ABSTRACT

The purpose of the present study is to highlight the role of the State Assistance in the Agricultural sector of Egypt during 1959/60-79. This twenty years period witnessed change from a controlled economy to a free economy, where the most of the controls were lifted.

The subject matter has been discussed in six chapters.

The First Chapter outlines "Economic Background of Egypt". It is to be noted that the crux of Egypt's problem is her population explosion reflected in the fact that the arable land and inhabited area together account for 35,529 Sq. Kms. in 1979 with the total population numbering 41 million persons giving a density of 1154 persons per Sq. Km., representing the highest man/cultivated land ratio in the world, as 96.4 per cent of the country is desert with no forested land and hardly any permanent meadow or pastures.

Chapter two discusses in detail "State of Agricultural Economy of Egypt" with respect to total area, total output and trend yield per feddan (one feddan is equal to 1.038 acre or 0.42 hectare approximately) of food crops,
commercial crops, plantation and horticultural product, and the trend in production of animal husbandry and fisheries. The chapter gives an idea of the importance of the agricultural sector of Egypt.

The Third Chapter is devoted to "Nature and Characteristics of State Assistance in the Agricultural Sector" which divided into two sections. Section one discusses the forms and brief history of state assistance. Various forms of state assistance adopted in different parts of the world have been briefly reviewed either Direct Methods, by reducing the cost of production, which include short-term measures as remission of taxation, direct income subsidies, subsidies to reduce the cost of agricultural production requisites and provision of short and medium-term credit at low interest rates or by measures usually operating only in the long-term, which include land improvement, technological measures and improvement of agrarian structure, or Indirect Methods which include, buffer stock, import regulation, export regulation, output regulation and diversion of excess supplies to alternative uses. The essence of these methods is to strike a balance between demand and supply of agricultural products throughout the year. Or by methods of support prices which include cost of production formula and parity price formula; in order to put the
forms of state assistance applied in Egypt in proper prospective.

The second section examines the forms of direct state assistance applied in Egypt under four headings; namely, subsidy loans, price support measures and source of finance. Among direct state assistance is subsidy, which received an important position in Egyptian agricultural policy. Both direct and indirect forms of subsidy have been discussed. Loans have been extended to farmers both under short-term and long-term context.

Under price support measures, four formulas have been used to assess the effects of price support measures and supply response of principal crops. First two formulas related to the calculation of the cost of production. The formula adopted by the Ministry of Agriculture in Egypt is compared with our own calculation. Similarly, two parity price formulas have been used to assess the effects on farmers as reflected in the difference between the prices paid by farmers and received by them.

A study of price and subsidy policy of the main agricultural crops i.e., rice, millet, cotton, wheat, beans, peanuts, sesame, and onion is of great importance to know
the supply response function, which means that the land cultivated with these crops as response to increase or decrease their prices.

Sources of finance fall under two categories; domestic budgetary resources and external assistance. In fact these are complementary to each other and the various schemes of the government cannot be financed exclusively through one source.

The **Fourth Chapter** deals with the forms of indirect state assistance applied in Egypt consisting of institutional forms which have been bearing on agricultural production in to sections. Section one includes what is generally described as agrarian reforms such as rent control, consolidation of fragmented holdings, which mean that aggregation of agricultural areas scattered in villages have to be in big units of area ranging between 20-300 feddan with the help of cooperative system set up in the villages using modern productivity methods with private ownership untouched, and agricultural cooperative marketing and agricultural extension in its various forms such as exemplary fields, selected fields, demonstration fields, extension aggregation and extension villages. Likewise section two discusses the state investment in agricultural infrastructures such as barrages and storage dams, draining and land reclamation.
For a deeper understanding of the problem, the Fifth Chapter analyses the impact of direct and indirect state assistance which is divided into four sections. Section one discusses impact of direct and indirect state assistance on GNP, GNI, imports and exports and trend yield per feddan as well as total output. Section two examines impact of direct state assistance on (a) subsidy, which reveals that all economic units, whether production or consumption, are affected by subsidy policy. Because the price of subsidized products does not express actual prices, which may have negative effects on production units, which in turn may lead to misuse of these commodities between different alternatives uses.

On consumption side, an increase in consumers' actual income, due to decrease of agricultural commodity price, may cause decrease in farmers' income, which means that there is no even relation between agricultural sector and other sectors. This is because agricultural sector is not affected by consumption subsidy, owing to the fact that the consumption in agricultural sector is mostly self-sufficiency. (b) Credit, the cooperative movement of Egypt is financially weak. The banking institutions are not inclined towards financing cooperatives, because they deal with a risky business. As a result of it the agricultural cooperative societies are unable to
discharge their functions satisfactorily. (c) **Price support measures:** In determining the level of remunerative prices in all cases, a rather large number of factors need to be taken into account. Methods of calculating remunerative prices have the advantage of giving a greater degree of security to farmers, but the disadvantages of cost of production formula is that it does not take into account changes in demand, while the parity price formula has little regard to changes in supply and demand or productivity.

The third section deals with impact of agrarian reforms and agricultural extension on agricultural sector as indirect state assistance, while section four discusses in detail impact of indirect state assistance on agricultural sector infrastructure. The study reveals that the policy of state assistance adopted in Egypt has not shown the desired results.

**Chapter Six** presents conclusion and suggestions. The state assistance measures have not increased productivity of land in order to provide higher incomes to the farmers. This has resulted in inflation which has raised the general price level, raising costs and decreasing real income to farmers.
Our major conclusion is that state assistance is both direct and indirect forms, but have not contributed to increase in production and increase in income of farmers. This is because the actions of state assistance were not properly formulated and show important gaps in implementation.