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Retail Food Sector

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Report Highlights:

With the expansion of local and international supermarket chains in Egypt, consumer buying habits are starting to change dramatically. There are good opportunities to introduce new-to-market U.S. products and increase sales of products already in the market. In 1999, Egyptian imports of U.S. consumer ready products totaled to \$83 million compared to \$56 million in 1998.

Includes PSD changes: No
Includes Trade Matrix: No
Annual Report
Cairo [EG1], EG

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Market Summary

In a new development to reform its import/export regime, the Government of Egypt took a very significant step to streamline the process of import inspection by issuing a new Presidential Decree No. 106 of 2000 centralizing the process of inspection and certification of imported goods. In the past, there were five government entities involved in the import clearance process. With the new decree, inspection will only be done through the Central Authority for Import/Export Control Authority (GOEIC) of the Ministry of Economy and Foreign Trade. However, inspection authorities such as Agriculture, Health, and Atomic Energy are still responsible for testing commodities that come under their jurisdiction, but tests are conducted under the administrative control of GOEIC.

The consumer-ready food market segment primarily consists of supermarkets, hotels and restaurants in Cairo and Alexandria, and Red Sea resorts.

Egyptian consumers have increasing quality and variety awareness. Egyptian buying habits have started to change dramatically, for example, in the past Egyptian consumers used to buy meat from butchers, fresh vegetables and fruit from open markets. However, with the increasing number of supermarkets in Cairo and services offered in one place, more affluent consumers have started to look for cleanliness, quality and purchase almost all their requirements from the supermarket.

The U.S. and European countries, mainly France, Germany, Italy, Switzerland, Greece, Holland, Denmark, and South Africa are dominant suppliers of consumer-ready food products.

Multi-national firms have started to invest in Egypt. Sainsbury's (British chain) started operating in Egypt with 9 branded outlets and 102 local affiliates under the name of "Edge" (Egyptian supermarket chains). Sainsbury's chose Edge as a local partner. Sainsbury's strategy is to target not only affluent consumers but all consumers by pricing products more competitively. Also, Shoprite "South African chain" will operate in January 2001 with a plan to open about 10 outlets in one year. Shoprite has also chosen a local partner to acquaint them with the Egyptian market. Their strategy is to offer competitive prices to maintain consumers and deal directly with manufacturers and not distributors when sourcing products from overseas.

Currently, there are no hypermarkets in Egypt. However, the first hypermarket will open late 2001 with a total area of 40,000 square meters. Also, the French chain "*Carefour*" will open a number of hypermarkets with their first outlet opening in 2002.

Metro, a huge modern local supermarket chain, is currently operating 10 outlets in Egypt. Regular Metro stores range approximately 500 sq meters in size, and product lines per store average about 12,000. The company plans to open 29 outlets through 2001. Metro is developing a new marketing concept in Cairo and Alexandria, namely "Metro Express" which is a supermarket half the size of its regular stores (250 sq. meters with about 3,000 products per store. At Metro Express, there will be no counters for meat, vegetables/fruits..etc., but pre-packed products with limited number of brand varieties. Metro Express stores will be located in strategic location convenient to middle and income residential areas in Cairo and Alexandria. The idea is to capture revenue from new and existing customers that need to restock a limited number of items.

One of the joint venture chains report that they will offer delivery with refrigerated trucks and that the range of imported products will constitute about 20% of their inventory in the beginning.

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

The average consumer spends about \$11 per basket. However, this varies from one area to another depending on income.

ADVANTAGES	CHALLENGES
Of the 65 million Egyptians, about 12 million can afford to purchase 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.	High tariffs and 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's" British, "Carefour" French, and "Metro" Germany, and Shoprite, South African.	With the growing number of supermarket chains, need to introduce new-to-market products. Egyptian import regulations and labeling requirements are stringent.

Road Map for Market Entry

Supermarkets and Hypermarkets

Conduct in-store promotions in prominent supermarket chains in Cairo. The objective of this activity is to increase the visibility of U.S. products in the Egyptian market. Consideration should also be given to conducting an educational seminar in conjunction with the in-store promotion. The objective of the seminar would be to educate government officials on food safety and difference between food safety and quality control, shelf-life, labeling, and packaging. This activity would also help us maintain contacts with the private sector and educate supermarket operators, food manufacturers, and fast food chains on topics, such as how to introduce new-to-market products, maintain consumers loyalty, promotions, consumer trends that impact food retailing, what do customers want and buy? The private sector would benefit from the latest methods used in the U.S. food industry.

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

Number of Outlets (1999)

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

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

Company Profiles

(1999-2000)

Retailer Name & Outlet Type **	Ownership	Sales (\$Mil /Avg)	No. of Outlets	Locations (City)	Purchasing Agent Type
1 st Company	Joint Venture	\$100	111	Cairo, Alexandria	Direct
2 nd Company	Local	\$45	10	Cairo & Alexandria	Direct
3 rd Company	Local	\$22	7	Cairo & Alexandria	Direct
4 th Company	Local	\$14	5	Alexandria	Direct / Agent Importer
5 th Company	Local	\$7	3	Alexandria	Direct / Agent / Importer
6 th Company	Local	\$16.5	2	Cairo	Direct

** Egyptian companies do not like to publicize their names and finances.

Affluent Egyptian consumers 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.

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. Recently, a prominent supermarket chain reported difficulty in convincing consumers to try ready-meals. However, the company overcame this constraint by offering ready-meals free with the purchase of \$50 worth of groceries. Now, consumers are willing to buy such products, and many of them reserve orders by phone to guarantee availability.

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 most prominent stores include Mobil Mart, Esso, Caltex, and Shell.

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 depending on 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 some supermarkets.

Entry Strategy

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

"Mom and Pop" Small Independent 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 next five years with the expansion of large supermarket chains and hypermarkets.

Competition

In 1999, total U.S. imports for consumer oriented products totaled \$83 million in comparison to \$56 million in 1998. U.S. imports of red meat (fresh, chilled and frozen) totaled \$50 million in 1999 compared to \$30 million in 1998. Religions considerations are important for the importation of meat and animal products. Islamic law requires that animals be slaughtered according to "Halal" religious requirements. The second largest product was dairy products which totaled \$15 million in comparison to \$10 million in 1998. The consumption of dairy products is among the fastest growing sectors in Egypt Egyptian market. However, the Egyptian Government issued a new decree authorizing the imposition of an additional 45 percent duty on milk powder imports for 200 days starting late September 2000. Consequently, milk powder imports are expected to decline significantly in the future. Also, U.S. imports of apples and nuts, totaled \$10 million compared to \$6 million in 1998.

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

PRODUCT	TOTAL IMPORTS	IMPORTS FROM THE U.S.	U.S. MARKET SHARE	IMPORT TARIFF *
Edible offals, fresh, chilled, frozen	47	40	85%	5%
Bovine meat, fresh, frozen	224	0.538	0	5%
Prepared meat	5.7	0.032	1%	30-50%
Fish, fresh, chilled, frozen	97	1.4	1%	5%
Prepared fish	27	0.162	1%	10-30%
Milk powder	76	17	22%	50%

PRODUCT	TOTAL IMPORTS	IMPORTS FROM THE U.S.	U.S. MARKET SHARE	IMPORT TARIFF *
Butter	75	0	0	5-15%
Cheese	38	0.407	1%	10-30%
Apples	24	5.5	23%	50%
Dried fruit	6	0.401	7%	30-40%
Nuts	21	5	24%	30%
Mis. food prep. (Soups, ice cream, jelly)	39	4.5	12%	30%

Canned veg./fruits	12	0.462	4%	30-40%
Cocoa products	6.5	0.119	2%	20-40%
Jams	3.7	0.046	1%	40%
Juices	2.6	0.207	8%	30%
Sauces	1	0.280	28%	30%
Breakfast cereals	0.918	0.125	14%	40%
Pet Food	n/a	0.107	n/a	30%
Grand total	706.418	76.286	11%	n/a

* Extra fees represent 3% Service Tax, 1% Commercial and Industrial profits, miscellaneous expenses vary from one product to another.

** Note: Source: 1) Trade data from the Central Agency for Public Mobilization and Statistics, Cairo, Egypt. 2) UN trade Data.

The above products do not include all consumer oriented products.

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 which have good sales potential:

- < Microwave popcorn
- < Cheese
- < Candies

C: Products not present in the market due to significant trade 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)

Post Contact Information

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

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