

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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POLICY

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Egypt

Post: Cairo

Egypt Stops Issuing Cotton Import Permits

Report Categories:

Cotton and Products

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Report Highlights:

On July 15, 2015, Egypt's Prime Minister's announced that a directive stopping the issuance of cotton import licenses was being overturned; however, to date, Egypt's Ministry of Agriculture and Land Reclamation refuses to issue import permits for any imported cotton, including the United States. Besides affecting supplying countries, the Egyptian spinning and textile industry is threatening to stop yarn production.

General Information:

On July 4, 2015, the Ministry of Agriculture and Land Reclamation's Central Administration for Plant Quarantine (CAPQ) issued a directive stating that it would stop issuing import permits for cotton of all origins (see translation below below). According to CAPQ, the suspension of import licenses was to be temporary, an attempt to establish an appropriate mechanism that would meet the common interest of producers, manufacturers, and importers; a statement that was strongly criticized and rejected by textile manufacturers and cotton importers. The decision is a clear attempt by the government to force manufacturers to use locally produced cotton. The notion was reinforced when MALR's Minister, Dr. Salah Helal, publicly stated that the measure was intended, in part, to facilitate marketing of the 2015 cotton crop.

On July 15, 2015, Egypt's Prime Minister, Dr. Ibrahim Mehleb, made an announcement rescinding the measure taken by CAPQ. Despite the Prime Minister's announcement, as of early August 2015, CAPQ refuses to issue import permits, claiming that they need written instructions from the Prime Minister's office to start reissuing permits. Textile manufacturers and importers state that MALR-CAPQ's claims are deceitful as there is no need for written instructions from the Prime Minister's office.

Egypt's spinning and textile industry depends heavily on imports of medium and short staple cotton, along with some imports of long staple cotton. Short staple cotton is not grown in Egypt, and only 5 percent of total cotton production is medium staple, which is grown in Upper Egypt. The remaining 95 percent of Egypt's cotton production is long and extra-long staple cotton but processors prefer imported shorter staple cottons due to high quality and competitive pricing. Today, imported cotton is vital for the local spinning and textile industries. Mohamed El-Swidy, Chairman of Egyptian Union of Industries, stated that the decision is "unstudied" and of great harm to the spinning and textile industries. He added that the Union's members met with Minister of Industry, Trade and SME (MITSME), confirming that the Minister understood the negative implications of the ban and promised to solve this problem

Not surprisingly, farmers and domestic cotton traders have expressed satisfaction with the decision, accusing the textile industry and importers of increasing cotton imports before the 2015 harvest, in an attempt to pay rock-bottom prices or avoid buying the local harvest. They claim that importers and manufacturers currently have stocks of around 1 million qintar (206,000 bales). The head of Farmers' Union, Mohamed Farag, described the decision as a victory for farmers that will return Egyptian cotton to its glory days.

Following the Prime Minister's decision, domestic cotton traders announced that they will not purchase domestic cotton until the government announces a clear policy for the marketing of local production, which must include a commitment to buy local cotton at a reasonable price.

This is not the first time that Egypt has restricted cotton imports. On October 25, 2011, Egypt temporarily banned cotton imports from all approved origins to help farmers sell their cotton production at prices higher than international prices. After a five-month ban, Egypt resumed its cotton imports on March 18, 2012. At the time, the GOE ended the import ban when most of the domestic cotton crop had been purchased, which was the original goal of the policy.

Historically, Egyptian long-staple cotton, which over the years has become known as "white gold", has had an international reputation for being the finest in the world, and it is used in high-quality clothing;

however, due to a number of shortcomings it has lost its comparative advantage, as producers find it cheaper to buy U.S. pima, with pima prices 30-40 percent lower than Egyptian cotton. On the other hand, Egypt's extra-long staple, luxurious cotton is usually exported as raw material due to the high expense and the difficulty of turning it into final products that are marketable internationally.

As previously reported in [GAIN Cotton Annual 2015](#), lint cotton production is forecast to drop by 40 percent to 315,000 bales for the upcoming MY2015/2016 crop from 525,000 bales in the 2014/2015 marketing season. The drop in production is in direct proportion to a decrease in total area harvested of 40 percent to 93,000 hectares (ha) from 155,000 ha in MY2014/2015. The drop in total area and production is attributed to the government's new policy ending cash subsidies to farmers and spinners.

FAS Cairo's take is that due to the drop in local production, imports are vital for the survival of the Egyptian spinning and textile industry. Imports are forecast to increase by 30 percent to reach 450,000 bales in MY2015/2016 compared by 350,000 bales in the previous season.

Unofficial Translation for CAPQ Decision:

Begin Text:

Ministry of Agriculture and Land Reclamation
Central Administration of Plant Quarantine
(CAPQ)

Important Instructions
Cotton imports from Approved Origins

Due to the start of the Central Administration of Plant Quarantine to control and set mechanisms to achieve the common interest of producers, manufacturers and importers of cotton and in partnership with all competent authorities in Egypt.

It has been decided to stop issuing "temporarily and until further notice" for all import permits of cotton issued to all importing companies for cotton from all approved origins. This excludes shipments that were shipped before the effective date of these instructions (July 4, 2015)

All engineers have to implement this.

Issued in: July 4, 2015

Head of the Central Administration of Plant Quarantine,

Dr. Saad Mousa

End Text.