

#### *A Poorly managed Central Cooperative*

A Central Cooperative which has an ineffective and/or inefficient management system will disrupt the entire fertilizer distribution chain. This may happen in a number of ways:

- Poor planning prevents a Central Cooperative from ordering fertilizers at the correct time. This leads to a ripple effect, in which Joint Cooperatives receive inputs late, and thus sell them to Local Cooperatives late. In situations where this occurred, village-level cooperatives were often left with large stocks of fertilizer which they could not sell, as farmers had already been obliged to procure the inputs from local traders. This meant that farmers suffered by getting higher-priced fertilizers, and village cooperatives suffered by losing potential profits from sales as well as losing income from being obligated to purchase stocks at a time when there was little to no demand left in the market. Only the wealthiest cooperatives have their own storage facilities, which means that most cooperatives were additionally forced to take a direct financial loss or rent out storage for the excess stock.
- Poor management may lead a Central Cooperative to order the incorrect quantity of fertilizers. In cases where Central Cooperatives ordered more fertilizer than they could pay for, they reneged on agreements with factories. This in turn compelled factories to reduce the amount of production that they allocated to cooperatives the following year. This system punishes both cooperatives in Governorates that are well-managed as well as those cooperatives in Governorates with weak Central Cooperatives, as most factories do not distinguish between cooperatives from different regions. The decrease in quota for the following year therefore cuts into the amount of fertilizer available to all cooperatives at the village level, meaning that the farmers' needs are not met by the cooperative, and farmers are forced to deal with private traders.
- Poor financial management puts Central Cooperatives in a weak position to purchase inputs according to factory demands. All producing companies in Egypt require cooperatives to pay for the fertilizer in advance. Central cooperatives with poor finances are generally not able to provide the amount of money needed to purchase the quantity of stock demanded by local cooperatives. Central

cooperatives therefore purchase less than the stated demand, which means that all village-level cooperatives in the Governorate receive less to sell to farmers. The excess of farmer demand over cooperative supply once again leads farmers to purchase from traders rather than from their cooperative.

The final result of any of the above failures due to the management and financial weakness of the Central cooperative therefore affects the prospects for cooperatives at both the district and village levels. Each of these scenarios eventually ends with local cooperatives not meeting the needs of farmers, who are then obligated to purchase from private traders. For the farmer, this means that he or she will pay higher prices for the inputs, and at times receive a product of substandard quality. For the cooperative, this systemic failure translates into loss of sales and therefore profits, a decreased ability to provide additional services, and ultimate failure in providing inputs to farmers.

#### *Poorly managed Joint Cooperative*

Because the majority of fertilizers which eventually reach local cooperatives must pass through not only the Central Cooperative but also the Joint Cooperative, another glitch in the distribution chain may take place at the district level. The factors affecting Central Cooperatives—namely poor strategic planning and financial management—are also the factors that influence the ability of a Joint Cooperative to function successfully. Poor management therefore leads to the same result as with Central Cooperatives. Namely, Local Cooperatives may receive inputs late or not at all, or they will receive an insufficient quantity. Any of these results again feeds back into the cycle of lost sales, lost profits, a decreased ability to offer additional services, and eventual failure.

Local cooperatives therefore face obstacles to procuring the correct amount of inputs at the right time and at a competitive price for any number of reasons outside of their immediate control. Failure at *either* the Central *or* the Joint level will likely lead to a disruption in the distribution cycle that affects the ability of local cooperatives to compete and flourish in the fertilizer market.

#### *Disruptions in Factory Supply to the Domestic Market*

A series of factors may also impinge on local cooperatives' access to fertilizers which are entirely outside of the cooperative distribution system. These factors are related to the seasonal pattern of demand of nitrogenous fertilizer, importing restrictions set in place by the Ministry of Foreign Trade, and uncoordinated planning on the part of the companies.

- In times of slack season demand, international-domestic relative prices can provide incentives for increasing exports to the extent that inventory levels for peak season demand are depleted. Nitrogenous fertilizer demand undergoes severe seasonal fluctuations, while supply *tends* to be steady throughout the year.<sup>10</sup> However, even

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<sup>10</sup> Peak season is during May, June, and July, which accounts for approximately 44 percent of total nitrogenous fertilizer demand. Slack demand occurs during September and October, during which demand

if total annual production is higher than total annual demand, the domestic market may experience a shortage. This will happen if domestic demand is greater than domestic production minus exports plus fertilizer imports. (if  $D > (Y - X) + M \rightarrow$  fertilizer shortage)<sup>11</sup>.

- Due to the high tariffs on fertilizer imports (30 to 40 percent) and the low local cost of production, domestic private companies are able to price the product above the international market price. This has two effects. First, distributors, and eventually farmers, are forced to pay higher prices, leading to low application levels, low yields, low profits, etc. Second, Egyptian farmers are in essence subsidizing farmers abroad, who will purchase imported fertilizer from the company at a lower price in the international market than Egyptian farmers procuring fertilizer locally.
- Repair and maintenance of one or more factories during periods of high demand decreases local supply. Monthly production fluctuations of nitrogenous fertilizers primarily occur due to the decrease in production during periods of repair carried out once a year in most factories. The problem has stemmed from factories' decisions to carry out this maintenance during the peak demand season, which disrupts fertilizer flows in the distribution system. This problem may be aggravated if, in the absence of coordination between different companies, the maintenance of two factories occurs during the same period. This has been highlighted as one of the reasons behind the 1995 fertilizer shortage<sup>12</sup>, and Abu Qir has begun to do maintenance in September in order to avoid the peak demand season of the summer months.

In any of these scenarios, the result is higher fertilizer prices, high costs of production, low application levels, low yields, and an ultimately negative impact on cooperatives, farmers, and the economy as a whole.

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does not exceed 4 percent of yearly demand. (El Guindy et al., *Marketing and Price Policies for Nitrogen Fertilizers in Egypt*, Report No. 22, APRP-RDI Unit, Dec. 1997, p.7).

<sup>11</sup> Assuming no change in the yearly carry over.

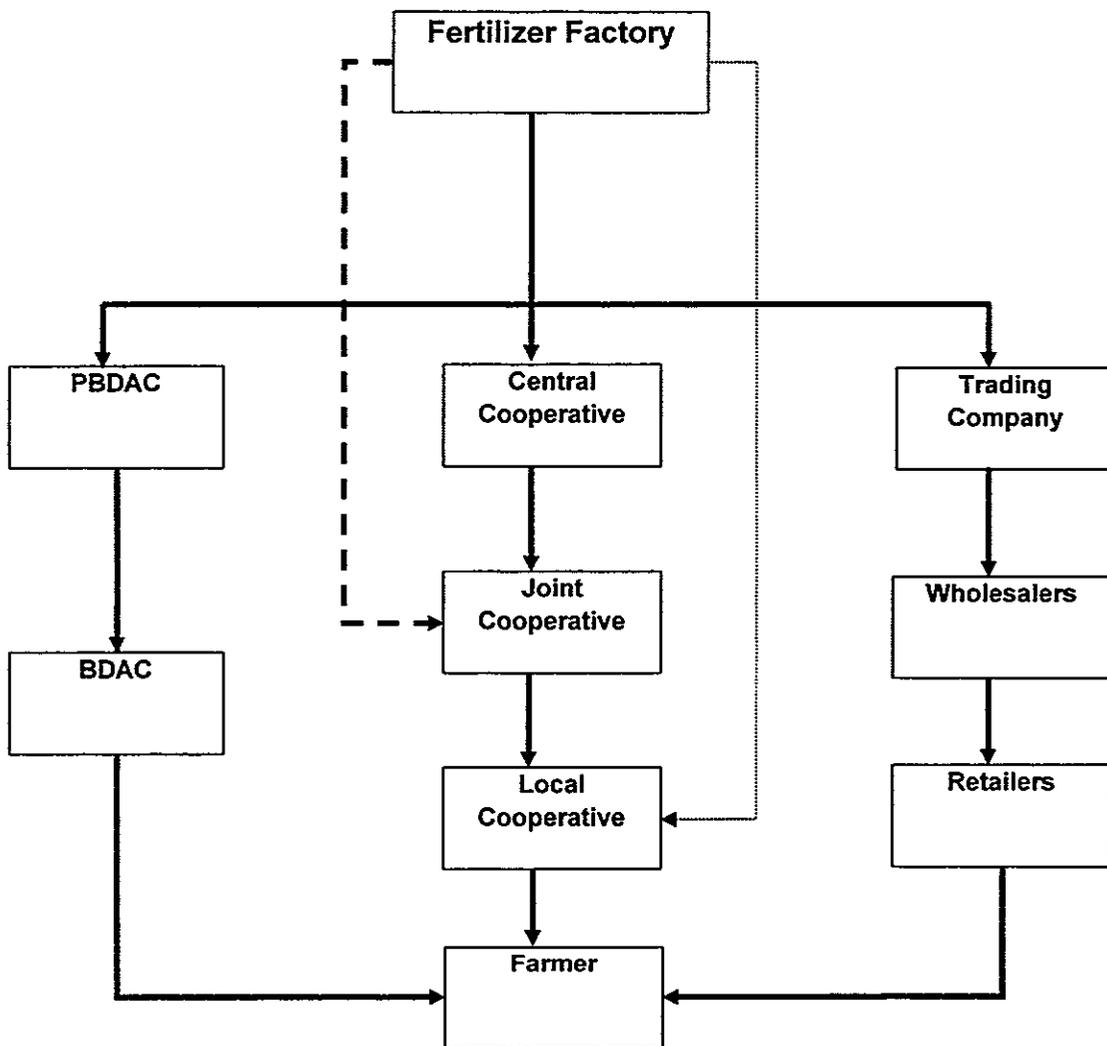
<sup>12</sup> El Guindy et al., *Marketing and Price Policies for Nitrogen Fertilizers in Egypt*, Report No. 22, APRP-RDI Unit, Dec. 1997.

### Profiles of the Domestic Fertilizer Companies:

- Abu Qir: The largest nitrogenous fertilizer company in Egypt, with three factories and total annual production of over 1,750,000 tons of urea and ammonium nitrate. A fourth factory with a production capacity of 500,000 tons per year will be opened in 2005. Abu Qir was privatized in June 1996. Although 95% of its ownership is public sector shares (33% governmental institutions, 62% public banks, 5% company's employees), Abu Qir is no longer considered a public sector company. Abu Qir commands between 75 to 80 percent of total market share in Egypt.
- El-Nasr (SEMADCO): factories in Talkha and Suez\*
- Kima: factory in Aswan, with an annual production capacity of 230,000 tons of ammonium nitrate. Kima plans to open a second factory in 2005. 53 percent of Kima shares are government-owned.
- Coke: factory in Helwan\*
- Amriya Company, which in 1997 signed on as a private sector company funded 35% by GOE, 35% by Saudi Arabia and 30% by private shareholders. It has an annual capacity of 600 thousand tons of urea.
- Misr Fertilizer Company at Suez, a private sector company with annual capacity of 600 thousand MT of urea 46%.

\*These companies are under the management of four of some 17 holding companies in the Ministry of Public Enterprises (MPE). The holding companies are to be operated as economic institutions as a first step towards their complete privatization.

# Existing Fertilizer Distribution System



Legend	
	Estimated 90 % of Distribution Channel
	Estimated 5-10 % of Distribution Channel
	Estimated <1% of Distribution Channel

## CHAPTER 4

### Defining a Cooperative's Level of Success

The previous chapter laid out the basic framework of fertilizer distribution in Egypt and highlighted a series of factors that, outside of the control of the local cooperative, may hamper its ability to sell inputs to its members. This analysis implies that failures within the distribution system itself can influence a local cooperative's chances for survival in a liberalized environment. Consequently, cooperatives that have the managerial and financial capacity to succeed may therefore not be providing a majority of fertilizers as well as other inputs to farmers due to reasons external to the cooperative itself.

This situation puts us in a bit of a quandary when attempting to define and identify a "successful" cooperative. The primary responsibility of cooperatives is first to provide all necessary inputs to farmers. This includes all types of fertilizers, seeds, and pesticides. It therefore follows that cooperatives that provide over 50 percent of all of the input needs to farmers are the most successful. These cooperatives are either working in a well-functioning distribution chain, or have exceptional management who have successfully found loopholes through a dysfunctional distribution system. In either scenario, proper management and a sound financial base are crucial to their success. Therefore,

**First indication of success: cooperative provides over 50 percent of all the input needs of its farmer-members.**

**Second indication of success: cooperative has effective management structure that facilitates strategic and financial planning key to long-term sustainability.**

**Third indication of success: cooperative has a healthy financial portfolio that enables cooperatives to increase their capital and current account to expand and diversify activities.**

Likewise, a cooperative that provides little to no inputs to its members (less than 20 percent), *and* has a weak management structure and a poor financial standing, has clearly failed in its duties to identify and meet the needs of its farmer-members. Therefore,

**First indication of failure: cooperative provides less than 20 percent of all the input needs of its farmer-members.**

**Second indication of failure: cooperative has an ineffective management structure that does not facilitate sound strategic and financial planning.**

**Third indication of failure: cooperative has made no profits or has lost money in the past year, and has a negligible current account balance.**

The two extremes of the spectrum of cooperative success and failure are therefore relatively easy to define and flesh out based on the three criteria highlighted above.

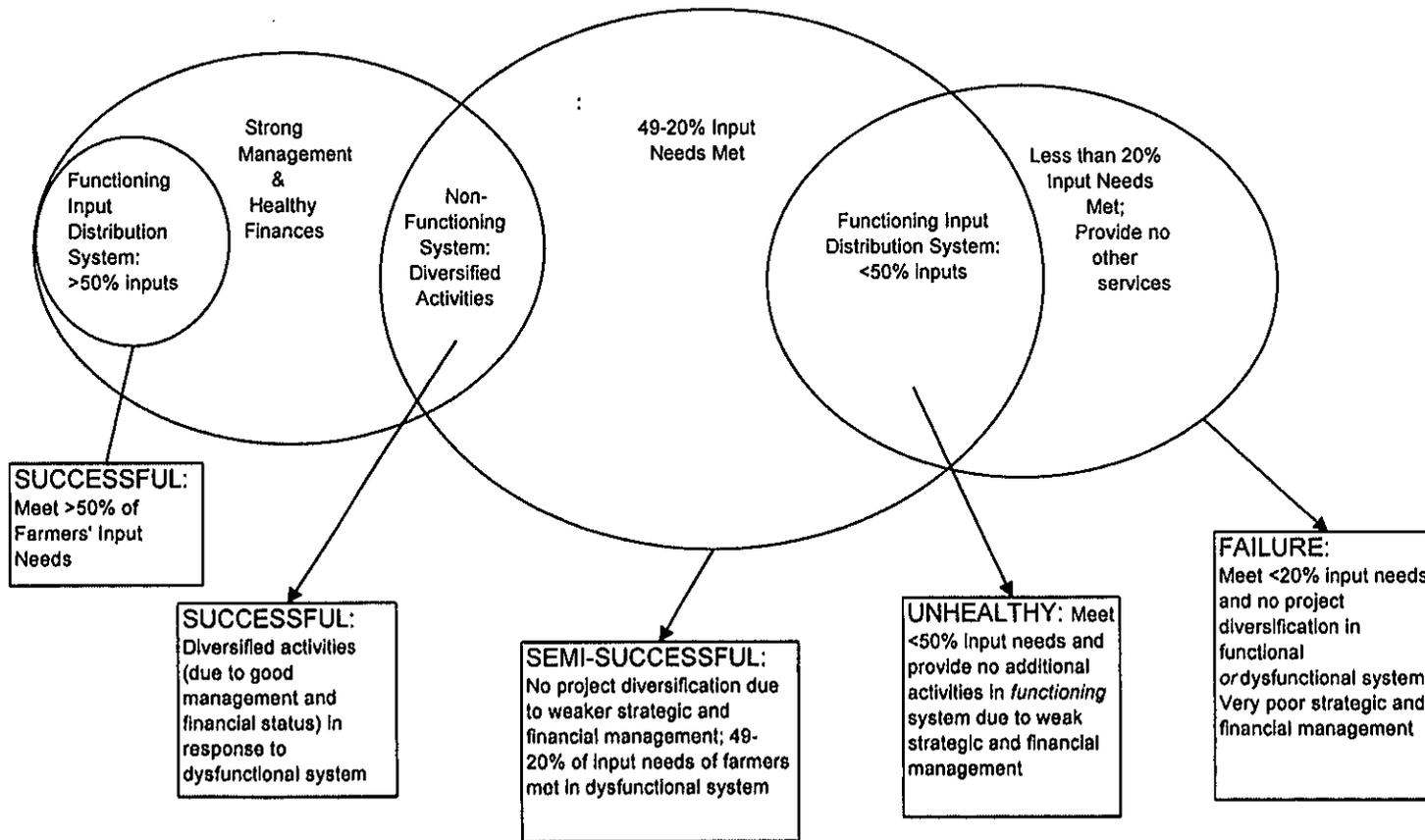
However, cooperatives that fail on the first indication of success (meaning they provide less than fifty percent of inputs to farmers), and yet pass on the second and third indications (they are well-managed and financially healthy), present us with a series of possible explanations and definitions. First, as the previous chapter elucidated, these cooperatives are not functioning in an enabling environment. Namely, do to a dysfunctional distribution system, these cooperatives are unable to procure the necessary amount of inputs at the right time to meet the majority of the farmers' input needs. This is unrelated to a local cooperative's management and financial structure, and these cooperatives can therefore do nothing to alter their *internal* structure to improve input distribution. Within this scenario, we would be inclined to place these cooperatives within the category of success (strong management and finances hampered by a disabling environment).

An additional factor must come into play, however. A clear indication of successful management is its ability to fully utilize the resources at hand to expand and diversify the number of services that the cooperative provides to its members. This means that the best management, even in a dysfunctional distribution system, will have found ways either to detour around the input chain, or will have instead used the cooperative's resources to provide a variety of alternative services to farmers. The range and quality of services thereby indicate how well management is maximizing the returns on its capital and diversifying investments. Particularly in an environment where input distribution may be paralyzed due to factors outside of the cooperative's control, it is essential that a cooperative expand and diversify its services in order to allow for a series of income-generating activities. Therefore,

**Fourth indication of success: cooperative management makes wise investment decisions designed to increase the quality and scope of services to farmer-members. This includes improving input distribution and initiating new activities.**

These indications of success and failure enable us to create a typology of cooperatives that takes into account the services they provide (including input provision and additional profit-making activities), their management structure, and their financial status. With this information, we are able to chart out the "life cycle" of cooperatives, from the most to the least successful. This will enable us to identify where problems may arise which put the long-term viability of the cooperative at risk. In order to do this, the following chapter will highlight the internal factors influencing a cooperative's success, identifying how skilled strategic planning and financial management are essential to the viability of local cooperatives.

# Classification of Local Multipurpose Cooperatives in Functional and Imperfect Input Distribution Systems



## CHAPTER 5

### Factors Determining Level of Success

Cooperatives in Egypt display a wide variation in the type, quality, and amount of services provided to their members. This variation is explained by a combination of internal and external factors. Chapter 3 discussed the external systemic factors influencing cooperatives' input services. This chapter will in turn focus on those factors internal to the cooperative itself which are salient in determining a cooperative's level of success. The two predominating factors are: 1) the strategic planning capacity of the management and leadership of the cooperative, and 2) its economic status determined in large part by the system of financial management.

#### **Leadership and Management: How, where, and why it is essential to success**

The success of the cooperatives surveyed has in large part depended upon the capacity of its directors to provide the vision and direction needed not only to survive, but to develop and prosper. Cooperatives identified as most successful in providing a high level of services to members at a profit were also those cooperatives run by motivated and capable individuals. These cooperatives displayed high levels of organization and division of labor, a unity in command and control, and an awareness among managers and board members regarding their responsibilities.

#### *Cooperative organization and division of labor*

- Successful cooperatives have boards which have devolved considerable authority to managers to permit speed and flexibility in decision making. This requires a healthy and communicative relationship between the board and manager, as well as a manager with the capacity to effectively run the cooperative without an undue amount of influence from the board.<sup>13</sup>

*For example, the Isna Bandar Cooperative in Isna funded a study-tour for their manager to travel to different cooperatives throughout Egypt to acquire new project ideas and learn from the "best practices" of other successful cooperatives. Because the board trusts the manager, and because the manager is capable, the cooperative has been able to bestow on him a significant amount of responsibility and avoid micromanaging the daily activities of the cooperative.*

- Successful cooperatives display a close working relationship between managers and boards of directors.

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<sup>13</sup> The few cooperatives that have done this have, however, risked violating articles within Law 122/1980, the legislation governing cooperatives. Namely, managers are legally mandated virtually no autonomy, and face the risk of legal action taken against them if they pursue any activity without the written consent of the board within 24 hours of implementation. The details of this law, and its ramifications, are further discussed in Chapter 7. Needless to say, the number of cooperatives with effective, *independent* management numbered less than five in the field survey.

*In the Mer cooperative in Assiut, the manager sits in on the bi-monthly board meetings, to be well-aware of future plans of the cooperative and to work with specific members of the board on new projects as they come along. The most recent project completed by Mer was building the cooperative new headquarters with warehouses. They completed this project by assigning one board member to work with the manager to submit an application to the People's Assembly (for permission to build the new building) and to purchase the 200 meters of land that had been allocated to the cooperative by the village council. Their new headquarters has rooms dedicated to extension services, as well as meeting rooms for the board and manager. They plan to install a library by the end of this year.*

- Successful cooperatives have boards who have developed a clear shared mission and set of goals for the operation of the organization. While no cooperatives surveyed have written mission statements, the most successful cooperatives have boards who are clearly able to describe why the cooperative exists and what it has been created to accomplish. This clear understanding of the economic and social functions of the cooperative has the effect of empowering cooperative managers and enabling the leadership to assess management performance.

*The board members of the Sharnoub cooperative in Beheira described the activities of their cooperative first within the rubric of the "six principles of cooperatives" devised by the Central Authority for the Administration of Cooperatives. Within this, the board and management described how their activities complied with these principles, which included both the provision of services needed by farmers as well as the pursuit of community projects such as family planning counseling for village women. In fulfilling both the economic and social functions of the cooperative, Sharnoub began a microenterprise project for women, in which they provided them with sewing machines as loans-in-kind to begin a tailoring business that is now being paid back in installments.*

- An appropriate understanding on the part of board members and managers regarding their responsibilities is positively correlated with the success of the cooperative. The most successful cooperatives surveyed have managers and board members who are able to delineate clearly the differences in their roles—both practically in describing their daily duties, and theoretically in defining how and why leadership and management differ.

#### *Strategic thinking and planning*

- The most successful cooperatives have clear written business plans. These plans vary from monthly follow-ups submitted by the manager at board meetings to quarterly and yearly action plans devised by the board of directors. Regardless, all effective business plans flesh out the operations of the cooperative and outline what needs to happen to make the cooperative succeed in the near future. This emphasis on planning enables the board and manager to work together to devise plans for the future and identify new areas of service provision.

*The Musha Cooperative in Assiut has a clear timeline of the activities planned for the next fiscal year. Their goal for the previous year—purchasing their own headquarters as well as two warehouses—was fulfilled on schedule and within the proposed budget.*

- Related to the use of formal planning procedures, successful cooperatives display an adaptive and flexible approach to problems, indicating a more business-like attitude towards cooperative management. On the other hand, less successful cooperatives surveyed are more rigid in their planning. They appear less able to meet environmental changes and more likely to face difficulties in the future.

*When the Bandar Cooperative found itself unable to procure inputs on time from the Central Cooperative, it directly approached Abu Qir Company to begin contracting from the factory. This allowed them to flourish in a time when other cooperatives in Isna were suffering from a dearth of inputs.*

*Likewise, when the Beni Morr Cooperative in Assiut lost their marketing commission from cotton sales, they responded to the loss of revenue by beginning to distribute animal feed and bran. They now provide 700 tons of bran and 200 tons of animal feed annually to members.*

- The most successful cooperatives display creativity in project identification and planning. While less successful cooperatives often wait for the Central Cooperative or government officials to dictate to them what they should pursue next, healthier cooperatives have numerous new ideas for projects as well as an understanding of the requirements to carry these projects out.

*When Bandar Cooperative recognized the strategic location of their cooperative (they are situated in the center of the village market), they saved cooperative funds to purchase their headquarters in order to be able to utilize the additional space. Because the building was originally owned by the government (the cooperative had the building rent-free), a less successful cooperative may not have had the entrepreneurial talent to recognize a potential new source of income, nor would they have taken the initiative to purchase what was, in essence, a free service to them before. The top floor of the Bandar cooperative building is now rented out to a health clinic, and the bottom floor is leased by a number of vendors.*

- The management of the most successful cooperatives have pursued working relationships with other local cooperatives, and express greater interest in strengthening this cooperation. Many cooperatives, particularly local associations, are too small to gather the resources needed to provide all the services their members want. By working with other cooperatives, they are able to pool personnel and other assets to provide such services and programs on a collaborative basis at lower cost. Successful cooperatives recognize this and tend to work together more often than their less successful counterparts. Additionally, the most successful cooperatives surveyed consistently focused on *increasing* cooperation among village cooperatives as an effective way to begin to meet the challenges of liberalization, while less successful cooperatives focused on the government to meet their needs.

*A group of village-level cooperatives in Assiut are working together to start a calf fattening project. This will be the second time that these cooperatives work in collaboration in order to pursue new profitable ventures. The first was a dairy project that began in 1997.*

Likewise, the Abu Hummus Joint Cooperative in Beheira is the only cooperative to function as the precursor of a cooperative bank in Egypt. It was formed in 1999 when cooperative leaders worked in cooperation with the Undersecretary of Agriculture and GTZ to begin a system of loan repayment for farmers and cooperatives in need of low-interest loans. This association functions due to the cooperation of many village cooperatives in the Abu Hummus district who contribute LE 1000 to the fund annually and maintain deposits in the credit union.

- Successful management tend to be more member-oriented than their less successful counterparts, which displays a more government-oriented culture. Namely, successful cooperatives surveyed were able to share concrete ideas about ways they are working to better serve members and expressed greater interest in involving members in the decision-making process. Less successful cooperatives tended to view themselves as the only viable service providers in their area (regardless of the reality of the percentage of inputs supplied to farmers by traders). Considering themselves a virtual monopoly, these cooperatives therefore expressed less interest in improving service provision and in exploring the additional needs of their members.

*For example, in Abu il-Riche cooperative in Aswan, dependency and a weak economic base has contributed to the low level of motivation for cooperative membership and participation among small-scale farmers. This has also led to a low quality process for electing cooperative board members.*

*The Beni Morr Cooperative in Assiut, on the other hand, held a joint meeting with all members in the village to discuss alternative income-generating services when they lost the cotton marketing commission in 1995. Members at the village meeting decided that they wanted their cooperative to begin to supply animal feed, a service that very few cooperatives in either Lower or Upper Egypt had pursued. The cooperative now relies on the revenue resulting from feed sales as their primary income-generating activity.*

- Cooperatives' attitudes towards liberalization, and perceptions regarding what are threats and opportunities, differ between successful and less successful cooperatives. The most successful cooperatives view market reform as an opportunity, while unhealthy co-operatives generally see liberalization of the cooperative system as a threat. The perceptions of *semi-successful* cooperatives surveyed are mixed. For example, many members of relatively successful cooperatives were wary about assuming all financial responsibility for their cooperatives, including paying for cooperative managers. At the same time, however, they welcomed the possibilities of free choice over their own marketing chain. This again indicates that well-managed co-operatives are seeking new possibilities whereas the less well-managed co-operatives seem more concerned with their day-to-day problems.

## Cooperative Financial Status

Cooperatives not only need capital for investment purposes, but also to finance their operational costs. Mobilizing adequate working capital is a major issue in all cooperatives in Egypt. Multipurpose local cooperatives depend for their finance on fees collected from services provided, undistributed dividends, returns from productive projects, and members' share purchases. Cooperatives that are profitable, have a significant number of transactions per year, and have healthy current account balances are financially successful, and have the potential to continue to be so.

### *Finances and Resources*

- Access to start up capital is crucial. All member-based organizations need savings and capital, i.e., cash funds used to finance operations and investments to grow. The most successful cooperatives had initially higher amounts of start-up capital. They obtained this from two basic sources: from "outsiders" like banks, the government, or suppliers, or from "insiders," either by retaining net revenues generated by the cooperative's business activities or from members themselves in the form of landholding fees. Less successful cooperatives were less willing or unable to borrow from "outsiders" and were prevented from increasing "insider" funding due to poor financial management and/or small land size.
- The land size of the cooperative is positively correlated with its level of success. Land size is an important source of income, and thereby indicator of success, for two reasons. First, a cooperative's primary responsibility is to provide its members with inputs, and cooperatives that cover a greater area of land therefore have a greater demand for those inputs. Second, cooperatives derive a significant amount of their working capital from landholding fees, which are fees charged to each member at the time of joining the cooperative based on the size of his or her land. Hence, more land leads to a larger amount of income generated from landholding fees.

*Musha Cooperative has 7000 feddan of land, nearly eight times the size of an average cooperative in Assiut. Because of this significant land area, Musha was able to begin with a larger initial amount of start-up capital from landholding fees, and had access to a larger market due to the number of members and size of land utilized. They have owned their headquarters for over twenty years, and began pursuing mechanization projects in the early 1980s.*

- Related to the finding above, the most successful cooperatives had increased landholding fees from the legally mandated amount of LE 1/feddan. All cooperatives have landholding fees based on the number of feddan owned per member. It logically follows that cooperatives with more land, and cooperatives that increase landholding fees, therefore have a greater amount of start-up capital.

*In Upper Egypt, all cooperatives judged to be successful have at least 1,500 feddan of land, and in Lower Egypt they have at least 950 feddan. The difference for the disparity in size*

based on region can be found in the two points underscored above. First, cooperatives with more land have greater demand for inputs from their members. However, the level of demand is also based upon the types of crops grown (indicating when and how much fertilizer and other production inputs farmers will need). In Upper Egypt, the primary crop is sugarcane, which, due to its five-year rotation cycle, will have a lower stream of constant demand from cooperatives compared with other crops. This therefore lowers revenues derived from input sales.

Second, Governorates in Lower Egypt such as Beheira simply tend to be richer than those in Upper Egypt. This impacts on farmer-members' willingness and ability to pay higher landholding fees. The value of horticultural production is much higher in the Delta due to its proximity to both export markets and to Cairo. Upper Egyptians, on the other hand, face formidable logistical obstacles to producing high-value crops for export, which lowers the revenue generated from their crops. This disparity in regional income affecting Upper Egyptian farmers' ability to pay increased landholding fees therefore means that each cooperative in Upper Egypt has to have more land in order to achieve the same revenue as a cooperative with higher fees in the Delta.

#### **Lessons learned: How Beheira Cooperatives Increased their Landholding Fees**

The Central Cooperative in Beheira recognized that a potential source of funding for all local cooperatives could be to increase the amount charged per member in situations when membership bases were smaller, or when the cooperative needed greater financing but were unwilling or unable to borrow from outside sources. The General Assembly therefore made a decision to increase membership fees from LE 17/feddan to LE 30/feddan. 394 of the 400 local cooperatives ratified this decision, and this resulted in a net increase in capital of LE 20 million.

However, cooperatives in other Governorates had attempted a fee increase and had failed due to member resistance. The decision in Beheira succeeded due to:

- 1) member awareness of the importance of the cooperatives;
- 2) a financing plan whereby farmers could pay the fee over a period of three years; and
- 3) an awareness-raising campaign initiated by the Governorate promoting the proposed membership increase and delineating the benefits that would be achieved from this.

This indicates that two important factors come into play when attempting to raise membership fees. First, members have to be convinced of the value of their cooperative in providing the services that they need in order for them to be willing to pay more to be a part of the association. Second, members need to have the income to be able to pay the fee, or be provided with a method of installment financing.

#### *Profitable activities*

Those cooperatives that have realized a significant return on their investments indicate that have effectively utilized profits rendered to provide additional services to members, refine and improve services already provided, or both. This is enabling them to

reinvest in the cooperative as well as provide returns to members, ensuring the long-term viability of the cooperative.

- The most successful cooperatives have expanded their activities from basic input provision to include a wide range of activities. These activities vary from renting out storehouses, purchasing farm machinery, marketing crops, etc. As the next chapter will flesh out, this expansion of activities leads to greater profits, and initiates a virtuous cycle of more activities pursued, to more profits, to pursuing even more activities. The ability to identify further needs, creatively respond to demands and opportunities, and effectively implement this greater range of activities is again, however, dependent on effective management. The factors of successful management and good financial planning work in concert to influence successful outcomes.

*The Shubra Cooperative in Beheira not only provides inputs, but also engages in a series of other profitable and community development activities. These include: holding extension seminars on production and harvesting methods; establishing a library and video club which includes both information for farmers as well as a children's literacy section; holding seminars for women on family planning run by female agricultural engineers; and mechanization projects including laser-leveling and canal dredging. This cooperative made over LE 100,000 in profits in 2000-01, and was able to purchase its headquarters last year.*

- The majority of the most successful cooperatives own their headquarters and at least one warehouse. The significance of this, and its impact on a cooperative's success, is twofold. First, cooperatives that own their own headquarters have tended to utilize the space purchased more effectively, either through establishing clubs and extension libraries as a service to its members, or through renting out the additional space to businesses, health clinics, local merchants, etc. Second, cooperatives with their own storage facilities have often been able to anticipate fertilizer shortages in advance (given the cyclical nature of demand and its impact on supply), and have responded by purchasing in times of low demand and storing the surplus. This has allowed these cooperatives to meet the needs of its members as well as to turn a profit.

*Cooperative Sharnoub in Beheira decided to buy its headquarters five years ago in order to expand its activities. It now has an audio-visual club used for extension and literacy activities as well as four warehouses. Sharnoub provides close to 70 percent of farmers' input needs, nearly 20 percent more than that of the average cooperative in Beheira.*

- Cooperatives in governorates with funding and credit associations run by and designed for the needs of cooperatives are more successful *overall* compared with those cooperatives in areas with no price stabilization, credit, or input funds.

### **The Lending and Financing Society in Beheira**

The Abu Hummus Joint Cooperative worked in collaboration with the Beheira Governorate in order to begin the Lending and Financing Society in 1999. It is a precursor to a Governorate-wide, and eventually nation-wide, cooperative bank. The Society collects funds deposited by local cooperatives in the Abu Hummus District (LE 1000/yr for each coop), and provides loans to farmers and local cooperatives. The Society hopes to accept deposits from individual farmers by the end of this year.

The headquarters of the Society are located within the Abu Hummus Joint Cooperative privately-owned building, but the administrative and professional staff, as well as the board of directors, are entirely separate from the cooperative.

In its first year, the Society lent LE 250,000 at an interest rate of 9 percent. These loans may be used for both agriculture- and non-agriculture related needs. They have had a rate of repayment of 100 percent, which the Society leaders credit to the character of the Society and its membership. Namely, because the Society is made up of members who own as well as use its services (as in a credit union), there is greater incentive (and social pressure) to fulfill the terms of the loan agreements.

The Governorate has been highly supportive in this process, and a Governorate legislative committee has formed an administrative department and allocated three accountants as well as support staff to the Society.

### **The Input and Insurance Funds in Daqhaleya**

Cooperatives in Daqhaleya worked with the government in order to establish an input fund in 1992. This fund began with LE 10million in deposits, and reached LE 25 million this year. Cooperatives deposit a percentage of their surplus every year into the fund at an interest rate of 5 percent, and the Central Cooperative in Mansoura administers the loans to cooperatives at a rate of 7 percent. The fund contracts directly with fertilizer factories, and is the primary distributor of fertilizer to cooperatives in Daqhaleya. This fund has enabled weaker cooperatives to purchase fertilizer at favorable interest rates, thereby enhancing their longer-term financial status.

All cooperatives are legally obligated to insure their assets, and the Central Cooperative in Daqhaleya therefore decided to establish an Insurance Fund in 1993. Rather than contract with a private insurance company, village- and district-level cooperatives pay the premium to a fund in the Central Cooperative. This fund now has deposits of LE 3.3 million.

## Chapter 6

### Promoting Autonomous Development

Competition, limited access to credit, and the removal of government subsidies are challenges facing all cooperatives in Egypt. With the withdrawal of government funding, cooperatives are faced with prospects of either adjusting and succeeding, or failing and disappearing. Liberalization therefore requires effective and innovative action on the part of cooperative leadership to reorient themselves to meet these challenges and pursue profit-making activities.

#### Tackling the input challenge

We have seen how local cooperatives with effective management and financial systems in place may suffer due to a dysfunctional input distribution system. This system runs the potential of failure due to flaws in three specific areas: the method of cooperative purchase and delivery; factory supply; and input cost and pricing.

#### The Purchase And Delivery System

**Recommendation:** Local cooperatives should have the prerogative to purchase inputs from whomever they choose, be that the joint or central cooperative or from the factory itself. This will allow cooperatives to circumvent problems in the distribution cycle in cases of weak central or joint cooperatives.

**Recommendation:** Rationalize the system of order calculations. Because the majority of local cooperatives do not have the purchasing power to approach the factory directly, and because factories will only deal with orders of a certain quantity, most local cooperatives will continue to rely on central and/or joint cooperatives in purchasing their inputs. The current system of ordering is cumbersome and based on incomplete information. Central cooperatives collect orders from local and joint coops based on *estimates* of local demand. Central cooperatives therefore tend to err on the side of safety by often ordering less than that requested (to avoid excess stock). This process begins the cycle of unmet demand by local cooperatives and ultimately farmers. Local cooperatives should accept responsibility for taking *specific orders* for inputs from their members, the totals of which will then be submitted to the central cooperative.

#### Cost And Pricing

**Recommendation:** Local cooperatives should be allowed to determine the price at which they sell the inputs. Joint and local cooperatives currently have no autonomy in price determination for the inputs sold. Central cooperatives determine the price the joint cooperatives pay to them, the price that local cooperatives pay to the joint cooperative, and the price that farmers will eventually receive from the village coop.

Decentralizing pricing decisions will enhance local cooperatives' autonomy while also allowing members to decide for themselves the appropriate combination of profit maximization and member-orientation (meeting the needs of farmers of low-cost inputs while allowing the cooperative to maintain and increase the number of services through revenues generated).

### **Bottlenecks in Supply**

**Recommendation:** The government should remove the high tariffs placed on imported fertilizer. A liberalized agricultural sector indicates that cooperatives, and ultimately farmers, should have the right to decide from whom they purchase inputs, including both domestic and foreign suppliers. Given the current high rate of taxation on fertilizer imports, domestic factories are able to increase prices above the international market rate. Cooperatives and farmers are therefore faced with higher prices than in a fully liberalized fertilizer market. Domination of the market by domestic producers furthermore allows traders greater control of supplies and quantity, a situation that contributed to the fertilizer shortage of 2000 when local traders colluded to maintain stocks of fertilizer in peak season in order to artificially inflate the price. In times of high demand when growers (and cooperatives) are not receiving the amount of fertilizer needed from the domestic market, they should have access to imported fertilizer at a competitive price.<sup>14</sup>

**Recommendation:** The government should refrain from recommending allocations for PBDAC to fertilizer companies. This will allow all input buyers to compete equally and allow for market-determined allocations.

**Recommendation:** The government should facilitate a dialogue between cooperatives and fertilizer companies. Cooperatives and fertilizer companies have had a tenuous relationship in contract negotiations, due to a history of unfulfilled agreements on both sides. The key to establishing working relationships between the two parties will be to establish a basic level of trust. This can be facilitated through government mediation.

### **PBDAC's Role**

PBDAC and cooperatives have a complicated and at times discordant relationship. Because both PBDAC and cooperatives supply inputs to farmers, they have in essence become competitors, leading to paradoxical situation in which former government entities (cooperatives) are forced to work in opposition to a governmental institution (PBDAC). However, this competition is unbalanced, due to the favorable treatment accorded to PBDAC by the government and by fertilizer factories. PBDAC is able to purchase inputs on credit, while cooperatives are not. PBDAC receives a government-recommended

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<sup>14</sup> The government's response to the 2000 fertilizer crisis was to exact an even greater amount of regulation over the fertilizer distribution system. Rather than fully liberalize the price of fertilizer by removing tariffs—thereby increasing supply and promoting competitive pricing—the government increased the quota allocated to PBDAC by factories from 10 to 20 percent.

allocation from the factories, while cooperatives do not. And finally, PBDAC utilizes warehouses *confiscated from cooperatives* in storing the inputs that they procure.

**Recommendation:** PBDAC should cease to provide inputs to farmers. PBDAC distribution serves only to weaken the position of cooperatives in the input distribution chain, and diverts PBDAC from its primary purpose as a bank. PBDAC has made a commitment to back out of all non-banking activities, and it needs to follow through on its guarantee by allowing cooperatives to compete on equal basis in the input supply market without competition from the bank.

**Recommendation:** PBDAC should return all confiscated warehouses and storage facilities. These facilities were taken from cooperatives with the formation of PBDAC in the 1950s, and should be returned to cooperatives, particularly as PBDAC pulls out of the input market. Article 18 of Cooperative Law 122/1980 provides for this, stating that “the properties of cooperative societies, including their head office, warehouses, establishments, furniture, and means of transport that were handed over to other than the cooperatives...shall be returned by operation of the law.”<sup>15</sup> These storage facilities are desperately needed by cooperatives to smooth out disruptions in the supply of fertilizer for their members.

## **Improving Strategic Planning and Financial Management**

### *Learning through example*

**Recommendation:** Successful cooperatives should be invited to speak at joint and central general assembly meetings to describe what services they provide and how they are succeeding. Local governmental authorities need to work with local and joint cooperatives to identify those cooperatives that have succeeded. Collecting success stories and “lessons learned” will serve as a useful example to those cooperatives interested in improving the quality and scope of services to their own members and raise awareness of the potential of all cooperatives in Egypt.

### *Learning through trainings, seminars, and workshops.*

**Recommendation:** Central cooperatives should provide seminars, workshops, and training sessions for leadership and management of village-level cooperatives on proper techniques of strategic planning and financial management. While the cooperative system provides a forum for the exchange of ideas and information through the General Assemblies at the district and governorate levels, this potential has often not been realized. Trainings should take into account the fact that several local cooperatives have the start-up capital, but require assistance with planning and implementation strategies to convince them to diversify their portfolios and enhance member services.

### *Learning through cooperation and incentives*

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<sup>15</sup> Agricultural Cooperative Law 122/1980, amended 122/1981. Article 18, p. 12.

**Recommendation:** The Central Agricultural Cooperative Union should brainstorm with CAAC to devise creative ways of promoting success, such as sponsoring annual agricultural shows. These shows will highlight the activities of cooperatives throughout Egypt, as well as provide an incentive system whereby awards are given to those cooperatives most successful in any number of categories to be determined by the cooperatives themselves. This type of "friendly competition" will push the entire cooperative system forward, as governorates, districts, and villages all work to demonstrate their skills (and superiority) in agricultural production and service provision.

**Recommendation:** Cooperatives should set annual targets highlighted in General Assembly meetings. Central cooperatives already review the workplans of all local cooperatives. These plans should be formalized and cast as *targets* rather than a list of ideas and thoughts that may or may not be realized. These targets should be discussed publicly at the General Assembly meetings, and awards allocated to those cooperatives most successful in accomplishing their goals within the time and budget allocated. These awards need not be monetary, but could rather be public acknowledgment of local cooperatives' successes.

**Recommendation:** Boards of Directors should write mission statements to clarify the purpose of their particular cooperative. Through workshops held at the district level, local cooperative leaders can learn how to write a mission statement and why it is important. Without a mission statement as the ultimate guide, it is difficult to write a business plan. And without a clear understanding of the economic and social functions of the cooperative, leadership and members will be in a difficult position to judge cooperative management. Therefore, a clear statement of cooperative purpose, underpinning a strong statement of the principle of cooperative management, empowers professional cooperative managers and at the same time improves the ability of members to assess management performance.

## Promoting Financial Solvency

**Recommendation:** Cooperatives must diversify activities beyond input provision. Strengthening member services through successful cooperative entrepreneurship is a precondition for cooperative survival in an increasingly competitive market.

**Recommendation:** Central cooperatives should establish governorate-level funds to benefit weaker local cooperatives and facilitate the improvement and expansion of activities of all cooperatives. Several governorates have already had positive experiences in this activity, and their examples should benefit other central cooperatives in undertaking similar initiatives.

**Recommendation:** In order to accomplish this, central cooperatives must improve their accounting and communication systems. GTZ and DGRV have taken the lead on this, and are providing bookkeeping and input trading software to pilot

governorates of Beheira and Daqhaleya. This system should be in place by September.

**Recommendation:** The Central Agricultural Cooperative Union should work with governorate-level cooperatives to establish a cooperative credit union. The strengthening of cooperative finances is particularly important in the evolving market economy. Previously, in performing government-regulated functions, cooperatives had access to mostly government owned storage facilities and other marketing infrastructure, as well as government guaranteed bank overdrafts for crop financing. With liberalization such facilities are no longer freely available. Cooperatives are finding it difficult to obtain bank financing for necessary business investment and activities, including agricultural marketing, due to their weak asset and equity base. A cooperative bank is the long-term solution to this lack of access to credit, and Cooperative Law 122/1980 provides for its establishment. GTZ and DGRV are collaborating with the government and CACU to establish a credit union within the next five years.

**Recommendation:** Cooperatives need to raise their landholding fees. The majority of cooperatives in Upper Egypt have not changed their fees based on landholding size. This fee amount was determined in 1980 with the promulgation of Law 122, and has not changed since this time. Cooperatives must increase landholding fees in order to augment their capital and current accounts, which is needed by virtually all cooperatives. This will provide members with a greater stake in the cooperative, and will combat problems of small land size and limited finances.

**Recommendation:** In order to make increases more palatable to members, central cooperatives need to work with the government to initiate informational campaigns on the importance of increasing fees. Cooperatives interested in increasing their fees can benefit from the experiences of Beheira, Qena, and other governorates who have successfully accomplished this. All governorates instituted the changes gradually, involved the government in promoting the fee increase, and got members involved in process.

**Recommendation:** Some cooperatives' land areas are too small to be sustainable, even with increases in landholding fees. These cooperatives should consider merging with larger cooperatives in order to consolidate overhead costs and benefit from a larger pool of members and an enhanced capacity to pursue profitable projects.<sup>16</sup>

## Promoting autonomy

**Recommendation:** Cooperatives must begin the process of hiring their own managers to run the cooperatives. If current employees do not possess the necessary qualifications, leaders need to hire new staff capable of ensuring cooperative viability. This will enable the board to begin to assume their correct

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<sup>16</sup> Article 39, subsections 4 and 5 of Law 122/1980 allow for this.

function as policy makers rather than daily decision-makers. The current law provides disincentives to cooperatives hiring their own staff, as well as allowing for management to operate autonomously. (Recommendations for these changes are discussed below.)

**Recommendation:** Authority needs to be devolved to local-level cooperatives to determine their own budgets. Budgets at this point are all centrally controlled at the governorate level, as well as input prices (discussed above). While not all local cooperatives are capable of determining their own budgets, they should have the freedom to decide if and in what capacity they would like central cooperative involvement. Decentralizing budgetary authority will require a commitment on the part of the government and central cooperatives to allow for greater autonomy at the village level. It also requires capacity and motivation on the part of local cooperatives to develop the internal capacity to conduct their own financial planning independently of the central cooperative.

## **Redefining the role of the government**

Government control of cooperatives in Egypt has traditionally entailed various forms of financial and managerial support. It has also, however, served as an excuse for government interference and this, in turn, has been an excuse for the non-accountability of management and the discounting of farmers' views.

Government officials from the local to the national level are in the process of redefining their role in the cooperative system as cooperatives are moving towards independence. Officials are supportive of this process, and are coordinating with CAAC and the Cooperative Reform Committee<sup>17</sup> in order to determine what needs of the cooperatives should be met by the government.

While progress has been significant, MALR must now consolidate these moves toward reform:

**Recommendation:** CAAC and MALR should establish timelines and plans of action for government-funded staff withdrawal from local cooperatives. There will be no real incentive for leaders to autonomously and efficiently run their cooperatives until the government determines when and how they will pull out publicly funded management. This decision needs to be well-publicized and discussed at village- and district-level meetings throughout the country, in order to begin the concrete process of dialogue and preparation for full autonomy.

**Recommendation:** Cooperative Law 122/1980 must either be substantially amended or replaced. As government capacity for intervention declines, legislation

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<sup>17</sup> Ministerial Decree 1658/2001 formed the cooperative reform committee, a specialized committee designed to provide a channel for dialogue between all parties concerned with cooperative reform. The aim of the committee is to promulgate a new policy for the agricultural cooperative system for approval by the Minister of Agriculture.

governing cooperatives should be redirected. The cooperative system provided for in Law 122 no longer describes the current realities, nor does it reflect the MALR's stated commitment to cooperative reform. This law regulates all activities of cooperatives vis-à-vis the government, and working within the rubric of this law makes independence virtually impossible.

## CONCLUSION

In a free and open market, agricultural economic development relies on private businesses to provide goods and services. However, private markets do not always function with impartiality to all. Farmers suffer from market imperfections, such as inadequate information, input and output monopolies, and extensive price and market risks. Transaction costs, including information costs, negotiations, monitoring, coordinating and enforcing contracts, are usually substantial. These risks and costs may prove particularly onerous for small holders.

Rural organizations can play a vital role in filling the void left by the reduced public sector presence in agriculture. Because they represent the collective interests and needs of individual farmers, they can more effectively and efficiently utilize their combined resources, moderate market forces to their members' benefit, and provide them with social and economic services that are seriously lacking in rural areas. This includes providing extension services, assistance with contract farming arrangements, crop inputs, and credit.

However, liberalization brings with it as many challenges as opportunities. Increasing competition is a major threat to cooperatives used to thriving on government-conferred privileges. Unless the cooperatives can meet this competition, they will end up in down-turn spirals of decreasing volumes of business, deteriorating profitability of their operations, reduced capacity to pay remunerative and competitive prices and provide useful services to their members, and still further decline in volumes of business.

This study has highlighted the experiences of those cooperatives that have thrived in this new era of reform—because of, and at times in spite of, the environment in which they operate. Strong cooperatives have the potential to provide members with a powerful and coherent voice in policy formulation and implementation, networking, market development, and opportunities for sharing business and industry news. Weaker cooperatives have the potential to learn from the success stories and powerful examples of their healthier counterparts in order to improve and expand their own activities.

Cooperatives, however, do not operate in a vacuum and neither can they carry out these reforms on their own. Government authorities must continue to collaborate with, and learn from, cooperatives concerning the assistance that they need. This includes both securing an enabling legal and structural environment in which cooperatives can flourish, as well as providing cooperatives with the tools to improve their own managerial and financial systems.

Cooperatives have the potential to be powerful, influential actors in the agricultural sector, providing beneficial services to their members as well as ensuring their own sustainability and success. By learning from and with each other, cooperatives will gain the perspective and experience necessary to succeed in Egypt's liberalized economy.

## **APPENDIX I**

### **List of Interviews**

#### **Luxor/Qena Governorate**

Undersecretary of Agriculture, Eng. Kamel El-Sheikh, Luxor, 8 December  
General Director of Cooperatives, Eng. Hassein El-Bia, Luxor, 8 December  
Assistant Director of Cooperatives, Luxor, 8 December  
General Director of Agriculture in Luxor, Mohammed Abdullah, Luxor, 8 December  
President of Board of Directors of Korna Cooperative, Ahmed Abu Zaid, Luxor, 8 December  
Director of Korna Cooperative, Nabil Garras, Luxor, 8 December  
Members of Board of Directors of Korna Cooperative, Luxor, 8 December  
Director of Agriculture of Qena, Mohammed Morad, Qena, 9 December  
Manager of Cooperative el-Tod, Abdu Id-Deri, Qena, 9 December  
President of Board of Directors of Cooperative el Tod, Anoubi Ibrahim Ahmed, Qena, 9 December  
General Director of Agriculture, Eng. Boutros, Isna, 9 December  
Director of Administration, Eng. Shafree, Isna, 9 December  
Manager of El Adaset Bahari Cooperative, Isna, 9 December  
President of Board of Directors of El Adaset Bahari Cooperative, Isna, 9 December  
Manager of Isna Bandar Cooperative, Selman Aowda Awed, Isna, 9 December  
President of Board of Directors of Isna Bandar Cooperative, Isna, 9 December  
Members of Board of Directors of Isna Bandar Cooperative, Isna, 9 December  
Director of Isna Joint Cooperative, Fez Hana, Isna, 9 December  
RDI Branch Manager, Eng. Ayyed Thabet, Upper Egypt, 8 to 13 December

#### **Sohag Governorate**

Undersecretary of Agriculture, Eng. Kamel El-Sherif, Sohag, 10 December  
General Director of Cooperatives, Eng. Salah Taha, Sohag, 10 December  
Assistant Director of Cooperatives, Said Shandawil, Sohag, 10 December  
Director of Cooperatives, Mohammed Kamel, Sohag, 10 December  
Manager, Gezirat Shandawil Cooperative, Sohag, 10 December  
President of Board of Directors, Gezirat Shandawil Cooperative, Sohag, 10 December  
Members of Board of Directors, Gezirat Shandawil Cooperative, Sohag, 10 December

#### **Aswan Governorate**

Undersecretary of Agriculture, Ahmed Soliman, Aswan, 11 December  
General Director of Cooperatives, Mohammed Kamel Hashim, Aswan, 11 December  
Agricultural Engineer for Dowra Cooperative, Kawsar Fehmi Nashid, 11 December  
Manager, Dowra Cooperative, Said Mohammed Ghanem, Aswan, 11 December  
President of Board of Directors, Dowra Cooperative, Aswan, 11 December  
Members of Board of Directors, Dowra Cooperative, Aswan, 11 December  
President of the Sugarcane Cooperative, Eng. Said, Aswan, 11 December

President, Abu Il-Riche Cooperative, 12 December  
Manager, Abu Il-Riche Cooperative, Eng. Ahmed Osman, 12 December  
General Inspector, Eng. Ramsey, 12 December  
Cooperative Director of Aswan District, Ahmed El-Adl, 12 December  
Chief Executive Officer, Chema Company, Chem. Salah, 13 January  
Sector Head of Commercial Section, Chema Company, Eng. Samhet, 13 January  
Head of Agricultural Section, Aswan Governorate, Eng. Gamal, 13 January  
Eng. Sarwat, 13 January

### **Daqhaleya Governorate**

Undersecretary of Agriculture, Eng. Abdel Hamid Khattar, 5 November  
General Manager for Cooperatives in Daqhaleya, Eng. Fathi Abul Kher, 5 November  
Chair of General Cooperative Society, Mr. Abul Abez Osman, 5 November  
Director of Al-Khazindar Cooperative, Talkha District, Mr. Asabi, 6 November  
Director of Mit Al-Aamil Cooperative, Aga District, Mr. Ibrahim, 6 November  
Director of Mit Ali Cooperative, Mansoura District, Mr. Said, 6 November  
Director of Dikirmis Cooperative, Dikirmis District, Mr. Mahmoud Abdu Riz, 6 November

### **Beheira Governorate**

Undersecretary of Agriculture, Hagg Mohammed Zeki Manessi, 6-7 January  
General Director of Cooperatives, Eng. Ali Mandour, 6-7 January  
Manager, Shubra Cooperative, Damanhour, Eng. Fowzi Idris , 6 January  
President of Board of Director, Shubra Cooperative, Damanhour, Hagg Riad , 6 January  
Agricultural Engineer, Shubra Cooperative, Eng. Khary, Damanhour, 6 January  
Members of Board of Directors, Shubra Cooperative, Damanhour, 6 January  
President of Board of Directors, Saheli Cooperative, Abu Hummus, 7 January  
Members of Board of Directors, Saheli Cooperative, Abu Hummus, 7 January  
Manager, Saheli Cooperative, Abu Hummus, 7 January  
Director General of Cooperatives in District Abu Hummus, Mohammed Amina, Abu Hummus, 7 January  
Director of Accounting, Zeki Ramadan, Joint Abu Hummus Cooperative, Abu Hummus, 7 January  
Secretary General, Hajj Ali, Joint Abu Hummus Cooperative, Abu Hummus, 7 January

### **Assiut Governorate**

Undersecretary of Agriculture, Eng. Farouq Moussa, 8-9 January  
General Director of Cooperatives Assiut, Eng. Abdel Aziz, 8-9 January  
Director of Agricultural Administration, Mr. Mohammed, Assiut, 8 January  
President of Board of Director, Mir Cooperative, Assiut, 8 January  
Members of Board of Directors, Mir Cooperative, Assiut, 8 January  
Director of District Agricultural Cooperatives, Mr. Sabr Said Salim, Qusiyya, 8 January  
Director of Agricultural Cooperation, Mr. Mahmoud, Assiut, 8 January  
President of Board of Directors, Musha Cooperative, Assiut, 8 January

Members of Board of Directors, Musha Cooperative, Assiut, 8 January  
Chief of Auditing Department of Central Cooperative, Mahmoud Heridi, Assiut, 8 January  
President of Board of Directors, Abnoub Cooperative, Assiut, 9 January  
Members of Board of Directors, Abnoub Cooperative, Assiut, 9 January  
Director of Central Cooperative, Abdel Hady, Assiut 9 January  
President of Board of Directors, Cooperative Beni Moor, Assiut, 9 January  
Members of Board of Directors, Cooperative Beni Moor, Assiut, 9 January  
Director General of Central Cooperatives, Mohammed Abdel Mohsen, Assiut, 9 January

### **Cairo**

Dr. Ibrahim Sadik, APRP  
Dr. Edgar Ariza-Nino, APRP  
Dr. Amr Moussa, APRP  
Eng. Samir Shihatta, APRP  
Eng. Farid, Central Authority for the Administration of Cooperatives, 17 January  
Dr. Heinz Bergstaller, GTZ, 23 January  
Dr. Gerhardt Ohlde, DGRV, 23 January

### **Alexandria**

Executive Director of Marketing, Mr. Said, Abu Qir Fertilizer Company, 23 January  
Director of Marketing, Mr. Mohammed Saleh, Abu Qir Fertilizer Company, 23 January