

## **The World Financial Crisis and its Impact on the World Food Status with Reference to Egypt**

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### **ABSTRACT**

The research paper aims to define the reasons behind the exacerbation of world food crisis and the efforts to face it. It aims as well to detect the world financial crisis effect on the world food status while focusing on Egypt. Finally, it aims to determine the most important and necessary policies to curb the impact of world food crisis in Egypt and the world. The world is facing several challenges in the world food field, prominently the rising prices of world food, the climate change and its subsequent negative economic, social and environmental effects and the increasing danger of food shortage due to vital energy production at the expense of food. The rising prices of main goods represent a great challenge to governments and particularly to developing countries people because of its current effects which are expected to exist in the future. Among the most important results of world food crisis is the warning to the food importing states and the developing countries regarding the risks which they are facing and their weak food status. Data refer to the fact that the food and fuel rising prices are responsible for increasing the number of people suffering from abject poverty in the world to not less than 100 million people. The world financial crisis will affect the developing countries, the poor people, particularly those live in the cities through the direct effects of the economic deterioration, loss of employment, the indirect effect resulted from the reduced financial transformations and the possible reduction of the donor states' aids. Therefore, the weak economies are less capable of overcoming the internal trouble spots and the development needs. The most affected countries are the ones which have a large deficit in their current accounts. There is also agreement that the State alone cannot cope with this crisis. It's necessary to maintaining strong economic relations between States and create guarantees for the investment movement between the States and not to export policies that increase the severity of the crisis from one country to another.

**KEY WORDS:** world food crisis, world financial crisis, Egypt, climate change, developing countries.

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### **INTRODUCTION**

The world is facing several challenges in the world food field, prominently the rising prices of world food, the climate change and its subsequent negative economic, social and environmental effects and the increasing danger of food shortage due to vital energy production at the expense of food. The rising prices of main goods represent a great challenge to governments and particularly to developing countries people because of its current effects which are expected to exist in the future. Clearly, there is no exact vision up till now to deal with this crisis despite of the fact that many studies attempted to suggest solutions for that

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problem or at least curb its effects and impacts. The world food economics has witnessed great and important changes after the Second World War. The production, storage and surplus of strategic food commodities exist mainly in a few developed states. The world states are divided into two main groups: a group of food exporting states which includes the industrialized developed states and a group of food importing states which comprises the developing countries. At the world level, there are different interpretations of the food problem including the sharp fluctuations of the production of some great states or the world regime changes resulted from the monetary policy fluctuations. In addition, there are different interpretations representing various economic and political view points. The most logical interpretation of the world food crisis, started in the early 1970s and sharply increased prior to the world financial crisis occurrence in 2008, is attributed to the agricultural policies changes conducted by the food exporting and producing states. Besides the change in food marketing structure for the interest of exporting states creating what is currently known as food crisis. Among the most important results of world food crisis is the warning to the food importing states and the developing countries regarding the risks which they are facing and their weak food status (FAO, 2008). The world financial crisis occurs in a time when most of the world countries were still suffering from the impacts of food and fuel rising prices. Data refer to the fact that the food and fuel rising prices are responsible for increasing the number of people suffering from abject poverty in the world to not less than 100 million people (Hiba, Al-Leithy, 2009). The world financial crisis will affect the developing countries, the poor people, particularly those live in the cities through the direct effects of the economic deterioration, loss of employment, the indirect effect resulted from the reduced financial transformations and the possible reduction of the donor states' aids. Therefore, the weak economies are less capable of overcoming the internal trouble spots and the development needs. The most affected countries are the ones which have a large deficit in their current accounts. All countries are expected to get affected somehow but affection will be less on the less world economy involved countries. The developing countries are the most affected countries of food rising prices. The economic development processes slowdown in many developing countries besides other circumstances have resulted in famine and malnutrition. Under the deep economic globalization which prevails in the world and the agricultural trade imbalance, the developing countries became in a weak position to face the food rising prices. These countries suffer from their weak ability to produce domestic food and lack of funds to import food concurrently. The world food crisis has proved the importance of food self-sufficiency for the developing countries. Many of them have overlooked investing in the field of agriculture because of the low world food prices during the last period. Because of the continued reduction of land fertility, climate change and shortage of water necessary for cultivation, the agricultural crops production reduced constantly. On the other hand, the agricultural imports rose in the developing countries due to their over-population on the one hand and the high demand on the other. Therefore, the agricultural imports increased while the developing countries progressively lost their agricultural dominance (Al-Ahmed Ryad, 2008). However, the countries which have give due investment, support and interest such as China are the most capable countries of overcoming that crisis. Although China has obtained aids from the world food program, it has become a donor country since 2005. Consequently, China has become a model which other developing countries should imitate.

In light of this introduction, the research paper aims to define the reasons behind the exacerbation of world food crisis and the efforts to face it. It aims as well to detect the world financial crisis effect on the world food status while focusing on Egypt. Finally, it aims to determine the most important and necessary policies to curb the impact of world food crisis in Egypt and the world. The research paper is divided into five parts besides the introduction. The first part handles the reasons and impacts of world food crisis. The second part deals with the adopted efforts to face it. The third part is concerned with the effect of world food crisis on the world food status. The Four part deals with the world financial crisis and its impact on food in Egypt. Finally, the five part is concerned with determining the most important policies that should implemented to curb the impact of world food crisis in Egypt and the world.

First: the reasons and impacts of world food crisis: the reasons behind the exacerbation of the world food crisis are attributed to many factors:

Production reduction because of the weather. It is one of the most important factors behind food rising prices. It causes the reduction of grain production in the main exporting states. The annual grain production was reduced by 4% and 7% during the years 2007 and 2009 successively (Bideer Osama, Mahmoud Samy, 2007).

Gradual reduction of grains storage level since the 1990s. It has a tangible effect on the markets. Since the last prices increase in 1995, the world storage level is reduced annually by the average of 3.4%. On the other hand, the demand growth has exceeded the maximum rates. This has resulted in the emergence of a new stage of highly prices increase (Ebtisam Al-Gafarawy, 2006).

Costs increase of certain requirements for agricultural production. The prices increase of agricultural-production requirements has led to the costs increase of agricultural commodities. The fertilizers prices increase (estimated in US dollar) by more than 160% in the year 2008 as compared to the same period in 2007. The freight fees were doubled in 2006 and affected food freight costs to the importing states (Cairo-based American Embassy, 2007).

World water crisis: one of each five developing countries has been facing shortage in water since 2003 because of water shortage. In Africa, it is expected that 75 million people to 250 million people to suffer from the increase of water exhaustion problem. On the long run, temperature increase is expected to reduce seasonal water flow used in agriculture. Perhaps, the lack of sweet water could be the most serious problem for the human communities (Mahmoud, Al-Fadl, Ahmad, Abu Zeid, 2004).

Main coastal cities or off-shore cities are expected to be the most jeopardized cities of water indulgence. The Middle-East and North Africa regions particularly Nile Delta, the Gulf coast of the Arabian Peninsula are especially jeopardized to floods risks due to the high-sea water level. The number of people suffering from water resources shortage will increase from 155 to 600 million people. Water conflict will be greater within the boundaries of these regions, a matter which implicates the risks of armed-disputes breakout. Agriculture is the greater consumer of water right now. It consumes about 70% of total pumped water quantities (while industry consumes 20% and the remained 10% for household consumption). By the advent of 2030, the world food production should inevitably increase by roughly 60% in order to meet the food needs of additional two billion people. Therefore, water usage in agriculture will be a main element for food production increase, particularly in many developing countries (National Council for Production and Economic Affairs, Cairo, 2006).

Bio-fuel: it is a clean fuel whose production depends mainly on transferring the vital mass, either represented in the shape of grains and agricultural crops or in the shape of oils and animal fats, to alcohol Ethanol or organic diesel. Thus, they could be used in lighting, vehicles or generators operation. This widely occurs in several countries like the United States of America, Brazil, Germany, Sweden, Canada, China and India. It is a matter which enables a developing country like Brazil to totally eliminate oil imports. Certain countries have started to tend to cultivate certain types of plants to be used especially in bio-fuel field such as maize, Soya Beans in the United States; turnip in Europe; sugar cane in Brazil; and palm oil in Southeast Asia. Bio-fuel could be obtained as well by recycling animal and agricultural wastes (University of Alexandria, 2007). The most important reasons behind the trend of world states towards bio-fuel production are as follows: The wish of great industrialized states to find alternative energy resources to avoid oil markets and prices fluctuations. They also want to avoid the control of certain sources in the world energy market. The oil reserves are due to be exhausted and oil storage is insufficient to meet the world needs of energy ahead. Serious talks about environment contamination and world risks of climate change.

Therefore, bio-fuel has emerged as one of the promising energy alternative resources at the environmental and economic levels. Its production and usage remarkably increase over the last period of time. At the world level, Ethanol production as a fuel reached in 2006 about 40 billion liters as 90% of this quantity is produced in Brazil and the United States. In addition, about 6.5 billion liters of vital diesel oil was produced in 2006 as 75% was produced in

European Union countries. The growth rate of generating energy from bio-fuel reaches about 15% annually. Its world demand is expected to increase by 30% in the forthcoming period. These are all important indicators which clarify the extent of this industry's flourish (Report on Development in the world, 2008). Brazil is considered as the most capable producer of competing in Ethanol production as it has great history in Ethanol production. It uses about half of its sugar cane production in producing Ethanol. The United States determines to allocate about 25% of its maize production for Ethanol industry by 2022. The European Union plans to get 10% of cars fuel from vital energy by 2020. Some believe that bio-fuel is responsible for about 30% of the rising world food prices, while others emphasize that the actual effect in prices equals the rate of 30% (FAO, 2008). In spite of the bio-fuel characteristics, there is an immoral and scientific problem caused by using the food crops particularly maize, wheat and Soya Beans in bio-fuel production. They are as follows:

Transferring the agricultural fields producing food crops into great mines for producing the promising energy crops. Consequently, there will be world agricultural variation imbalance affecting the forests and protected green areas. It will increase the rates of soil erosion, increase air and water contamination levels because of the large amounts of pesticide and fertilizers which the energy crops cultivation requires especially the maize. The bio-fuel production has led to the rising prices of raw materials used in its production. The prices soar up to more than 60% during the period of 2005-2007. The American Ethanol production program was largely responsible, besides the reduced maize storage in some main exporting countries, for the rising prices. Therefore, the actual competitiveness between fuel, food and the rising prices of the main food commodities can cause large damages related to the welfare of the poor people who are mostly consumers of the main food commodities (FAO, 2008).

As for the developing and poor countries that depend on imports to meet their food needs and receive international grants and aids in the shape of food aids, they will have a problem because of the up-going rising prices of food crops. This is attributed to the high demand on grains and agricultural crops. As the exporting countries do not have surplus of food crops, this will in turn directly threaten the world food security, spread political and socio-economic upheavals and unrests in more than a region in the world (FAO, 2008).

Among the expected negative effects is the escalation water resources dispute due to the increasing need for water, whether for energy-producing crops irrigation use like corn and sugar cane, or for the process of bio-fuel production per se. For instance, example, production cost of a corn-made ethanol liter equals about four water liters.

However, this trend of the bio-fuel production will depend in any case on the development of current techniques used in making the bio-fuel. It will rely as well on the new-energy manufacturers' commitment of the ethical frameworks which criminalize, for example, the burning of the world's food crops in order to fuel the vehicles.

Climate Change: The origins of the climate change phenomenon attributed to what is known as the warming gases emissions such as greenhouse gas carbon dioxide and methane because of the states' heavy industries. It is also attributed to the fossil fuel burning which causes many climate changes such as high temperature, different rates of rainfall, and the possibility of increased flooding, storms and rising sea level, and the vulnerability of many parts of the sinking. In addition, land areas could subject to drought with lack of crops production. This will generate serious socio-economic consequences. Prominently, agriculture is the most importantly affected sector changes of Climate patterns. The developing countries will particularly face the highest risk of the phenomenon as they are highly dependent on agriculture besides the lack of available Resources and alternatives while facing the climate change caused damages.

Despite the efforts being made to reduce the phenomenon of climate change, the world-growing population may not enable these efforts to appropriately adapt to environmental changes caused by the temperature expected rise of the Earth. It will be more difficult, with the increase of droughts and the rapid increase of population, to provide food for each individual. Some argue that the costs of climate change adaptation, estimated at tens of billions of dollars in developing countries, far exceed their available resources. Therefore, the

industrialized countries should transfer huge financial resources to the developing countries either through public or private funding sources alike. This matter clearly shows how the financial crisis can affect the world food security (United Nations Conference on Climate Change, Bali, 2007).

Despite several concluded treaties by the Western countries after Kyoto treaty in 1997 for dealing with world warming, the increase of human-caused gases eminence is expected to continue ranging from 25% to 90% in 2030 (Keller Institute for International Economics, Berlin, 2008).

2 - Results and impacts of the world food crisis: The world food prices increase leads to the resources redistribution of at the domestic level as long as the link between world and domestic food prices, is different from zero. The assumption of positive relationship between world and domestic prices, the world food prices increase will lead to domestic food prices increase. This will lead to resources redistribution from non-agricultural sectors to the agricultural sector. Therefore, the effects of rising food prices on international poverty will be determined by: (1) strength of the relationship between world and domestic prices (2) rates and severity of poverty among food producers and consumers, (3) how high food prices, which translates to a higher income level of the farmers (in the form of profits and wages). The relationship strength between world and domestic prices depends on the local market conditions such as: government intervention in the form of subsidies or price controls, infrastructure and access to markets, the degree of domestic competition, trade barriers and others. The negative impact of the world commodities rising prices on macroeconomic balances substantially has been great. Several countries have witnessed a sharp increase in the fiscal deficit and the deterioration in the balance of payments (Hiba, Al-Lethy, 2009).

The sharp rise of food and energy prices in recent years, has led to an increase in the number of undernourished by 75 million by the end of 2007, due to low investments in agriculture in the poorest countries over the past years. The prices of major food commodities have doubled in the past two (2006-2007). The table refers indices of food prices in Food and Agriculture Organization of the United Nations to price increase by 12% during the period 2005-2006, and by 24% in 2007, and nearly 50% to July 2008. The prices of vegetable oils come on top of this continued increase in prices, as they increased by 97% during the period from 2006 to 2008, followed by grain prices by 87%, and dairy products by 58% and rice by 46%. This has led to riots and protests in some developing countries where people may spend more than a half of their income on food (FAO, 2009).

Second: efforts and solutions proposed to address the world food crisis: The main solution of the food crisis depends on the agricultural production increase, the raise of production efficiency and encouragement of farmers' initiatives the in developing countries. However, the trade status quo of world food policy and agricultural subsidies applied in the United States and the European Union has played a negative role, where the developed countries have substantial subsidies for domestic agricultural products in order to sell at low prices. On the other hand, they imposed excessive customs barriers on the imported agricultural products from the developing countries. This caused great damage to the developing countries' competitiveness and initiatives. The developed countries, which constitute a population of a quarter of the world's population, possess only 49% of food production in the world. They must give further attention to the developing countries difficulties by providing more official support to the developing countries agricultural sectors. They should cancel more debt in these countries and accelerate the transfer of agricultural technology to increase the capacity of developing countries to produce food. At the same time, they should abandon the policy of trade protectionism and open their agricultural markets to the developing countries in order to enhance economic development (Report of the Working Group on Climate Change, 2005). Currently, the world needs to save yearly 30 billion dollars to double food production and meet the needs of 9 billion people of by 2050. Since the world food crisis outbreak, efforts continued to contain and reduce the risks, where many conferences were held at all levels, including (International Monetary Fund, Washington, 2009): Group of Eight summit held in Scotland in 2005, requested the World Bank to prepare a plan to help accelerate the pace of

investment in clean energy for the developing world, in collaboration with other international financial institutions. Conference of the Food and Agriculture in July 2007 on food security, along with its initiative to address the high prices in order to help the poorest countries to increase production of food. Summit of Food and Agriculture Organization (FAO) in 2008 held in Rome to discuss the world food crisis with the participation of 193 Member States of the United Nations, and discussed aid, trade and technology necessary for improving agricultural crops. The United Nations had created a committee to address the crisis in 2008 and prepare a plan for the overall increase of food production by 50% by 2030 to combat poverty and achieve consensus on bio-fuels, which are mostly made of agricultural crops, a matter which is one of the factors contributing to rising food prices. The Food and Agriculture Organization (FAO) works closely with the G Eight "G8", and the international community to establish a world partnership for food and agriculture, in order to create a network World of food and agriculture experts to assess future needs and risks.

Third: The world financial crisis and its impact on the world food status: The most important impacts of the world financial crisis on the world food status can be summarized as follows: The probable impacts of the world financial crisis become prominent on the world food status whenever the donor countries tend to diminish food aids granted to the developing countries, a matter which ominous the outbreak of another food crisis all over the world during the year 2011. Despite the grain crops improvement in 2008 according to the reports of the international organization for food and agriculture (FAO) that reveals a unprecedented rise estimated 2232 million tons by an increase reached 4.9%, there are 36 countries in the world (21 countries in Africa, 12 countries in Asia and 3 countries in the Latin America) are in dire need for external aids. This attributed to reasons ranged from their low agricultural productivity, disputes, security absence, or the continued prices rise at the domestic level (FAO, 2009). The continued instability situation prevailed in the world and threatens to cause an economic stagnation may lead the countries to adopt protectionism procedures for their economies, reconsider their commitments of providing international development aids, a matter which represents "a real catastrophe". The financial crisis will have affect negative effects on food in terms of both production and consumption. The world main food producers, such as the United States and Europe are facing currently a credit crisis, which would make it difficult for them to borrow money to expand production or even maintain the current levels. The financial crisis will have an adverse impact on the purchasing power and reduce consumer expenditures forcing them to abandon the high-price products and shift to cheaper low-value food. This could lead to increase the malnourished people in the poor countries and consequently reduce the cultivated areas and production. Experts predict that economic anxiety will cause 119 million people to become below the poverty line, while the rich countries from the United States to the Gulf are preoccupied with saving themselves instead of providing a helping hand. According to the estimates of the UN food and agriculture organization there are 923 million people were severely undernourished in 2007. The organization fears that the developed countries would abstain from providing agricultural aids in developed countries, and would increase taxes on exports in order to tackle the financial crisis (Hiba, Al-Leithy, 2009). The uncertainty currently surrounding the international capital markets and the threat of world economic recession may lead countries to adopt trade protectionism procedures and reconsider their commitments of providing international development aids. The financial crisis may affect the developing countries at the macroeconomic level, including implied further potentially negative effects on agriculture and food security. In addition, the borrowing activities, bank lending, official development assistance, foreign direct investment, and abroad financial remittances may be totally jeopardized due to the currently exacerbated financial crisis.

Fourth: The world financial crisis and its impact on food in Egypt: The agricultural sector is considered as one of the main sectors of the Egyptian economy. It is responsible for achieving food security, and a major source to provide the inputs of the productive sectors and other service. In addition, the agricultural exports have a role in improving the balance of payments, as they provide job opportunities for about 34% of the workforce. Egypt's food

crisis has developed according to growth production rates and consumption demand for food products. There is almost unanimity that the food crisis has reached a critical point apparent in the growing dependence on the external sources to feed the population. The individual per capita of agricultural product declined while the agricultural sector contribution in gross domestic product diminished as well. The official reports indicate that the agricultural sector has achieved a steady increase in the investments carried out, estimated around 6.4 billion pounds in 2005/2006, increased in 2006 / 2007 to 8.6 billion pounds, representing about 6.3% of the total public investment. Of which some 7.6 billion pounds are directed to the activity of agriculture and land reclamation. The private sector contributes about 7.25 billion pounds. The real growth rate of the agricultural sector increased to reach 3.3% in 2005/2006. The agricultural sector has also witnessed a steady increase in production quantity for the various agricultural crops, as a result of the efforts of vertical and horizontal agricultural development. The official reports also emphasize that the agricultural sector has succeeded, to some extent, in controlling the food gap. Furthermore, full self-sufficiency of fruits and vegetables and fresh milk, eggs, fish was realized and the percentage of self-sufficiency for wheat reached about 50%, 75% for red meat, and 80% for sugar. The agricultural sector's negligence in the development directions and in the early stages of the emergence of the world food crisis is one of the main factors behind the deepening food shortages in Egypt. In addition, the agricultural policies have failed to reduce food dependence on food on outside world and achieve self-sufficiency (Alexandria University, 2008). There is no doubt that the food status in Egypt prior to the world food crisis exacerbation was so deteriorated. Perhaps the least description of this status is a sharp food poverty of which the Egyptian citizen suffered. The daily individual per capita declined to less than 1.5 grams on average, compared to 55 grams according to the needs of internationally recommended. Poverty in Egypt is a human-caused industry resulted from the failure of all development policies and eventually led to poor results in the area of poverty and impoverishment, where there are 20.5 million poor Egypt within the category of extreme poverty as they earn less than a dollar per day, and the daily income of 35.8 people is less than two dollars. While 20% of Egypt's population dominates 43.6% of the national income, the 20% poorest people do not earn more than 8.6% of the national income (Hanadi Abd El Rady, 2007).

The World Bank study (2009) has explained that Egypt's high inflation rates have resulted in the increase of the extreme poverty and inequality rates at the same time. The cost of providing the cheapest commodity of basic foodstuffs rose by 47% between February 2005 and 2008, which is higher than the increase rate in the index of consumer prices (inflation), approximately reached the 31% during the same period. This huge increase has resulted in substantial increase of the high risk of extreme poverty. It means that (the inability to satisfy the food needs necessary) by about 20% (including an estimated one million people). Virtually, about 6% of Egypt population have been affected and (moved to a slide extreme poverty) in February 2008, which is an unprecedented figure since the 1990. Therefore, the high food prices rise during this period has played an influential role in reducing the positive effects of economic growth on living standards (Hiba, Al- Leithy, 2009). The report issued by the Egyptian cabinet's information center indicates an increase in the proportion of household expenditure of poor or low income Egyptian villages on food and drink, where the food expenditure percentage on food in rural areas reached 50.3% versus 40.8% in cities. Meanwhile, the food expenditure percentage on food reached 55.4% for the families whose annual spending is less than 2000 pounds. The ratio fell to 22.7% for the families whose annual spending estimated 50 thousand pounds. The study conducted by the National Center For Social and Criminological Research in Egypt, affirmed that the Egyptian families proportion that fall under the food poverty line reached 56.1% of rural families, and 40% of urban families in the governorates and 37% of the families living in Cairo. The agreement preliminary text concluded in 2008 between the World Food Programme and Egypt, regarding the assistance provision to create fixed assets in Upper Egypt, clarifies that 55% of Egypt's poor people live in Upper Egypt. The governorates of Sohag and Assiut come on top of the governorates of the poorest and most deprived people of the development projects that

will raise the population's standards of living. It also revealed that about 43.2% of the population level, generally live below the poverty line and 36.4% of them consume lower levels of the basic food needs (World Bank Report, 2009). Egypt has been one of the most affected countries by food crisis that swept the world and the country has become on actual famine brink which has not experienced since decades. It has witnessed a remarkable rise in food prices, particularly prices of flour, oil and vegetables. In 2007, prices of food commodities in Western markets with rates ranging between 10% and 40%. This has led to immediate prices rising of food commodities in Egypt, with rates ranging between 60% and 120%. An eventual decrease in the food commodities prices began, including the cooking oil price which had fallen once by more than 20% , then the rate fell to more than 30%. However, Egypt's cooking oil markets have witnessed gradual rising until the oil liter price exceeded 13 pounds in 2008. The same happened with most of the food commodities whose prices have decreased worldwide, but remained unchanged in Egypt. On the contrary, they have witnessed new unjustified rising (the Central Agency for Public Mobilization and Statistics, 2008).

The reports issued by the Egyptian Central Agency for Public Mobilization and Statistics affirmed the downward trend of inflation rates in Egypt a month after the other, where a prompt decline in inflation beginning in August 2008 but with slightly lower rates. The inflation rates declined significantly in the early December, 2008 reaching about 18.7% then fell further during the month of January 2009 where it reached about 14%. The decline occurred in despite of many basic commodities prices remained unchanged as a result of the traders greed and the lack of response of many businessmen to the market in order to get support from the State so as not to lonely bear the impact of falling prices. In light of these policies, which the government has adopted, they are expected to contribute to the prices reduction in accordance to the world prices and weak purchasing power of citizens, and prices will tend to decline dramatically. The annual inflation rate is expected to reach become satisfactory and contribute towards lessening the burden on low-and middle-income people (Alia, El-Mahdy, 2009). After the food crisis exacerbation in Egypt, the Egyptian government immediately blamed the states of Malaysia, Brazil as the main reasons behind the large increase of food commodities prices in the markets. Malaysia and Brazil tended to transfer some plant products such as oils into energy, which led to a decline in the quantities produced, and consequently higher prices on the world stock market. Hence, prices soared up in the local markets, especially Egypt imports 90% of its oil needs. Although wheat is one of the most strategic commodity in the agricultural sector in Egypt, the wheat-planted area reached about 3.06 million acres representing 45.9% of the winter crops area, and about 20.7% of the total crop area amounting to 14.83 million acres in 2006. This area is inadequate to narrow the food gap estimated about 6.04 million tons, which are satisfied through importing. The quantity of Egyptian wheat-imported quantity reached 5.82 million tons worth L.E. 5.54 billion. It represents 50.3% of the food imports value, and about 24.3% of the total value of agricultural imports amounting to L.E. 22.76 billion ( Ebtisam Al-Gafarawy, 2006).

There are many studies and reports that attributed the domestic increase of the food prices to several factors, including:

1. Weak elasticity of the Egyptian economy supply in general and in the agriculture sector in particular.
2. Production and exporting policies, such as lack of cultivated areas of some crops such as wheat, for example.
3. That there are factors associated with efficiency of the Egyptian market and its action mechanisms in terms of the presence of some non-competitive practices By producers and mediators including distributors and dealers with respect to storage policies and distribution channels and timing of supply.
4. The continued unprecedented rise and in world food prices, which had a strong impact on food prices in the domestic market.
5. The inability to cope the agricultural production growth with the increasing food demand rates; had an impact on the increased reliance on foreign food needs. It also worsened the

deficit of balance of payments and led to a slowdown of the economic development process as a result financing the increased imports of food commodities, bringing the threat of dependence on other States.

6. The wheat strategic reserves size in Egypt, which stood at some 1.3 million tons, can satisfy the domestic consumption for one month. Therefore, and the strategic reserve should be increased to meet is the domestic consumption for at least six months.

In an attempt to address the exacerbated food crisis resulted from the world financial crisis, the Government has adopted several procedures such as: Government has initiated a series of decisions including, the prices increase of gasoline and diesel, and raising some duties of luxurious automotive, cigarettes, and some matters related to companies taxes that have increased profits for certain reasons. At the same time, salaries were raised by 30%, and pensioners by 20%, and raised some low-priced supply allocations (Report of the National Council for Production and Economic Affairs, Cairo, 2007.) The government has banned rice exports from April 2008 to April 2009 to boost domestic supplies. Government has increased the budget for subsidized bread to \$ US 870 million, while total spending on food aids estimated \$ US 2.8 billion. It has also increased the supply of wheat to bakeries that sell subsidized bread, and increased fuel subsidies to \$ US 0.9 billion, Meanwhile, it has expanded the supply card system to cover about 55 million Egyptian nationals (Egypt Report, 2008). Government announced that it will allocate L.E. 17 billion from the budget for food subsidies through the state budget for the fiscal year 2009/2010. Government scrapped an earlier decision to not allow the Egyptians to add their children to supply cards from 1988; it allowed the inclusion of anyone from immediate relatives to these cards. It adds as such an income of up to \$ US 9.50 monthly to a family of four people. The government abolished as well tariffs on a number of food commodities (Ministry of Social Solidarity, 2008). The government decided to allocate about L.E. 32.355 billion of the state budget for fiscal year 2008/2009 in order to improve the living conditions of citizens, including 13 billion pounds to raise the wages of State employees, and its 5.6 million employees.

In our view: the wages increase is only a short-term solution, and what the government should do is that the increase of agricultural investments and support small farmers in the medium term and to give aid to those who are in dire need. In the longer term, the Government needs to increase the workers average productivity and reduce unemployment, improve services and care for rural areas. Thus, people can be flexible in the face of external shocks, rather than relying on it. Under the world financial crisis, Egyptian government adopted as well several procedures; mostly important are as follows (Economic Commission of the National Council for Women, Cairo, 2008): Pumping L.E. 15 billion to stimulate spending demand. Providing incentives for exporters to motivate the workers, and the Government has shown willingness to support wage employment in some cases to ensure that they will continually maintain their jobs. The Central Bank has adopted some procedures to encourage the independent banks to lend the small and medium enterprises. The question is: are these governmental procedures sufficient to counter the effects and impacts of the world financial crisis on Egypt?. Clearly, the recovery period experienced by the Egyptian economy since 2004 until now depends largely on the foreign direct investment as the main engine and reached \$ US12.3 billion in 2007. The same type of investment made the stock exchange as the most affected bourse in the region by the world financial crisis. It fell on October 7, 2008 at a rate of 16% in a time when the decline rates of the other regional stock markets and even the world stock markets ranged between 6% and 9% due to the foreign investors flee, a matter which was also reflected on the domestic investors. In addition, the monetary reserve remarkably declined at the central bank (Forum Regional Seminar on the investment atmosphere, 2009). Certainly, Egypt is not one of the most affected countries by the financial crisis, but the expectations prior to the crisis pointed to a slowdown of GDP growth to 5.25% in fiscal year 2008/2009 compared with the previous year 2007/2008. It seems so good compared to industrialized countries facing recession. However, the problem is that when the economy was growing at a rate ranging between 6-7% over the last two years, the high inflation and low salaries have resulted in the protests and labor strikes. How will the situation

be in the future, especially in the absence of a clear social policy to protect low-income workers and people?

Since the Egyptian economy is considered as a yield economy which largely depends on foreign demand, thus the declining growth rates in major countries have a negative impact on demand for Egyptian exports of goods and services. Whenever recession occurs in Europe in particular and the West in general, it will inevitably affect their growth rates. The European Union represents an important destination for Egypt's foreign trade either at the exports level which experts expect to be strongly affected by the recession wave affecting Europe due to the financial crisis or imports upon which Egypt highly relies to ensure satisfying the food needs of the Egyptian people, along with the reduction of subsidies, grants and soft loans. Tourism to Egypt will be affected by the Depression which could occur in Europe, and decrease expenditure by tourists. In addition, the remittances of Egyptian workers to those countries (United States and Europe) can be affected as well as besides the official transfers received from these countries, and if recession occurs, they will be highly and impressively reduced. In addition, under recession, which analysts expect to dominate the world from 4 to 10 years to come, it will reflect negatively on the movement of international trade, which is threatening to drop Suez Canal revenues. The rampant piracy off the coast of east Africa throws new burden on the Egyptian economy, as shipping companies prefer to avoid the Suez Canal and oil shipments and other goods from around the South African continent (Alia, El-Mahdy, 2009). Finally, it is expected that the impact of the world financial crisis will have negative effects on Egypt, especially on the agricultural sector. This in turn threatens the Egyptian agricultural development processes, and reflects on other development programs. Experts expect also that the crisis will affect the plans and programs to encourage farmers to grow strategic crops, including wheat, corn and sunflowers. This will once again lead to a reliance on imports from abroad, and retreating of the nearly- self-sufficiency policies in these crops. Therefore, the growth rates of Egyptian Agriculture will decline.

Fifth: Results and policy implications: There is a threat to attempts aim to achieve Egyptian wheat self-sufficiency in the wake of the world crisis which led to the food grain prices decline in the world market. All indications point to the departure of farmers from planting wheat in the new planting season and went on to plant clover instead, a matter which predicts possible food crisis. It is also expected to worsen the world food status, especially if the financial crisis affecting the obligations of donor countries to support the agricultural sector in the developing countries. Such steps may increase the risk of the reoccurrence of a more serious food crisis in 2011. It is logical that the major instability existing among the international financial markets and the risk of world recession may prompt countries to adopt trade protectionism procedures and re-evaluate their commitments in connection with international development assistance.

In light of what has been mentioned earlier, the most important policies that need to be implemented during the current period to meet the world financial crisis on the world food status in general and Egypt in particular, include: Control of major financial institutions that have lost large parts of the capital and help them to rise again. Pumping liquidity into the international organizations to provide aid to poorest countries and the hard-hit by the crisis. Working to restore confidence once again to the credit markets after banks have feared lending the private sector in spite of the availability of money. Addressing the inconsistency exist in the infrastructure of world financial regulation and establish rules for the unified control with the least number of organizations. Maintaining strong economic relations between States and create guarantees for the investment movement between the States and not to export policies that increase the severity of the crisis from one country to another. Improving the workers conditions and human rights of low-income people through the interventionist policies that ensure the balance of social, economic and political participation of all society segments in the management of public affairs. Development of agriculture and the increase of agricultural products are still considered the best ways to resolve the crisis over the long term. The developing countries should increase investment in agriculture and increase food productivity. The developed countries should increase the development

assistance adjust their policies to create a fair and reasonable environment for the world food trade. The necessity to focus on information exchange relating to food security, safety and set standards for the food quality at the world level, through the coordination between all states.

There is also agreement that the State alone can not cope with this crisis. Thus, Arab integration seems important in such a crisis. The financial crisis is an opportunity for achieving the Arab integration. As the Arab investments abroad would have created job opportunities and great economic awakening if was used within the Arab States, especially with the presence of 700 Islamic investment funds in the world valued \$ US 800 billion. Wheat food security in Egypt could be achieved through several policies, including: Expansion in wheat production and the rationalization of domestic consumption, Reconsideration of the flour distribution policy, Tendency to cultivate wheat in the states which have abundant water and land resources, particularly in Sudan. This could be done by encouraging the private sector and removing restrictions on free movement of production factors and the provision of appropriate investment climate. Focused efforts on establishing fair partnerships between the countries which have land, water and labor, and those that have the financial resources and management facilities and markets, and constitute a solid basis for sustainable agriculture. Egypt should focus on establishing joint agricultural projects with Saudi Arabia on Sudanese territory. This is a positive step which contributes to facing the food crisis in the medium and short terms. The necessity to support small farmers and adopt integrated alternative developmental agricultural policies that would provide food security through sound socio-economic systems. The necessity to encourage domestic investment through incentives such as free land distribution and limited-period of time tax exemption so as unemployment does not occur until foreign investment restored and find out new markets in Africa, Asia, and Latin America. The importance of tightening control over all boundaries outlets to prevent the entry of non-standard quality commodities which threaten food safety and the environment. Narrowing the food gap by increasing production, especially in the crops of grains, oils, sugar, beans, meat and dairy products. Making serious attempts to ensure the promulgation of new legislation to attract Arab and foreign investments to the market of land reclamation and food production. Increasing the area of reclaimed land to be able to add new quantities of agricultural crop production to meet the increased demand for food due to the continued over-population. Supporting the agricultural research centers to offer new proposals on agricultural production. Finally, Reducing of the volume of food imports, except in extreme cases.

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