

STRUCTURAL CHANGES AND SOCIALIST
TRANSFORMATION IN AGRICULTURE OF THE U.A.R.
EGYPT

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The role of agriculture in the U.A.R.

No one can deny that industrialization is a key to economic progress in the developing countries. But this must not make us forget the importance of agriculture in these developing countries where still 60-80 per cent of the population derive their living from agriculture and where it continues to be the major sector contributing 40-60 per cent of the national income. It is known that the development of industry in such an economy largely depends upon the supplies not only of raw materials from agriculture but also of food to meet the demand of the increasing population employed in the industrialization process. A major part of capital accumulation must come from agriculture in the first stage of industrialization. A prosperous agriculture by widening the market for industrial goods also helps in the growth of industry.

In Egypt in spite of the notable expansion in industrial production and its concomitant impact on the economy, agriculture continued to play a principal role in the country's economic life. Still 28 per cent of the national income is derived from this activity. The share of agricultural income in the total national income has decreased since it was 31 per cent in the year 1951/52. This is due not to a decrease in the agricultural income but to the development of the other sectors. About 60 per cent of the population /18 million/ and 53 per cent of the

active labour force derive their livelihood from agriculture. About 70 per cent of the country's total exports are of agricultural origin, cotton, rice, onions, groundnuts... etc.

The cultivated area

The area of cultivated land in Egypt by now is about 6 million feddans, a feddan is slightly more than one acre, being 1.038 acres. This means that the cultivated area is only about 2.5 per cent of the total area of the country which is about one million square kilometres or nearly 238 million feddans. The cultivated area remained almost static from the beginning of this century till the early fifties as it has risen only from 5,047,000 to 5,761,000 feddans by the later date, a net increase of 14 per cent during fifty years with an average annual rate of increase of 0,3 per cent. This was clearly not in step with the rapid increase in population, the rate of increase in population being about 2 per cent.

To meet this situation a two pronged program had to be implemented with a view to developing land fertility and productivity on the one hand and at the same time expanding the cultivable area. The second part of the land development and settlement programme arose from the expansion of the area under cultivation and started in 1953. The area that can be cultivated wholly depends upon the level of the land in relation to the nearest water supply. On the basis that the economic lift for water is at present limited to 20 metres, the total cultivable area is estimated at 10 million feddans. Up to the beginning of the First Five-Year Plan in 1960 an area of 300,000 feddans had been brought under cultivation. The reclamation of these lands was dependent upon the savings it had been possible to effect in the available water supplies by controlling irrigation. Use has also been made of drainage water which had been proved to be suitable for irrigation as well as of underground water. Under the First Five-Year Plan 1960-1965 about 330,850 feddans have been so far reclaimed in the new valley in addition to 104,522 feddans in the desert areas. This was dependent on savings from the already available water supplies, together with the water which has

become available after the completion of the first stage of the High Dam in 1964 as well as underground water resources. I must mention here that it was planned according to the First Five-Year Plan to reclaim 723,000 feddans of which 520,000 lie in the new valley and 203,000 in the desert areas. The Second Five-Year Plan 1965-70 envisages by using the water available from the High Dam the reclamation of 1,200,000 feddans in addition to the conversion of 700,000 feddans from basin to perennial irrigation which will enable the later area to produce three crops instead of one.

However, as the average rate of cropping per feddan is 1.68 crops per year, this gives the country an equivalent of 10,001,030 feddans of cropped area. It is important to distinguish between the two terms, the cultivated area is the number of feddans actually planted whereas the cropped area, also expressed in feddans, is the cultivated area multiplied by the number of crops sown annually under perennial irrigation when several crops can be planted in rotation on the same land in the same area.

The Agrarian Reform

Before the revolution of 1952 the country's agrarian structure was characterized by a great deal of inequality and injustice. More than 2.8 million or 94 per cent of the total landowners, 3 million, possessed only about 2,781,000 feddans or about 35 per cent of the cultivated area, 5.9 million feddans, while the other 6 per cent owned all the rest. The big landowners, though small in number, received one third of the total income derived from the country's agriculture. At the same time the people with money to invest used it to bid for more and more land. This was accompanied by a spectacular increase in rentals (the index number of rents increased to 472 per cent in 1952 as compared by 1939) and land gained an unduly inflated value which was not matched by a parallel increase in land productivity to balance the enormous capital that was invested in land. In the meantime, the flow of savings to the land handicapped investment in industry and commerce. The Land Reform was promulgated on September 9, 1952 and put

into force on October of the same year with the following aims:

- (a) The redistribution of land held in excess of maximum limit.
- (b) To increase the flow of savings to industry and commerce.
- (c) The development of agriculture.
- (d) The regulation of the relationship between landowners and tenants.
- (e) The safeguarding of the rights of agricultural workers.

Beside the economic aims the law aimed to achieve and realize social and political goals for the liberation of the loaf, as the charter says, is a necessary security for the liberation of the ballot.

There were many opinions at that time, namely, that the solution of the agricultural problem can be achieved through alternative laws such as a system of increasing taxes and saying that the implementation of the Agrarian Reform will lead to the following difficulties and dangers:

- (a) Fragmentation of large farms can lead to a decrease in the level of farming and a decline in productivity.
- (b) There is a danger of a drop in the amount of agricultural produce available for the market.
- (c) Liquidation of large landed estates leads to pulverisation of the economic surplus which is a source of capital formation.
- (d) Considerable resources are necessary for the development of the newly formed farmers.

These reactionary opinions were doomed to failure. It is quite possible to apply Agrarian Reform and at the same time

to avoid all the above dangers. The Agrarian Reform is not merely the redistribution of land. Those opinions forgot or in real fact wanted to lead the people to forget that the big landowners allocate the bulk of their revenues for luxury consumption not for investment. They also forgot that the large farms are not usually owner - operated and the system of tenancy leads to excessive fragmentation. Finally, they forgot that the Agrarian Reform has social and political aims beside the economic ones.

At the beginning of the scheme the maximum limit of land ownership was fixed at 200 feddans with an additional 100 feddans for the owner's children. Then in order to broaden the basis of landownership, the maximum limit became 100 feddans for the whole family as from July 1961. Here I want to ask why must the big landowner own more than the beneficiary ? Land requisitioning was effected against a compensation equalling ten times the rented value which in turn was estimated as seven times the basic land tax. Compensation was made in the form of government bonds bearing an interest of 3 per cent redeemable over thirty years but was reduced in 1958 to 1.5 per cent redeemable in forty years. As from March 1964 the payment of compensation was discontinued. Of course it was not a revolutionary action to pay any compensation for land requisitioning. Land distribution started on the 23 July 1953 and land distributed up to 1964 totals 773,137 feddans. The number of the beneficiaries is 266,862 who work with their families in all 1,334,310 individuals. Each beneficiary of Land Reform receives a piece of land ranging between two and five feddans according to the quality of the land and the size of the beneficiary's family. The price of the land, which equals the amount of indemnity paid by the government for the requisitioning, was to be paid in instalments carrying an interest of 3 per cent over a period of forty years, but since the year 1964 the price has been reduced to one quarter and the interest has been abolished. Here I want to ask why should requisitioned land, since we are going to build a socialist society, be owned by the beneficiaries ? Is it not better to be rented to them or to be cultivated in a collective way or to be state farms ? This has been answered by the authorities. The autho-

rities believed, as it has been stressed in the Charter that the right solutions to the problem of agriculture do not lie in transferring land into public ownership but they necessitate individual ownership of land and the expansion of the ownership of land by providing the right to own it to the largest number of wage earners, together with supporting this ownership by means of agricultural cooperation along all the stages of the process of agricultural production.

In order to safeguard the interests of the tenant-cultivators the Land Reform Law stipulated that the land should only be left to persons farming it themselves and that they could not be expelled from the land they lease except in the cases of failing to cultivate it properly. It fixed the rent of agricultural land at a maximum of seven times the amount of the land tax levied upon it. In the case of rent based on crop-sharing, it stipulated that the owner's share should not exceed one half after the deduction of all expenses. Moreover, it was stipulated that a copy of the lease should be filed with the village cooperative to ensure the tenant's interest. The regulation of the landlord-tenant relationship represents an important aspect of the scheme as it benefited about four million tenants whereas the number of those who have benefited from land distribution is 1,334,310.

The Agrarian Reform has set a minimum level for the wages of agricultural workers. It gave the workers also the right to form unions to defend their common interest. Through the Agrarian Reform a new kind of agricultural cooperatives has developed. The Egyptian agricultural cooperative societies before the year 1952 had traditionally been credit societies. They did not play even a small part in the organization of agricultural production, agricultural mechanization and agricultural marketing. The Agrarian Reform stipulated that every beneficiary must join one of the multi-purpose agricultural cooperatives supervised by supervisors appointed by the Ministry of Agrarian Reform. This was :

- a) To help the new holders, for whom experience and knowledge concerning agricultural management and

organization are not sufficient, in organizing and managing their farms.

- b) To enable the new holders to pursue a progressive form of tillage in order to avoid the bad effects which may result from land fragmentation.
- c) To provide the new holders with the means of production badly needed for them. A farmer acquiring new land under the Reforms is bound to incur new debts for financing his investments. His dependence upon usurers and speculators will increase unless a supply of credit on easy terms is ensured and multi-purpose cooperatives are created.
- d) To create the cooperative spirit between the farmers.

Out of the 4897 cooperatives in the country there are 554 cooperatives in the Land Reform areas.

The most far reaching change introduced by these cooperatives has been cooperative production under which each number's holding is divided into two or three equal plots — this depends upon the kind of the crop rotation, whether it is a biennial or a triennial — situated within the area allotted to a certain crop intering in the planned crop-rotation system. The individual farmer has been thus compelled to follow the general rotation and has the advantage of having his plot of land ploughed at the same time as all the other plots in the same part by the tractor belonging to the cooperative. The cooperative under the leadership of an agronomist, and under the supervision of the Ministry of Land Reform decides on crop rotation, irrigation, use of fertilizers, insecticides, etc. which are delivered from the cooperative. Sowing, harvesting and work in between, are done by the individual farmers themselves who are responsible for their own plot of land. Production in excess of the farmer's personal needs is sold to the cooperative and the proceeds credited to the farmer, while the cost of the various services provided by the cooperative are debited to his account. This has made it possible to combine some elements of large-

scale production and small-scale ownership on the individual areas and really this is one of the most interesting features of the Egyptian Land Reform. This ingenious combination of collective farming and individual ownership has brought about an increase in production. The average yield of cotton per feddan in the three surveyed land reform estates during 1952-1956 was 12 per cent higher than the same average during 1948-1952. The corresponding increase in the control estates was only 2.6. The average yield of wheat per feddan increased by 21.4 per cent in the Land Reform estates and by only 5 per cent in the control estates. The average yield of corn in the Land Reform estates increased by 10.5 per cent and by 2.3 per cent on the control estates.

Attempts have been done to introduce the above system — the system of cooperative farming coupled with individual ownership — in the areas outside the Land Reform areas. The successful application of this system has constituted the basis for the adoption of the collectivization of agricultural exploitation project with respect to individually owned lands outside the Agrarian Reform areas. One of the problems which has for sometimes hampered the application of modern techniques and mass production practices in Egyptian agriculture has been the existence of small agricultural holdings, each divided into a number of smaller parcels of land. The large estates are not usually owner-operated and the system of tenancy in some cases leads to excessive fragmentation. The result is about 1.7 million holdings. The average size is somewhat less than 4 feddans. The number of parcels of land making up a holding varies from 1-10 parcels. This small-size holding is divided among different crops. Since three year crop rotation is followed in many cases — i.e. one third of the land is put to cotton, one third to cereals and one third to clover and fodder crops — The final result is a dispersed system of cropping. Crops are cultivated in every small plots. Much waste is involved and production is inefficient. The land-use system should be reorganized as a necessity of increasing agricultural production. Large-scale pest control operations, improved agricultural methods, mechanization of agricultural operations, irrigation and drainage system and other soil conservation measures etc.

are needed. They are practically impossible without a drastic reorganization of farms. The use of land should be organized in such a way to permit the carrying out of these operations. They will only come through the cultivation of crops in larger plots which are economically feasible for production. It is well known that the costs of production and the total revenues are connected with and related to the size of the firm.

Following the successful experiment in the Land Reform areas a project was started in 1960/1961 for the *consolidation* of small holding without affecting private ownership. As the country follows a two or three year rotation, consolidation is being effected on the basis of grouping neighbouring parcels owned by various holders into two or three plots each put to one single crop according to the rotation to be followed. The size set for the consolidated plots ranges between 20-200 feddans. Consolidation is carried out in three phases :

The first starts with familiarizing holders with the advantages and scope of consolidation as well as soliciting their views concerning its implementation. Thereafter comes the mapping of the crop parcels according to the rotation in force and to that which may be followed in the subsequent years.

The third phase then takes place by grouping the small crop parcels into consolidated plots each put to one single crop according to the rotation.

As from the last phase various agricultural requisites are to be provided by the cooperatives through the Agricultural Services Centres belonging to the Ministry of Agriculture for this purpose. Each Centre services four villages or an area of approximately 6,000 feddans. The services provided by the cooperatives include :

- a) Seeds, fertilizers, feed, pesticides and cash credits.
- b) Mechanical operations on the farm, providing sprayers and dusters for controlling pests.
- c) Improvement of irrigation and drainage in the village.

d) Agricultural cooperative marketing operations.

The consolidation project has covered the whole country by the end of 1965. The most difficult barrier encountered in the consolidation project outside the Agrarian Reform areas is that all the consolidated holdings of some holders may lie, according to this system, in only one plot i.e., to be cultivated under one crop. These farmers may exchange part of their holdings or produce with those whose holdings lie wholly in a plot but under another crop. If any disputes arise in this respect they are settled by the village committee. However, in view of difficulties involved in affecting such exchange, the trend is towards allocating the holdings of each holder to more than one consolidated plot in order to give him a chance to produce more than one crop. No real problem has so far been reported, as about 98 per cent of the landholders have their crop-parcels included in more than one plot.

Many important results of the execution of the project can be summarized in the following :

- a) Reducing waste in the adjacent different crops due to the differences in agricultural operations and reducing physical waste in land.
- b) Organizing pest control on a large-scale basis.
- c) Organizing irrigation and drainage.
- d) Providing services more easily to the farmer through the cooperatives.
- e) Possibility of improving mechanical operations on the farm through the cooperatives and carrying out conservation measures.
- f) Improvement of statistical data collected on agriculture and improvement of the quality of data on which agricultural policy depends.

A plan was drawn to follow up the project to ensure its

execution according to plan, to study the economic results over a period of time and to provide a statistical basis for evaluating the project. Comparable data are collected on ownerships, tenancy system, land use, irrigation, drainage... etc. to serve as a base for study and the measurement of change in the structure of the land tenure system and in output. Follow up data through sampling techniques coupled with objective methods are being collected. It is clear that the economic results of such a project cannot be evaluated except after a relatively long period of time, long enough to serve as reasonable basis for study.

The agricultural cooperation.

It is clear now that the agricultural cooperatives are not only credit societies as they were before the year 1952. As we mentioned before, the agricultural cooperatives before 1952 had traditionally been credit societies. They did not play even a small part in the organization of agricultural production, agricultural mechanization and agricultural marketing. It can be said that those cooperatives were merely acting as post offices between the Cooperative and Agricultural Credit Bank and their members. Those cooperatives were serving primarily the large landowners, who joined them and secured control over them. Moreover, those cooperatives were small in number and not well supervised — in the year 1952 there were only 1727 agricultural cooperatives whereas in Egypt there are 4043 villages — By now and since the execution of the Land Reform the agricultural cooperatives entered a new era. They became multi-purpose cooperatives — there are specialized ones which deal with specific types of activity — well supervised and considerably increased. They increased within the years 1952-1963 from 1727 to 4897 cooperative societies covering all the villages. This is shown in table 1. Most of these cooperatives have been provided with machines and the other needed means of production.

TABLE 1

The development of agricultural cooperative societies in Egypt during the period 1952-1963.

Years	Cooperatives belong. to the Ministry of Agriculture	Cooperatives belong. to the Ministry of Agrarian Reform	Total
1952	1727	—	1727
1953	1754	—	1754
1954	1825	72	1897
1955	1885	187	2072
1956	1940	217	2157
1957	2325	254	2579
1958	2327	303	2630
1959	2378	342	2720
1960	3721	360	4081
1961	4038	368	4406
1962	4083	476	4559
1963	4343	554	4897

Source : Bulletin of Agricultural Economies, — in Arabic —
Ministry of Agriculture, Cairo. Dec. 1965, p. 18.

In the National Charter it has been stressed that agricultural cooperation is much more than mere simple credit, to which it was confined till recently. It starts by the process of pooling agricultural exploitation which proved to be very successful. It goes parallel with the financial process which protects the farmer and liberates him from usurers and middlemen who take the largest part of the fruit of his labour. Cooperation also enables the farmer to use the most modern machines and scientific means to raise production. It helps the farmer in marketing which enables him to obtain the highest returns for his continuous labour and toil. The agricultural cooperatives have also come to provide social and educational services.

The agricultural cooperative structure in the U.A.R. is headed by the General Cooperative Organization. The base of the Cooperative structure is the local cooperatives (village level) — thereafter at the district level come the combined ones. At the provincial level there then come the provincial cooperatives. Finally comes the general cooperative society. Cooperatives operating at various levels in different fields of activity are entitled to set up general unions to be responsible for promoting the cooperative movement and coordinating the work of various cooperative organizations working in the Union's sphere of activity.

Agriculture in the First Five-Year Plan.

The Egyptian First Five-Year Plan 1960-1965 which aimed to increase the national income — in real terms — by 40 per cent i.e. with an average annual rate of growth 8 per cent — the plan aimed to increase the national income, in real terms from 1285.1 million pounds in 1959/60 to 1795 million pounds in 1964/65 — aimed to increase the agricultural income — in real terms — by 26 per cent i.e. with an average annual rate of growth 5.2 per cent — the plan aimed to increase the agricultural income, in real terms, from 405 million pounds in 1959/60 to 512 million pounds in the year 1964/65, Agriculture including irrigation and drainage absorbed some 17 per cent of the total investments of the plan, 256.4 million pounds of 1513 million pounds. It must be stressed here that agriculture, irrigation and drainage were supposed to absorb some 20 per cent of the planned investment of the plan — 344.7 million pounds of 1696.9 million pounds — Distribution of gross investments in the First Five-Year Plan, planned and actual is shown in table 2. Agricultural investments were distributed among two types of projects :

- a) Vertical expansion projects — intensive projects — which generally aim at increasing the yield and productivity of the cultivated area such as consolidation of small agricultural holdings, soil improvement, farm mechanization, expanding the scope of agricultural services, improving irrigation and drainage facilities.

- b) Horizontal expansion projects — extensive projects — which generally aim at increasing the cultivated area by means of reclamation.

By the end of the plan the agricultural income increased in real terms to 477 million pounds i.e. by 18 per cent with an average annual rate of growth 3.6 per cent against planned 5.2 per cent. It must be stressed here that the national income by the end of the plan increased, in real terms, to 1762 million pounds i.e. by 37.1 per cent with an average annual rate of growth 7.4 per cent against planned 8 per cent. In connection with this we must remember that the actual investments were about 89 per cent only of the planned ones. The development of gross value added 1959/60 — 1964/65, planned and actual at fixed 1959/60 prices is shown in table 3.

TABLE 2

Distribution of gross investments in the First Five-Year Plan, planned and actual, in million pounds.

Sector	planned	actual
Agriculture	225.3	118.4
Irrigation and drainage	119.4	138.0
High Dam	47.3	98.6
Industry, Electricity and Construction	578.7	529.7
Transport, Communication and Suez Canal	271.8	294.2
Commerce and Finance	5.-	19.5
Others	349.4	314.6
Total	1696.9	1513

Source : «U.A.R. Agriculture», published by Foreign Relations Department Ministry of Agriculture, Cairo, Egypt, March 1965. p. 86.

TABLE 3

The Development of gross value added 1959/60 - 1964/65 planned and actual at fixed 1959/60 prices in million pounds.

Sector	1959/60	planned 1964/65	actual 1964/65
Agriculture	405	512	477
Industry and Electricity	271	540	407
Construction	52	51	93
Transport and Communication	97	117	157
Commerce and Finance	127	163	152
Others	333	412	476
Total	1285	1795	1762

Source : B. Hansen and G.A. Marzouk, *Development and Economic Policy in the U.A.R. (Egypt)*, Amsterdam 1965, p. 297.

The agricultural marketing.

The regulation and organization of marketing the main agricultural products by the state has become part and parcel of the agricultural economy in the U.A.R. as well as in most of — if not in all — the developing countries. The principal aims of this regulation are :

1 — To provide the domestic industries with regular and sufficient supplies of both food needed for the increasing urban population engaged in them and raw materials for their factories.

2 — To prevent the sharp rise in food prices and its well-known adverse effects on economic development since rising

food prices can give rise to serious inflationary pressure.

3 — To eliminate the violent fluctuations of agricultural prices ensuring farmers with a certain degree of real income stability and helping in the adjustment of agricultural production to the demand structure.

4 — To eliminate the middlemen, traders, money-lenders and speculators who grab a large part of the sale proceeds of the agricultural produce and who deprive the farmers of the due share of the price of their produce.

5 — In socialist countries where industry, foreign trade and a large part — if not all — of the wholesale trade are nationalized, the organization of marketing the agricultural products by the state is a sort of link between agriculture and nationalized industry.

6 — To couple the agricultural purchase policy with investment policy and rapid technical progress.

Generally speaking the organization of marketing the agricultural products by the state can be used as an important form and instrument in influencing agricultural development which cannot be neglected in the developing countries.

The agricultural marketing in Egypt is at present carried out as follows :

First: State Purchasing of agricultural products.

State purchasing of agricultural products is carried out in three main forms :

- a) Cooperative marketing.
- b) Contracts.
- c) Compulsory deliveries.

Cooperative marketing.

As we mentioned before, the agricultural cooperative societies before the year 1952 did not play even a small part in marketing member's crops. In fact some of those cooperatives tried to apply the cooperative marketing to some agricultural products. But that attempt was doomed to failure. The majority of the agricultural marketed surplus was brought to the market through the intermediary of speculators, middlemen and moneylenders who deprived the farmers of the due share of both the price and the weights or measures of their products.

Since the year 1952 the cooperatives belonging to the Ministry of Agrarian Reform have come to play a big part in marketing member's cotton crop. Since the last five years all the agricultural cooperatives, i.e. not only the cooperatives which belong to the Ministry of Agrarian Reform but also the cooperatives which belong to the Ministry of Agriculture have come to play a bigger part in agricultural marketing. Not only cotton but also the other main crops, rice, onions, groundnuts, wheat, maize, horse bean, potatoes, lentils, greenbean, tomatoes, sesame etc. The agricultural cooperatives are not free to decide themselves at what price to buy agricultural products. The prices of base products are fixed every year by the government. Differentials in price based on quality of the products and, concerning certain products, the date of delivery are offered to the farmers.

The Cotton Cooperative Marketing.

As we mentioned before the cooperatives belonging to the Ministry of Agrarian Reform have come to play a big part in marketing member's cotton crop since 1952. Table 4 shows the quantities of member's cotton marketed by those cooperatives and their prices during the period 1952-1960. It shows that those quantities have considerably increased.

Since the year 1961, and in connection with the other nationalizations which took places in July 1961, the Egyptian foreign trade and the cotton trade have been nationalized. After

the nationalization of the cotton trade the fixing of prices has been almost in the hands of the authorities. The Alexandria futures stock-exchange was closed in 1961. The open spot market — Minet El Bassal — was closed in 1962. All sales of raw cotton for export or local consumption are now effected through the ECC — Egyptian Cotton Commission — which buys cotton at fixed prices and fixes selling prices both for export and for local consumption. In principle the ECC thus takes over the whole crop. The price received by the farmers is lower than the fixed price by the margins of the mills and the intermediaries handling the cotton. To make these margins as small as possible the cooperative societies have taken into their hands the marketing of the crop. In the year 1962 the cooperative marketing of cotton was voluntary introduced in some governorates. In the year 1963 it was compulsorily in-

TABLE 4

The quantities of member's cotton marketed by the cooperatives belonging to the Ministry of Agrarian Reform during the period 1952 - 1960

Years	Quantities in Kantar	Total prices received by the members in pounds	Average price in pounds
1952/53	27700	804000	29
1953/54	84826	1400000	16.5
1954/55	162700	2352000	14.5
1955/56	237000	4835000	16.2
1956/57	311137	5615000	17.9
1957/58	369208	5310000	14.4
1958/59	403000	6643000	16.5
1959/60	454849	7690000	16.9

Source : Bulletin of the General Cooperative and Agricultural Credit Organization, — in arabic —, Quarterly, The Third Number 1964, p. 48.

roduced in four governorates and some other governorates voluntarily introduced it. In the year 1964 it was compulsorily introduced in nine governorates and some other governorates voluntarily introduced it. Since the year 1965, and owing to the favourable results which were obtained, the marketing of cotton cooperatively has covered all governorates producing cotton. Table 5 shows the quantities — which considerably increased — marketed cooperatively and their prices during the period 1962 - 1965. It had been found that the price per Kantar¹⁾

TABLE 5

The quantities of cotton marketed cooperatively and their prices during the period 1961/62 — 1964/65

Years	Quantities in Kantar	Total prices received by the members in pounds	Average price in pounds
1961/62	699648	10284825	14.7
1962/63	3049146	45737190	15
1963/64	3633340	57486294	15.7
1964/65	8459514	135323367	15.7

Source : Cooperative Marketing, An Article published by The General Agricultural Cooperatives Organization — in arabic —, Cairo 1966, pp. 8 - 23.

obtained by the farmers for selling their crop through cooperatives is higher than that price obtained by them for selling

1) Kantar = 157 Kilogr.

their crop through the intermediary of middlemen by about 2.688 Egyptian pounds.¹⁾

The Cooperative Marketing of Other Crops.

The agricultural cooperatives have also come to play a bigger part in marketing the other main crops : rice, onions, ground nuts, wheat, maize, horse bean, potatoes, lentils, green bean, tomatoes, sesame and other crops. Table 6 shows the quantities of the different products cooperatively marketed and their prices during the season 1964/65. It had been found that the prices obtained by the farmers for selling their products through the cooperatives are higher than those prices obtained by them for selling their products through the intermediary of middlemen by the following figures²⁾ :

per one dariba³⁾ of rice the margin between the two prices is about 1.328 pounds,

per one ton of groundnuts the margin between the two prices is about 4.176 pounds,

per one ton of onion the margin between the two prices is about 1.454 pounds,

per one ton of sesame the margin between the two prices is about 5.356 pounds.

The cooperative societies have not played a considerable part in marketing fruits. Also they have not played even a small part in marketing livestock, meat, poultry, milk and eggs.

Obstacles and Barriers of the Agricultural Cooperative Marketing.

There are a number of obstacles encountered in system of agricultural cooperative marketing in Egypt.

1) Bulletin of Agricultural Cooperation, — in arabic, — The General Agricultural Cooperative Organization, Monthly, Feb. 1965, p. 10.

2) *Ibid.*, p. 10.

3) One dariba = 934 kg5.

Some of these obstacles are :

a) The existence of numerous institutions concerned with marketing farm produce.

b) The creation of serious organizational difficulties in the further extension of the cooperative marketing system.

Most of the agricultural cooperatives carrying out marketing farm produce are not marketing cooperatives — *i.e.* they are not specialized in only marketing —, but they are multi-purpose cooperatives. This complicates and renders difficult the process of cooperative marketing with higher efficiency. Concerning the efficiency of the cooperative marketing we must not forget that it depends primarily on the skill of the cooperative management and organization.

Serious attempts must be done to solve these problems in order to increase the efficiency of the cooperative marketing system which has become one of the main forms and instruments influencing the agricultural production.

Contracts

The contract system of agricultural purchasing has been newly introduced in certain products. It covers sugarcane, rice, onions, groundnuts, tomatoes, sesame, green bean and other crops. This means that the contracts cover industrial crops and those crops to be exported. These contracts are concluded — before production decisions are taken — between the peasants and state trading organizations, cooperatives, nationalized industrial enterprises. They stipulate the sale of pre-determined quantities of certain products of defined standard at certain prices. These contracts are voluntary and their popularity is to be ascribed mainly to the guarantee of the prices stipulated in them and to other sales conditions — supplying farmers with seeds, fertilizers, pesticides, credit facilities and other services. — Prices in these contracts are fixed every year by the state. These prices are nearer to the free market prices. Differentials in price base on quality of the products and on, in certain crops, the data of delivery are offered to the farmers.

TABLE 6

The quantities of different products cooperatively marketed and their prices during the season 1964-65

Specification	Quantities	Total prices received by farmers in pounds	Average price in pounds
Rice in daribas	900342	18.206.840	20
Onion in tons	252000	3.024.000	12
Groundnuts in ardab	150000	1.050.000	7
Maize in ardab	127000	550.567	3.5
Tomatoes in tons	4000	40.000	10
Potatoes in tons	65000	1.170.000	18
Horse bean in ardab	977000	7.816.000	8
Lentils in ardab	5940	59.400	10
Green bean in tons	1000	20.000	20
Sesame in tons	565	56.500	100
Wheat in ardab	2690202	10.760.808	4

Source : Ibid., p. 10.

The contract system has not been introduced in purchasing wheat, maize, livestock meat, milk and eggs.

Some of the key problems encountered in the contract system is the existence of numerous organizations concerned with contracts for farm produce which results in the creation of serious organizational difficulties and an increase in trade expenses.

The contract system of agricultural purchasing, in spite of its well-known favourable results and its steadily expansion in agriculture of most both socialist and capitalist countries, is slowly expanding in Egyptian agriculture. Serious attempts must be made to enable this scheme of agricultural purchasing to expand considerably. A system of voluntary contracts could be more successful, as a form and an instrument of planning the agricultural production than the administrative orders with

respect to area restrictions. But it must be stressed here that the possibility of expanding a system of contracts depends primarily on whether the farmers are willing to sell a large part of their products or not *i.e.* to consume it.

Obligatory deliveries

A system of obligatory deliveries whereby the farmers deliver up the state a part of their production of certain products at prices fixed by the state has been introduced in Egypt since the last two or three years. It has been applied to a part of the output of wheat, rice and onions. This system has been introduced mainly to achieve two important goals.

(a) To ensure the increasing urban population with sufficient quantities of agricultural products, particularly wheat, at stable prices.

(b) To increase the exports of rice and onion crops which are the main agricultural export crops beside cotton and groundnuts.

The quantities of different crops to be delivered to the state and their prices are fixed every year by the state. According to the provisions of the year 1967 those quantities are shown in table 7 and their prices are shown in table 8. It seems from table 8 that the prices for obligatory deliveries are lower than those for non-obligatory deliveries. That the prices of obligatory deliveries are lower than those for non-obligatory deliveries is a secondary problem especially when the free market prices are rather high and quite enough. The difference or the margin can be considered as an agricultural taxation. It is possible to pay higher prices for the farmers and at the same time to increase the taxes levied on them. But the main problem is that the proportions of the different crops particularly of rice and onions to be obligatorily delivered to the State — as it seems from table 7 — are rather high. This, of course, limits the possibilities of the farmers to freely choose the pattern of using their products which seems to be more advantageous, for example selling grain or using it for breeding and selling meat. And this is what is bad in obligatory deliveries.

TABLE 7

Obligatory deliveries of different crops according to the provisions of the year 1967.

Specification	Obligatory deliveries per feddan in absolute numbers*	Average yields per feddan in the last three years	Obligatory deliveries in % of average yields per feddan
Wheat in ardab	2	7,5	26,7
Rice in daribas	1,5	2,5	60
Onions in tons	4	7	57

*) This is an average. It differs from one district to another according to the quality of the soil /fertility/.

Sources : Bulletin of Agricultural Cooperatives, Sept. 1965 and Bulletin of Agricultural Economics, op. cit. and Issue of al-Achbar, 28 March 1967.

TABLE 8

Prices for obligatory deliveries as compared with prices for non-obligatory purchases according to the provisions of the year 1967

Specification	Average prices for obligatory purchases in pounds*	Average prices for non-obligatory purchases in pounds
Wheat per ardab	4	5
Rice per dariba	20	40
Onions per ton	11	16

*) differentials in price based on quality of products and on the date of delivery are offered to the farmers for both obligatory and non-obligatory purchases.

Source : Bulletin for Agricultural Cooperation, Sept. 1965 and Issue of al-Achbar, op. cit. and Issue of al-Achbar 23 Feb. 1969.

Second : The free market trade

The free market trade where the farmers sell a part of their produce directly to the consumers or the private individuals at local market places plays a secondary role. But this varies from one commodity to another. Whereas only small quantities of wheat, rice and maize are sold in the market place trade, meat, fruit and vegetables are still to a large extent handled by the private trade.

It must be stressed here that the prices on the free market for the main agricultural products are established and controlled by the government. The government control of prices, which started during the war was continued after the war for the most important foodstuffs: wheat, maize, rice and more recently for practically all other foodstuffs, and strict control measures are now practised by the police. To ensure that price control is effective the government has taken measures to influence the supply of food stuffs rather than the demand for them.

Agricultural credit

Credit is one of the important factors contributing towards the development of the means of agricultural production and the increase of output. It is, moreover, the main force which pushes forward progress in the rural communities. The nature of agricultural production requires the availability of credit facilities of a special nature so that it can cope with its seasonal requirements, the emergencies it may encounter and the normal risks it is subject to. The method of granting credit as well as its management vary according to the social and political conditions of every community. Under capitalism, agricultural credit is shaped along capitalistic lines, stressing the importance of ample guarantees, the rate of interest and the possibility of repaying credits. The purpose for which credit is required comes second. According credit is often granted to big farmers only, excluding medium and small farmers who normally find great difficulty in obtaining loans. Under socialism, agricultural credit policy is shaped so as to be of ser-

vice to production. Further more it caters for the needs of the rural community as a whole rather than that of a particular group of beneficiaries.

Agricultural credit in the U.A.R. is relatively old as it dates back to 1930 when the Agricultural Credit Bank was established. Before that date the country did not have a credit system in the real sense. The source of finance open to agriculture was credit from traders on the one hand and money lenders on the other. Both groups tried to get as much benefit as they could by imposing on borrowers who were mainly landowners, heavy terms and exorbitant rates of interest. It must be stressed here that before that date some institutions were established to provide loans. But most of them provided long-term loans against mortgages of real estates. Only landowners particularly those with big holdings, were able to contract such loans which were not necessarily made for agricultural purposes. In fact this type of credit was rarely used for promoting agricultural production. Farmers who did not own land, were not able to obtain loans from such institutions. At all times loans were offered against high rates of interest.

In the year 1930 the Agricultural Credit Bank was established. The Status of the Bank provides for the provision of three types of loans.

(1) Short-term loans redeemable over a period not exceeding 14 months designed mainly to finance sowing and harvesting operations.

(2) Medium-term loans redeemable in 10 years to finance the purchase of machinery and cattle as well as small-scale land reclamation works.

(3) Long-term loans for the reclamation and the development of loans that can benefit from public irrigation and drainage works.

Further more the Bank was entitled to finance enterprises which prove to be of benefit to agriculture.

Cash loans for the expenses of cultivation and harvesting as

well as against pledged crops were permitted to cooperatives and small landowners only. Loans in kind, seeds, fertilizers and other materials, were permitted to all farmers, big and small, owners or tenants beside the cooperatives. Cooperative societies were granted a reduction of 2 per cent on the interest rates applicable to individuals — 5 per cent against 7 per cent — and 5 per cent on the value of agricultural requisites supplied by the Bank.

The fact that cash loans were permitted to the numbers of cooperatives allowed big owners and tenants to obtain these loans if they joined the cooperatives as members. The Cooperation Act, in force at that time, did not differentiate between the small tiller and the big farmer. This explains why the big landowners hastened to join the cooperatives in order to avail themselves of the benefit, bestowed by law on cooperatives, denied to individual big landowners. Small landowners on the other hand, did not need to be members of cooperatives since they could obtain cash loans without such a measure. They cared little about cooperation and cooperative societies. In the year 1949 an important step was taken by converting the Bank into an Agricultural and Cooperative Credit Bank by amending the Bank's Charter to permit the participation of cooperative societies in the capital and the management. At first the Bank was financing agriculture and farmers, cooperatives only, but according to this conversion the Bank began to finance all cooperatives whether farmers', producers', or consumer societies. The Bank's services increased and also the increase in the services rendered by the Bank to cooperative societies was proportional to the general increase in the volume of loans. In spite of this development the granting of loans was tied to the provision of a land or property guarantee. This provision made the small farmers almost entirely dependent on the big landowners for the provision of such a guarantee.

After the implementation of the Land Reform scheme, it was decided that loans to small farmers should be granted by the Bank upon the provision of crop rather than property guarantee. In 1957 it was decided to operate a new method, namely *the agricultural cooperative credit system* according to which credit must become cooperative in form and no individual far-

mer is allowed to avail himself of the Bank's facilities except through his cooperative society.

The new plan was implemented experimentally as from the summer season of 1957, in three districts (133 cooperatives) namely Shebin-El-Kom, Mit-Ghamr and Minia. The result was so encouraging that a timed programme was planned for its introduction throughout the country within five years. The programme included the following stages :

1st stage for 1957 covering	3 districts	133 cooperatives
2nd stage for 1958 covering	14 districts	584 cooperatives
3rd stage for 1959 covering	33 districts	1352 cooperatives
4th stage for 1960 covering	36 districts	1053 cooperatives
5th stage for 1961 covering	29 districts	916 cooperatives
Total	115 districts	4038 cooperatives

The credit plan was implemented in accordance with the programme drawn for its country-wide introduction. In 1961 the system was expanded to cover every society of the 4038 cooperatives in the 115 districts of the country. Credit has become fully cooperative and no individual farmer is allowed to avail himself of the Bank's facilities except through his cooperative society.

In the year 1960 the Bank undertook a further experiment under which 16 cooperative societies, of the first and second stage of the credit system were chosen and provided with supervisors highly qualified and trained on the proper cooperative services. These selected societies named "*Village Banks*" started to function, equipped with all requirements, financing facilities, guidance and sufficient authority to enable them to take care of the needs of their members. The purpose of this was to make the credit facilities available for the first time at the village level, available for the farmer as soon as he demands. And this is why the cooperative society according to this system is to be named «Village Bank». The purpose was also to stress the entity and responsibility of each society so that it might gain experience in managing its affairs. In collaboration with the committees of the societies, where

the system of the village Bank was applied, the Bank arranged a series of projects for progressive, well balanced development within the framework of a 5-year plan. The plan drawn for the 16 Village Banks included projects up to the value of 216,945 pounds. But the Bank found that the financial burden of introducing such a project was so heavy than an alternative but equally effective system had to be sought. A solution was found according to which the Bank's organs would be rearranged to be as close as possible to the field of their activities. The idea was to open offices each operating within an area not exceeding 4000 feddans and attend to not more than 4 cooperatives. The office would act as a credit unit offering all credit facilities.

In any case this system has not been implemented and the trend is now to introduce the Village Bank system.

In 1961, a progressive step was taken when it was decided to abolish the interest levied on the loans granted by the Bank.

In 1964, in line with the General Organization of public Agencies and in furtherance of the local administration, the Bank was converted into a General Organization for Agricultural Cooperative Credit, which became responsible for the formulation of the general policy for agricultural credit and for supervising its implementation. In the meantime, the former branches of the Bank became independent Provincial Agricultural Credit Banks operating under the jurisdiction of the Organization.

Table 9 shows the development of loans credited to farmers by the Agricultural and Cooperative Credit Bank during 1952 - 1963 and the share of cooperatives in it. It shows that the Bank's services has considerably increased and that the credits have become fully cooperative since the year 1962, i.e., since the introducing of the agricultural cooperative credit system.

Distribution of the credits between the various purposes is shown in table 10. It clearly shows that the credit facilities have been made available to farmers for many purposes. Not only the purpose of providing them with seeds, fertilizers, insecticides but also for the following purposes :

- (a) encouraging farmers to acquire machines for ploughing, irrigation and harvesting. Cooperative societies are encouraged to purchase machinery for the common use of their members.
- (b) The Bank offers to farmers loans against pledged crops, a further facility is that the Bank grants loans before harvesting for the purpose of preparing the crops for marketing.
- (c) Loans for promoting animal wealth.
- (d) Loans for land reclamation.
- (e) Loans for various agricultural purposes.

TABLE 9

The development of loans credited to farmers by the Agricultural and Cooperative Credit Bank during 1952 - 1963 and the share of cooperatives in it

Years	Total loans in 1000 pounds	Share of cooperative in 1000 pounds	Percentage of loans to cooperatives
1952	15,960	2,400	21.3
1953	16,355	3,812	23.3
1954	17,448	4,549	26.1
1955	19,474	5,937	30.5
1956	17,730	6,738	38.0
1957	20,205	8,473	41.9
1958	24,457	12,280	50.2
1959	29,413	20,598	70.0
1960	36,678	30,895	84.2
1961	39,447	37,830	95.9
1962	60,962	60,962	100.0
1963	64,633	64,633	100.0
1964/65	65,252	65,252	100.0
1965/66	79,865	79,865	100.0

Source : UAR Agriculture, op. cit., p. 62.

TABLE 10

Distribution of the credits between the various agricultural purposes in pounds

Loans	1956	1961	1962	1963
Seasonal loans	14,662,793	32,574,309	46,333,452	50,687,672
Loans against pledged crops	1,597,395	1,190,875	1,223,562	906,286
Loans for crop marketing	—	492,479	1,112,541	1,316,477
Loans for purchase of farm machinery	138,217	750,902	648,225	731,640
Loans for purchase of working cattle	44,215	237,715	26,126	24,737
Loans for promoting animal wealth	8,852	445,176	577,657	1,061,757
Loans for land reclamation	27,785	70,968	67,941	74,366
Loans for various agricultural purposes	—	13,820	30,447	39,186
Loans to cooperative societies for various purposes	1,250,991	3,671,220	10,942,049	9,740,879
Total	17,730,248	39,447,464	60,962,000	64,633,000

Sources : Ibid. p. 62, Agricultural and Cooperative Credit, published by the Agricultural and Cooperative Credit Bank, Cairo, 1962, and Bulletin of Agricultural Economics, /in Arabic/, Ministry of Agriculture, Cairo, Dec. 1965, pp. 56-57.

Table 11 shows the average credit per feddan of different crops as compared with the average cost per feddan during the period 1939-1961. From this table it is clear that whereas the credit has covered the cost of cultivation for sugarcane it has not covered the costs for cotton, rice wheat, green bean. It must be stressed here that the agricultural coopera-

tive credit system has not included many vegetable and fruit crops and livestock.

Concerning the efficiency of credits it is known that credit under socialism is provided with the aim of increasing production. But it must be stressed here that the process of providing farmers with credits alone is not sufficient to reflect in an increase in production. This is due to that the credits which are available for the farmers does not mean at all that they will allocate it to productive purposes since many farmers may allocate these credits to personal consumption. To ensure that the credits will be allocated to the purposes they are provided for, i.e. to productive purposes, and in turn to insure that the credits will reflect in an increase in production, the credits must be well supervised and controlled.

In Egyptian agriculture the cooperatives have done large efforts, especially during the last years and through the collectivisation of agricultural exploitation project, in supervising and controlling the agricultural credits. But in spite of this, the supervision and control of the cooperatives on agricultural credits are still insufficient. One of the most important factors which help in allocating the credits to the productive purposes is to provide farmers with these credits at the suitable time and this has been the aim of the Village Banks. As we mentioned before the aim of this system has been to make the credit facilities available at the village level, available for the farmer as soon as he demands.

TABLE 11

The development of the average credit per feddan of different crops as compared with the development of average cost of per feddan during the period 1939 - 1961.

Years	Cotton			Wheat			Rice			Sugar-cane			Green bean		
	Average credit per feddan in pound	Average cost per feddan in pound	%	Average credit per feddan in pound	Average cost per feddan in pound	%	Average credit per feddan in pound	Average cost per feddan in pound	%	Average credit per feddan in pound	Average cost per feddan in pound	%	Average credit per feddan in pound	Average cost per feddan in pound	%
1939	3.41	5.85	58	2.29	3.68	62	2.19	4.28	51	9.19	11.17	82	1.19	2.44	48
1952	12.66	24.57	51	5.50	13.60	40	10.42	19.31	53	31.37	45.24	69	6.92	9.61	72
1956	15.39	21.66	71	10.70	13.95	76	11.92	18.27	65	44.45	37.68	117	6.62	8.21	80
1958	14.83	23.64	62	11.29	14.63	77	12.32	19.46	63	44.41	39.92	111	7.82	9.11	79
1959	13.85	23.80	58	11.01	14.93	73	12.08	19.79	61	40.57	40.12	101	7.29	9.10	78
1960	13.66	24.47	55	10.92	15.12	72	11.26	19.63	57	37.19	39.79	93	7.30	9.26	78
1961	14.48	28.35	51	10.60	15.---	70	11.28	21.02	53	40.30	38.49	104	7.06	9.55	73

The average cost per feddan for all the crops does not include the rent.

Source : Afr. M. «Agricultural and Cooperative Credit Project», --- in Arabic ---, INP, memo. 516, Cairo, December 1964.