

Required Report: Required - Public Distribution

Date: October 14,2019

Report Number: EG2019-0009

Report Name: Food Service - Hotel Restaurant Institutional Annual 2019

Egypt's Recovering Tourism Industry Bodes Well for HRI Suppliers

Country: Egypt

Post: Cairo

Report Category: Food Service - Hotel Restaurant Institutional

Prepared By:

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

Report Highlights:

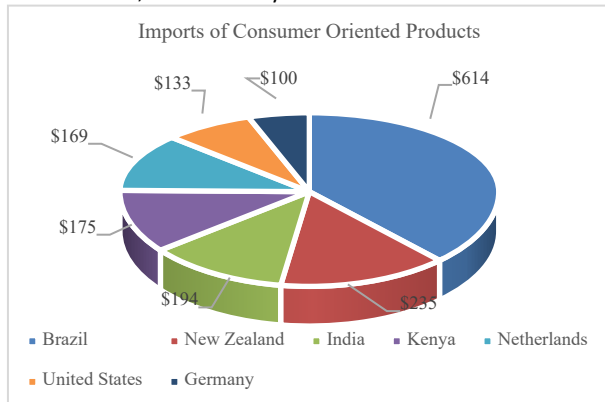
The Egypt Food Service - Hotel Restaurant Institutional (HRI) sector's sales grew in 2018; reaching \$17.4 billion, representing about seven percent of Egypt's gross domestic product (GDP) of \$251 billion. Imports of consumer-oriented products decreased by four percent in 2018. Apart from U.S.-origin beef liver, U.S. food and agricultural products imports continue to confront growing competition from other suppliers such as the European Union that benefit from favorable free trade agreements.

Executive Summary

Egypt's hotels and restaurants sector has shown 50 percent growth in 2018 due to the recovering tourism and normalization of expenditure patterns among Egyptians. Sources in the sector forecast the continued demand increase and growth to reach 15-20 percent by 2021 as tourism and consumer purchasing power continue to recover. Consumer-ready products from the U.S. face stiff competition from suppliers in countries with more favorable trade relationships. In 2018, the highest value U.S. consumer-oriented products exported to Egypt were beef liver and offal, products of natural milk, and tree nuts.

Imports of Consumer-Oriented Products

Egypt imported \$2.5 billion in consumer-oriented products in 2018. Primary suppliers were Brazil, New Zealand, India, Kenya, Netherlands, United States, and Germany.



Food Processing vs. Imports in the Retail Sector

In 2016, the Egyptian government implemented policies that discouraged the import of consumer-oriented products. Importers of ingredients and products for further processing were given priority. There are over 7,000 food processing and manufacturing companies in Egypt. They contribute about three percent (\$8 billion) in 2018 GDP (\$251 billion) as reported by the Central Bank of Egypt. Though steadily improving, local production remains more limited in terms of quality and variety.

Hotels, Restaurants, and Institutions

Hotels and restaurant sector sales grew in 2018. Their revenues reached \$17.4 billion (or seven percent of national GDP of \$251 billion). Egyptian institutional sales channels vary, 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 estimate institutional food service industry at \$5.8 billion annually.

Quick Facts CY 2018

Imports of Consumer-Oriented Products US\$2.5 billion

List of Top 10 Growth Products in Egypt

- 1) Beef Liver
- 2) Frozen Beef
- 3) Natural Milk
- 4) Whey Protein
- 5) Tree Nuts
- 6) Potato Chips
- 7) Pop Corn
- 8) Food Preparations
- 9) Dog and Cat Foods
- 10) Pork and Pork Products

Packaged Foods (US\$ billion) 2018

Packaged Food Sales	\$17.5
Exports*	\$3.0
Imports*	\$2.5
Inventory	N/A
Domestic Sales	\$14.5
Retail	\$8.7
Food Service	\$5.8

Top Egypt Hotels & Restaurants Chains

- Marriott International
- Hilton International
- Accor International
- Mövenpick Hotels
- Steigenberger
- Americana Group
- Manfoods
- Intl. Co. Food Industries
- Delicious Inc.
- Mo'men Group

GDP/Population

Population (millions): 99.4
 GDP (billions USD): \$251 (2018), \$235 (2017)
 GDP per capita (USD): 12,390 PPP
 Sources: Central Bank of Egypt, World Bank, FAS Cairo office research.

Strengths/Weaknesses/Opportunities/Challenges

Strengths	Weaknesses
1. Large consumer market	1. High tariffs
2. Consumer acceptance of U.S. origin products	2. Complex import regulations
Opportunities	Threats
1. Growing demand	1. Trade competitors with free trade-agreements
2. Shortage in Supply of imported consumer-oriented products	2. Trade competitors with closer proximity

Data and Information Sources: FAS Cairo office research.
 Contact: FAS Cairo AgCairo@fas.usda.gov

SECTION I. MARKET SUMMARY

In 2016, the Egyptian government started an ambitious multi-prong time-phased economic restructure program. In September 2016, the government implemented a 13 percent value added tax (increased to 14 percent in July 2017) on most commercial transactions. In November 2016, the Central Bank floated the national currency. In six months, the Egyptian pound depreciated from EGP 8.88 to EGP 18.00 against the dollar and continued to exchange around this rate through December 2018. With the economy recovering, the Egyptian pound has strengthened in 2019 against major foreign currencies (September 2019, EGP 16.26 to \$1.00). The Central Bank of Egypt (CBE) indicates that inflation has dropped from a peak of 33 per cent in 2017 to 7.5 per cent in August 2019.

Commencing in 2017, tourist arrivals have been on an upward trend. The Ministry of Finance reports visitor numbers went up 47.5 percent in 2018 compared to the preceding year. The number of tourists increased from 6.6 million in 2016/17 to 9.8 million in 2017/18, generating some \$9 billion in compared to \$4.4 billion in 2017. Hotel sector sources inform a 20-25 percent increase in occupation rate and overall operations in the first six months of 2019. FAS Cairo (Post) foresees some 11 million tourists visiting Egypt through the end of 2019.

Egyptian consumers are adjusting to the economic transformation. They are resuming more normal expenditure patterns. Retail sources report increased demand for imported food and beverages starting commencing in July 2017 (see [GAIN-EGYPT \(EG-19009\) Egypt Retail Foods Annual 2019](#)). Restaurant sales are up 45 percent since July 2017, notwithstanding increasing menu pricing by roughly 30 percent (to cover the additional operation costs following the November 2016 devaluation). Reportedly by some estimates, sales of restaurants in 2018 is estimated at close to \$6 billion (EUROMONITOR). During the first half of year 2019, the hotel restaurant institutional (HRI) sector outperformed 2018. Total revenues are about \$6.7 billion compared to \$3 billion previously.

Table 1: Advantages & Challenges Facing U.S. Suppliers of Consumer-Oriented Products

Advantages	Challenges
U.S.-origin food products and ingredients have a good reputation and image.	- U.S. exporters face competition from the European Union (EU) member states. Egypt has a free trade agreement with the EU, which sometimes disadvantages U.S.-origin products.
Growing demand for high-value U.S. products in the recovering hotels and restaurants sector.	- Many importers indicate lack of U.S. supplier interest in Egypt. - Geographic proximity favors competing suppliers due higher shipping costs from the United States. - Egyptian import regulations are at times non-transparent.
Egyptian importers of U.S.-origin agricultural products could benefit from USDA’s GSM-102 Credit Guarantee Program.	- Lack of awareness among local banks and importers of the GSM-102. - Similar government-funded financing programs.

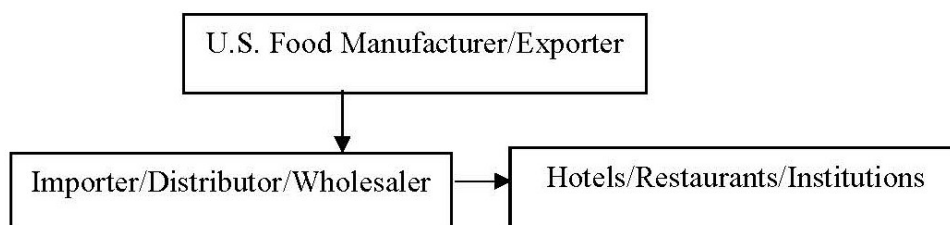
SECTION II. ROADMAP FOR MARKET ENTRY

Entry Strategy

Firms interested in exporting to Egypt should identify an Egyptian importer or distributor, with whom they can build a relationship. These Egyptian firms are best suited to navigate local regulations, understand distribution chains, and have relationships with hotels, restaurants and institutions (see, [GAIN-EGYPT \(EG18022\) Egypt Food Service – Hotel Restaurant Institutional Annual 2018](#)).

Market Structure/Distribution

Egypt's hotels, restaurants, and institutions do not directly import food and beverage, nor ingredients and supplies. These purchase from Egyptian importers who have established relationships with foreign exporters and are more familiar with importation and government regulations.



Sub-Sector Profiles:

Hotels: There are over 24 international hotel chains operating 145 facilities with 43,545 rooms in Egypt. Hotels in Cairo serve business and leisure visitors. Hotels in Alexandria and cities along the Red Sea coast (e.g., Taba, Nuweiba, Doha, Sharm El Esheikh, Hurghada, and Ain El Sokhna), as well as Luxor and Aswan) mainly serve leisure visitors. Hotels do not normally import directly, namely due to bureaucracy and high tariffs. They purchase from local importers.

Table 2: EGYPT, Major Hotel Chains

S/N	Name of Chain	Purchasing	Sites	Rooms	Location
1	Marriott International	Direct	19	8,090	Nationwide
2	Hilton International	Direct	17	6,187	Nationwide
3	Accor International Hotels	Direct	17	4,529	Nationwide
4	Mövenpick Hotels, Resorts & Cruises	Direct	16	3,145	Nationwide
5	Steigenberger Hotels & Resorts	Direct	12	3,260	Nationwide
6	Azur Hotels & Resorts	Direct	10	2,806	Nationwide
7	Swiss Inn Hotels & Resorts	Direct	8	1,674	Nationwide
8	Helnan International Hotels	Direct	7	1,192	Nationwide
9	InterContinental Hotels	Direct	5	2,148	Cairo
10	Four Seasons Hotels & Resorts	Direct	4	952	Nationwide

Source: FAS Cairo office research.

Restaurants: In 2018, foodservice sector rebounded following slowdowns in 2016 and the first months of 2017 as a result of increased tariffs on imported foodstuff, 14 percent VAT, and the devaluation of the Egyptian pound. Egyptians had absorbed the resulting economic shocks, and gradually started to return to their eating-out frequency. In 2018, restaurant sales were estimated at \$6 billion in 2018 (Euromonitor report).

Table 3: EGYPT, Selection of Major Restaurant Chains

Company	Purchasing	Outlet Name	Type	# Outlets	Location
Americana Group	Direct/Import	Fish Market, Costa Coffee, Hardee's, Maestro, Baskin Robins, Samadi, Grand Café, TGI Friday, KFC, Pizza Hut, Chicken Tikka	Fast Food , Casual Dining , Café	334	Nationwide
Manfoods	Direct/Import	McDonald's	Fast Food	+90	Nationwide
Intl. Co. for Food Ind.	Direct/Import	Cook Door	Fast Food	62	Nationwide
Delicious Inc.	Direct/Import	Cilantro , Abou El Seid	Casual Dining	56	Nationwide
Mo'men Group	Direct/Import	Mo'men	Fast Food	30	Nationwide
Spectra	Direct/Import	Spectra	Restaurant & Café	28	Nationwide
Brinker Intl. Inc.	Direct/Import	Chili's Grill & Bar	Casual Dining	22	Nationwide
Al-Sobai'ya Group	Direct/Import	Abou Shakra	Casual Dining, Fast Food	11	Nationwide
The Olayan Group	Direct/Import	Burger King	Fast Food	17	Nationwide

Source: FAS Cairo office research.

Institutional: 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 kitchens. Others have civil serviced managed centralized kitchens. Egypt's institutional food service industry is estimated at \$5.5 billion annually.

Table 4: EGYPT, Institutional Food and Beverage Expenditure, 2018

Institutions	Population	Food & Beverage Expenditure (\$ millions)	Remarks
Ministry of Defense	440,000	\$864	Soldiers meals
Correctional Facilities	180,000	\$236	Inmates meals
Public Universities	2,815,000	\$1,843.0	Students expenditure
Private Universities	170,000	\$185	Students expenditure
School Feeding Program	11,200,000	\$67	Government funded
Schools	23,200,000	\$2,320.0	Students expenditure
Gas & Oil Sector	206,063	\$247	Company & Ind. Exp.
Public Hospitals	93,897	\$29	Government funded
Private Hospitals	32,698	\$20	Residents' Expenditure

Sources: CAPMAS, FAS Cairo office research.

SECTION III. COMPETITION

In 2018, the United States was Egypt's sixth largest supplier of consumer-oriented food products. Egypt imported some \$133 million worth of food products from the United States, representing five percent of total imports, this is an increase of four percent from the 2017 value of \$128 million. The top suppliers to Egypt were Brazil (\$614.2 million), New Zealand (\$234.6 million), India (\$194 million), Kenya (\$175 million), the Netherlands (\$168.5 million), the United States (\$132.7 million), and Germany (\$99.9 million). U.S.-origin food products face strong competition from European, Middle Eastern, and African consumer-oriented products exporters. These maintain preferential trade arrangements with Egypt, providing favorable tariff treatment. Shipping proximity to Egypt also provides these export origins additional advantages.

SECTION IV. BEST PRODUCT PROSPECT CATEGORIES

U.S. products currently available in the market which have good sales potential, include beef products, natural milk products, whey protein concentrates, tree nuts, potato chips, popcorn, food preparations, dog and cat foods, and pork and pork products. Egypt imported almost \$138 million worth of consumer-oriented products in 2018 from the United States. The top imported products were bovine livers (\$56 million), beef cuts (\$129 million), natural milk (\$15 million), tree nuts (\$23.5 million), dog and cat foods (\$1.3 million).

Sources in the hotels and restaurants sector advise that US-origin products not present in significant quantities in the market which have good sales potential include beef, wine, peanut, bread flour, sauces, dressings, and syrups.

Alcohol beverages are served in all Egyptian hotels, but in a very reduced number of high-end restaurants in Cairo, Alexandria, and tourism locales along the Red Sea coast. Some hotels serve only local wines due to costs. Major hotel chains indicate that serving U.S. wines would boost their restaurant sales, but lament the shortage of availability. Wine is subject to a customs duty of 1,950 percent, while beer subject to a 1,450 percent duty and spirits face a 3,000 percent duty, plus an additional 14 percent sales tax. Only a limited number of Egyptian companies are permitted to directly import alcohol beverage for re-sale to the hotels and to duty-free shops.

SECTION V. POST CONTACT AND FURTHER INFORMATION

U.S. Embassy Cairo, Foreign Agricultural Service (FAS) Office of Agricultural Affairs

Mailing Address: 8 Kamal El Din Salah Street, Garden City, Cairo, Egypt

Phone: +20-2-2797-2388 • Fax: +20-2-2796-3989 • Agcairo@fas.usda.gov

For additional information, see www.fas.usda.gov. See also to our Food and Agricultural Import Regulations and Standards (FAIRS) reports, FAIRS Export Certificate, Food Processing Ingredients Sector, and HRI Food Service Sector GAIN reports.

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 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/>

Egyptian Tourism Federation

Mailing Address: 8, El Sad El Aly St. Dokki- Giza- Egypt

Phone: +2 02 33378473 • Fax: +2 02 37490223 - +2 02 33378450

Email: etaa@etaa-Egypt.org

Website: <http://www.etf.org.eg/>

Egyptian Tourist Authority

Mailing Address: 11 Abassiya Square, Cairo, Egypt.

Phone: +20-2-2484-9399

Email: info@egypt.travel

Website: <http://www.egypt.travel/>

Egyptian General Co. for Tourism & Hotels

Mailing Address: 4 Latin America St, Garden City, Cairo, Egypt

Phone: +2 02-2794-2914 +2 02 2794-5258

Email: info@egoth.com.eg

Website: <http://egoth.com.eg/>

Ministry of Trade and Industry

Mailing Address: 2 Latin America, Garden City, Cairo

Commercial Affairs Phone: +20-2-2792-1207 • mfti@mfti.gov.eg

Website: <http://www.mti.gov.eg/English/Pages/default.aspx>

Attachments:

No Attachments