

**Arab Republic of Egypt
Institute of National Planning**



2022

Planning and Development Issues Series No: (339)

Executive Summary

**Requirements for the Advancement of Agricultural
Cooperatives: Egypt Vision 2030**

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Introduction

Recently, countries around the world have a growing awareness about the importance of cooperatives' roles in achieving sustainable development, and their ability to face challenges and crises that governments have failed to face. Cooperatives are the third sector responsible for development with the government and the private sector, and their contribution to solving unemployment problems in various countries. Creating job opportunities, alleviating poverty rates, achieving gender equality, providing clean energy, inclusive sustainable financing, ensuring food security, and expanding options, their role has emerged recently by confronting the COVID19 pandemic with solidarity and flexibility and providing the opportunity for an environmentally equitable recovery for people.

The number of cooperatives in the world is about 3 million, to which 12% of the world's population belongs, generate revenues of more than 3 trillion dollars, and employ about 280 million people around the world, i.e. 10% of all workers in the world.

Agricultural cooperatives are among the most successful ones in the world, with a market share of 50-60% of total agrarian sector revenue in the European Union, and 33% of manufacturing, marketing, and input supply in the USA. In Australia and New Zealand cooperatives accounting for Marketing in the field of dairy have a market share of more than 60% and 90%, respectively.

In California, most specialty crop producers are organized into cooperatives. In Germany, 50% of the agricultural sector depends on cooperatives. In Canada, the cooperative sector accounts for 75% of farm marketing and 60% of the milk and cheese industry. In India, Indian dairy cooperatives, whose members are about 12.3 million, account for about 22% of the milk produced. Women constitute 25% of the membership. In Brazil, cooperatives are responsible for 40% of the total agricultural GDP and 6% of total farm exports.

In Egypt, the number of agrarian cooperatives amounts to about 6,000 cooperatives, in which about 5.3 million members contribute with a capital of about 376 million pounds, and they employed about 35 thousand employees in 2019/2020. Despite the age of the establishment of agricultural cooperatives in Egypt, their great geographical spread, and their importance, whether in the economic or social field, they suffer from the decline of their status and role in light of the decline in the state's role and its withdrawal from supporting agricultural producers in various activities. They have become mere empty structures that do not contribute to the service of the national economy, and they have lost the strategic orientation that reflects the aspirations of their members, the dynamism of performance, and its efficiency, which limited the opportunities for their development, and the loss of a sense of ownership. Thus, they have moved away from actual participation in the management and development, which can be said that the intentions of cooperatives in Egypt, despite their spread, and the logic of their motives for their emergence, did not work at any time with the right concept. Therefore, they have become merely government entities

unable to carry out their role in serving the agricultural sector and advancing its sustainable development in line with the requirements.

There is hope for agricultural cooperatives with the promulgation of the 2014 Constitution, the provisions of Articles (29, 33, and 37) of the state's commitment to rural development and the development of the agricultural sector, and the subsequent issuance of a number of laws that translated the texts of those articles into legislation, the most important of which was the amendment of Law No. 122 of 1981. There is a need to promote these cooperatives to play their developmental role in the service of the agricultural sector in the next phase, which will witness a keen interest in this important sector.

Based on the above, this research comes at a time when the Egyptian state is looking to reformulate the role of agricultural cooperatives to play an economically and socially effective role in light of the new local and global changes and achieve the required development breakthrough as a key development partner besides the government and the private sector.

Objectives

- a. Diagnosing the current situation of agricultural cooperatives in Egypt.
- b. Determining the problems and obstacles faced by agricultural cooperatives in Egypt.
- c. Evaluate successful regional and global experiences in agricultural cooperatives, and take them as examples.
- d. Develop a vision and a future vision for the development of agricultural cooperatives in Egypt.
- e. Determining the requirements for the advancement of agricultural cooperatives in Egypt and maximizing their role in the advancement of the Egyptian agricultural sector. This takes place according to the best regional and global experiences, including legislative, administrative, institutional, technical, financial, and cultural requirements...etc.

Methodology

The research relied on published research and studies, ILO and FAO reports and agricultural cooperation bulletins issued by the Central Agency for Public Mobilization and Statistics, data from the Central Administration for Credit and Agricultural Cooperation at the Ministry of Agriculture, and the field study conducted in the period from the last half of December 2021 to February 2022. It was conducted through an opinion poll on a sample of officials in the Egyptian Central Agricultural Cooperative Union, which consisted of 100 individuals, as well as two opinion polls in Kafr El-Sheikh governorate. Kafr El-Shiekh represents one of the governorates that includes the largest number of agricultural credit

cooperatives, which the study focused on as the closest agricultural cooperatives deal with small farmers.

Four centers were chosen at random from the governorate centers, which are the Burullus Center, Kafr El-Sheikh, Desouk, and Al-Hamoul. A multi-purpose cooperative association was chosen from the mother village in each of the four centers, and the opinions of a number of members of the boards of those associations were surveyed through a group interview. They were selected using the Rapid Rural Appraisal method for the community of the boards of directors of these associations, consisting of seven members for two associations, and five members for each of the other two associations, with a total of 24 board members for the four associations.

In addition to a survey of the cooperative farmers dealing with these associations and their views on the services provided, through the rapid rural meeting RRA with a group of them from the same associations. The meeting was held with members of their boards of directors with 10 items for each association in order to identify the current performance of these cooperatives, and their ability to provide the services required of it to its members. It was also held to identify the most important problems that hinder the achievement of the required role, including in accordance with the laws and legislation related to agricultural cooperation

Findings

- The total number of agricultural cooperative societies in Egypt increased from 5795 in 2014/2015 to 6035 in 2019/2020. As a result of the increase in the number of agricultural credit cooperative societies from 4,306 in 2014/2015 to 4,505 in 2019/2020.
- There is an increase in the total number of members of agricultural cooperative societies in Egypt from 4793 thousand members in 2014/2015 to 5300 thousand members in 2019/2020 due to the increase in the number of members of agricultural credit cooperative societies and the increasing number of holdings resulting from their fragmentation due to inheritance.
- The capital of agricultural cooperative societies in Egypt increased from about 229 million pounds in 2014/2015 to about 377 million in 2019/2020. This explains that ordinary and extraordinary general assemblies of all kinds take decisions to increase the capital at separate intervals to meet the increasing demand for fertilizers and the services needed by the members. There is a slight increase in the capital of the agrarian reform cooperatives, due to the fact that they invest what they have in real productive projects such as feed factories, poultry production, and animal production with investment budgets in special funds.
- Cooperative societies for agricultural credit acquire the largest share, whether in terms of the number of societies that represent about 75% of the number of agricultural societies,

or the number of members who represent 82.5% of the number of members of the societies, and even the capital 62% or the area of lands affiliated to them, which amounts to about 68 % of the area of the reins of agricultural associations.

- Agricultural Cooperation Law No. 122 of 1981 which is the legislative framework regulating agricultural cooperatives in Egypt
- Associations do not play any significant role in the small quantities of cooperatively marketed basic crops, such as vegetables and fruit crops, except for some associations such as the Potato Producers Association.
- The low contribution of cooperatives in providing financial services to farmers. The third chapter of the study dealt with an opinion poll of workers and beneficiaries of the agricultural cooperative sector, which included conducting three opinion polls, the results of which were as follows:

First: The results of a poll of the members of the Central Agricultural Cooperative Union on the problems and obstacles facing cooperative societies:

- In general, the most important problems and obstacles facing cooperatives were represented in the weak infrastructure and assets owned by cooperatives, in terms of the lack of suitable headquarters or warehouses and space areas that could be used as collection centers for marketing crops. There is a lack of machinery and equipment in most agricultural societies. There is a deterioration of their condition, which led to the inability of cooperatives to compete with the private sector in providing services to farmers(95%). Legal restrictions on the entry of cooperative societies into internal and external projects, and not allowing agricultural societies to engage in any marketing activity without referring to the joint societies at the center level. The complexity of legal procedures related to buying and selling contracts, limits the activities of cooperatives, especially in internal and external marketing(90%). The state didn't support the agricultural cooperatives and failed to define a clear and specific role for them within the framework of the agricultural sector's plans and strategies. Delegating the specialties of cooperative societies and assigning them to other institutions, led to the shrinking of the role of cooperatives and the deterioration of their conditions. There is a multiplicity of cooperative legislation, the complexity of the legislative structure of these organizations, and the creation of contradictions and difficulties that hinder the progress of the cooperative movement. The state treats these associations as part of the public sector.
- The proposals of the cooperative union members were represented in the necessity of the state leaving agricultural cooperatives, releasing their freedom in their self-management, and directing them away from any interference. Attention to strengthening the financial centers of cooperatives, by raising the percentage of shares, and expanding the scope of membership to include holders and non-holders, supporting cooperative lending through the mechanism of the self-financed revolving fund. It follows the central assembly, and the various cooperative cooperatives participate in it to finance the service projects of

cooperatives for the benefit of their members, according to Feasibility studies for these projects. The necessity of overcoming the gaps in the cooperative legislation is in line with the requirements of the policy of economic liberalization, and the management of the affairs of the cooperative movement. Develop a national plan for training and cooperative education, and hold cooperative conferences and seminars.

Second: The results of the opinion poll of the members of the board of directors in the agricultural cooperative societies under study in Kafr El-Sheikh Governorate:

The opinion of 24 board members were surveyed on the role of agricultural associations and the extent of members' awareness of cooperation concepts.

- 50% of the members of the boards of directors have not heard about the principles of cooperation and none of them are applied. 21% of the sample members had heard about these principles, but these principles do not apply to their associations, and it is illogical to apply those principles under the current circumstances of the country.
- The number of times nominated for membership of the Board of Directors ranged between 2-4 times, according to 83% of the members, while 33.3% indicated that the membership of the Board of Directors is permanent.
- The percentage of the requirements provided by the cooperative society: 100% of the members indicated that the societies provide the requirements for all members. 75% of the members that the free supplies, (seeds, potassium and phosphate fertilizers, and pesticides) are available in the associations as they are available in the private sector. About 25% of them do not have free supplies in the association, and they explain their lack of availability to the low level of the funding capacity of local associations.
- About 100% of the respondents explained that the cash lending that was provided by agricultural cooperative societies is no longer provided, and the Egyptian Agricultural Bank stopped providing direct financing to local cooperatives with regard to financing production requirements (seeds, fertilizers, and pesticides), but it is provided to members of specialized cooperatives with a membership guarantee cooperative.
- The extent to which the agricultural cooperative provides agricultural mechanization to its members: 50% explained this and the meeting explained that there are two of the four studied associations, each of which has an agricultural tractor. However, the coverage of its services does not exceed 20% of the members, while the rest of the members get their needs from mechanization from the private sector.
- Limit of providing agricultural services on appropriate dates: 100% of the members of the board of directors of the studied associations indicated that the association with its members and its board of directors are fully aware of the requirements and dates of agricultural services. They added that services are provided on time because the farmer knows the appropriate time and applies for service demands and the association provides it on time. As for the delay that may sometimes occur in the supply of subsidized fertilizers, it takes place at the level of almost all cooperatives in the Republic, where demand increases at peak times, which may lead to a delay in providing the service.

- Cooperative contribution to agricultural production: 85% of board members indicated that associations are seriously striving to provide production requirements (seeds, fertilizers, pesticides, plant nutrients, hormones, and free fertilizers) under the supervision of the cooperative administration in the state. 70% said that the cooperative local government is serious about providing production requirements as much as the available financing possibilities, and what the central and public credit associations give them for possible financing assistance and the availability of the cooperative's capital. 65% of the members of the board of directors said that the requirements for free production depend on the degree of efficiency and effectiveness of each association and its financial capacity.
- **The reasons for the inability of the cooperative to cover the entire cultivated area or reins in the village.** 78% of the members said that the demand by the farmers is always greater than the supply of the planned plantations of subsidized fertilizers and seeds from agricultural research.
- **The number of beneficiaries of a service provided by the Agricultural Cooperative:** 100% of the members of the board of directors replied that the associations under study provide the service to all their members, and they explained that the fulfillment of achieving the full service for all members of the association depends on the type of service provided. For the subsidized fertilizers, the association provides 100% of the subsidized nitrogen fertilizers, because the basis of the drainage is based on the actual agricultural inventory of farmers and holdings. 60% of the members indicated that there is strict control over the distribution of fertilizers, while 56% of the members indicated the services of mechanized agriculture and marketing services.
- **The volume and quantity of crops marketed cooperatively by the cooperative:** About 80% of them explained that the cooperatives that they represent as board members have not marketed any current cooperative marketing crop, but about 20% of them indicated that cotton is marketed by entering the cooperative with companies' auction groups recently, which is managed by the Ministry of Business Sector.
- **The role of the cooperative in providing social services to its members:** 80% of the members explained that the Cooperation Law 117 of 1980 and its amendments in 2014 allowed cooperatives to provide simple social services to support weak cooperatives with no more than 2000 pounds from the Agricultural Cooperative Union in a year, and some support in the critical cases of members with weak values, and the role of cooperatives in this area usually needs consideration.
- **The extension services provided by the cooperatives to their members:** 80% of the members of the board of directors of the four associations reported that the cooperative does not now provide much extension work in the field of plant and animal extension, because the cooperatives do not have agricultural guides.

- **Extremely low cognitive awareness of several articles of Law No. 122 of 1980** and its executive regulations, that most of the members fall in the age group of 50-75 years and more, and that the educational level is low; 55% hold the preparatory certificate, 33% do not hold any certificates except for the certificate of erasure, 2 of them hold general secondary certificates. There are kinship ties between members of the boards of directors, and this was evident through their names. The characteristics of the members of the boards of directors, both age, education, and culture, need to be developed, which is reflected in cooperative thinking and its development.

Third: The results of a survey of a group of members benefiting from the services of the agricultural associations.

The opinion of 40 members of the four agricultural associations under study in Kafr El-Sheikh Governorate, 10 members for each association, was surveyed with regard to association services. The size of holdings for members benefiting from the services of the associations under study ranged between 5 carats and 7 acres.

- With regard to the services provided by the association, 85% of the selected members indicated that the association has diminished its role in recent years after the implementation of the state's economic reform. Its current role is limited to selling some fertilizers, editing construction violations, and making records, and about 90% replied that the primary role of the associations, which is agricultural rationalization, has been replaced by private sector shops that sell production supplies in which the information depends on the experience of the seller and some hesitance.
- There is no deferred transaction in associations, as the deal is in cash when chemicals are available. There are many who cannot receive their chemical rations and the association does not allow purchasing on credit. Thus, they are forced to leave their shares to the association for the association's employees to sell to the private sector.
- About 50% of the members indicated that the association provides high-quality fertilizers at an affordable price for everyone, and about 40% said that the fertilizers reach the association at the right time. In contrast, about 60% of the beneficiary members indicated that there is some kind of unfairness in distributing Fertilizers among the dealers within the association, where this is subject to favoritism and knowledge. About 90% indicated the insufficiency of the fertilizer courses issued to them by the association and its resort to the private sector.
- It was found that about 70% of them do not know the concept of cooperative principles of democracy and caliphate after they were informed and that only about 20% of them know about some cooperative principles.
- The problems and obstacles faced by those dealing with associations were represented in
 - limited experience of board members in crisis management;
 - favoritism;
 - bias towards some relatives and discrimination in service performance (90%);

- nervousness in some boards of directors;
- bequeathing relatives;
- weak infrastructure of associations from headquarters, stores, sorting and grading stations;
- means of transporting agricultural equipment for collection and harvesting;
- the inability of the associations to provide seeds;
- the complete end of the marketing role in the associations;
- the absence of contracts between the association and farmers to collect and market the crop, except for contracts between farmers and traders in some crops, the most important of which are onions and taro.

Limited service activities and cooperative extension are the limited use of information and communication technology and social media.

The fourth chapter dealt with: a future vision for the role of agricultural cooperatives in the next stage in light of the most important regional and global experiences.

It also dealt with the experiences of several countries, represented by the Japanese, Dutch, Ethiopian, Chinese, German and Moroccan experiences. It reviewed the methodology of the experiments and the most important measures taken by cooperatives to achieve success and development.

The most important lessons learned from the experience were the need to provide freedom for cooperatives and the non-interference of the state in their affairs, and that the state should intervene in the event of financial turmoil for cooperatives. The need for a minimum level of community cooperative awareness, the existence of an organized and unified law that guarantees the independence, efficiency, and effectiveness of the cooperative so that its task is to organize the relationship between cooperatives and the rest of the actors while leaving the organizational rules of the cooperative itself while adhering to the principles of cooperation.

The second part of the chapter dealt with the future of agricultural cooperatives in Egypt and laid out a vision for what agricultural cooperatives should be in Egypt in the future. It is to be:

- agricultural cooperatives that provide advanced service to guide their members
- Agricultural cooperatives that are financially independent, agricultural cooperatives manage their money with due efficiency, agricultural cooperatives provide production inputs to their members
- agricultural cooperatives market their members' products
- agricultural cooperatives improve their human resources
- modern agricultural cooperatives
- agricultural cooperatives protect their members from risks
- agricultural cooperatives support small projects
- agricultural cooperatives support rural women
- agricultural cooperatives attract and support youth

- agricultural cooperatives support services Social from the reality of social responsibility

Recommendations

Agricultural cooperatives are a tool that has proven effective in combating poverty and hunger and providing job opportunities to reduce unemployment rates. It is a multi-dimensional process that requires a strategic vision and specific implementation stages over several years. Without this, the tendency to make some partial adjustments will not lead to effective results in reforming and promoting agricultural cooperatives. Hence, the study recommends the following in order to develop and promote agricultural cooperatives:

The need for the state to recognize agricultural cooperatives as an independent third partner alongside the government sector and the private sector. For the central agricultural cooperative union to participate, financially and technically, in conducting a comprehensive, professional evaluation of agricultural cooperatives of all kinds at all levels, in order to explore their current conditions and financial capabilities, institutional, administrative, human, and monitor their strengths, weaknesses, opportunities, and threats (SWOT), and the extent of their commitment to the principles, values, and mechanisms of cooperative work. Encouraging dialogue and coordination between the parties related to agricultural cooperatives to reach real and clear perceptions of their requirements, reform paths, and capacity-building during the coming period.

- Adopting a unified law of cooperatives, and embracing agricultural cooperatives, in accordance with international charters, principles and best practices, that keeps pace with the surrounding economic and social changes. It also contributes to supporting the building of structures and systems, and the management of a modern agricultural cooperative, taking into account limiting the state's interference in the work of these cooperatives and emphasizing their independence. It stipulates that sustainable development, attention to the affairs of the rural community, the provision of social services, improvement of the local environment, youth employment, and rural breadwinners, through encouraging and sponsoring small and micro enterprises, have an inherent role in agricultural cooperatives within the scope and areas of their work.

Unification of the governmental administrative authority concerned with the control and supervision of cooperatives provided that its role is limited to registering and publicizing the associations, and ensuring their commitment to the application of laws and regulations, administrative and financial, as well as ensuring their commitment to the agricultural policy of the state.

- Paying attention to technical and administrative education and training in agricultural cooperatives, adopting the methods and requirements of technological development "digitization", governance, and spreading cooperative culture, and providing the required

financial allocations, through the National Training Academy, upon nomination for membership of boards of directors.

- Merging weak agricultural cooperatives into larger ones, with the permissibility of merging a number of societies in more than one village into one society to create a larger economic entity. In addition, allowing this society to have branches in its constituent villages. Incorporating agricultural associations that have stopped providing any services to farmers, such as the onion, garlic, agricultural mechanization, and rice association, in order to stop the drain on financial resources, especially since many of them do not have headquarters, but rather rent places in separate areas with sums of money in addition to the wages of their workers

- The necessity of having a specialized banking entity for the agricultural cooperative sector, which performs all banking services for the sector, by studying one of the following options:

- Allowing cooperatives to establish a specialized cooperative bank

- Allowing the establishment of cooperative funds for savings and investment/allowing cooperatives to contribute to the Egyptian Agricultural Bank.

- Allow it to establish agricultural, rural, and environmental projects, and agricultural industrial projects of all kinds (poultry farms, animal production and all kinds of feed, slaughterhouses, gins, speculators, storage projects, transportation, and the establishment of infrastructure for marketing, agricultural industrialization, and other projects). The law includes allowing it to trade agricultural products and supplies both internally and externally (import and export), for everything related to its fields of activities. It contributes to supporting its financial resources, increasing its ability to play its role, facing internal and external challenges or allowing it to establish joint projects with others (local and/or, foreign), and contributing to the capital of joint stock companies operating in the field of agricultural production and marketing. It must be allowed for technical cooperation and trade exchange with these companies and other cooperative organizations, to benefit from the capabilities, capabilities, and expertise available to them.

- Reclaiming agricultural cooperatives and compensating them for their property (land / real estate/stores), which was decided to assign the task of managing and leasing them to village banks in accordance with the provisions of Law 117 of 1976, as well as returning cooperative funds with their interests, which they contributed to the capital of the Agricultural Credit Bank and the Cooperative Bank in 1948.

- The existence of an advanced information center that manages a modern network of integrated and adequate information systems and databases, covering all units of the cooperative sector, the parties and beneficiary groups, its services, its works, and its internal and external projects.

- Implementing governance mechanisms in agricultural cooperatives by encouraging transparency among all, adopting a disclosure policy, making information available, working to solve problems and difficulties, facing challenges with transparency, building and activating a transparent system for correspondence and documents, and publishing public reports, decisions, and documents, in a way that ensures their access to all concerned easily.
- Digitizing agricultural cooperatives and translating this into the presence of a strategic goal for digital transformation within the cooperative work strategy, to be supportive and enhancing the transformation and the establishment of a department specialized in digital transformation. There are many advantages and deep effects of this transformation from raising, developing, and improving operational efficiency, and providing time and effort. Improving the quality of work, simplifying procedures, eliminating bureaucracy and red tape, data accuracy, and ease and quality of providing services to farmers at the level of the Republic.
- Amending the value of the contribution to the cooperative society according to a study that limits the value of the contribution, and the chances of accepting this amendment, while motivating the members of cooperatives to contribute with additional shares in order to support the cooperatives' self-financing.
- That banks and private sector companies operating in the governorates allocate part of the contributions within the framework of their social responsibility to support agricultural cooperative activities, encourage and enhance the values and principles of cooperatives, and support training in the administrative and financial fields. Full funding of agricultural cooperative projects through grants without clear plans, and accurate feasibility studies for these projects.
- Supporting women's participation and membership in agricultural cooperatives, and their management, in order to promote gender equality, enhance the continuity and success of cooperative projects for women and enhance their participation, which enhances the financial performance of cooperatives and this will encourage more participation of women.
- The need for cooperatives to turn into an attractive work environment for young people who can contribute effectively through their proficiency in foreign languages, their creativity, and the use of modern technology, social communication, and e-marketing, which helps to strengthen society.

Policy Impacts

The study directs the state's interest in agricultural cooperatives and work to solve the problems and obstacles they face and impede them from performing their roles in the development of the Egyptian agricultural sector, that there is a unified and specific vision for the development of agricultural cooperatives in Egypt in line with global economic and social changes.