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**Executive
Summary**

**The Export Orientation of the Egyptian Agriculture
between Reality and Ambition**

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Introduction

In April 2021, Egypt began implementing the second phase of the economic reform program, which aims to restructure the Egyptian economy by focusing on sectors of the real economy, including the agricultural sector. The structural reform program for this sector aimed - among many other goals - to increase the share of exports of farm crops and agricultural industries of the total value of merchandise exports to 25% in 2024, compared to 17% in 2020. The state's interest in the advancement of agricultural exports is due to Egypt's climatic and spatial advantage, and crops (primarily horticultural crops of interest in this study) have a high comparative and competitive advantage and good and wide international and Arab reputation.

Despite the state's great efforts to promote agricultural exports, the quantity and value of such exports are still much less than that of many competing countries. The World Bank also indicated that the untapped export potential for Egyptian exports of fruits amounts to 60%, and of vegetables to 57% of its available and exploitable counterpart.

Based on this, the importance of the research comes, in addition to the variables witnessed by the global and local arenas that have a direct impact on the agricultural exports of Egypt. This includes the negative effects of the repercussions of Covid-19 on global supply chains, high energy prices, shipping prices, and duration, as well as the effects of climate change, which the countries of the world and Egypt are witnessing, on the agricultural production of export commodities.

Objectives

The study seeks to clarify the current situation of agricultural exports in Egypt and the trends of their development. in addition to the competitiveness of these exports to monitor governmental and non-governmental efforts in support of promoting agricultural exports; and to reveal the most important determinants and challenges facing the advancement of agricultural exports, especially exports of horticultural crops. Also, the study aims to present a set of mechanisms and ways for decision-makers and policymakers to face challenges and promote agricultural exports.

Methodology

In order for the study to achieve its objectives, a number of methodologies and methods were relied upon, including

- (a) The analytical descriptive approach to the data and information contained in studies and sources (local and international) related to the subject of the study,
- (b) holding an interactive dialogue with a group of experienced workers in different fields of agricultural export activity,
- (c) conducting an electronic questionnaire for a relatively limited number of exporters.

Findings

The study reached a set of results, the most important of which can be summarized as follows:

- Concerning the directional developments of the current conditions of Egyptian agricultural exports during the period (2010-2020), the results are:

- The ratio of agricultural exports to total merchandise exports took an increasing general trend from 2012 to 2015, where it achieved the highest percentage during the second decade of this century, 23.1%, then decreased until 2018, after which it rose again until it reached about 20% in 2020.
- The agricultural trade balance witnessed a continuous deficit whose value ranged between a minimum of \$ 6.7 billion and a maximum of \$12.9 billion. This deficit is mainly due to the increase in imports, as the value of agricultural exports during that period was almost stable, ranging between \$ 4.7-5.6 billion.
- The quantity of exports of horticultural crops witnessed significant developments during the years between 2005 and 2021, as citrus exports increased by about eight times, exports of potatoes by nearly 15 times, the quantity of grapes increased by about six times, and the same extends to the rest of horticultural crops.
- The commodity structure of Egypt's agricultural exports in 2021 indicates that only five crops account for about half of agricultural exports, namely citrus (31%), potatoes (10%), onions (5%), grapes (2.5%), and potatoes (2%).

- Regarding the competitiveness of Egypt's exports of horticultural crops, the analysis revealed during the period (2010-2020) the following results:

- Concerning vegetables, Egypt has a comparative advantage, more strongly in a large number of those crops, the most important of which are fresh potatoes, fresh and dried onions, fresh and dried beans, fresh and dried peas, and dried leguminous vegetables. Egypt also has a strong comparative advantage in some other crops. The main ones are tomatoes, and fresh and chilled garlic, while they have a weak comparative advantage over carrots,

cucumbers, and other vegetable crops. Regarding fruit crops, Egypt has strong competition among most of those crops, the most important of which are: oranges, grapes, strawberries, tangerines, guavas, and grapefruits. The average value of the relative advantage index for most of those crops increased during the period (2015-2020) compared to the average for the period (2010-2015).

- **Concerning the development of quantities and export prices for the horticultural crops under study** [(potatoes, onions, tomatoes), and (oranges, grapes, and strawberries)] it was found that the quantities of exported vegetables witnessed a clear fluctuation during the study period, while their export prices took a general decreasing trend except for 2020. As for fruit crops, the exported quantities have taken an upward trend until 2019, while export prices were almost stable, while strawberry exports witnessed a large annual fluctuation in both quantity and value.

- **Analysis of the geographical distribution of the export commodities under study** revealed that nine European countries (Russia in the lead with 37%) account for 73% of the average Egyptian exports of potatoes. 11 European countries (Germany and the Netherlands in the forefront) account for 73% of average Egypt's exports of onions. As for tomatoes, the Arab countries (Saudi Arabia at the forefront with 35%) import 80% of Egypt's exports. As for orange exports, the largest part is shared by Arab countries (especially Saudi Arabia 19%) and European countries (especially Russia 20%), and Arab countries account for about half of Egypt's exports of strawberries, while the bulk of grapes is exported (77%) to seven European countries, led by the United Kingdom and the Netherlands.

- **An estimate of the market share index for vegetable exports** revealed that the most important international markets in which Egypt's exports of potatoes are concentrated are Lebanon, Ukraine, Russia, Greece, Kuwait, Turkey, Slovenia, and Oman. For onions, the main markets were Germany, Croatia, Hungary, Japan, the Netherlands, and Belgium. The most important markets in which Egypt's tomato exports are concentrated were Saudi Arabia, Syria, UAE, Kuwait, Bahrain, Oman, Qatar, and the Netherlands.

- **Regarding the market share of Egypt's exports of fruit crops**, South Africa, Slovenia, Oman, Italy, Kuwait, Sudan, and the United Kingdom came at the forefront of the markets in which Egypt's exports of grapes are concentrated Its exports of oranges are concentrated in Jordan, India, Saudi Arabia, and Oman. Russia, Ukraine, Kuwait, and Lithuania, while Egypt's exports of strawberries are focused in South Africa, Saudi Arabia, the UAE, Kuwait, Belgium, Malaysia, and Ireland.

- **The results of the market penetration index analysis for vegetable crops** revealed that the highest values of the Egyptian potato penetration rate were in the markets of Oman, Kuwait, the Emirates, Lebanon, Greece, Slovenia, and Italy, while the highest values of the Egyptian onion penetration rate were recorded in the markets of Croatia, Hungary, Belgium,

and Germany. The highest values of the penetration rate of Egyptian tomatoes were achieved in the markets of Saudi Arabia, the Netherlands, the United Arab Emirates, Kuwait, Bahrain, Qatar, and Syria.

- **Concerning the market conquer the rate of Egypt's exports of fruits**, the highest values of grapes' penetration rate were achieved in the markets of Holland, Sudan, Kuwait, Singapore, the United Kingdom, and Belgium. For oranges, the highest values were recorded in the markets of Lithuania, Saudi Arabia, Kuwait, Russia, Ukraine, and the United Arab Emirates. Bangladesh, and the Netherlands; while the highest values of strawberry penetration rate were recorded in the markets of Kuwait, Ireland, Belgium, Germany, South Africa, the Netherlands, and Russia.

- **The results of estimating the price competitiveness index of Egyptian exports of vegetable crops** compared to competing countries revealed that Egypt is superior in price in exporting potatoes to China, the United States, Canada, Spain, the Netherlands, and the United Kingdom. It is outperformed by Russia, Germany, France, Pakistan, Belgium, and India. Egypt is also superior in price to onions over Hungary, Russia, Belgium, France, and the United States of America; while Pakistan, Malaysia, Spain, Poland, and India are superior to Egypt. Egypt also has a price advantage for tomatoes compared to the countries of the Netherlands, Canada, the United States of America, France, Spain, Morocco, and Belgium, while Jordan, China, and Turkey outperform it.

- **Concerning the price competitiveness index of Egypt's exports of fruit crops**, it became clear that for oranges. Egypt outperforms all competing countries such as China, Italy, Morocco, the Netherlands, Turkey, Greece, Spain, and the United States of America. As for grapes, Egypt is superior in price to China, the United States of America, Spain, and the Netherlands. It is outperformed by Chile, India, Italy, Turkey, and South Africa. As for strawberries, Egypt has a price advantage compared to some competing countries such as the Netherlands, France, Germany, Morocco, Belgium, Italy, and Mexico; while the Netherlands, Mexico, Greece, Turkey, and Poland surpassed it.

The study revealed that despite Egypt has price competitiveness in the commodities under study compared to many competing countries, the export quantities of some countries of these commodities were higher than the Egyptian exports of the same commodities.

- **Concerning governmental - and non-governmental - efforts in support of promoting Egyptian agricultural exports, the study found the following:**

- The Egyptian government has concluded many trade agreements that are useful in facilitating access to foreign markets, including the Arab Mediterranean Free Trade Agreement "Agadir", the COMESA Agreement, the Egyptian-European Partnership Agreement, the Mercosur Agreement, and the Agreement to Establish the Greater Arab Free Trade Area (JAFTA); in addition to many bilateral agreements.

- The Agricultural Bank of Egypt, within the framework of the Central Bank's initiative to provide loans with soft interests not exceeding 5% to implement various agricultural projects. To alleviate the financial burdens borne by farmers in light of the repercussions of Covid-19, the Bank has written off debts from a large number of them, postponing payment dates of installments, and exemption of defaulters from repaying loans, amounting to LE 8.9 billion.

- A large number of international organizations concerned with the advancement of horticultural crops provided technical support, organized training courses, and provided loans and grants for a group of agricultural projects. During the last three years, 56 agricultural projects received an amount of LE 14.5 billion.

The Central Administration of Agricultural Quarantine, in cooperation with the Export Council for Horticultural Crops, lifted the ban imposed by some Arab and foreign countries on Egyptian agricultural exports and opened new markets, which numbered 38 during the last three years. Introducing and producing new export crops with a competitive advantage, such as quinoa, and cassava.

- Implementation of the coding system for export production farms and packing and export stations, to ensure compliance with global standards and controls set by importing countries. This system relies on tracking export crops through satellites and remote sensing, starting from seeding, passing through the different stages of the value chain, until the arrival of shipments to the importing country. Providing technical instructions, and conducting a comprehensive medical examination for workers in coding farms, considering that this step represents one of the requirements of importing countries.

- Launching initiatives to return the overdue receivables from the export subsidy fund at the Export Development Fund.

- Conducting legislative development for several laws, including the Agricultural Cooperatives Law, the Contract Agriculture Law, the Organic Agriculture Law, and the Agricultural Solidarity Fund Law.

- Increasing the volume of public investments directed to the agricultural sector more than fivefold in five years, from LE 5.2 billion in 2014/2015 to about LE 28.7 billion in 2019/2020. The spending of these investments has been linked to the implementation of a large number of projects that contribute to the advancement of agricultural exports, including the 1.5 million feddan project, the 100,000-acre project for agricultural greenhouses, the New Delta project, the project to develop and modernize the agricultural and irrigation system, the central laboratories development project, and the National Project for Horticultural Crop Development, and other projects.

- Establishing the National Food Safety Authority, which is responsible for controlling food handling, issuing legislation related to food safety, as well as approving packing and export stations.

- Launching several electronic platforms to enhance the access of data, information, and export opportunities to exporters. The Export Development Authority launched the Egyptian Export Portal. This site provides exporters with information about the volume of Egypt's exports of various products, importing countries, and export opportunities. The site also provides the opportunity for exporters to submit requests for advisory services from the authority, such as training, communication with commercial representation offices, and service providers related to export such as shipping services. The Ministry of Agriculture and Land Reclamation also launched some export electronic platforms, including the Agricultural Egypt platform, the Agri Today platform, and the Hodhod friend of the farmer platform. It serves as a digital agricultural guidance system, and to the launch of the Al Falah Card project.

- **Concerning the challenges and determinants of developing Egyptian agricultural exports**, the study revealed the existence of several general and special problems (which may be associated with a category, or a certain stage, and there may not be a great deal of consensus around them), among the following.

- Absence or blockage of channels of communication and dialogue with policymakers and decision-makers, which prevents holding periodic meetings to discuss problems facing exporters, and reaching solutions for them by officials who may be interested only in collecting the imposed fees.

- Weak government role in providing a national fleet for maritime transport, especially fast boats, and the lack of sufficient air cargo spaces. This problem is considered one of the problems governing and restricting the flow of exports of crops, especially during the peak times and seasons of export activity, which results in the repeated increase in the cost of shipping, the accumulation of containers and refrigerators in some Egyptian ports, and the length of the sailing period, which exposes exporters to great losses.

- Weak links between the circles of agricultural export chains, as small and medium farmers are still far from effective and equitable participation within the agricultural export chains.

- Modesty of quality levels, specifications and safety standards for a significant proportion of exports, and this problem is among the main factors in the imbalance between the quantities that Egypt exports of most crops, and the value or export return. For example, Egypt occupies first place in the quantity of exports of citrus, while it comes in third place in terms of export value.

- The great shortcoming in some production requirements, especially chemical fertilizers, and nitrogenous ones in particular, with the recurrence of price hikes, where major exporters suffer more from this shortcoming. They are allowed to disburse fertilizers that are sufficient only for a maximum area of 20 acres, forcing them to buy their needs at prices of the black market from quotas of subsidized small farmers.
- Inadequate funding allocated to small exporting farmers and its unfair trade terms, which may hinder these farmers without spending sufficient and necessary for production with good export specifications.
- The suffering of small and medium exporting farmers from fees, burdens, and procedures of the coding system, which greatly weakens their demand for it, despite its importance in raising quality standards and gaining the confidence of importers, in addition to the weak role of official authorities (such as agricultural directorates and departments), and cooperative societies in persuading and attracting small and medium farmers Exporters to join this system.
- Weak mutual trust between major exporters and their small farmers' counterparts. Small exporters complain that major exporters who own sorting, grading, and packaging stations do not help them in using these stations. Large exporters also complain that some small exporters engage in free speculation in foreign markets. Some of them sell on commission and export large quantities that exceed the needs of foreign markets, which lowers export prices.
- Weak commitment on the part of a broad sector of medium and small farmers to fulfill the supply of crops to exporters in the event of the relative rise in prices in the local market.
- There is a degree of inconsistency and institutional duplication. Despite the main role of the agricultural quarantine in playing the technical role in verifying the standards of validity of export products. There is a Food Safety Authority that plays a similar role despite the lack of consideration by importing countries with the certificates issued by this authority.
- The weak role of Egypt's commercial representation in importing countries, and this role is limited to routine work, without contributing to opening new markets or solving any problems that may arise for exporters in foreign countries.
- The absence of protocols and trade agreements with some countries constitutes an obstacle to the ease of exporting to those countries.
- The shortcomings in the role of agricultural cooperative societies in many areas that can support and enhance export activity, as well as the sterility of the law of agricultural cooperative societies.

- Delays in returning dues to exporters from the Export Support Fund, despite the initiatives announced to meet those dues on time, in addition to the significant increase in the discount rates imposed on those dues once they are met.
- The multiplicity, inconsistency, and inconsistency in the export data and information issued by the various Egyptian authorities may prevent giving a true picture of those exports, their performance levels, and ways to develop them, whether for researchers and scholars, or planners and policy-makers.

Recommendations

In its last chapter, the study reached a set of recommendations on the mechanisms and ways in which Egyptian agricultural exports can be promoted. Among them are the following:

Concerning the mechanisms of promoting Egyptian agricultural exports, the study suggested two mechanisms:

- Establishing the Higher National Committee for the Advancement of Egyptian Agricultural Exports, which is considered a (new) mechanism as a high-level entity organized within the framework of various actors and bodies within the export value chains of crops, including the higher authorities that take decisions and make relevant policies. Among the tasks of this committee is to maximize the level of participation and interaction between the various components and links of the value chain, set strategic goals for agricultural exports, programs, and plans to achieve them, and presenting and discuss the determinants and problems facing those exports, and finding appropriate solutions to them.
- Developing and modernizing the Central Administration of Plant Quarantine (awareness of an existing mechanism), through the development of the law (Agriculture Law No. 3 of 1966), within which the administration is still working. Expanding the scope of the administration's work to include oversight and examination of export production farms, sorting and grading stations, and upgrading the infrastructure of the administration in the fields of information and communication technology according to the latest global quarantine systems. The application of an effective mechanism to follow up and evaluate the performance of the central administration to detect deficiencies and work to address them. This is in addition to supporting the administration with more qualified cadres, enhancing its financial resources, and supporting it with modern devices and tools.

Concerning ways to promote agricultural exports, the study suggested the following:

- Concerning the production of export crops, the study recommended expanding the cultivation of non-traditional horticultural crops, and organic farming in the lands of new

national projects, providing fertilizers by liberalizing their prices. Encouraging research institutes to expand the development and production of highly productive and disease-resistant vegetables and fruit seeds that are compatible with the expected climatic effects. Paying attention to the production and export of agricultural products of high quality, healthy, and environmentally friendly, to comply with environmental standards and requirements.

- Concerning internal marketing, the study suggested expanding the establishment of grouped logistic centers to carry out sorting and grading operations, expanding the dissemination of the agricultural export coding system on all export farms, and generalizing it to all export crops. In addition, establishing cooperative companies that include small farmers seeking to export under the principles of cooperation; making the necessary amendments to the law on cooperatives. Moreover, tightening control procedures on local shipping ports to avoid the shortcomings and bureaucracy that may exist there and facilitate the procedure of loading, unloading, and customs clearance in Egyptian ports.

- Concerning shipping agricultural exports and marketing them externally, the study recommended pumping more investments to increase airfreight capacities, and develop sea freight capacity and port capacity. In addition, reduce sea and air freight costs, establish an Egyptian joint-stock company in the field of maritime transport, and provide fast and regular shipping lines to transport crops to major markets in Arab and European countries. Moreover, expand the establishment of commercial offices in major foreign markets, and work to activate the performance of Egyptian commercial representation offices abroad to enhance opportunities for agricultural exports to enter foreign markets.

- Concerning trade agreements, the study recommended the necessity of signing commercial cooperation protocols with more European, Asian, and African countries that would facilitate the process of penetration of Egyptian agricultural exports to the markets of those countries. In addition, activate the terms of the existing trade agreements between Egypt and the regional and international economic blocs, to maximize the benefit of the preferential advantages granted by these agreements to Egyptian agricultural exports. Moreover, enhancing the benefit of these agreements in increasing foreign direct investment opportunities in Egypt to transfer new technologies in the field of production of selected seeds and green trade in agricultural commodities.

The study also recommended another set of government policies and procedures that enhance the export process, including stimulating the private sector to invest in the areas of marketing infrastructure, while facilitating their access to soft finance. Furthermore, provides marketing data and information to small agricultural producers and exporters through the dissemination of electronic platforms, and increasing monetary support: indirectly (such as supporting sea and air freight operations, supporting foreign exhibitions and trade missions, and supporting the preparation of specialized studies and research to

advance agricultural exports). Moreover, reconsidering the current system of direct cash support for agricultural exports, along with making policies that would strengthen institutional and organizational mechanisms that enhance Export. This includes contract marketing policies, marketing extension, agricultural cooperatives, and other farmers' marketing and production organizations, and finally to the importance of providing accurate and detailed export information and data to researchers, decision-makers, and policymakers