

Required Report: Required - Public Distribution

Date: March 30,2020

Report Number: EG2020-0006

Report Name: Food Processing Ingredients

Egypt's Growing Food Manufacturing and Processing Sector Offers
Opportunities for U.S. Food Ingredients

Country: Egypt

Post: Cairo

Report Category: Food Processing Ingredients

Prepared By: Mariano J. Beillard, Senior Regional Agricultural Attaché and Ibrahim Al-Habbal,
Marketing Assistant

Approved By: Ali Abdi, Minister-Counselor for Agricultural Affairs

Report Highlights:

Egypt imported some \$6.3 billion worth of food ingredients in 2019, up about \$100 million compared to imports in 2018. The United States is Egypt's 14th largest supplier with \$166 million in food ingredients shipments, accounting for about three percent of total market share. U.S.-origin food ingredients face competition from European, Middle Eastern, and increasingly African-origin exports. Egypt prioritizes food ingredient imports, as well as products requiring further processing; these benefit from low to no tariff duties compared to finished products.

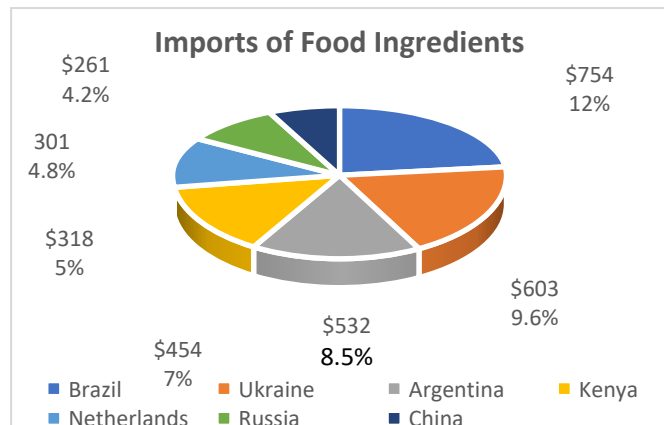
Market Fact Sheet: Egypt

Executive Summary

Egypt imported ~\$6.3 billion worth of food ingredients in calendar year (CY) 2019, up \$100 million compared to 2018. The United States is Egypt's 14th largest supplier with about \$166 million in food ingredient shipments – accounting for three percent market share.

Imports of Food Ingredients

Egypt imported ~ \$6.3 billion in food ingredients in calendar year 2019. The main suppliers are Brazil, Ukraine, Argentina, Kenya, Netherlands, Russia, and China.



Food Processing vs. Imports in the Retail Sector

Driving the shift to greater imports of food ingredients has been the Egyptian government's 2016 implementation of policies discouraging the import of consumer-oriented products. Food ingredients imports, as well as those of products requiring further processing are prioritized. The Egyptian Chamber of Food Industries indicates that there are over 10,000 registered food processing and manufacturing companies. Post estimates this sector contributes six percent (\$17.5 billion) to the 2019 GDP (\$302 billion – IMF estimates). Local production remains limited in terms of quality and variety.

Hotels, Restaurants, and Institutions

The tourism sector revenues in 2019 reached \$12.6 billion (4.7 percent of GDP \$302 billion – IMF estimate). Egyptian institutional sales channels vary and information is limited. Certain institutions, such as hospitals, correctional, and military facilities, have centralized kitchens to provide meals for their patients, inmates, and soldiers. In many cases, these institutions issue government tenders for private firms to run the kitchens. In other instances, civil servants staff centralized kitchens. Post estimates the institutional food service industry at \$5.8 billion annually.

Retail Food Industry

The Egyptian retail foods sector size is close to \$17.5 billion. Higher income consumers drive much of the demand for imported products, while low- and middle-income consumers substitute imports with domestic alternatives. Sources foresee growth of 15-20 percent over the next five years. Traditional outlets still dominate the Egyptian market, representing 98 percent of total outlets and around 80 percent of total sales. Modern retail outlets are nonetheless growing in number and volume of sales. Online retail platforms are increasingly popular as internet penetration increases.

Quick Facts CY 2019

Imports of Food Ingredients \$6.3 billion

List of Top 10 Growth Ingredients in Egypt

- 1) Corn (Maize) HS 1005.90
- 2) Fish Frozen HS 0303
- 3) Oils HS 2710.19
- 4) Milk & Cream HS 0402/10
- 5) Tea HS 0902/HS 0902.40
- 6) Solid Sucrose HS 1701
- 7) Food Preparation HS2106
- 8) Synthetic Coloring HS3204
- 9) Odoriferous Mixes HS 3302
- 10) Butter & Fats HS 0405

Processed Food Sector Size (\$27.5 billion) 2019

Processed Food Sector Size	\$27.5
Exports*	\$2.5
Imports*	\$6.3
Inventory	N/A
Total Sales	\$27.5
Retail	\$17.5
Food Service	\$10.0

Note: * Refers to consumer-oriented products only.

Food Processing Companies in Egypt

- PepsiCo
- The Coca-Cola Co.
- Arla/Juhayna Food Ind.
- Americana Group
- Al Ahram Beverages
- Kellogg Co.
- Halwani Bros
- SAKR Group
- AIWA Group
- Alex Seeds
- Nestle
- Mars
- EDITA Food Ind.
- ARMA Group
- Kraft Heinz Co.
- Elrashidy Elmizan
- Nile Sugar
- Farm Frites
- SEKEM
- Cargill

GDP/Population

Population (*millions*): 104 (2020)

GDP (*billions USD*): \$302 (2019), 249.1 (2018)

GDP per capita (*USD*): 13,339 PPP (2019)

Sources: Central Intelligence Agency, EIU, IMF, FAS Cairo office research.

Strengths/Weaknesses/Opportunities/Challenges

Strengths	Weaknesses
<ol style="list-style-type: none"> 1. Large consumer market 2. Consumer acceptance of U.S. origin products 	<ol style="list-style-type: none"> 1. High tariffs 2. Complex import regulations 3. Price sensitive market
Opportunities	Threats
<ol style="list-style-type: none"> 1. Growing demand 2. Shortage in supply of imported consumer-oriented products 	<ol style="list-style-type: none"> 1. Trade competitors with free trade agreements 2. Trade competitors with closer proximity, and low production costs

Data and Information Sources: FAS Cairo office research.

Contact: FAS Cairo AgCairo@fas.usda.gov

SECTION I: MARKET SUMMARY

Egypt is the Arab world's most populous country. Ninety-five percent of this North African country's 104 million inhabitants (Central Intelligence Agency – July 2020 estimate) live within 20 kilometers of the Nile River and its delta, on about five percent of the total land area. The country is predominantly rural (57 percent); by 2030, the rural population will however drop to 53 percent. The country's population is growing at ~2.3 percent per annum, adding some 2 million Egyptian consumers yearly. The population is expected to reach 117 million by 2030, making Egypt the 15th largest country in the world. Egypt is one of the world's fastest growing markets for food. Rapid population growth (46 percent in 1994-2014) stresses limited natural resources, jobs, housing, sanitation, education, and healthcare.

Egypt imported ~\$6.3 billion worth of food ingredients in 2019, up about \$100 million compared to imports in 2018. The United States is Egypt's 14th largest supplier with \$166 million in food ingredients shipments, accounting for about three percent of market share. The Egyptian [Chamber of Food Industries \(CFI\)](#) indicates that there are over 10,000 registered food manufacturing companies in the country. FAS Cairo (Post) estimates Egypt's food manufacturing and processing sector at \$27.5 billion in 2019. Egypt exported \$2.5 billion in processed foods in 2019 mainly to the Middle East countries.

U.S.-origin food ingredients face competition from European, Middle Eastern, and increasingly African-origin exports. These suppliers maintain preferential trade arrangements with Egypt; which provide favorable tariff treatment. Shipping proximity to Egypt and lower production costs often provides exporters in these countries additional comparative advantage against U.S.-origin food ingredients. However, U.S.-origin corn (maize) other than corn, corn (maize) crude oil, food preparations, milk and cream concentrated or sweetened are potentially competitive.

TABLE 1: Advantages and Challenges Facing U.S.-Origin Food Processing Ingredients

Advantages	Challenges
U.S.-origin ingredients have a good reputation for being high quality products.	U.S. exporters face competition from exporters in countries with whom Egypt has signed trade agreements. Exporters with close proximity, and have lower production costs.
Companies seek new ingredients, especially affordable unprocessed commodities.	Egypt often recurs to EU standards, which do not coincide with U.S. or Codex standards.
There is growing demand for high-value, highly processed ingredients.	Importers often indicate a lack of U.S. supplier interest in Egypt.
Egyptian food processing is growing; it requires more imported food ingredients.	Import regulations are complex, non-transparent.
Egypt's food processors and manufactures are exporting to the region. Within 500 kilometers, Egypt has access to 339 million consumers.	Importers are largely unfamiliar with U.S. Export controls, procedures, standards, and certifications.

Driving the shift to greater imports of food ingredients has been the Egyptian government’s 2016 implementation of policies that discourage the import of consumer-oriented products, namely the devaluation of the Egyptian pound. Food ingredients imports, as well as those of products requiring further processing are prioritized.

Egypt is a potential market for the following U.S. origin food ingredients: 1) fixed vegetable fats and oils (including Jojoba oil) and their fractions, whether or not refined, but not chemically modified; 2) almonds, fresh or dried, shelled; 3) milk and cream, concentrated or containing added sweetening 4) milk and cream, concentrated, whether or not sweetened, in powder, granules or other solid forms, of a fat content, by weight, not exceeding 1.5 percent. Food preparations; 5) fish, frozen, excluding fish fillets and other fish meat without bones; 6) fish livers and roes, frozen.

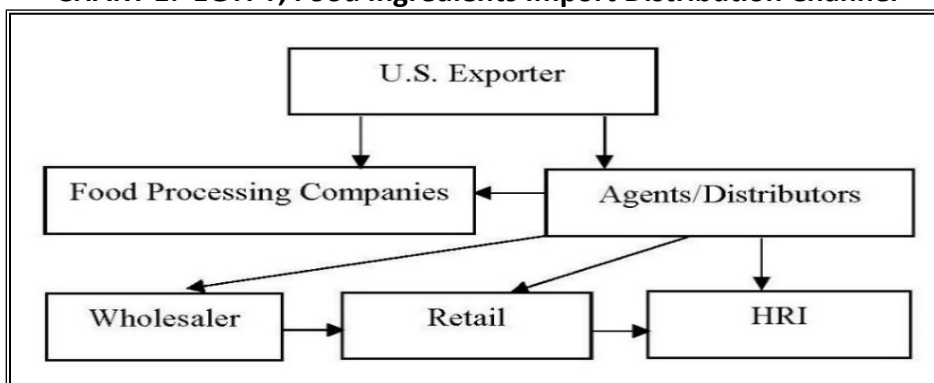
SECTION II. ROAD MAP FOR MARKET ENTRY

EXPORTER BUSINESS TIPS

Market Research: U.S. exporters should identify an Egyptian importer or distributor, with whom they can build a relationship. Egyptian firms will navigate local regulations, understand distribution chains, and have relationships with retailers, food processors, hotels, restaurants and institutions (see [GAIN EGYPT \(EG2019-0028\) – Exporter Guide 2019](#), [GAIN EGYPT \(EG19009\) - Egypt Retail Foods Guide 2019](#), and [GAIN EGYPT \(EG2019-0009\) - Egypt Food Service – Hotel Restaurant Institutional 2019](#)).

Market Structure: Egypt’s market structure is straightforward. Importers are food processors, manufacturers, and or agents/distributors of these. Large companies will source food ingredients and products directly to lower prices, guarantee product flow, and ensure quality. Agents/distributors service the food processing and manufacturing sectors, comprised of numerous fragmented small- and medium-size companies. Smaller manufacturers purchase reduced quantities, do not import directly, pay in Egyptian pounds, and maintain small inventories.

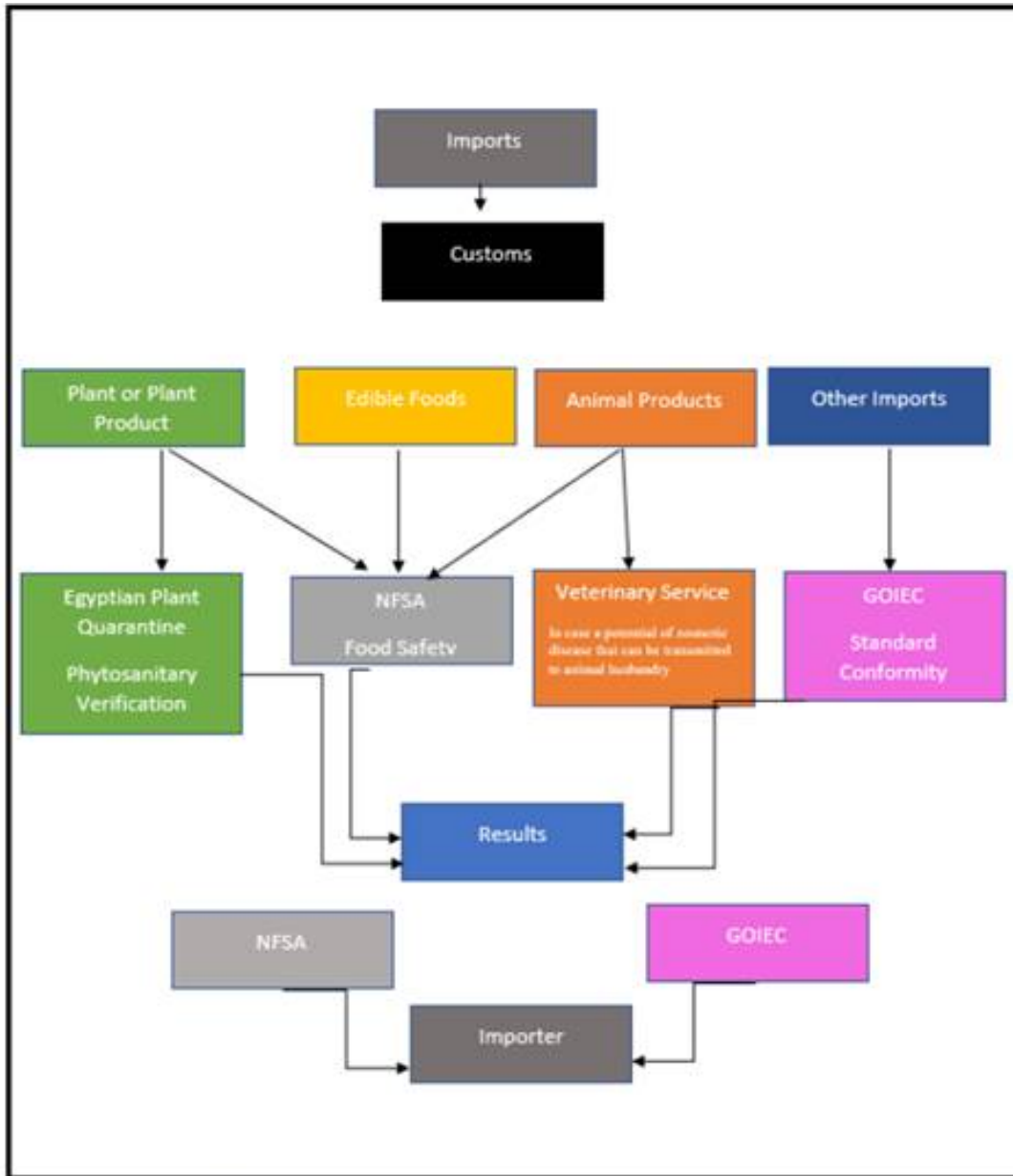
CHART 1: EGYPT, Food Ingredients Import Distribution Channel



General Consumer Tastes and Trends: Post attributes the growth in local and imported consumer-oriented foods to Egypt’s time-starved middle-class consumers. Ready-to-eat frozen meals and instant noodles are popular time-saving meal options; ingredients for these products are largely imported.

IMPORT FOOD STANDARDS AND REGULATIONS, IMPORT PROCEDURES

Customs Clearance: The National Food Safety Authority (NFSA) is the sole national authority responsible for inspection and certification of food items since November 2019 (see [GAIN EGYPT \(EG2019-0025\) – FAIRS Annual Country Report 2019](#) and [GAIN EGYPT \(EG2019-0029\) – FAIRS Export Certificate Report 2019](#)). The General Organization for Export and Import Control (GOEIC) is no longer responsible for regulating food imports.



NOTE: FAS Cairo office research.

Documents normally required for food imports include:

- Bill of lading
- Commercial invoice
- Certificate of origin (countersigned by the Chamber of Commerce and notarized by the Egyptian Embassy or Consulate in the country of origin)
- Export/health certificate (FDA certificate of free sale, sanitary, phytosanitary)
- Food Safety Inspection Service certificates
- Packing list
- Certificate of insurance
- Import permit (issued to Egyptian importers)
- Payment guarantee (form 11) from a local bank advising payment transfer to the supplier

Country Language Labeling Requirements: The translation into Arabic of the foreign language label information is required. Inconsistency in the translation may result in a rejection. Arabic labeling can be printed on the package or be a permanent adhesive label. Products cannot show more than one date of manufacture or expiration. Label information cannot be erased, scratched, or altered.

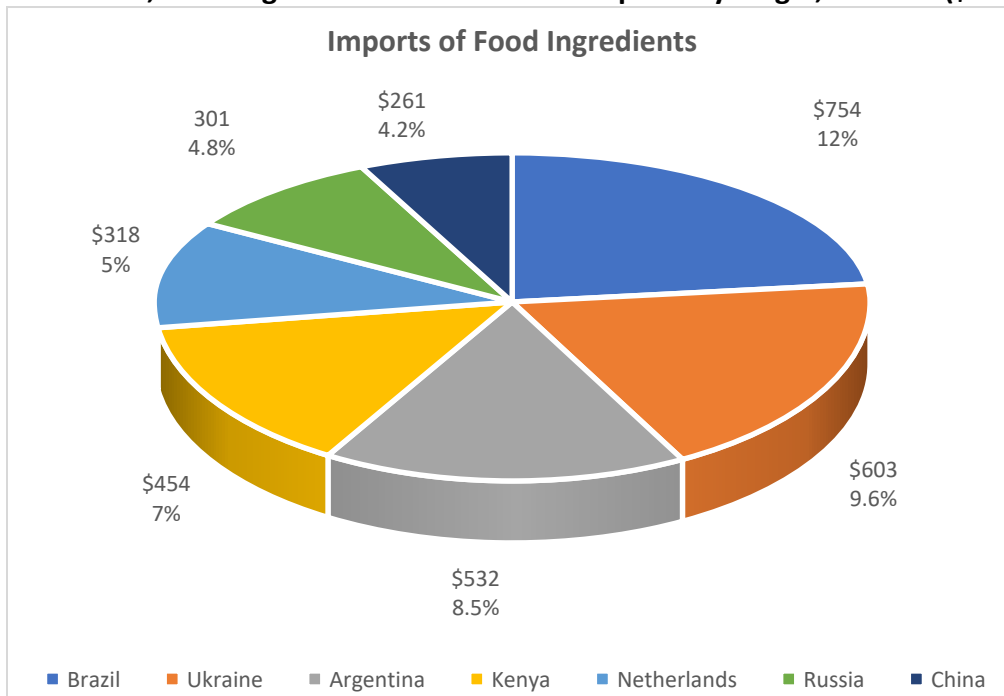
Tariffs and Free Trade Agreements (FTA): Presidential Decree No. 419/2018 amends customs tariff categories listed in Presidential Decree No. 184/2013. The amendments published in the official gazette on September 9, 2018, came into effect on 12 September. The amended customs tariff schedule reaffirms Egypt's commitment to the international nomenclature for the classification of products [Harmonized System \(HS\) \(originally introduced in 1988 and with the latest changes/revisions entering into force in 2017\)](#). Customs tariff cover 5,791 items, 60 percent of which are raw materials, capital and strategic goods. Intermediate goods (994 items) account for 17 percent of the new tariff schedule; consumer-oriented goods represent 20 percent.

Decree 419/2018 aims to bring Egypt's customs tariff into conformity with the latest version of the international harmonized system, to reform and eliminate distortions in tariff systems, and to abide by international standards (see [GAIN EGYPT \(EG 18027\) – Egypt's New Tariff Lines: Little Impact on Food and Agricultural Products](#)). The new tariff lines protect industry and achieve a tariff balance between intermediate inputs and final products. Post has not discerned any meaningful tariff impact on food and agricultural products. The main features of the amendments have been the inclusion of new, detailed HS codes for fish, fishery products, yoghurt and other imported food products. Such amendments occur every five years to remain compatible with international standards.

Trademarks and Patents Market Research: In June 2002, Egypt passed the [Intellectual Property Rights \(IPR\) Law 82/2002](#), that reviews copyrights, enforcement procedures, trademark registration, and piracy protection (see [GAIN EGYPT \(EG2019-0025\) – FAIRS Annual Country Report 2019](#)).

SECTION III. COMPETITION

CHART 2: EGYPT, Food Ingredients and Additives Imports by Origin, CY 2019 (\$ Millions)



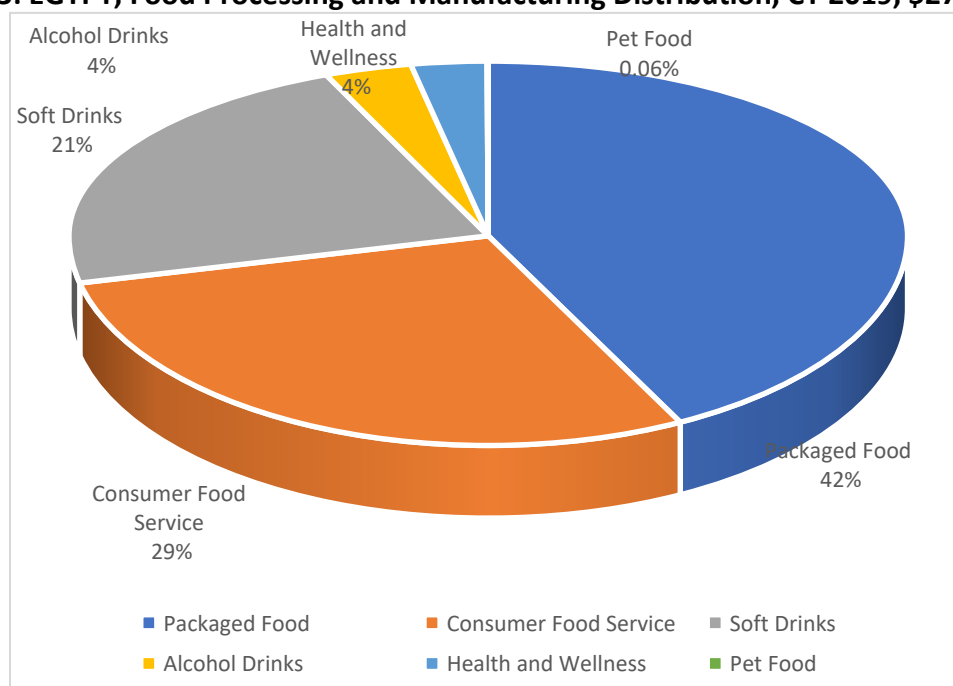
Source: Trade Data Monitor, CAPMAS, FAS Cairo office research.

U.S.-origin food ingredients compete with European, Middle Eastern, and increasingly with African-origin exports. These origins maintain preferential trade arrangements with Egypt; which provide favorable tariff treatment. Also, shipping proximity to Egypt and lower production costs often provide exporters in these countries additional comparative advantage against U.S.-origin food ingredients.

Egypt maintains trade agreements with the European Union (EU), the Arab League (GAFTA), COMESA, and Turkey, facilitating preferential treatment within the Egyptian market. U.S.-origin products face a competitive disadvantage compared to EU- and/or Turkey-origin products.

Egypt's Processed Food Industry: The processed, manufactured food sector has benefitted from the 2016 devaluation of the Egyptian pound and the economic downturn in 2017. Consumers experienced severe and immediate price shocks across all food categories, especially with imported products seeing the highest unit prices increases. To ameliorate the situation food ingredient imports, as well as products requiring further processing are prioritized; and benefit from low to no duties compared to finished products. Local producers, along with international manufactures with processing capabilities in Egypt, have benefited from consumers turning increasingly to more affordable locally produced processed foods. There has been an expansion of local brands, utilizing imported ingredients, to fill the demand for processed foods previously imported. Smaller package size has been adopted to meet consumers' more frugal purchase decision making, as well as lower quality packaging material to keep costs low. Reportedly in 2019, sales of processed, manufactured foods reached roughly \$27.5 billion, up \$1.6 billion compared to the 2017 level.

CHART 3: EGYPT, Food Processing and Manufacturing Distribution, CY 2019, \$27.5 million



Source: EuroMonitor, CAPMAS, FAS Cairo office research.

TABLE 2: Packaged Food Sub-Sector Market Share Distribution (\$ million)

	2017	2018	2019	%
Dairy	\$2,885.90	\$2,862.70	\$2,829.40	24.21%
Rice, Pasta, and Noodles	\$1,576.10	\$1,879.40	\$2,033.10	17.40%
Baked Goods	\$1,519.50	\$1,642.70	\$1,720.50	14.72%
Processed Meat and Seafood	\$1,445.00	\$1,545.10	\$1,613.70	13.81%
Savory Snacks	\$799.60	\$763.50	\$767.30	6.57%
Sweet Biscuits, Snack Bars and Fruit Snacks	\$742.90	\$704.80	\$698.10	5.97%
Confectionary	\$689.20	\$673.60	\$662.90	5.67%
Ice Cream and Frozen Deserts	\$541.80	\$533.70	\$513.20	4.39%
Sauces, Dressings, and Condiments	\$427.20	\$469.20	\$497.90	4.26%
Processed Fruits and Vegetables	\$114.60	\$119.80	\$125.10	1.07%
Baby Food	\$122.20	\$113.70	\$109.70	0.94%
Sweet Spreads	\$102.70	\$104.30	\$106.10	0.91%
Soup	\$5.20	\$5.00	\$4.90	0.04%
Ready Meals	\$5.30	\$4.80	\$4.50	0.04%
Total	\$10,977.20	\$11,422.30	\$11,686.40	

Source: EuroMonitor, FAS Cairo office research.

Sector Trends: Locally produced processed, manufactured food, increasingly utilizing imported ingredients, is expanding. In 2019, reported sales of packaged food alone reached ~\$12 billion. It is anticipated that the processing, manufacturing sector will grow by three percent in the next four years.

Egypt's processed, manufactured food sector is fragmented. Packaged food dominates the sector. Dairy is the largest sector with \$3 billion in sales or about 24 percent, followed by rice, pasta and noodles with about \$2 billion in sales or about 17 percent. This is followed by baked goods with about 1.6 billion in sales.

SECTION IV. BEST PRODUCT PROSPECTS CATEGORIES

Egypt's imports of food and beverage ingredients and additives to continue to grow. Post attributes this growth to the expansion of the Egyptian food processing, manufacturing industry. Expansion is aided by low tariffs being levied on these imported ingredient products.

Imported products in high demand include corn (maize, other than seed corn) (Harmonized Tariff System – HS 1005.90), milk and cream (concentrated or sweetened) (HS 0402), food preparations (HS 2106), and odoriferous mixtures (HS 3302). Other food ingredients such as frozen fish (no fish fillet or other fish meat) (HS 0303), tea (whether or not flavored) (HS 0902), black tea fermented and other partly fermented tea (HS 0902.40), and sunflower seeds (or safflower oil, crude) (HS 1512.11) although not imported in large quantities from the United States they have nonetheless good potential.

The Egyptian government prohibits the import and/ or utilization of food ingredients and additives (oils, fats, etc.) derived from non-halal origins and/ or those which contain alcohol, or pork products and its derivatives (see [GAIN EGYPT \(EG2019-0025\) – FAIRS Annual Country Report 2019](#) and [GAIN EGYPT \(EG2019-0029\) – FAIRS Export Certificate Report 2019](#)) reports.

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

U.S. Embassy Cairo, Foreign Agricultural Service (FAS) Office of Agricultural Affairs
Mailing Address: American Embassy, 8 Kamal El-Din Salah Street, Garden City, Cairo, Egypt
Phone: +20-2-2797-2388 ● Fax: +20-2-2796-3989 ● AgCairo@fas.usda.gov ● www.fas.usda.gov.

See [GAIN EGYPT \(EG2019-0025\) – FAIRS Annual Country Report 2019](#), [GAIN EGYPT \(EG2019-0029\) – FAIRS Export Certificate Report 2019](#), [GAIN EGYPT \(EG2019-0028\) – Exporter Guide 2019](#), and [GAIN EGYPT \(EG2019-0009\) - Egypt Food Service – Hotel Restaurant Institutional 2019](#) reports.

TRADE ASSOCIATIONS

Chamber of Food Industries

Mailing Address: 1195 Nile Corniche, Boulaq, Cairo Governorate
Phone: +20-2-2574-8627 ● Fax: +20-2-2574-8312
Cellphone: +20-122-7825232 and +20-122-782-5233 ● info@fei.org.eg ● www.mvegypt.com/egyctfi/en

Egyptian Hotel Association

Mailing Address: 8, El Sad El Aly St. Dokki- Giza- Egypt
Phone: +20-2-3748-8468 ● Fax: +20-2-3748-5083
Email: eha@egyptianhotels.org ● Website: <http://www.egyptianhotels.org/Default.aspx>

Egyptian Chefs Association

Mailing Address: 20 Salem Street, Agouza, Cairo

Phone/Fax: +2 02 3762-2116 • +2 02 3762-2117 • +2 02 3762-2118

Email: eca@egyptchefs.com • Website: <http://www.egyptchefs.com/>

Cairo Chamber of Commerce

4 Falaki Square, Bab Ellok, Cairo Governorate

Phone: +20-2-2795-8261 and +20-2-2795-8262 • Fax: +20-2-2796-3603 and +20-2-2794-4328

Email: info@cairochamber.org.eg • Website: www.cairochamber.org.eg

MINISTRIES AND GOVERNMENT AGENCIES**Ministry of Agriculture**

9 El Gamaa Street, Giza, Egypt

Phone: +20-2-3568-6373/ 1658

Website: www.agr-egypt.gov.eg/

The National Food Safety Authority

Kasr EL Ainy Street – C 110

Phone: +20-2-2793-3497/3493 • FAX: +20-2-2793-3493

Fax: +20-2-2793-3496

Email: info@nfsa.gov.eg • Website: www.nfsa.gov.eg

General Organization for Export and Import Control

Sheraton Al Matar, Heliopolis, Cairo

Phone: +20-2-2266-9627

Website: <http://www.goeic.gov.eg>

Egyptian Customs Authority

Ministry of Finance Buildings, Tower 3, Ramses Street Extension, Cairo Governorate

Phone: +20-2-2342-2247

Email: info@customs.gov.eg • Website: <http://customs.gov.eg>

Attachments:

No Attachments