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HUSSEIN EL-AZZY

COOPERATIVE
MARKETING
OF
PADDY RICE
IN EGYPT

245

COOPERATIVE MARKETING OF PADDY RICE IN EGYPT ;

AN ANALYSIS AND EVALUATION

A Thesis

Submitted To

The Department Of Management

Of the American University in Cairo

In Partial Fulfillment

of the requirements for the Degree of

MASTER OF ARTS

by

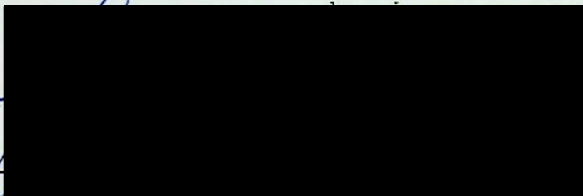
Hussein Youssef El-Alfy

March, 1973

This Thesis for the Master of Arts Degree

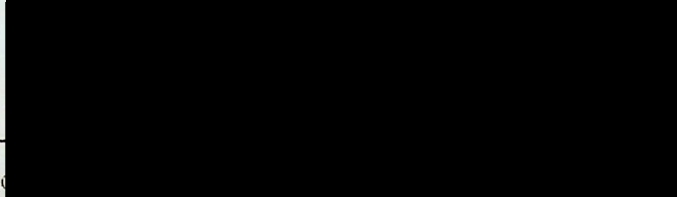
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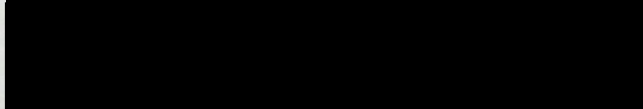


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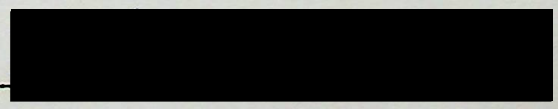
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Reader, Thesis Committee

24 May 1973

Date



Chairman, Department of Management

AN ABSTRACT OF THE THESIS

The objective of the study is to analyze the results obtained from using the cooperative marketing system for rice in Egypt as it affects both the grower and rice mills.

It includes seven chapters, appendices, and a bibliography.

The first chapter is an introduction. It gives a short presentation of the cooperation history, emphasizing the agricultural cooperation. A short description of using cooperative marketing for crops in Egypt is presented.

The second chapter gives a brief study of the importance of rice as one of Egypt's main crops. Rice provides farmers with a good income, and the economy with hard currency. It is a main consumption article for local markets and a cheap food for the people.

The third chapter describes the different methods used in marketing rice before the cooperative system. Rice was sold directly to mills or through middlemen. Although there were some restrictions, growers were free to choose the method best suited to their conditions. Both advantages and disadvantages of this free system are discussed.

The fourth chapter includes the different stages of the cooperative marketing system starting from 1965 to 1971, describing the main changes in each season.

The fifth chapter presents the main problems of cooperative marketing that were met either by growers or by rice mills. These problems were the result of either the failure to make a well studied

plan for the system, or of the shortage of personnel and equipment.

Chapter six includes a summary of the main points and conclusions.

Chapter seven recommends solutions to some of the problems mentioned.

In the appendices, eight tables are presented. The first one gives rice acreage per varieties and yield during 1969, 1970 and 1971. The second appendix presents rice acreage and crop in the different governates from 1966 to 1968. Appendix three presents rice production and exportation in Egypt compared to the international production. The main changes in the cooperative marketing system during the first six seasons are summarized in five tables presented in appendix four to eight.

The bibliography lists the sources used in writing the thesis, not every work examined but those that were found relevant.

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CHAPTER I. INTRODUCTION

Cooperation is as ancient as mankind itself. In one manner or another, humans have not only found it advantageous but congenial to work together. Man had depended on cooperation to satisfy such needs as hunger and the need for shelter and self defense. Later as his needs multiplied, he relied more and more on cooperation and the help of others.¹

Cooperative societies were mentioned in one of Ramses speeches found on papyrus. The King said . . .

"I helped the poor and needy through the cooperatives centers, I made prosperity envelop the people after a long lived depression."²

The instinct of cooperation is an ancient deep rooted one, we can see all the prophetic religious considering cooperation a virtue and means to the happiness and improvement of man. In the Table Spread (El Maida) Surah of the Koran, it was written :

"But help ye one another unto righteousness and pious duty. Help not one another unto sin and transgression, but help your duty to Allah."³

As to the history of organised cooperation or the history of the cooperative societies organised by definite laws and conventions, they started in the seventeenth century when the first voluntary societies appeared in England with the purpose of helping the needy.⁴

The system of agricultural cooperative societies in their present state appeared in Europe in the middle of the nineteenth century.

It helped improve farming to such an extent that it became a known fact that the increase in the agricultural wealth, and the better conditions of the farmers and villagers are a direct result of the spread of this system. In France, societies appeared in the beginning of the nineteenth century with the purpose of cooperation in farming the land, fighting floods and draughts, for draining swamps and turning useless land arable one.⁵

Now in our days, scarcely a nation in the world is without something that is termed a cooperative organization. Socialist or Capitalist, developed or less-developed, young or old, they all claim them, and most nurture them. In recent decades such nurturing had been especially pronounced in less-developed and newly emergent nations.

The group work through the cooperative movement has been used to market the agricultural products in the U.S.A. and most of the Western European countries to achieve the maximum benefits possible. As for the cooperative marketing in the Eastern European countries and the U.S.S.R., it is carried over by the cooperative and collective farms within their economical operations. It depends on the general plan put by the State to increase the productivity and permit a suitable income to the members of these farms. The plan works through the mutual agreement between these members and the Public Organizations or the cooperative establishments that distribute the agricultural products, industrialize them or prepare them for the markets.⁶

The degree of specialization in cooperative marketing depends on the nature and quality of the agricultural product and general framework of the national economy. Some countries provide facilities to agricultural cooperatives only at local markets, while others establish specialized marketing cooperatives at local, regional or national levels.

The main objective of most agricultural cooperative systems is to increase the income of growers. To achieve this objective, several methods are used :⁷

- I. By increasing the selling price of the crops.
- II. By acquiring the profits of wholesalers and middlemen.
- III. By decreasing marketing expenses.
- IV. By decreasing production costs.

In Egypt, several efforts were made before 1952 to use cooperative marketing for agricultural crops. A few cooperative societies were established especially those for marketing fruit and vegetables. They were not very successful.⁸ In 1957, the government decided to start an agricultural cooperative credit system. This system was based on giving loans to growers and marketing their crops cooperatively to be able to get a better income from their efforts. This objective was not obtained. Although growers got loans according to the system, cooperative marketing of the crops failed. The main problems causing this failure were :

- I. The cooperative societies had neither the personnel nor

the facilities needed to market the different agricultural crops.

- II. Some wholesalers and merchants fought the system by such methods as increasing their buying prices in the beginning of every season over the prices paid by the cooperative societies, compensating it by reducing the grade or weight.
- III. The loans given to the growers were collected from the price of the crop delivered to the agricultural society. In selling to a merchant instead of delivering his crop to the society, a grower could avoid paying his debts or at least postpone them to next season.
- IV. Many growers could not wait for final settlement of accounts by the societies, so they sold to merchants for ready cash.

It was only after 1961 that cooperative marketing started to take a major role in developing agricultural policy. As a result of the second Agrarian Reform Law in 1961, landowners increased to 3.08 million, owning about six million acres. Approximately ninety-four per cent of them had less than five acres each. According to other 1961 socialistic laws, industrialization activities of the main agricultural crops such as cotton and rice milling, as well as their exportation were handled only by the Public Sector.⁹

As these factors affected the marketing of agricultural crops, the government enforced a new cooperative policy. While the farmer is

the owner of the land, he was obliged to cultivate it according to a general plan set for every village. The agricultural society became the dominant figure in agricultural activities. It provides growers with their requirements such as seeds, fertilizers, insecticides, machinery and cash. After harvesting, it receives most of the crop, paying the growers and settling their accounts. The society represents the growers in selling the crop to the mills or consumers. More attention is given to the agricultural societies to help them succeed in their work. Their number increased to about 4,000 societies by 1964.¹⁰

As it was not possible to enforce this new policy for all the crops, it started with cotton which is Egypt's main crop, representing thirty eight per cent of the total agricultural income and seventy nine per cent of Egypt's whole exportation. In the first year, the 1962/63 season, about 656,618 kantars of cotton was marketed cooperatively.¹¹

In 1965, rice, Egypt's second largest crop, started to be marketed cooperatively.

Now, most of the crops are cooperatively marketed. The ministry of Agriculture is currently studying a program to generalize this policy for all agricultural crops.

Cooperative marketing is a new policy in the Egyptian agricultural structure, but is expected to play a dominant role in the future.

The objective of this study is to analyze one part of the cooperative system, and to analyze the results obtained from using the Cooperative Marketing System for rice in Egypt as they have affected

both the rice grower and the rice mills.

This introductory study, by providing information comparing results obtained, and by presenting conclusions and recommendations may help others to continue and present more studies to overcome the difficulties felt. It will not aim at discussing the best system to be used in marketing Egyptian rice, but at studying difficulties met in practicing one certain system. Egypt decided to use the socialist solution for its problem of economic and social underdevelopment.¹² To achieve this, socialist planning became necessary, and the economy became a guided one. Accordingly we must think and act along these lines. Since cooperative marketing was chosen for the main agricultural crops as a part of the national plan, research should be limited to investigate the application of this policy.

Chapter II of this study will give a brief study of the importance of rice as one of Egypt's main crops.

Chapter III describes the different methods used in marketing rice before the cooperative system. Rice was sold directly to mills or through middlemen. Although there were some restrictions, growers were free to choose the method most suitable to their conditions.

Chapter IV includes the different stages of the cooperative marketing starting from 1965 till 1971, discussing the main changes.

Chapter V describes main problems of the cooperative marketing that are met either by growers or rice mills. It analyzes the facts and seeks to explain the causes of the problems encountered.

Chapter VI presents conclusions arrived at after summarizing facts presented, in order to point out the main causes of problems. This provides the basis for chapter VII, which presents and discusses recommendations presented as a solution that can be discussed and perhaps modified by coming researchers. These recommendations do not present only a private opinion, but also the suggestions of many people who have been working in growing, marketing and milling rice.

Unfortunately, some of the figures and data presented are not up to date. The reason is not insufficient research, but their inavailability.

FOOTNOTES

1. "Co-Operation," Encyclopedia Britanica, the University of Chicago, 1946, Vol.VI, p.382.
2. Fatima Salim, "The Agricultural Cooperatives and Their Effect on Shatnuf Village," (Arabic), unpublished Diploma Thesis, The High Institute of Socail Service, Cairo, 1949, p.1.
3. Mohammed Marnaduke Pickthall, The Meaning of the Glorious Koran, Mentor Books, N.Y. The New American Library of World Literature, Inc., 1953, p. 96.
4. Nadia Haggag, Agricultural Cooperatives in Egypt, Present Status, B.A. Thesis presented to the American University in Cairo, 1952, pp. 5-6.
5. Ibid., pp. 6-7.
6. Zaki Shabana, "The Roll of Cooperative Marketing," (Arabic), El Ahram El Ektesadi, Cairo, May 1, 1965, pp. 30-31.
7. Zaki Shabana, "The objectives and methods of Cooperative Marketing," (Arabic), El Ahram El Ektesadi, Cairo, February 15, 1967, pp. 24-26.
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10. Shabana, "The Role of Cooperative Marketing," Op. Cit., pp. 30-31.

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Op. Cit., p. 55.
12. The Charter, Published by the Ministry of National Guidance,
State Information Service, Cairo, 1962, p. 65.

CHAPTER II RICE IN EGYPT

The plantation of rice was known in Egypt many centuries ago, but it was only after 1920 that rice began to play an important role in the agricultural economy.¹ Until recently the farmer used to cultivate it with the main purpose of purifying the soil from salt and preparing it for the cultivation of more important and profitable crops. The cultivation of rice was therefore concentrated in the northern parts of the Delta and became a main factor in improving these lands. Later, with the introduction of better varieties of rice and improvement of the methods of cultivation, farmer also found rice-growing profitable, in some cases more so than cotton. Consequently its cultivation was extended southward to the more fertile lands where the yield was greater the the prospects of profit larger.

While the average acreage of rice grown in the period from 1906 to 1910 was 263,510 feddans producing 326,000 tons with an average of 1.2 tons per feddan, these figures had increased by the 1961-1965 period to 827,339 feddans producing 1,952,000 tons with an average of 2.3 tons per feddan.²

Egyptian rice production is expected to increase during the coming years. Table 1 shows the total rice production till 1971 and the projections for 1974.

Table 1.

TOTAL CEREALS PRODUCTION

(1,000 M. Tons)

	1969	1970	1971	1974
Rice	2,557	2,605	2,533	3,000

Source : Adel Cortas, The Outlook of Cereals Production, Consumption and Trade in A.R.E., 1975, F.A.O. Foundation, Cairo, 1972, p. 3.

Several varieties of rice are grown and all of them are considered high yielding varieties. Appendix 1 gives in detail the yields per variety. Appendix 2 shows the acreage and crop produced in the different governates during the period from 1966 to 1968. It shows that the main rice producing governates were : Dakhaleia, Kafr El Sheikh, Beheira, and Mounofia.

Rice is now Egypt's second largest export crop after cotton and cotton products. In 1968/69 income from rice exports represented 17.5 per cent of total export income.³ While Egypt produced less than one per cent of the total international rice crop - 2.5 million tons out of 285 million - exports equal about nine per cent of the total world exports - 600,000 tons out of 6,500,000 - . Appendix 3 shows production and exportation of rice in Egypt compared to the international production. According to F.A.O. reports,⁴ the paddy output increased in 1970 to 2.6 million tons, but the exports were significantly lower, being 654,000 tons (milled). Exports in the follow-

ing year are likely to ^{be} further reduced, as a result of both increasing competition on the world market and to meet Egypt increasing domestic demand. Figures obtained from the Ministry of Foreign Trade prove this statement. According to these figures, Egypt exported rice in the 1969/70 season for 40,390,000 pounds compared to 29,609,000 in 1970/71 and 25,584,000 in 1971/72.

Total world demand for rice between 1970 and 1980 is expected to increase approximately thirty per cent to 256 million tons (milled), with food use accounting for about ninety per cent of the total. While per capita consumption should increase slowly, at about 0.5 per cent per annum over the next decade, the growth in population will be the major contributing factor for this increase in the world demand.⁵

According to another report, the projections of rice consumption per capita is expected to increase, as shown in table 2.

TABLE 2

PROJECTIONS OF EGYPTIAN RICE CONSUMPTION PER CAPITA

Year	Consumption/Carut (kgs)
1962	25.5
1970	27.5
1971	27.8
1972	28.1
1973	28.3
1974	28.3
1975	28.9

Source : Adel Cortas, The Outlook of Cereals Production, Consumption and Trade in A.R.E., 1975, F.A.O. Foundation, Cairo, 1972, p. 5., (Memeographed).

For Egypt, rice is becoming an important source of income for the farmer and of hard currency in the national economy, and a main consumption good for local markets. Feeling this, the government is giving rice production, storing and milling more attention. For production, the old varieties with low yields are being replaced with new ones, such as "Mahda" and "Guiza 159". Old planting methods have been replaced by new ones. New methods for fertilization are being used. Chemical herbicides are sprayed to overcome foreign plants growing with rice. For storing, new studies were made to reduce the large quantities lost yearly as a result of bad storing. It was estimated that five per cent of the crop or about five million pounds worth of the rice is lost for this reason.⁶ After nationalizing rice milling industry in 1961, the government started a new program to modernize this industry. The Egyptian General Organization for Rice Mills was established in 1962 to coordinate the work between rice milling companies and became responsible of this industry. While twelve new modern mills have been built⁷, old mills are receiving new equipment such as mechanical drying machines and electronic devices to help producing better quality rice. There are now ten rice milling companies with seventy eight productive units producing over 4,000 tons of white and broken rice daily. A convention, the "First Rice Convention", was held in Cairo in May 1970. Over one hundred research papers were presented covering rice, production, storing, marketing, economy and industry.

From the foregoing data, it seems that rice will continue to be an important crop in Egypt. Exportation will decrease as a result of the increase in the international rice production. The decrease of exportation will be accompanied by an increase in local consumption as a result of the population growth. For the farmer, rice will continue to give the best income among other summer crops.

FOOTNOTES

1. Quarterly Review of the National Bank of Egypt, Research Department, Vol II, No. 2, Cairo, 1949, p. 202.
2. Amal Abd El Meguid, "Rice in U.A.R.", (Arabic), report presented to the First Rice Convention, Cairo, 1970, p. 7.
3. Mohamed Fouad, "New Trends in the International Rice Commerce and U.A.R. Situation," (Arabic), abstracts of the reports presented to the First Rice Convention, The Egyptian General Organization for Rice Milling, Cairo, 1970, p. 187.
4. Food and Agriculture Organization of the United Nations Report, Rome, 1971, p. 4.
5. Ibid., p. 17.
6. Hussein Zahzouk, "Storing and Protecting Paddy Rice," (Arabic), a speech to the First Rice Convention, Cairo, 1970.
7. Food and Agriculture Organization of the United Nations Commodity Bulletin Series, Rice Milling in Developing Countries, series No. 45, Rome, 1969, p. 21.

CHAPTER III. THE EGYPTIAN FREE MARKETING SYSTEM

Until 1965, Egypt's rice crop was sold in the domestic market, either directly to mills or through middlemen. Marketing rice was influenced by many exterior forces : fluctuation of prices; risks met by farmers during the growing season or during harvesting the crop; the mills' desire to get their needed quantities of rice, so as to minimize losing downpayments paid to growers to ensure getting their crop.

To be able to control the risks that were either human or natural, concerning place, time or competition, the government felt it necessary to interfere. From 1944 onwards, several restrictions were made. The government took possession of a part of the rice crop yearly, deciding at the beginning of every season the quantities to be delivered and the prices. In 1944, from 0.25 to 0.75 daribas (the dariba equals 945 kilos) were to be delivered for every feddan of rice, depending on the total acreage of rice grown by the farmer and the region. These regulations were subject to variation every season. Restrictions were made in transportation of rice from one governate to another.¹ In 1961, delivering rice to the government was not compulsory. Any branch of the Cooperative Bank agreed to buy rice from growers for a price ranging from seventeen to nineteen Egyptian pounds for the dariba. This system continued until 1965, when cooperative marketing was begun.

Before this, growers sold their rice either directly to mills

or to merchants. Several methods were used, such as².

1. Summer buying :

The grower sold his crop before harvesting. He delivered it to a merchant or middleman according to a certain agreement that included quantity to be delivered, within a range of about ten per cent, the price, place and date of delivery. Price was always below average and was paid in advance. This method deprived the grower from having a fair income.

2. Current crop selling :

a. Mill Contracts.

1. The discounting method.

Mills bought rice from either the growers or merchants according to certain agreements. The agreements were usually signed at the beginning of each season, and fixed the price, quality, quantity, place and date of delivery of the amounts bought. Delivery would be either in the mills' location or in one of its' granaries. This method gave mills certain advantages :

a) Transportation was not the responsibility of the mills.

Delivery schedules were made according to their own requirements and storage capacities.

b) Weighing and grading were both done in the mills by their own personnel.

Mills made a downpayment of ten to twenty per cent of the total price to growers or merchants well-known to them. The rest of the price would be paid after receiving the whole quantity..

2. Contracts with unfixed prices.

As a result of competition between mills, some merchants delivered rice according to contracts made before harvesting time. The agreement made included the following specifications :

- a) The quantities to be delivered, with a permissible range of ten percent less or more.
- b) The quality and the percentage of moisture permitted.
- c) Both grading and weighing were to be done in the mills by their personnel. The seller would have no right to refuse the results.
- d) Quantities agreed upon were to be delivered in the fixed time, with a fine to be paid for any quantity not delivered.
- e) The agreement would not include the price. The seller had the right to choose any day in the future and ask to be paid according to that day's price. In signing the agreement, the seller received a down payment of ten to twenty per cent of the expected price. In de-

livering the quantities decided, he would receive about seventy per cent of the price according to prices on the day of delivery. The rest would be paid when the seller decided to fix the price.

b. Storage Contracts.

1. Grower storage.

Some of the big growers kept rice in their own stores, where receiving, weighing and grading were carried out. Mill representatives would go to the storage, receive the crop, pay for it according to the current prices, and transport it to the mills.

2. Private and commercial banks granaries.

Some merchants and growers stored rice in commercial banks and in individual granaries to avoid selling at unsuitable periods. They mortgaged the crop, getting about eighty per cent of its price. Mills bought and stored the crop according to their needs.

In all of these systems, there were intermediaries between growers and mills. They were either :

- 1- Middlemen helping to reach an agreement between both the owner of rice and the mill for a commission.
- 2- A commission agent, who would buy for the mill according to daily orders. He was responsible for many services

such as delivering the bags, weighing and transportation. usually he had a fixed salary and a commission.

- 3- A **commercial** representative of the mill who performed the same services but for a fixed salary only.³

Mills were always trying to decrease marketing costs by such methods as :

- 1- Decreasing packing costs by using old bags.
- 2- Decreasing or eliminating transportation costs, that were paid usually by the seller.
- 3- Having a long delivery period for paddy rice, usually from October to the end of March. The advantages of this long delivery period were :
 - a- Decreased storage costs paid by the mills.
 - b- Lessened pressure on the personnel receiving the crop in the mills.
 - c- Money paid to sellers as price of the crop was usually borrowed by the mills from commercial banks for a certain interest. Postponing delivery of rice delayed payment, which in turn meant delaying borrowing from banks and paying interest.

The need to reorganize the marketing of paddy rice, as well as other agricultural crops, was increasingly felt for several reasons :

- 1- Producers did not get a fair return for their efforts.

Due to their need for cash, farmers were ready to sell their crop for less than their real price.

- 2- Middlomen were dominating the market, deciding prices to be paid and conditions of selling.
- 3- Many mills were not able to get their milling requirements.
- 4- The government was short of information about rice quantities expected to be milled ; even mills themselves did not know them. This prevented making a plan for local consumption and exportation.
- 5- As a result of the 1961 socialistic laws, the government nationalized most rice mills. Exportation of rice was also restricted to governmental companies. According to these steps, it was felt that a new system was needed to market rice.

FOOTNOTES

1. Amal Abd El Meguid, "Rice in U.A.R.," (Arabic), Op.Cit., p. 143.
2. Yaser Khaly, " A Study of Marketing Rice Before the Cooperative Marketing System," (Arabic), Report presented to the First Rice Convention, Alexandria, 1970, pp. 7-9.
3. Ibid., pp. 16 -18.

CHAPTER IV. COOPERATIVE MARKETING OF RICE

From the beginning of cooperative marketing of rice in 1965, to last year, there were always changes in the system. This chapter will present the system as it was practiced during the past seasons.¹

A. The 1965/66 Season

Cooperative marketing for rice started in seven governates only, they were : Alexandria, Behera, Kafer El Sheikh, Kharbeia, Dakhaleia, Damietta, and Sharkeia. The main bases for the system were:

1. Any rice grower in any of these seven governates was required to deliver 1.5 dariba (one dariba is 945 kilos) for every feddan of rice. He could deliver more than this quantity providing it was within the average yeild expected from his land.
2. Prices were fixed depending on the variety and the grade.
3. A downpayment of two pounds was paid for every dariba expected, payment made in August.
4. Rice delivered was to be weighed in the same day, reducing two per cent of the weight in October and one per cent in November for moisture.
5. Grading was done by a committee of three persons, one from the ministry of agriculture, the second from the cooperative bank and the third from the mill buying the crop. The de-

- cision of the committee was final.
6. In case of the failure of the committee to reach a decision or one of the members asking for arbitration, a five persons committee was made, three members from the Ministry of Agriculture, one representing the producer and one representing the buyer.
 7. Rice delivered to any receiving center, was to be transported to the mills within three days after being graded.
 8. The growers' accounts were supposed to be prepared within forty-eight hours of deciding the weight and grade.
 9. Although growers debts to the Cooperative Bank and to the society were deducted from the rice price, every grower expected to receive at least the price of half a dariba for every foddan of rice he had, with a maximum of three daribas, whatever his debt.
 10. The commerical banks financed the whole operation, providing the milling companies with cash to buy the rice needed.
 11. The grower paid a fine of five pounds for every dariba not delivered.
 12. There were 706 receiving centers and ninty-eight stores to receive the crop.
 13. Quantities delivered in this season were 833,303 tons

representing 46.5 per cent of Egypt's total crop which was 1,788,437 tons. The low percentage of quantities delivered was due to :²

- a. The system was used in seven governates only.
- b. The fine for not delivering the required quantities was not high enough.
- c. The Farakat - small private service mills - were participating in marketing rice in competition with governmental rice mills offering better facilities to growers.

B. The 1966/67 Season.

The governates marketing rice cooperatively increased from seven to fourteen. The new governates were : Ismailia, Mounofia, Kalioubeia, Fayum, Suez, El Giza and Minia. New regulations were used, such as :

1. The grower had to deliver his crop according to the following principles :
 - a. If he was growing five feddans or less, he was expected to deliver 1.5 dariba for every feddan.
 - b. If growing over five feddans, he was required to deliver 1.75 for every feddan over the first five.
 - c. For Fayum governate, as a result of low productivity, quantities to be delivered were reduced by 0.25 dariba.

2. Any grower had the right to ask exemption, if his crop was low, before this season, exemptions were made only for weak soil producing less than one dariba per feddan.
3. Prices were increased by about four pounds per dariba.
4. A bonus was given for extra quantities delivered, from eighteen to twenty-one pounds per dariba.
5. A downpayment of four pounds was paid for every dariba delivered.
6. The fine was increased from five to twenty-four pounds for every dariba not delivered.
7. The receiving centers were increased from 706 to 801.
8. Quantities delivered that season were 968,865 tons representing 57.7 per cent of the country's total crop which was 1,678,533 tons.³
9. The Farakat were not permitted to buy rice from mid September 1966 to mid February 1967 in the fourteen governates practicing cooperative marketing.
10. Transporting rice from any of these governates was prohibited except by special permission from the Milling Organization. All individuals were prohibited from marketing rice in these governates, and the Farakats were not permitted to work for any rice merchant account.

C. The 1967/68 Season.

The number of governates marketing rice cooperatively increased to fifteen, as Bani Suef was added. The main changes in the system were :

1. Using the ton as the weight unit instead of dariba.
2. Quantities to be delivered became : 1.420 tons for every feddan for the first five feddans of rice. 1.654 tons for every feddan over the first five. For Fayum governate, the figures were 1.170 and 1.420.
3. Prices for the ton - without bags - with delivery in the receiving centers increased from 25.400 to 30.250 pounds according to the variety and grade. For extra quantities delivered, a bonus of nine to twenty-two pounds per ton was added.
4. The fine for not delivering quantities decided became fifty-one pounds for every ton not delivered.
5. Any grower had the right to complain before harvesting about the crop he was expecting. A committee would decide what quantities he should deliver.
6. A list of the quantities of rice delivered to every mill had to be made before the twenty-fifth of August instead of the twenty-fifth of July.
7. The agreement between the Milling Organization and the Cooperative Bank or the Land Reform was made before the first of ^PSeptember instead of the first of August.

8. The down payment of four pounds per ton was not to be paid until the fifteenth of September instead of August.
9. In this season, 1,151,002 tons of rice were delivered to the mills representing 50.5 per cent of the 2,278,816 tons crop.⁴
10. Receiving centers were 829.

D. The 1968/69 and 1969/70 Seasons.

The main changes in the system were :

1. Cooperative marketing for rice was not compulsory in both Ismailia and Suez governates as a result of the 1967 war.
2. Quantities to be delivered became : 1.250 tons per feddan for less than two feddans. 1.500 tons for every extra feddan. For the Fayum governate and Markaz Kafer Sand in Damietta, the quantities were reduced by 0.250 tons.
3. Growers had no right to complain about the yields.
4. Prices were unified, ranging from thirty to 34.320 pounds per ton according to the variety and grade, for any quantity delivered either compulsory or not.
5. Fines for not delivering became fifteen pounds for every ton, with a maximum of 500 pounds.
6. Receiving centers increased to 1262 including 385 stores belonging to the Land Reform Organization.

7. In the 1968/69 season, 1,323,000 tons were delivered representing 51.1 per cent of the total crop which was 2,585,991 tons. In the 1969/70 season, 1,325,000 tons were delivered representing 51.8 per cent of the total crop which was 2,556,563 tons.⁵

E. The 1970/71 Season.

The main changes were :

1. El Wadi El Gedid became the third governorate with Ismailia and Suez that did not have compulsory cooperative marketing of rice.
2. Every grower had to deliver 1.5 tons of rice for each feddan of rice grown. The Minister of Agriculture had the right to decrease this quantity. For Fayum and Kafer Saad it became 1.25. A special committee in every Markaz was established to study complaints about lands producing weak yields.
3. Prices were between twenty-seven and 31.300 pounds for every ton delivered, either compulsory or not, depending on the variety and grade.
4. The fine for failure to deliver the required quantities was fifteen pounds for every ton, with a maximum of 500 pounds.
5. The receiving centers were 1,385, including 456 stores

of the Land Reform Organization.

6. In this season, 1,150,000 tons of rice were delivered representing forty-eight per cent of the total crop which was 2,396,280 tons.⁶

The main changes described in this chapter are summarized in five tables in Appendices 4 - 8.

FOOTNOTES

1. Moustapha Hathout "Lectures in Cooperative Marketing of Paddy Rice," (Arabic), lectures given in the Second Training Convention for Rice Milling Managers, unpublished; Cairo, September 1971, pp. 8 - 31. (Typewritten).
2. Ibid., pp. 9-10.
3. Ibid., p. 12.
4. Ibid., p. 13.
5. Ibid., pp. 15-16.
6. Ibid., pp. 15-16.

CHAPTER V. PROBLEMS OF COOPERATIVE MARKETING

During these few years (1965 - 1972), cooperative marketing of rice had some positive results, such as :

1. It increased the real income of the farmer.
2. It limited the domination of small merchants over farmers.

Cooperative societies took the responsibility of providing them with seeds, fertilizers and loans.

3. The Cooperative Bank, being a part in the agreement between cooperative societies and farmers, collected on the loans given to every farmer by deducting it from the price of his rice, within a certain limit.

Besides these advantages, many problems existed within the system.

These problems were :

- A. The receiving centers.

They can be considered as one of the greatest problem areas of the system, involving problems of grading, weighing, receiving and transporting. Many of the functions expected of these centers were not carried out according to the plan, of these :

1. According to the system these were supposed to ^{be} independent centers for rice, but most of the centers received both cotton and rice. The result was overcrowded centers causing difficulties in all marketing operations during

November and delayed payment to growers.¹

2. The position of the Centers.

According to the system, the centers were to be located on roads permitting easy access for trucks with proper storage facilities. In fact, most of the centers were in locations which were not easily accessible, especially during rains. Also most of them did not have suitable storage areas. The result was storing the rice on the road sides in some cases and in open air in many cases. This led to the loss of large quantities through spoilage and theft.²

3. Shortage of covering and storage materials.

The system emphasized the responsibility of both the Cooperative Bank and the Land Reform Cooperative Society in providing all materials and equipment needed to protect the crop in the receiving centers. Only twenty-five per cent of what was needed was provided.³

4. Shortage of qualified personnel.

A large amount of personnel was needed for the centers. It was difficult to find enough qualified persons, and among those chosen to work in the centers, many were harmful to the system, for the following reasons :

a. Most of them were not working permanently. They were

needed for the rice season only which meant working for four or five months only. As they were not sure that they were working next year, some of them were ready to do anything to gain extra money.

b.. It was difficult to control the work of some of the people, especially those working in scattered centers. Some centers were difficult to reach, especially after rain, considering that although Egypt has so little rain, it isn't prepared for the consequences.

From Table 8 presented in the Appendix, we can see that the number of receiving centers increased from 706 in the 1966/67 season to 1385 in 1970/71. This helped to overcome the first part of this problem concerning storing rice with cotton, but it did not help overcome the problems of shortages of suitable materials and personnel. In fact these problems became greater.

B. Rice Specifications.

The cooperative marketing system permitted the receiving of rice from growers with high percentages of moisture and other commercial defects. This was encouraged by three factors :

1. An increase in the allowable percentage of foreign materials and commercial defects permitted from six per

cent in 1965 to ten per cent in 1969.⁴

2. The bonuses given for good grades were not enough to encourage growers to produce good quality rice. To take an example, from Table 6 in the Appendix, for a variety like Japanese, the bonus for every one per cent extra purity was 0.210 pound in 1965, while the reduction for one per cent less purity was 0.230. In 1971 both were changed to 0.280 for the increased quality and 0.310 for the reduced quality.
3. As a result of the shortage in qualified personnel receiving and grading rice in the receiving centers and the shortage of laboratories to decide the right grade, grading was done visually. Growers were not sure of receiving a fair return for their crop. Some of those working in the centers assigned lower grades or profited by taking bribes to over-evaluate quality.

These factors discouraged growers to make efforts to produce high quality crops. There was no need to carry out agricultural operations in the right time to produce a good quality rice. They would not allow the crop to dry properly after harvesting, delivering it with high moisture to gain more weight. Foreign materials were not separated from the crop during harvesting. The result was a decrease in the quality of Egyptian rice. This will be discussed later in this chapter.

C. Administration.

According to the system, a program ought to be made by the Ministry of Agriculture and the cooperative societies to guide rice growers. The program was to help growers in choosing the best suitable date and method for planting, harvesting and packing the rice. The program was to be aided by distributing good seeds, in order to produce a high yield and a homogeneous crop having suitable specifications for exportation.

The guidance program was not carried out seriously.⁵ As will be seen later, rice quality specifications continually decreased, the dates of delivery were set later and the yield went down. Even new varieties were not distributed on a large scale. Appendix 1 shows that the Japanese variety continued to represent from 75.9 per cent to 85.5 per cent of rice planted until 1971 with no new variety planted to any extent.

D. Weighing.

According to the system :

1. Rice delivered to receiving centers is weighed the same day. This must be done by a weighmaster in the presence of the producer and a representative of the cooperative society. The producer must be given a re-

ceipt stating the weight of his crop on the day of delivery.

2. Bags must be marked on one side, with the owner's name, his number in the society, the society's name and the weight, to be able to identify the owner.
3. In delivering rice to the buyers, the milling companies, it must be reweighed.

In practice, these requirements were not carried out according to the prescribed system. What happened in reality was

1. The entry weighing was not done on the day of delivery. Usually the grade was decided within two days of receiving the rice, and then weighed.⁶
2. Most of the bags were not marked at all or were marked inaccurately or unclearly. This caused many problems in checking and in trying to discover shortages.
3. Weighmasters collected double fees for entering weighing and leaving while in fact it was only done once. As a result of the shortage in personnel and transportation facilities, and pressure of the work inside the centers, no weighing was done when rice left the centers. The buyers, the milling companies, were receiving the bags according to the weights reported by the people in the centers. Upon re-weighing the bags in the mills, serious shortages usually were discovered that could not

be reclaimed. All companies complained of the loss of considerable quantities of rice.

4. In general, the work of most weighmasters was not satisfactory for the following reasons :
 - a. As a result of the shortage of skilled weighmasters, and of appointing seasonally, their standards were low and many of them were not competent or serious in their work.
 - b.. Having hundreds of receiving centers scattered in a wide area, some of them difficult to reach, loosened the control of personnel. Many weighmasters felt that they were not under serious control.

The condition was aggravated by delivering the crop to milling companies without weighing.

E. Grading.

According to the system :

1. Grading must be within twenty-four hours after delivering the rice to receiving centers. It can be done before weighing but must be done in the same day.
2. The grading committee is headed by the representative of the Ministry of Agriculture, with a representative of the Cooperative Bank, a representative of the company and a representative of the board of directors of the cooperative society. The committee must examine the

specifications of the rice delivered and decide its grade. It decides also the condition of the bags.

3. If other members of the committee are absent, the representative of the Ministry of Agriculture has the right to act alone and his decision is final.

In practice, these regulations were not carried out.⁸

1. Neither grading nor weighing were carried out in the time decided. Usually, the grading was done within two days of receiving the rice, and then it was weighed. Both operations took more time than planned, causing delay of other marketing operations.
2. The right given to the head of the committee to act alone enabled him to enforce his opinion or at least to affect other members' opinions.
3. Grading on visual examinations only, requires persons with long experience, special qualifications and honesty. It was not easy to find enough persons with these qualifications for all the receiving centers. As every committee needed four members, and there were over eight-hundred committees, more than 3,200 persons were needed, all with the required qualifications.
4. While there was a shortage in personnel needed for the committees, more responsibility was placed on them in

deciding the quality of the bags used. This operation alone required long experience and different qualifications than that needed for grading rice.

The overall results of all these factors, were usually conflict, less accuracy in grading and more deviation.

F. Delivering rice to the buying companies.

According to the system :

1. Rice is delivered to the buying companies after reweighed by a weighmaster in the receiving center.
2. A schedule for transporting the rice to mills must be ready before the first of September.
3. Rice must be transported within three days after deciding its grade either by the grading or arbitrating committee. For any delay in delivery, the buying company pays a fine of 100 millimes for every ton of rice per day. It pays also for the reduction in weight as a result of drying of rice. This is estimated at two per cent of the weight in October, and one per cent in November.
4. The buying companies become the owner of the rice, and responsible for it as soon as their representatives sign the delivery lists.

In practice, these conditions were not met completely :

1. Rice was not weighed when delivered to the buying com-

panies..

2. The schedule of delivery was not taken seriously.
3. As a result of the shortage of transportation facilities, and the rain that could cause a delay in transportation of three to seven days, the condition of transporting the rice within three days was not taken seriously.
4. The companies were considered the owner and responsible for the rice after their representatives signed the delivery lists. The Cooperative Bank was responsible for providing necessary materials needed for protecting the crop in the receiving centers. It collected a certain fee for doing this, but usually it would not provide more than one quarter of the material, leaving three quarters of the crop in the receiving centers without protection. The milling companies paid for the bank mistakes.⁹

VIII. Transportation.

The system regulates transportation of rice according to the following conditions :

1. Every governate lists, before July, all its transportation facilities that could be used for both cotton and rice, and notifies the Ministry of Communication of all its requirements.

2. Every governate makes a schedule for transporting both cotton and rice, prepares all facilities available, and tries to decrease the costs.
3. The authority handling transportation pays a fine of 100 millimes per day for every ton of rice not transported in time.

In practice, during the last five years, the cooperative societies for transportation by trucks were not able to fulfill their responsibilities in transporting the rice from receiving centers in time. The results of this were :

1. Rice was heaped up in the receiving centers increasing the possibility of damage.
2. To overcome this condition, transportation continued night and day, leading to the inability to control the work in the receiving centers, and rice was not weighed in leaving the centers.
3. The fines for delay were not collected regularly from the transporting societies. This encouraged these societies to accept transporting more quantities than they could to gain more profits, increasing the difficulties every year.
4. While cooperative marketing aimed at decreasing costs, some transportation societies tried to increase them in-

directly. To do so, they used such methods as pretending that their trucks made more milage in transporting the crop and collected extra costs. Under the threat of not transporting the crop or delaying it, milling companies accepted paying more.¹⁰ Table 3 shows the transportation costs from 1965/66 season to 1970/71 season.

TABLE 3
RICE TRANSPORTATION COSTS FROM 1965 TO 1971

	1965/66	1966/67	1967/68 & 1968/69	1970/71
For 50 kilos distance or less, per bag	55 millims	40	40	45
For 50 - 150 kilos distance per bag :				
the first 50 kilos :	55	40	40	45
every extra kilo:	1.25	0.66	0.66	0.70
maximum :	250	150	150	165

Source : Moustapha Hathout, "Lectures in Cooperative Marketing of Paddy Rice," (Arabic), lectures given in the Second Training Convention for Rice Milling Managers, Cairo, September, 1971, pp. 36-37. (Typewritten.)

H. Growers Accounts.

Growers are supposed to know their accounts within forty-

eight hours after deciding the grade of their crop.

In practice, it took a period of ten to twenty-two days.¹¹ This delay encouraged growers to sell their crop to merchants or middlemen who delivered it under the grower's names after adding foreign materials such as mud, or changing the bags to assure more profits. In some cases, personnel of cooperative societies deliberately delayed receiving the crop of growers or preparing their accounts to enforce them to sell to merchants.

I. Increasing Marketing Costs.

One of the main objectives of cooperative marketing is to decrease the costs to ensure more income to growers and lower the price to the consumer. During the few years of marketing the rice cooperatively, costs increased instead of decreasing. For every ton of rice marketed, 230 millims were deducted from the grower and 270 were paid by milling companies. That is 500 millims in total, representing about two per cent of the price. Out of this sum, the Cooperative Bank received 200 millims as a commission, 80 from the grower and 120 from the buying companies. Before the cooperative marketing system, growers would not usually pay any similar fees.

J. Yearly Changing of the System.

Appendices four to eight show the main changes in the system during the six seasons, 1965 - 1971, as previously discussed. As an example of these changes, prices of the same variety for quantities delivered fluctuated between twenty-five and thirty pounds per ton, that is within a range of twenty per cent which is a wide range. Allowances for every one per cent extra purity also went up and down. In 1967 it was 0.450, 0.340 in 1969, and 0.280 in 1970. Prices for extra qualities delivered were, for one variety, 44.450 pounds, in 1967. This meant giving a bonus of 18.920 pounds for every extra ton delivered, representing an increase of about seventy -four per cent of the main price. The following season, no bonus was given.

The ten problems mentioned above, led to :

1. Decreasing the quality of rice.

Table 4 shows the milling output of one ton of paddy rice in the period from the 1962/63 season to the 1967/68 season for the Milling Organization units. The table indicates an obvious decrease in milling outputs. Both white rice and broken rice produced from one ton of paddy rice decreased from 723.5 kilos to 692.2 kilos, while the averages of the rice brane, rice hulls and foreign materials, increased.

The comparison is on the bases of the 1962/63 and 1963/64

seasons, neglecting the 1964/65 season which was below the normal average as a result of abnormal environmental conditions. The milling output was decreased by 31.2 kilos costing about 1.600 pounds per ton, so the total decrease for the whole crop can be estimated by about 2,080,000 pounds. This loss represents an increase in the cost of producing white rice of about 2.560 pounds for every ton.

TABLE 4

THE MILLING OUTPUT OF ONE TON OF RICE FROM 1962/63 SEASON TO 1967/68

Season	62/63	63/64	64/65	65/66	66/67	67/68
White Rice	685	663	594	617	620	639
Broken Rice	45	54	91	80	70	51
Total	730	717	685	697	690	690
Rice Germ	19	20	21	22	23	21
Rice Bran	65	69	73	76	79	75
Total	814	806	779	795	792	786
Rice Hulls	186	194	221	205	208	214

Source : Rachid El Sawei, "Gaps and Problems in the Cooperative Marketing System and Proposed Solutions," (Arabic), a Report presented to the First Rice Convention held in Cairo 1970, p. 2.

2. Delay in delivery.

Table 5 shows quantities of rice delivered to mills in October of each year. Before the cooperative marketing system, mills used to receive twenty-seven per cent of the crop in October. In the 1965/66 season, no rice was received by this time. In the 1966/67 season they received 14.6 per cent compared to 5.4 in the 1967/68 season and nothing in the 1968/69 season.

TABLE 5

QUANTITIES OF RICE DELIVERED TO MILLS IN OCTOBER FROM 1963/64 - 1968/69

season	63/64	64/65	65/66	66/67	67/68	68/69
quantity	315,375	201,428	nothing	141,027	51,733	nothing
per cent	27	22.9	0	14.6	5.4	0

Source : Rachid El Sawei, "Gaps and Problems in the Cooperative Marketing System, and Proposed Solutions," (Arabic), a report presented to the First Rice Convention held in Cairo, 1970, p. 3.

As a result of this delay, more paddy rice was delivered in November adding extra strain on transportation and other marketing operations.

Delay in delivering paddy rice to mills, means delay

in producing white rice for both local and foreign markets.

3. The system encouraged deviations among those working in it.

This of course, was ^{to} the disadvantage of both the producers and milling companies who were supposed to be helped by the system.

FOOTNOTES

1. Rachid El Sawei, "Gaps and Problems in the Cooperative Marketing System, and proposed Solutions," (Arabic), a report presented to the First Rice Convention held in Cairo, 1970, p. 4.
2. Ibid., pp. 4 - 5.
3. Ibid., p. 5.
4. Ibid., p. 8.
5. Ibid., p. 10.
6. Ibid., p. 12.
7. Ibid., p. 12.
8. Ibid., pp. 13 - 14.
9. Ibid., pp. 16 - 18.
10. Ibid., pp. 19 - 20.
11. Ibid., p. 18.

CHAPTER VI. CONCLUSIONS

Rice is one of the principle ~~sources~~ of Egypt's national income. It provides the farmer with a good income and the economy with hard currency. It is a main consumption article in the local market and a cheap food for the people.

Until 1965, growers used to sell their crop either directly to mills, or through middlemen. This operation was influenced by many exterior forces such as the fluctuations of prices, difficulties met by growers, their need of money during the growing season or harvesting. Also some mills were not getting all the rice they needed and they lost part of the downpayments they had paid in the beginning of the season to growers who would not deliver the quantities agreed upon.

The government had to interfere to control these risks by such methods as taking possession of a part of the crop, and putting restrictions on transporting rice from one province to another.

Before the cooperative marketing, several buying methods were used, including summer buying, current crop selling either in mills or in the grower's stores, and buying from private or commercial banks's granaries. In any of these systems, there were intermediators between growers and mills to help selling the crop for the best possible price. As a result of competition between the mills to get needed supplies of paddy rice, they were willing to pay more than the

official prices by using such methods as adding extra expenses for transportation or giving a higher grade to rice delivered. There was no way to predict the quantities of rice expected to be milled, so it was difficult to decide the quantities of white rice that could be exported.

In spite of these disadvantages, there were some advantages to the old system. Rice was delivered to mills throughout the whole season. The longer delivery period, and delivery at the mills had these advantages :

1. Payment was according to the real weight at the time of delivery. If there was disagreement about the grade, it was solved by lab examination done in the mill.
2. There was no transportation troubles and in most cases mills did not pay transportation fees.
3. As mills paid for most of the rice bought when delivered, having a long delivery period meant paying the price over a longer time. Milling companies got the money they needed from commercial banks for a certain interest. If they pay the price of the crop they need for the whole year during the first three months, they will pay more interest than if they receive and pay in six or seven months. So the old system with its longer delivery period meant less interest paid by the milling companies which represented a reduction in

costs of production.

4. Growers used to deliver and collect the price of their crop in a shorter time.

As one of the country's socialistic solutions for its problems, cooperative marketing of rice started in 1965 following the nationalization of all big rice mills and the governments' taking over exportation of the main agricultural crops such as rice. Cooperative marketing was chosen to help the farmer in marketing his crops, so that he might obtain the highest returns for his labor.

Many problems postponed the achievement of the objectives set for cooperative marketing. After seven years of practicing the system, the quality decreased, milling outputs averages went down and the delivery time of rice to mills was delayed for more than twenty days, depriving the Egyptian rice in the foreign markets from the advantage of arriving earlier than other competitive rice. The farmer does not cooperate in helping the system succeed, he even tries to escape from it.

Problems that met the system come from either the result of bad planning or from the shortage of personnel and equipment needed.

The system was changed every year. Neither the farmer nor the milling companies could predict the regulations of the following season.

The main problems met in practicing the system can be summarized in the following points :

1. The receiving centers were the main obstacle. As a result of the number of these centers, it was difficult to provide suitable locations, personnel with enough experience, honesty and efficiency, and to control them in an effective way. Marketing activities were not carried out by methods which achieved objectives.
2. Difficulties in weighing. As a result of the shortage of weighmasters, and of receiving most of the crop in one or two months, rice was not regularly weighed when delivered to mills although double fees for receiving and delivery were collected.
3. Grading was often done visually, and not at the time of receiving the crop.
4. Transportation facilities were inadequate.
5. Increased marketing expenses, 270 millims were paid by the companies and 230 by the growers for every ton.
6. Growers did not know their final accounts until ten or twenty days after the grades of their crop were established instead of two days. Some had to sell their crop to middlemen to be able to have cash.
7. The Cooperative Bank failed to fulfill its role in the system. It in fact imposed a burden. It collected a fee for every ton of rice marketed to cover the expenses of preparing the

receiving centers with necessary equipment. Only twenty-five per cent of equipment needed was provided. The Bank took a part in the system to assure collecting the loans given to the farmers, but in 1971, over sixty million pounds remained uncollected.

8. Even with the cooperative marketing in sixteen governates, rice delivered to milling companies represented only half or less the quantities produced. The rest went to the Farakat which were competing with these companies in getting the paddy rice.
9. Under the present marketing system, profit cannot be considered a comparative element in evaluating the milling companies effort as a result of the injustice in distributing the marketing costs between them. While the selling price of white rice is unified, milling companies in governates not growing rice such as in Alexandria, were paying higher transportation costs from receiving centers than those in governates growing rice such as in Behera. As an example, the average cost for transporting one ton of paddy rice from Sharkeia governate to Alexandria was about 2.400 pounds while some units in Behera did not pay more than 0.500.

FOOTNOTES

1. Adel Aziz, "A Report about the Possibility of the General Rice Organization Marketing it's Own Rice," (Arabic), unpublished report presented to the Egyptian General Organization for Rice Mills, Cairo, 1970, p. 24.

CHAPTER VII. RECOMMENDATIONS

In the writer's opinion, there is a need for a system which has an adequate centralization, less personnel and equipment, and more efficiency. The following is an outline of the main requirements of such a system.

The Rice Milling Organization should create an agency to handle the marketing steps directly with the cooperative societies, eliminating the Cooperative Bank. The cooperative marketing system should then be directed by two main authorities :

1. An agency from the Rice Organization representing the milling companies who are the buyers of the crop.
2. The cooperative societies representing the growers who are the sellers and also are responsible for collecting loans given to them.

Steps necessary to achieve this are :

1. To consolidate scattered receiving centers. Centralized granaries should be established to serve an area which formerly were served by several small centers. These granaries can be prepared by the agency through the milling companies. They should be easily accessible.
2. The granaries' land should either be bought or rented. The granaries must be equipped to store and protect the crop, with a laboratory for grading. One central granary can serve several milling units.

3. The agency can provide the personnel needed from those working in the milling units.
4. Instead of one team in every receiving center and another in the milling unit, only one team for receiving, weighing and grading is needed.
5. The cooperative societies and the Ministry of Agriculture should both have their representatives in the granaries.
6. Transporting the paddy rice to the granaries should be by one of the following methods :
 - a. Delivery directly by the grower.
 - b. By cooperative society transport.
 - c. Crop transported by outside facilities.The cooperative society should regulate transportation in its region with the help of the new agency.
7. The new agency will collect the twenty-seven piasteres per ton of rice that was formerly collected by the Cooperative Bank to cover market expenses. This will mean collecting about 35,000 Egyptian pounds each season.
8. The grower will continue to pay twenty-three piasters for every ton to the cooperative society unless he delivers his crop directly to the granary. In this case he will pay nothing.
9. The agency will distribute the rice received among the milling companies according to their capabilities, charging them the real cost paid.

10. Central granaries will act as receiving centers and temporary storing areas for milling units.

The main advantages of this proposition are :

1. Concentrating the receiving centers from over 800 to about 150 :

This will help in choosing more suitable locations, on paved principle roads, permitting easier delivery of the crop during rush periods and rainy seasons.

2. Saving personnel and equipment : It is estimated that the Cooperative Bank is now spending about 450,000 pounds to provide covering and storing materials in the present receiving centers. This means spending about 90,000 pounds in depreciation yearly, with the milling units spending the same amount or more.

The new proposition will save about half the money spent.

3. The problem of transportation will be less difficult as a result of :

a. Choosing central granaries in more suitable locations.

b. Giving growers the right to deliver their crop directly to granaries.

b. In using the granaries as temporary storing areas for milling units, rice will be transported to granaries only. It can be kept there during the first three months of the season, that is October through December, until the pressure on transportation facilities lessens. During this period, milling units can receive only quantities needed to cover their production.

Formerly rice was transported to receiving centers and within seventy-two hours it was retransported to the milling units.

4. Milling companies will not need to rent granaries to store their crop at the beginning of each season. 5. This will help overcoming most of growers' complaints, which were mainly the injustice in grading and delay in receiving the price of rice delivered. As efforts will be concentrated in the beginning of every season in receiving the new crop in the granaries, it will take less time to grade and pay for the received crop. Grading will be more accurate as it will be done in a laboratory.
6. Seeing their complaints overcome, growers will be encouraged to deliver better quality crop and will cooperate more with the system.
7. The new agency will distribute the rice between the milling units according to real costs, so profitability can be better used as an indicator for judging the efforts of each milling company.
8. With receiving granaries concentrating on receiving the crop, and growers satisfied, rice will arrive earlier enabling the mills to produce earlier for both local market and exportation.

To establish the proposed agency, a few personnel will be appointed permanently. Most of them can be either from the Rice Organization or from the milling companies. They will work in the

agency from October to January and then return to their original work. The agency must have a financial department that will make accurate accounts for every marketing step which calculates the real cost of marketing per one ton of rice. This will be the basis for dealing with the milling companies. This agency should not seek profits, but only regulate and help achieve the right steps in marketing the rice.

The agency will have a representative in the General Committee for marketing paddy rice which holds a weekly meeting during the marketing season. Both the new agency and the cooperative societies will help the Ministry of Agriculture to carry out a policy of guidance to enable growers to produce a high quality crop. While the agency will represent the milling companies, the cooperative societies will represent the growers. They will receive the price of the rice delivered from the agency, deduct loan payments, and return the rest to growers.

A long range plan can be made to build storehouses in the central receiving granaries to store and protect the paddy rice not only during the receiving months, but also during the whole season. Also, small units to riddle² the paddy rice received can be established in these granaries to ensure sending better quality crop to the milling units.

The establishment of such a new agency will help overcome most of the difficulties that met both rice mills and growers in the

cooperative marketing system. Having the new central granaries as receiving centers and temporary storing areas will economize personnel, equipment and money. Transportation will be easier and helped by better receiving centers locations. Having laboratories in the centers with less pressure on the mills' personnel will help giving the growers what they really deserve for their crop in a shorter time. Growers being satisfied and cooperating with the system, a better and earlier white rice will be produced for both local and international markets.

FOOTNOTES

1. Rachid El Sawei, "Gaps and Problems in the Cooperative Marketing System, and Proposed Solutions," (Arabic), Op.Cit., p. 24.
2. Mechanical sieves with coarse meshes to separate grains from husks and foreign materials.

APPENDIX 1

RICE ACERAGE PER VARIETIES AND YIELD DURING 1969, 1970 1971

Year	Variety ^b	Acerage (feddans)	Varieties in percent of total areas	Yield Dariba a/feddan ^a	Yield in M tons/ HA ^c
1969	Nahda or Selected Japanese	904,000	75.9	2.29	5.15
	Giza 159	281,000	23.6	2.23	5.02
	Giza 170	6,000	0.5	2.27	5.62
	All varieties	1,191,000	100.0	2.27	5.11
1970	Nahda or Selected Japanese	920,000	80.6	2.41	5.42
	Giza 159	213,000	18.6	2.44	5.49
	Giza 170	9,000	0.8	2.92	6.57
	Other	35	-	3.24	7.29
	All varieties	1,142,035	100.0	2.41	5.43
1971	Nahda or Selected Japanese	972,000	85.5	2.37	5.33
	Giza 159	148,000	13.0	2.25	5.06
	Giza 170	17,000	1.5	2.46	5.53
	Other	0.309	-	2.86	6.43
	All varieties	1,137,309	100.0	2.36	5.31

a- One dariba equals 945 kgs.

b- All varieties of rice are considered as High Yielding Varieties

c- Conversion Factor : dariba/feddan to M. ton/Ha is 2.249.

Source EL Adel Cortas, The Outlook of Cereals Production, Consumption and Trade in A.R.E., 1975, F.A.O. Foundation, Cairo, 1972, Appendix II, (Mimeographed.)

APPENDIX 2

RICE ACERAGE AND CROP IN THE DIFFERENT GOVERNATES FROM 1966 TO 1968

Governate	1966,		1967		1968	
	acorage crop		acorage crop		acorage crop	
	foddan	ton	foddan	ton	foddan	ton
Cairo	228	518	-	-	-	-
Alexandria	4,801	8,961	5,901	10,790	10,543	22,773
Bahera	177,263	372,329	191,139	415,879	221,739	478,787
Kharbeia	50,815	107,163	81,529	188,027	92,968	229,182
Kafr El Shoikh	173,378	390,149	254,484	619,086	272,059	631,471
Dakhaleai	234,072	485,965	280,761	615,505	312,693	738,739
Damietta	41,302	92,372	53,009	117,865	61,637	142,431
Sharkeia	131,542	266,710	172,156	370,353	185,454	402,864
Ismailia	2,749	4,674	3,089	5,557	5,256	10,716
Suez	207	240	187	277	331	453
Hououfia	2,467	6,338	2,350	5,706	2,166	4,878
Kalioubcia	5,628	15,103	8,785	25,848	11,439	26,666
El G iza	1,058	2,787	1,526	4,611	2,517	5,903
Bani Suef	1,235	2,283	1,483	2,650	1,152	2,068
Fayum	13,797	19,527	17,765	27,831	24,044	38,381
Minia	432	1,062	495	1,460	349	1,029
Total	840,974	1,776,226	1,074,659	2,441,445	1,204,347	2,736,351

Source: Abd El Moguid, "Rice in U.A.R.," (Arabic), a research paper presented to the First Rice Convention, Cairo, 1970, p. 22.

APPENDIX 3.

RICE PRODUCTION AND EXPORTATION IN EGYPT COMPARED TO THE INTERNATIONAL
PRODUCTION

Year	International Production	Egypt Production	%	International quantities exported	Egypt expor- tation	%
	ton	2,151,617				
62/63	250,600,000	2,151,617	.85	5,905,000	143,000	.24
63/64	249,900,000	2,342,004	.93	6,777,000	432,000	.62
64/65	270,200,000	2,149,234	.79	7,260,000	527,000	.72
65/66	258,085,000	1,887,019	.73	7,579,000	330,000	.43
66/67	258,216,000	1,774,413	.68	7,078,000	347,000	.49
67/68	276,218,000	2,278,816	.87	6,936,000	435,000	.62
68/69	285,463,000	2,585,991	.95	6,457,000	600,000	.93

Source : Moustapha Hathout, "Lectures in Cooperative Marketing of Paddy Rice," (Arabic), lectures presented to the second training convention for Rice Milling Managers, Cairo, September, 1971, p. ...

APPENDIX 4.

GOVERNATES USING THE COOPERATIVE SYSTEM AND QUANTITIES
TO BE DELIVERED PER FEDDAN DURING THE FIRST
SIX SEASONS

	1965/66 season	1966/67 season	1967/68 season	1968/69 & 69/70	1970/71
Number of governates using the system.	7	14	15	15 with 2 not compulsory	16 with 3 not compulsory
Quantities to be delivered per feddan	1.5	1.5 for first 5 1.7 for over 5 0.75 in Fayum	1.420 for first 5 1.654 over 5 1.170 and 1.420 for Fayum	1.250 for first 5 1.500 for over 5 0.750 for Fayum and Kafer Saad	1.500 for any feddan 1,250 for Fayum and Kafer Saad
Unit of weight	Dariba ^a	Dariba	Ton	Ton	Ton

^a - the Dariba is 945 kilos.

APPENDIX 5.

PRICES PAID DURING THE FIRST SIX SEASONS OF THE COOPERATIVE SYSTEM

	1965/66 season	1966/67 season	1967/68 season	1968/69 & 1969/70 season	1970/71 season
Prices in receiving centers without bags : ^a					
Japanese, 96% purity	20	24.00	25.530	30.000	27.000
Nabatat, 96% purity	19	23	24.370	28.750	25.750
Sabeinci, 96% purity	17	21	22.250	26.250	23.250
Arabei, 98% purity	24.500	28.500	30.200	34.330	31.330
Prices for extra quantities delivered :					
Japanese	The same ^b	42.000	44.450	The same ^b	The same ^b
Nabatat		40.250	42.600		
Sabeinci		36.750	38.890		
Arabei		49.785	52.780		

a = Prices for quantities to be delivered per feddan according to the system, in Egyptian pounds.

b = Prices paid for extra quantities were the same as that paid for compulsory quantities mentioned above.

APPENDIX 6.

ALLOWANCES AND REDUCTION IN PRICES DURING THE FIRST SIX SEASONS OF THE COOPERATIVE SYSTEM

	1965/66 season	1966/67	1967/68	1968/69 & 1968/69	1970/71
Allowances paid for every 1% extra purity : ^a					
Japanese	0.210	0.250	0.450	0.340	0.280
Nabatat	0.200	0.240	0.430	0.300	0.268
Sabeinei	0.180	0.220	0.390	0.268	0.240
Arabei	0.250	0.290	0.520	0.350	0.320
Reduction for every 1% less in purity : ^a					
Japanese	0.230	0.270	0.480	0.340	0.310
Nabatat	0.220	0.260	0.460	0.330	0.300
Sabeinei	0.200	0.240	0.420	0.300	0.270
Arabei	0.270	0.310	0.550	0.380	0.350

a = In Egyptian pounds.

APPENDIX 7.

DOWNPAYMENTS PAID AND FINES COLLECTED ACCORDING TO THE COOPERATIVE
SYSTEM DURING THE FIRST SIX SEASONS (IN EGYPTIAN POUNDS)

	1965/66	1966/67	1967/68	1968/69 & 1969/70	1970/71
Downpayment paid for every unit to be delivered	2	4	4	4	4
Amende for every unit not delivered	5	24	51	51 with a maximum of 500	51 with a maximum of 500

APPENDIX 8.

NUMBER OF RECEIVING CENTERS AND QUANTITIES OF RICE DELIVERED COMPARED TO THE
TOTAL PRODUCTION DURING THE FIRST FIVE SEASONS OF THE COOPERATIVE
SYSTEM

	1965/66	1966/67	1967/68	1968/69	1969/70	1970/71
Number of the receiving centers	706 + 98 stores	801	829	1262 in- cluding 385 stores	1262 in- cluding 385 stores	1385 in- clud- ing 450 stores
Quantities delivered ^a	833,303	968,865	1,151,002	1,323,000	1,325,000	1,150,000
Total production ^a	1,788,487	1,678,533	2,278,816	2,585,991	2,556,563	2,396,280
Per centage	46.5	57.7	50.5	51.1	51.8	48

a = in tons

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