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Report Name: Food Processing Ingredients

Country: Egypt

Post: Cairo

Report Category: Food Processing Ingredients

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Report Highlights:

Egypt's food and beverage manufacturing and processing sector suffered about \$2.2 million (about a 10 percent decrease in sales) due to diminished tourism as a result of the COVID-19 pandemic. Egypt imported about \$5.8 billion worth of food and beverage ingredients and additives in 2020. This is about an 18 percent decrease from the 2019 import value of \$7.2 billion. The United States was Egypt's seventh largest supplier with \$225.4 million in sales accounting for about five percent of total market share. This is about a 74 percent increase from 2019 exports value of about \$129.3 million. Egypt prioritizes food and beverage ingredients and additives imports, as well as food and beverage production inputs requiring further processing; these benefit from low to no tariff duties compared to finished products. U.S. food and beverage ingredients and additives exports to Egypt face competition from European and South American suppliers.

Market Fact Sheet: Egypt

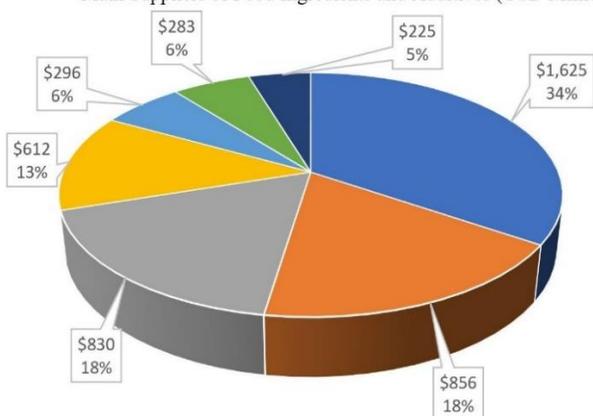
Executive Summary

Egypt imported about \$5.8 billion worth of food and beverage ingredients and additives in 2020. This is about an 18 percent decrease from the 2019 import value of \$7.2 billion. The United States was Egypt's seventh largest supplier with \$225.4 million, accounting for about five percent of the total market share.

Imports of Food Ingredients

U.S. food and beverage ingredients and additives exports to Egypt face competition from European and South American suppliers. The main suppliers are European Union, Brazil, Argentina, Ukraine, Kenya, Russia, and the United States.

Main Suppliers of Food Ingredients and Additives (USD Million)



■ EU 28 External Trade ■ Brazil ■ Argentina ■ Ukraine ■ Kenya ■ Russia ■ United States

Hotels, Restaurants, and Institutions

With over 13 million tourists and over \$13 billion in revenues, 2019 marked a historic touristic year for Egypt. In 2019 Egypt's hotel and restaurant sector revenues grew by 11.6 percent over 2018's \$12.5 billion revenues. COVID-19 pandemic diminished the reviving tourism sector in Egypt. Losses to the HORECA sector are estimated at \$1 billion a month during the first six months of 2020. 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

Modern supermarket and hypermarket chains operating in Egypt confronted increased price sensitivity by running promotions, creating loyalty programs, and offering bulk discounts. In some cases, they have also substituted imported products for domestic alternatives. Modern retail channels, such as supermarkets, hypermarkets and convenience stores, have a combined 3,913 outlets and represent around 20 percent of total sales. Traditional grocery retailers have 113,724 outlets and represent 80 percent of total sales. Small traditional grocers remain the dominant retail outlet in Egypt. These outlets are conveniently located in urban centers, carry a wide variety of food and beverage products, provide reasonably priced home delivery service and, in some cases, offer credit to buyers. Two modern supermarket chains, Turkish BIM and Egyptian Kazyon, have followed this model setting up chains of small neighborhood stores. The former now boasts 300 outlets across Egypt, while the latter has a reported 424 locales.

Quick Facts CY 2020

Imports of Food Ingredients \$5.8 billion

List of Top 10 Growth Ingredients in Egypt

- 1) Milk & Cream Cnctrd, Swtnd
- 2) Milk Powder
- 3) Fixed Veg. Fats & Oils
- 4) Almonds, Fresh/Dried
- 5) Soybean Oil & Frctn
- 6) Corn (Maize)
- 7) Food Preparation HS2106
- 8) Protein Conct.
- 9) Veg. Saps & Extrct.
- 10) Mix. Odoriferous

Processed Food Sector Size (\$20 billion) 2020

Processed Food Sector Size	\$20
Exports*	\$3.2
Imports*	\$5.8
Inventory	N/A
Total Sales	\$20
Retail	\$16.4
Food Service	\$0.6

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
- Mongini's
- Farm Frites
- SEKEM
- Cargill

GDP/Population

Population (*millions*): 104 million (July 2020 estimates)
 GDP (*billions USD*): \$366 (2020 estimates), \$316.4 billion (2019); \$249.1 billion (2018)
 GDP per capita (*USD*): 12,680 (2020), \$12,435 (2019), \$11,793 (2018)

Sources: International Monetary Fund, Central Intelligence Agency, 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

The food and beverage processing and manufacturing sector in Egypt has gained momentum since the 2016 implementation of the economic reform plan and subsequently the devaluation of the Egyptian pound. The higher exchange rate resulting from the Egyptian pound devaluation compared to the U.S. dollar rendered imported finished consumer-oriented products higher in price as opposed to the locally manufactured. Consumers with lower and middle income comprising over 85 percent of 104 million population turned therefore to the locally manufactured products. In 2019 the food and beverage processing and manufacturing sector sales reached \$22.3 billion compared to \$11.3 billion in 2016, an increase of about 97 percent.

The impact of the COVID-19 pandemic on the Egyptian food and beverage processing and manufacturing sector was not substantial. The food processing sector did not undergo closures throughout the pandemic's first and second waves. The Egyptian government, despite its nationwide closure of foodservice, allowed the food processing sector to continue operations. This took place either with reduced labor or by applying alternate shifting schemes to ensure that laborers did not lose their income. In 2020 the sector sales were \$20 billion, compared to \$22.3 billion in 2019, a decrease of about 10 percent. This decrease was mainly a result of the diminished sales to the tourism sector which halted completely when Egypt closed its borders between the months of March and June 2020, and the food service sector closed for many months as a result of safety measures such as closure of restaurants, coffee shops, commercial and crafts shops, commercial centers (i.e. Mall of Arabia, Mall of Egypt, Dandy Mall, Festival City Mall), museums and archaeological sites, in addition to the closure of all restaurants, night and health clubs, and swimming pools in all hotels and implementing curfews on the movement of citizens. that were applied by the Egyptian government. As the COVID-19 pandemic effects start to fade away and more countries resume international travel, post forecasts that the tourism industry in Egypt will begin rebounding in mid-2022, and food service operations will normalize. Post also forecasts that the food and beverage processing and manufacturing sector in Egypt will grow by 5-10 percent in the next three years. U.S.-origin food ingredients face competition from European and South American exports. Shipping proximity to Egypt and/or lower production costs often provide exporters in these countries additional comparative advantage against U.S.-origin food ingredients. However, U.S.-origin milk and cream, concentrated, powder milk and cream, fixed vegetable fats and oils, almonds, soybean oil, corn (Maize), and food preparations are generally competitive.

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

Advantages	Challenges
U.S.-origin ingredients have a reputation for being high quality products.	U.S. exporters face competition from exporters in countries with proximity advantage and/or lower production cost.
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 and requires more imported food ingredients.	Import regulations are complex and generally not transparent.
Egypt's food processors and manufactures are exporting to the region. Within 500 kilometers,	Importers are largely unfamiliar with U.S. Export controls, procedures, standards, and

Egypt has access to 339 million consumers.	certifications.
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Egypt imported about \$5.8 billion worth of food and beverage ingredients and additives in 2020. This is about an 18 percent decrease from the 2019 import value of \$7.2 billion. The United States was Egypt’s seventh largest supplier with \$225.4 million accounting for about five percent of total market share. This is about a 74 percent increase from the 2019 export value of \$129.3 million. Driving the shift to greater imports of food ingredients has been the Egyptian government’s 2016 implementation of policies that discourage importing consumer-oriented products. The devaluation of the Egyptian pound has been the strongest factor behind this change. Food ingredients imports, as well as those of products requiring further processing, are now being incentivized by lower tariffs while competing finished products face higher tariffs.

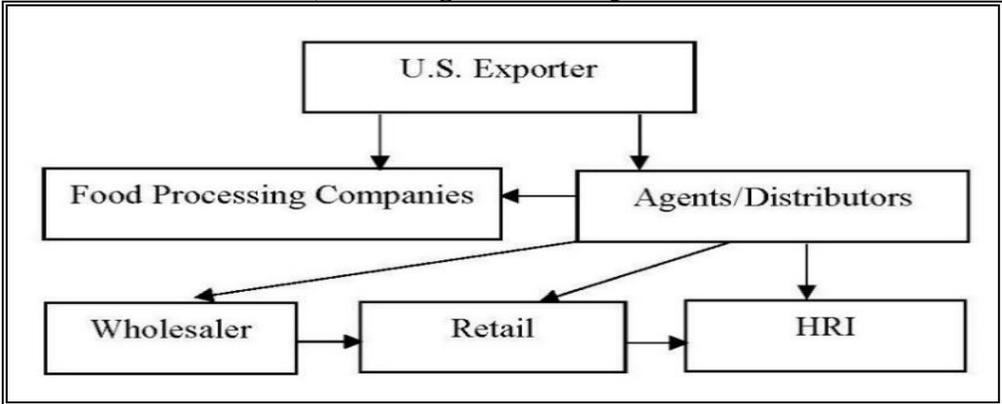
SECTION II. ROAD MAP FOR MARKET ENTRY

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 \(EG2020-0062\) – Exporter Guide 2020](#), [GAIN EGYPT \(EG2020-0032\) - Retail Foods 2020](#), and [GAIN EGYPT \(EG2020-0045\) - Egypt Food Service – Hotel Restaurant Institutional 2020](#)).

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.

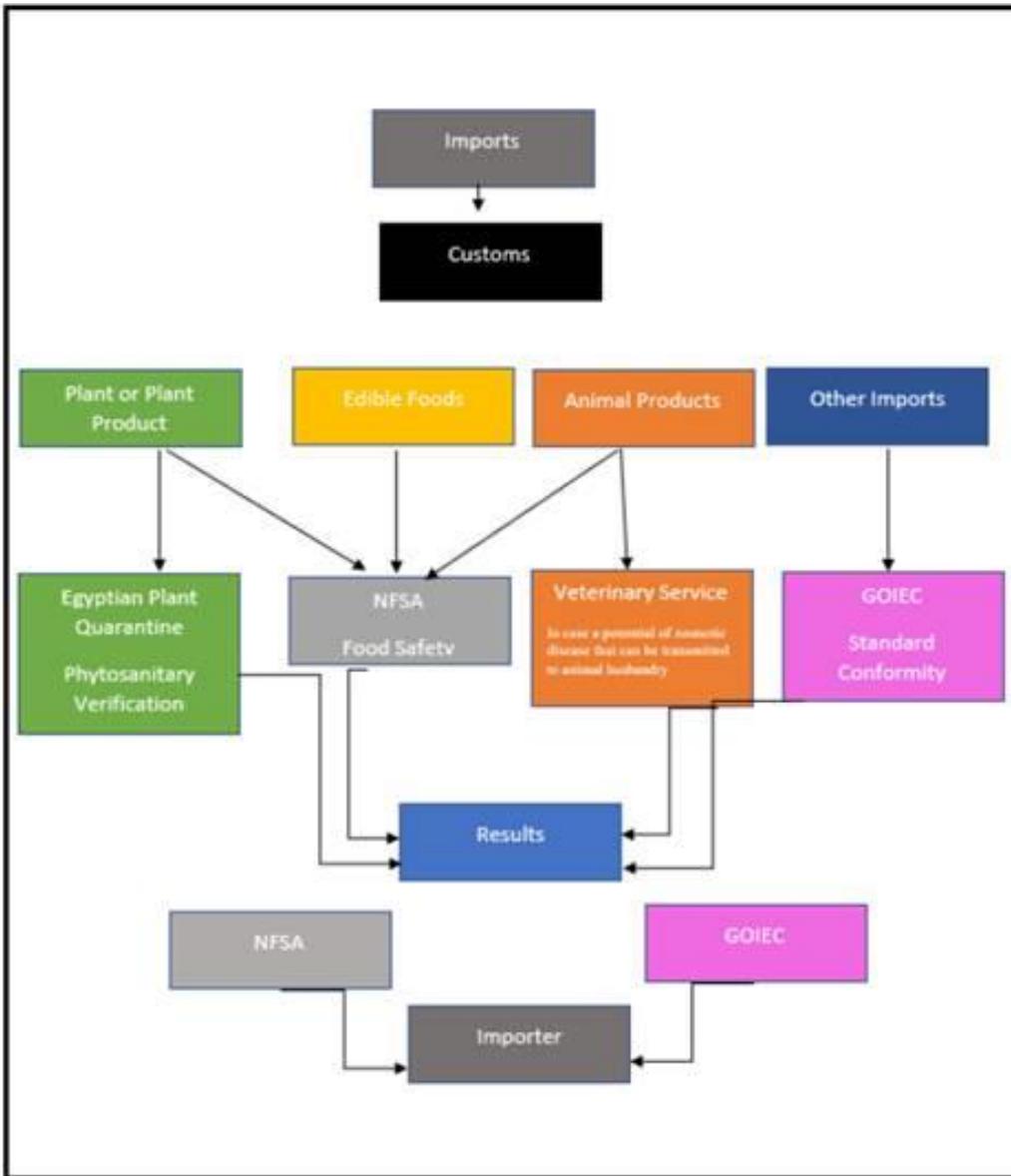
CHART 1: EGYPT, Food Ingredients Import Distribution Channel



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 \(EG2020-0064\) – FAIRS Annual Country Report 2020](#) and [GAIN EGYPT \(EG2017-2606\) – FAIRS Export Certificate Report 2017](#)). 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.

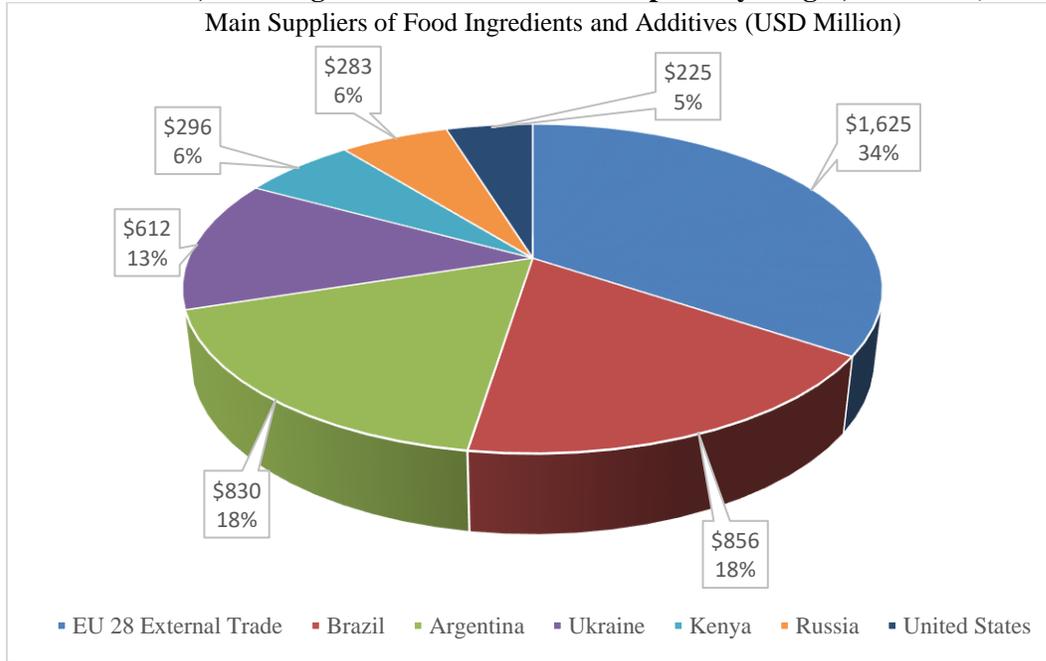
Tariffs and Free Trade Agreements (FTA): Presidential Decree No. 419/2018 amends customs tariff categories listed in Presidential Decree No. 184/2013. The amendments published in the official gazette on September 9, 2018, came into effect on 12 September. The amended customs tariff schedule reaffirms 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 \(EG2020-0064\) – FAIRS Annual Country Report 2020](#)).

SECTION III. COMPETITION

CHART 2: EGYPT, Food Ingredients and Additives Imports by Origin, CY 2020 (\$ Millions)



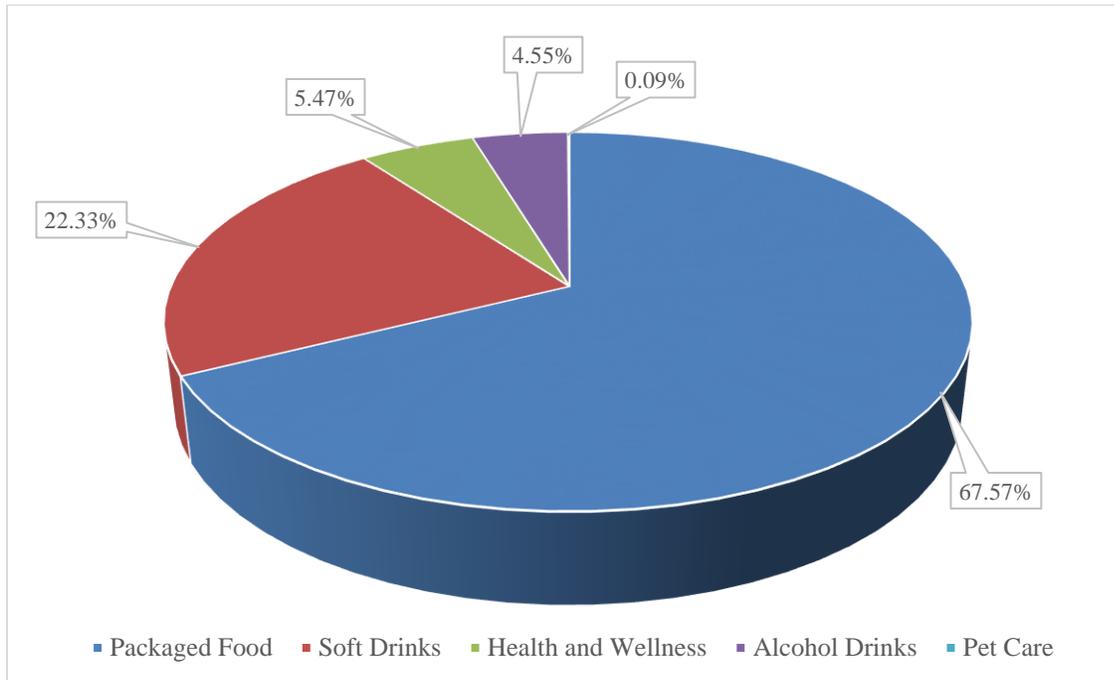
Source: Trade Data Monitor, CAPMAS, FAS Cairo office research.

U.S.-origin food ingredients mainly compete with European, and South American-origin exports. These origins either enjoy shipping proximity to Egypt and/or lower production costs which 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 European and/or Turkish 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 remedy 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 sizes have been adopted to meet consumers' more frugal purchase decision making, as well as to lower the quantity of packaging material to keep costs low. In 2020, sales of processed, manufactured foods reached roughly \$20 billion, up \$9.7 billion compared to the 2016 level.

CHART 3: EGYPT, Local Food Processing and Manufacturing Distribution, CY 2020, \$20 billion



Source: EuroMonitor, CAPMAS, FAS Cairo office research.
 ** Includes locally produced processed food and beverage

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

	2016	2017	2018	2019	2020	2020 %
Dairy	\$1,778	\$2,202	\$2,457	\$3,002	\$3,405	22.49
Rice, Pasta and Noodles	\$890	\$1,266	\$1,718	\$2,275	\$2,659	17.56
Baked Goods	\$985	\$1,438	\$1,787	\$2,337	\$2,625	17.34
Processed Meat and Seafood	\$837	\$1,161	\$1,413	\$1,806	\$2,087	13.79
Sweet Biscuits, Snack Bars and Fruit Snacks	\$533	\$601	\$656	\$807	\$852	5.63
Savoury Snacks	\$480	\$563	\$611	\$757	\$792	5.23
Edible Oils	\$276	\$420	\$512	\$641	\$720	4.76
Confectionery	\$472	\$542	\$580	\$691	\$695	4.59
Ice Cream and Frozen Deserts	\$371	\$395	\$446	\$505	\$423	2.79
Sauces, Dressings and Condiments	\$190	\$258	\$295	\$366	\$418	2.76
Processed Fruit and Vegetables	\$68	\$92	\$110	\$140	\$162	1.07
Sweet Spreads	\$71	\$90	\$97	\$120	\$139	0.92
Baby Food	\$86	\$98	\$104	\$120	\$125	0.83
Breakfast Cereals	\$10	\$15	\$17	\$22	\$25	0.17
Soup	\$3	\$4	\$5	\$5	\$6	0.04
Ready Meals	\$4	\$4	\$4	\$5	\$6	0.04
Packaged Food Sales Totals	\$7,055	\$9,149	\$10,812	\$13,599	\$15,138	

Source: EuroMonitor, FAS Cairo office research.
 ** Includes sales of locally produced and imported packaged food

Sector Trends: Locally produced processed, manufactured food, increasingly utilizing imported ingredients, is expanding. In 2020, reported sales of packaged food alone reached approximately \$15.1 billion. It is anticipated that as the COVID-19 pandemic effects start to fade away the processing, manufacturing sector will start to grow by 5-10 percent in the next three years.

Egypt's food and beverage processing and manufacturing sector is fragmented. Packaged food dominates about 68 percent of the sector. Dairy is the largest sector with \$3.4 billion in sales or about 22.4 percent, followed by rice, pasta and noodles with about \$2.7 billion in sales or about 17.5 percent. Similarly, baked goods sales reached about 2.6 billion in or about 17.5 percent.

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 and manufacturing industry. Expansion is aided by low tariffs being levied on these imported ingredient products.

Egypt is a potential market for the following U.S. origin food ingredients: Milk and cream, concentrated or containing added sweetening, 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%, fixed vegetable fats and oils (including Jojoba oil) and their fractions, whether or not refined, but not chemically modified, almonds, fresh or dried, shelled, soybean oil and its fractions, crude, whether or not degummed, corn (Maize), other than seed corn, food preparations Nesoi, protein concentrates and textured protein substances, vegetable saps and extracts; pectic substances, pectinates and pectates; agar-agar and other mucilages and thickeners, derived from vegetable products, mixtures of odoriferous substances and mixtures based on one or more odoriferous substances, of a kind used as raw materials in industry or beverage manufacturing.

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 \(EG2020-0064\) – FAIRS Annual Country Report 2020](#) and [GAIN EGYPT \(EG2017-2606\) – FAIRS Export Certificate Report 2017](#)) 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