AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
http://ageconsearch.umn.edu
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

CA

WP-68

AGRICULTURAL DEVELOPMENT SYSTEMS EGYPT PROJECT

UNIVERSITY OF CALIFORNIA, DAVIS

THE ROLE OF SPECIALIZED COOPERATIVES AND THE MARKETING OF POTATOES IN EGYPT

By

Fawazy El Shazly
Ministry of Agriculture, Egypt
Refugio Ismael Rochin
University of California, Davis

GIANNINI FOUNDATION OF
AGRICULTURAL ECONOMICS
LIBRARY
WITHDRAWN
NOV 29 1982

WORKING PAPER

ADS/EGYPT

THE ROLE OF SPECIALIZED COOPERATIVES AND THE MARKETING OF POTATOES IN EGYPT

By

Fawazy El Shazly
Ministry of Agriculture, Egypt
Refugio Ismael Rochin
University of California, Davis

Assistance from the Agricultural Development Systems Project of the University of California, Egyptian Ministry of Agriculture, and USAID, is gratefully acknowledged, but the author is soley responsible for the views expressed in this paper.

Economics
Working Paper Series
No. 68

Note: The Research Reports of the Agricultural Development Systems: Egypt Project, University of California, Davis, are preliminary materials circulated to invite discussion and critical comment. These papers may be freely circulated but to protect their tentative character, they are not to be quoted without the permission of the author(s).

March, 1982

Agricultural Development Systems:
Egypt Project
University of California
Davis, Ca 95616

THE ROLE OF SPECIALIZED COOPERATIVES AND THE MARKETING OF POTATOES IN EGYPT

by

Dr. Fawazy El Shazly

Dr. Refugio Ismael Rochin

The purpose of this report is twofold: (1) to present an overview of the role of agricultural cooperatives in Egypt and (2) to discuss the marketing of potatoes by specialized cooperative groups. We briefly review the background of agricultural cooperatives and their role in agricultural performance. Next, we discuss specialized cooperatives; we conclude by examining the cash of potato marketing through cooperatives.

Overview of Agricultural Cooperatives

(1) Background

The first recorded Egyptian cooperative was founded by Omar Lutfy in 1908 in order to provide peasants with low cost loans in place of loans from local money lenders who charged higher rates. By 1914 there were 23 cooperatives in Egypt and several legislative proposals for more in the Assembly. But the cooperative movement soon died because of opposition from big landlords.

From 1920 to 1952 there were several other attempts to revive laws and decrees in support of cooperatives. By the end of WWII there were over 2,500 cooperatives in Egypt, involving over 800,000 farmers. But as Radwan notes, the system reflected the main features of the agrarian system, that is, the predominance

of big landlords in the rural economy (1). As such, the cooperative movement was not very widespread or supportive of small farmers.

In 1952, the Nasser Government enforced agrarian reform. A critical component of land reform was support to small farmers through government cooperatives. All peasants who received agrarian reform land were required to join cooperatives (2). At the outset, the cooperatives were etablished to fulfill two important functions previously controlled by big landlords: the organization of farm production, and the marketing of crops.

Until 1958 or 1959 very few farmers outside agrarian reform estates belonged to the co-operatives, but in 1957 the government initiated a program for extending the institution to other areas. Then in 1962 cooperatives became the sole supplier of agricultural credit and later of fertilizers, seeds, and chemical inputs. At the same time, farmers were compelled to market their cotton and onions through the co-operatives, a regulation extended later to other field crops (3). During the 1950s, the number of agrarian reform cooperatives was relatively small:187 in 1955, 303 in 1958; however, many other voluntary associations were formed (4). Since then there has been a significant growth in the number of cooperatives. Today there are over 5,000 agricultural cooperatives in Egypt with approximately three million farm families represented, covering the country's entire seven million feddans. Cooperatives now exist in nearly every Egyptian village.

(2) Structure and Performance

At the national level there are currently four distinct groupings of agricultural cooperatives: (1) the General Society

for Agrarian Reform (for farmers on the nation's redistributed land), (2) the General Agricultural Cooperative Society (grouping multipurpose cooperative groups), (3) the General Society for Land Reclamation (for farmers on public reclaimed land) and (4) the General Society for Specialized Cooperatives (a grouping of cooperatives for special crops).

The four agricultural societies, are all grouped under the Central Agricultural Cooperative Union (CACU), an entity under the Ministry of Agriculture which was reactivated in 1980, under Law Number 122. It had been dissolved in 1976 when its credit functions were shifted to the Agricultural Development Bank's village banks.

Below the national level, the next strata of cooperatives corresponds to the administrative division of the country: the Governorate (Muhafaza) and the District (Markaz). Village cooperatives are organized at the District level in the joint cooperatives.

Each village has a cooperative, run by an elected board of 5 to 11 persons. By law, 80 percent of the Board (Council) must be small farmers; but they have had little decision-making power to date. The village cooperative is managed by a supervisor (mushrif), appointed by the Ministry of Agriculture.

Several problems beset the cooperative movement in Egypt:

(1) Relatively few villagers take active part in cooperative decision making or know the principles of cooperation.

(2) Few cooperative board members question the decisions of the MUSHRIF.

(3) There are cases of fraud and embezzlement in village cooperatives.

(4) The cooperatives experience waste and inefficient

utilization of resources.

All of these problems can be derived from the fact that most cooperatives are organized from the top down by legislative fiat with prescribed by-laws and functional limitations designed by government officials, rather than being formed by the farmers themselves. Although there is a degree of merit in this type of governmental action, it does create serious problems which in the end impede agricultural cooperation.

As currently administered, the farmer has the tendency to view the cooperative as an extension of government and not as his or her own organization intended to provide services and benefits. The farmer has little motivation to be an active participant. Furthermore, the measure of using government appointed supervisors (Mushrif), only reinforces the farmers distrust of the cooperative system.

Despite these problems, cooperatives provide an important two-way delivery system and a communication network for agriculture, and have enabled the government to reach the remotest parts of the country. The cooperatives intervene directly in the production process through the pooling of fragmented holdings and by performing various tasks (such as pest control for cotton). Cooperatives also provide machinery, such as tractors and threshers. Until 1976 multipurpose cooperatives played a role with farm credit, but the authority was delegated to the Agricultural Credit Bank of Egypt by Law No. 117, now the banks provide credit directly for farming inputs like seeds, fertilizers, pestruds, pest control equipment, jute bags, feed, etc. It should be noted, however, that agrarian reform and land reclamation cooperatives sometimes provide credit to their members. The cooperatives also carry out the national plans for

the aggregate output of agriculture and assist in the identification of input requirements such as seeds, fertilizers and credit. The cooperatives are the only channel for the requisition of cotton and are a major supplier of seed.

THE ROLE OF SPECIALIZED COOPERATIVES

(1) General

Of utmost importance in the marketing of farm products are the Specialized Cooperatives. They differ from the cooperatives for agrarian reform, land reclamation and multipurpose groups in one important respect: they are managed by self-appointed managers, and not by government appointees. Furthermore, farmers can voluntarily join Specialized Cooperatives. While the farmer must patronize the multipurpose, cooperative to which he belongs in order to obtain inputs and to market controlled products, the farmer may or may not use Specialized Cooperatives. This fact alone means that the Specialized Cooperative must function well if they are to maintain their membership.

In Egypt there are nine Specialized Cooperatives covering the following commodities: (1) potatoes, (2) sugar cane, (3) onions and garlic, (4) rice, (5) oil crops like peanuts, sesame, flax, cotton seed, (6) vegetables and fruits, (7) flowers, nursery and aromatic plants (8) cotton and linen products and (9) livestock and its products. Most Specialized Cooperatives are organized at the national level. But some, like the General Specialized Cooperative for Potato Producers, have branches at the level of the Governorate. These, in turn, draw on members from the village level. The typical Specialized Cooperative is composed of a Board of Directors, Executive Committee, Project Implementation

Committee, General Manager and units for planning, accounting and sales. No more than one Specialized Cooperative is set up in a Governorate, and the decision to allow a Specialized Cooperative is made by the Governor. If the working area of the cooperative includes more than one Governorate, then its authority is determined by the Ministry of Agriculture.

In 1978 the Members and Board of Directors of Specialized Cooperatives of Alexandria, Beheira, Gharbia and Menufia voted to unite and form a central cooperative marketing society to market member's fruits and vegetables. This action resulted in the legal formation of the United Cooperative Society (UCS) under the Egyptian statute governing cooperatives. The UCS Board of Directors consists of 12 members (See Figure 1). The number of members entitled to vote in the General Assembly totals approximately 10,000, all of which are producers of fruits and vegetables. Each member is the holder of one fully paid share of common stock valued at L.E. 15. The United Cooperative Society is a unique conglomeration which adds considerable economic strength to the marketing of fruits and vegetables for the four governorates.

In general, Specialized Cooperatives provide services in the following areas:

(1) Input supplier (credit) seeds, insecticides, sacks, miscellaneous equipment and other supplies.

(2) Processing and Storage - storage is supplied for vegetable seed including potatoes and some other vegetables until sold. Some processing facilities are provided for vegetables and fruits.

(3) Product Sales - determination of conformance to

standards and goods, operation of collection station, transportation from collection station to processing centers and to both domestic and export markets.

(4) Technical assistance - specialized skills and resources to combat climatic, and biological problems and to advise on sales and marketing.

(2) The Case of Potatoes

Until 1959 anyone could import potato seeds for production but in that year the High National Purchasing Committee Commodity Decision Committee for Supply, limited importation to the Specialized Cooperative for Potatoes (Ministerial decree No. 96, 1959). Potato seed imports presently are still allowed only by the Potato Cooperative.

The quantity of seed imported depends on the farmer's decision to produce at the village level. After the farmer has determined his or her needs for potato seed, the farmer leaves a cash deposit of L.E. 30 with the cooperative.

The imported seeds are disbursed by the General Specialized Cooperative to: (1) the Export Union which handles potato seed for private producers, and to (2) the Governorate branches of the potato cooperatives, which in turn, deliver the seed to village farmer members. Of the 47,086 tons of imported seed in 1979 for the 1980 crop, 10,250 (about 22 percent) went to the Export Union and the rest to the potato cooperative members.

In recent years the average area planted in potatoes has been about 140,000 feddans. There are two types of potatoes, red and white. The average yield has been approximately one million tons. In 1980, 143,860 metric tons of potatoes were exported, of which 95,000 tons (or 66 percent) of potato exports were shipped by the

Cooperative group. Most exports go to England, Ireland, Germany, Bahrain, Saudi Arabia and Jordan. Exports to the EEC occur in March to mid-April. The current level of exports is below the storage capacity of 200-250 thousand tons.

(3) Conclusion:

At this time we are in the process of studying the Specialized Cooperatives in more detail. For now, we have some tentative conclusions regarding the role of Specialized Cooperatives for horticultural crops:

(1) With regard to the criterion for efficiency Potato cooperatives have not yet achieved their potential for economies of scale. They have relatively high administrative costs and the storage facilities experience long periods when they are not employed. However, cooperatives appear to use storage facilities at a higher rate than private facilities.

(2) With regard to the criterion of stability, the potato cooperative is playing an important role in the stabilization of product price. It is providing farmers with some assurance of a reasonable price over their costs of production. As well, in some years the cooperatives have paid dividends to members.

(3) With regard to the criterion of equity, the Potato Cooperative provides equal opportunities for small farmers as well as large to receive services from the cooperative.

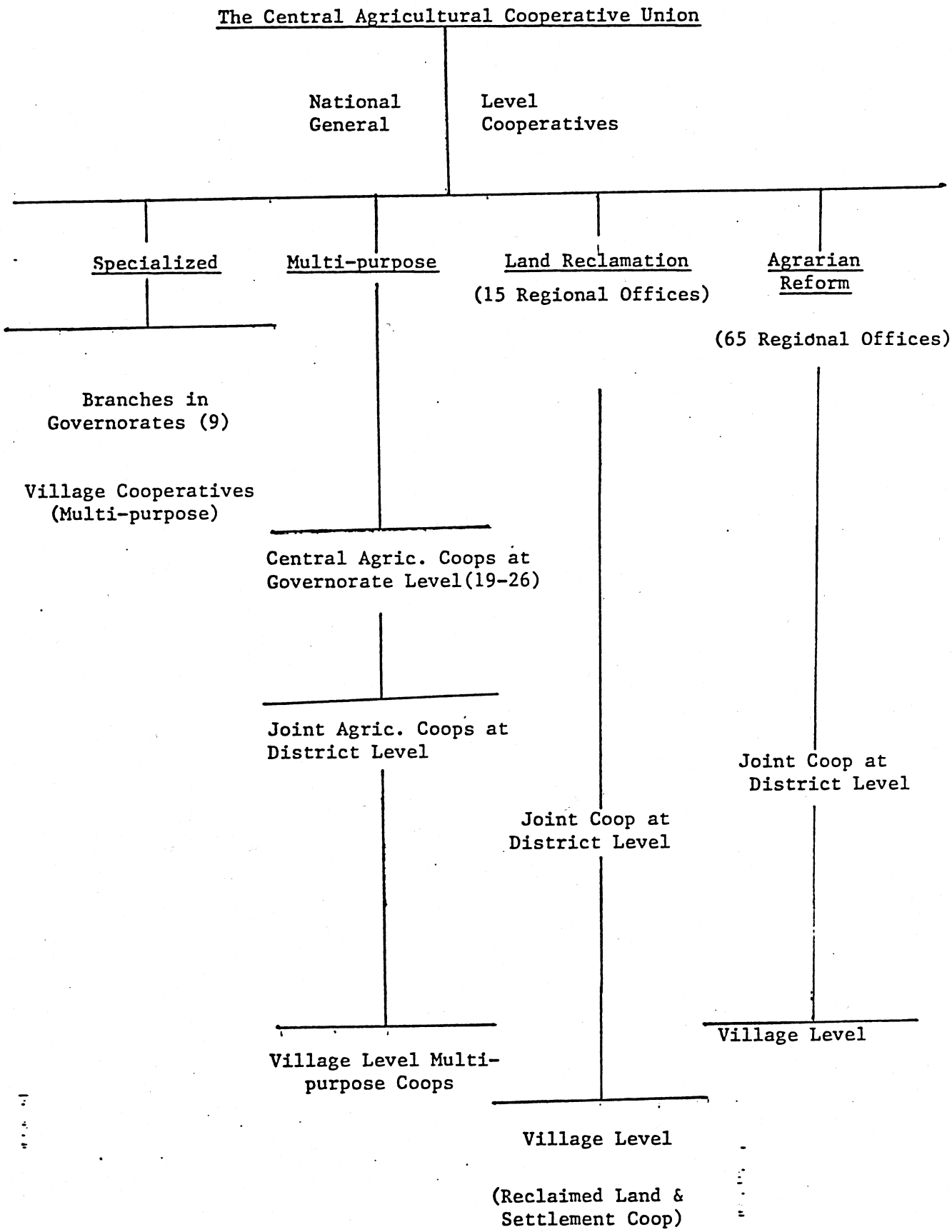
FOOTNOTES

[1]Radwan, Samir Agrarian Reform and Rural Poverty in Egypt Geneva, ILO, 1977, P. 57.

[2]Richards, Alan Egypt's Agricultural Development, 1800-1980: Technical and Social Change (Boulder, Colorado: Westview Press 1982), P. 180.

[3]Mabro, Robert: The Egyptian Economy 1952-1972, (Oxford: Clarendon Press, 1974) P. 69.

[4]Mabro, Ibid, P. 70.



Number of Local Coops	4170 (1976)	177	684