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Tunisia

Retail Food Sector

Annual

2005

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Report Highlights:

The Tunisian food retail sector is shifting from traditional distribution patterns based on small neighborhood grocery shops carrying limited assortments to modern distribution based on supermarkets and most recently hypermarkets displaying larger food assortments including imported items.

Includes PSD Changes: No
Includes Trade Matrix: No
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Section I Market Summary

In Tunisia, the retail sector (food and non-food) is boasting an annual growth rate of 6 percent outpacing GDP growth rate. This performance is largely fuelled by the expansion of modern distribution (supermarket and hypermarkets formats) at the expense of the traditional food retail carried out in small grocery shops. Modern distribution commands nearly 10 percent of total retail sales. Fresh fruit and vegetables as well as fishery products are sold either in souks (open markets) or in specialized small shops.

According to the latest INS¹ household consumption survey, Tunisian households devote about 38 percent of their total spending to purchase food items. This translates to an estimated total food spending at the retail level of nearly 7 billion Tunisian Dinars (equivalent to 5 billion USD).

Although the market share captured by modern retailing is still relatively low, its expansion is set to continue at a steady pace as major retail players are posting double-digit revenue growth. French retailers (Carrefour and Casino) constitute the only foreign presence so far. More foreign retailers are expected to enter the market in the medium run enticed by a sector poised to expand more aggressively over the next decade displacing traditional grocery shops and capturing an estimated 30 percent of the overall food retail market.

A higher disposable income due, in part, to an increasing number of households with dual income, increased urbanization and increased exposure to western lifestyles are all factors underpinning this ongoing reshape of the Tunisian food retail landscape.

Currently, the country has only about 210 modern food retail outlets: 2 hypermarkets, 120 supermarkets and 100 superettes, self-service food outlets with a selling area of less than 500 sq meters.

The major players in modern food retailing are: Group UTIC (Carrefour hypermarket and Champion supermarket fascias licensed by the French retailer Carrefour), Group Mabrouk (Geant hypermarket and Monoprix supermarket fascias licensed by the French retailer Casino), Magasin General, a state-owned supermarket chain, Promogros, a privately owned supermarket chain, and Bonprix, a chain of superettes.

Although modern outlets have changed the purchasing habits of some consumers, the bulk of food retailing is still undertaken by small neighborhood grocery shops, the so-called 'Attar' (independently family-run food outlets having a selling area smaller than 50 sq meters and often selling goods on credit). The country has over 250,000 such outlets.

The stocking of shelves at the supermarkets and hypermarkets levels is done through two channels: either through importers or directly by the retailer using its own local and international procurement subsidiary, the so-called 'Centrale d'achats'. Small grocery stores source their goods from wholesalers for the large part of their

¹ Institut National des Statistiques: national institute for statistics

assortment and from certain importers having their own distribution fleet to supply goods at the retail level.

Advantages	Challenges
A relatively high household disposable income	High customs duties levied on consumer-oriented food products.
Fast growth of modern distribution channels	Higher freight cost as compared to goods sourced from nearby Europe
US food products' quality is well perceived	Hypermarkets and some supermarkets tend to procure food products through their European franchisers.
A favorable US dollar exchange rate against the Euro	Lack of awareness of the U.S. food products brand names compared to the European brands
An increasing sophistication of the consumption patterns driven by modern food retail	Fewer business ties compared to those with the EU

Section II Road Map For market Entry

II-1: Modern retail outlets: hypermarkets, supermarkets and superettes

In Tunisia, hypermarkets, supermarkets and superettes are referred to as modern distribution outlets. These three formats are defined as follows:

- Hypermarket: a store with a sales area of over 5,000 sq meters, located out-of-town as the anchor store in a shopping mall, and offering more than 30,000-item assortment.
- Supermarket: a store with sales area between 500 and 5,000 sq meters with an assortment of nearly 10,000 items.
- Superette: a store with a sales area of less than 500 sq meters displaying a limited assortment.

Entry strategy

The best way to introduce new products to these outlets is to identify the suitable importer, i.e. the importer having already the experience of handling the targeted products and having direct relations with supermarkets. Such Importers are able to

negotiate shelf space and promotional activities with the supermarket chain. In any case U.S. exporters are encouraged to check the credentials of the importer.

Another alternative approach, especially for big exporters, could be to contact retailers directly as some of them have subsidiaries dealing with local and international procurement. USDA/FAS' post in Tunisia offers its assistance for matching new-to-market exports with appropriate potential business partner or conducting specially tailored inquiries for U.S. companies seeking to conduct business in this emergent market.

Market access

Tunisia is a party to a variety of free trade agreements (FTA). Chief among them is the Tunisian European Association Agreement. This FTA is diverting a significant portion of agricultural trade at the expense of other trade partners including the U.S.

In the absence of preferential access, US-origin processed food items are faced by relatively high MFN tariffs.

Following is the current taxation system applying to a selection of grocery items.

ITEM	HS CODE	Customs tariff %	VAT %
Ketchup	2103 20 2000	60	29
Canned Tomatoes	2002 10 0000	73	6
Whole Peeled Tomatoes	2002 10 0000	73	29
Tomato Sauce	2103 20 4000	60	29
Tomato Paste	2002 90 0060	100	6
Mayonnaise	2103 90 9020	60	29
Peanut Butter	2008 11 1000	150	18
Cereal	1904 10 0040	73	29
Hot Sauce	2103 20 4000	60	29
Canned Vegetables	2005 51 2040	73	29
Honey	0409 00 0055	150	18
Mustard	2103 30 0000	60	29
Vinegar	2209 00 0000	73	18
Canned Beans	2005 59 0000	73	29
Jam	2007 10 0000	73	18

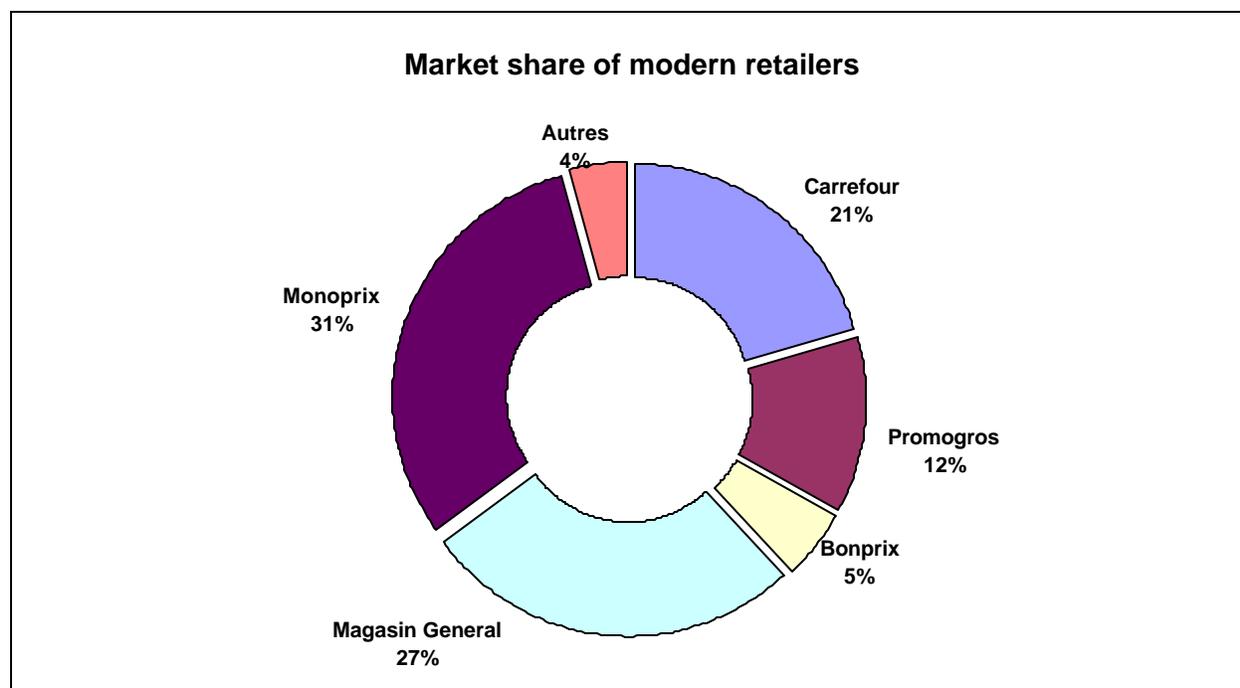
Source: Tunisian Customs service

Market structure

The following table presents the significant players in the modern segment of the Tunisian food retail sector:

Retailer name and Outlet Type	Ownership	Estimated Sales (2004).	Number of Outlets	Locations	Purchasing Agent Type
Carrefour, Hypermarket	Group UTIC (80 %) and Carrefour France (20 %)	\$ 100 million	1	Tunis	Imports directly and buys from local importers
Champion, supermarket chain	Local (Groupe UTIC)	na	3	Tunis, Sousse, Sfax	Relies on Carrefour for its procurement
Géant, Hypermarket	Group Mabrouk under the license of French retailer CASINO	na	1	Tunis	Imports directly and buys from local importers
Monoprix, supermarket chain	Local (Groupe Mabrouk)	\$ 110 million	50	All major cities	Imports directly and buys from local importers
Magasin General, supermarket chain	Local (State-owned)	\$ 100 million	45	All major cities	Imports directly and buys from local importers
Promogros	Local	\$ 50 million	4	Tunis, Sousse, Gabès and Djerba	Imports directly and buys from local importers
Bonprix, supérettes chain	Local (Groupe Zouari)	\$ 40 million	42	All major cities	Imports directly and buys from local importers

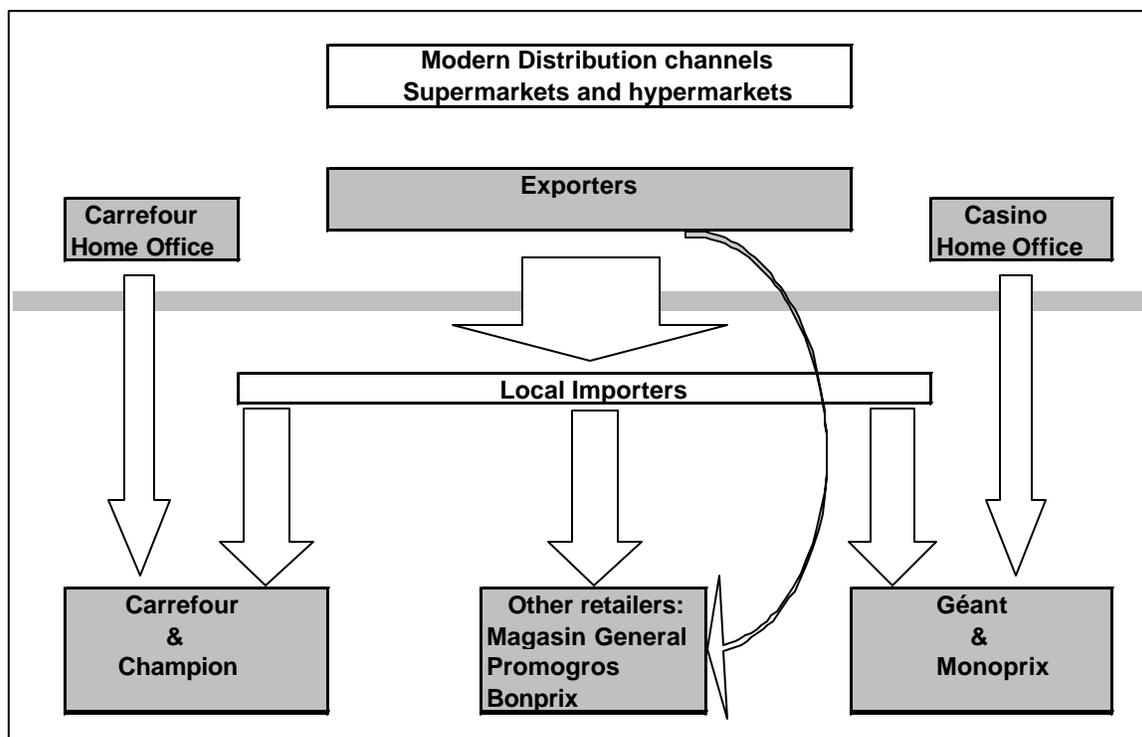
Source: AgTunis estimates partially based on news reports and retailers disclosed information.



Source: Tunisie Valeurs

Distribution channel flow diagram

The following distribution channel flow diagram shows how imported food items are passed from exporters to the modern retail outlets.



Company profiles

Magasin General

Magasin General is a state-owned supermarket chain established in 1920. It has 45 supermarket-type outlets present in all the country's 25 provinces as well as a wholesale subsidiary. In 2004, it generated about \$ 100 million of food and non-food sales. This retailer, which has recently embarked on a remodeling program for all its stores, is expected to be privatized in the next future. This retailer is experimenting the E-retailing concept on its web site at www.smg.com.tn.

Group UTIC (Ulysee Trading and Industrial Companies)

A private group having established in 2001 a joint-venture with the second world's largest retail Carrefour under the name Ulysee Hyper Distribution. The local partner has the majority stake (80 percent). This hypermarket, operated under the banner Carrefour, is located at La Marsa, a northern suburb of Tunis. It has a selling area of nearly 10,000 sq meters and carries a product assortment of nearly 36,000 items. One third of its assortment is made up of food items. It has an outstanding produce department, bakery, deli and food-to-go sections. This was the first such deal in the

highly regulated retail sector as foreign investment in this sector remains subject to the Government's prior approval. More information can be found on the following website: www.utic.com.tn

Group Mabrouk

This Tunisian private group owns a supermarket chain operating under the French retail banner, Monoprix. This chain comprises nearly 50 inner-city outlets located in all big cities across the country. It generates sales of nearly \$110 million. Procurement is done by Monogros, its wholesale subsidiary. Recently this group teamed up with the French retailer Casino to open a hypermarket under the Geant banner at the outskirts of Tunis. This retail outlet has about 12,000 sq meters of selling area.

Promogros

A private company operating 4 outlets in Tunis, Sousse, Gabes and Djerba. Its stores have selling areas ranging from 2,000 to 5,000 sq meters. They are more of a hybrid format carrying an assortment similar to the one normally carried by a hypermarket but in a relatively limited space. Promogros is catering to small grocers in the way cash & carry stores do while drawing household shoppers.

II-2 Small grocery shops

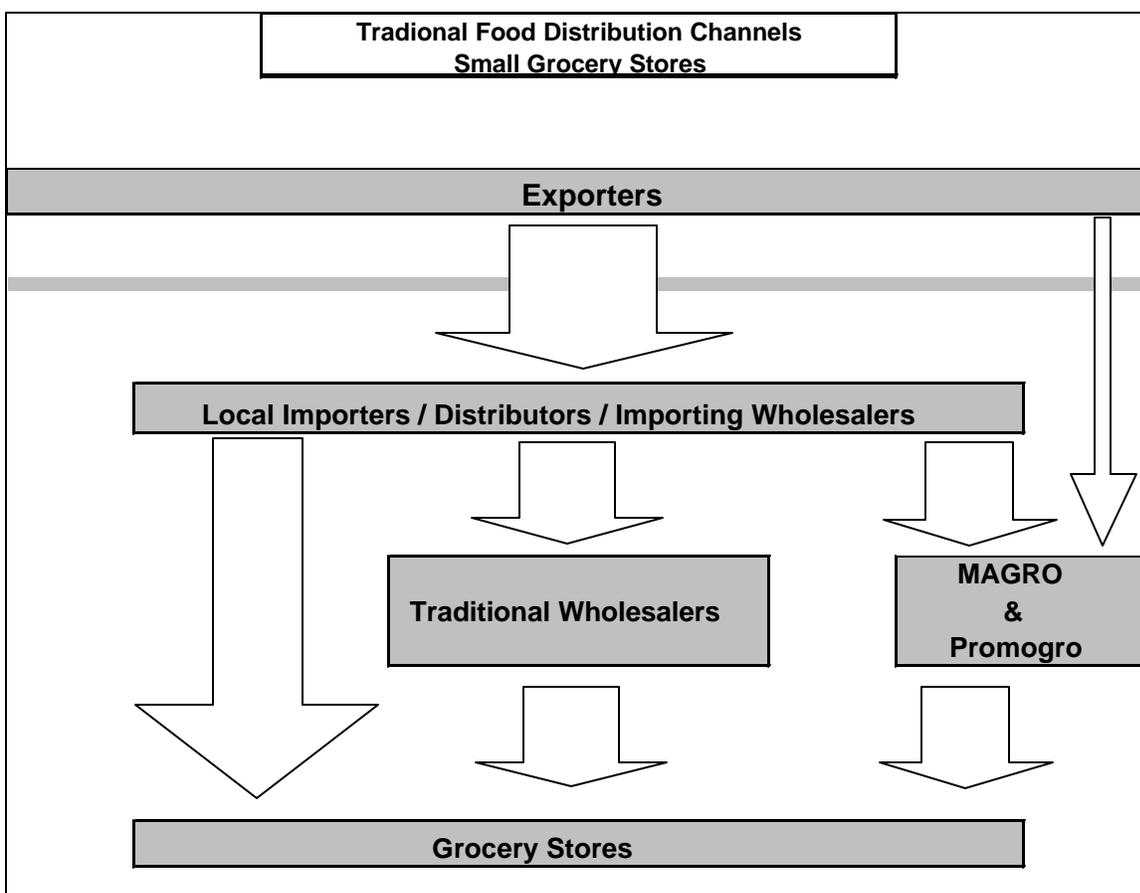
Despite the fast growing supermarket industry, small grocery shops still retain an estimated 90 percent of food retail sales.

A typical outlet has a selling area between 20 and 50 sq meters, carries a hundred or so food items, and draw shoppers from an estimated 500-meter radius. In general, the shop owner, referred to as 'Attar', knows very well his clientele and often accepts to sell goods on credit. In Tunisia, this distribution channel is made up of a relatively dense network of more than 250,000 outlets.

This type of retail is expected to lose market share facing competition from modern retail outlets due to a wider product choice, merchandising, pricing and other factors. However, traditional retail will remain an import segment, as Tunisian shoppers tend to buy food items on a daily basis in nearby grocery stores and go to larger outlets once or twice a month.

Small grocery stores stock some imported groceries provided by wholesalers.

The following chart depicts the path followed by imported goods from exporters to the grocery shop's shelves.



II-C Souks (open markets)

In Tunisia all big and medium size cities have their weekly souk. A souk is a type of outdoor market where rural and urban households alike can buy fresh produce, fishery products as well as some dry groceries. Souks and street vendors are the main feature of food retailing in the rural areas. Cities in urban areas have retail venues called municipal markets, which open daily and offer fresh produce and fishery products.

Section III COMPETITION

Annual agricultural, fish and forestry imports amount to US\$ 1.2 billion on average. The U.S. market share is hovering around 10 percent.

The Tunisian market size for consumer-oriented food products (COP) cannot be precisely quantified due to the lack of detailed data. However based on trade statistics locally available from INS (National Institute for Statistics) we are able to estimate the imports of all-origin COP at around US\$ 100 million per year on average. The US-origin COP are facing strong competition from European products and therefore

capture a mere 3 percent of this total. Imported goods are generally perceived as of higher quality but, in the same time, more expensive and thus of limited affordability.

Tunisian demand for COP is experiencing an up-ward trend, which is likely to continue and strengthen due to structural changes related to the consumption and the distribution patterns. In the long run, US will likely benefit from this trend especially due to favorable US\$/Euro exchange rate.

Owing to an expanding middle-class and the consequent change of both consumption patterns and distribution channels, the Tunisian market is evolving in a way creating real export opportunities for value-added consumer-oriented products (COP).

Section IV BEST PRODUCT PROSPECTS

In order to single out the best high-value product prospects we relied on the list of the currently imported Consumer-oriented product which are likely to be sourced from the U.S. These products are:

- 1) Tree nuts
- 2) Dried fruits
- 3) Cacao powder
- 4) Cookies
- 5) Sauces, condiments and mixed seasoning
- 6) Potato chips
- 7) Breakfast cereals

The list is fairly short as Tunisia is importing mainly bulk and intermediate US Ag products.

Section V POST CONTACT AND FURTHER INFORMATION

The Office of Agricultural Affairs (OAA) at the American Embassy is the USDA/FAS' post in Tunisia. It provides trade servicing and market intelligence. For further information on the Tunisia retail market please contact:

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Reports that might be useful to US exporters of consumer-oriented food products to Tunisia can be found at website: <http://www.fas.usda.gov>)

Report	Log number	Date issued
Food and agricultural Import regulations and Standards	TS5008	8/29/2005
Exporter Guide	TS4001	4/7/2004

Other contacts:

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Other relevant websites

- www.cepex.nat.tn: The website of the Cepex (Export promotion agency) which has the full list of has le list of the domestic and international trade shows of interest for Tunisian businessmen
- www.Tunisie-commerce.com: A directory of trade Tunisian companies
- <http://www.tunisianindustry.nat.tn>: the website of the Industry promotion agency
- www.bct.gov.tn: The website of the Tunisian Central bank
- www.smg.com.tn: the website of the leading Tunisian retailer: Magasin General
- www.TunisiaOnline.com: a digital gateway to news and information resources on Tunisia, Tunisia's history, government, culture and environment.