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AN APPRAISAL OF LIVESTOCK POLICIES IN EGYPT  
WITH SPECIAL REVERENCE TO CREDIT AND IMPORT POLICIES

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ABSTRACT

During the past decade consumption of livestock products in Egypt has increased sharply, and production has not expanded in equal measure. In attempting to rectify the livestock situation, the government has followed a number of policies, two of these policies are credit and import policies. The objective of this paper is to analyse the performance of the two policies.

Egypt's credit policy for livestock production is weighted heavily in favor of short term loans for feeding operations to produce meat. Very little goes for basic farm establishment or hard development. Very little goes for milk production. Further more, credit seems to be heavily weighted toward large-scale livestock production where as most of Egypt's livestock is held by small farmers.

Egypt's meat imports appear to be restricted by several factors. Since most imports are made through the public sector meat imports sold at retail price subsidies and government budget is limited. There are also restrictions on handling and distribution facilities, particularly in cold storage. Private traders are restricted due to government

imported limitations on trader margins, as well as due to limited availability of foreign exchange. Finally, private traders lack their own facilities for handling large volumes of imported meat.

## INTRODUCTION

During the past decade consumption of livestock products in Egypt has risen sharply, and production has not expanded in equal measure. The result has been a gap which has been filled by ever increasing amounts of imports which, in turn, have placed added burden on the government budget and balance of payments. In addition to population growth, demands for livestock products have been spurred by increased per capita incomes. With demand outstripping supply and imports not fully satisfying the gap, livestock prices have increase rapidly. although increases have been achieved in per capita consumption, prevailing levels are still low, and there is need to further augment animal protein intake, particularly among the young and the rural poor.

In attempting to rectify the livestock situation, the government has followed a number of policies for direct <sup>and</sup> intervention. Other government policies have indirect effects on livestock production and marketing.

The main policies which directly effect livestock are the following:

- 1.- Establishment of public sector companies for livestock breeding and production, both under national government

agencies and under the local governorates.

2.- Maintaining a system of national livestock insurance.

3.- Feed policies:

- (a) The production of concentrate feed mixes by public sector mills.
- (b) Provision of livestock feed ingredients to public and private mills, and to private livestock owners, at subsidized prices; sale of publicly produced feedmix at prices which are explicitly and implicitly subsidized.
- (c) The establishment of priorities and quotas for the distribution of public sector feed mixes and subsidized feed ingredients.
- (d) Importing feed ingredients.
- (e) Experimenting with and promoting the production of new summer forages.

4.- Price policies for livestock products:

- (a) Price ceiling for fed animals at the wholesale level and ceilings on the retail prices of red meats.
- (b) Sale of meats imported by the public sector at low, subsidized prices, through the consumer cooperative

system. Sale of imported poultry and poultry produced by public sector companies at subsidized prices. Sale of milk produced by the public sector dairy company at subsidized or below-market prices.

- 5.- Importing livestock products through the Ministry of Supply, and regulating private imports.
- 6.- Provision of subsidized credit for livestock production and investment.
- 7.- Provision of services to support the production of livestock:
  - (a) The national system of livestock research, carried out primarily through the Ministry of Agriculture and its experiment stations, but also conducted at the universities and other scientific institutions.
  - (b) The veterinary service program which provides free veterinary and related services, including artificial insemination, to a limited number of villages.

In addition to the above direct policies, there are a number of other government policies which have important indirect effects on livestock production and trade. These include the rate of exchange set for foreign currencies, various taxation policies, and government decisions on the allocation of investment funds. This paper will analyse the performance of (1) credit policy and (2) imports policy.

## MATERIALS AND METHODS

Economic techniques were employed. Value of credit, its purposes and amount of subsidy of interest rate were estimated. Consumption, imports of principal livestock products and marketing of imported meat were studied. Published data and sample surveys from ten private traders of meat imports were collected.

## RESULTS AND DISCUSSION

### CREDIT POLICY:

In 1976 the Agricultural Development and Credit Bank became the principles organization responsible for agricultural credit. Credit has been made available by the bank to private individuals as well as to cooperative societies and publicly owned agricultural companies. The Bank has introduced new programs for such activities as establishing poultry production, dairy farms and livestock farms. In the past, such programs as credit for purchase of dairy animals had been available only to state farms and Agrarian Reform Cooperatives. Under Egypt's current Food Security Program, the Bank offers livestock and other agricultural credit at an annual rate of interest of 6 percent, compared to current market rate of about 14 percent. Thus, the credit program is heavily subsidized.

Table (1) shows that the total credit extended for was about L.E. 46 millions. This represented 25 percent of the credit provided to all agricultural activities. Some 81 percent of the credit extended for livestock was short term in nature, requiring repayment within a year. Fattening and feeding operations for cattle and buffaloes accounted for 94 percent

Table 1.- Livestock Credits in 1980 (L.E.)

| Purpose of the Credit      | Value of the credit | Percent %    |
|----------------------------|---------------------|--------------|
| Feed lot operations        | 24 329.089          | 53.0         |
| Livestock Cooperatives     | 4 793.516           | 10.4         |
| Governorate Projects       | 4 130.298           | 9.0          |
| Beef feeding on berseem    | 1 457.200           | 3.2          |
| Buffalo veal feeding       | 336.230             | 0.73         |
| Broilers feeding           | 2 182.747           | 4.75         |
| Credits for layers         | 4 461.100           | 9.7          |
| Sheep fattening            | 875.000             | 0.02         |
| Dairy Cattle               | 2 105.166           | 4.6          |
| To establish Cattle farms  | 1 269.034           | 2.8          |
| To establish poultry farms | 768.950             | 1.7          |
| Fisheries                  | 44.650              | 0.1          |
| <b>T O T A L</b>           | <b>45 881.550</b>   | <b>100.0</b> |

Source: Calculated from Agricultural Credit Bank,  
Department of Credit.

of the short term credit which was extended. Feedlot operations represented 95 percent of total credits for fattening, with only minor amounts going to fattening based on berseem and to on-farm veal feeding. Longer term credits to establish dairy farms, beef cattle dairy farms and poultry farms, in that order of importance, together accounted for just over 9 percent of all livestock credit.

It is worth special note that feeding of buffalo vealer animals accounted for less than 1 percent of the total credit. It is estimated that each year 400,000 to 600,000 head of buffalo veal calves are slaughtered before they are weaned, with little or no fattening. Farmers claim find that the milk which these animals use is too valuable, and that the prices which they can receive by selling them for slaughter is too attractive to pass up. Even though the program for feeding vealers includes the provision of milk replacer this is still a little known and risky technique in Egypt. Furthermore, farmers are required to sell the animals fed under this program at the government's low, official fed animal price. Evidently, this program has not been attractive to the farmer. During 1970-1980, an average of less than 8,000 heads per year were fed under this program (Table 4).

Table(4) shows that, on average, about 500,000 heads of animals were covered by credit for feeding during 1970-1980. Roughly speaking, this would have been less than half of the total annual slaughter of fed animals. Generally, it is the larger-sized producers which receive the credits for feeding. Table(3) presents data on the credit which was extended for livestock in important governorates in Egypt for livestock



Table 2.- Short term credits for cattle fattening (1970-1980)

| Purpose of credit       | Average annual |            | Average annual   |            | Value of credit    |        | Annual growth |  |          |
|-------------------------|----------------|------------|------------------|------------|--------------------|--------|---------------|--|----------|
|                         | Heads          | %          | L.E.             | %          | Per head<br>(L.E.) | 1970   | 1980          | $\frac{\text{rate \%}}{\text{In heads}}$ | In value |
| Buffalo veal            | 7.773          | 1.5        | 324.371          | 3.4        | 30.75              | 60.00  | 2.9           | 9.4                                      |          |
| Beef feeding on berseem | 10.651         | 2.1        | 794.838          | 8.5        | 53.92              | 114.94 | -1.4          | 5.8                                      |          |
| Feed lot operations     | 353.031        | 69.5       | 5.076.773        | 54.0       | 42.42              | 152.28 | 24.9          | 37.6                                     |          |
| Governorate farms       | 13.249         | 2.6        | 1.930.696        | 20.5       | 94.85              | 213.11 | 4.2           | 13.5                                     |          |
| Livestock Coop.         | 123.465        | 24.3       | 1.276.125        | 13.6       | 62.47              | 158.00 | 11.5          | 15.8                                     |          |
| <b>T O T A L</b>        | <b>508.169</b> | <b>100</b> | <b>9.402.803</b> | <b>100</b> |                    |        |               |  |          |

Source: Calculated from Agricultural Credit Bank, Department of Credit.

Table 3.- Average Livestock holding size per farm for credit receivers in Sharkia Governorate in 1978

| Customer Type     | Customers | Heads | Average livestock holding Size | Total credits (L.E.) | Average Value per customer | Avr. value of subsidy in interest rate L.E. |
|-------------------|-----------|-------|--------------------------------|----------------------|----------------------------|---|
| Individual        | 884       | 4331  | 5                              | 613282               | 694                        | 24  |
| Coop.             | 1         | 50    | 50                             | 8250                 | 8250                       | 495   |
| Governorate Farms | 8         | 14751 | 1844                           | 1767472              | 220934                     | 13256                                       |

Source: Calculated from Agricultural Credit Bank, Department of Credit.

Table 4.- Changes in total and per capita consumption of principal livestock products

|                          | <u>Red meat consumption</u>       |                                | <u>White meat consumption</u>     |                                |
|--------------------------|-----------------------------------|--------------------------------|-----------------------------------|--------------------------------|
|                          | <u>Total cons.</u><br>(1000 tons) | <u>Per capita</u><br>(Kg/year) | <u>Total cons.</u><br>(1000 tons) | <u>Per capita</u><br>(Kg/year) |
| 1969-71 average          | 294.4                             | 8.92                           | 97.4                              | 2.95                           |
| 1969-81 average          | 531.6                             | 12.71                          | 187.6                             | 4.49                           |
| Av. annual rt. of change | 6.1%                              | 3.6%                           | 6.8%                              | 4.3%                           |

  

|                       | <u>Milk and Milk Products Consumption</u> |                                 |
|-----------------------|---|---------------------------------|
|                       | <u>Total</u><br>(1000 tons)               | <u>Per Capita</u><br>( Kg/year) |
| 1970                  | 1634.3                                    | 49.5                            |
| 1979                  | 2095.9                                    | 51.4                            |
| Annual rate of change | 2.8%                                      | 0.4%                            |

Table 5.- Consumption, production and imports of principal livestock products

|                       | <u>Red meat</u>        |                |              |                     | <u>White meat</u>     |                |              |                     |
|-----------------------|------------------------|----------------|--------------|---------------------|-----------------------|----------------|--------------|---------------------|
|                       | <u>Prod.</u>           | <u>Imports</u> | <u>Cons.</u> | <u>%Self. Suff.</u> | <u>Prod.</u>          | <u>Imports</u> | <u>Cons.</u> | <u>%Self. Suff.</u> |
|                       | .....1000's of tons .. |                |              |                     | ....1000's of tons... |                |              |                     |
| 1966-71 avr.          | 270.9                  | 23.5           | 294.4        | 92%                 | 96.0                  | 1.4            | 97.4         | 99%                 |
| 1979-81 avr.          | 370.0                  | 161.6          | 531.6        | 70%                 | 126.0                 | 61.7           | 187.6        | 67%                 |
| Annual rate of change | +3.2%                  | +21%           | +6.1%        |                     | +2.8%                 | +46%           | +6.8%        |                     |

  

|                       | <u>Milk and dairy products</u> |                |                    |                          |
|-----------------------|--------------------------------|----------------|--------------------|--------------------------|
|                       | <u>Production</u>              | <u>Imports</u> | <u>Consumption</u> | <u>% self sufficient</u> |
| 1970                  | 1503                           | 51.3           | 1634.3             | 97 %                     |
| 1979                  | 1881                           | 214.9          | 2095.9             | 90 %                     |
| Annual rate of change | +1.9%                          | +17%           | +2.8%              |                          |

Source: Calculated from Ministry of Supply, Department of meat, unpublished records.

production, in general, and meat production, in particular. The table shows that some 75 percent of all credit went to 8 large governorate farms, and less than 25 percent went to private cattle feeders. Even the latter were quite large by standards of Egypt's typical farm and livestock holding size. Typically, it is only farms of 10 feddans or greater that would have 5 heads of cattle, the average size of holding for the credit which was extended.

#### IMPORT POLICY:

Red meat imports increased from 21,000 tons in 1960 to 122,000 tons in 1980, and white meat imports grew from 507 tons to 29,000 tons during the same period (Table 6). Until 1957, meat imports were almost entirely in the hands of private traders. The predominant type of import was live animals from the Sudan and Somalia. The public sector dominated imports in the 1960's, and over time, as imports increased, imported carcasses replaced live animals as the main imported meat source.

Private sector importers were permitted to operate again in the latter part of the 1970's. More often than operating on their own account, however, private traders now serve as commission agents for the government in securing imports. Of the total L.E. 130 millions in red meat imports for 1980, only 15 percent was imported by the private sector on its own account. Most of the latter was meats imported for the hotel and tourist trade.

The decision to import meats is taken as follows:

Table 6.- Trends of imported meat (1960-1980) (Tons)

| Year | Frozen<br>meat | Preserved<br>meat | Live<br>cattle | Live<br>sheep | Live<br>camels | Total<br>red<br>meat | White meat |
|------|----------------|-------------------|----------------|---------------|----------------|----------------------|------------|
| 1960 | 4293           | 8113              | 7966           | 315           | 444            | 21131*               | 507        |
| 1980 | 97217          | 14461             | -----          | -----         | 11209          | 122887               | 29566      |

Source: Calculated from Ministry of Supply, Department of meat, unpublished records.

- (a) The Ministry of Supply (MOS) determines requirements, based upon their estimates of consumption and production.
- (b) The Ministries of Planning and Treasury determine the required funds. Often, the funds provided are less than those requested by MOS.

Even if the full amount of funds which was originally requested is provided, the price of the imported products often rises above what had been projected, and available funds do not suffice to meet the import requirement. Table(7) shows that the amounts of meats imported during 1979-81 fell 10 to 20 percent below what the Ministry of Supply had planned.

Studies show that it should be possible to import meats at lower costs than the market prices which have prevailed in Egypt in recent years (Soliman, 1982). The question is, why are more meats not imported? On the government side, this could presumably be due to budget limitations, particularly since the government is committed to selling its imports at subsidized low prices. Private traders are under no such restriction, however. Why don't they import don't they import more meat?

There are certain factors which constrain the public and private sector alike from importing more meats. The following factors were reported in interviews with government officials:

- 1.- Port handling facilities are limited.
- 2.- Cold storage capacity is less than required.

Table 7.- Planned and Delivered quantities of imported red meat in Egypt

| Year | Planned Quantity<br>Tons | Delivered Quantity<br>Tons |
|------|--------------------------|----------------------------|
| 1979 | 83                       | 72.5                       |
| 1960 | 93                       | 78                         |
| 1981 | 104                      | 83                         |

Source:

Calculated from Ministry of Supply, Department of meat, unpublished records.

- 3.- Transportation facilities for handling frozen meat are inadequate.
- 4.- For live animals, there are limitations in veterinary quarantine facilities and in rail shipment capacity.
- 5.- Distribution channels and marketing facilities are poor.

Most of the same limitations were reported in conversations with private traders. In addition, they pointed out:

- 1.- They do not have their own marketing and handling facilities.
- 2.- They cannot compete with the government's subsidized imports which are sold at L.E. 0.68 per Kg. Even if they import a better quality than the government does, the consumer will still identify imported meat with low quality and will not pay a higher price for it.
- 3.- They can only obtain 40 percent of their foreign currency requirements at the official exchange rate and they must purchase the rest at the higher free market rate.
- 4.- The margins permitted for importers are not attractive. The Ministry of Supply specifies a 9 percent<sup>7</sup> margin for all food imports, including meats. Traders feel that they can do better acting as commission agents for the Ministry, rather than importing on their own account at what they consider to be a low margin.



There is some substantiation for the traders' contention that consumers may not be enthusiastic about imported meats. Analysis of consumer budget surveys indicate that imported meat is not a perfect substitute for the local product and that upper income groups, at least, consider it to be an inferior good (Shapouri and Soliman, 1983). However, this is probably somewhat a reflection of the fact that handling facilities for imported meats have been poor until now, and as a result the quality of the meat has suffered before it was delivered to the consumer. This situation could be changed with improved handling and distribution facilities.

The contention that cold storage facilities are limited also merits attention. In 1979, Egypt is reported to have had 300.612 tons of cold storage capacity. (Table 8) At the same time, per capita consumption of frozen meats, fish, poultry meat, vegetables, butter and cheese was 124 kg. Assuming that only the food for the country's 20 millions urban inhabitants requires storage, and that, on average, these foods must be stored for a period of two months, this would have meant 420.000 tons of storage requirement, more than 100.000 tons more than what was available.

It is reported that average investment costs per ton of cold storage range from L.E. 30.000 to 40.000. Even if the life for such a storage facility is a full 30 years and assuming that meat remains in storage only one month, on average, the amortization costs alone would be L.E. 97 per ton of meat stored. The costs of expanded storage and handling facilities merit further investigation.

Table 8.- Cold storage capacity in Egypt, 1979

| S o u r c e               | Capacity in tons |
|---------------------------|------------------|
| Private Sector            | 72.772           |
| Ministry of Industry      | 5.540            |
| Ministry of Supply        | 56.000           |
| Misr Bank                 | 24.200           |
| Egypt Co. For Exp. & Imp. | 12.000           |
| Gerco Co.                 | 2.000            |
| Joint venture             | 122.100          |
| Others                    | 10.000           |
| <b>T O T A L</b>          | <b>300.612</b>   |

Source: Ministry of Industry, Public Organization for Industrialization.

### CONCLUSION

The preceding discussion shows that Egypt's credit policy for livestock production is weighted heavily in favour of short term loans for feeding operations to produce meat. Very little goes for basic farm establishment or herd development. Very little goes for milk production. Other studies have shown that Egypt has a comparative advantage in milk production but not in meat production (Soliman, Abu-Zaher and Fitch, 1983; Soliman, 1982). Yet credit is not allocated in accord with this comparative advantage. Furthermore, credit seems to be heavily weighted toward large-scale livestock production whereas most of Egypt's livestock is held by small farmers. Other studies have shown that small scale livestock producers are relatively more efficient than large scale producers (Fitch and Soliman, 1982). Thus, again it would seem that credit allocation ignores basic considerations of resource productivity.

Egypt's meat imports appear to be restricted by several factors. Since most imports are made through the public sector and since most involve retail price subsidies, government budget limitations naturally serve to restrict imports, and foreign exchange availability is also a consideration. Nevertheless, meats could be imported and sold at lower than prevailing domestic prices, without subsidy. There are also restrictions on handling and distribution facilities, particularly in cold storage, which would act as bottlenecks, even if the government decided to encourage more imports. Private traders activities are restricted due to government imposed limitations on trader margins, as well as due to limited

availability of foreign exchange. Finally, private traders lack their own facilities for handling large volumes of imported meat.

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دراسة اقتصادية للسياسة الائتمانية والاستيرادية

## للأنتاج الحيوانى

ابراهيم سليمان

موسى عبد العظيم احمد

خلال العقد الاخير زاد استهلاك اللحوم والالبان زيادة كبيرة لدرجة ان الانتاج لم يفي بحاجة الاستهلاك وزاد استيراد تلك المنتجات وارتفعت اسعارها نتيجة زيادة الطلب عليها وفى محاولات لسد حاجة الاستهلاك اتخذت الحكومة عددا من السياسات المباشرة وغير المباشرة والتي منها السياسة الائتمانية والسياسة الاستيرادية وتهدف الدراسة الى التحليل الاقتصادى لهاتين السياستين .

ولقد اتضح ان اجمالى الانتاج الحيوانى للحوم والدواجن والالبان تمثل ٢٥٪ من اجمالى قروض الانتاج الزراعى وتبين ان القروض قصيرة الاجل تمثل ٨١٪ من قروض الانتاج الحيوانى تمثل عمليات تغذية وتسمين القطيع ٩٤٪ من القروض القصيرة الاجل بينما تمثل قروض التغذية ٩٥٪ من اجمالى قروض التسمين وقليل من القروض المتوسطة المدى تدفع لمزارع الالبان رغم ان مصر تتمتع بميزة نسبية فى انتاج اللبن هذا بالاضافة الى ان معظم القروض موزعة على الحيازات الحيوانية الكبيرة على الرغم من ان معظم الحيوانات مملوكة لصغار المزارع .

واتضح زيادة استيراد اللحوم من ٢١ الف طن عام ١٩٦٠ الى ١٢٢ الف طن عام ١٩٨٠ واللحوم البيضاء من ٥٠٧ طن الى ١٢٩ الف طن خلال نفس الفترة وقد استوردت مصر لحوما بمبلغ ١٣٠ مليون جنيه فى عام ١٩٨٠ مستورد القطاع الخاص ١٥٪ من اجمالى ما تستورده مصر وذلك لعدم وجود تسهيلات سوقية للحوم المستوردة ولعدم استطاعتهم مناقسة الحكومة فى اسعارها المدعمة وعدم وفرة العملة الصعبة بالاسعار الرسمية وعدم وجود ساعات تخزينيه كافية وفى النهايه فان هامش الربح غير مغرى للقطاع الخاص فى استيراد تلك اللحوم .