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Market Brief

Egypt : The Market for U.S. High Value Food Products

Cairo [EG1], EG

MARKET OVERVIEW

Agriculture remains one of Egypt's most important sectors. However, as other sectors have grown, agriculture's GDP decreased to 15.7 percent in FY 96/97. As income and population increase, Egypt has become one of the world's largest food importers.

During the first stages of economic reform, which started in 1991, Egypt abolished most of its import bans and adopted a harmonized tariff schedule. While many food products exported to Egypt face numerous obstacles including high import tariffs and stringent entry control requirements, there are substantial opportunities for a number of U.S. products. In September 1998, the government continued the gradual process of tariff reduction (with a few exceptions, such as poultry and wine). Tariff rates on bulk products are generally 5 to 20 percent, most consumer-ready products from 35 to 55 percent, most wine 3000 percent.

U.S. MARKET POSITION

Egypt ranks as the thirteenth largest single market for U.S. agricultural products and commodities. In 1997, total U.S. agricultural exports to Egypt were estimated at $974 million mostly bulk products such as wheat ($502 million), corn ($297 million), and soya products ($12 million). U.S. exports of consumer oriented products totaled $48 million. Top export performers of consumer-oriented products included edible offals, apples, juice, prepared sauces and dressings, nuts, and breakfast cereals. For example, the U.S. market share in 1997 for edible offals (91%), apples (36%), sauces (35%), juice (16%) nuts (15%), and breakfast cereals (7%).

U.S. exporters can capitalize on the high quality made-in-the-U.S.A. image in this market, as long as American products are competitively priced.

The consumer-ready food product market is new, relatively undeveloped and growing rapidly. The U.S. and European countries, mainly France, Germany, Italy, Switzerland, Greece, Holland, Denmark, and South Africa clearly are dominant suppliers, while local independent and processors under-license also account for a significant share of the market.

Fast-food franchising is rapidly growing in Egypt. The market has experienced a remarkable expansion of 33% since 1993. American firms dominate the Egyptian fast food market (88 percent), followed by South Africa (6 percent), United Kingdom (3 percent), and Saudi Arabia (3 percent). As of today, there are five foreign franchises operating. Fast food restaurants provide excellent exposure for U.S. products in Egypt.

Egyptian importers claim that Europeans are often more willing to invest and take risks in Egypt than U.S. suppliers. European suppliers are said to offer more competitive prices, and reportedly are quicker than U.S. suppliers in responding to Egyptian inquiries. FAS market promotion activities at the FMI/Chicago (May 1999), Sales Mission/Cairo (February 1999), and The 2nd Great American Food Fest, will provide U.S. suppliers a chance to develop the personal contacts which are essential to successful business in this growing market. (See www.usis.egnet.net for more information).

EGYPT AT A GLANCE (1997)

Total imports	$14,718 million
Total agricultural imports	$ 5,382 million
Total agricultural imports as a percent of total imports	36 percent
Total agricultural imports from U.S.	$974 million
U.S. market share of total agricultural imports	17 percent
Population	62.6 million
Population growth	1.9 percent
Inflation rate	4 percent
Urban population	25 million
Urban population growth rate	2.1 percent
Female population employed	1.05 million
Major metropolitan areas	24 areas

Source: Central Agency for Public Mobilization and Statistics (CAPMAS)

MARKET TRENDS

Egyptians are accustomed to buying fresh meat and poultry from local butchers rather than from supermarkets. Middle and upper class Egyptians purchase most of their foodstuffs from supermarkets and shops. Small supermarkets are widely spread all over Cairo, Alexandria, and other big cities and the demand for processed, or ready-to-prepare, foods is on the rise.

American firms dominate the Egyptian fast food market (88%). With a growing segment of high-income consumers and more women joining the work force, American-style food outlets offer ever increasing choices. Products perceived as both western and new-to-market have a wide appeal, especially among the affluent and young. Unlike the U.S., where people frequent fast food restaurants primarily because of speed and convenience, Egyptian teenagers and families go to fast food restaurants to spend leisure time and to socialize with friends. Fast food customers are primarily from the upper and upper middle classes. They are well educated, have traveled abroad, or have worked in the Gulf countries where many first became acquainted with fast food chains. New opportunities exist for franchise companies for products such as candy, popcorn, pancakes and waffles, pretzels, bagels, ethnic and sea food.

DISTRIBUTION CHANNELS

Egypt's retail trade is dominated by a large number of small privately-owned shops and vendors. Government cooperatives with hundreds of outlets also combine wholesale and retail activities. Importers either sell their products to wholesalers, who distribute food products to retail outlets, or sell directly to retailers. Main outlets in Egypt are classified into the following categories:

Number of Outlets (1998)

	Wholesalers	**Supermarkets**	**Groceries (Mom& Pop shops)**	**Kiosks**	**Other Retail Outlets**	**Total**
Cairo	1382	120	20967	9290	759	**32518**
Alexandria	450	25	11486	2632	1329	**15922**
Delta	606	15	7538	2873	3947	**14979**
Mid. Egypt	125	10	3021	407	285	**3848**
Upp. Egypt	95	10	2102	18	296	**2521**
Grand Total	**2658**	**180**	**45114**	**15220**	**6616**	**69788**

There are three large volume wholesaling markets for fresh fruits, vegetables, fish, meat and poultry in Egypt. The first is the *"El Obour Market"* in Cairo. The second is in Alexandria, and the third is in Mansoura.

The Government of Egypt (GOE) requires licensing for new-to-market consumer-ready food products imported and marketed by the private sector. It requires that all agricultural products be suitably packed according to the product's nature (i.e., type), be clean, and odorless.

U.S. exporters should work closely with reliable importers who have knowledge and experience with Egyptian import requirements. Consumer-ready products are imported by many relatively small companies.

In general, most importers tend to bring in a wide range of products, but only in small quantities. U.S. exporters interested in the Egyptian market can deal with importers. With a few exceptions, wholesalers and retailers do not import directly.

DOMESTIC FOOD PROCESSING

Egypt has a rapidly expanding food processing sector. Food processing covers a wide range of products produced by many public and private firms. Egypt's food processing industries include: flour milling, sugar milling, breweries, dairy, vegetable and meat processing, edible oils, beverages and juices, biscuits and confectionery, pastas, snacks, among others.

Several U.S. brand names such as "Hostess," "Heinz" tomato ketchup are produced under license. The outlook is for more processed foods. The local beef and poultry processing industries are expanding, and specially products like chicken nuggets, hamburgers, and hot dogs are now readily available.

HIGH VALUE PRODUCT OPPORTUNITIES

The consumption of dairy products is among the fastest growing sectors in the Egyptian market. The private sector is responsible for virtually all imports of cheese. The European Union (EU) is by far the major cheese supplier to the Egyptian market. Egyptian consumers are price sensitive, and price continues to be a major obstacle to U.S. sales.

Beef is the top choice among meats for Egyptian consumers. They also prefer fresh over frozen meat. Religious considerations are important to the importation of meat and animal products. Islamic law requires animals to be slaughtered according to the Halal ritual. A maximum 7 percent fat content on imported beef in effect excludes the importation of beef from the U.S. and other sources. However, there are continuing efforts to eliminate this trade restriction. At present, sales of imported high quality beef cuts are restricted to a few luxury hotels and restaurants.

There are market opportunities for snacks, breakfast cereals, juice, dried fruit and nuts. For example, famous U.S. cereal brand names like "Kellogs", and "Ralston Purina" are already in the market; "Blue Bird," and "Ocean Spray," are the U.S. available brand names in juices; "Blue Diamond," and "Sun Diamond" for nuts. Nuts and dried fruits are mainly imported from Sri Lanka, Turkey, Iran, India, China, Greece, France and Thailand.

GENERAL IMPORT REQUIREMENTS

Depending on the product, as many as five government entities may be involved in the clearance of agricultural imports. They are: Ministry of Agriculture and Land Reclamation, Ministry of Health, Radiation Department, Import and Export Control (Ministry of Supply), and Customs Authority. Tests and analyses of the imported product are conducted upon arrival at port in accordance with the Egyptian specifications and regulations established by each concerned authority. Multiple product samples are drawn. All shipping documents must be authenticated at an Egyptian Embassy or Consulate in the country of origin.

The Ministry of Industry is responsible for establishing shelf-life for all food products. All food products should have at least 50 percent of the established shelf-life remaining at the time of importation into Egypt, otherwise the product would be rejected.

Arabic language is mandatory on all labels. English is permitted in addition to Arabic. Labeling must include the following:

- Name and address of manufacturer
- Brand or trade mark; if appropriate
- Country of origin
- Type of product and grade
- Name and address of importer
- Production and expiration dates
- Product use instructions (optional)
- Product ingredients
- Storage instructions or temperature
- Net weight
- Gross weight and total number of packages per case or carton
- Percentage of preservatives must be indicated; if available
- If the product is meat or poultry, the following statement must appear: "Slaughtered according to the Islamic ritual."

On November 1997, the Ministry of Trade and Supply issued Decree No. 465 adding new labeling requirements to the importation of meat and poultry products. The decree requires all products must be packaged in sealed bags. Labels must be inserted inside the package as well as on the outside carton. The information on the label may be in two or more languages, as long as one is Arabic. The label must include the following information:

- Country of origin
- Producer's name and logo (if any)
- Name of slaughterhouse
- Slaughter date
- Name and address of importer
- Name of entity which issued the "Islamic Slaughter" certification. N.B. Such entity must be approved by the Commercial Office of the Egyptian Embassy (or Consulate) in the country of origin.

There are restrictions on the use of food additives. However, on October 1997, the Ministry of Health increased the number of *artificial* colors allowed in food products to 40 colors instead of 11. Acceptable artificial colors are not necessarily allowed in all food products. Importers and suppliers should refer to the Ministerial Decree No. 411 of 1997 issued by the Ministry of Health. Also, there are *natural* colors extracted from fruits and plants have been approved by the Egyptian authorities. All *preservatives* must be identified along with the allowed concentration as a percentage in parts per million calculated on the acid base. The Ministry of Health does not have a positive list of *approved flavorings*. However, all flavorings which conform to CODEX and WHO standards are approved for use in Egypt.

A list of potential Egyptian importers for consumer-oriented products is available in the Office of Agricultural Affairs, Cairo, Egypt.

More detailed information on Egyptian food import requirements is available in the publication entitled **"A Practical Guide to Egyptian Food Import Requirements and Procedures."** The most recent publication was issued in May 1998 and is available in FAS/Washington, contact:

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