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## Egypt

### Market Development Reports

#### Retail Food Sector

**1999**

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#### **Report Highlights:**

**With the expansion of supermarket chains in Egypt heightened, consumers awareness and changes in purchasing behavior, there are good opportunities to introduce new-to-market U.S. products and increase sales of products already in the market. In 1998, Egyptian imports of U.S. consumer ready products totaled \$56 million. U.S. imports account for about 10% of the market and are expected to expand rapidly.**

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Annual Report  
Cairo [EG1], EG

I. MARKET SUMMARY ..... Page 2 of 8

II. ROAD MAP FOR MARKET ENTRY ..... Page 3 of 8

    A. SUPERMARKETS AND HYPERMARKETS ..... Page 3 of 8

        ENTRY STRATEGY ..... Page 3 of 8

        DISTRIBUTION CHANNELS ..... Page 3 of 8

        COMPANY PROFILES ..... Page 4 of 8

    B. CONVENIENCE STORES, GAS MARTS, AND KIOSKS ..... Page 6 of 8

        ENTRY STRATEGY ..... Page 6 of 8

    C. "MOM AND POP" SMALL INDEPENDENT GROCERY STORES ..... Page 6 of 8

III. COMPETITION ..... Page 6 of 8

IV. BEST PRODUCT PROSPECTS ..... Page 7 of 8

    A. Products in the market, which have good sales potential: ..... Page 7 of 8

    B. Products not present in significant quantities, but which have good sales potential: ..... Page 7 of 8

    C. Products not present because they face significant barriers: ..... Page 8 of 8

V. POST CONTACT AND FURTHER INFORMATION ..... Page 8 of 8

## I. MARKET SUMMARY

- # Although Egypt has numerous obstacles including high import tariffs and stringent entry control requirements, there are substantial opportunities for a number of U.S. products. Tariff rates on consumer oriented products vary from 30 to 50 percent.
- # The market for consumer-ready food products and imports for supermarkets is concentrated in Cairo and Alexandria; hotels and restaurants market are in Cairo, Alexandria and the Red Sea resorts.
- # Egyptian consumers have increasing quality and variety awareness. Products perceived as both western and new-to-market have a wide appeal.
- # The U.S. and European countries, mainly France, Germany, Italy, Switzerland, Greece, Holland, Denmark, and South Africa are dominant suppliers.
- # Multi-national firms have started to invest in Egypt. Sainsbury's, which has the second largest share of the U.K. retail food market, has now entered Egypt's massive retail food market. Sainsbury chose Edge (Egyptian supermarket chain) as a local partner. Edge has 94 outlets in Egypt, a significant percentage of which are located in downscale locations. Their policy is to target not only class A consumers but all classes. According to Sainsbury's analysis of the Egyptian market, supermarket chains control only 5 percent of the market. Sainsbury's plan is to open 300 outlets.
- # Currently, there are no hypermarkets in Egypt. However, the first hypermarket will open in September 2000 with a total area of 40,000 square meters. Also, the French chain the "*Continent*" will open a number of hypermarkets. Their first outlet will open in 2002.
- # ABC supermarket chain (5 outlets), recently bought by Sainsbury's/Edge, initiated a supermarket newsletter and internet sales. ABC's policy, before merging with Sainsbury's/Edge" was to rent shelves to suppliers and to cater only to high end customers. However, after the merger, the new strategy is to alter the approach to make pricing more competitive.
- # Three supermarket chains started to issue newsletters for consumers. The newsletter include special product offers, discounts, promotions, supermarket activities ...etc.
- # Metro, a huge modern supermarket chain with TESCO (UK) consultancy, plans to open 30 outlets through 2005.

- # With the expansion of supermarkets with international partners, it is expected that medium size supermarkets (500 square meters) and groceries will diminish or be rationalized within the next five years. The future, as perceived by big supermarket chains, will be for international companies and hyper markets. However, small groceries (25 square meters) will continue to provide products such as cigarettes, chocolates..etc.

ADVANTAGES	CHALLENGES
Of the 63 million Egyptians, about 10 million can afford purchasing imported food products.	Lack of consumer awareness and limited income.
Products perceived as both western and new-to-market have a wide appeal to Egyptians.	Lack of consumer awareness of the U.S. high quality products. Lack of U.S. suppliers interest in the Egyptian market.
Expansion of the number of supermarket chains. International companies interest in the Egyptian market, such as "Sainsbury," "Continent," and "Metro" chains.	With the growing number of supermarket chains, need to introduce new-to-market products.  Egyptian import regulations and labeling requirements are stringent.

## II. ROAD MAP FOR MARKET ENTRY

### A. SUPERMARKETS AND HYPERMARKETS

#### ENTRY STRATEGY

- # Organize an Egyptian delegation to attend the FMI show on an annual basis. The objective is to acquaint Egyptian importers/distributors with the high quality of U.S. products. With the expansion of the number of supermarket chains and the introduction of hyper markets in the Egyptian market, there is a good opportunity to introduce new-to-market products.
- # Conduct in-store promotions in Cairo and Alexandria to achieve the following:
- # Acquaint Egyptian consumers with the high quality of U.S. products.
  - # Increase sales and expand distribution of U.S. products already available in the Egyptian market.
  - # Introduce new-to-market products.

#### DISTRIBUTION CHANNELS

Importers either sell their products to wholesalers, who distribute food products to retail outlets, or sell directly to retailers. There are three supermarket chains which import food products directly.

Distribution Channels for Food, Alcoholic Beverages and Confectionery

Food	<ul style="list-style-type: none"> <li>&lt; Supermarkets and large grocery stores</li> <li>&lt; Medium and small grocery stores</li> <li>&lt; Hotels and Restaurants</li> </ul>
Alcoholic Beverages	<ul style="list-style-type: none"> <li>&lt; Hotels</li> <li>&lt; Restaurants with license for alcoholic beverages</li> <li>&lt; Liquor shops (very limited)</li> </ul>
Confectionery	<ul style="list-style-type: none"> <li>&lt; Supermarkets and large grocery stores</li> <li>&lt; Medium and small grocery stores</li> <li>&lt; Kiosks</li> <li>&lt; Pastry shops</li> </ul>

### Number of Outlets (1999)

	Wholesalers	Super- markets	Groceries	Kiosks	Gas stations	Other Retail Outlets **	Total
<b>Cairo</b>	1575	143	22410	4506	194	2186	<b>31014</b>
<b>Alexandria</b>	450	25	7753	2327	110	487	<b>11152</b>
<b>Delta</b>	750	15	9978	2975	77	450	<b>14245</b>
<b>M. Egypt</b>	117	5	3021	407	35	59	<b>3644</b>
<b>U. Egypt</b>	104	24	3251	337	22	296	<b>4034</b>
<b>Grand Total</b>	<b>2996</b>	<b>212</b>	<b>46413</b>	<b>10552</b>	<b>438</b>	<b>3478</b>	<b>64089</b>

\*\* Other retail outlets do not include coffee shops, nut shops, and haberdashery.

**COMPANY PROFILES****(1998/1999)**

<b>Retailer Name &amp; Outlet Type **</b>	<b>Ownership</b>	<b>Sales (\$Mil /Avg)</b>	<b>No. of Outlets</b>	<b>Locations (City)</b>	<b>Purchasing Agent Type</b>
1 <sup>st</sup> Company	Joint Venture	\$200	92	Cairo, Alexandria	Direct
2 <sup>nd</sup> Company	Local	\$16	5	Cairo	Direct
3 <sup>rd</sup> Company	Local	\$13	4	Cairo	Direct
4 <sup>th</sup> Company	Local	\$21	7	Alexandria Cairo	Direct / Agent Importer
5 <sup>th</sup> Company	Local	\$20	3	Alexandria	Direct / Agent / Importer
6 <sup>th</sup> Company	Local	\$16.5	2	Cairo	Direct
7 <sup>th</sup> Company	Local	\$9	2	Cairo Giza	Direct

\*\* Egyptian companies do not like to publicize their finances.

- < Consumers whose lifestyles are westernized are becoming more and more demanding and are increasingly perceiving supermarkets in Egypt as inadequate. Retailers must become customer driven in their approach to staff, cleanliness, product range, and service.
- < International chains are opening new stores, such as "Sainsbury" targeting all consumer classes. "Continent" the French chain will soon open hypermarkets.
- < Most importers tend to bring in a wide range of products, but only in small quantities. With a few exceptions, wholesalers and retailers do not import directly.
- < Consumption of prepared foods is growing rapidly. The increasing number of working women led to an increase in the purchasing power and demand for ready made meals and/or easy to cook meals.

## B. CONVENIENCE STORES, GAS MARTS, AND KIOSKS

Convenience stores, kiosks, and gas marts sell imported candy, snacks, juices and soft drinks. They do not import, but purchase from local importers/wholesalers and distributors.

- < The average gas mart outlet is 30 to 50 square meters with a few exceptions (few Mobil Mart outlets have 100 square meters).
- < Average sales differ according to the gas mart location; for example the low outlet sales is \$3,000 per month while the high outlet sales is \$21,000.
- < Dealers are in complete control of the outlets.
- < Gas mart profit margins are about 25% on sales; more than double that of supermarkets.

## ENTRY STRATEGY

- < U.S. suppliers should appoint a reliable distributor to ensure that products are available in sales outlets.

Retailer Name	Ownership	No. of Outlets	Locations
Mobil Mart	Mobil	100	Cairo and Alexandria
Shell	Shell		Cairo and Alexandria
Esso	Esso		Cairo and Alexandria
Caltex	Caltex		Cairo and Alexandria
<b>Grand Total</b>		<b>304</b>	

## C. "MOM AND POP" SMALL INDEPENDENT GROCERY STORES

The small grocery stores offer very limited number of imported food products. It is perceived that the small grocery stores will diminish within the five coming years with the expansion of large supermarket chains and hypermarkets.

## III. COMPETITION

In 1998, total U.S. imports for consumer oriented products totaled \$56 million in comparison to \$47 million in 1997. U.S. imports of red meat (fresh, chilled and frozen) totaled \$30 million in 1998 in comparison to \$24 million in 1997. Religious considerations are important to the importation of meat and animal products. Islamic law requires animals to be slaughtered according to the halal ritual. The second largest product was dairy products which totaled \$10 million in comparison to \$9 million in 1997. The consumption of dairy products is among the fastest growing sectors in Egypt Egyptian market.

The following table illustrates total and U.S. imports for the following products:

(1999 / \$ Mil) \*

Product	Total Imports	U.S. Imports	U.S. market share
Fish (fresh, chilled frozen)	100	0	0
Apples	38	9	23%
Milk powder	28	4	1%
Butter	26	0	0
Edible offals	25	24	96%
Prepared fish	21	0.038	0
Dried fruit	17	0.383	2%
Cheese	16	0.133	0
Nuts	14	4	28%
Bovine meat	13	0.027	0
Mis. Food prep. (ice cream soups..etc)	8	0.927	11%
Canned fruit/veg.	4	0.401	10%
Cocoa products	4	0.150	3%
Jams/Jellies	4	0.013	0
Prepared meat	2.8	0.224	7%
Juices	1.2	0.129	10%
Sauces	1	0.196	18%
Breakfast cereals			
pancake mixes	0.946	0.247	26%
Pet food	n/a	0.188	n/a
<b>Grand total**</b>	<b>323.9</b>	<b>35</b>	<b>10%</b>

\*Source:Trade data from the Central Agency for Public Mobilization and Statistics, Cairo, Egypt  
UN trade Data

\*\* The above products do not include all consumer oriented products.

#### IV. BEST PRODUCT PROSPECTS

##### A. Products in the market, which have good sales potential:

- < Dressings, sauces and seasonings
- < Apples
- < Nuts and dried fruit
- < Juices



- < Salted snacks and potato chips
- < Mexican food items

**B. Products not present in significant quantities, but which have good sales potential:**

- < Microwave popcorn
- < Cheese
- < Candies

**C. Products not present in supermarkets because they face significant barriers:**

- < Wine (High custom tariff rate)
- < Beer (High custom tariff rate)
- < U.S. high quality beef (a maximum of 7% fat content on imported beef)
- < Turkey (modest quantities of processed turkey are imported)

**V. POST CONTACT AND FURTHER INFORMATION**

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**Other References:** [www.fas.usda.gov](http://www.fas.usda.gov) (Country, Egypt, Reports)

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Report No. EG9024
- < [New Egyptian Banking Regulations](#)  
Report No. EG9009
- < [Egypt bans some food imports](#)  
Report No. EG9018

- ≤ Market Brief  
Egypt: The Market for U.S. High Value Food Products  
Report No. EG8027
  
- ≤ A Practical Guide to Egyptian Import Procedures and Requirements  
Latest edition May 1998  
To obtain a copy contact FAS/Cairo