

THE PROBLEMS AND CONSTRAINTS THAT HINDER THE DEVELOPMENT OF AGRICULTURAL PRODUCTS EXPORTS OF THE NEW LANDS IN EGYPT

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ABSTRACT

In spite of the recognition showed by the successive Egyptian governments of the great importance of developing the agricultural sector through accomplishment of horizontal & vertical expansion of cultivable lands, agricultural exports of old & reclaimed lands still face several challenges & constraints. Such challenges are closely related to production, finance and export policies plus severe competition practiced in the world markets. The objective of this research revolves around identifying and finding solutions to major constraints affecting competitiveness potentiality of new land's export oriented production. The research shows that reclaimed cultivated area increased from 609 thousand feddans in 1990 to 1067 thousand feddans in 1999. This increase reflects clearly the positive impacts of reform package application, which strengthened private sector role in reclamation activities. Though reclaimed area reached one third of old land, its contribution in agricultural production has not exceeded 14.8% and its livestock & fish production are still far below the targeted figure.

Commodity pattern of major cash crops include cotton, rice, potato, onion, tomato, orange and medicinal & aromatic plants. The pivotal export crop is still cotton, but rice is a promising one in this respect. Exports of potato are faced by some negotiation difficulties and orange exports are rapidly deteriorating. Medicinal & aromatic exports could be increased tangibly as those crops are grown well in newly reclaimed areas. Due to the growing competition and its impacts on the world market, especially after trade liberalization, specific programs for quality control and integrated pest control management are strongly needed. It is fairly known that food and agricultural products chemical free are warmly welcomed in several foreign markets. To broaden the market share, information and data base should be completed and processing & packaging services should be developed as well. Cooperatives should be given more active role in improving new land's exports. They can do this role through a financial pool, which extends credit service to establish cooling & processing centers for export promotion purposes.

INTRODUCTION

Trade and international exchanges have become of great importance in the contemporary world dominated by globalization trend. Through trade activities, each country tries to maximize its net profits. To reach such an objective, competitiveness capability of the country should be strengthened and resources should be functioned in an optimal way in the presence of high technology and managerial and organizational development.

The great development achieved in means of global transportation and communication increased world trade from US\$ 642 billion in 1970 to 9 trillion in 2000 or about one third of the world's Gross Products. The Egyptian agriculture as a major economic sector, is hoped to play an important role in

alleviating the adverse impacts resulting from the rapid international economic and political variables. Based on the belief in the role of export promotion in general and agricultural exports in particular, the Egyptian government has adopted a number of instruments aiming at activating foreign trade through getting an access to foreign markets. Utilizing the competitive and comparative advantage of several farm products especially medicinal and aromatic plants as well as some chemical free fruits and vegetables, are taken into consideration. Value of Egyptian agricultural exports increased from LE 1.1 billion in 1992 to LE 1.3 billion in 1998 at an annual growth rate of 2.9% (1992-1998). This modest annual growth assures the necessity for more efforts devoted for export promotion purpose under a staggering marketing system particularly in the new lands.

Problem and Objective of the Research:

Application of the economic reform package achieved a number of financial and monetary accomplishments. Those accomplishments manifested themselves positively in inflation rate, interest rate, exchange rate, state budget deficit, prices and privatization program. The agricultural sector, in particular, witnessed some success with respect to price of products, inputs of production and the cropping pattern. In spite of the tangible success, agricultural exports are still faced with several constraints regarding production, financial and export policies and severe competition in the world markets under the application of free trade. The research is an attempt to find some way to strengthen the competitiveness capability of agricultural exports in general and new lands' exports in particular.

Methodology and Sources of data:

Descriptive and statistically economic analyses were applied in conducting this research. Sources of data were the Central Administration for Agricultural Economics, Ministry of Agriculture, CAPMAS and Export Promotion Center, Ministry of Economy and Trade as well as previous subject-related studies.

RESULTS AND DISCUSSION

First: Current Status of Agricultural production in the New Lands:

The successive governments of Egypt have been always keen to develop the agricultural sector. They have adopted the relevant horizontal and vertical development tools which, are known by new land reclamation and cultivation.

Agricultural development process does not address food security only, but goes further to tackle rapid population growth rate which almost wipe out the accomplishments made by all the parties concerned. From the statistical point of view, Egypt's population will increase by 30 millions by the end of the first and second decades of the 21st century.

New land reclamation and cultivation contributes tangibly in generating farm jobs either directly or indirectly, such as jobs related to processing and trade activities. It also strengthens export promotion in the frame of the international agreements such as GATT (WTO), which impose specific health and environmental restrictions. It is known that new lands are usually pest and insect free.

Total cultivated area in Egypt is around 7.8 million Feddans out of which 2.2 million feddans of new lands, equal 28about.2%. Value of new land's production has not exceeded 11.1% of total agricultural production as an average over the period 1991-1998.

New land is defined as the reclaimed area added to the old lands adjacent to the Nile banks. Land reclamation program date back to 1932 mainly by the private sector (individuals or corporations). Government's share in reclamation efforts was very tiny until the 1952's revolution. The state's active role in this field started with the first socio-economic development plan 1960/61-1964/65. The state bore all the financial costs with no contribution from the private sector. Total reclaimed area under that development plan was approximately 536 thousand feddans in 1965/1966. The next successive plans added 275.8, 21, and 24.5 thousand feddans for plans of 1965/66-1969, 1969/70 and 1970/71 respectively.

As from 1970 companies, cooperatives and individuals were allowed to join land reclamation business. The governmental organizations and establishments working in reclamation activities were transformed into independent public sector's companies to get rid of most of the constraints and adverse impacts. Likewise, State Policy in the eighties place much emphasis on strengthening the private sector's role in the areas allocated by the state within the reclamation plan. The state, during that decade, secured infrastructure and credit facilitates. Such policy also included encouraging young graduates to own reclaimed plots of land and privatizing some of state owned reclaimed lands as well.

Though private sector accomplished around 70% of total reclaimed area 1982-1998, the government designed a new horizontal expansion plan for reclaiming 3 million feddans during 1997/98-2016/2017 at an annual rate of 150 thousand feddans. Execution of such expansion plan depends on some major companies in South Valley and Sinai utilizing available water supply from the Nile, underground water and farming drainage water.

Table (2) indicates total cultivated and total reclaimed area during 1990-1999. It shows that new land's cultivated area (winter and permanent crops) increased from 105 thousand feddans in 1990 to about 1567 thousand feddans in 1999 at an annual rate of 105 thousands feddans. This increase reflects plainly the positive impacts of the application of the reform packages.

Value of agricultural production of new lands compared with that of old lands was at its lowest point in 1991 (4.5% and increased to its peak in 1998 (14.8%) as indicated in table (3). The following indicators could be reached:

- Contribution of new land's production during 1991-1998 is attributed to the comparative increase of reclaimed lands versus the constant old land area.

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- Low contribution of new lands (14.8%), though it constitutes one third of old lands.
- Low contribution of livestock and fish production of new lands as they were 4.6% and 9.8% respectively of the national production. This could be attributed to poor finance facilities on the one hand and unavailability of specialized labour and water canals on the other hand.

Secondly: Commodity Pattern of Major Agricultural Exports:

The commodity pattern of major Egyptian agricultural exports includes raw cotton, white rice, potato, fresh onion, tomato, fresh orange and medicinal and aromatic plants. Table (4) shows that average value of raw cotton export (1992-1998) reached LE 407.8 million or 31.3% of total agricultural exports. This figure shows that Egypt is still relying on cotton as the principal component in Egypt's farm exports for its high competitiveness potentiality especially long staple varieties. Egyptian cotton exports increased from LE 175.2 million in 1992 to LE 537.8 million in 1998 at an annual rate of growth 29.5%. White rice exports come next to that of cotton as its exports increased from LE 191.3 million in 1992 to LE 456.9 million in 1998 or 19.9% annually. This assures the high potentiality of rice as a cash crop. Potato is ranked the third with respect to export value. Its exports contribute 13.8% of total agricultural exports, though the existence of some negative factors affecting its foreign markets.

Egyptian orange exports suffer much deterioration as its value decreased from LE 108.3 million in 1992 to about LE 28.9 million in 1998. Medicinal and aromatic plant exports constituted 4.8% of total agricultural exports' value. Its exports' value raised from LE 58.9 million in 1992 to LE 87.2 million in 1996 and decreased to LE 70.7 million in 1998.

Since medicinal and aromatic plants are produced well in desert area, new lands could be fully utilized in this respect.

Thirdly: Problems and Constraints Hindering New Land's Exports Development:

A) General Constraints:

- 1 - Producers prefer domestic markets as they utilize custom protection.
- 2 - High custom duties on inputs of production used in export purposes. This causes cost of production to rise and competitiveness to decline subsequently.
- 3 - Multiplication of control, test and supervision entities as well as complicated procedures.
- 4 - High rate of air and maritime transport cost and high cost of loading and unloading of consignments.
- 5 - Charter air service are not allowed to make transport service for rapid perishable products.
- 6 - Lack of coordination between production and foreign trade sectors.

7 -Vanish of some traditional markets such East Europe and Ex-USSR.

8 -Production and marketing constraints regarding vegetables and fruits:

- 1 - Producers are not committed to the proper timing of planting and harvesting. That is why they fail to meet foreign markets' requirements.
- 2 - Abuse and overuse of pesticides and other chemicals.
- 3 - Fluctuation of local production gives a little room for long term contracts.
- 4 - Adoption of conventional varieties and that do not meet consumer's desires.

Other Marketing Constraints are Manifested in:

- 1 - High waste rate of vegetables particularly tomato, the waste of which reaches 40%.
- 2 - Lack of geographical coordination among grading and sorting stations and production areas, which results high transport cost and high waste and damage rates.
- 3 - High cost of airfreight and lack of sufficient transport capacity.
- 4 - Spreading of diseases such as black rot in onion and garlic and brown rot in potato.

B) Marketing Constraints Hindering New Lands' products Exportation:

- 1 - Long distance between production location and air and maritime ports which affects badly small producers who can not afford, as individuals, cost of transportation to such far ports.
- 2 - Lack of information and poor marketing knowledge of producers especially small ones.
- 3 - Most growers are not aware of the specifications required to invade the foreign markets.

Problems related to marketing services are indicated below:

- 1 - Most growers in the new lands lack marketing skills and have poor information in this regard. This situation force growers to sell their products at lower price.
- 2 - Absence of marketing institutions in the new lands and cooperatives do not play their proper role.
- 3 - Absence of immediate cooling system needed for export-oriented products. This service is not available either because of ignorance or for its high cost.

C) Financial Constraints:

- 1 - Unavailability of capital needed for implementing export processes.
- 2 - Poor and inefficient insurance and guarantee services.
- 3 - High cost of credit services and lengthy procedures required to get credit facilities.

Fourthly: Role of Standardization and Environment Management in New land's exports promotion: It is known that Uruguay Round within GATT has reached a set of procedures including liberalization of

agricultural trade, reduction of custom duties and gradual elimination of subsidy. These procedures have had specific impacts on the developing world in particular. This research focuses on impacts of those procedures on standardization or quality control. Trade liberalization increased market accesses and set competition on fire. Traditional exports used to rely on fragile comparative advantages would not survive any more. New concept of exportation to the open market will rather depend on the degree of quality of the exported products. So growers have to adopt export-oriented varieties.

Major reason behind the declining of Egyptian agricultural export is fluctuation of quantity measures. In an attempt to correct these wrong practices, Ministry of Agriculture designed a quality inspection program to check quality in various stages of the marketing trip. Stop abuse of chemicals and pesticides will give Egypt's exports a wider room in the world market. The government has started an initiative in this regard as it allocated 276 thousand feddans for organic agriculture, the products of which are pest, chemical and hormone free.

The research puts much emphasis on improving the marketing treatments such as sorting, grading, packaging ...etc. Also, it draws the attention toward the role can be played by cooperatives in this respect.

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المشاكل والمعوقات التي تواجه تنمية الصادرات المصرية من منتجات الأراضى الجديدة

على الرغم من حرص الحكومات المصرية المتعاقبة على الاتجاه نحو تنمية القطاع الزراعي إدراكا منها لأهميته ، واعتمادها للأساليب المناسبة لتحقيق التنمية الرأسية والتنمية الأفقية الزراعية من خلال استصلاح واستزراع الأراضي الجديدة ، إلا أن الصادرات الزراعية خاصة من منتجات الأراضي الجديدة مازالت تواجه بالعديد من المعوقات التي تتعلق بالسياسات الإنتاجية والتمويلية والتصديرية ، بالإضافة إلى المشاكل المتعلقة بطبيعة المنافسة في الأسواق الدولية . وقد استهدف البحث الوقوف على الأساليب المطلوبة لحل تلك المشاكل وإزالة المعوقات التي تحد من إمكانيات القدرة التنافسية للصادرات الزراعية المصرية من منتجات الأراضي الجديدة.

وقد أوضح البحث زيادة الزمام المنزرع من الأراضي المستصلحة خلال الفترة (١٩٩٠-١٩٩٩) من حوالي ٦٠٩ ألف فدان عام ١٩٩٠ إلى حوالي ١٥٦٧ ألف فدان عام ١٩٩٩ الأمر الذي يعكس بصورة مباشرة أثر تطبيق برامج الإصلاح الاقتصادي بشأن تشجيع القطاع الخاص لاستصلاح واستزراع الأراضي الجديدة، مما انعكس بصورة إيجابية على كل من الزمام المزروع والمساحة المحصولية في الأراضي الجديدة . إلا أنه على الرغم من أن مساحة تلك الأراضي وصلت إلى حوالي ثلث مساحة الأراضي القديمة فإن نسبة مساهمتها في الإنتاج الزراعي لم تتجاوز ١٤,٨% بالإضافة إلى محدودية قيمة الإنتاج الحيواني والسمكي منها. ويتضمن التركيب السلعي أهم الصادرات الزراعية المصرية القطن والأرز والبطاطس والبصل والطماطم والبرتقال والنباتات الطبية والعطرية حيث مازالت تعتمد الصادرات الزراعية على القطن كأهم مكوناتها بينما هناك إمكانية للاعتماد على الأرز كركيزة أساسية هامة أخرى لحصيلة الصادرات الزراعية في الوقت الذي تعاني صادرات البطاطس من بعض الخلل في آليات التفاوض مع الأسواق الخارجية ، كما تعاني صادرات البرتقال من تدهور شديد، بينما توجد النباتات الطبية والعطرية في الأراضي الجديدة بشكل يسمح بالاعتماد على تلك المناطق في زيادة حصيلة الصادرات الزراعية منها.

وهناك العديد من المشاكل والمعوقات التي تواجه الصادرات الزراعية المصرية منها ما له صفة العمومية على كافة السلع الزراعية من منتجات الأراضي القديمة والجديدة ومنها ما تنسم بخصوصية الأثر السلبي على حركة الصادرات ، ونظرا لزيادة حدة المنافسة في الأسواق الدولية نتيجة إزالة القيود المصطنعة بعد تحرير التجارة الدولية الأمر الذي يتطلب ضرورة تخطيط برامج جادة للتفتيش ومراقبة الجودة ، وكذلك تبني برنامج متكامل لمقاومة الآفات والحشرات دون استعمال مبيدات كيميائية حيث أن الأسواق الخارجية خاصة المجموعة الأوروبية على استعداد لاستيعاب وامتصاص الغذاء النظيف وفق مستويات سعرية مرتفعة تصل إلى ضعف أسعار المنتجات المعاملة بالكيمويات كذلك يتطلب الأمر ضرورة توفير المعلومات التسويقية عن مواصفات الجودة وإيجاد نظام لوضع وتنفيذ تلك المواصفات والقيام بمشروعات متقدمة لتطوير التجهيز والتعبئة والتغليف . ولتحقيق ذلك اقترح البحث الاهتمام بالتعاونيات كقطاع خاص أكثر قدرة على توجيه منتجي الأراضي الجديدة وتنظيم أسواق تصديرية لمنتجاتها وتوفير الخدمات التسويقية من خلال تجمع مالي يوفر محطات التبريد والتجهيز والتصنيع اللازمة لإنتاج الحاصلات الزراعية من أجل التصدير

Table (1): Land reclaimed in A.R.E. (1952-1998/1999).
(Area: Thousand Feddan)

ITEM	(1952-67/68)	68/69-70/71	71/72-94/95	95/96	96/97	97/98	98/99	(1952-98/99)
Land Reclaimed	824.9	87.1	1620.4	57	24.5	27.9	40.7	2682.5
Nubian Immigration Land	38.8	--	--	--	--	--	--	38.8
Tahrir Province	148.8	--	--	--	--	--	--	148.8
Kuta, Kom Oshim And Abis	36.1	--	--	--	--	--	--	36.1
Waste Lands	76.7	--	--	--	--	--	--	76.7
Desert	152.7	--	--	--	--	--	--	152.7
TOTAL	1278.0	87.1	1620.4	57	24.5	27.9	40.7	3135.6

Source: General Authority for Constructing, Projects and Agricultural Development.

Table (2): Land cultivated as a portion of land reclaimed in A.R.E. (1990-1999)
(Thousand Feddan)

YEAR	Total Winter Crops	Total Permanent Crop	Total Cultivated Area	Total Summer Crops	Total Nili Crops	Short Clover	Cropped Area
1990	307	302	609	32	4	--	645
1991	384	343	727	27	5	--	758
1992	555	392	948	31	13	--	992
1993	600	437	1038	287	17	19	1361
1994	486	739	1225	332	24	0.5	1581
1995	1077	532	1609	393	30	--	2032
1996	792	544	1336	452	70	3	1862
1997	1002	536	1538	537	52	18	2145
1998	894	572	1466	613	39	28	2147
1999	991	576	1567	596	39	--	2202
Average	708.8	497.3	1206.1	330	29.3	6.85	1572.5

Source: Ministry of Agriculture, Agricultural Economic Sector, General Department of Agricultural Statistics, Unpublished Data.

Table (3): Value of 5 agricultural production of new lands in A.R.E. (1991-1998)
(Value: Million L.E)

Year	Crop production				Livestock production				Fish production				Total Production				Agricultural Inputs				Net Agricultural Income			
	Old land		New land		Old land		New land		Old land		New land		Old land		New land		Old land		New land		Old land		New land	
	Value	%	Value	%	Value	%	Value	%	Value	%	Value	%	Value	%	Value	%	Value	%	Value	%	Value	%	Value	%
1991	18490	95.5	880	4.5	6765	96.8	227	3.2	1156	89.8	132	10.2	26411	95.5	1239	4.5	6934	96.6	243	3.4	19477	95.1	996	4.9
1992	19946	93.7	1339	6.3	8063	96.3	314	3.7	1256	96.5	45	3.5	29265	94.5	1698	5.5	7625	95.9	329	4.1	21640	94.1	1369	5.9
1993	22299	89.8	2520	10.2	9358	96.0	402	4.0	1577	96.7	54	3.3	33534	91.6	2976	8.2	8688	94.8	473	5.2	24846	90.9	2503	9.1
1994	24054	87.8	3343	12.2	11741	95.5	554	4.5	1672	90.4	178	9.6	37467	90.2	4075	9.8	9091	93.1	676	6.9	28376	89.3	3399	10.7
1995	28727	85.9	5023	14.9	13288	94.9	714	5.1	1885	88.4	248	11.6	43900	88.0	5985	12.0	11402	92.4	921	7.6	32499	86.5	5063	13.5
1996	31799	83.6	6247	16.4	14874	95.6	682	4.4	2261	88.2	303	11.8	48934	87.1	7232	12.9	13085	92.2	1106	7.8	35849	85.4	6126	14.6
1997	33192	82.8	7120	17.2	16991	95.4	824	4.6	2778	88.3	367	11.7	52960	86.4	8310	13.6	12892	90.9	1291	9.1	40628	85.3	7019	14.7
1998	32819	80.5	7967	19.5	17836	94.5	1036	5.5	3557	89.3	426	10.7	54211	85.2	9429	14.8	14279	91.1	1401	8.1	39933	83.3	8028	16.7
Average 91-98	26416	86.0	4305	14.0	12364	95.4	594	4.6	2018	90.2	219	9.8	40798	88.9	5118	11.1	10500	92.9	805	7.1	30298	87.6	4313	12.4

Source: Calculated and collected based on data of: Ministry of Agriculture, Agricultural Economic Sector, General Department of Agricultural Statistics.

Table (4): Commodity pattern of main Egyptian agricultural exports (1992-1998)
(Value: Million LE)

YEAR	COTTON	ORANGES	RICE	POTATOES	ONION	TOMATOES	Medicinal & Aromatic plants	OTHERS	TOTAL
1992	175.2	108.3	191.3	142.2	30.2	26.6	58.9	4212.8	1153876
1993	146.6	56.1	134.8	108.3	68.3	29.3	19.5	19652.9	75396
1994	791.1	27.8	267.9	89.2	69.8	23.8	69.7	18118	1520457
1995	517.3	44.1	192.8	347.5	62.3	6.5	71.8	69924.1	1941472
1996	311.9	58.9	399.8	271.4	37	5.3	87.2	63933	1235350
1997	374.7	47.9	242.4	1514	43.6	4.5	81.8	24709.4	1193363
1998	527.8	28.9	456.9	147	64.4	7.8	70.7	57710	1319164
Average	407.8	53.1	269.4	179.6	54.9	14.8	62.7	25929	1303297
%	31.3	4.9	20.7	13.8	4.2	1.1	4.8	20	100

Source: CAPMAS, Foreign Trade Year Bulletins, Various Issues.
Ministry of Economic and Foreign Trade, E.E.D.C., Unpublished Data.