

THE ROLE OF AGRICULTURAL COOPERATIVE  
SOCIETIES IN THE AGRICULTURAL  
DEVELOPMENT OF THE UNITED  
ARAB REPUBLIC  
(The Egyptian Region)

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## PREFACE

One of the major goals of underdeveloped - but developing countries - has been to raise per capita product. Being basically agricultural, countries where the agricultural sector contributes the lion's share to national income, and is the main provider for the livelihood of more than half the population, it became only incumbent on planners to seek ways and means to combat any unfavorable forces - and how numerous they are - that stand in the way of future agricultural development.

The authorities in the United Arab Republic, in their endeavor to double the national income in ten years, moved on all fronts in the economy to conceive, organize and implement a development policy that would fulfill their goals and ultimately bring the U.A.R. economy to that coveted stage of sustained growth. Thus, in the agricultural sector an extensive land reform law was implemented and a new system of cooperatives, in addition to the already existing ones, was initiated to regulate and harmonize the activities on the confiscated lands. The main duties of these multipurpose cooperative societies, as envisaged by the authorities, are the supply of complementary inputs such as seeds, insecticides, etc., the extension of short and intermediate term credit and health services. Recently, the enactment of the socialist "decrees"

enhanced the importance of cooperatives because it became clearer than ever that the U.A.R. is moving along a socialist path. Thus the National Charter of 1962 explicitly stated that the U.A.R. is going to strive indefatigably towards the erection of a socialist, democratic, and cooperative society.

The aim of this study is to shed light on the multipurpose duties of the cooperatives and their role in the agricultural development of the U.A.R. This may prove to be useful in the future on several grounds. First, the economy of the U.A.R. though developing is still basically an agrarian one. Hence, the impact of any future agricultural development would exert a paramount influence on the rest of the economy. Second, in order to determine the role of the cooperatives in the economy, which is moving increasingly along socialist path, one has to know their past and present organization and contributions. Third, agricultural cooperation is a virtual necessity to agrarian economies as the U.A.R., wherein the great majority of the population depend on agriculture as their main, if not only, source of livelihood. Thus, provision for their needs, through cooperative societies not only ameliorate<sup>2</sup> and further their conditions, but also activate<sup>3</sup> the economy as a whole.

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Riyad Mirza

## ABSTRACT

This study discusses agricultural cooperation and their role in the rural development of the U.A.R.

The thesis is divided into six parts. The first is an introduction to cooperation in the world. Where in the development of cooperation and its various philosophies is clarified. Furthermore it includes<sup>a</sup> survey of the various principles of cooperations from Robert Owen (1771-1858) to the Schultze-Deiltzsch credit societies. Finally a comparison was made between western and eastern cooperative ideas.

The second part traces the development of agricultural cooperative societies in Egypt from their inception in 1907 and up till 1952. In this section the role of the Egyptian government in the promotion of cooperation is studied. This involves the enactment of laws to further cooperation and the assistance in the organization and promotion of the movement as a whole.

The third part discusses the role of cooperation as was stipulated in the agrarian reform law. Having abolished big ownerships, and redistributed the land on peasant cultivators, the agrarian reform law provided for the establishment of agricultural cooperatives to serve the new landholders. These newly established societies were

put under the supervision of the Ministry of agrarian reform. Besides the role of these cooperatives as specified by the law was clarified.

The fourth tries to uncover the impact of recent regulations on cooperative societies as far as intra and inter organizational and administrative aspects are concerned. The new regulations abolished cooperative unions and provided for the establishment of: 1- The local cooperative societies on the village level; 2- Joint societies on the district level and; 3- Central societies on the muhafaza level. Besides all agricultural cooperative societies are to be supervised by the General Agricultural Cooperative Institute which was established in 1961.

In the fifth chapter a survey of the functions and responsibilities of the cooperatives towards the farmers is detailed. Most important of these is credit extension and the implementation of the three fields system in the agrarian reform lands. Social services, such as educational and health services, are also performed by agricultural cooperative societies.

In my conclusion I tried to pull the threads of my study together to highlight appraise the main aspects of agricultural cooperation in the U.A.R.

## TABLE OF CONTENTS

	<u>Page</u>
PREFACE.....	iv
ACKNOWLEDGEMENTS.....	vi
ABSTRACT.....	vii
LIST OF TABLES.....	xiii
CHAPTER I: BACKGROUND.....	1
A. Introduction.....	1
B. Definition of A Cooperative Society.....	2
1. Objectives of Cooperation.....	2
2. Social Aspects of Cooperation.....	3
3. Economic Philosophies of Cooperation.....	3
a. Revolutionary.....	3
b. Evolutionary.....	3
C. Development of Cooperative Ideas and Principles.....	4
1. Robert Owen (1771-1858).....	4
2. The Rochdale Pioneers.....	4
3. Raiffeisen Credit Societies.....	5
a. Unlimited Liability.....	5
b. Limited Area of Operation.....	5
4. Schultze - Deiltzsch Societies.....	6
a. Limited Liability.....	6
b. Unlimited Area of Operation.....	6



Page

	5. The Establishment of the International Co-operative Alliance (I.C.A.).....	7
	D. Comparison Of The Western Cooperative Ideas With The Eastern Ones.....	7
	E. Basic Changes in The U.A.R. since 1952.....	8
CHAPTER	II. HISTORY OF THE RURAL COOPERATIVE SOCIETIES IN THE U.A.R. UP TO 1952.....	10
	A. Introduction.....	10
	B. The Role of the Government in the Promotion of Cooperation.....	12
	1. Legislation	
	<del>xx law No. 27 of 1923</del> .....	<del>12</del>
	a. Law No. 27 of 1923.....	13
	b. Law No. 23 of 1927.....	14
	c. Law No. 58 of 1944 and Its Amendment by Law No. 139 of 1948.....	19
	2. Promotion and Organization.....	22
	C. The Financial Resources of the Agricultural Cooperative Societies.....	26
	1. Credit Facilities of Misr Bank.....	26
	2. The Establishment of the Agricultural Credit Bank.....	29
	3. The Establishment of the Agricultural Credit and Cooperative Bank.....	31
	D. Services Performed by the Agricultural Cooperative Societies Other Than the Estension of Credit.....	36

	<u>Page</u>
1. Purchase of Supplies.....	36
2. Training of Peasants of the Use of Agricultural Machinery.....	37
3. Social Services.....	38
E. Statistics.....	41
1. Appendix A.....	41
2. Appendix B.....	42
3. Appendix C.....	44
CHAPTER III: THE ROLE ASSIGNED TO COOPERATIVES BY THE AGRARIAN REFORM LAW.....	45
A. Introduction.....	45
1. The Population Pressure on the land.....	45
2. The Land System Prior to 1952.....	47
B. The Agrarian Reform Law.....	52
1. The Redistribution of Land.....	52
a. Limitations of Ownership.....	52
b. Redistribution of the Excess Land.....	55
2. Prohibition of Further Subdivision of Land.....	59
3. The Establishment of Cooperatives.....	60
C. The Role Assigned to Cooperatives Under the Agrarian Reform Law.....	61
D. Conclusion.....	63
CHAPTER IV: DEVELOPMENT AND PRESENT STATE OF COOPERATIVE SOCIETIES IN THE U.A.R.....	66
A. Introduction.....	66

	<u>Page</u>
B. Present Legislation Regarding Agricultural Cooperative Societies.....	67
1. Law No. 317 of 1956.....	67
2. Decree No. 73 of 1957.....	72
3. Decree No. 97 of 1957.....	73
C. The Supervision of Agricultural Cooperative Societies.....	74
1. Decree No. 1431 of 1960.....	74
2. The Establishment of the General Agricultural Cooperative Institute.....	75
a. Law No. 267 of 1960.....	75
b. Decree No. 2137 of 1960.....	75
D. The Organization of Agricultural Cooperative Societies.....	79
1. The Local Agricultural Cooperative Society.....	80
a. Membership.....	80
b. Functions.....	81
2. The Joint Agricultural Cooperative Society.....	83
a. Membership.....	83
b. Functions.....	85
3. The Central Agricultural Cooperative Society.....	87
E. Conclusion.....	92
F. Statistics.....	94

	<u>Page</u>
CHAPTER V: THE ROLE OF AGRICULTURAL COOPERATIVE SOCIET- IES IN THE AGRICULTURAL DEVELOPMENT OF THE U.A.R.	97
A. Rural Development Through Agricultural Cooper- ative Societies.....	97
B. Credit Services Offered by Agricultural Cooper- ative Societies.....	99
1. Credit Extension in the Reform Lands.....	99
2. Agricultural Cooperative Credit Outside the Reform Lands.....	101
a. The Agricultural Cooperative Credit System.....	101
b. Its Implementation.....	102
C. Other Services Offered by Agricultural Coope- rative Societies in the Reform Lands.....	111
1. Implementation of The Three Field System..	111
2. Provision of Supplies for Agricultural Production.....	113
3. Cooperative Marketing of Agricultural Products.....	115
4. Other Services.....	118
5. Social Services.....	121
D. Services Rendered by Agricultural Cooperative Societies Outside the Reform Lands.....	123
E. Conclusion.....	126
CHAPTER VI: CONCLUSION.....	127
BIBLIOGRAPHY.....	146

## LIST OF TABLES

<u>Table</u>	<u>Page</u>
I. Loans Extended by Misr Bank to Agricultural Cooperative Societies From 1928-1931.....	28
II. Development of Cooperative Credit Transactions With the Agricultural Credit and Cooperative Bank,.....	30
III. The U.A.R.: The Increase in Population and in Cultivated Area.....	46
IV. Egypt: Agricultural Land by Size of Holdings 1952,...	48
V. Agricultural Lands With Holdings Less than Three Feddans.....	50
VI. Redistribution of Land in Accordance with Age Groups	57
VII. Organization Chart of the General Agricultural Cooperative Institute.....	78
VIII. 1961: Agricultural Cooperative Societies Outside the Reform Lands.....	89
IX. 1960: The Agricultural Cooperative Societies Outside the Reform Lands.....	94
X. The Development of Agricultural Cooperative Societies in the Reform Lands.....	95
XI. The Implementation of the Supervised Agricultural Cooperative Credit System in the Non-Reform Lands...	104
XII. A Comparison of the Increase in Membership and Paid In Capital of Agricultural Cooperative Societies Implementing the Supervised Credit Plan During the Years 1957-58.....	105
XIII. Short Term Agricultural Cooperative Credit.....	107
XIV. Intermediate Term Agricultural Cooperative Credit Extended to Cooperative Societies.....	109

<u>Table</u>	<u>Page</u>
XV. A Comparison of Short and Intermediate Term Agricultural Cooperative Credit.....	110
XVI. Value of the Supplies Offered in the Reform Lands through the Agricultural Cooperative Societies.....	114
XVII. The Amount and Value of the Cotton Crop That Was Marketed Cooperatively in the Reform Lands	116
XVIII. Index Numbers for Agricultural Products Prices (1938 = 100) .....	142
XIX. Wholesale Price Indices of Industrial Products and Materials (June - August 1939 = 100)	143
XX. Changes in Cost of Living Index Number: December 1938 = 100 .....	144

## CHAPTER I

### Background

#### Introduction:

The cooperative movement today is widespread all over the world and constitutes an important institutional set up that affects directly or indirectly, the lives of many people. Thus, as early as 1937, the number of cooperatives in the world stood at 810,512.<sup>1</sup>

Different countries have emphasized different types of cooperation depending on the objectives to be realized from their initiation. Thus, industrial countries like the United Kingdom lean towards consumers cooperative societies while agricultural countries emphasize production and marketing cooperatives. It is difficult in practice to draw a clear line of demarcation between the respective main types of cooperatives since conceivably one or more functions could be assumed by the same society. However, one can detect some features that are common to all forms of cooperatives, these are the following:

1- They are voluntary aggregations of individuals who believe that they can do better collectively than otherwise.

2- They seek to furnish a necessary and/or desirable service to the group concerned.

3- The group relies on its ingenuity to picture the problems and conceive the proper solutions.

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<sup>1</sup> Jaber Jad Abdul Rahman, Iktissadiyat al Taawan, vol. I (Egypt: Dar al-Nahda-al-Arabiyya, 1958), p. 10.

4- The motive is not profit but the rendering of a service.<sup>1</sup>

Definition of A Cooperative Society:

Many of the attempts to iron out exact definitions of cooperation have been stultified due to the difficulty of encompassing all the divergent aspects of these societies in one definition that is acceptable to most of the students in the field. The often used definition of a cooperative society as "a business organization that is owned by those who use its services, the control of which rests equally with all its members, and the surplus earnings of which are divided among the members in proportion to the use they make of its services"<sup>2</sup> suffers from the neglect of the social and educational aspects that are generally present in cooperative societies. The job of definition would be greatly facilitated if the main objectives of cooperation are revealed; the main objectives of cooperation are:

1- They seek to eliminate the necessary commissions of middlemen and provide goods and services at cost.

2- They endeavor to shield members from exploitation and "protect the rights of persons both as producers and consumers".

3- Further understanding and education among their members and more generally among people.<sup>3</sup>

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<sup>1</sup>Alexander F. Laidlaw, "Training and Extension In The Cooperative Movement," Development Paper No. 74, F.A.O. (Rome: 1962), p.1.

<sup>2</sup>Ibid.

<sup>3</sup>Ibid., p. 2.



The literature on cooperation abounds not only with separate schools that try to explain its nature and purpose but also with different approaches within each school. A sociology student points out that the main two sociological ideas pertaining to cooperation are:

1- People long after personal rather than impersonal dealings involved in the modern business interactions.

2- People prefer to aggregate in mutual effort rather than to compete against each other. The interest of the sociologist and psychologist in cooperation is due to the fact that cooperatives "are associations of people rather than associations of capital."<sup>1</sup>

The economic philosophies of cooperation can be divided into two groups:

1- The reformist and revolutionary ideas, 2- and the evolutionary ideas. The first conceives cooperation as a means to revamp the capitalist system; i.e., as a means for a better distribution of income and wealth and, for harmonizing interests between labor and management, between producers and consumers, etc... the second group considers cooperation as an evolutionary process within the realm of capitalism-- "a destructive type of business organization functioning within the framework of our existing free competitive, profit motivated, private enterprise system."<sup>2</sup>

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<sup>1</sup> Frank Robotka "Philosophy of Cooperation" Agricultural Cooperation, Martin A. Abrahamsen and Claud L. Scroggs, eds, (U.S.A. University of Minnesota Press, Minneapolis, 1957), p. 103.

<sup>2</sup> Ibid., p. 106.

## Development of Cooperative Ideas and Principles:

### Robert Owen (1771-1858)

Historically, Robert Owen, (1771-1858) who worked relentlessly for reform, has been considered by many the father of cooperation. The ideas held by Owen differ appreciably from those of today. First, Owen believed in self-sufficient communal colonies which would act both to regenerate society and satisfy all the wants of the members. Today the specialized types of cooperatives which satisfy certain wants and which flourish peacefully within the society's system have gained experience and approval. Second, whereas his plan envisaged a communal sharing of property and benefits, today the right to private property is upheld and benefits are enjoyed in proportion to sharing in the activities of the organization. Third, Owen depended on the public spirited citizen and charitable people to supply capital. In contrast, cooperators at present are aware that both capital and entrepreneurial functions should be supplied by the members of the society. Lastly, the plan rested on a system of vertical benevolent control as opposed to the democratic process that cooperators at present insist upon.<sup>1</sup>

### The Rochdale Pioneers:

Some, on the other hand bestowed the honor of the initiation of the cooperative movement in the world on the Rochdale pioneers who in 1844 in England formed a cooperative society based on certain principles. These principles known as the "Rochdale principles" became later to many, the "Bible of Cooperation". The main Rochdale

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<sup>1</sup>Ibid., "A Theory of Cooperation", pp. 121-122.

principles are:

- 1- Open membership to anybody who can benefit from the activities of cooperatives.
- 2- Democratic control of the principles of "one man - one vote" irrespective of the shares he owns.
- 3- A modest interest paid on invested capital in the cooperatives.
- 4- Any residual is distributed in proportion to the transactions carried out by a member through the cooperative society.
- 5- Cooperatives assume political and religious neutrality.<sup>1</sup>

The Rochdale pioneers left a deep imprint on cooperation and especially in the field of consumers' cooperatives. However the need for other types of cooperatives suited to different situations particularly in the field of agriculture and credit lead to the development of Raiffeisen and Schultze - Deiltzsch credit societies in Germany.

#### Raiffeisen Credit Societies:

In order to combat the usurious rates of interest that burdened the poor peasants, Raiffeisen initiated the village banks in Germany based on the principle of unlimited liability. "In a society with unlimited liability members assume liability for the engagements of the society to its creditors directly to the extent of the whole of their property, and this liability is individual and joint."<sup>2</sup> Another important feature of the Raiffeisen plan was the limitation of area

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<sup>1</sup>Alexander F. Laitlow, Op.Cit., pp. 2-3.

<sup>2</sup>K.R. Kulkarni, Theory and Practice of Cooperation in India and Abroad, (Bombay: 1959), p. 322.

of operation which varies between a minimum population of 400 and a maximum of 2000. The loans, usually long term and repayable in installments, were extended only for productive purposes while an executive committee was elected from among the members to manage the society.

Schultze - Deiltzsch Societies:

At the same time the Schultze - Deiltzsch credit societies were evolved in Germany to meet the credit needs of urban people. Here we should note that the different environmental factors, which act and react on each other to produce different needs, led to the initiation of the rural banks that took into consideration these factors. Thus whereas the area of operations was limited and members, given their close association and individual knowledge of each other, were ready to adopt an unlimited liability status, the Schultze - Deiltzsch plan did not limit the area of operation which made it only logical to adopt a limited liability. Raiffeisen did not pay any dividends to members and the borrowing limit was, of course, limited by the material assets of the members, while schultze - Deiltzsch societies distributed dividends and the borrowing limit was limited by the share capital of the society.

Obviously the different orientation of the two methods stems from the divergent needs of rural as contrasted with an urban community. Raiffeisen emphasized not only the material benefits but also the moral and educational values whereas Schultze - Deiltzsch placed top-priority

on the material benefits of members and business aspects of these banks.

#### The Establishment of The International Cooperative Alliance (I.C.A.)

The International Cooperative Alliance was initiated in 1895 "as an association of national unions of cooperative societies which seek to promote a non-profit system of production and trade, organized in the interests of the whole community and based upon voluntary and mutual self-help."<sup>1</sup> The alliance, with headquarters in London, enlists the impressive number of over hundred national federations of cooperatives in nearly fifty countries with total membership of about 150 million people.

#### Comparison of The Western Cooperative Ideas with The Eastern Ones.

The cooperative ideas that evolved in the west relied on three pillars, namely, "voluntary association of private individuals for their mutual support."<sup>2</sup> Clearly the three pillars are not in consonance with the Marxist - Leninist ideology or the socialist practice. The political neutrality of cooperatives has been adhered to in the west. For with the exception of England, there evolved no "cooperative party" as such in the west, albeit, of course, every member has his own political views. The counterpart to this exists in the Soviet Union and Eastern Europe where cooperatives through consolidation and centralization

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<sup>1</sup>Alexander F. Laidlaw, Op. Cit.

<sup>2</sup>Laszlo Valko, Cooperative Ideas in the Eastern and Western World, (U.S.A. State College of Washington, 1951), p. 6.

and the appointment of directors by government as opposed to election by members, have been utilized as an economic machinery based on "political activities and beliefs". "Cooperators learn almost exclusively the ideology of Marx and Lenin. What practical instructions they receive in cooperation is presented only as a part of the greater Marxist economic science."<sup>1</sup> In other words cooperation has been reduced to a tool, to indoctrinate its members and for collective action as ordered by the state. Thus, cooperation as it evolved in the west with its stress on individual freedom and members rights does not exist in the Communist Bloc.

Having revealed the main features and development of cooperation, it is hightime to shed some light on the environment within which agricultural cooperative societies in the United Arab Republic are operating.

#### Basic Changes in The U.A.R. Since 1952.

From 1952 to 1964, the U.A.R. has witnessed a spectacular change, which after 1958 raised the slogan, of a socialist, cooperative, and democratic society. It is hoped that these new foundations will endure and lead to a better realization of the capacities and initiatives of the individual. To fulfill these aims, the local administration law, No. 124 was promulgated which divided the U.A.R. politically into three administrative units, the muhafaza, the city, and the village - each

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<sup>1</sup>Ibid., p. 13.

with an elected council. Moreover, the Charter was drawn in 1962 providing the political theory to the revolution and revolutionary spirit to the U.A.R. socialism. In both ways it outlined the framework of the new society. In 1963 the Socialist Arab Union was conceived to implement the principles as outlined in the Charter.

It is with the above developments that agricultural cooperation in the U.A.R. is being built and it thrives to exist. A better understanding of agricultural cooperation within the present context of economic development and social change, makes it essential to shed some light on the historical development of rural cooperation in the U.A.R. before 1952.

CHAPTER II  
HISTORY OF THE RURAL COOPERATIVE SOCIETIES IN  
THE UNITED ARAB REPUBLIC UP TO 1952

INTRODUCTION

Cooperation was started in Egypt in 1907. The initiation of cooperation was due to the financial crisis which overtook Egypt at that time and weighed heavily on small farmers. "The pioneers snatched at the idea of cooperation in the hope of helping out those who were hurt most by the crisis."<sup>1</sup>

The cause of the crisis then, was the withdrawal of foreign capital, on which the Egyptian economy depended, from the country. Cooperation was looked upon as a possible remedy for this and as a means to alleviate the grievances of the small farmers. As such the first institution formed was the Cooperative Financing Company in 1907 which was located in Cairo.

Yet the path for cooperation was not an easy one, because any independent movement was suspected by the authorities as some kind of subversive activity in the field of politics. In addition to this "there was not available either the education or the means for guiding public opinion towards cooperation."<sup>2</sup>

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<sup>1</sup>J.D. Heyworth, Egypt: The Cooperative Movement (Cairo: The Renaissance Bookshop, 1952), p. 7.

<sup>2</sup>Ibid.



In order that the cooperative societies be able to grow in number and prosper a legal status should be given to them. At the suggestion of some members of the legislative assembly, a draft law was prepared in 1904, but it never got final approval.

Another attempt to bring out a law for cooperative societies was made with the help of the Italian specialist in cooperation, Luzzatti, with whose assistance another draft law was prepared and submitted to the government in 1912. The fate of this draft law was similar to the first one and "there is no evidence that the British authorities ever encouraged the formation of a cooperative organization."<sup>1</sup>

In 1913 Lord Kitchener came out with the Five Feddans Law which affected the small farmers adversely and at the same time handicapped cooperation. According to this law, the land property of small farmers, whose area is five feddans or less is not subject to seizure. This prevented moneylenders from extending credit to small farmers since, in case of default, administrative seizure of small properties was not allowed. Later the outbreak of World War I, stopped all kinds of new developments including any innovation affecting the agricultural population in Egypt.

The death of Omar Bey Lutfi, one of the founders of cooperation, and the outbreak of World War I, brought an end to the agricultural cooperative societies which had been created in the pre-war period,

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<sup>1</sup>Ibid., p. 18.

between 1907 and 1914. "The Ministry of Social Affairs in its report, 'Social Welfare in Egypt', 1950, gives the following reasons for the break of the societies:

1. The lack of government support for the movement, and the absence of any legislation to guide and organize it.
2. The comparative novelty of cooperative theory and practice in Egypt.
3. Absence of a higher authority to finance and supervise the cooperative movement.<sup>1</sup>

Another cause of this sudden collapse of the movement was that "the great profits made by landowners during the war period and immediately afterwards were not conducive to creating an atmosphere where 'help' was required."<sup>2</sup> It was evident that such an atmosphere did not encourage cooperation in Egypt during the war time period.

#### THE ROLE OF THE GOVERNMENT IN THE PROMOTION OF COOPERATION:

Active government support of cooperation began in 1923 when legislation was enacted which recognized the existing societies and gave them legal status. However, according to this law, number 27, 1923, the organization of new societies was restricted to agricultural ones. In addition, the Ministry of Agriculture was given the responsi-

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<sup>1</sup>Paul Fankhauser, "The Cooperative Movement in Egypt", (Beirut: Economic Research Institute and Ford Foundation, American University of Beirut, 1953), p. 1.

<sup>2</sup>J.D. Heyworth, op. cit., p. 8.

bility for the organization and supervision of agricultural cooperative societies. A Cooperative Division<sup>1</sup> was established in the Ministry of Agriculture for this purpose. The function of this division was mainly to see that the societies created were respectable and secure, that they were created on the proper principles and that their business was conducted on lines which ensured that there would be no fraud.

The first article of the law specified that the aim of establishing "agricultural cooperative companies" was the improvement of the agricultural conditions of the members. As such, the law did not provide for the general betterment of the members but rather specified one aspect of their material welfare, the agricultural one.

According to part five of Article Two, the cooperative companies were not allowed to take deposits from non-members. Evidently this was not in favour of cooperation because it would not encourage thrift in the rural community.

Another weakness of the Law was that a member, according to Article 27, upon resignation had the right to get back the value of his shares. This, in case of mass withdrawals of members, would suffocate cooperation and any society would have always been at the mercy of the mood of its members.

In addition, voting by proxy, according to article 44, was allowed. This would also hinder the functioning of societies because

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<sup>1</sup>Ibrahim Rashed, Kitab al-Tawon al-Zirai, Vol. II (Cairo: 1935), p. 10.

it would encourage members to absent themselves from meetings and as such blow up the basis on which cooperation should depend.

The minimum capital of a cooperative company was limited to L.E. 250 out of which one fifth had to be paid up.

It is evident that the 1923 Law had many weaknesses, but it was a step in the right direction. Besides, one should not forget in evaluating this law the various forces that stood in the face of cooperation and the efforts made to stagnate it before it would evolve to a tool operated by the farmers for their own benefit.

When parliamentary life was resumed in Egypt, independent movements such as the cooperative movement were looked upon with more sympathy. As such, a committee was formed to study the Law of 1923 and recommend whatever was deemed better for cooperation. The committee was not in favour of amending the 1923 Law and studies began for the formation of a new Law for cooperatives. As a result of this, a new Law Number 23 was promulgated and agreed upon in Parliament in 1927.

Many cooperative principles were embodied in that Law most important of which were the following:

1. The 1923 Law neglected an important aspect of cooperation because it made cooperation governmental with no possibility of being operated and managed by the people benefiting from it. Though government assistance was needed, yet more responsibilities could have been delegated to the people in charge of the societies.

The new Law of 1927 provided for the establishment of central cooperative societies.<sup>1</sup> Each central society must be composed of not less than ten member societies and it might, after fulfilling the first basic requirement, accept individuals as members. The object of such societies was to do wholesale business for members and to facilitate the means for carrying on the operations of member societies.<sup>2</sup>

An obvious disadvantage in this respect was that since a member in any agricultural cooperative society could not join another society,<sup>3</sup> the above provision regarding the acceptance of individuals as members in central societies might weaken the standing of the affiliated societies because individuals might join the central ones and forget about the others. This should rather be abolished and only societies should have the right to be members in central federations.

Ordinary agricultural cooperative societies could with the central ones join together and form cooperative unions which would assume some of the functions that were previously carried out by the cooperative Division in the Ministry of Agriculture.<sup>4</sup> This would make feasible the withdrawal of the government in the future from the field when such unions were able to assume fully these responsibilities.

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<sup>1</sup>This is a literal translation of the Law and is meant to be federations.

<sup>2</sup>Ibrahim Rashad, *op.cit.*, p. 329, Articles 96 and 97.

<sup>3</sup>*Ibid.*, p. 316, Article 49, Sec. 4.

<sup>4</sup>*Ibid.*, pp. 329-330, Articles 99-104.

2. The Law, in Article 22,<sup>1</sup> provided for the establishment of the Superior Council for Cooperatives whose function was to discuss the major policies regarding the operation and finances of the movement as a whole. The board of this Council was presided over by the Minister of Agriculture.

Membership in the Board was for three years and the Minister of Agriculture would not be able to decide on any issue falling within the jurisdiction of the Board without consulting the whole Board and obtaining its approval.<sup>2</sup>

The establishment of the Board was in conformity with the first principle and that was to make cooperation more democratic and not have the decision-making aspect confined to the Minister of Agriculture.

3. The Law provided some privileges to the cooperative societies that would facilitate their functioning by reducing the expenses to be incurred at their inception. In addition, societies were exempted from registration fees and from custom duties on machinery for their own use, provided the importation of the machinery was within the first two years of the date of establishment. In addition, societies would have a reduction of twenty-five per cent of transportation of supplies and other things needed by them.<sup>3</sup>

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<sup>1</sup>Ibid., p. 308.

<sup>2</sup>Ibid., p. 310, Art. 24.

<sup>3</sup>Ibid., pp. 314-315, Art. 45.

The 1927 Law abolished the use of the Five Feddians Law in dealings of the societies with their members only. This undoubtedly facilitated the lending of funds by cooperative societies to their members. It also encouraged small farmers to join or formulate new societies because by this they were given access to credit facilities.

The 1927 Law also corrected some of the weaknesses of the 1923 Law:

- It abolished the right of members to get back the value of their shares if they resign, and allowed any member who wanted to resign to transfer his shares to another, provided the board of directors of the society gives its approval to such a transfer.<sup>1</sup> This would maintain the capital of the society intact and ensure its perpetuation in the future.

- The Law also abolished the use of proxy in voting and all members had to attend the meetings held by the society. This would activate cooperation and create the responsible feeling among members.<sup>2</sup>

- The 1927 Law allowed cooperatives to accept current and time deposits from non-members with no interest on the former. Current deposits were not to be used while seventy per cent of time deposits would be utilized for lending purposes.<sup>3</sup> This step might promote thrift in the rural community as a whole.

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<sup>1</sup>Ibid., p. 317, Art. 73.

<sup>2</sup>Ibid., p. 322, Art. 51.

<sup>3</sup>Ibid., p. 313, Art. 40.

- The 1927 Law provided in Article 77 that every agricultural society had to apportion a part of its profits, as stated in its own by-laws, for improving the educational and social standards of the region in which it operated. As such, the new Law envisaged cooperation with greater potentialities than the previous one of 1923.

Another minor improvement in the new Law was that it changed the term cooperative "company" to "society" because the two terms signify different things and the latter seemed to be more in harmony with cooperative principles.

In Article 8 of the 1927 Law, societies were divided into two groups: a) Those in which liabilities of members were limited to the value of shares they hold, i.e. limited liability societies and, b) Societies with unlimited liability, the members of which were jointly and individually responsible for all undertakings of the society. Such societies could be formed without any authorized capital.<sup>1</sup>

Societies of unlimited liability can result in grave losses to the farmer if they are not properly managed. In addition one would not object to the formation of unlimited liability societies in countries wherein the situation is different from that of the Egyptian community. This is because cooperation in Egypt at that time was not democratic in the sense that government had a close control over cooperative societies which could not have operated on their own freely. Hence the burden of any financial risk should be shared by the Egyptian

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<sup>1</sup>Ibid., p. 305, Art. 8.



government and not left to the small farmer, since the government had a share in the failure or success of cooperation in general and of any one society in particular.

In 1939 the Cooperative Division was transferred to the Ministry of Social Affairs. It was enlarged and its role in organizing societies was given renewed emphasis. "This increased interest in cooperatives was stimulated in part by conditions arising with the outbreak of World War II which again caused consumers to look to group action as an aid in meeting their food problems and as a means for reducing costs of living and production of food and fiber."<sup>1</sup>

The development of the Egyptian economy since 1927, and the presence of new financial institutions such as the Agricultural Bank, necessitated the formulation of new law to govern the rural cooperative movement in the light of these new changes. On May 30, 1944 a new law was passed, Law Number 58, for the regulation of agricultural cooperative societies, which replaced Law Number 23 of 1927.

This new Law introduced four principal changes to the 1927 Law:

1. The 1927 Law provided for the establishment of a Superior Council for Cooperatives.<sup>2</sup> The new Law changed this to become the Superior Advisory Council. In addition, in each mudiriya an Advisory Council was to be formed for the promotion of cooperation in its province.

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<sup>1</sup>Paul Fankhauser, op.cit., p. 2.

<sup>2</sup>Ibrahim Rashad, op.cit., p. 308, Art. 22.

The functions of the Superior Advisory Council Were the same as those of the Superior Council as provided for in the previous law. The Superior Advisory Council would be formed of twelve members with Minister of Social Affairs as president.<sup>1</sup>

Membership in the Superior Advisory Council was for three years.

The Advisory Council in each mudiriya was formed of the Mudir as president and of seven members from the mudiriya.<sup>2</sup>

The term of office for members in the Advisory Councils was for three years, and members could be re-appointed for a second term.

2. The second major change in the new Law was that concerning the term of loans to be granted by the agricultural cooperative societies which will be dealt with in another section of this Chapter.

3. The new Law changed the name of the "Cooperative Division" to the "Cooperative Department" and this was put under the supervision of the Ministry of Social Affairs. The 1944 Law provided for greater supervision and control of cooperation by the Cooperative Department.

4. The 1944 Law also provided for the establishment of the general Cooperative Bank. This provision was omitted in 1948 by the Law 139<sup>3</sup> before the conversion of the Agricultural Credit Bank to the Agricultural Credit and Cooperative Bank.

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<sup>1</sup>Antoine Bey Sufeir, Muhit al-Shara'eh, 1856-1952, Vol. II (Cairo: 1952), p. 1429, Art. 20.

<sup>2</sup>Ibid., p. 1430, Art. 22.

<sup>3</sup>Ibid., p. 1443, Sec. 10.

5. The "Central Cooperative Societies" were changed to the "general Cooperative Societies" having the same function as the previous ones yet with one major change introduced by the 1948 Amendment and that individuals were not accepted to be members in general cooperative societies.<sup>1</sup> The same applies for cooperative unions wherein only societies were accepted for membership.<sup>2</sup>

This undoubtedly is a major improvement over the 1927 Law and it remedied the weakness revealed above that might result from accepting individuals as members in cooperative unions and in general cooperative societies.

Briefly, other minor provisions of 1944 were:

1. The Law grants certain privileges to cooperative societies. For example, they were exempted from judicial and stamp fees, from taxes on profits of industry and commerce; they were also entitled to a reduction of five per cent on prices of fertilizers and seeds bought from the stores of the Agricultural Credit Bank.

2. No member could possess more than one fifth of the shares of a society nor join more than one society in the same field of activity.

3. The Law laid down that twenty-five per cent of the net profit with certain limitations should<sup>be</sup> added to the reserve funds and that a percentage be allocated to social services.

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<sup>1</sup>Ibid., p. 1444, Art. 98.

<sup>2</sup>Ibid., Art. 101.

This Law of 1944 regulated rural cooperation in Egypt until 1956 when the Egyptian Revolution brought with it, among other things, a new Law for cooperation.

If 1907 was the date of the initiation of cooperation its revival occurred in 1923 when the Egyptian government enacted the first legislation to govern and direct it. This was decisive because it made cooperation legally dependent on the government while before it was completely independent of it, financially as well as morally. The reason for this was fifteen years of hard experience prior to 1923. It was realized "that cooperation in Egypt cannot perpetuate without the assistance of the government."<sup>1</sup>

In 1923 the Cooperative Division was established to register the newly formed societies and supervise their activities. The Division was a branch of the Ministry of Agriculture, and later changed to the Cooperative Department which was put under the Ministry of Social Affairs.

The Cooperative Department formed a double function, as a registration office where the by-laws of all new cooperative bodies were checked, approved, published, and their certificates of registration issued. The other function was really that of "a general cooperative union" which used to give support and guidance to cooperative bodies.

It was evident that public guidance and supervision of agricul-

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<sup>1</sup>Ibrahim Rashad, op.cit., p. 6.

tural cooperative societies was effected through the Cooperative Department. Hence the capabilities of the Department to a great extent facilitated the spread of cooperation. As such to be of help, the Department needed to have the trained staff and be well-equipped financially so as to perform its functions efficiently. Yet this was not available for "the number of officers employed in this Department was inadequate. Moreover, their knowledge of the principles and methods of the cooperative movement left much to be desired. This left a very big responsibility for the very few who had some idea of the functions of a cooperative society."<sup>1</sup>

In 1947, the Department consisted of one director general, five directors of sections, in the head office, seventeen inspectors, twenty assistant inspectors, thirty-seven auditors, thirty-nine organizers, and twenty-eight clerks. The total budget allotted to the Department was L.E. 40,906.

This reveals the efforts of the Egyptian government for the promotion of cooperation conceptually as well as administratively. In addition, financial assistance of cooperation by the government was a major aspect in this respect.

According to the 1944 legislation cooperation in Egypt was guided by the following bodies:

1. The Superior Advisory Council, was concerned with giving opinion on general policies of cooperation and on considering the proper

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<sup>1</sup>J.D. Heywarth, op.cit., p. 25.

allocation of assistance, financial or real, private or public, so as to have the greatest benefit.

2. The Advisory Cooperative Councils which were set up in each province were mainly concerned with tendering advice to the Cooperative Department in all matters affecting the progress of cooperation in the province.

3. The Cooperative Unions were formed by the association of a number of agricultural and general societies. The duties of these unions consisted mainly of providing member societies with help and advice in the conduct of their business, the inspection of their proceedings, the proceedings of the general assembly, the administrative councils, the committees of control, the auditing of accounts and annual balance sheets and stock taking, they were also given the task of the proper organization of the principles of cooperation; they also collected data and prepared statistics. These unions had no capital and used to provide for their expenses from a budget to which member societies paid subscriptions according to their size.

4. The General Cooperative Societies. These were formed by the association of not less than ten agricultural cooperative societies. Their object was to do wholesale business for their members and to facilitate the means of carrying on the operations of the local societies.

In the general assembly of the local agricultural cooperative society in the village, each member was entitled to one vote only irrespective of the number of shares he owned. The general assembly

exercised supreme power; it elected a council of administration to run the business of the society and a board of control to supervise it. The members of these two bodies do not receive any remuneration for their services.

From the above it can be inferred that these bodies, the superior advisory council, the advisory councils, cooperative unions, etc. had a facilitative role with respect to the agricultural cooperation as a whole, and as such experienced no direct control over the local agricultural cooperative societies. The influence of the government was felt in these bodies through the representatives of the Cooperative Department which was a branch of the Ministry of Social Affairs.

Cooperative unions previously referred to were formed to encourage teamwork which is vital to cooperation in the hope that the movement would come to depend more on itself and less on the government. At the end of 1945 cooperative unions numbered fifty, the intention was to create these unions at the rate of one per district and the total number of districts was one hundred and one. In addition, there seemed to be some duplication of work regarding the cooperative unions and the cooperative Department in some respects. Where this appeared, as for instance in auditing the accounts of member societies, the unions had to have the permission of the Cooperative Department. It would delegate to them the authority to perform these functions and maintains the right to check and discipline those concerned with regard to any default or failure. Thus the Cooperative Department had the higher hand in cooperation.

In this organization the Ministry of Social Affairs was the highest authority to formulate and implement through the Cooperative Department the general policies regarding agricultural cooperation.

THE FINANCIAL RESOURCES OF THE AGRICULTURAL COOPERATIVE SOCIETIES:

The main function of the agricultural cooperative societies that were first established was to extend loans to members, mostly short-term loans. The amounts of funds at the disposal of any one society were not sufficient to satisfy the needs of its members and in 1927 the Egyptian government endeavored to fill in the gap. In that year the first banking arrangements were made, and the Parliament authorized a deposit of L.E. 250,000 with Misr Bank for the purpose of aiding agricultural cooperatives. This sum was later increased to L.E. 350,000 and used for advancing loans to cooperative societies.

Applications for loans were made to and checked by the Cooperative Department regarding the amount required, the necessity for the loan, and the financial standing of the applicant, In addition, the Bank made its duty to examine the guarantees and fix the amount loaned. Generally, the Bank would evaluate the guarantee on the basis of which the actual amount to be loaned would be specified. The guarantee should be personal and was given by members of the administrative council and board of control. The Bank dealt with each society directly and had no relation whatsoever with its members.

Loans were granted for terms not exceeding twelve months,



ending mostly in December three months after the cotton harvest, whereby the agricultural cooperative societies would have enough time for collection. The bank paid two per cent to the government on funds deposited, collected four per cent on loans advanced to agricultural cooperative societies, and societies collected seven per cent from members on loans extended to them. According to this arrangement, societies gained three per cent which was the maximum amount allowed by the Cooperative Law of 1927.<sup>1</sup>

The table below gives an idea of the loans made by the Bank during the period that it undertook lending to cooperatives.

According to Law 23 of 1927, agricultural cooperative societies could extend short-term and medium-term loans, the first were for a period of twelve months and the latter could not last for more than five years. Short-term loans had to be secured by either one of three things, a mortgage, commercial bills accepted by the government, or by the guarantee of an individual of high credit standing. For medium-term loans the security should either be a good mortgage or grade "A" commercial bills.

Loans could be extended by societies only to members. These loans should be used productively. The use to which the loan would be utilized should be specified in the agreement. Besides, the loan was due for repayment if it was put to uses other than those agreed upon.

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<sup>1</sup>Ibrahim Rashad, op.cit., p. 314, Art. 43.

TABLE I

LOANS EXTENDED BY MISR BANK TO AGRICULTURAL  
COOPERATIVE SOCIETIES FROM 1928-1931

	No. of Loans	1928 (L.E.) Amount Loans	No. of Loans	1929 (L.E.) Amount Loans	No. of Loans	1930 (L.E.) Amount Loans	No. of Loans	1931 (L.E.) Amount
Loans applied for	47	76684	142	219976	315	499007	353	512977
Loans recommended	47	55030	142	174143	315	370193	353	323997
Loans approved	32	36730	138	149603	287	306595	283	189297
Loans paid	17	28481	111	127454	251	273121	258	164373
Average per society	-	1675	-	1148	-	1088	-	637

Source: Ibrahim Rashad, op.cit., p. 21.

The above arrangement with Misr Bank continued until 1931 when the Agricultural Credit Bank was formed. This was a semigovernmental lending institution and the cooperative credits were transferred to it. The government provided the Bank with L.E. 4,500,000 in loan funds, later increased to L.E. 6,000,000 at one per cent interest.

The Loans given out by the Bank were of two kinds, short-term and medium-term. Short-term loans were extended for a maximum period of twelve months and were subdivided into two kinds, monetary and real loans, depending upon the transaction to be financed. If the loans were to buy fertilizers and seeds the Bank would grant the loan in real terms of these supplies because it had stores spread all over the country which dealt with these items. Monetary loans were used for buying machinery, animals or to finance the cotton crop. Loans extended for the purchase of cattle or implements were made for a period of from two to five years and were repaid in instalments.

The interest charged on loans to agricultural societies was one per cent higher than that used to be charged by Misr Bank, i.e. five per cent. In addition, the Bank extended loans to individuals directly at seven per cent and this was not considered to be in harmony with cooperative principles because it would tend to stagnate the efforts of the agricultural cooperative societies in this respect. Approximately only one-fourth of the total agricultural credit advanced was disbursed through agricultural cooperative societies and this is clearly shown in Table II.

TABLE II

DEVELOPMENT OF COOPERATIVE CREDIT TRANSACTIONS  
WITH THE AGRICULTURAL CREDIT AND COOPERATIVE BANK

Year	Amount of Agricultural Cooperative Credit (L.E.)	Percent of Cooperative Credit to Total
1931/32	114,502	5.2
1933	124,841	6.3
1934	561,901	11.1
1935	870,779	16.6
1936	850,875	19.6
1937	877,305	16.8
1938	830,510	20.5
1939	939,944	15.6
1940	1,068,091	21.9
1941	1,146,737	27.4
1942	1,160,897	39.2
1943	1,181,133	29.2
1944	1,509,140	25.1
1945	1,207,342	23.2
1946	1,183,038	21.9
1947	1,325,152	23.2
1948	1,880,848	25.4
1949	2,262,316	24.9
1950	2,907,078	21.4

Source: U.A.R., Wazarat al-Shou'un al-Ijtimaiyya Wal 'Amal al-Markaziyya, Al-Taawon (Cairo, 1960), p. 30.

It is evident that the operations of the Agricultural Credit Bank from 1932 to 1945 had increased tenfold with respect to the agricultural cooperative societies.

In case of default by a debtor, the Five Feddans Law did not apply because the Bank possessed preferential rights to seize by administrative measures the properties and crops of the debtor. Besides land mortgage, loans were granted on mortgages of prime crops such as cotton and rice.

A major criticism levied against the Bank was that of granting loans to individuals. "It is true that the rate of interest paid on loans advanced to societies is two per cent less than loans to members but it is doubtful whether this privilege could compensate for the disadvantages this new arrangement will cause... because societies will not be able to offer loans to their members from funds borrowed from the Bank at a lower rate of interest than the Bank... The two per cent interest just about covers the running expenses. The obvious result will be that members will generally obtain loans from the Bank directly."<sup>1</sup>

The law passed in 1944 provided for the creation of a cooperative bank. The Cooperative Department and financial experts gave this action a lengthy study and advised against organizing a new bank for handling certain types of agricultural credit. The Committee recommended instead, that the existing Agricultural Credit Bank be converted into an Agricultural Credit and Cooperative Bank. Law No. 139 of 1948 was passed to

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<sup>1</sup>J.D. Heyworth, op.cit., p. 30.

amend the 1944 Cooperative Law<sup>1</sup> in this respect. The conversion was made and the present bank by that name was established in 1949.

At the time of conversion certain changes were made in the capital structure and the organizational pattern so as to strengthen the financial position of the Bank and to give cooperatives some voice in the management. The total authorized and paid in capital stock was increased from L.E. 1,000,000 to L.E. 1,500,000. This was owned as follows:

<u>Owner</u>	<u>Amount Held</u>
Government of Egypt	L.E. 750,000
Private Banks	500,000
Cooperatives	250,000

The government continued to guarantee five per cent interest to investors as it used to do to the Agricultural Credit Bank before conversion.

The Bank was authorized to make loans to farmers and to agricultural cooperatives for relending to their members. These loans were for purposes other than the purchase of land. The Bank also had authority to establish stores and warehouses for the sale of supplies to farmers and the storage of crops. It might also be engaged in any type of banking business for the benefit of cooperative societies.

The types of loans the Bank was authorized to make were short, medium, and long term. Loans made directly to farmers bear five per cent. Those made to societies bear three per cent. As such, there was

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<sup>1</sup>Antoine Bey Sufeir, op.cit., p. 1443.

a spread of two per cent in the rates of interest on the loans given to agricultural cooperative societies and those granted to individual farmers. This was made to cover the expenses incurred on extension and supervision of the loans extended by agricultural cooperative societies to their members.

What was peculiar in this new arrangement and in the old ones as well, was that no interest differential was made on loans of different maturities. The Agricultural Credit and Cooperative Bank asked for different securities with each type of loan yet the interest charged did not differ. One might explain this by the fact that the great majority of loans extended for agricultural production were for short term, and rarely for medium or long term.

Short-term loans granted by the Bank were for expenses involved in the growing of crops and for advances on commodities placed in storage. These loans had maximum maturity period of fourteen months and carried two per cent penalty interest if not paid when due. Loans were disbursed in cash or in kind. The Bank maintained many stores and warehouses from which supplies were distributed and in which commodities were stored.

\*Practically all of the loans made by the Bank were for short term. During 1951 the total volume of credit extended was L.E. 13.4 million. Of this amount L.E. 12.7 million was for short term, 100,000 pounds was for live-stock and machinery and only 5000 pounds was for land reclamation. All loans for livestock and machinery were made

through cooperative societies."<sup>1</sup>

All of the loans made by the Bank were secured. "The Bank, however, cannot exercise its lien on the crop proceeds until the government has collected its taxes and satisfied its other claims, and the landlord in the case of a loan made to tenant has received his rent. This latter feature has made it extremely difficult for the Bank to make loans to tenants without the Landlord's endorsement of the tenant's note. As a matter of practice, landlords refuse to endorse or waive their interest in the crop with the result that tenants must resort to high cost sources for production credit."<sup>2</sup>

Generally, "farmers have found it more convenient to borrow directly from the Bank and since the interest rate charged is the same as that on loans obtained through cooperatives. The Bank now extends directly to farmers about seventy-five per cent of the total credit disbursed. Other factors in favour of the Bank, include the convenience of obtaining supplies from its numerous stores, and the storage of commodities in its warehouses."<sup>3</sup> On the other hand, agricultural societies were given a five per cent discount on supplies purchased from the Bank for resale to farmers. These societies retained sixty per cent of this discount and passed the balance on to the purchasers.

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<sup>1</sup>Paul Fankhauser, "Credit Facilities of Egyptian Farmers" (Beirut: The Economic Research Institute and Ford Foundation, A.U.B., 1953), p. 3.

<sup>2</sup>Ibid., p. 4.

<sup>3</sup>Ibid., pp. 4-5.



"Due to the small size of the small purchases the savings in money were not of sufficient significance to be attractive to the general majority of the members."<sup>1</sup>

Since the lending procedures followed by the agricultural cooperative societies were the same as those of the Bank, farmers with small holdings, and tenants were at a disadvantage and still under the mercy of loan sharks. This was so because loans extended by the Bank should be secured. The case of the small farmer was a hopeless one because his property was of little value. So was the tenant because he had to have the approval of the landlord to get a loan and that was highly improbable. Hence "while the volume of business of the Bank reaches sizeable proportions the indications are that the individuals served are the medium to larger landowners,"<sup>2</sup> who constituted a very small proportion of the total number of cultivators.

The lending activities of agricultural cooperative societies were specified in Law No. 58 of 1944. The provisions were the same as in the previous Law of 1927 with some slight modifications. Societies could only extend short and medium-term loans. Medium-term loans were extended for a maximum period of ten years and the total amount of such loans should not exceed one-tenth of the loanable funds at the disposal of any one agricultural cooperative society.<sup>3</sup>

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<sup>1</sup>Ibid., p. 5.

<sup>2</sup>Ibid., p. 6.

<sup>3</sup>Antoine Bey Sufeir, op.cit., p. 1432, Art. 34.

"During 1950, the Bank made short-term loans directly to farmers totaling L.E. 3,539,777 and extended L.E. 2,711,018 to agricultural cooperatives for loans to its members, about one half of the loans made were in kind. The principal items financed are fertilizers and seeds."<sup>1</sup>

These were the credit institutions and facilities that used to serve the rural cooperative movement prior to 1952. Though agricultural cooperative societies used to extend about one-fourth of total agricultural loans,<sup>2</sup> this was a significant proportion, especially in the light of the competitive situation that was present with the Agricultural Credit and Cooperative Bank.

SERVICES PERFORMED BY THE AGRICULTURAL COOPERATIVES OTHER THAN THE  
EXTENSION OF CREDIT:

Besides the extension of credit, agricultural cooperative societies used to perform other services that were of importance to their members. Most of the agricultural cooperative societies were multi-purpose and this tended to attract a large number of individuals to join them.<sup>3</sup> An exception to this was the marketing of agricultural products for which separate cooperative societies were formed.

Purchase of supplies to members was a basic function of the agricultural cooperative societies. The most important supplies purchased were cotton seeds and fertilizers. For this societies could

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<sup>1</sup>Paul Fankhauser, op.cit., p. 8.

<sup>2</sup>Refer to Table II.

<sup>3</sup>Ibrahim Rashad, op.cit., p. 73.

either apply for a loan at the Agricultural Credit and Cooperative Bank and get a real loan with a five per cent discount from the Bank's Stores, or if they had the money they could buy their supplies from other sources. In 1933 the value of supplies distributed by agricultural societies were as follows:

<u>Item</u>	<u>(L.E.) Amount</u>
Fertilizers	71,881
Cotton Seed	24,000
Other agricultural supplies	<u>16,358</u>
Total	112,239

Training on the use of agricultural machinery was performed by very few societies with regrettable consequences. The most important reason was the absence of workshops for maintaining agricultural implements in operation and as a result, a high rate of depreciation was experienced. This made the services rendered by these machines incapable of compensating for the losses incurred. What added to this was the availability of cheap agricultural labour force.<sup>1</sup>

Another service performed by agricultural cooperative societies was the fumigating of citrus trees to control scale insects. This was performed under the supervision of the Ministry of Agriculture and with its technical assistance. It was considered to be a good source of income to the societies.

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<sup>1</sup>Ibid., p. 37.

According to the Cooperative Law of 1944, each agricultural cooperative society should apportion a part of its surplus to be spent on social services deemed to be necessary and important for the district in which it operated.<sup>1</sup> The amount apportioned was usually four per cent. The social services rendered by cooperative societies could be classified as follows:

Filling in insanitary ponds, repairs to mosques, construction of small bridges over waterways, canal and drain clearance, dispensaries, participation in campaign against illitrary by opening special evening classes, and finally drinking water installation. "During the 1947 cholera capaign, 272 societies erected pumps for drinking water supplies. Forty other societies supplied soap and disinfectants to their members free of charge.

The funds expended by cooperative societies in 1945 on social services were as follows:

	<u>(L.E.) Amount</u>
Societies in Cairo	6243
Societies in Alexandria	6845
Societies in Bahera Province	1253
Societies in Gharbia Province	13,493
Societies in Dakahlia Province	2960
Societies in Menoufia Province	2207
Societies in Sharqia Province	<u>6505</u>
Sub total	39,506 C/F

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<sup>1</sup>Antoine Bey Sufeir, op.cit., p. 1440, Art 77, Sec. 3.

B/F	(L.E.) Amount
Societies in Qalioubia Province	1385
Societies in Giza Province	2084
Societies in Fayoum Province	660
Societies in Bein Suef Province	743
Societies in Minia Province	2739
Societies in Asyut Province	348
Societies in Girga Province	310
Societies in Qena Province	627
Societies in Aswan Province	912
Total	44,345

The above figures have been obtained from the Cooperative Department.<sup>1</sup>

Revealing the history of the agricultural cooperative societies in Egypt is an important step for further study of cooperation. This is because in order to make the proper diagnosis and analysis one should get acquainted with the past record or history of the issue at hand. What had been written so far is a mere introduction for evaluating the present role played by the rural cooperatives in the agricultural development of the United Arab Republic.

Appendix A gives the figures that illustrate the growth of cooperation, both agricultural and urban. When compared to Appendix B it will be evident that cooperation in its early stages was purely agricultural with a small number of marketing societies. The growth of

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<sup>1</sup>J.D. Heyworth, op.cit., pp. 52-53.

Agricultural cooperative societies was faster than marketing ones which experienced a spurt in the forties when the "producer received unusual support from world conditions."<sup>1</sup>

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<sup>1</sup>J. D. Heyworth, op.cit., p. 11.

Statistics:

## APPENDIX A

## THE COOPERATIVE DEVELOPMENT IN EGYPT

Year	No. of Socts.	Member-ship	Share(L.E.) Capital	(L.E.) Reserves	(L.E.) Surplus	(L.E.) Transactions
1928	162	14,176	56,067	7,459	5,806	-
1929	217	22,336	80,985	9,558	11,881	248,674
1930	514	48,317	143,130	13,222	20,127	475,429
1931	539	53,441	154,243	19,175	13,870	353,625
1932	559	54,973	158,382	26,265	4,775	222,346
1933	587	56,189	163,394	29,663	8,757	220,486
1934	643	61,279	182,445	34,163	13,695	623,892
1935	703	66,085	198,714	43,137	18,369	918,051
1936	741	68,811	211,123	51,410	20,730	968,469
1937	762	71,359	219,983	65,222	16,466	1,088,274
1938	780	73,707	233,041	72,369	30,087	1,200,000
1939	792	72,051	228,528	77,940	31,826	1,225,410
1940	820	72,343	268,933	86,120	39,596	1,435,679
1941	815	85,243	267,382	98,652	58,630	1,657,170
1942	862	123,885	337,747	126,576	85,363	2,180,674
1943	1458	419,315	757,739	168,251	139,583	4,886,318
1944	1933	805,981	1,197,941	281,400	279,760	6,992,000
1945	2018	818,190	1,352,800	394,690	422,420	8,428,000

Source: E.J.D. Heyworth, op.cit., p. 46.

## APPENDIX B

DEVELOPMENT OF AGRICULTURAL COOPERATION (Marketing Societies  
Included)

Year	No. of Societies	Member-ship	Share(L.E.) Capital	(L.E.) Reserves	(L.E.) Transactions
1928	161	14,041	55,268	7,424	-
1929	215	22,107	79,966	9,410	239,587
1930	511	47,639	141,327	13,000	462,229
1931	535	53,009	152,275	18,810	338,825
1932	553	54,458	156,112	25,776	204,896
1933	574	56,189	160,066	29,038	201,486
1934	625	61,179	173,613	33,344	587,392
1935	676	66,085	189,033	41,911	850,551
1936	707	68,811	199,835	49,476	898,469
1937	726	71,359	208,044	62,207	1,008,274
1938	737	71,707	210,868	68,427	1,117,634
1939	745	72,051	214,611	73,644	1,032,888
1940	764	72,343	225,476	80,976	1,266,361
1941	757	85,253	221,790	91,590	1,500,000
1942	767	106,813	251,195	115,315	1,600,000
1943	1,166	243,618	406,986	121,967	2,476,478
1944	1,565	545,756	744,782	219,266	2,822,000
1945	1,641	545,810	760,790	222,627	3,346,000

Source: Ibid., p. 47.



According to Appendix C, the number of agricultural cooperative societies reached 1636 in the year 1946 with a total membership of 534,260. The share capital and reserve funds amounted to approximately one million pounds with a turnover of over three million pounds.

Taking the same year, 1946, each mudiriya or province had its own rural central supply society. There were fourteen provinces and so fourteen of these societies. The total number of societies of all categories, 1826, were affiliated to these fourteen rural central supply societies. These latter societies were transacting business to the amount of L.E. 2,100,000.

## APPENDIX C

## COOPERATIVE SOCIETIES AND FEDERATIONS - 1946

Type	No. of Societies	Member-ship	Share(L.E.) Capital	(L.E.) Reserves	(L.E.) Transactions
Agricultural Societies	1636	543,260	776,820	218,627	3,100,000
Supplying Societies	4	2,730	96,200	93,003	482,000
Marketing Societies	5	2,550	4,190	4,000	246,000
Consumers Societies	357	269,650	375,740	62,000	1,700,000
Total	2,002	818,190	1,252,950	377,630	5,528,000
Rural Central Supplying Societies	14	1,826	78,600	7,860	2,100,000
Urban Wholesale Societies	2	163	21,250	9,200	800,000
Total	2,018		1,352,800	394,690	8,428,000

Source: J.D. Heyworth, op.cit., pp. 10-11.

## CHAPTER III

### THE ROLE ASSIGNED TO COOPERATIVES BY THE AGRARIAN REFORM

#### LAW

#### INTRODUCTION

The Population Pressure on the land: The area of the U.A.R. amounts to about 386,100 sq. miles, yet total cultivated area represents about three per cent of its territory. In addition, there is a high rate of population growth which has overtaken the increase in cropped area by many times.

In Table III, taking 1897 as a base, population<sup>in</sup>/1957 had tripled while the cultivated area had increased by 21 per cent only. It seems that the U.A.R. government has an ambitious objective to achieve, that is to increase the cultivated area in 1975 by about 38 per cent over 1957. Yet in 1975 population would be over 33 million.

Assuming the rural population to be 60 per cent of the total population in 1975, i.e. about 20 million, there will be about three individuals living on one feddan. This expansion in the cultivated area is possible, because in 1975 the Aswan High Dam should have been completed.

The main feature \*in this background is the rapid rate of

TABLE III

THE U.A.R: THE INCREASE IN POPULATION AND IN CULTIVATED  
AREA

Year	Population	Index for Population	Cultivated Area (Feddans)	Index
1897	9,715,000	100	5,047,000	100
1917	12,751,000	131	5,319,000	105
1937	15,933,000	196	5,761,000	114
1949	20,004,000	206	5,834,000	116
1950	20,439,000	210	-	-
1951	20,909,000	215	-	-
1952	21,425,000	221	-	-
1957	( 23,200,000	229	6,600,000	121
1975	( 33,500,000	345	8,000,000	159

Source: Sayed Miri', Al-Islah al-Zirai Fi Misr (1957), p. 243.

population growth on a small land area already cultivated to capacity.<sup>1</sup>  
It is evident from the above table, that the rate of population  
increase does not only exceed the rate of increase in cultivated area,

<sup>1</sup> Doreen Warriener, Land Reform and Developments in the Middle East (Royal Institute of International Affairs; London: Oxford University Press, 1957), p. 15.

but also exceeds the rate in agricultural production.

With this, there was unequal distribution of ownership of farm property<sup>1</sup> which also tended to depress the living standard of the rural community.

The Land System: In Egypt, the maldistribution of land ownership formed, up till 1952, a great obstacle for developing the economy as a whole, because it created economic, social, as well as political problems. The repercussions of this situation should be analyzed in a background of rapid growth of the population with no outlet for living but agriculture, and with a limited area of cultivated land. "The outstanding feature of the land system before the reform was gross inequality, and also growing inequality."<sup>2</sup>

Table IV shows the distribution of ownership before the agrarian reform. It appears that the total cultivated land area was nearly six million feddans; owned by 2,802,000 proprietors with average holding of 2.1 feddans. It also shows that 97 per cent of landowners, numbering 2,721,000, owned 44.3 per cent of the land while 3 per cent of the owners, numbering 80,800, used to own about 55.7 per cent of the total cultivated area. Out of these 3 per cent, .2 per cent with landholdings exceeding 100 feddans owned 27.1 per cent of the total cultivated area. Average area owned by each proprietor within the

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<sup>1</sup>Refer the Table IV.

<sup>2</sup>Doreen Warriner, op.cit., p. 30.

TABLE IV

## EGYPT: AGRICULTURAL LAND BY SIZE OF HOLDINGS

1952

Size Group Feddans	Owners		Area		Average Area
	(000)	Percent	(000 Feddans)	Percent	(Feddans)
1 and under	2,018.1	72.0	778	13.0	0.4
Over 1-under 5	623.8	22.2	1,344	22.5	2.1
Over 5-under 10	79.3	2.8	526	8.8	6.6
Over 10-under 20	46.8	1.8	638	10.7	13.6
Over 20-under 30	13.1	0.5	309	5.0	23.6
Over 30-under 50	9.2	0.3	344	5.7	37.4
Over 50-under 100	6.4	0.2	429	7.2	67.3
Over 100-under 200	3.2	0.1	437	7.3	137.2
Over 200	2.1	0.1	1,177	19.8	550.9
<b>Total</b>	<b>2,802.0</b>	<b>100.0</b>	<b>5,982</b>	<b>100.0</b>	<b>2.1</b> (Average Holding)

Source: Statistical Pocket Yearbook (1953), p. 33.

100-200 feddans bracket and those over the 200 feddans was 137.2 and 550.9 feddans.

As such the distribution of property in Egypt before the reform was extremely unequal. This situation was further aggravated by the appearance of parliamentary rule in 1923, which caused the land to be looked upon not only as a source of income, but of political power as well.<sup>1</sup> This led to the appearance of a large class of landowners who knew nothing about agriculture. These formed the class of absentee landlords who used to let their lands either to middlemen or to peasant-cultivators.

The increase in population over a limited cultivable area with the unequal distribution of land in Egypt, resulted in the uneconomic subdivision of farms into units too small to provide an adequate living for the majority of owners. It can be seen from Table IV, that 72 per cent of the landowners, numbering about 2, 018,100, own 13 per cent of the cultivated area with an average holding of .4 feddan. This seems to be an extreme case, yet it is actual. In addition, some of these holdings are distributed into widely separated strips and fragments, which would hinder their utilization greatly.

A three-feddan area is generally considered to be the minimum unit to support an average rural Egyptian family of six individuals, half a feddan for each one. Accordingly, there are many properties of less than three feddans owned by about 2,492,234 proprietors as

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<sup>1</sup>Sayed Miri', op.cit., p. 29.

the following table shows:

TABLE V  
AGRICULTURAL LANDS WITH HOLDINGS LESS THAN THREE  
FEDDANS

Size of Holding (Feddans)	Area (Feddans)	Number of Proprietors
Under $\frac{1}{2}$ or feddan	413,551	1,459,167
Over $\frac{1}{2}$ and under 1	356,695	552,162
Over 1 and under 2	449,816	327,612
Over 2 and under 3	354,855	153,293
Total	1,573,917	2,492,234

Source: Sayed Miri', op.cit., p. 177.

The figures in Table V show that the cultivated area of land not utilized economically because of fragmentation into small holdings, amounts to 27 per cent of the total cultivated area. "Such minute holdings could hardly be economically sound, even if devoted to intensive vegetable and fruit production and aided by strong cooperative societies for marketing the produce, which is not the case. The consequence is that... this class is in the grip of the moneylender. Although they own their land, they have not the means to improve it and are not better



off than the small tenants of the large landlord."<sup>1</sup>

This inequality in land ownership leads, among other things, to inequalities in incomes through the exploitation of monopoly position of the landlords in leasing their lands.

What added to this was that the proportion of the land leased to tenants had been increasing greatly. In 1939, 17.3 percent of the land was rented against 60.7 per cent in 1949.<sup>2</sup>

The landlord used to receive rent in cash or in kind. "He might even sell the right of collecting the rent to the highest bidder with obvious consequences to his unfortunate tenant, consciously or unconsciously he is in effect an exploiter of the land and its tenants."<sup>3</sup> In some other cases, where the area to be rented is big, more than one bidder or middleman might get the right to the land, with the result that a certain commission was given to these middlemen in addition to the actual rent already paid. As a result, a new class was created besides the landlords and tenants, the middlemen class which added to the burden of the tenants.

There was instability on the land because of the tenant's feeling of insecurity. This also added to the "Land Hunger" since not much investment was made in the land by tenants and because most of

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<sup>1</sup>B.A.Keen, The Agricultural Development of the Middle East (A Report to the Director General, Middle East Supply Center, London: His Majesty's Stationary Office, 1946), pp. 13-14.

<sup>2</sup>Sayed Miri', op.cit., p. 230.

<sup>3</sup>B.A. Keen, op.cit., p. 13.

the owners leasing their lands were absentee landlords. In most cases there was not even a written contract between the two parties.

The Egyptian farmer, did not have the means to utilize the land efficiently. Hence, the agrarian reform was unavoidable as a step for agricultural development of Egypt.

#### THE AGRARIAN REFORM LAW:

The Redistribution of Land: The Agrarian Reform Law in Article I<sup>1</sup> laid down that no person shall be allowed to possess more than one hundred feddan of agricultural land.<sup>2</sup> Land under reclamation was exempted from expropriation under Article II which allowed companies and private persons to own more than 100 feddans of fallow land or desert land under reclamation. Land owned by industrial concerns is exempted for a period of twenty-five years, and also land belonging to agricultural, scientific and industrial societies in existence before the decree was issued. Creditors can also own more than 100 feddans provided the excess accrued to them as a result of a sale of the land of an indebted owner.

One year after the sale, the government would have access to the land by paying the creditor its worth. Within that year period the new owner may use the land without being bound by Article IV.

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<sup>1</sup>This article was amended twice by the Laws Nos. 24 and 127 of 1958 and 1961. Ownership prior to 1961 was limited to two hundred feddans and prior to 1958 it was 300 if the landowner distributes 50 feddans to each of two children.

<sup>2</sup>U.A.R., Wazarat al-Islah al-Zirai, Al-Islah al-Zirai Fi Asher Sanawat (Cairo: 1962), p. 123.

However, the proprietor may transfer within five years after the enforcement of this Law the ownership of agricultural lands not seized by the government, and in excess of the maximum number of feddans allowed as follows:<sup>1</sup>

a) To his children, no more than 50 feddans per child provided that the total to be so disposed of to his children shall not exceed 100 feddans.

b) To small farmers provided that their profession is agriculture, that they are tenants or agricultural labourers, that no one of them owns more than 10 feddans, and the piece of land sold should not be less than two feddans.

c) To graduates of agricultural schools if the land is planted with fruits.

The above provision of the Law was misused, and a special court was established to look into every transaction made in this respect. The decision of this court was considered to be final.<sup>2</sup>

Seizure of the excess farm land, above the limits set in the Law, would take place during the five years following the date of enforcement of the Law. The government shall seize holdings in excess of 100 feddans, which the proprietor retains for himself, provided that the area seized every year is not less than one-fifth of the total area of the land requisitioned.

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<sup>1</sup>Ibid., p. 128, Art. 4.

<sup>2</sup>Ibid., (1959), p. 63, Law No. 483 of 1953.

Compensation for the landowners will be paid in government bonds redeemable within forty years, with an interest rate of  $1\frac{1}{2}$  per cent per annum.<sup>1</sup> These bonds are nominal and cannot be disposed of except to Egyptians. They are also accepted in payment for fallow land purchased from the government, in payment of taxes on lands which had not come under taxation before the enforcement of the Law, and in payment of inheritance tax and the supplementary tax on lands imposed by this Law.<sup>2</sup>

To supervise the seizure and distribution operations, the General Committee of Agrarian Reform was formed, and was directly responsible to the President. This Committee was made responsible for supervising and directing the agricultural cooperative societies and the requisitioned but undistributed lands.

In addition, sub-committees were also formed to assist the General Committee in implementing the Agrarian Reform Law.<sup>3</sup>

The lands requisitioned by the General Committee, up to 1958, totaled 443,983 feddans. In addition, the remaining lands of Mohammed Ali's family amounting to 59,539 feddans, were confiscated. The total area of cultivated land put under the jurisdiction of the General Committee up to 1956 was 503,524 feddans, requisitioned over a four year period.

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<sup>1</sup>Originally the interest rate was three per cent and the bonds were redeemable within thirty years. This amendment was made by Law No. 168 of 1958. A more recent amendment was made in 1964 whereby it was officially declared that no compensations will be paid to the owners of the confiscated lands.

<sup>2</sup>U.A.R., Wazarat al-Islah al-Zirai, op.cit., p. 132, Art. 6.

<sup>3</sup>Ibid., p. 137, Art. 13.

Part of the requisitioned land was distributed among small farmers and farm labourers in holdings of not less than two feddans and not more than five feddans according to the quality of the land and the size of the benefiting family.

The new landholders should be:

a) Adult Egyptians who had not been previously convicted of a dishonorable crime.

b) Farmers by profession.

c) Owners of less than five feddans of agricultural land.

Priority in the redistribution of land is given to those who actually cultivate the land, whether as tenants or farmers; then to those who support a large family; then to those of least wealth; and lastly to non-inhabitants of the village. Besides, lands so distributed cannot be taken by pre-emption.<sup>1</sup>

The Law also provided for self-financing of the reform program because the price of land distributed was estimated at the amount of compensation paid by the government for the land seized plus the following:

1. An annual interest of  $1\frac{1}{2}$  per cent.

2. A general sum of 10 per cent of the land value for the costs of seizure, distribution, and other expenses. The total amount specified as such, would be paid in equal annual instalments within forty years.<sup>2</sup>

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<sup>1</sup>Ibid., pp. 133-134, Art. 9.

<sup>2</sup>Ibid., p. 135, Art. 11.

Social and economic studies were made before the redistribution of the land covering about 10 per cent of the families benefiting from the reform. Such studies included an estimate of a family income, the costs of commodities it consumed, as well as the general cost of living of the family. Economic studies were made to estimate the cost of agricultural production of one feddan and the productivity of a feddan in different localities, and under different crop rotations.

After these studies were made, the area of land to be redistributed was divided among the families benefiting from the reform, each family receiving an area of two to five feddans. The area of land awarded to any one family is also estimated to give an increment of ten per cent, above the income figure necessary so as to compensate for any decline in crop prices.<sup>1</sup>

The family was defined to be the number of persons living from one source of income, land, and not necessarily residing in one place.<sup>2</sup> In case the father of a family is dead, the land would be registered in the name of the mother.

The principle put for the redistribution of land among the different families, with considerations to the number of individuals constituting each family, and their ages is as follows:

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<sup>1</sup>Ibid., pp. 24-25.

<sup>2</sup>U.A.R., Wazarat al-Islah al-Zirai, Al-Islah Al-Zirai Fi Tise' Sanawat, (Cairo, 1961), p. 46.

TABLE VI  
 REDISTRIBUTION OF LAND IN ACCORDANCE WITH AGE  
 GROUPS

Age Group	Feddans
Till seven years of age	$\frac{1}{2}$ feddan
Over 7 and under 14 years	$\frac{1}{2}$ feddan
Over 14 and under 21 years	$\frac{3}{4}$ feddan
21 and above	1 feddan
Father of the family	$1\frac{1}{2}$ feddan

Source: Sayed Miri', op.cit., p. 93.

Since no one family is allowed to have more than five feddans, and there are some big families who, according to the provisions of the Law, should get more than the maximum, such families were divided into sub-groups, each getting the land in accordance with the provisions of the Law. In general, "great care is taken to ensure that the land is fairly distributed among all those who are intitled to benefit."<sup>1</sup>

Each piece of the land was divided into two or three plots, so as to make possible the implementation of the three field system. Besides, these plots were not far from each other and at the same time neighbors are the same in the three so as to encourage cooperation among them.

Up to 1961, 345, 298 feddans were distributed to 135,174 families. In additions, private sales were made in accordance with Article 4 of

<sup>1</sup>Doreen Warriner, op.cit., p. 33.

the Law. The area distributed through private sales was about 145,000 feddans with 35,000 families benefiting from it. The total area of cultivated land distributed till 1961 in accordance with the provisions of the Agrarian Reform Law was 490,298 feddans,<sup>1</sup> about eight per cent of the total cultivated area, among 170,174 families.<sup>2</sup> If the average rural family in Egypt is considered to be six persons, then the number of persons benefiting from the agrarian reform amounts to about 1,021,044.

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<sup>1</sup>This does not include all the lands supervised by the Ministry of Agrarian Reform because the Wakf Khairi lands and state domains were not included. Dr. Gabriel Saab in Middle East Economic Papers, 1960, p. 74, states that "by July 1959, nearly 935,000 feddans had been or were in the process of being transferred to small farmers, i.e., more than 15.5 per cent of the cultivated area. It is also worthy of notice that more than 740,000 feddans, i.e., more than 12 per cent of cultivated area was subject in July 1959 to some form of supervision of the Ministry of Agrarian Reform."

The Ministry of Agrarian Reform in The Agrarian Reform in Ten Years, 1962, pp. 22 and 23, estimated the area of cultivated land under its supervision to be about 945,505 feddans, taken as follows:

Area in Feddans	Laws Enacted
454,300	According to Law No. 178 of 1952
1,217	Confiscated by special orders
23,022	According to Law No. 119 of 1959
112,882	According to Law No. 152 of 1957
1,340	According to Law No. 264 of 1960
216,162	According to Law No. 127 of 1961
112,077	According to Law No. 44 of 1962
<u>921,000</u>	Total

In addition, some land was bought by agricultural cooperative societies in the reform lands amounting to 24,505 feddan.

<sup>2</sup>U.A.R., Wazarat al-Islah al-Zirai, Al-Islah al-Zirai Fi 'Asher Sanawat, p. 25.



PROHIBITION OF FURTHER SUBDIVISION OF THE LAND

To prevent further subdivision of land the Agrarian Reform Law states that, should the occasion arise to divide up agricultural land into less than five feddans, whether through sale, exchange, inheritance, will, donation, or any other means of acquiring land ownership, it is incumbent upon those concerned to agree as to whom the ownership of the land is to go. In case of disagreement, one of the parties concerned shall request that the matter be submitted for a decision as to ownership to the Summary Court in whose jurisdiction lies the piece of land having the greatest value. If there is no one able to pay for the remaining shares, the Court will order the sale of the land by auction.<sup>1</sup>

In cases of ownership of indivisible lands, preference is given to those whose vocation is agriculture. If all concerned are equal in this respect, lots will be drawn among them.

Should ownership, however, arise from inheritance, preference shall be given to those heirs who work in agriculture. If all concerned are equal in this respect, priority shall be given to the husband, then the son, and if there are numerous sons, lots will be drawn among them.<sup>2</sup> The Court will decide on such demands without fees.

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<sup>1</sup>Ibid., p. 143, Art. 23.

<sup>2</sup>Ibid., p. 143, Art. 24.

THE ESTABLISHMENT OF COOPERATIVES:

One of the main effects of land reform in Egypt has been the subdivision of large land holdings into small plots among the beneficiaries. In order to counterbalance the unfavorable consequences that have followed the subdivision of large estates, subject to land reform into small farm units, the land was divided into three fields whereby each farmer was allotted a plot in each of the three fields so that the customary rotation of crops could be followed with each field devoted to but one crop. The three field system facilitates the economic application of machinery and allows more effective protection of crops against diseases and pests. As such the three field system is a good procedure that allows Egypt to benefit from large scale farming while simultaneously enjoy land reform.

This implies as well cooperation between the small proprietors because they would be having many things in common. The Agrarian Reform Law provided for the establishment of cooperatives in the reform lands so as to meet the technical and financial needs of the farmers. The reform adopted a method whereby, while land was privately owned by farmers, in small units, none of the advantages of big scale farming were sacrificed.

Since the Agrarian Reform Law did away with the former big landlords, it was implied in the Law that their functions "in distributing seed and fertilizer and in marketing should be taken over by a

cooperative society, membership of which is obligatory for all grantees of land.<sup>1</sup>

In Article 18, the Law states that an agricultural cooperative society shall, by the force of the Law, be constituted from among the farmers who have taken over the seized land in each village, and who own no more than five feddans in that village. If required by circumstances, a single cooperative society may be formed to serve more than one village.<sup>2</sup>

Such societies are subject to the provisions of Law No. 317 of 1956 concerning cooperative societies.

For every village with an area of 1,500 feddans, an agricultural cooperative society is established. These local societies establish a central cooperative society which will serve the village societies, an average area of 10,000 feddans. The local and central societies in turn form the general cooperative society for all the reform lands.<sup>3</sup>

THE ROLE ASSIGNED TO COOPERATIVES UNDER THE AGRARIAN REFORM LAW:

The functions assigned to the agricultural cooperative societies are:

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<sup>1</sup>Doreen Warriner, op.cit., p. 42.

<sup>2</sup>U.A.R., Wazarat al-Islah al-Zirai, Al-Islah al-Zirai Fi 'Asher Sanawat, p. 141, Art. 18.

<sup>3</sup>U.A.R., Wazarat al-Islah al-Zirai, Al-Islah al-Zirai Fi Tise' Sanawat, p. 63.

1. To obtain all types of agricultural loans for members of the society according to the needs of their lands and farming program.

2. To provide farmers with the necessary requisites for the exploitation of their land such as seeds, fertilizers, cattle, agricultural machinery and means of storage and transport of crops.

3. To organize the cultivation of the land and exploitation thereof in the most efficient manner including the selection of seeds and grading of crops, fighting agricultural pests and digging canals and drains.

4. To sell principal crops on behalf of their members deducting instalments on the land, government taxes, agricultural law and other debts from the proceeds of the crops.

5. To render all other agricultural and social services required by the members.<sup>1</sup>

It is evident that the Law gave the cooperatives wide responsibilities. All of the cooperatives formed under the provisions of the Agrarian Reform Law are to be officially supervised by the general cooperative society. Each society is assisted by an official from the Ministry of Agrarian Reform, called the Mushrif.

From the above provisions, it seems that the role assigned to cooperatives by the Agrarian Reform Law is varied. Accordingly, the new cooperative societies are not only to maintain the previous level

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<sup>1</sup>U.A.R., Wazarat al-Islah al-Zirai, Al-Islah al-Zirai  
Fi 'Ashr Sanawat, p. 141, Art. 19.

of agricultural production, but rather to increase it through the satisfaction of the economic, technical, as well as the social needs of the new landholders.

It is evident that the Agrarian Reform was not a mere subdivision of big estates and redistributing them on tenants, but more than that. In addition, agricultural cooperatives have a major role and that is to assist in improving the standard of living of the new landholders. This is socially important as well "because success in the social field, though of equal or greater importance, is in the long run unattainable if there is economic failure."<sup>1</sup>

The Agrarian Reform Law regulated other aspects of agriculture in Egypt, such as the conditions of tenure of tenants and share croppers, as well as of agricultural workers. These aspects are irrelevant to the topic analysed and will not be studied in this Chapter.

#### CONCLUSION:

Two things in the Agrarian Reform Law are of special significance to our topic, and should be clarified before proceeding any further. These are the implementation of the three field system on the reform lands and the formation of cooperatives as a means for increasing or at least maintaining agricultural production levels.

"In Sir Malcolm Darling's view, the compulsory rotation is the most productive feature of the agrarian reform in Egypt. There has been

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<sup>1</sup>U.N., Department of Economic Affairs, Rural Progress Through Cooperatives (New York, 1954), p. 15.

no change to small scale farming. On the contrary, in so far as estates were rented to tenants,... the scale of operation is larger... It used to be said that Egypt is a country of large properties and small farms, so far as the requisitioned land is concerned, the reverse is true, for it is now held by small proprietors and farmed in large units."<sup>1</sup>

One other thing that might seem peculiar with regard to the Agrarian Reform was the formation of cooperatives which would be officially supervised. At first, this might seem to violate the essentials of cooperation, "yet one must recognize that it is this supervision and guidance which has made it possible to maintain crop yields at their former level in the broken up estates... Until these small holders are sufficiently trained (which supposes a very vast vocational program), until all members of the board of directors of cooperatives can read and write and fully grasp overall agricultural problems, until a new class of secretaries of the board of directors emerges with a full human and technical background (which supposes a minimum academic training), to relax control of the cooperatives is to will-fully court suicide."<sup>2</sup>

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<sup>1</sup>Doreen Warriner, op.cit., p. 44.

<sup>2</sup>Gabriel Saab, "Rationalization of Agriculture and Land Tenure Problems in Egypt," M.E.E.P. (Economic Research Institute, A.U.B. Beirut, 1960), p. 78.

Not only this, but the interdependence between farming and cooperation is so great that "even if the cooperative societies should gain the power to manage their own affairs, they would still be obliged to farm collectively. The way in which the land is laid out obliges all farmers to follow a common rotation."<sup>1</sup>

It is evident that the official supervision of the cooperatives is transitory, though the period for this is not specified. In the last analysis, cooperation, whether officially controlled or not, is unavoidable; and what should be studied are the ways and means to further cooperation by depicting the role it can play for the Egyptian farmer. This requires an analysis of the present role of cooperatives in the progress of agriculture in the U.A.R.

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<sup>1</sup>Doreen Warriner, Op.cit., p. 43.

CHAPTER IV  
DEVELOPMENT AND PRESENT STATE OF COOPERATIVE  
SOCIETIES IN THE U.A.R.

INTRODUCTION

Agricultural cooperative societies are a necessity in the reform lands, because they were to replace the role assumed by the landlords in serving the small farmers, and to provide other additional services as well. In other words, they were to provide the means for the new landholders for increasing agricultural production and meeting the obligations arising from owning the land. Because of this, such cooperative societies were closely supervised by the Ministry of Agrarian Reform and in accordance with special regulations other than those of Law No. 58 of 1944.<sup>1</sup> These involved the provision of credit and marketing of crops so that the new owner would not have to resort to outside sources of finance other than the public ones. Societies in the reform lands were not completely bound by Law No. 58 of 1944 for cooperative societies.

There remained the majority of cooperative societies outside the reform lands, which were operating in accordance with the provisions of the 1944 Law, and were supervised by the Ministry of Social Affairs.

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<sup>1</sup>Refer to Chapter II.



After the Agrarian Reform Law was implemented, there were two types of agricultural cooperative societies, those inside, and those outside the reform lands.

This division of agricultural cooperative societies was a major defect, because it involves a waste of time and effort. Though the problems faced by agricultural cooperative societies in the reform lands are more acute, yet the functions assumed by both types were the same. In addition, the two types of agricultural cooperative societies, in the reform and non-reform lands, were supervised and controlled by different bodies.

Awareness of this necessitated the merging of the two types of agricultural societies into one structure, subject to one law and supervised by one body. Recent laws were enacted to provide for this and to help organize cooperative societies on the proper principles of cooperation.

Preceding this, a new Law for Cooperative Societies was enacted in 1956 which had a more comprehensive view of cooperation than the previous one, Law No. 58 of 1944.

#### THE PRESENT STATE OF AGRICULTURAL COOPERATIVE SOCIETIES:

##### Law No. 317 of 1956:

Agricultural cooperative societies were defined by Law No. 317 to be those societies engaged in:

a) The production, storage, processing, and marketing of agricultural produce,

b) And in providing farmers with capital and agricultural implements necessary for full utilization of their lands. They can also be engaged in any function that might be of relevance to agriculture.<sup>1</sup> In addition, such societies can rent land, buildings and any other means of production from members as well as non-members.<sup>2</sup>

Membership in agricultural cooperative societies is limited to the cultivators of the land. The members should be in the region in which the society operates. A farmer cannot join more than one agricultural cooperative society except if he also owns land in another district which is served by another cooperative society.<sup>3</sup> Besides, no members can leave his cooperative society or have the value of his shares back if this entails the failure of the society to meet its obligations with regard to a third party.<sup>4</sup>

Members leaving any cooperative society remain liable for two years from the date of their withdrawal.<sup>5</sup>

Agricultural cooperative societies can, in their by-laws, increase the liability of members to be greater than the value of their shares in the capital.<sup>6</sup> Besides, no member is allowed to transfer his shares of the capital to an outsider except after the approval of the Board of Directors.<sup>7</sup>

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<sup>1</sup>U.A.R. al-Majmou'at al-Kamelah Lilkawanin al-Taawon Wa Lawaihi al-Jadida (Cairo: Dar al-Taawon Liltalia' Wal Nasher, 1961), p. 22, Art. 66.

<sup>2</sup>Ibid., Art. 67.

<sup>3</sup>Ibid., Art. 68.

<sup>4</sup>Ibid., p. 23, Art. 74.

<sup>5</sup>Ibid., p. 6, Art. 10.

<sup>6</sup>Ibid., p. 23, Art. 71

<sup>7</sup>Ibid., Art. 73.

The above provision of Law No. 317, that of increasing the liability of members over their shares in the capital of the society, is an indirect way for the formation of societies in between the limited and unlimited ones. This in turn abolished the formation of unlimited liability societies with non capital, which was provided for in the previous Law of 1944. Though such societies are not of limited liability, yet the extent of the liability of members was left to be specified in the by-laws of each society.

Every agricultural cooperative society has to prepare an annual plan for its activities. In addition, it should specify the disciplinary measures that would be adopted with regard to any failure in implementing the plan.<sup>1</sup> The plan has to be approved by the General Assembly of the society before it can be put into operation.

This provision would activate cooperation, and in addition, limit the responsibility which each society assumes in its region. Besides, members can join in the formation of the annual plan which would come to satisfy their utmost needs, provided they have the means necessary for its implementation.

Every member in the General Assembly of an agricultural cooperative society is entitled to one vote irrespective of the number of shares he holds. Voting by proxy is not allowed except for people who are not

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<sup>1</sup>Ibid., Art. 70.

able to attend meetings of the General Assembly, either because of their age or if they are sick. No person, under such circumstances, can represent more than one individual.<sup>1</sup>

The great majority of members must attend the meetings of the General Assembly or else the meeting will be void. In case this happens, the meeting would be postponed for a maximum period of fifteen days. The second meeting will be effective if one tenth of the members attend, provided the absolute number is not less than five. In case the second meeting is void, the interest on the capital of the society, together with the surplus, would be allotted to social aid in the district.

Decisions are made by democratic vote in the General Assembly, In case there happens to be equal votes in favour of or against a decision, no action can be taken.<sup>2</sup> The above provision of the Law is mainly to encourage attendance of meetings by members of the society.

To secure the loans given to agricultural cooperative societies, the Law provided that when any agricultural cooperative society gets a loan from a public or private source, no one member can withdraw from the society if this entails a reduction in its capital. The member can leave the society only with the approval of the creditor.<sup>3</sup>

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<sup>1</sup>Ibid., p. 12, Art. 31.

<sup>2</sup>Ibid., Art. 32.

<sup>3</sup>Ibid., p. 24, Art. 76.

The new Law abolished the formation of control committees which used to assist the board of directors of cooperative societies because they were not effective.<sup>1</sup>

According to Law No. 317, Agricultural Cooperative Societies are exempted from paying any taxes on agricultural machinery, fertilizers, and raw materials that are needed for agricultural production.<sup>2</sup>

In general, cooperative societies can accept current and time deposits. Current deposits cannot be utilized if they are deposited for a month only.<sup>3</sup> Seventy per cent of time deposits could be utilized.<sup>4</sup>

Agricultural Cooperative Societies formed in accordance with the provisions of the Agrarian Reform Law are exempted from some provisions of Law No. 317.<sup>5</sup> This is due to the fact that such societies assume greater responsibilities than those outside the reform lands. In addition, their role is basic with regard to the Agrarian Reform Policy as a whole.

In addition, the Law provided for the establishment of joint and general agricultural cooperative federations. These would provide monetary and economic as well as social services for member societies.

<sup>1</sup>Ibid., p. 31.

<sup>2</sup>Ibid., p. 24, Art. 77.

<sup>3</sup>Ibid., p. 8, Art. 19.

<sup>4</sup>Ibid., p. 41, Art. 4.

<sup>5</sup>Ibid., p. 6, Art. 12.

A minimum of ten cooperative societies should join together to form a cooperative union. These unions are either local or specialized, and individuals are not accepted as members in them.<sup>1</sup> A minimum of sixty per cent of the cooperative societies in Egypt should come together in order to form the General Cooperative Union of the Egyptian Region.<sup>2</sup> The role of the General Cooperative Union is to help in spreading the movement. It is also to direct and supervise the cooperative societies in the Republic.

These are the major provisions of Law No. 317 with regard to agricultural cooperative societies. As is evident, the Law did not go into details which were left for the by-laws of the societies.

In 1957 a number of decrees were issued supplementing Law No. 317. These elaborated some aspects of cooperation which the previous law did not specify.

Decree 73 of 1957:

Decree 73 specified the procedures of forming cooperative unions and their functions as well. It stated that local cooperative unions were to operate in a Mudiriya or Muhafaza. Specialized unions would operate in every district its member societies are located. The General Cooperative Union was to operate in the whole Republic without any limitation.<sup>3</sup>

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<sup>1</sup>Ibid., p. 16, Art. 46.

<sup>2</sup>Ibid., Art. 45.

<sup>3</sup>Ibid., p. 42, Art. 7.

According to the provisions of Decree 73, it is not allowed to form more than:

- a) One general cooperative union in the Republic.
- b) One specialized cooperative union for one type of cooperative societies.
- c) And one local cooperative union in each Muhafaza.<sup>1</sup>

The functions assumed by cooperative unions are:

- a) The examination of the annual reports of member societies.
- b) Assisting member societies in implementing their annual plans.
- c) The organization of the technical aspects in the operations of each society.
- d) Settling any disputes between the society and its members.
- e) Checking the operations of the board of directors in every society so that they conform to the society's by-laws.<sup>2</sup>

These were the major provisions of Decree 73 with regard to cooperative unions in general.

Decree 97 of 1957:

Decree 97 stated that loans extended by cooperative societies were to be of three kinds:

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<sup>1</sup>Ibid., p. 43, Art. 9.

<sup>2</sup>Ibid., p. 44, Art. 13.

- a) Short-term loans which are given for a maximum period of fourteen months.
- b) Medium-term loans which are extended for a maximum period of five years.
- c) Long-term loans which are given for a maximum period of twenty-five years.<sup>1</sup>

Since 1960, no interest is charged on loans extended to farmers.

Cooperative societies are not allowed to extend longterm loans from their own funds. In addition, Medium-term loans should not exceed six per cent of the paid in capital and reserves. The total of short and medium-term loans should not exceed sixty per cent of the paid in capital and reserves.<sup>2</sup>

These were the main provisions of Law No. 317 of 1956 and the decrees supplementing it. This Law did not introduce any basic change to the agricultural cooperation. It was not until 1960 and 1961 that basic changes were introduced affecting the whole setup of the movement.

#### THE SUPERVISION OF AGRICULTURAL COOPERATIVE SOCIETIES:

##### Decree 1431 of 1960:

In 1960, Decree 1431, was issued entrusting the Ministry of Agrarian Reform with the authority to supervise and control all agricultural cooperative societies in the land reform and non-reform areas.

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<sup>1</sup>Ibid., p. 63, Art. 10.

<sup>2</sup>Ibid., p. 65, Art. 13.



In addition, it provided that consumption and production cooperative societies should be controlled by the Ministry of Supply and the Ministry of Industry.<sup>1</sup> The Ministry of Social Affairs no longer had any control over agricultural cooperative societies .

The establishment of the General Agricultural Cooperative Institute:

Law No. 267 of 1960 provided for the establishment of general cooperative institutes in all fields of economic activity.<sup>2</sup> Each of these institutes is to coordinate the various institutions serving the cooperative movement in any sector of the economy. Among these, there was to be formed the General Agricultural Cooperative Institute. It was actually formed in 1961.<sup>3</sup>

The General Agricultural Cooperative Institute was to be managed by a board of directors presided over by the Minister of Agrarian Reform. The Board will be formed of the Ministers of Agriculture, Economy, Supply, and Social Affairs, and of six individuals that are working in agricultural cooperation.<sup>4</sup> The Institute isto supervise, direct and control of the following institutions:

- a) The Fertilizers Prices Equalization Fund.

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<sup>1</sup>Ibid., p. 77, Art. 1.

<sup>2</sup>Ibid., p. 82, Art. 1 of Law No. 267, 1960.

<sup>3</sup>Ibid., p. 88, Art. 1 of Decree 2157, 1960.

<sup>4</sup>Ibid., Art. 2.

- b) The General Cooperative Society of the Agrarian Reform.
- c) The Agricultural Cooperative and Credit Bank.
- d) All agricultural cooperative societies and unions outside the land reform areas.<sup>1</sup>

The General Agricultural Cooperative Institute's main function is to formulate the general policy for agricultural cooperation in the U.A.R. In addition, it has to provide the above institutions with the financial and technical help they need.<sup>2</sup> The Institute will have a private budget,<sup>3</sup> and it does not abide by the public rules and regulations of the ordinary administration. But it has to submit its books to the Accounting Department.<sup>4</sup> The General Agricultural Cooperative Institute is to be in direct relation with the President.

Official control of agricultural cooperatives became centralized in the General Agricultural Cooperative Institute. The Institute will supervise agricultural cooperative societies through the Mushrif or Supervisory Director it appoints for each society. The duties of the Supervisory Director are specified by Decree No. 109 of 1961.<sup>5</sup> The duties are:

<sup>1</sup>Ibid., Art. 3.

<sup>2</sup>Ibid., Art. 4.

<sup>3</sup>Ibid., p. 89, Art. 6.

<sup>4</sup>Ibid., Art. 7.

<sup>5</sup>Fathi Mohammed Zayed, "Al-Jami'yyat al-Taawoniyya al-Ziraiyya Wa Dawruha fi Thul al-Tanzim al-Taawoni al-Jaddi Wa Ikhtis-sasat al-Mushrifeen Alayha, al-Mushrif al-Zirai, Mushrif al-Bank, al-Katab," (Al-Sharqiyya, April 1, 1962), p. 10.

1) The supervisory director has to attend the meetings of the board of directors of the society and has the right to object to any one decision that violates the laws of cooperation or the by-laws of the society.

2) The supervisory director is the link between the General Agricultural Cooperative Institute and the agricultural cooperative society.

3) He has to collect statistical data in the region in which the society operates.

4) He has to provide agricultural cooperative societies with technical information necessary for increasing agricultural production.

5) The supervisory director has to check the records of landholdings and amend them in case of any change in ownership.

6) He has to supervise the implementation of decisions taken by the board of directors of the society. In addition, he has to implement all instructions given to him by the Institute with regard to any one agricultural cooperative society.

According to the above provisions, all agricultural cooperative societies are supervised by the General Agricultural Cooperative Institute. Practically, this is not so, because societies in the reform lands are still managed and controlled by the General Cooperative Society of the Agrarian Reform. At present, the efforts of the Institute are directed mainly to the reorganization of agricultural cooperative societies outside the reform lands because they were not properly managed.

GENERAL ADMINISTRATION OF  
PUBLIC RELATIONS. . . . .

GENERAL ADMINISTRATION OF  
COOPERATIVE EDUCATION  
AND TRAINING. . . . .

GENERAL ADMINISTRATION OF  
PROJECTS. . . . .

GENERAL ADMINISTRATION OF  
LEGAL AFFAIRS. . . . .

GENERAL ADMINISTRATION FOR  
SUPERVISION AND CONTROL. . .

GENERAL ADMINISTRATION FOR  
COOPERATIVE MARKETING. . .

GENERAL ADMINISTRATION OF  
COOPERATIVE CREDIT. . . . .

GENERAL MANAGER

..... BOARD OF MANAGERS

BOARD OF DIRECTORS

INSTITUTE

ORGANIZATION CHART OF THE GENERAL AGRICULTURAL COOPERATIVE

TABLE VII

In the summer of 1962, new elections of the board of directors were completed so as to have four fifth of the members of all the boards owners of not more than five feddans.

Besides, agricultural cooperative societies in the reform lands are more advanced because they are closely supervised and managed. In addition, membership is obligatory for all the new landholders who are all owners of five feddans or less, and as such their interests are common. It is only after raising the standard of the societies outside the reform lands that actual merging of the two into one body is possible.

#### THE ORGANIZATION OF AGRICULTURAL COOPERATIVE SOCIETIES:

In 1961, the new regulations reorganizing agricultural cooperative societies were issued. According to these regulations, the formation of cooperative unions was abolished, and agricultural cooperative societies in the reform and non-reform lands were classified into the local, joint and central societies.<sup>1</sup> The above societies, together with the production and consumers' cooperative societies, will form the General Cooperative Society of the U.A.R.

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<sup>1</sup>Joint and central societies are meant to be cooperative federations because they have societies and not individuals as members. The term "society" is the literal translation of the Arabic term "al-Jami'yya" which was used in the recent legislations to refer to the joint and central cooperative federations.

THE LOCAL AGRICULTURAL COOPERATIVE SOCIETY:

A local agricultural cooperative society is formed in each village with an area of 2000 feddans.<sup>1</sup> It is considered to be the basic unit on which the success of the whole cooperative structure depends. But, as farmers had little or no experience in cooperatives, the government found it necessary to appoint a public official, the mushrif, who assists in the management of the society. Being a full time official, he can devote all his time to the administration of the society without imposing any financial burden for his salary. He also provides other administrative services, such as keeping books and records. The fact, however, that he is a government employee creates a duality in his work and indeed in the whole cooperative structure. This point will be taken up at greater length in the thesis.

Membership in the local agricultural cooperative societies is limited to the cultivators of the land. These members constitute the general assembly which is the highest authority in the local agricultural cooperative society. The general assembly elects the board of directors which has to prepare the annual plan specifying the activities which the society will perform in a year's time.<sup>2</sup> Instead of a president, a secretary for the society is annually elected by the board of directors.<sup>3</sup> Membership in the board of directors is for three

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<sup>1</sup>U.A.R., Al-Majmou'at al-Kamelah Lilkawani al-Taawon Wa Lawaihi al-Jadida, p. 4.

<sup>2</sup>Ibid., p. 115.

<sup>3</sup>Ibid., p. 102.

years. Each year one-third of the members are replaced by new elections.<sup>1</sup>

The capital of the local agricultural society is not limited in amount and is composed of the paid in capital and reserves.<sup>2</sup> Shares are nominal and indivisible.<sup>3</sup> An individual can be a member of the society if he buys one share. Later he has to have one share for every feddan. No member can own more than one-fifth of the paid in capital of the society.<sup>4</sup> The liability of any member is limited to the value of shares he holds.<sup>5</sup>

The aim of the local agricultural cooperative society is to raise the social and economic standards of its members by:

1. Providing them with whatever means necessary for the full utilization of the land.
2. Encouraging the mechanization of agriculture.
3. Marketing the crops of members cooperatively.
4. The extension of credit to members and acceptance of deposits

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<sup>1</sup>Ibid., p. 122, Art. 32.

<sup>2</sup>Ibid., p. 118, Art. 19.

<sup>3</sup>Ibid., Art. 20.

<sup>4</sup>Ibid., Art. 22.

<sup>5</sup>Ibid., Art. 23.

from members as well as from non-members.<sup>1</sup>

Net savings made by the society are distributed at the end of each year in the following manner:

1. Twenty per cent will be set aside to form a legal reserve which should be double the paid in capital. The society can form other reserves besides the legal one.

2. Interest on shares should not exceed six per cent of the stated value of shares and not more than twenty per cent of the net savings of the society can be used to pay dividends. No interest is paid on shares whose value is not fully paid.

3. Ten per cent will be reserved for social services to the region in which the society operates.

4. A maximum of ten per cent will be given as remuneration for members of the board of directors.

5. The remainder will be distributed to members of the society as patronage refunds. The amount given to every member should be in proportion to the value of transactions which he had made with the society. If a member did not pay the value of his share, the amount will be deducted from the patronage refund accruing to him.

Profits made from dealings with non-members will be allotted to social aid.<sup>2</sup>

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<sup>1</sup>Ibid., p. 115, Art. 6.

<sup>2</sup>Ibid., pp. 132-133, Art. 56.



To prevent big landowners from having control over the society, four-fifth of the board of directors should be members from among farmers whose holdings do not exceed five feddans.<sup>1</sup> Farmers of ownerships not exceeding five feddans have to give in their crops to the society to be sold cooperatively. This applies as well to tenants who are members of the society.<sup>2</sup>

THE JOINT AGRICULTURAL COOPERATIVE SOCIETY:

Of the local agricultural cooperative societies in every district, a joint agricultural cooperative society is formed. The board of directors of the joint society is elected by a secret ballot by its general assembly. The general assembly is constituted of the members of the board of directors of each local agricultural cooperative society. The board of directors of the joint agricultural cooperative society is composed of fifteen members.<sup>3</sup> The representatives of the Agricultural Cooperative and Credit Bank, the Ministry of Finance, the Ministry of Supply, the Ministry of Municipal and Rural Affairs, the Ministry of Public Works, and the Ministry of Interior should also become members in the board of directors of the joint society.<sup>4</sup>

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<sup>1</sup>U.A.R., Al-Mou'assasa al-Masriyya al-Taawoniyya al-Amah, Al-Qararat al-Wizariyya L'Intikhabat al-Jami'yyat al-Taawoniyya al-Ziraiyya (Cairo, 1962), p. 11.

<sup>2</sup>U.A.R., Al-Majmou'at al-Kamelah Lilkawanin al-Taawon Wa Lawaihi al-Jadida, op.cit., p. 116.

<sup>3</sup>U.A.R., Al-Mou'assasa al-Masriyya al-Taawoniyya al-Ziraiyya al-Amah, op.cit., p. 10-11.

<sup>4</sup>U.A.R., Al-Majmou'at al-Kamelah Lilkawanin al-Taawon Wa Lawaihi al-Jadida, op.cit., p. 164.

The agricultural engineer of the district would be the supervisory director of the joint agricultural cooperative society. He is responsible for the supervisory directors of the local agricultural cooperative societies and for the implementation of the agrarian policy in the region.<sup>1</sup>

The board of directors of the joint society cannot interfere in the duties of the supervisory director. Objections to his actions are submitted to the supervisory director of the central agricultural cooperative society in the Muhafaza who will decide on the issue at hand.

The main duty of the supervisory director of the joint society is to help in increasing agricultural production. Accordingly, he divides the work among the members and employees of the agricultural cooperative society he supervises. Though he has no vote, he has to attend the meetings of the board of directors of the society and stop the execution of any decision that might be harmful to the functioning of the society.<sup>2</sup>

The joint agricultural cooperative society can utilize the services of experts after the approval of the board of directors and the supervisory director.<sup>3</sup>

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<sup>1</sup>Ibid., p. 163.

<sup>2</sup>Ibid., p. 148.

<sup>3</sup>Ibid., p. 145.

All joint agricultural cooperative societies are of limited liability. The liability of any one member local society is limited to the value of shares it holds.<sup>1</sup> Every local society has to subscribe to the capital of the joint society not less than one quarter of its paid in capital. Shares of the joint society are nominal and non-divisible. The joint agricultural cooperative society can retain the patronages refund due to member societies in case there is to be an increase in its capital; provided the board of directors approves of such an increase.<sup>2</sup>

Joint agricultural cooperative societies can deal with non-member societies and institutions only after satisfying the needs of their members and provided that:

- a) Priority is given to members always.
- b) The value of transactions conducted with nonmembers should not exceed that to transactions made with members.
- c) The society should maintain an account of the transactions made with each customer.<sup>3</sup>

The duty of the joint agricultural cooperative society is to serve member societies, economically as well as socially. Accordingly, it performs the following functions:

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<sup>1</sup>Ibid., p. 138.

<sup>2</sup>Ibid., pp. 141-142

<sup>3</sup>Ibid., p. 141.

1. It provides member societies with agricultural implements, fertilizers, construction materials, and publications for the libraries of the local societies.
2. The marketing of the agricultural produce for the benefit of members in the local agricultural cooperative societies.
3. Extension of credit to members according to the rules put by the board of directors of the society.
4. Reform and lease of agricultural lands to cultivators.
5. Processing of agricultural products.
6. Signing contracts on behalf of its members with other parties. Such contracts are binding on the local agricultural cooperative societies.
7. Encouraging the insurance of livestock.
8. The construction of factories and workshops needed for serving member societies.<sup>1</sup>

Net savings realized by the joint agricultural cooperative society will be apportioned in the following manner:

1. Twenty per cent is taken to build up the legal reserve.
2. Twenty per cent for social aid.
3. A maximum of ten per cent will be given as remuneration to individuals serving the society.
4. The remainder is distributed among member societies as dividends.

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<sup>1</sup>Ibid., pp. 139-140.

Profits accruing from non-members will be given for social aid. An additional five per cent of the savings of local societies is given for social aid.<sup>1</sup>

The joint agricultural cooperative society is to provide member societies with educational, economic and social services. In addition, it plays a supervisory and coordinative role for the full utilization of the potentialities of the local agricultural cooperative societies within each district.

#### THE CENTRAL AGRICULTURAL COOPERATIVE SOCIETY:

In each Muhafaza, a central agricultural cooperative society is formed from the joint agricultural societies. The general assembly is formed of all members of the boards of directors of the joint societies.<sup>2</sup> This general assembly elects a board of directors of fifteen members, four-fifths of which should be owners of not more than five feddans.<sup>3</sup> The board will be presided over by the Muhafez. In addition, the director of security, the supervisor of irrigation, a representative from the Ministry of Agrarian Reform, the director of the medical directorate, the Director of Social Affairs, Supervisor of Supply, and the Director of the Financial Division will be members in the board. Besides, the Minister of Agrarian Reform will appoint three

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<sup>1</sup>Ibid., pp. 150-15

<sup>2</sup>U.A.R., Al-Mou'assasa al-Musriyya al-Taawoniyya al-Ziraiyya al-Amah, op.cit., pp. 10-11.

<sup>3</sup>This provision applies to agricultural cooperative societies and federations.

individuals working in cooperation, from the Muhafaza to be members in the board of the central agricultural cooperative society.<sup>1</sup>

Central societies are to replace the cooperative unions which were previously established. Coordination between the central societies would be achieved by the General Agricultural Cooperative Institute. The supervisory director of the central society is the agricultural inspector of the Muhafaza. These inspectors are in turn responsible for the supervisory directors of the joint agricultural societies.

The functions of the central agricultural cooperative society are:

1. Auditing the accounts of the joint agricultural cooperative societies.
2. Inspection and promotion of the agricultural program in the Muhafaza.
3. Purchase of supplies needed by member societies.
4. Provision of technical, educational, and training services on the level of the Muhafaza.<sup>2</sup>

These are the new changes introduced with regard to the organization structure of the agricultural cooperative societies. These laws providing for this change were all enacted in 1961, and as such not much time passed for their complete implementation. This is seen in Table VIII wherein the number of local societies formed outside the agrarian reform lands till the end of 1961 is 4038, joint societies

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<sup>1</sup>U.A.R., Al-Majmou'at al-Kamelah Lilkawanin al-Taawon Wa Lawaihi al-Jadida, op.cit., p. 165.

<sup>2</sup>Ibid., pp. 165-166.

TABLE VIII  
 1961: AGRICULTURAL COOPERATIVE SOCIETIES OUTSIDE  
 THE REFORM LANDS

Muhafaza	Local Coop. Societies	Joint Coop. Societies	Central Coop. Societies
Alexandria	6	-	
Al-Buheira	357	11	
Al-Gharbish	332	8	
Kafr al-Shiek	191	7	
Al-Dukhlia	404	9	
Dumietta	62	3	
Al-Mennfia	307	8	
Al-Ghleibiah	199	6	
Al-Sharquiah	427	10	
Al-Qanal	32	4	
Cairo	12	-	
Al-Ghiza	172	5	1
Al-Fayum	160	5	
Beni-Suef	217	7	
Al-Menia	345	9	
Asyut	233	8	
Suhaij	280	10	
Qana	208	8	
Aswan	94	4	
Total	4038	122	1

Source: The General Agricultural Cooperative Institute, Department of Statistics.

are 122 and one central society was formed.

In comparing the figures in Table **IXIII** with those in Appendix C of Chapter I, it can be seen that a great increase in the number of agricultural cooperative societies had taken place. In 1946 the number of agricultural cooperative societies was 1636 with membership of 543,260. This increased to 3721 societies in 1960 with membership of 926,569. The percentage increase experienced in number of societies and membership amounts to about 127.44 and 70.55.

Paid in capital and reserves increased from L.E. 1,630,580 in 1946 to L.E. 2,088,389 in 1960 with a percentage increase of 28.07.

In the agrarian reform lands, agricultural cooperative societies were arranged into local and joint societies. After the enactment of the above regulations, central agricultural cooperative societies were formed and the structure of cooperatives in the reform lands was completed. In 1958, there were 321<sup>1</sup> agricultural cooperative societies on the local level in the reform lands.<sup>2</sup> In 1961, the number of agricultural cooperative societies was increased to 364.<sup>3</sup> All these societies are supervised and controlled by the General Agricultural Cooperative Society of The Agrarian Reform.

With the implementation of the above regulations, supervision

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<sup>1</sup>Taken from the Ministry of Agrarian Reform, Department of Statistics.

<sup>2</sup>Refer to Table X.

<sup>3</sup>An interview with Mr. Sayed Bey Nejib, Director of the Cooperative Department in the Ministry of Agrarian Reform, 18/9/1962.



and control of agricultural cooperation became centralized in one body, the General Agricultural Cooperative Institute.

At present, the supervisory directors in the local and joint agricultural cooperative societies are directly responsible to the Institute because the central agricultural cooperative societies are not yet formed. In the agrarian reform lands, the local, joint and central cooperative societies are still directed and controlled by the General Cooperative Society of the Agrarian Reform. As such the organizational chart of cooperative societies and federations is at present as follows:

THE GENERAL AGRICULTURAL COOPERATIVE  
INSTITUTE

:  
:

Central Agricultural  
Cooperative Societies

The General Cooperative Society  
of The Agrarian Reform

:

Joint Agricultural  
Cooperative Societies

The Central Agricultural Co-  
operative Societies

:

Local Agricultural  
Cooperative Societies

Joint Agricultural Coopera-  
tive Societies

Local Agricultural Coopera-  
tive Societies

CONCLUSION:

Though started in 1907, agricultural cooperation in the U.A.R. did not develop to be the means serving the majority of farmers. The revolution of 1952 brought, among other things, the agrarian reform, yet rural cooperation outside the reform lands did not experience any change since 1944. It was not until 1956 that a new law for cooperative societies was enacted providing for the establishment of many types of cooperative societies. This law did not introduce any basic change with regard to the organization, functioning, and management of the agricultural cooperative societies outside the reform lands.

Major changes were introduced in 1961 when various decrees were passed, and the General Agricultural Cooperative Institute was established. Much progress has been made in the reorganization of the agricultural cooperative societies outside the reform lands and of the countryside as a whole.

It should be noted that as a consequence of the 1961 cooperative laws, the internal organization of the agricultural cooperative societies was overhauled and new relationships with regard to planning, coordination, control and supervision were laid down. A discussion of these relationships, essential as it is, cannot be undertaken in this thesis because, the new scheme itself has not been completed yet in the U.A.R. Aside from the laws, the relationships have not been highlighted either on the theoretical or on the practical levels.

During the summer of 1962 new elections of the boards of direc-

tors of societies outside the reform lands were held so as to have four-fifths of the members in these boards owners of not more than five feddans. In addition, efforts are exerted for establishing the central agricultural cooperative societies in the shortest time possible.

As for the agricultural cooperative societies in the reform lands, not much change was needed for their improvement. This is due to the fact that these societies were newly established from 1952 onwards. In addition, they are closely supervised by the Cooperative Department in the Ministry of Agrarian Reform. This department was independent from the Cooperative Department in the Ministry of Social Affairs which used to run the rural cooperatives Outside the reform lands prior to 1961. In addition, membership in agricultural cooperative societies in the reform lands is obligatory to all farmers benefiting from the reform, who are owners of five feddans or less. There was no conflict of interest of the members within the societies in the reform lands because their interests are more or less common. These societies had an agricultural engineer as guide and manager. It is natural, then, that these societies are more developed than those outside the reform lands.

The above changes described in this Chapter were introduced in order to develop the agricultural cooperative societies outside the reform lands as a first step creating an all inclusive unified system of cooperatives in all the country side. The whole plan is to be

STATISTICS:

TABLE IX

1960: THE AGRICULTURAL COOPERATIVE SOCIETIES  
OUTSIDE THE REFORM LANDS

Muhafaza	No. of Agri- cultural Coop. Societies	No. of Members	Averaged Paid in Capital	Reserves	Total <sup>λ</sup>
Alxandria	3	1449	2515	72	2587
Bubeira	329	50638	72111	59279	131390
Gharbiah	317	95502	126255	74563	200818
Kafr al-Shief	174	32844	53269	25105	78364
Al-Dukuklia	390	96319	142405	101065	243470
Dumietta	55	7836	13445	3804	17249
Al-Memfia	297	122920	144614	137459	282073
Al-Qalubia	137	79655	93758	52405	146163
Al-Sharqia	385	109291	125966	73600	199566
Al-Ismailia	8	2511	4902	1160	6062
Al-Suez	4	920	2459	993	3452
Al-Giza	156	45839	62872	22163	85035
Al-Fayum	155	30503	39045	31699	70744
Beni-Suef	212	32519	33469	19178	52647
Al-Minia	343	55841	83897	104484	188381
Asyut	219	54390	70187	51436	121623
Suhaj	217	66565	75104	31893	106997
Qana	189	34781	66361	44980	111341
Aswan	71	6256	30918	9509	40427
Total	3721	926569	1243542	844847	2088389

Source: The General Agricultural Cooperative Institute, Department of  
Statistics.

TABLE X

THE DEVELOPMENT OF AGRICULTURAL COOPERATIVE  
SOCIETIES IN THE REFORM LANDS

Year	Nof. of Agri- cultural Coop. Societies	Percentage Increase over Previous Year	Averaged Paid In Capital of a Society	Percentage Increase over Previous Year
1953-1954	69	-	-	-
1954-1955	153	221	-	-
1955-1956	203	132	686.4	-
1956-1957	279	137	776.7	123
1957-1958	321	115	957.9	123

Source: The Ministry of Agrarian Reform, Department of Statistics.

implemented by the General Agricultural Cooperative Institute. Thus, in the very near future, the cooperative program will be actually supervised and controlled by one body. This, cooperative program will be supplemented by increasing the educational, financial and technical services which government lends to the country side.

## CHAPTER V

### THE ROLE OF AGRICULTURAL COOPERATIVE SOCIETIES IN THE AGRICULTURAL DEVELOPMENT OF THE UAR

#### RURAL DEVELOPMENT THROUGH AGRICULTURAL COOPERATIVE SOCIETIES:

Agricultural cooperative societies are formed to serve small farmers through the satisfaction of some of their basic needs. The role of cooperative societies is not only to provide for these needs, but rather to perform this task efficiently in order to contribute to the economic and social welfare of the rural community. In other words, agricultural cooperative societies tend to perform their functions in a way which would minimize the cost of these services and as a result increase the revenue accruing to small farmers.

The role of agricultural cooperative societies in the U.A.R. is not exceptional to the classical role assumed by agricultural cooperative societies over the world. This role is providing for the economic and social needs of the small farmers through the services which they perform. As such a study of the services performed by these societies in the U.A.R. should be made. It is only after achieving this, that an objective evaluation can be made of the role which agricultural cooperative societies play in the agricultural development of the U.A.R.

the term "agricultural development" is used here to designate development on a wide front. It encompasses technical, economic as well as social progress. This is because these three processes of rural progress are closely interrelated, and it is very difficult to separate one from the other. In addition, the farmers' needs in a developing country as the U.A.R. are many and diverse. Yet, they might not be aware of them because of ignorance and illiteracy. This makes government assistance necessary at least in the first stages, and until farmers acquire greater experience and technical acquaintance with the requirements of successful cooperation.

The agricultural cooperative societies in the U.A.R. are multi-purpose societies, i.e. they are not specialized. Every one of these societies performs more than one function. It might provide credit, market crops, provide for educational and health services, etc. Though the functions performed by any one society are many, yet, their importance vary in the sense that some of them are to satisfy the most urgent needs of farmers with regard to agricultural production such as credit extension. As such these might be classified into two broad categories, economic and social functions, the former being of greater importance.

In depicting the role which agricultural cooperative societies in the U.A.R. play, a distinction is made between the societies in the reform lands and those in the nonreform lands. This is because these two types of societies were supervised by different institutions, and were not put under one body until 1961.



An exception to this would be made in discussing the credit services offered by agricultural cooperative societies. This is because no separate figures are published on the amount of credit offered by each type of these societies.

CREDIT SERVICES OFFERED BY AGRICULTURAL COOPERATIVE SOCIETIES:

Agricultural credit was granted to individual farmers by the Agricultural Credit and Cooperative Bank. Very little was done through the agricultural cooperative societies until the agrarian reform law was implemented. With this, a supervised credit system was initiated in the reform lands. This system was adopted in the non-reform lands in 1957 and implemented over a period of five years.

The great part of credit is to finance the seasonal needs of farmers, i.e. for short-term periods not exceeding fourteen months. Medium-term credit is used to finance the purchase of agricultural implements and machinery. It is granted for a maximum period of ten years.<sup>1</sup>

CREDIT EXTENSION IN THE REFORM LANDS:

The supervised credit system was started in the reform lands in 1955. As every supervised credit was to be granted only to members of cooperative societies, every cultivator, tenant or owner had to join an agricultural cooperative society. The function of the coop-

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<sup>1</sup>Bank al-Tasliif al-Zirai Wal-Taawoni, Taqir Majles al-Idarah Wa Taqir Murakibie al-Hisabat Wa Qararat al-Jami'yya al-Ummiyya A'n Sanat 1952 (Cairo, 1953), p. 12.

erative societies in relation to supervised credit consisted in that the board of directors of every society had to check ownership titles and tenancy contracts of members, on the basis of which the bank would grant credit. All loans were to be used productively and were mostly extended in kind. By this the bank would be assured of their proper use.<sup>1</sup> For example when in need of seeds, a peasant would file an application stating the amount and kind of seeds under request. The application would then be scrutinized by the supervisor appointed by the Agricultural Cooperative and Credit Bank. Upon his consent the peasant would be referred to the bank where proper arrangements are made to deduct the cost of seeds from the future proceeds of the peasants' produce.

Obviously resort to this system of supervised credit came as a result of the fact that cooperative societies were not yet prepared to handle all credit requirements of farmers. A dual credit system now exists which is cooperative credit and the Agricultural Cooperative and Credit Bank's supervised credit. Logically there should ultimately be one system of cooperative credit only. But since this system cannot be created at short notice, and since the credit role of the previous landowners had to be filled, supervised credit was introduced to fill the gap.

All the loans extended were secured. In case the new landholder

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<sup>1</sup>Sayed Miri, op.cit., p. 164.

did not have enough security, he was guaranteed by the General Committee of the Agrarian Reform.<sup>1</sup> Later this was changed and the loans were secured by the mortgage of the agricultural produce. These are the procedures followed in extending short-term loans in the reform lands.

Intermediate-term loans are given to the General Committee of the Agrarian Reform, and are used to finance the purchase of agricultural implements and livestock. All the purchases are made by the General Committee which in turn provides the central cooperative societies in the reform lands with these implements. As such all agricultural implements are owned and used cooperatively.<sup>2</sup>

#### AGRICULTURAL COOPERATIVE CREDIT OUTSIDE THE REFORM LANDS:

Before 1957, credit was mostly extended to individuals. The security accepted for a loan was either a personal guarantee or land mortgage. A tenant was required to obtain the personal collateral of the landlord who in most cases would not be willing to give it. Thus, the Agricultural Credit and Cooperative Bank was serving those who were able to give such guarantee, and who formed a minority group with large holdings.

To satisfy the credit needs of farmers with small holdings a supervised credit system was devised. The supervised credit system

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<sup>1</sup>Sayed Miri, op.cit., p. 117.

<sup>2</sup>An interview with Sayed Bey Nejib, Director of the Cooperative Department in the Ministry of Agrarian Reform, September 18, 1962.

was to be implemented over a period of five years, and required the following steps:

1. The establishment of agricultural cooperative societies outside the reform lands in the villages where they do not exist.
2. Convincing farmers in these villages to join agricultural cooperative societies, so that all credit dealings would be limited to these societies.
3. The accurate survey of the holdings of each farmer in the villages on the basis of which their needs are assessed and credit is extended. This is of great importance to the plan as a whole because farmers with ascertained titles may get credit on the strength of land mortgages. Tenants however, can still get credit by mortgaging their crops. This can be done mainly in relation to durable crops such as cotton. The Agricultural Cooperative and Credit Bank offers this type of credit, and it keeps for this purpose stores, to which crops are moved on harvest. On selling these crops they may not be removed from Banks' stores except after the settlement of all bank claims.
4. The staffing of societies so that the management of credit transactions within each society would be performed efficiently.<sup>1</sup>

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<sup>1</sup>U.A.R., Wazarat al-Shou'oun al-Ijtimaiyya Wal'Amal al-Markaziyya, al-Taawon (Cairo, 1960), p. 45.

To perform this, a five year period was needed so that by 1961 the supervised agricultural cooperative credit system would spread to cover all non-reform lands. All credit extended would be secured, and the security provided by the farmer would be his agricultural produce. By this landowners and tenants would have access to credit facilities offered through their agricultural cooperative societies.

The above credit system was formed to satisfy the seasonal needs of small farmers for credit. A small farmer is considered to be the owner or cultivator of not more than thirty feddans.<sup>1</sup>

The implementation of the supervised credit plan was started in 1957 in three districts as shown in Table XI. In 1958, It spread to fourteen districts more where in the number of agricultural cooperative societies. increased in these seventeen districts to 695 as shown in Table XII. This is because some of these societies were newly established.

Table XII shows the results of implementing the supervised credit system in seventeen districts of the U.A.R. The number of agricultural cooperative societies in these districts increased by about fifty-four per cent in two years, while the increase in membership varied between a minimum of fourteen and a maximum of 272 per cent.

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<sup>1</sup>Bank al-Taslif al-Zirai Wal-Taawoni, Taqrir Majles al-Idarah Wa Taqrir Murakibi al-Hisabat WaQArarat al-Jami'yya al-Umumiyya A'n Sanat 1958 (Cairo, 1959) p. 26.

TABLE XI

THE IMPLEMENTATION OF THE SUPERVISED AGRICULTURAL COOPERATIVE  
CREDIT SYSTEM IN THE NON-REFORM LANDS

Year	No of Districts Adopting the System	No. of Agricultural Coop. Societies Implementing the Plan
1957 )	3 )	-
1958 )	14 )	451
1959	36	2056
1960	33	3101
1961	29	3905

Source: Compiled from the Reports of the Agricultural Credit and Cooperative Bank for the years 1958-61.

TABLE XII

A COMPARISON OF THE INCREASE IN MEMBERSHIP AND PAID IN CAPITAL OF AGRICULTURAL COOPERATIVE SOCIETIES IMPLEMENTING THE SUPERVISED CREDIT PLAN DURING THE YEARS 1957-58

Name of Center	No. of Agr. Coop. Societies		Membership		Percent Increase	Paid in Capital		Percent Increase
	Before	After	Before	After		Before	After	
Tokh	29	46	7,447	13,701	84	9,758	16,291	67
Al-Zagazig	41	57	17,311	20,798	20	16,314	19,509	20
Tantah	37	55	14,516	16,596	14	15,710	18,556	18
Kafr al-Sheik	10	44	3,029	8,750	189	5,366	12,970	142
Shbein el-Kom	39	30	10,409	19,324	86	13,728	21,445	56
Kiwaisna	53	61	14,837	18,617	25	18,700	23,189	24
Damanhour	22	34	2,149	3,760	75	3,041	5,326	75
Meit Khamr	47	50	18,097	23,260	29	23,099	26,614	15
Al-Simblawin	41	59	8,213	12,880	57	11,716	12,287	39
Umbabah	29	49	9,319	15,538	67	11,113	18,353	65
Al-Fayum	14	34	2,054	5,190	153	3,867	6,218	60
Beni Suef	24	31	5,304	6,457	22	4,362	5,304	22
Beni Mazar	8	38	1,289	4,799	272	2,417	6,977	188
Al-Minia	14	41	3,593	9,734	171	5,294	12,500	136
Abu Tej	9	12	3,342	5,484	64	4,247	5,542	30
Suhaj	23	35	5,031	13,864	156	6,586	13,312	102
Isna	11	19	1,200	2,911	143	2,243	3,840	71
Total	451	695	127,140	201,663		157,561	232,233	

Source: U.A.R. Wasarat al-Shou'oun al-Ijtimaiyya Wal'Amal al-Markaziyya, Al-Taawon (Cairo, 1960), pp. 98-99.

There was also an increase in the paid in capital of these societies wherein the increase varied between fifteen and 188 per cent.

In order to ensure the proper implementation of the supervised credit system, the Agricultural Credit and Cooperative Bank appointed a trained credit supervisor for every five agricultural cooperative societies. The Bank's supervisor would be responsible for the credit transactions made to these societies, or to their members.

The importance of short-term agricultural cooperative credit has been increasing over the last four years. This is because agricultural short-term credit was restricted to the agricultural cooperative societies. Table XIII shows that whereas agricultural cooperative short-term credit constituted 19.9 per cent of the total short-term agricultural credit in 1951, it increased to 32.6 per cent in 1956 and to 83.8 per cent in 1960.<sup>1</sup> This great increase in the percentage of short-term credit offered through the agricultural cooperative societies is undoubtedly due to the implementation of the supervised agricultural cooperative credit plan.

By 1961 all short-term agricultural credit was granted to agricultural cooperative societies, and the Agricultural Credit and Cooperative Bank stopped all transactions with individual farmers. Hence, farmers can only have access to short-term credit, through cooperative societies.

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<sup>1</sup>Though the figures for 1961 were not given out during the summer of 1962, yet it was confirmed by more than one official that the Agricultural Credit and Cooperative Bank deals at present only with agricultural cooperative societies in providing for the seasonal needs of farmers in the U.A.R.



TABLE XIII  
SHORT TERM AGRICULTURAL COOPERATIVE CREDIT

Year	Total Value of Short- Term Agr. Coop. Credit (L.E.)	Percent of Coop. Credit to total
1951	2,520,268	19.9
1952	3,052,806	19.6
1953	3,452,388	21.6
1954	3,972,654	23.6
1955	4,705,413	25.8
1956	5,295,364	32.6
1957	6,569,789	35.9
1958	9,529,052	43.8
1959	20,000,598	69.4
1960	29,460,187	83.8

Source: Compiled from the Reports of the Agricultural Credit and Cooperative Bank for the years 1951-1960.

Note: The figures in Table XIII include also the amount of credit extended to farmers in the reform lands, through their agricultural cooperative societies. This is because no separate figures are published for the amount of credit given to each of the societies in the reform and non-reform lands.

INTERMEDIATE-TERM CREDIT:

The majority of intermediate-term credit is extended to agricultural cooperative associations in the reform lands. The amount of intermediate-term loans had increased considerably over the past ten years. The portion of intermediate-term loans given to agricultural cooperative associations varied between 67 and 97 per cent of the total amount of intermediate-term credit.

This is due to the fact that the majority of farmers are small ones, and the holdings of anyone of them does not justify the independent use of these implements. However, the resort to the three field system facilitated the advantageous applications of machinery on the lands.

Comparing the figures in Tables XIII and XIV<sup>1</sup> the intermediate-term agricultural cooperative loans form only a small percentage of short-term cooperative loans. In the years 1959 and 1960, the percentage of intermediate to short-term agricultural cooperative loans was 2.86 and 4.11 per cent. This probably because "the production pattern in Egyptian agriculture is characterized by phenomenal concentration on crop farming rather than livestock or orchard production, and does not create a sustained demand for intermediate term loans."<sup>2</sup> As for the

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<sup>1</sup>Refer to Table XV.

<sup>2</sup>Elizabeth K. Bauer, ed., Proceedings on the International Conference on Agriculture and Cooperative Credit, Vol. II, (University of California: Berkeley), p. 669.

TABLE XIV

## THE INTERMEDIATE TERM AGRICULTURAL COOPERATIVE

## CREDIT-EXTENDED TO COOP.

## SOCIETIES

Year	Loans for the Purchase of Livestock	Loans for the Purchase of Agricultural Implements	Total Credit (Cooperative)	Total of Intermediate Term Coop. and Non-Coop. Credit	Percentage of Cooperative intermediate credit to total intermediate loans
1951	51,725	48,430	100,155	105,330	95.08
1952	39,475	73,121	112,598	119,168	94.48
1953	41,105	42,573	83,678	95,640	87.49
1954	52,387	61,828	113,669	123,450	92.07
1955	65,640	87,742	53,382	215,402	71.20
1956	44,215	138,217	182,432	269,645	67.65
1957	21,575	114,304	135,879	145,530	93.36
1958	43,335	158,906	202,241	207,774	97.33
1959	104,901	467,309	572,210	589,025	97.14
1960	320,277*	891,118	1,211,395	1,469,323	82.44

Source: Compiled from the Reports of the Agricultural Credit and Cooperative Bank for the years 1951-1960.

\* This includes L.E. 43,793 distributed for the purchase of livestock in accordance with Nasser's Project.

TABLE XV  
 A COMPARISON OF SHORT AND INTERMEDIATE TERM AGRICULTURAL COOPERATIVE CREDIT (L.E.)

Year	Short Term Credit	Intermediate Term Credit	Percent of Intermediate to Short Term Credit
1951	2,520,268	100,155	3.97
1952	3,052,806	112,596	3.68
1953	3,452,388	83,678	2.42
1954	3,972,654	113,669	2.86
1955	4,705,413	53,382	1.13
1956	5,295,364	182,432	3.44
1957	6,569,789	135,879	2.06
1958	9,529,052	202,241	2.12
1959	20,000,598	572,210	2.86
1960	29,460,187	1,211,395	4.11

Source: Compiled from the Reports of the Agricultural Credit and Cooperative Bank for the years 1951-60.

remaining years, the ratio of intermediate to short-term agricultural cooperative credit varied between 1.13 and 3.97 per cent.

These are the credit services offered through the agricultural cooperative societies in the U.A.R. It is evident from the above section that agricultural cooperative societies deal only with short and intermediate term credit.

The remaining part of this Chapter is a study of the other services offered by the agricultural cooperative societies in the U.A.R.

OTHER SERVICES OFFERED BY THE AGRICULTURAL COOPERATIVE SOCIETIES IN THE REFORM LANDS:

Implementation of The Three Field System:

With the redistribution of farm land the problem arose as to what system of farming should be adopted. This is because if each of the new landholders were to cultivate and plant his holding independently it would entail a loss to the national economy of the U.A.R. because of the great fragmentation of the cultivable area. Besides, it would be impossible for the new owners of the land to utilize advantageously advanced means of agricultural production.

The problem involved many issues all revolving around a major one, and that is the system of farming that should be adopted in order that growth would not be sacrificed for equity. Legislation preventing further subdivision of the land is not enough. A method of consolidated farming was therefore to be adopted. Such a system was to be flexible

in the sense of maintaining private ownership of the land, and provide for increased agricultural production without imposing burdens on the farmer.

In the redistribution process of the agrarian reform the land was divided into lots of 450 feddans each. Every one of these lots was also divided into three segments of 150 feddans each. These three segments would be planted with different crops in every single rotation and the tools and services, like machinery, methods of disease control, credit, etc., are provided on a cooperative basis whereby every cultivator has access to them but the land itself that is allotted to the peasant is cultivated only by the owner. In every segment a farmer would have one piece of land so that he would have three pieces in all, amounting to a maximum of about five feddans.

Every farmer would cultivate his own holdings and what he needs of supplies and credit would be supplied through the agricultural cooperative society in the village of which he is a member. As for agricultural implements such as tractors they would be owned cooperatively.

On the average, within every area of 450 feddans there are 120 landholders, every one of them with an average holding of 3.7 feddans.<sup>1</sup>

In this setup, the agricultural cooperative societies have to

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<sup>1</sup>Mahmoud Fawzi, Al-Jami'yyat al-Taawuniyyat al-Ziraiyyat al-Ziraiyya Wa Dawruha Fi Tanfith Siyasat al-Dawla (A Report presented to the Cooperative Conference for Middle East States which was held in Cairo Between 17-31/10.1959), p.5.

play a major role in supplying the beneficiaries of land reform with implements, technical advice etc. so as to improve as much as possible levels of production. These societies have to assess and provide for the production needs of the landholders so that agricultural production would not be hindered. These societies extend credit and market the produce in order that farmers do not resort to moneylenders charging high interest rates.

The amount of credit extended to the new landholders in the reform lands through their agricultural cooperative societies was £E 1,444,000 in 1953, increased to £E 1,678,787 in 1954, and became £E 2,142,865 in 1955.<sup>1</sup> Though the figures are not published for the years after 1955, yet the more land is distributed the greater is the credit needed to provide for the working needs of the new landholders.

#### PROVISION OF SUPPLIES FOR AGRICULTURAL PRODUCTION:

The major role which agricultural cooperative societies play in the reform lands besides the implementation of the three field system and compulsory rotation is the distribution of supplies to the small farmers. Because of the great number of farmers benefiting from the reform and their wide distribution in many localities, the agricultural cooperative societies undertook the task of providing them with supplies that are of importance to agricultural production. In addition, these supplies had to be provided in the right time or else their utilization would not be effective.

Tabele XVI shows the total value of supplies offered to the landholders in the reform lands through their agricultural cooperative

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<sup>1</sup>Sayed Miri, op.cit., p. 119.

TABLE XVI  
VALUE OF THE SUPPLIES OFFERED IN THE REFORM LANDS THROUGH THE  
AGRICULTURAL COOPERATIVE SOCIETIES

Supplies Provided	1957	1958	1959	1960	1961	Totals
	₹. Millions	₹. Millions	₹. Millions	₹. Millions	₹. Millions	₹. Millions
Seed	480,370.997	483,939.045	482,760.972	541,591.437	560,922.151	2,549,521.602
Fertilizers	1,039,650.000	1,690,128.605	1,953,939.692	2,148,527.815	1,942,369.635	2,274,615.647
Insecticides	287,466.975	521,685.250	544,516.874	960,288.--	1,539,246.--	3,853,203.099
Spraying Machinery	78,875.--	35,860.300	35,935.750	116,020.375	351,882.100	616,573.525
Others	65,000.--	82,066.510	63,559.050	13,750.--	137,000.--	361,375.560
<b>Totals</b>	<b>2,451,299.972</b>	<b>2,811,679.710</b>	<b>3,080,712,238</b>	<b>3,780,177.627</b>	<b>4,531,419.886</b>	<b>16,655,289.433</b>

SOURCE: U.A.R., Ministry of Agrarian Reform, Department of Statistics.



societies. It can be seen that in 1957 the total value of these supplies was about £E 2,451,299 and increased to about £E 4,531,419 in 1961. The supplies offered are fertilizers, seed, insecticides and machinery for spraying crops. The increase in the supplies offered amounts to about 84.85 per cent.

#### COOPERATIVE MARKETING OF AGRICULTURAL PRODUCTS:

On implementing the Agrarian Reform Law, it was realized that "the full advantage of improved land tenure and credit arrangements, increased technical knowledge and lowered costs of goods and services cannot be achieved unless the levels of prices which farm families receive for their produce are adequate and reasonably stable."<sup>1</sup> One way of achieving adequate prices for agricultural products is through cooperative marketing.

Cooperative marketing of cotton in the reform lands was started in 1952-53, and many difficulties were encountered. At first, very few farmers accepted to market their crops cooperatively.<sup>2</sup> As can be seen from Table XVII 27,700 tons were marketed cooperatively in 1952-53. Yet the prices received for this amount exceeded that offered to the other farmers.<sup>3</sup> This led other farmers to change their attitudes towards cooperative marketing. The amount marketed for the year 1953-54

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<sup>1</sup>U.N. Department of Economic Affairs, op.cit., p. 67.

<sup>2</sup>Hassan Baghdadi, "Ali-Islah al-Zirai Yantaqel Ila Marhalate Jadida", Al-Majallah al-Ziraiyya, No. 11, (1959), p. 9.

<sup>3</sup>Ibid., p. 9.

TABLE XVII

THE AMOUNT AND VALUE OF THE COTTON CROP THAT WAS  
MARKETED COOPERATIVELY IN THE REFORM  
LANDS

Year	Amount (Qanters)	Value (E.E.)
1952-53	27,700	408,000
1953-54	84,800	1,400,000
1954-55	152,700	2,352,000
1955-56	237,000	4,835,000
1956-57	311,137	5,615,000
1957-58	369,008	5,310,000
1958-59	403,541	6,643,000
1959-60	454,849	7,690,000

Source: U.A.R., Ministry of Agrarian Reform, Al-Islah al-Zirai fi Ashr Sanawat (Cairo, 1962), p. 39.

increased to 848,826 tons, with an increase in the value of cotton marketed of 210 per cent.

Of the marketing functions, the agricultural cooperative societies assume four main ones; namely, collection of the cotton from the fields, transporting it to the stores, storing it, and finally the selling of the crop. After the cotton crop is pooled and stored, three experts would grade the cotton crop. One expert represents the Cooperative Department in the Ministry of Agrarian Reform, another represents the buyer, and the third expert is from

the government. In case of disagreement on the grade of the cotton crop, they would resort to the Cotton Department in Alexandria and its decision would be final.

In case the grade of the cotton improved after ginning, the increase in the price is shared equally between the buyer and seller. The part accruing to the cooperative societies is then distributed on the farmers in the reform lands.

On giving his crop to the society, the farmer cashes 25-30 per cent of its value.<sup>1</sup> This enables him to meet his urgent needs. In addition, the farmer's bargaining power improves appreciably.

Before the initiation of land reform and the establishment of cooperatives, the farmer used to borrow at usurious rates of interest or sell his crop in advance at low prices. The cooperatives now assume the role of extending credit without any interest and market the crop of the farmers, in both ways they contribute to the money income of the farmer.

After the crop is marketed, the agricultural cooperative society would deduct from the income accruing to each farmer a sum of money to pay for his indebtedness. The remaining part of the income is given to the farmer. The relationship between the extension of credit and cooperative marketing is a close one.

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<sup>1</sup>An interview with Sayed Bey Nejib, Director of the Cooperative Department in the Ministry of Agrarian Reform, September 18, 1962.

To cover the marketing expenses incurred, every society takes a commission of one to two per cent of the value of the cotton crop marketed.

Much progress had been made in the cooperative marketing of cotton in the reform lands. It is estimated that the amount of cotton crop harvested annually in the reform lands is about 500,000 qantars<sup>1</sup> of which 454,849 qantars were marketed cooperatively in 1959-60 as is shown in Table XVII. In other words, about 90.96 per cent of the cotton crop harvested in the reform lands was marketed cooperatively during the year 1959-60. The value of the cotton crop which was marketed cooperatively in that same year amounted to about E.E. 7,690,000.

Other agricultural products are marketed cooperatively, yet no figures on the amounts marketed are published. These crops are onions, potatoes and wheat.

#### OTHER SERVICES:

Agricultural cooperative societies in the reform lands also played a role in passing new knowledge to farmers. To demonstrate the efficiency of these societies to other farmers, groups of farmers were invited from different districts to look at the results achieved in the experiment fields. With the help of their agricultural cooperative societies the farmers would put this newly acquired knowledge into

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<sup>1</sup>U.A.R., The Ministry of Agrarian Reform, Al-Islah al-Zirai Fi Tise' Sanawat (Cairo, 1961), p. 65.

practice. This was done by the agricultural cooperative societies in Known Al-Masr, Mahmoudiya and that of Smadis. Adding superphosphate to the land planted with cotton, in the regions of these societies, increased the productivity per feddan.

Besides, agricultural cooperative societies helped in introducing other improvements in the reform lands. Among these, is the improvement of sugar cane cultivation by introducing wherever possible, sugar cane with a higher sugar content.

On the other hand, when a jute processing plant was established in the U.A.R., the raw materials were imported from Pakistan. Later, some of the agricultural cooperative societies in the reform lands were convinced to plant jute instead of other crops so as to supply the needs of the newly established factory. As a result, about 1778 feddans were planted with jute in 1959 and the revenue accruing to each farmer increased by an average of E.E 25.<sup>1</sup>

The agricultural cooperative societies also started distributing livestock to their members. In addition, veterinary units were established to take care of the livestock. Up till 1959, about 10,000 heads of livestock were distributed to the farmers through the agricultural cooperative societies. Every farmer would pay back for the livestock he receives within a period of five years.<sup>2</sup>

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<sup>1</sup>Mahmoud Fawzi, Op.Cit., p. 10.

<sup>2</sup>Ibid., p. 11.

In addition, about 2,500,000 Rhode Island Red Chicks were distributed through the agricultural cooperative societies. When the chicks become productive, the farmer will give the society five eggs for each one. In order to improve chicken breed 10,603 cocks of Rhodes Island were also distributed to the farmers by their agricultural cooperative societies.<sup>1</sup>

Because livestock and especially cattle come to be the main source of livelihood for many farmers, the agricultural cooperative societies initiated in scheme of insuring cattle. This was started in 1954 by the Zaafaran Cooperative Society and spread all over the reform lands. Accordings to this scheme the farmer would pay to his society an annual sum of P.E. 120 on each head of cattle he owns and P.E. 60 if it is small, i.e. not yet productive. In return, the agricultural cooperative society would give the farmer 75 per cent of the price of each head of cattle in case of its death.

The number of heads insured till 1962 amounted to about 10,333. The compensations paid to farmers during 1960 were E.E. 5,565 and E.E. 3,684 in 1961.<sup>2</sup> This is probably due to the fact that the farmers were taking good care of their cattle, to an extent which caused a fall in the livestock mortality rate.

In addition to the above services performed by the agricultural

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<sup>1</sup>U.A.R., The Ministry of Agrarian Reform, al-Islah al-Zirai Fi Ashr Sanawat, op.cit., p. 64.

<sup>2</sup>Ibid., p. 62.

cooperative societies in the reform lands, some of these societies are also supplying members with foodstuffs. This was started in 1955 by the Zaafaran Cooperative Society and at present about 40 agricultural cooperative societies are performing this function. The number of families these societies are supplying with foodstuffs amounts to about 20,000 families and the capital employed is E.E. 66,900.<sup>1</sup>

#### SOCIAL SERVICES:

The agricultural cooperative societies in the reform lands perform some social services in addition to the above ones. The performance of these services was not regulated until 1961. In that year the Ministry of Agrarian Reform prepared a report suggesting the ways in which funds allotted to the social aid should be spent. According to this report, funds are to be allocated in the following manner:

1. Twenty per cent for public works in the region in which the society operates.
2. Twenty per cent for reading rooms and the establishment of rural clubs.
3. Ten per cent for educational expenses.
4. Ten per cent for scholarships.
5. Ten per cent for awards to farmers.
6. Ten per cent for donations to the poor.
7. Ten per cent for funeral expenses of the poor.

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<sup>1</sup>Ibid., p. 46.

8. Five per cent to the joint agricultural cooperative society to be spent on educational and health projects in the district.
9. Five per cent to be kept as a reserve to cover any deficits in the above provisions.<sup>1</sup>

Most important of the social services performed by agricultural cooperative societies in the reform lands was the establishment of reading rooms. Up till 1962, forty-two reading rooms were established and supplied with wide assortment of books from the Ministry of Education.<sup>2</sup>

In addition, some societies used to pay tuition fees for their members' children, and one society in Kafr al-Sheikh sent a student to Hungary at its own expense.

At present, the General Cooperative Society of the Agrarian Reform with the cooperation of the Ministry of Health, initiated a public health scheme. At first this project will be carried out in twenty-seven agricultural cooperative societies. In every society a clinic will be established to look after the health of the societies' members. It is estimated that each medical unit will cost about E.E.2500.

Every one of these societies will provide for all the expenses, if the number of its members benefiting from the scheme exceeds fifty per cent of the total number of inhabitants in the region. If it is

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<sup>1</sup>Ibid., p. 49.

<sup>2</sup>Ibid., p. 47.



less it would pay for the expense in the ratio of its members to the total population in the area served with the Ministry of Health providing for the remaining part.<sup>1</sup> The agricultural cooperative societies will provide these expenses from the funds allotted for the social aid and from some of the funds accruing to members as remuneration.

The above section reveals the economic and social services performed by agricultural cooperative societies in the reform lands. Yet the majority of agricultural cooperative societies in the U.A.R. are outside the reform lands. Before an evaluation of the role of these societies in the agricultural development of the U.A.R. is made, it is necessary to reveal the present role which these societies outside the reform lands play and the services they perform to their members.

SERVICES RENDERED BY AGRICULTURAL COOPERATIVE SOCIETIES OUTSIDE THE REFORM LANDS:

Though the number of agricultural cooperative societies outside the reform lands is greater than those in the reform lands, yet they have rendered very few services to the farmers outside the reform lands.

In order to foretell the feasibility of the administration of the rotations outside the reform lands, an experiment was conducted outside the reform lands, in Nawag, under the auspices of the Ministry of Agrarian Reform, and resulted in a tremendous increase in crop yields,

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<sup>1</sup>Ibid., p. 46.

gross and net income, as well as full irrigation water control and a 30 percent decrease in irrigation water requirements.<sup>1</sup> Average productivity per feddan increased from 4.3 to 7.7 qautars, i.e. by about 79 percent.<sup>2</sup>

Hence a project of rotation farming was made and its implementation was to be carried over a period of ten years starting with the year 1960-61. Later, it was decided to have this plan implemented in five years instead of ten. In this, the agricultural cooperative societies are to play a major role with regard to its implementation. They are to supervise the implementation of the rotation system and in addition provide credit and supplies to individual farmers. To be able to carry on their obligations, the agricultural cooperative societies were reorganized and a supervisory director is appointed to supervise an area of 600 feddans. Such an area is usually served by about four agricultural cooperative societies.<sup>3</sup>

In the first year of its life, the project was implemented in one hundred and four villages comprising an area of 150,000 feddans.

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<sup>1</sup>Dr. Gabriel Saab, "Rationalization of Agriculture and Land Tenure Problems in Egypt," M.E.E.P. (1960), p. 85.

<sup>2</sup>Dr. Mahmoud Fauzi, "Supervising Crop Rotations", The Agricultural Magazine, No. 11, September 1960, p. 20.

<sup>3</sup>U.A.R., The Ministry of Agriculture, Nahwa Ishtirakiyya Ziraiyya (Cairo, 1962), p. 42.

In the second year, it was implemented in one thousand two hundred and eighteen villages covering an area of 1,700,000 feddans.<sup>1</sup>

With this, the Agricultural Cooperative and Credit Bank had limited all its lending activities to the agricultural cooperative societies. For every five agricultural cooperative societies a supervisory director is appointed by the Bank so as to supervise the credit transaction made through these societies.<sup>2</sup> The great increase experienced in the amounts of short-term credit over the last four years<sup>3</sup> is mainly due to the implementation of the supervised credit system outside the reform lands.

Not much progress has been made in cooperative marketing outside the reform lands. It was only after the establishment of the General Agricultural Cooperative Institute that studies were started as to how should agricultural cooperative societies market the products of their members. The principles put were the same as those followed by the agricultural cooperative societies in the reform lands. Very little has been done in cooperative marketing outside the reform lands.

Very little has been achieved in the social field by agricultural cooperative societies outside the reform lands.

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<sup>1</sup>Ibid.

<sup>2</sup>Refer to the supervised credit system in the above section, on pp. 101-110.

<sup>3</sup>The total figures are shown in Table XIII, p. 107.

CONCLUSION:

It is evident from the above presentation that the agricultural cooperative societies in the reform lands perform many functions and provide a wide assortment of services to the new landholders. This is expected because these societies are operating within the framework of the agrarian reform and the needs of the farmers are many. Besides these services are not limited to satisfy anyone particular need but are rather comprehensive. Some agricultural cooperative societies sell food items to members as previously mentioned.

As for the agricultural cooperative societies outside the reform lands they are initiating some new projects which are to increase agricultural production and overcome the disadvantages of small scale farming. The role designated for these societies in the scheme of rotation farming is a basic one. They are to be the institutional framework within which the coordination of individuals' efforts would be geared towards further utilization of available resources.

These are the services performed by the agricultural cooperative societies in the U.A.R. The causes underlying the degree of activity or idleness of these societies will be analyzed in the coming chapter wherein an evaluation of the role of agricultural cooperative societies in the agricultural development of the U.A.R. will be made.

## CHAPTER VI

### CONCLUSION

In attempting to analyze the role of agricultural cooperative societies in the agricultural development of the U.A.R., it should be kept in mind that the bearing of industrial and other non - agricultural developments on agricultural development will not be taken into consideration. This is because such a discussion would lead us to general equilibrium analysis which is beyond the scope of this study. It is our purpose to present a summary of our findings and reveal their implications to agricultural development in the U.A.R.

The agrarian policy in the U.A.R. is formulated so as to promote equity and growth. This policy can be summarized as being increased production with a better equitable distribution of farm income.<sup>1</sup> The method utilized to effect a more equitable distribution of income has been via land redistribution, while the productivity problem has been attacked through horizontal and vertical improvements which entail an extension of the irrigated area, the use of more machinery, insecticides, etc. The cooperatives were introduced mainly to facilitate and ensure the fulfillment of these goals.

To achieve greater increase in agricultural production, the three field system method of farming was adopted. Moreover, agricultural

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<sup>1</sup>An interview with Dr. Yusuf Afifi, Secretary of the Office for Cooperative Affairs in the Ministry of Agriculture, 5/9/1962.

cooperative societies have come to assume the role of the previous landlord in the provision of supplies, credit, and marketing of agricultural crops. It is the provision of these services at cost that makes the role of cooperatives basic for the future agricultural development of Egypt. In addition to the economic services, agricultural cooperative societies provide some educational and social services as well which were never supplied by the individual landlord.

Agricultural cooperative societies in the U.A.R., as can be seen are multipurpose societies, i.e. societies with one or more allied functions. Multipurpose societies are preferred because of their ability to economize on the use of managerial talent, which is a very scarce factor in the U.A.R. Instead of having two or three societies in each village, each with its separate managerial staff, performing different functions, these functions are combined in one institution. Another factor favoring the establishment of multipurpose societies is their tendency to alleviate possible discontent among the peasants. For even though human wants are complex and extremely difficult to satiate, a multipurpose society can relatively perform the job better than a single purpose society.

One of the most important services performed by agricultural cooperative societies in the U.A.R. is the provision of credit subject to the approval of the Agricultural Credit and Cooperative Bank. At present all dealings in short term agricultural credit are carried via these societies. The immediate repercussion of this power was to

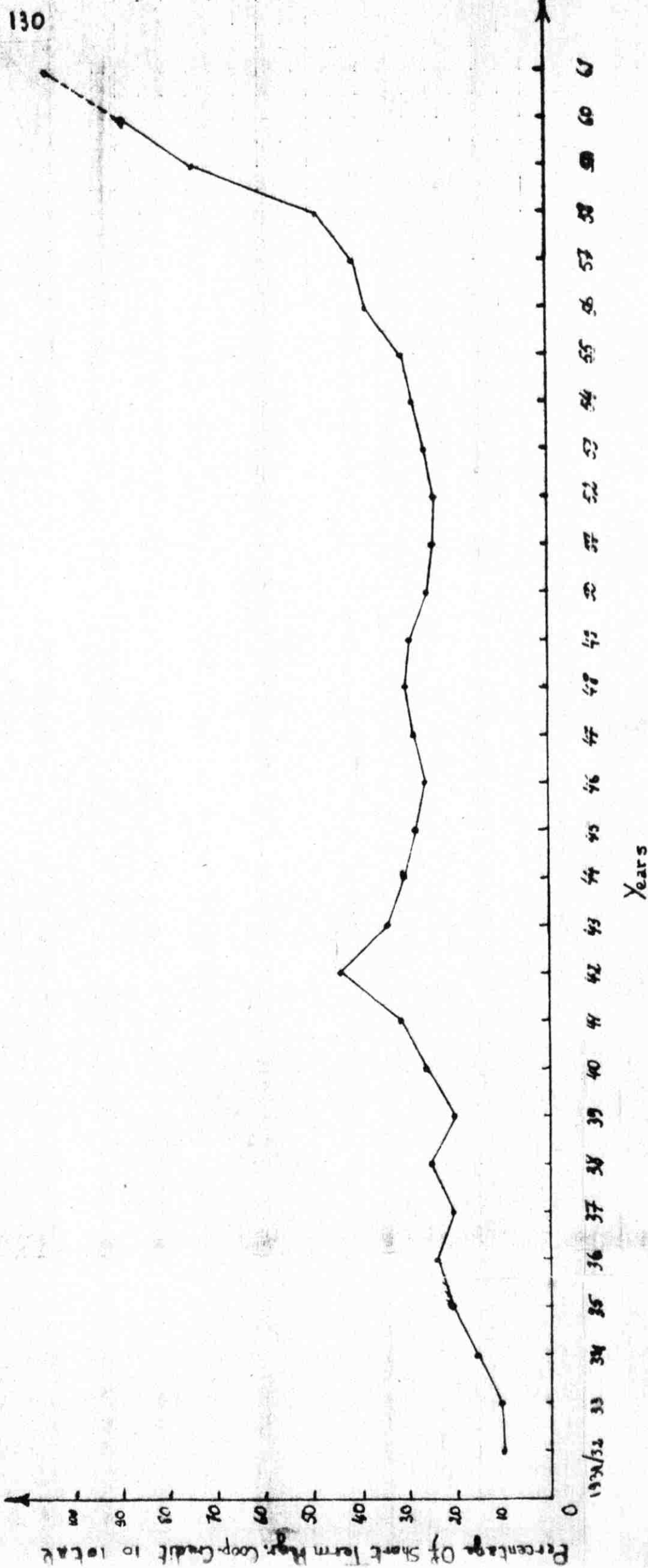
strengthen the position of agricultural cooperative societies via-a-vis the Agricultural Credit and Cooperative Bank. Prior to 1957 the Agricultural Credit and Cooperative Bank used to extend credit directly to members of cooperative societies outside the reform lands. By doing this, the position of these societies whose main function was credit extension, was considerably curtailed.

As revealed by Chart I, prior to 1952, the percentage of short term agricultural cooperative credit to total short term agricultural credit fluctuated from a low 5.2 per cent in 1931-32 to a high of 39.2 per cent in 1942. Then it declined to 21.9 per cent in 1946 and rose to 25.4 per cent in 1958. After that it again declined to 19.6 per cent in 1952. With the implementation of the law of agrarian reform in 1952-53 and the formation of agricultural cooperative societies, the Agricultural Credit and Cooperative Bank confined all its short term credit for reform lands to the newly-formed cooperative associations and societies. This caused a gradual increase in agricultural short term cooperative credit since 1953. The increase continued to 1956 wherein it stood at 32.6 per cent.

Evidently, the increase in short term agricultural cooperative credit is mostly due to the dealings of the Agricultural Credit and Cooperative Bank with the agricultural cooperative societies in the reform lands. In 1957 a system of supervised cooperative credit was started outside the reform lands whereby all short term credit transactions were limited to cooperative societies. As such the increase

# THE DEVELOPMENT OF SHORT TERM AGRICULTURAL

## COOPERATIVE CREDIT - U.A.R. - Egypt





in the percentage of short term agricultural cooperative credit to total after 1957, is mainly due to the implementation of the supervised agricultural cooperative credit system outside the reform lands. In 1960 the percentage of cooperative credit to total short term credit was 83.8 and is said to have reached 100 in 1961. A great portion of these loans is given in kind so as to ensure their proper use and economize on the necessary supervision.

The societies extend credit after the necessary scrutinizations of every application is effected. The supervisory director,<sup>1</sup> appointed by the Agricultural Credit and Cooperative Bank, would assess the needs of the farmers, and then each agricultural cooperative society will distribute to each of its members the amounts he is entitled to receive. The farmer would pledge his crops as a security for the loan.

It is not the agricultural cooperative societies that extend the credit, but rather each transaction is made individually.<sup>2</sup> According to the officials of the Agricultural Credit and Cooperative Bank, this procedure is justified due to the absence of the necessary staff in the societies to supervise the lending activities. The role of the agricultural cooperative societies is to implement the contracts made between the Bank and its members, and to make sure that the loans are used in the way specified by the contract.

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<sup>1</sup>For every four cooperative societies there is a supervisor appointed by the Agricultural Credit and Cooperative Bank.

<sup>2</sup>Bank al-Taslif al-Zirai Wal-Taawoni, Taqarir Majlis al-Idarah Wal-Murakibine Wa Qararat al-Jamiyya al-Umumiyya An al-Sana 1960 (Cairo, 1961), p. 33.

A difficulty that is encountered in implementing the supervised agricultural cooperative credit plan was the absence of accurate records of farmers' titles. In addition, a great number of tenants did not possess written tenancy contracts.<sup>1</sup> This hinders the lending operations because it becomes impossible to assess the credit worthiness of these farmers. To meet this difficulty, committees were formed in each village from the cooperative societies, the agricultural Credit and Cooperative Bank, and a representative of the government to prescribe adequate solutions.

In spite of the difficulties encountered, an appreciable increase in credit extension took place as revealed by Chart I. Moreover, a great increase was experienced in both the number of agricultural cooperative societies established and their membership. Until 1960, the number of agricultural cooperative societies in eighty-six districts, before the implementation of the supervised credit system was 1687 societies. After implementing the plan, the number of societies in the same districts became 3101 with an increase of 83.8 per cent.

The number of members in agricultural cooperative societies before implementing the plan in the 86 districts was 363,602. The total increased to 676,437 members, after implementing the supervised credit system in the said districts. The percentage increase in membership amounted to about 86 per cent.<sup>2</sup>

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<sup>1</sup>Bank al-Tasliif al-Zirai Wal-Taawoni, Taqarir Majlis al-Idarah Wal-Murakibine Wa Qararat al-Jamiyya al-Umumiyya An al-Sana 1958 (Cairo, 1959), pp. 27-28.

<sup>2</sup>Ibid., p. 31.

As for intermediate term loans they are all extended to cooperative associations to buy agricultural implements and livestock.

The extension of credit through agricultural cooperative societies in the U.A.R. is closely associated with cooperative marketing. This is most important in the agrarian reform lands where most of the cotton produce is marketed cooperatively. From the value of the agricultural crop marketed, the loans would be repaid. This reduces the administrative costs of performing the allied functions than if separately executed.

Although little has been done in cooperative marketing outside the reform lands, yet more can be expected after the implementation of the supervised credit system. This is because the agricultural cooperative societies are not specialized, and the two functions are complementary to one another. In other words the risk of credit extension will be reduced since the loans are deducted from the proceeds of the marketed crops.

It should be mentioned en passant that some agricultural cooperative societies in the reform lands have opened special branches to provide household requirements to members. This would greatly contribute to the farmers' incomes because they would be getting these products at cost. The move has been encouraged and it is going to be adopted by most of the societies in the reform lands.

The activities of agricultural cooperative societies in the non-reform lands are mostly limited to credit extension. Those in

the reform lands provide agricultural supplies to members, market the agricultural produce, and in addition provide some educational and health services.

Though cooperation is socio-economic, yet not much can be expected in the social field if these societies are unsuccessful economically. Thus, the economic success of cooperatives is the sine qua non to its social success. That is why the agricultural cooperative societies, especially those outside the reform lands, have performed very few services in the social field. As can be seen from Chapter V, the agricultural cooperative societies in the reform lands are more active and they perform many services to their members. Societies outside the reform lands are not as active and this is due to many reasons.

The first and most important reason is the lack of staff that is able to manage these societies. In the agrarian reform this was provided for, and not much has been done outside the reform lands. Though the managerial staff in cooperative societies should come from among the farmers, yet in the U.A.R. this is not feasible at present and government intervention was needed. That is why the General Agricultural Cooperative Institute was established and a supervisory director was appointed to each society.

The future success of cooperatives in accelerating the pace of agricultural development in the U.A.R., not only depends on supplanting performance of necessary functions like credit extension marketing, technical advice etc., but more important from the long run point of view is the creation of new attitudes among the peasant populace that are conducive to agricultural development. This means essentially a higher rate of private capital formation. Unless the peasant becomes willing and able to utilize his labor and income to increase his productive capacity rather than his consumption it can be doubted whether the cooperatives can achieve a significant advance in increasing production levels on the reform lands in the future. The extra population pressure on land resources has resulted in a high degree of disguised unemployment with the implication that the marginal product of a considerable pool of labor approaches zero. The ambitious High Aswan Dam Project would no doubt alleviate the acuteness of the problem but obviously will not uproot it. As such it is important that the cooperatives should initiate a wide program of simple rural industries that would absorb a good

portion of the redundant labor.

Besides, illiteracy and poverty are two main characteristics of farmers in the U.A.R. Under such circumstances it is not realistic to expect initiative arising from the bottom and "cooperative organizations have been introduced by governmental action and have started from the top... The voluntary principle is rightly supposed to be the main plank of cooperative organization, yet in the conditions prevailing in underdeveloped countries it is unlikely that the movement will ever gain sufficient strength if it is left to grow on a voluntary basis. Initiative and assistance from the state may prove to be an essential condition of advance."<sup>1</sup>

Albeit government interference may be justified at present in the U.A.R., yet this should not be made permanent. Government tutelage should not be made a characteristic of cooperation. The primary object of government policy in this respect is to make cooperatives independent and relax control over them once they gain capacity and

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<sup>1</sup>U.N., Department of Economic Affairs, Land Reform, Defects in Agrarian structure as Obstacles to Economic Development (New York, 1951), p. 77.

are able to run their own affairs. It is only then that a cooperative movement is created since it is essentially "of the people and for the people, and must be run more and more by the people themselves."<sup>1</sup>

A present defect in the cooperative structure embodied in the new regulations is that related to specialization. Though the multi-purpose cooperative societies may be suitable on the village level, yet on the district, muhafaza and national levels it is not. On these levels there should be a certain degree of specialization so that the cooperative organization on the muhafaza or district level would be in a position to tackle the problems arising in these regions.

The primary object of cooperative associations formed above the village level would not be limited to the coordination of the activities of local societies, but rather specialize in particular problems that might hinder the functioning of the societies on the village level. For example, one of the main problems met by the societies on the village level is the lack of managerial skills. The cooperative federations in the muhafaza can contribute to alleviate the shortage by training individuals recruited from the villages. Thus, specialization should be provided for on the muhafaza level. This would further cooperation and the efficiency of the societies on the village level. In other words, the shortage of managerial skill that plagues cooperatives on the village level can be bridged only through a program of training. If cooperatives on the Muhafaza level initiate programs of

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<sup>1</sup>U.N., Department of Economic Affairs, Rural Progress through Cooperatives (New York, 1954), p. 102.

training, since financially and otherwise, are better equipped than cooperatives on the village level, then the trained members can return to their respective village cooperatives and promote efficiency. In general efficiency is enhanced whenever a larger output can be produced with the given inputs, or if the same output can be produced with less inputs. Aside from being a factor of production managerial decisions determine how, when, and where other factors are combined. Obviously, better management can help to eliminate waste, detect the obstacles militating against better and / or more production, other things constant, and perform the double task of calculation and control better.

In the U.A.R., the stress in the agricultural sector has been on a more equitable distribution of income and the raising of productivity. The method utilized to effect a more equitable distribution of income has been via land redistribution, while the productivity problem has been attacked through horizontal and vertical improvements which entail an extension of the irrigated area, the use of more machinery, insecticides, et. The cooperatives were introduced mainly to facilitate and ensure the fulfillment of these goals. The detailed functions of these cooperatives were considered in Chapter V.

In order to appraise the cooperatives' role, one has not only to reveal their most important impacts, but also to project as to their most probable future path. Thus, henceforth, we shall be concerned with two questions, namely: How successful were the marketing functions of cooperatives? And second, whither go the cooperatives in the light



of the ~~shortage of managerial skills?~~ <sup>shortage of managerial skills?</sup>

Theoretically speaking, in a free market, price is determined by the interaction of supply and demand. More specifically, the elasticities determine between them the levels of prices. Agricultural production is notorious for its inelastic supply while demand for agricultural products with respect to prices is also inelastic. Hence, any shift in one of the schedules will bring about wide fluctuations in price which would affect the peasant income considerably. To add to the above, the peasant in Egypt was the victim of both the moneylender and the landlord. The time lag between ploughing and harvesting caught the poor peasant disadvantageously and usually forced him to fall to the usurious rates charged by the moneylender. On the other hand, the extreme inelasticity of the supply of arable land placed the landlord in a paramount position to dictate and extract the maximum rent possible from the toiling peasant.

The land reform and the cooperatives checked the adverse effect of the landlord and moneylender while the price control shielded the peasant against the adverse price fluctuations. The importance of price control can be appreciated when we remember that the price of cotton is determined internationally. Any fall in the price would tend to have serious repercussions on the economy as a whole because of the circular flow of income.

The direct effect of price control on the marketing activities of the cooperatives was to reduce their powers considerably. The

cooperatives acted to eliminate the middle man in the marketing sphere and the moneylender in the capital market. However, prices at which cooperatives buy and sell agricultural products are determined by the central government. Actually, price control can have two main effects with relation to the agricultural sector:

1. Terms of trade effect
2. Substitution effect

with regard to the first, the objectives of the planning authorities will set the tempo and magnitude of its bearing on the agricultural sector. Thus, in the U.A.R. there has been an emphasis on industrialization to cope with the ever-increasing population. It is clear that upon the completion of the Aswan High Dam in 1969, the increase in population would just balance the projected increase in the irrigated area. Hence, it seems that the only avenue open to mitigate the population explosion in the U.A.R. is through industrialization. Nevertheless, the energetic drive to industrialization did not take place at the expense of the agricultural sector.

The most important agricultural crops are cotton, wheat, maize, and rice. We observe that after 1956, the trend of agricultural prices as can be observed from Table XVIII, has been downward. The relevance of this to the industrial sector can be seen if we look at the price index of industrial products for the same period. Such information is given in Table XIX.

With the exception of 1957 which registered the highest level of 465, the trend of the general index of wholesale prices has also been downward relative to 1956. Thus there seems no bias of pricing of the industrial products vis-a-vis the agricultural. Theoretically, the planning authorities could utilize any of three methods with regard to pricing depending on the objectives of the plan.

1. They could fix low prices at the farm level, high prices at the market, and collect the difference. This constitutes a method of forced saving. Obviously, the final impact cannot be ascertained until we know how the proceeds are expended.

2. Another way is to fix low prices, both at the farm and market levels while boosting the prices of industrial products to favor the urban population.

3. Or a balanced price fixing with regard to industrial and agricultural products so that the burden of development would be spread more equitable.

In the U.A.R. , the third alternative has been favored. This can be inferred from the comparison between Tables XVIII and XIX. Besides, the overall effect of price control is reflected in the relative stability of the cost of living index between 1953 and 1960 as shown in Table XX.

TABLE XVIII  
INDEX NUMBERS FOR AGRICULTURAL PRODUCTS PRICES  
(1938 = 100)

Item	1950	1951	1952	1953	1954	1955	1956	1957	1958
Cotton	1095.1	813.3	541.6	527.6	545.8	521.5	742.5	645.0	594.4
Wheat	228.4	228.4	228.4	339.1	304.5	269.9	264.9	281.7	256.0
Maize	237.9	237.9	262.1	262.1	256.4	366.6	406.6	N.A. <sup>x</sup>	320.4
Millet	314.1	282.1	302.6	350.0	339.5	454.7	464.4	N.A.	423.1
Rice	271.8	271.8	271.8	271.8	251.5	242.5	242.5	N.A.	242.5
Sugar-cane	338.2	338.2	338.2	338.2	323.5	308.8	294.1	338.2	308.8
Beans	367.3	391.8	362.3	337.7	304.8	355.9	415.9	410.1	356.6
Onions	755.7	559.3	536.6	547.1	220.7	233.6	319.4	299.3	487.1
Lentils	382.9	401.3	563.9	588.4	588.4	404.8	589.4	596.5	592.3
Cotton-seeds	188.2	132.5	132.5	132.5	132.5	132.5	132.5	132.5	132.5
Bawley	374.3	438.6	294.3	392.9	284.9	409.9	356.0	325.7	474.3
Helba	508.2	609.8	373.8	466.4	527.3	679.7	556.3	406.6	365.2

Source: National Bank of Egypt, The Economy of the U.A.R. During the 1950's (Cairo, 1963), p. 82.

<sup>x</sup> N.A. - Note available.

TABLE XIX

WHOLESALE PRICE INDICES OF INDUSTRIAL PRODUCTS AND MATERIALS  
(June-August 1939 = 100)

Item	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959
Fuel	269	269	300	308	317	324	340	432	417	394
Soap and Chemicals	367	392	400	361	326	317	329	387	381	376
Papers	368	706	618	513	482	468	474	505	554	564
Building Materials	345	390	482	447	419	432	494	514	499	488
Cement	366	366	366	366	370	366	371	432	436	436
Metals	384	494	486	428	383	409	464	528	555	590
Textiles	411	492	525	455	449	463	479	510	497	483
Hides	347	379	363	346	352	359	363	426	531	551
Pharmaceuti- cals	305	310	310	310	310	310	310	310	310	310
TOTAL	411	446	432	383	370	372	461	465	446	450
General Index Of Wholesale Prices	381	365	372	355	345	351	389	422	417	417

Source: *Ibid.*, p. 98.

TABLE XX  
 CHANGES IN COST OF LIVING INDEX NUMBER  
 (December 1938 =100)

1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961
66	-	85	79	91	95	95	-	96	101	112

Source: I.M.F., International Financial Statistics, Vol. XV, No. 12, December 1962, p. 31.

As far as substitution is concerned the planning authorities could fix high prices of certain products to favor them vis-a-vis other agricultural products. For instance, "the area under wheat reached nearly 1.8 m. feddans in 1953 and 1954, the highest during the fifties owing to the government's raising of the controlled prices."<sup>1</sup> However, this method has not been utilized in the U.A.R. consistently for they resort to a more direct control of allocating the area to be cultivated with each kind of crop every year.

Thus, the market functions of agricultural cooperative societies is considerably limited because they have no control whatsoever regarding price at which they can buy and sell agricultural products. The importance of the marketing function lies in relieving the peasants from the many middlemen who flourished on what they could extract from the peasants. By itself this is an important contribution in view of the

<sup>1</sup> National Bank of Egypt, The Economy of the U.A.R. During the 1950's (Cairo, 1963), p. 80.

seriousness of the problem as it existed in the U.A.R. prior to the revolutionary regime.

Another thing is that the problem of providing a qualified staff to run the cooperative societies cannot be solved in the short run. In general the inelasticity of managerial skills troubles many of an underdeveloped countries. The huge development program on which the U.A.R. has embarked necessitated the utilization of the managerial skills, which are in acute shortage, with great scrutiny. In other words, the problem is not restricted to the cooperatives per se but is ubiquitous in the economy. Then, what can be done on the cooperative level, in the long run to remedy this deficiency?

With public help and guidance, some cooperatives on the muhafaza level, should specialize in the sole work of recruiting and training members of cooperatives on the village level. The broad aims of training should include:

- 1- The teaching of the value of cooperation and its necessity as an aid to the solution of both economic and social problems.
- 2- How to apply cooperative ideas practically.
- 3- Encouragement and application of extension programs.

It is only when the ideas of cooperation are absorbed and radiated from the bottom, as opposed to its initiation from above that a rural leadership can be created. Lastly, cooperation is not a panacea solution but one if carried properly can serve as an effective means to realize the development objectives of the U.A.R.

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