The Changing Face of Egyptian Cotton

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Egypt is renowned globally for its Extra Long Staple cotton, with its superior quality and technological characteristics that make it a strong competitor on international markets. However, the local industry is currently facing many internal problems, including:

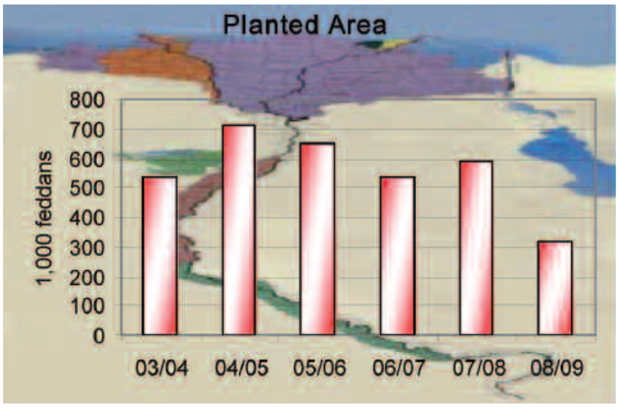
- market forces (supply and demand) that have lead to wide price fluctuations,
- high prices for production inputs (fertilizers, pesticides, harvesting costs and others),
- competition from other crops, which has negatively affected the acreage under cotton and reduced the crop.

In addition, there are challenges created by external forces, including:

- subsidy programmes in countries that compete with Egypt, which can reach more than 50 percent of the cotton price,
- the access of this kind of cotton to China, India and other markets,
- the global financial crisis, the recession that prevails in markets of real estate, trade, industry and others.

All of these factors may have an impact on current production, marketing and the export polices of Egyptian cotton.

One of the consequences of the global crisis is a decline in demand for Egyptian cotton and Long and Extra Long Staple (LS/ELS) varieties in general. This affects all cotton production activities; the area sown, yields, as well as having a negative effect on trading cotton in the local and global markets.



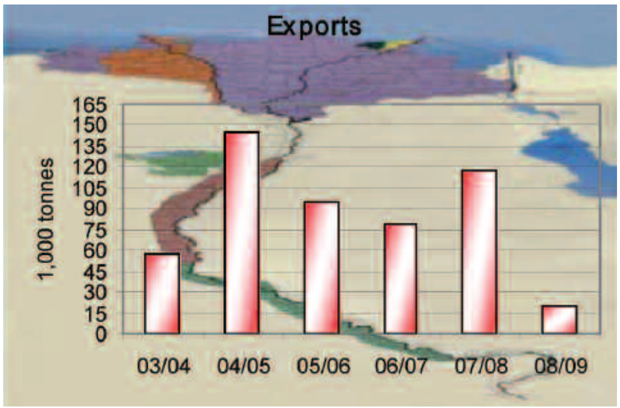
Cultivated area reached 316,234 feddans (1 feddan=4200 m2) in 2008/2009 which accounts only for 65.84 percent of the target area and represents a decline of 46.12 percent from the previous season.

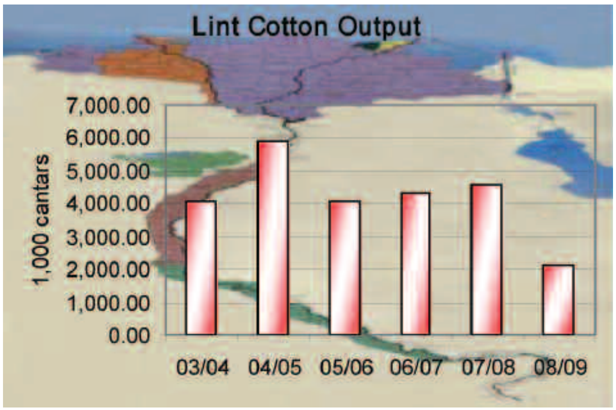
Egyptian cotton has been exposed to unfair competition especially from the US, where both exporters and producers receive subsidies from their government.

The United States has a programme to subsidize producers and exporters of Pima, allowing it to compete with Egyptian. This has encouraged the expansion of Pima cotton area, as well as demand from mills. The support it gets from the American government reaches millions of dollars, which in turn, affects negatively the free cotton market and leads to a decline in demand for Egyptian.

Local spinning mills have had access to imported cotton this season, threatening the production of Egyptian cotton. Moreover, influenced by foreign subsidies and the global recession, imported growths have been available at low prices, which made many companies import large quantities, affecting domestic demand for Egyptian cotton negatively, due to price differences.

Declining demand among traders on the domestic market for seed cotton, could affect significantly the profitability of growers, and undermine cultivated area. So Egyptian cotton is now in need of the efforts of all cotton sectors.





The accumulated commitments for season 2008/2009 till June 13, 2009 (the 33rd week) are 19,671.50 tons compared with 134,067.78 tons during the same period last season.

ELS commitments reached 12,254.50 tons accounting for 62.30 percent of the total commitments, while LS commitments reached 71,66.50, accounting for 36.43 percent of the total. In addition, 250.50 tonnes of Exporters' Types have been sold, accounting for 1.27 percent of the total.

Giza 88 ranked first among the exported varieties with 57.14 percent of the total, followed by Giza 86 with 36.30 percent.

Lint cotton production reached 2.134 million Kantars in 2008/2009 down by 53.10 percent from last season. The Giza 86 variety ranked first, with production reaching 1,316,206.45 Kantars of lint, accounting for 61.96 percent of total production, followed by Giza 88, of which 457,943.940 Kantars of lint were produced, accounting for 21.49 percent of the total.

Cotton affords the best national returns, as cultivating one feddan gives at least 400 kilos of cotton and the equivalent of 120 to 150 kilos oil, as well as at least half a tonne of cattle feed cake, as well as other by-products. Moreover, it is a labour intensive crop, which has social implications through the employment rate in the different stages of its cultivation, marketing, ginning and manufacturing (spinning, food industries and others).

State intervention, alongside the efforts of different organizations, is a must to protect our national crop, by applying the following procedures:

1. Support the role of the Cotton Research Institute:

Develop new varieties with high quality specifications, yields and ginning outturn, as well improve the current commercial strains and prevent their deterioration.

As well as the need to produce improved specifications of length, strength and fineness to meet the requirements of global markets and some local spinning mills, and therefore compete effectively with cotton produced in the United States, China, India and other countries, there is an urgent need to improve cotton production practices to increase yield and reduce production costs. This would eventually lead to higher income for cotton producers.

Cotton is passing through a difficult period in the world market, but this period will come to an end and cotton will regain its position in local and global markets.

2. Preserve Egyptian cotton from contamination:

A recently published report by the ITMF (International Textile Manufacturers Federation), praised low contamination rates in Egyptian cotton because of the efforts done by those responsible, including the Up-country Cotton Trade Committee, the Egyptian Cotton Trade Companies and ALCOTEXA (Alexandria Cotton Exporter's Association). This is in addition to CATGO's (Cotton Arbitration and Testing General Organisation) role, through its technical monitoring of cotton and preservation of varieties from mixing, deterioration and contamination during the handling stages. Also, the supervision, control and follow-up of the technical handling stages and monitoring of lint cotton during ginning. This includes assuring seed cotton is pressed into homogeneous lots so that it meets the physical and technological requirements of local and foreign spinners. CATGO also draws samples of lint cotton from all lots to be tested by H.V.I. at CATGO's laboratories and issues approved certificates of quality, as well as arbitrating on lint cotton in Mint EL Basal Exchange, measuring the moisture regain and issuing internationally recognised certificates.

All certificates issued by CATGO are fully computerized, apart from certificates issued for arbitration and classing of variety and grade.

There are some suggestions that local spinners need lower quality at a lower price and that there is a need therefore to cultivate upland cotton. With its high productivity, it should cover production costs and achieve a high income for the producer. Others prefer to give Egyptian cotton due care and apply ideal methods for achieving the highest yields, especially in Upper Egypt.

Therefore, we believe that a strategic policy for Egyptian cotton should be developed with the aim of offering stability to all sectors (production, trade, export and manufacturing) and the establishment of a fund to protect participants from damaging fluctuations in price.