

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Egypt

### Cotton and Products Annual

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**Report Highlights:**

Egypt's cotton production is expected to decline in 2013/2014 in the face of what Egyptian farmers regard as relatively low prices. Egyptian farmers are also used to the Ministry of Agriculture and Land Reclamation announcing indicative prices well before the planting season, but no announcement has been made as yet. Farmers have also been discouraged by problems in marketing the cotton crop over the past two years. Post expects cotton use to pick up with the removal of the cotton import ban in March 2013, as domestic spinners are set up for using imported short and medium staple cotton.

**Commodities:**

Cotton

**Production:**

Egypt's cotton production in MY 2013/14 is projected to fall to around 435,000 bales, down over 11 percent from the previous year's production. Post revised MY 2012/13 cotton production to 490,000 bales, based on information from the trade.

Farmers over the past couple of seasons have been shying away from cotton to more profitable corn and rice cultivation. A key factor influencing farmers' planting decisions have been the difficulties encountered in marketing the domestic cotton crop overseas, leading to excessive cotton stockpiling in Egypt. Egyptian mills are not set up to spin long staple cotton.

Also farmers are increasingly reluctant to plant cotton given the Government of Egypt's (GOE) practice of delaying announcement of indicative reference prices until the fall. Previously the GOE announced its target prices by mid-February, prior to the start of the planting season in March.

Government indicative prices for cotton, much like the GOE procurement prices for corn and wheat, often exceed international prices and are intended to encourage expanded local cultivation. The fall announcement date however hinders the ability of farmers to strategically plant for greater profits. As of mid-April 2013, the GOE has yet to announce its MY 2013/14 indicative prices for domestic cotton, discouraging so far additional cotton plantings in MY 2013/14. Sources attribute the shift to the fall announcement date to the country's economic crisis. The GOE had been forced to subsidize cotton purchases the last two years, as the actual market price was well below the indicative and farmers were very displeased. Farmers have until May to get this season's crop in the ground.

Official reports coming in from cotton producing governorates indicate a drop in plantings in MY 2013/14. Sources indicate that senior GOE and MALR officials are reaching out to reluctant farmers and traders to encourage increased cotton cultivation this season.

Trade sources believe that despite the GOE's outreach to farmers and traders, the delay in setting reference prices will lower plantings in MY 2013/14. We see a strong likelihood that farmers will scale back cotton's total area harvested from MY 2012/13's 143,000 HA to about 130,000 HA in MY 2013/14, representing a drop of 9 percent or 13,000 HA in harvested area. The Ministry of Agriculture and Land Reclamation (MALR) is projecting total area cultivated in MY 2013/14 at 355,000 feddan or about 149,000 HA (1 feddan = 0.42 HA). We find this number to be overly optimistic. Trade sources similarly doubt the MALR's projection.

**Cotton Varieties Produced:** Egypt produces three different varieties of cotton: 1) extra-long staple (ELS); 2) long staple (LS) and; 3) short and medium staple cotton. Extra-long staple cotton has five main varieties (i.e., Giza 45, Giza 70, Giza 87, Giza 88, and Giza 92); main variety among the extra-long staple varieties is Giza 88. This variety 20 percent of Egypt's total production and is grown in the northern part of the country.

Of the long staple cotton varieties, Giza 86 is the main variety and accounts for 70 percent of Egypt's total cotton production. Long staple cotton is grown in the Nile Delta area.

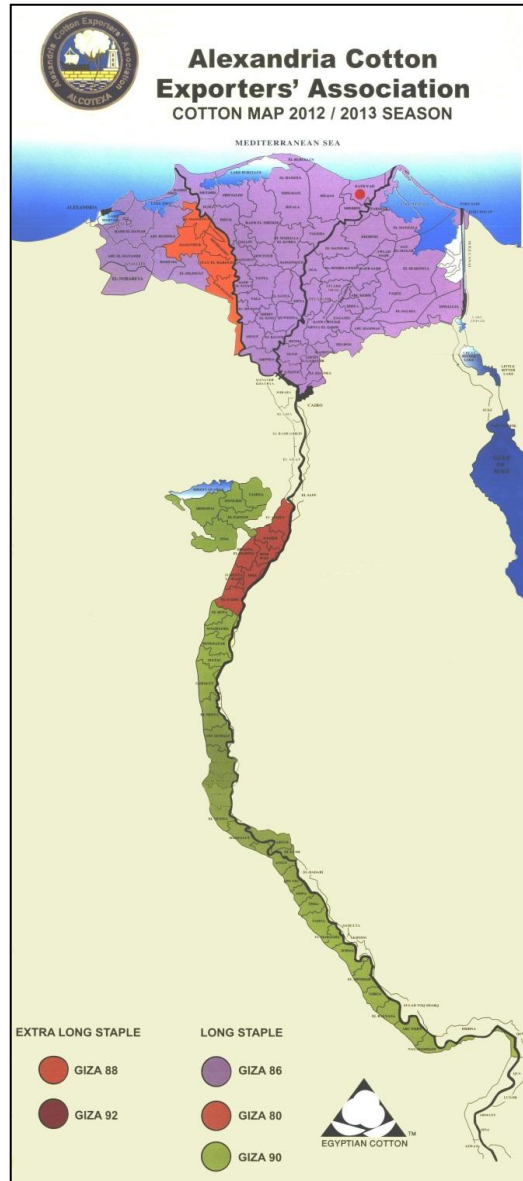
The third variety grown in Egypt is short and staple (Giza 80 and Giza 90) cotton which about 10 percent of total cotton production. is grown mainly in Upper Egypt (Southern

**Recent Production Developments:** Ministry of Agriculture and Land Reclamation Decree 1,880 (2012) governs which areas are grow cotton in MY 2013/14.

The Giza 92 (extra-long staple) variety is for cultivation in the Domiata governorate. Trade sources confirm that by the end of March 2013, some 8,237 feddan, or 3,460 HA have been planted with Giza 92. Estimates are that this variety can produce yields of 10 quintars/feddan or 1.6 metric tons/ 0.42 HA. Sources claim that the entire production is being earmarked for export.

**Status of Biotech Cotton Production:** In 2011, Ministry of Agriculture's Cotton Research Institute (CRI) developed the G.80, G83, G85, G89, and G.90 Egyptian biotech cotton varieties. The institute has now ceased its experimentation with G.83 and G.85 biotech cotton varieties, focusing its efforts on further developing the other three varieties. Sources indicate that the new biotech varieties are highly resistant to known cotton pests. Although Egypt sought to release the new varieties for the MY 2012/13 season, rollout continues to be delayed. Field trials have not been completed, nor has the GOE yet commenced to educate farmers on the benefits of the new biotech cotton varieties.

**Consumption:**



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Post forecasts Egypt's total cotton consumption at roughly 700,000 bales in MY2013/14, at par with our revised 700,000 bale estimate for MY 2012/13. The increase in total consumption is attributed to pent-up demand for imports from domestic spinning mills. Prior to March 2013, cotton import permits were only issued to companies operating out of Egypt's free zone areas; limiting non-free zone area mills to operate solely with domestic cotton.

Local spinners previously were the main consumers of domestically produced cotton, absorbing about two-thirds of the country's production. By the end of March 2013, roughly 192,000 bales of lint cotton have been delivered by traders to spinning mills. This amount is only equivalent to 42 percent of total production and 30 percent of total supply (production and stocks excluding imports). State-owned spinning mills consume about 105,000 bales, or 54 percent of the foregoing volume. We find that local spinning mills' domestic cotton consumption dropped due to the local crop's higher prices compared to imported short and medium staple cotton varieties favored by industry.

### **Trade:**

Post forecasts total Egyptian imports for MY2013/14 at a record 600,000 bales, up by 100,000 bales compared to the previous marketing year. We attribute this upswing to increased demand for imported short and medium staple cotton. Short and medium staple cotton is better suited to local industry's production capabilities and market needs. Facilitating trade has been the lifting of the Egyptian cotton import ban in March 2013, as well as the making optional inspection at origin.

Import data for the past two calendar years shows that Egypt has largely sourced its cotton imports from the United States and Greece. We anticipate that cotton imports in MY 2013/14 will again follow this trend and be split between the United States and Greece. Importers inform that their preference is to increase the volume of imports of higher quality U.S.-origin cotton.

Exports are forecast to increase in MY 2013/14 to 360,000 bales, up by 12.5 percent from MY 2012/13's volume of 320,000 bales. Total export commitments through the end of March 2013 reach 211,000 bales. So far only 126,000 bales have been shipped (including to Egypt's free zone areas). India and Pakistan are Egypt's main cotton export destinations.

### **Stocks:**

Post forecasts MY2013/14 ending stocks at 166,000 bales, continuing a downward trend. Ministry of Agriculture and Land Reclamation announced in early February 2013, that it marketed Egypt's entire MY 2012/13 seed cotton crop. Post anticipates that some traders will again hold off on moving cotton to spinning mills hoping for shortage induced higher prices in the MY 2013/14 season.

### **Policy:**

Egypt in March 2013 fully lifted its cotton import ban. In place since October 2010, the ban was amended in November 2011 to allow free zone area imports. Importers confirm that import permits are now being issued with no restrictions.

### **Marketing:**

The Ministry of Agriculture has marketed all domestic MY 2012/13 cotton production. The MALR is counting on this success to help spur Egyptian farmers to increase cotton plantings in the MY 2013/14 season. Sources however indicate that stocks of around 252,000 bales remain with traders.

Mills and traders successfully lobbied the government to raise the purchasing subsidy from LE 150/qintar (\$26/~160 kg) to LE 200/qintar (\$29/~160 kg), which has allowed the GOE to lift its cotton import ban. Farmers, citing Egypt's political and socio-economic instability, are increasingly dubious that at these prices that the MY 2013/14 crop can be fully marketed. Farmers are still reeling from memories of the MY 2011/12 season when cotton prices dipped so low that many farmers were unwilling to sell their crop. Hedging against a repeat of the MY 2011/12 season, farmers in MY 2012/13 reallocated 30 percent of cotton land to more profitable rice cultivation.

**Prices:**

MY 2012/13 prices for Giza 80 and Giza 90 are LE 950 (\$138)/qintar and LE 1,030 (\$150)/qintar (USD 1 = LE 6.86). MY 2012/13 prices for Giza 86 and Giza 99 are LE 1,000 (\$146) and LE 1,070 (\$156)/qintar. Post's sources indicate that yields in MY 2012/13 at 7 quintars/feddan is low, namely the result of the utilization of poorly stored seeds and the spread of plant pests (i.e., Egyptian cotton leaf worm). Further driving down yields has been the government's delay in announcing its planned reference prices. This delay is forcing many farmers to put off planting until May; potentially producing less optimal yields than if plantings had occurred earlier in March.

Variety	Beginning Stock	Lint Produced	Total Supply	Spinning delivered through March 31, 2013	Export Commitments through March 31, 2013	Total Distribution	Remaining in March 31, 2013	Shipped through March 31, 2013
Giza 70	2,855	0	2,855	0	0	0	2,855	0
Giza 87	29	65	94	0	0	0	94	0
Giza 88	63,607	41,237	104,845	1,896	72,414	74,311	30,534	26,619
Giza 92	0	1,154	1,154	0	206	206	947	206
Giza 86	99,722	365,979	465,702	160,381	177,967	338,348	127,354	99,289
Giza 80	5,418	8,002	13,420	6,671	0	6,671	6,748	0
Giza 90	10,779	41,520	52,300	26,489	0	26,489	25,811	0
Under Trial	0	0	0	0	0	0	0	0
Mixed Export's Type (E.T)	0	1,649	1,649	0	87	87	1,563	0
<b>Total</b>	<b>182,412</b>	<b>459,606</b>	<b>642,018</b>	<b>195,438</b>	<b>250,674</b>	<b>446,112</b>	<b>195,906</b>	<b>126,113</b>

Data: in 480 lb. Bales Source: IDC/CATGO

**Production, Supply and Demand Data Statistics:**

Cotton Egypt	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Aug 2011		Market Year Begin: Aug 2012		Market Year Begin: Aug 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0		0
Area Harvested	220	220	145	143		130

Beginning Stocks	207	214	214	261		191
Production	745	745	515	490		435
Imports	300	295	500	500		600
MY Imports from U.S.	0	0	0	0		0
Total Supply	1,252	1,254	1,229	1,251		1,226
Exports	475	400	350	350		350
Use	550	580	600	700		700
Loss	13	13	10	10		10
Total Dom. Cons.	563	593	610	710		710
Ending Stocks	214	261	269	191		166
Total Distribution	1,252	1,254	1,229	1,251		1,226