

## **Agricultural Policies and the Egyptian Farmer, Modifications in Favor of Agricultural Development**

*Amin I. Abdou*

Department of Agricultural Economics, National Research Centre, Dokki, Giza, Egypt

---

**Abstract:** The study emphasized the need for treatment of problems emerged with economic liberalization within the agricultural sector. Emphasis has been focused upon farm management as revealing the negative impacts upon crop rotations, efficient use of production requisites, marketing performance and agricultural infrastructure. Under privatization, the agricultural policies realization was short of acts of motivation. Certain specific actions were suggested, based upon restoring governmental intervention without violation of the established principles of economic performance and free market and basically relying upon incentives vs. taxes.

**Key words:** Agricultural policies • Central-planning • Open-door economy • Economic liberalization  
• Privatization

---

### **INTRODUCTION**

Since 1952, the Egyptian regime started to strongly interfere in agribusiness in order to achieve certain socioeconomic goals. In this respect, central planning of economic sectors became dominant. However, an entirely different strategy took place in 1975 with adoption of the Open-Door Economic Policy, gradually liberating all economic sectors from governmental intervention, almost accomplished during the 1990s. Considering the agricultural sector, both those contradictory strategies had their advantages and disadvantages which influenced the agricultural development process [1]. However, the currently dominant liberalized agriculture is experiencing serious problems which fiercely impede agricultural development and hence call for intervening treatment. In this respect, treatment suggestions for such problems represent the main interest of this study.

**Objectives:** The study tends to monitor the public agricultural policies adopted by Egypt's subsequent governments, revealing their major developments and their causality. Emphasis is set upon both advantages and disadvantages of the adopted policies, especially focusing upon agricultural production development via producers responses. As such, the major objective is suggestion of empirical solutions for the main problems

facing small producers, constituting the majority of the Egyptian farmers and obstructing efficient management of their farms. Such solutions may call for governmental intervention with no violation of the principles of liberal economic behavior.

### **MATERIALS AND METHODS**

Along with descriptive analysis, the study shall assess impacts of the adopted agricultural policies upon small farmers' management decision-making, using assessment tools and criteria most proper according to both case under scope and nature of data.

### **RESULTS**

#### **Development of Public Agricultural Policies in Egypt:**

To reach its goal of agricultural sector development in favor of both production and producers, the Egyptian regime after 1952 established a heavy interference program strongly accelerated during the 1960s. The central planning of agricultural production was implemented through programs of price-subsidized distributed production requisites, mandatory deliveries of specific quotas of the produce and governmental marketing of strategic crops. The main direct target was production of specific volumes of strategic crops such as

to satisfy as far as possible either domestic markets or exports needs. After the 1973 war, the regime tendency to change its politics strategy with stronger relations with the West, i.e. free economic world, exerted dramatic changes under the umbrella of the open-door economic policy. The government began a serial of actions toward withdrawal from the economic activities and providing a principal role to the private sector. Within the agricultural sector, subsidization of the production requisites' prices was gradually uplifted and private marketing was given more room. With the fall of the Soviet Union at the beginning of the 1990s, capitalism concepts became dominant and most centrally planning countries adopted policies of economic privatization. In this respect, programs of privatization which were earlier initiated in Egypt became subject to haste acceleration. The government abolished mandatory deliveries and hence the farmers became free in decision making with respect to both production and marketing, in addition to liberation of land rent [2]. However, the government still sets up to date guaranteed prices for voluntary deliveries of specific crops, which are wheat and sugar cane, such as to maximize covering domestic consumption of subsidized price both bread and sugar, respectively. That in addition to temporal intervention in fertilizers marketing whenever marketing supply heavily drops.

#### **Implications and Impacts of Variant Economic Policies**

**Phase of Centrally-Planned Economy:** The state's plan with respect to the agricultural sector focused on production promotion of certain exportable crops, while maintaining the reached levels of production for other strategic crops. The first group included cotton, rice and onions while the second represented by wheat, sugarcane and specific kinds of vegetables. Maize production was also increased as a major feedstuff. As example, area of rice increased from about 144.4 to almost 336.4, sugarcane from 24.8 to 53.2, onions from 10.6 to 23.1 and garlic from 3.5 to 7.6, in thousands ha during the period (1952-60). The widest leap occurred for maize which expanded in area from only 12 thousands to almost 400 thousands ha through (1952-66). Additionally, nearly 60 thousand ha were reclaimed in six years (1960-66). As such, the cropped area increased by almost 0.48 million ha during the period (1952-66) [3]. Such expansion was mainly attained by completion of the High Dam project in 1959. Beside agricultural promotion, the welfare of small farmers was targeted through laws of land reform, including redistribution of agricultural land in excess of a maximum

set limit for land possession of large landholders among landless farmers, limiting land rent at seven times land taxes and subsidizing prices of production requisites. As outcomes of the agricultural policies of (1952-66), the value of agricultural production rose in real term from L.E. 388 million to nearly L.E. 627 million and value of livestock production almost doubled [2]. In a period of five years; (1961/64) to (1965/69), exports of rice increased from about 468 to 739 thousands mt/year and sugar production from 454 to 601 thousands mt/year, as shown in Table 1. Nevertheless, caused by the war of 1967, agricultural development almost stagnated and even recessed along with the whole Egyptian economy and all land reclamation plans came to a halt.

**Phase of Open-Economy and Privatization:** The political diversion toward the capitalistic world started in 1974 with adoption of so-called Open-door economic policy. Such conversion was strongly encouraged by foreign fund donations and facilities of credit and imports payments. Such actions exerted a certain tendency toward favoring importation over domestic production for several major crops, especially wheat. Accordingly, the state lost interest in development of agricultural production. As such, the share of agriculture in GNP dropped from 28% to 22% and further to 14% [4]. Consequently, wheat imports increased from about 2 million mt/year in average for (1965/66), to 3.9 million and 6.4 million mt/year as averages for (1975/79) and (1983/86), respectively. For the same periods, maize imports increased from 148 thousands mt/year to 538 thousands from L.E. 150 million in 1960 to almost L.E. 2 billion in 1979 [3]. Considering costs of production, as shown in Table 2, their absolute values increased over 20-30 folds during the period (1965-94) and by 80-90 folds by 2009-2010. Removal of production requisites' price subsidies, labor wage leaps and liberation of land rent were the major causes of such increases.

Despite the mentioned above negative impacts, the open-door policies activated technology transfer through scientific cooperation with western and international institutions. As favorable outcomes, remarkable yields improvement occurred. As examples, shown in Table 3, the average yield of wheat increased from about 2.9 mt/ha in 1965-66 to almost 5.3 mt/ha in 1994, for maize from about 4.4 to 7.0 mt/ha and for rice from 5.3 to 8.3 mt/ha in same period. A further delayed leap occurred for yield of onions, as increasing from about 24.5 to 46.3 within the period (1994-2004), though suffering a retreat to almost 34.5 mt/ha in 2009-10 [3].

Table 1: Acreage of some major crops in Egypt (1000 ha)

Crop	1952	1966	1994	2002	2010
Wheat	564.8	504	844	980	989.6
Maize	11.6	421.2	696	736	790.8
Rice	144.8	336.4	550.8	602.8	547.6
Cotton	786.8	743.6	288.4	214	113.6
Onions	11.8	23.1	10.0	21.6	50.0
Sugarcane	25.0	53.2	120.4	130.8	112.0

Source: calculated from data of several bulletins of: Ministry of Agriculture, Agricultural Economics Institute, "Agricultural Economics Bulletin", Ameria Press.

Table 2: Total production costs for some major crops in Egypt (LE/ha)

Crop	1965-66	1994	1999-2001	2009-10
Wheat	95	2453	3805	9200
Maize	88	2513	4550	9258
Rice	110	2490	4273	9445
Cotton	170	3500	7005	9995
Onions	143	5585	5855	6193

Source: Ibid.

Table 3: Yields of some major crops in Egypt (mt/ha)

Crop	1965-66	1993-94	2003-04	2009-10
Wheat	2.85	5.30	6.88	5.98
Maize	4.35	7.03	8.58	8.55
Rice	5.25	8.30	10.25	10.10
Cotton	1.73	2.36	2.81	2.48
Onions	20.50	24.50	46.25	34.50

Source: Ibid

The neglect of agricultural development during the early phase of the open-door economy caused dramatic increases in imports cost, while exports were hardly promoted and were even subject to decline as converted, toward the free market world of severe competition. As such, the leaping deficit of the balance of trade and foreign debt became an intolerable burden on the Egyptian economy. Accordingly, the state started to review its policies with respect to the strategic crops, especially wheat, corn and sugarcane. In this respect, the government resumed, in the last 1980s, intervention in production and marketing of the said crops. The main tool was ensuring guaranteed floor-prices for voluntary deliveries of wheat, maize and sugarcane in close levels to international prices. As a result, the area of wheat which dropped from an average of 0.67 million ha (1980-82) to almost 0.48 million (1984-86) increased to 0.79 and 1.0 million ha in 1994 and 2010 [3], respectively. Subsequently, the 50% self-sufficiency rate of the early 1970s was re-attained. Another tool was to temporally intervene in domestic trade of chemical fertilizers

whenever prices were beyond reach of most farmers, through provision of price-subsidized supplies. On the other hand, despite implementation of certain infrastructure improvement projects, such as tile drainage, problems still prevail, causing quality deterioration for certain crops such as cotton and onions whose ratios of non-exportable produce approached one-half their total production [2]. To sum up the present situation of agricultural production and its implications with respect to farming practices, light should be shed upon certain major issues:

- For both phases of centrally-planned economy and privatization, the government prepared plans for agricultural development. However, while the government took responsibility for execution of the plans' programs in the first phase, this task was assumed by the private sector in the second. Accordingly, as the plans of the second phase were short with respect to effective measures for building up the private sector's will and enthusiasm to fully

adopt such programs, only 10-40% of the stated targets were reached [1]. Under such conditions, neither producers nor the government have been fully committed to their expected obligation.

- Farm-gate prices have increased by a great extent. However, costs of production dramatically increased. Hence, the small farmers' standard of living and livelihood slightly improved.
- Despite the remarkable yields improvement, it was in quantity and not quality. That is mostly due to adoption of high-yield but not better quality varieties. That in addition to the unsolved problems of infrastructure, especially regarding both the irrigation and drainage systems. Such problems afflicted potentials of exports promotion.
- The constantly weak agricultural extension has worsened despite its growing necessity under procurement of production requisites from the private sector. One of the main causes is non-replacement of promoted extension agents. Likewise, excessive use of both agricultural chemicals and irrigation water had its negative impacts upon both produce quality and agricultural ecology.
- Despite return of agricultural labor from Arab oil countries, the problem of short labor supply still prevails [5]. This may be due to an emerging general concept undermining farming as a profession. In addition to wide spread of education for farmers' descendants driving them to seeking jobs out of rural areas.
- In addition to poor agricultural extension with respect to farming practices, the conditions are severer considering marketing. The small farmer faces lack of marketing information beside oligopsony of middlemen and their acts of speculation. Such conditions strongly disturb farmers' planning of cropping structures.
- Enduring market increasing prices and labor wages, small farmers also face diminishing credit facilities. The Bank of Development and Agricultural Credit which has been supporting small farmers since the 1930s was converted during the 1990s to a semi-commercial bank directing more than 80% of its credit services to non-agricultural investments [6]. As such, most small farmers are forced to either borrow their financial needs at commercial interest rates or resort to middlemen for loans conditioned by selling their produce to those middlemen at less than fair market prices.

**Suggested Agricultural Policies' Adjustments:** In view of the stated above conditions, the study tends to suggest policy modifications focusing upon agricultural production, principally targeting small farmers. Most of the present agricultural policies aim at favorable targets but lack applicable implementation measures. Accordingly, the suggested adjustments embed specific arrangements that should be taken such as to enable actual fulfillment.

**Government-producers Contract Agreements:** To ensure specific bulks of strategic crops' production, maximizing satisfaction of domestic needs, contracts prior to production may be issued between the government and the producers. Such contracts ensure deliveries of certain quotas of the produce at specific non-changeable prices. A price balance fund may be established to fill in the gap between the agreed upon price and the import price at time of delivery. Such system may be put in action in cases of wheat, maize, sugarcane, sugar beet and oil crops such as sunflower and soybeans.

**Monitoring and Follow-up of Production Requisites Marketing:** A specific authority should keep a close look on market performance and conditions. Permits to dealers should be given only after thorough inspection of the kind and quality of their merchandise. Satisfaction of hygienic, environmental and quality specifications must be strict conditions for permits of trade. Even in absence of complaints, periodic inspection procedures must be undertaken. Forecasting trends of short supply must be conducted, calling for governmental temporal intervention to fill in the market gap.

**Expansion and Promotion of Extension Services:** The Ministry of Agriculture, of which its principal mission is agricultural extension, should reconstruct its extension program such as to improve performance. Its mission should rely on effectively playing the liaison role between research institutions and producers. A specific marketing extension body should be established, such as to provide farmers with reliable information with respect to market conditions and price trends, as a vital requirement for farmers' production and marketing planning.

**Cooperation Activation:** The agricultural cooperation system has mostly been, since 1952, governmentally initiated and operated system. That is in exception of very few specialized and privately established cooperatives, such as the Potatoes Producers, the

Horticultural Producers and the Dairy Producers cooperatives. Farmers should be encouraged to combine their efforts and resources within forms of cooperation in both areas of production and marketing. Awareness enhancement, training and organizational aid may be the most feasible measures to fulfill such target.

**Financial Facilities:** According to its president's verbal announcement, The Bank of Development and Agricultural Credit is currently (2012) trying to re-attain its original mission of supporting farmers who suffer limited financial resources. It has been suggested to offer loans to small land holders at ascending interest rates according to landholding size. As such, the poorest farmer may be provided with loans at interest rates of 1-2%, reaching 6-7% for big landholders. Such action, if put to effect, would be of great help to small producers in particular. Another suggested arrangement is to couple the loan offer with adoption of new proper technologies which would generate higher yields allowing loans payback. At any case, the forthcoming production can be considered as collateral instead of the land owned by the producer, enabling inclusion of land tenants who represent a great proportion of Agricultural producers in Egypt.

**Activation of Fiscal Policy Tools:** incentives and taxes may be effective tools to direct farmers toward production patterns in favor of the country's economy. While bonuses may be offered to producers of crops such as wheat and oil crops of which imports represent a burden on the economy, taxes may be imposed on production of competing crops of less national importance.

To avoid discrepancies, overlap and contradictive actions, a specific authority should assume responsibility for organization, coordination and liaison actions with respect to all procedures and actions required in course of the adjusted policies realization. The Ministry of agriculture (MOA) is the most proper to play this role.

## CONCLUSIONS

The study's suggested modifications of the present agricultural policies relies on reviving the government intervention role in both production and marketing, in addition to sustaining, as far as possible, establishing of

cooperation bodies among small farmers. The government withdrawal, due to privatization, seems hasty and inconsiderate of small farmers' conditions. Public agricultural investments, sharing no more than 3% of gross public investments, are far below percents recommended by relevant international bodies, mounting up to 10%. As the net impact of privatization appears negative with respect to both development and small farmers' conditions, intervention should target interests of both the state and farmers. Contracts should be issued between the government and farmers to be fully respected by both parts. The government must not go back on its stated commitments under any condition. Likewise, the farmers, in return, must fulfill their obligation, especially with respect to delivered quotas and cultivated areas. The usual waving of fines on violation, due to political reasons, should be seized.

## REFERENCES

1. Nassar, S., 1993. The economic impact of reform programs in the agricultural sector in Egypt. Symposium on: Implications of Economic Reform for Food and Agricultural Development in Egypt". 28-29 November 1993. IFPRI / MOA, Cairo.
2. Abdou, A.I., 1983. Impact of open-door economic policy upon food consumption patterns and rationalization potentials. Econ. Working paper no. 199, ADS project, Egypt Ministry of Agriculture/University of California. Cairo.
3. Ministry of Agriculture/Agricultural Economics Inst. Bulletin of Agricultural Economics. variant vols. For 1968-2011., Ameria press, Giza, Egypt.
4. Siam, G. and H.M. Abd El-Radi, 2012. Proposed set of reform policies to confront in the Egyptian agriculture. 20<sup>th</sup> Egyptian Agricultural Economics Conference, 16-17 October 2012, Cairo., pp: 1-18.
5. Osman, Y.M., 2003. The effect of economic liberalization policy on the agricultural wages in Egypt. 11<sup>th</sup> Egyptian Agricultural Economics Conference, 24-25 September 2003, Cairo., pp: 369-385.
6. El-Sanhouty, S.M., 2003. Rural development finance: challenges and ambitions. 11<sup>th</sup> Egyptian Agricultural Economics Conference, 24-25 September 2003, Cairo., pp: 187-205.