



Ways of Social Protection and Economic Support

For

Small Farmers affected by COVID-19 Pandemic and Bad Weather in Egypt

Policy Paper

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The total numbers of employees and workers in agriculture sector are about 6.478 million representing about 25.6% from total of manpower. A research about manpower conducted by the Central Agency for Public Mobilization and Statistics in the third quarter of 2017 revealed that the agricultural activity is one of the most important economic activities which attracted the largest ratios labor market seekers since this sector has attracted about more 312.000 workers during the third quarter than the second quarter of 2017. According to production aspects and processing prices in 2016/2017, the agricultural sector contribute with about 354.9 billion EGP compared to 318.8 billion EGP in 2015/2016 while 40 years ago the agricultural sector represented about 35 to 40% of the total of gross national product of Egypt and the granted support for peasants and farmers in 2016/2017 reached about 4712.5 million EGP. However, agricultural sector did not have or enjoy the incentives announced by the cabinet to support the Egyptian economy to face the negative consequences of COVID-19 despite the big losses of this sector because of climate changes and stopping exports .

Incentives of Central Bank are not enough

Although the Egyptian Central Bank has announced the addition of companies working in agricultural field and agricultural production and manufacturing including stations of manufacturing and packaging agricultural goods, fridges, livestock, fish and poultry in addition to the initiative of funding and supporting the industrial private sector with a decreasing interest of 8%, the Central Bank stated that the decision includes the companies whose annual operations and revenues reach 50 million EGP to one billion EGP, the bank also assured that the initiative of credit facilities is still valid with a decreasing interest of 5% for small companies and facilities working in agricultural field and manufacturing whose annual operations and revenues reach 250.000 EGP and less than 50 million EGP, yet this is not enough to support farmers and especially small peasants. The agricultural sector suffers from lack of governmental investments as only 2% is dedicated for it annually which should be increased and pay more attention to small peasants .

Currently, the decline in production affects the local market especially after most countries in the world have stopped import and export with other countries but what is more important now is paying attention to production for local consumption in anticipation for continuation of COVID-19 crisis. The Minister of Agriculture has met with Egyptian exporters with an attendance of the head of agriculture committee in the parliament to support exporters of agricultural crops while farmers are those who need support not businessmen to remove obstacles which stand in their way to export their products and access their rights within this great number of measures .



Strategic Crops

Strategic and important crops, for example but not limited to, wheat and rice are facing many problems such as determining the price of receiving wheat from farmers which is a seasonal problem as it affects the increase of lands using to cultivate wheat in the following season (whether by increasing or decreasing it). This is because the government prices according to international prices swing between increasing and decreasing. Also other problems are represented in non-application of contract farming law and announcing the price of wheat before cultivation instead of depending on international price as a standard. On the other hand, the main problem for rice crop is represented in decreasing lands which were dedicating for planting it and which were more than 3 million acres and achieved self-sufficiency of production before 2018. But the ministry of agriculture decreased this space to one million and 100 acres and banned planting rice in many areas while they are lands which are suitable only for planting rice due to high salinity. So this means that planting alternative crops such as corn will not be fruitful. If there is a problem in irrigation, then there should be a fair distribution .

This does not seem to be far from the precautionary measures taken by many countries to ensure local food security within real fears of recurrence of new food crisis. Among these countries is Egypt which stopped exporting legumes for three months and also Kazakhstan which suspended its exports of wheat, sugar, potato, carrot, onion and cabbage till April at least. In addition, Russia stopped its exports of wheat, rice, oats and processed food till 20 March while Vietnam stopped its exports of rice to ensure local food security. Despite the Egyptian decision of stop exporting legumes, yet the real problem of Egypt seems to be providing wheat especially as Egypt is the largest importer of wheat in the world and depends mainly on Russia in providing its need of wheat .

Farmers' Losses

The status of panic and confusion caused by fear of COVID-19 transmission among countries has confused the international markets especially Chinese ones; the matter which negatively affected and will affect most countries of the world especially developing countries and definitely local markets. Also the price of some Egyptian agricultural products may decrease and others may increase as some countries may tighten the rules of import and export and sometimes stop them .

The most affected agricultural products are the Egyptian citrus fruits as China has imported about 237 thousand tons of citrus fruits the last season and in case of stop export to China without opening new markets to export surplus citrus fruits of Egypt this may lead to accumulate citrus fruits in Egyptian markets and collapse of their prices which harms peasants and farmers .



In addition, the continuous outbreak of the pandemic without control led to stopping of aircraft shipping from and to China; the matter which will affect the export of frozen grapes, dates, pomegranate and strawberry from Egypt to China as ships shipping takes more time and slows down the shipping of these perishable agricultural products. Although Egypt does not import agricultural products from China except some amounts of garlic and rice, yet Egypt import from China most production requirements and supplies, raw materials, spare parts and agricultural machines and tools for most Egyptian industries especially textile and electronics industries. So this may negatively affect the development of digital agricultural sector and agricultural manufacturing after Egypt's movement towards digital developed agriculture by using greenhouses, mechanizing agricultural sector, start usage of smart card and looking forward to return textile industry to its previous era and moving forward to increase the added economic value on agricultural manufacturing of Egyptian agricultural products .

Moreover, this pandemic may lead to rise of red meat prices especially as Egypt imports about 60% of its need of meat from abroad. In addition, Egypt imports most requirements and supplies of feed industry so lack of such supplies may raise the prices of feed and consequently the rise of cattle, poultry and fish prices. Also uncertainty in regard to the availability of food may raise a wave of export restrictions which create shortage in the international market. Such reactions may change balance between food supply and demand which led to price rise and increase of their variations. From previous crisis, we have learnt that these measures harm low-income countries in particular which suffer from food shortage and also affect the efforts of human organizations which buy food for those who need it most .

Thus, we should prevent recurrence of such harmful measures and also it is very important to protect food producers, farmers and peasants (agricultural workers) on manufacturing and retail level to decrease the disease outbreak within this sector to its minimum level and to keep the series of food supplies. Also consumers, especially the weakest categories, should be able to access food inside their societies according to strict safety requirements .

Cooperatives

The first cooperative company in Egypt was established in 1910 then the Egyptian law of cooperation was issued (law no. 27 of 1923) when 135 cooperatives were founded during two years. In 1931, the Agricultural Credit Bank was established to lend cooperatives. Then the law of agricultural reform obliged the establishment of agricultural cooperatives in lands taken by law and distributed them to small farmers. The cooperatives lend farmers with crop as a guarantee without abiding by land as a



guarantee. The contributions of cooperatives in Egypt have varied from cooperatives of housing, production and consumption while agricultural cooperatives still represent about 80% of cooperative numbers .

The legislative framework which controls this sector was developed between 1975 and 1990. Each type of cooperatives follows the ministry which controls its sector, the agricultural cooperatives follow the ministry of agriculture, and consuming cooperatives follow the ministry of supply, productive cooperatives follow local councils, cooperatives of water wealth follow the ministry of irrigation and the housing cooperatives follow the ministry of housing and they all come under the umbrella of General Federation of Cooperatives except educational cooperatives which follow the ministry of education.

By counting the total of financial contributions in all cooperatives types, we find that they exceed 40 billion EGP, more than half is in agriculture field and more than its quarter in housing field. Numbers indicate that more than half of Egypt's populations are familiar with cooperatives and numbers are doubled if fixed assets values are added. In addition, there are operating banks which were established basically to support cooperatives' movement such as commercial banks, agricultural credit and development bank, industrial development bank and housing bank. The Egyptian agriculture has witnessed liberation from governmental restrictions and launching towards market mechanisms. Yet agricultural cooperatives were left as 'captive' of bureaucratic restricting administrations adhered to inflexible legislations which entrust the powerful hand of authority and its employees who supervise to siege and destroy such sector .

Recommendations

- It is necessary to support agricultural sector whether that which provide needs of local market or the exporting sector like other sectors such as industrial, real estate and touristic sectors .
- The support should include small loans granted to farmers without interests, delay the payment of farmers' installments in the Egyptian agricultural bank and exempt feeds from customs to face price rise especially within rise of production supplies and requirements prices as small farmers represent wide category of Egyptian society so they should be taken into consideration within current conditions .
- Reviewing prices of fertilizers supported for farmers with the decrease of international prices of fertilizers and gas to about their least levels/ 1.77 \$ for one million unit .
- Activating the file of agricultural insurance on crops which contributes to compensate small farmers in many countries for their losses in crisis periods .



- Support processes should be reviewed comprehensively which are not benefited by agricultural sector or farmers .
- Establish agricultural solidarity fund to compensate farmers for their losses which they may suffer from because of COVID-19 outbreak .
- Analyzing learnt lessons from COVID-19 crisis to maximize our agricultural production and achieve self-sufficiency of strategic essential crops such as wheat and corn and other crops through putting short-term and long-term plans to achieve self-sufficiency .
- Maximizing benefit from agricultural research centers at such time as they can help in expanding agriculture and achieving the best results with the least costs .
- Preparing for wheat harvest season and there should be effective practical application of measures taken by the state in regard to COVID-19 during harvest period or in regard to supply and work plan to prevent accumulation in supply and harvest processes .
- Removing obstacles faced by Egyptian farmer in regard to providing seeds, fertilizers and pesticides with suitable prices in addition to marketing and purchasing crops with prices which achieve suitable profits for farmers .
- Reviewing role of cooperatives, amending law and establishing cooperation bank to solve the problems of funding, protect small and youth farmers and encourage them to establish small projects and develop Egyptian countryside .
- Support production requirements of fertilizers and sale petrol with low prices within the decreased prices of petrol and oblige farmers to cultivate grains every year and buy them with suitable prices which achieve profit for farmers however the government dominates the most ratio in purchasing .
- Providing small farmers with seeds, tools and feeds and other agricultural inputs in addition to support animal health so that they can continue in generating income and produce food for their families and local communities.