

Effect of the Egyptian pound exchange rate liberation on the prices of some food commodities

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Abstract:

The most important findings of the study are that great percentage of the prices of agricultural commodities soared in prior to the central bank decision to liberate the exchange rate. The study indicated as well that the high prices of food commodities in the consumption markets are not only attributed to the exchange rate liberation but to other factors as well like the great size of marketing margins. As to the needs of agricultural production, the exchange rate liberation increased their prices. Thus, there is an increase in the Feddan production cost and the farming prices. Finally, the study recommended that it is necessary for the state to adopt the decision of farmer support particularly in the needs of productions besides the necessity to control markets and enact laws and legislations that forbidden the manipulation of wholesale prices and the consumer.

Key Word:- Food commodities- the agricultural production needs - exchange rate.

Introduction:

There are various positive and negative effects, at the collective or individual levels, of the exchange rate of the Egyptian pound liberation that dated back to 3/11/2016. Initially, we should point to the concept of exchange rate liberation and the most important different systems which determine the exchange rate, and what's meant by the interbank used making this decision. The exchange rate is the number of units of the national currency (such as the Egyptian pound) which's obtained or paid for one unit of foreign currency (such as the dollar). There are three systems for determining the exchange rate of a particular currency: first, the fixed exchange rate system where the monetary authorities (The Central Bank of Egypt) determines a fixed value that does not change the exchange rate of the local currency against a certain foreign currency. Second, a free flexible or floating exchange rate system in which the monetary authorities leave the exchange rate in accordance to the forces of supply and demand for foreign exchange without intervention. Finally, the system of exchange control, which combines the two previous systems; where the exchange rate is determined according to the forces of supply and demand, but within certain limits: maximum and minimum that should not be exceeded. If the exchange rate deviates from those limits, the monetary authorities intervene to return them to those limits.

In terms of the types of floating local currency, two types floating the total currency: the abolition of the exchange rate between two currencies and leave the currency to the market

forces are determined on demand and supply without setting a ceiling for trading without the final intervention of the Central Bank. The second type is the partial currency floating, which is the intervention of the central bank voluntarily by the use of tricks such as raising the dollar or withdrawing from the market or one of the means of monetary policy (interest rate, reserve or open market or influence the volume of foreign trade by quantifying imports and encouraging exports).

The Egyptian pound was partially floated in 1989 and the dollar equaled 3.3 Egyptian pounds. Then the pound was fully floated again in 2003 and the dollar equaled 5.5 Egyptian pounds. As a result of the decline of the Egyptian pound during the year 2015 against the dollar and the subsequent decline, which led to the resignation of the Governor of the Central Bank and the appointment of a new governor of the bank 27/11/2015. The Central Bank intervened during the 10 months of 2016 to strengthen the value of the pound against the dollar more than once by withdrawing from the cash reserve, but in vain. It led to the full floating of the Egyptian pound on 3/11/2016 where the US dollar equaled L.E. 13. In the context of the last exchange rate liberation, the currency pricing mechanism will be through the Interbank system, which obliges banks to declare the prices of selling and buying the foreign currencies directly and directly, no bank has the right to refrain from doing so in accordance with this mechanism, which enjoys transparency and the ability to control the exchange market through supply and demand without impact to the black market or exchange companies. This mechanism prevents the US dollar speculators from making gains by saving and selling illegally. The interbank is a system for trading the dollar among the local banks. With the commitment of each bank to announce the exchange rates through the screens of the electronic trading network under the control of monetary authorities, this mechanism began in London and then moved to many countries of the world, including Egypt, which applied directly when the exchange rate was liberated on 29-1-2003. The central bank has pledged to citizens and investors dealing in exchange markets not to impose conditions for the renunciation of foreign currencies, and guarantee the funds of depositors of the banking system in all currencies. It pledges as well not impose any restrictions on the deposit or withdrawal of foreign currency for individuals and companies, and the limits of deposit and withdrawal of companies that are engaged in the importing of non-essential goods and products only at \$ 50 thousand per month for the deposit, and \$ 30,000 a day for the draw.

- Problem of the statement:

There various negative economic effects appeared lately after 30th Jun revolution. These include disappearance of important commodities from markets, high prices of food commodities, and high prices of agricultural production needs. They have effects on all Egyptian people classes and categories. The most important effects are emergence of illegal paralleled exchange markets which dominated liquidity of foreign currencies particularly the US dollar due to different exchange rates of the US dollar at the Egyptian banks. The paralleled exchange markets or the black markets encouraged Egyptians abroad to abstain

from transferring the US dollars to the Egyptian banks; instead they preferred to deal with that type of illegal exchange companies. The weak US liquidity in the state was one of the most important problems facing the state recently; particularly most of food commodities and production needs are carried out through foreign currency importing especially the US dollars. That was the main reason behind making the decision of exchange rate liberation which has various positive and negative consequences.

- The research Aims:

The study aims to analyze the effects of exchange rate liberation on the doubled-increased prices of food commodities and agricultural production needs compared to the situation before exchange rate liberation. It aims as well to clarify whether the high prices of commodities in the consumption markets directly related to exchange rate liberation or there are other reasons contributed to directly or indirectly increase these prices? Therefore, it is necessary to investigate into the subsequent positive and negative consequences of exchange rate liberation; to indicate reasons and motives behind the expedition of exchange rate liberation, analyze the effect of exchange rate liberation on the food commodities and food prices at the wholesale and retail markets. It is necessary as well to clarify the effect of exchange rate liberation on the agricultural production needs.

- Methods and data collection:

The study has relied on the analytical descriptive approach to realize its aims. The study is divided into two periods: pre and post periods of the Egyptian pound exchange rate liberation. As to data collection, the study has relied on the websites of the statistics and public mobilization central system; the cabinet information centre- decision making support centre. It has also relied on the questionnaire of agricultural production needs.

- The most important reasons behind the exchange rate liberation of the Egyptian pound:

There are many reasons helped to liberate the Egyptian pound exchange rate in November 2016, the most important of which is the decline in the flow of foreign investments from about \$ 6.8 billion in 2010 to about \$ 4.2 billion and then \$ 6.4 billion by a decrease percentage of 38.2% and 5.9% in 2014 and 2015, respectively. On the other hand, tourism has declined from about \$ 11.6 billion in 2010 to about \$ 7.4 billion in 2015, then to about \$ 3.8 billion in 2016 with a decrease percentage of 36.2% and 67.2% respectively. the decline of remittances of Egyptians abroad from 19.3 billion dollars in 2015 to about 17.1 billion dollars in 2016, with a decrease percentage of about 11.4%, the stability of the revenues of the Suez Canal, the significant decline in the value of non-oil exports from about 195.3 billion pounds in 2014 to about 163.3 billion pounds in 2015 by a decrease percentage of about 16.4%, increase the import bill of goods and services from about 300.4 billion pounds in 2010 to about 609.3 billion pounds in 2016, by increase percentage of about 102.9%, the deficit in the trade balance, according to the Ministry of Planning and Finance, increased to \$ 50 billion by

the end of 2015, as well as the balance of payments deficit (\$ 3.6 billion), and the drop in international oil prices. Oil exports represent about 40% of the total Egyptian exports. Egypt pays its premiums and liabilities from foreign debts such as the Paris Club premium (twice a year in January and July of \$ 750 million each), the value of the Qatari deposit (\$ 1 billion in October 2015), the Egyptian Central Bank's use of part of the foreign exchange reserves in support of the value of the pound through the periodic or special tender, which led to the decline of foreign currency reserves to Egypt, the lowering of the interest rate on the Fairy has led to the phenomenon of dollarization, the import bill has increased dramatically, the increase in the total domestic and external public debt of Egypt from about 888.7 billion pounds in 2010 to about 2620.7 billion pounds in 2016 by increase percentage in domestic debt 194.9% and about 33.7 billion dollars for external debt in 2010 to about 55.8 billion dollars in 2016, by increase percentage of about 65.6 % ,high inflation and unemployment, and the significant deficit in the general budget of Egypt.(*Central Bank of Egypt,2016*)

- Targets of the exchange rate liberation of the Egyptian pound:

The decision of the central bank to liberate the exchange rate aimed to reduce budget deficits and public debt, complete the reform of the system of support and rationalization of government spending, reduce the volume of imports, increase the volume of exports and encourage domestic and foreign investment, the provision of foreign exchange for the import of basic food commodities, eliminate the phenomenon of the black market by restoring the circulation of foreign exchange within the banking sector, the turmoil in the currency market through strong supply and demand for real exchange rate stability and market stability, maintain the overall level of prices in the medium term, increase the volume of foreign exchange reserves, and reduce the idea of saving the dollar for speculation and profit, the Egyptians return abroad to transfer their money after settling the price of the dollar and raising the minimum withdrawal and deposit and raising interest rates and offering savings certificates with a 20% interest, increasing the volume of foreign investment in Egypt after dealing with the exchange rate imbalance to one price plus the lifting of the maximum pull and the ease of conversion Money out.(*Kenawy, Ezzat,2016*)

- The effect of the decision of the exchange rate liberation of the Egyptian pound on food commodities:

The decision to liberate the exchange rate of the Egyptian pound is a positive decision and is expected to have a good impact on the markets, the expectation of lower commodity prices in the near term is uncertain, but certainly is price stability. Besides, the decision to liberate the exchange rate has positive and negative aspects. Food commodity prices are expected to rise by 50%, according to the dollar rates, that the decline in commodity prices may be achieved in the long term after the achievement of the resolution of its positive value. Before discussing the impact of the exchange rate liberation on food commodities, it is necessary to study the development of the monthly prices of the most important food commodities before and after the exchange rate liberation in November 2016 as shown in Table (1)

To illustrate the effect of the exchange rate liberalization decision, which was adopted on 4 - 11-2016, the period of study will be divided into the pre-liberation period of the exchange rate and represented by the period from (month 1-2016 to 10-2016) where the price of the dollar was then about 8.88 Egyptian pounds and then the post- liberation period of the exchange rate which represents the period from month 11-2016 to the month of 3 – 2017, where the dollar price was about 18 Egyptian pounds and then the decision of the Ministry of Finance to fix it at 16.5 Egyptian pounds (Customs dollars) for import to now.

For the first period, it will be divided into a group of goods whose prices have been rising to a peak in October 2016, compared to the January 2016 prices of an increase of about 44.7% wheat, 8.2% dry beans, 27.7% crushed beans, 29.9% lentils, 25.6% crushed lentils, 68.1% dry beans, 16.5% yellow carrot, 39.3% garlic, 97.6% onions, 43.9% potatoes, 39.3% cabbage, 15.4% roman eggplant, 8% bananas , 14.1% beef , 12.9% veal , 9.5% sheep , 27.4% frozen meat, 3.4% chicken,47.6% frozen chicken,7.5% Bory fish, 13.5% Macaroni fish , 88.1% mackerel fish, 4.7% fresh milk, 9.8% white cheese, 13.3% Cheese triangles, 4.2% Cottage cheese, 14.4% margarine , 11.4% butter, 12.5% Butter of beef , 8.2% Bee Honey , 5.7% black Honey, 17.7% halva, 12.7% wheat flour, 23% pasta, 49.7% tea, 28.1% cotton seed oil, 27.6% sunflower oil, 27.6 corn oil, 31.1% corn oil, 23% black pepper, 29.2% cumin.

The table also shows other groups of goods whose prices have been rising and falling until their decline in October 2016 9.1% tomatoes, 21.1% green beans, 34.8% cucumber, 28.1% green peppers, 61.1% lemon, 4.33% duck, 4.1% doves ,7.6% farm eggs, 3.3% Tilapia fish ,12.7% for rice , 4.1% Packed rice.. for the farmed chicken and the Crab fish , the price of kilo in January was about 25.5 LE and 11.05 LE, respectively and then increased to a maximum of about 31.75 LE / kilo in June, and about 12.05LE/kg in May, and then took the price down to a month In October, about 25.5 LE/ kilo, and about 11.5LE. For Halva and Coriander, the previous table shows the stability of their prices during the period of the First study, which precedes the liberalization of the exchange rate (January – October/2016).

table (1): Monthly prices of the most important food commodities during 2016 before the period of exchange rate liberalization

commodity	unit	Months									
		1	2	3	4	5	6	7	8	9	10
Wheat	Kg	4.59	4.84	4.84	5.34	5.34	5.34	5.34	5.64	5.64	6.14
Dry bean	Kg	13.80	14.80	14.80	14.95	14.95	14.95	14.95	15.25	15.25	15.75
crushed Bean	Kg	8.65	9.65	9.65	9.65	9.65	9.65	9.65	10.05	10.05	11.05
lentils	Kg	16.54	17.54	17.54	17.54	17.54	18.54	18.54	19.50	19.50	21.50
crushed Lentils	Kg	13.65	14.15	14.15	14.15	14.15	14.15	14.15	14.15	14.15	17.15
Dry beans	Kg	11.60	11.60	11.60	11.60	12.60	14.50	15.50	17.50	17.50	19.50

garlic	Kg	11.13	12.12	12.53	13.12	14.50	14.50	14.50	14.50	15.50	15.50
Onions	Kg	2.53	2.53	2.88	3.43	3.38	3.50	3.75	4.00	4.25	5.00
Potatos	Kg	5.35	5.10	5.10	5.25	5.35	5.45	5.70	5.90	6.20	7.70
Tomatoes	Kg	3.85	4.10	4.15	4.55	4.65	3.90	4.65	5.50	4.50	3.50
Green beans	Kg	9.25	11.25	14.25	9.25	9.30	11.30	11.30	14.30	12.30	7.30
yellow carrot	Kg	3.95	3.70	3.00	3.25	3.75	3.85	4.35	4.60	4.85	4.60
cabbage	Kg	7.00	6.50	7.00	7.00	7.50	8.50	9.50	9.75	10.75	9.75
roman eggplant	Kg	3.25	4.25	4.75	4.25	4.50	4.75	3.75	3.50	4.00	3.75
Cucumber	Kg	5.75	6.50	4.25	4.20	5.00	6.00	6.75	5.75	4.75	3.75
green pepper	Kg	8.00	8.50	8.65	8.95	6.95	6.95	6.25	5.75	5.25	5.75
banana	Kg	8.75	9.00	5.50	5.04	8.50	8.75	9.75	9.95	10.45	9.45
Lemon	Kg	9.00	9.5	9.75	10.95	12.25	19.25	9.50	4.50	4.00	3.50
beef	Kg	89.40	89.40	91.40	91.40	94.40	96.00	96.00	99.00	102.00	102.00
veal	Kg	92.10	92.10	94.10	94.10	98.10	98.95	98.95	101.95	104.00	104.00
sheep	Kg	94.99	94.99	96.69	96.69	98.99	98.99	98.99	99.50	104.50	104.00
Frozen meat	Kg	40.09	40.09	40.09	40.09	42.09	42.09	45.09	51.09	51.09	51.09
Chickens	Kg	29.00	30.00	31.00	31.00	33.00	34.00	31.00	29.00	29.00	30.00
Farms Chicken	Kg	25.50	27.50	28.00	29.00	31.00	31.75	28.75	26.50	26.50	25.50
duck	Kg	33.45	33.45	33.45	34.45	45.45	36.45	34.45	32.00	32.00	32.00
doves	pair	49.00	49.00	49.00	49.00	49.00	49.00	49.00	47.00	47.00	47.00
Frozen chicken	Kg	28.38	40.38	41.38	41.88	43.88	43.88	42.88	42.88	42.88	41.88
Eggs	unit	1.18	1.18	1.15	0.93	0.97	1.04	1.09	1.06	1.09	1.09
Tilapia fish	Kg	23.00	23.00	24.00	24.75	24.75	23.75	23.75	22.75	23.25	22.25
Bory fish	Kg	39.75	39.75	46.75	44.75	44.75	42.75	42.75	41.75	42.75	42.75
Crab fish	Kg	11.05	11.05	16.45	16.45	12.05	11.05	11.05	11.05	11.05	11.05
Macaroni fish	Kg	13.00	13.00	13.50	14.75	14.75	14.75	17.75	14.75	14.75	14.75
Mackerel Fish	Kg	15.90	15.90	16.90	16.90	18.90	18.90	18.90	18.90	18.90	29.90
Fresh milk	Kg	7.43	7.43	7.43	7.43	7.43	7.43	7.43	7.43	7.78	7.78
White cheese	Kg	38.16	38.16	38.16	38.16	39.16	38.16	39.16	39.16	39.91	41.91

Nesto cheese	8pieces	4.87	5.02	5.02	5.02	5.02	5.02	5.02	5.02	5.52	5.52
Quraish Cheese	Kg	16.55	16.55	16.55	16.55	16.55	16.55	16.55	16.55	16.75	17.25
margarine	Kg	62.29	62.29	62.29	63.29	63.29	63.29	63.29	63.29	66.29	71.29
butter	Kg	62.43	63.43	63.43	63.43	63.43	63.43	63.43	63.43	63.43	69.43
Butter of beef	Kg	45.79	45.79	47.50	47.50	47.50	47.50	47.50	47.50	48.25	55.25
Bee Honey	250 Kg	12.20	12.20	12.20	12.20	12.20	12.20	12.20	12.20	12.20	13.20
black Honey	Kg	5.30	5.30	5.30	5.30	5.30	5.30	5.30	5.30	5.30	5.80
Tahina	Kg	26.29	26.29	26.29	26.29	26.29	26.29	26.29	26.29	26.29	26.29
Halvah	Kg	16.07	16.07	16.07	16.07	16.07	16.07	16.07	16.07	17.07	18.82
Wheat flour	Kg	3.93	3.93	3.93	3.93	3.93	3.93	3.93	3.93	3.93	4.43
pasta	Kg	4.34	4.34	4.84	4.84	4.84	4.84	4.84	4.84	4.84	5.34
rice	Kg	5.76	6.26	6.55	6.80	6.80	6.80	7.30	6.80	5.80	5.30
Packed rice	Kg	7.87	8.62	8.65	8.90	8.90	8.90	9.40	8.80	8.05	7.55
sugar	Kg	5.92	6.42	6.42	6.42	6.67	6.67	6.67	7.65	8.65	10.15
tea	40-g	1.57	1.57	1.57	2.00	2.10	2.10	2.10	2.10	2.35	2.35
Cotton seed oil	Kg	10.78	11.28	12.02	12.02	12.02	12.02	12.02	12.02	12.53	13.78
Sun flower oil	Kg	14.30	15.30	15.30	15.75	16.25	16.25	16.25	16.75	17.00	18.25
corn oil	Kg	15.48	16.48	16.48	16.48	17.30	17.30	17.30	17.80	18.30	20.30
black pepper	Kg	94.64	94.64	97.14	97.14	101.64	107.64	107.64	115.64	116.44	116.44
cumin	Kg	48.00	48.00	48.00	48.00	52.00	58.00	58.00	62.00	62.00	62.00
coriander	Kg	17.78	17.78	17.78	17.78	17.78	17.78	17.78	17.78	17.78	17.78

Source: Central Agency for Public Mobilization and Statistics website

For the second study period, which refers to the exchange rate liberation and is expressed in the period (11-2016-3-2017), Table (2) shows that there is a group of goods whose prices have risen. In March 2017, 22.6% wheat, 2.9% dry beans, 4.1% crushed beans, 20.4% lentils, 2.4% crushed lentils, 18.6% dry beans, 16% onions, 235.8% tomatoes, 135.8% green beans, 4.2% yellow carrot, 112.5% roman eggplant, 55.6% cucumbers, 73.9% green peppers, 11.7% bananas, 388.9% lemons, 14% beef, 13.8% veal, 13.7% sheep, 17.8% frozen meat, 25.8% chicken, 32.1% farm chicken, 15.6% duck, 14.9% doves, 16.7% frozen chicken, 19.6% farm egg, 23.7% tilapia fish, 1.7% Bory fish, 76.1% Macaroni fish, 15.7% mackerel fish, 24.2% fresh milk, 15.6% white cheese, 18.1% cheese triangles, 23.4% Cottage cheese, 22.5% margarine, 20.9% butter, 30% Butter of beef, 22.7% Bee Honey, 18.8% black Honey,

17.7% tahini, 40.6% wheat flour, 19.7% pasta, 30.1% rice, 36.6% packed rice, 6.4% sugar, 22.8% tea, 29.9% cotton seed oil, 20.5% sunflower oil, 16.5% corn oil, 15.8% black pepper, 17.9% cumin, 19.2% Coriander, for winery and Palm Comparison of commodity prices during November 2016. The table also shows that there is a group of commodities whose prices decreased in the month May2017, which is about 21.2% garlic, 20% potato, 2.9% cabbage.

Table (2): Monthly prices of the most important food commodities during 2016 - 2017 after the liberalization period

commodity	unit	Months 2016		Months 2017			commodity	unit	Months 2016		Months 2017		
		11	12	1	2	3			11	12	1	2	3
Wheat	Kg	6.64	7.14	8.14	8.14	8.14	Tilapia fish	Kg	24.25	25.25	26.00	29.00	30.00
Dry bean	Kg	16.75	16.75	17.25	17.25	17.25	Bory fish	Kg	43.25	45.75	47.75	50.75	42.5
crushed Bean	Kg	12.05	12.05	12.55	12.55	12.55	Crab fish	Kg	11.05	11.55	13.55	16.55	23.5
lentils	Kg	24.50	27.50	29.50	29.50	29.50	Macaroni fish	Kg	16.75	18.75	21.75	24.75	29.5
crushed Lentils	Kg	21.15	21.15	21.65	21.65	21.65	Mackerel Fish	Kg	22.90	26.90	28.50	30.50	26.5
Dry beans	Kg	21.50	23.50	25.50	25.50	25.50	Fresh milk	Kg	8.28	8.75	9.75	10.25	10.25
garlic	Kg	16.50	17.50	19.50	22.50	13.00	White cheese	Kg	44.91	46.91	49.91	51.91	51.91
Onions	Kg	6.25	7.75	8.25	8.25	7.25	Nesto cheese	8pies	5.52	6.52	6.52	6.52	6.52
Potatos	Kg	7.50	7.25	6.25	6.00	6.00	Quraish Cheese	Kg	19.25	20.25	20.75	23.75	23.75
Tomatoes	Kg	3.25	2.75	4.25	4.75	11.50	margarine	Kg	74.29	78.29	91.00	91.00	91.00
Green beans	Kg	5.30	4.30	5.30	10.30	12.50	butter	Kg	74.43	79.43	85.00	90.00	90.00
yellow carrot	Kg	3.60	3.10	3.10	3.10	3.75	Butter of beef	Kg	63.25	70.25	82.25	82.25	82.25
cabbage	Kg	8.75	8.25	7.25	7.25	8.50	Bee Honey	250 Kg	13.20	14.20	16.20	16.20	16.20
roman eggplant	Kg	4.00	4.25	5.25	7.25	8.50	black Honey	Kg	6.80	7.80	8.70	8.70	8.70
Cucumber	Kg	4.50	5.50	6.50	7.50	7.00	Tahina	Kg	28.29	29.29	31.29	33.29	33.29
green	Kg	5.75	6.00	7.00	10.00	10.00	Halvah	Kg	20.82	22.82	25.82	25.82	25.82

pepper													
banana	Kg	8.95	8.45	8.45	8.45	10.00	Wheat flour	Kg	4.93	5.93	6.93	6.93	6.93
Lemon	Kg	4.50	6.00	12.00	13.00	22.00	pasta	Kg	6.34	7.09	7.59	7.59	7.59
beef	Kg	107.00	114.00	119.00	122.00	122.00	rice	Kg	5.80	6.05	7.55	7.55	7.55
veal	Kg	109.00	114.00	121.00	124.00	124.00	Packed rice	Kg	8.05	10.05	11.00	11.00	11.00
sheep	Kg	109.50	114.00	121.50	124.50	124.50	sugar	Kg	13.15	14.50	14.50	14.00	14.00
Frozen meat	Kg	56.09	61.09	65.90	65.09	65.09	tea	40-g	2.85	3.35	3.50	3.50	3.50
Chickens	Kg	31.00	32.00	34.00	39.00	39.00	Cotton seed oil	Kg	15.78	17.50	20.50	20.50	20.50
Farms Chicken	Kg	26.50	28.50	31.50	35.00	35.00	Sun flower oil	Kg	19.50	21.50	23.50	23.50	23.50
duck	Kg	32.00	32.00	34.00	37.00	37.00	corn oil	Kg	23.30	25.15	27.15	27.15	27.15
doves	pair	47.00	49.00	51.00	54.00	54.00	black pepper	Kg	126.44	136.44	146.44	146.44	146.44
Frozen chicken	Kg	41.88	42.88	45.88	48.88	48.88	cumin	Kg	67.00	72.00	79.00	79.00	79.00
Eggs	unit	1.12	1.17	1.37	1.34	1.34	coriander	Kg	20.78	22.78	24.78	24.78	24.78

Source: Central Agency for Public Mobilization and Statistics website

It can be concluded based on the above mentioned results that the large percentage of agricultural commodities started to rise before the central bank's decision to liberate the exchange rate due to the internal pressures exerted by the Egyptian economy to collect the largest volume of foreign currencies from within or outside the country and the increase in the size of the country suffers from weakness in the reserve of foreign currency and the consequent negative effects of the increase in the volume of all external and internal debt. In addition to increasing the size of the balance of payments deficit and decrease the size of the cash reserve and therefore the decision of the Central Bank to liberate the exchange was in time, which was one of the most important goals of eliminating the black market, besides to the crucial actions taken by the country against those who traded in currency through these markets and the confiscation of funds, as well as the closure of exchange companies in the event of non-compliance with the instructions of the Central Bank. There are some negative effects on the average consumer in the high prices of food commodities, which are expected to stabilize prices during the coming period, but there are goods that have already been affected by this decision, especially basic commodities and the strategy of importing in order

to bridge the food gap, the most important are cereals and oils, as well as meat and poultry, which is the main ingredient of corn in the diet provided to them.

- Prices of the most important food commodities in both wholesale and retail markets:

Table (3) shows the increase in the marketing margin of the wholesaler, ranging between a minimum of 36% in the municipal chicks, a maximum of 299% for the municipal lemon as shown in the previous table, so the increase in the marketing margin that the retailer obtains, which directly affects consumer prices where the marketing margin is more than 200% for 14.3% of food commodities represented by red onions, tomatoes and cabbage. Whilst From 100% to 33.3% of food commodities represented by municipal bananas, white onions, roman eggplants, yellow carrots , Macaroni fish , tilapia fish , and marketing margin of more than 50% for 19.1% of food commodities. Potatoes, garlic, Bory fish & Crab fish, For a marketing margin of less than 50% for about 33.3% of the food commodities represented by the municipal lemon, cucumber, green beans, mackerel fish , white chicks, mullet chicks, eggs as shown in the indicated table. It can be concluded based on the results of Table (3) that the rise in the prices of food commodities in the consumer markets is due not only to the liberalization of the exchange rate, but also to the increase in the size of the marketing margin obtained by the wholesaler and retailer, Strict state control of the markets, leading to random prices by traders and harming consumers by raising prices.

Table (3) Profit margin in the wholesale and retail market

commodity	unit	Farm price	Wholesale prices	Retail prices	% Margin marketing sentence	%Retail margin for segmentation
banana	Kg	2.1	4.00	10.00	90	150
White Onions	Kg	1.14	3.00	7.25	163	142
Red Onions	Kg	1.50	3.00	9.00	100	200
Potatos	Kg	1.77	3.75	6.00	112	60
garlic	Kg	3.00	7.00	13.00	133	86
Tomatoes	Kg	1.54	2.25	11.50	46	411
Lemon	Kg	3.76	15.00	22.00	299	47
Eggplant	Kg	1.75	3.50	8.50	100	143
Carrots	Kg	1.00	1.50	3.75	50	150
Cucumber	Kg	2.00	5.00	7.00	150	40
Green beans	Kg	3.00	10.00	12.50	233	25
green pepper	Kg	2.23	5.00	10.00	124	100

cabbage	unit	0.87	1.00	8.50	149	750
Bory fish	Kg	17.00	26.00	42.50	53	63
Fish Mackerel	Kg	11.00	21.00	26.50	91	26
Macaroni fish	Kg	6.00	10.00	29.50	67	195
Tilapia fish	Kg	7.00	11.00	30.00	57	173
Crab fish	Kg	6.00	12.00	23.50	100	96
Farms Chicken	Kg	16.00	27.00	31.00	69	15
mullet Chicken	Kg	22.0	30.00	38.00	36	27
eggs	unit	0.50	1.025	1.17	105	14

Source :- Website for wholesale and retail prices- The website of the Center for Support and Decision-making- Questionnaire forms

- Effect of the exchange rate liberation of the Egyptian pound on the prices of agricultural supplies:

Table (4) shows the high prices of production supplies used in the production process during 2017 compared to 2016, which will result in higher production costs for different commodities. The prices of fertilizers indicate 69% for nitrogen fertilizer, 25% for phosphate fertilizers, and also The prices of the pesticides used in the production process are raised about 33%, 45%, 95%, 18% in Lambada, Tomase, Malathion and Musapilan each respectively, as shown in the Table. The cost of agricultural equipments increased due to the increase in diesel prices and the exchange rate liberation. The equipment rent increased by about 50% for the tractor, the harvest machine, and about 57%, 56% for the water lifting machine and the pesticide spraying machine respectively, as shown in the Table. The increase in the cost of the Fadden production as well as increase the selling prices to compensate for the losses resulting from higher production costs, and thus increases the margins of marketing for both wholesaler and retail to achieve the target profits to reach the consumer prices displayed in the market.

Table (4): Comparison the prices of production inputs for the years 2016-2017 (Egyptian pound)

Statement		Year 2016	Year 2017 Month 3	% the change
kg fertilizer 50 packaging	Fertilizer Nitrogen	130	220	69
	Phosphate fertilizer	60	75	25
Liter of pesticide packaging	Lambada	150	200	33
	Tobase	55	80	45

	Malathion	40	78	95
	Muspilan	55	65	18
	Worker wages	75	75	-
Agricultural machinery	Agricultural tractor for feddan	100	150	50
	Harvesting machinery	300	450	50
	Water lifting machine	70	110	57
	Pesticide spraying machine	45	70	56

Source: - Questionnaire forms

- The positive effects of the exchange rate liberation of the Egyptian pound:

The most important positive effects that consequently on liberating the Egyptian pound exchange rate declined the ratio of trade balance deficit during January 2017 by 37.1% compared to the same month 2016, side the volume of imports declined due to 9 the rise in the dollars9 prices and being stable at 16.5LE for import. In addition to the positive in impact represented in the Egyptians buying local products and increasing the volume of exports, which contributed directly to decline the ratio of trade balance deficit, despite the continued increasing in the volume of imports compared to the volume of exports Increase the size of the cash reserve through eliminating the black market of the dollar and not to drain the cash reserve through the central bank to present the dollar in the form of periodic or exceptional tenders. The next period is expected to witness more decline in the trade balance deficit.

It was also a major positive to reach the total amount of proceeds of dollars that received by the Central Bank since the decision to liberalize the exchange rate about \$ 13.5 billion, which was reflected in the increase in the volume of liquidity for foreign exchange in the Central Bank, The decision helped to restore about \$ 10 billion that was traded away from the banking system, and the banks who are controlling the dollar. The amount of money injected by Egyptians in high yield certificates has reached 16%, 20% in the three national banks, as well s Egypt and Cairo since the decision to liberate the exchange rate to about 181 billion pounds, of which 110 billion pounds to the National Bank, 55 billion pounds to Bank Misr, 16 billion pounds to Cairo bank (*Elbendary ,Khaled,2016*).

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