



Foreign Agricultural Service

**GAIN Report**

Global Agriculture Information Network

Required Report - public distribution

Date: 12/26/2001

GAIN Report #EG1032

# **Egypt**

## **Retail Food Sector**

### **Report**

### **2001**

Approved by:

**Thomas Pomeroy**

**U.S. Embassy**

Prepared by:

Ali Abdi & Manal El Masry

---

#### **Report Highlights:**

**With the expansion of local and international supermarket chains in Egypt, consumer buying habits are changing. In 2000, according to the Egyptian trade data, Egyptian imports of U.S. consumer ready products totaled \$77 million. Egyptian consumers have increasing demand for quality and variety.**

---

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

---

I. MARKET SUMMARY .....	<a href="#">Page 2 of 12</a>
II. ROAD MAP FOR MARKET ENTRY .....	<a href="#">Page 4 of 12</a>
A. SUPERMARKETS AND HYPERMARKETS .....	<a href="#">Page 4 of 12</a>
B. CONVENIENCE STORES, GAS MARTS, AND KIOSKS .....	<a href="#">Page 7 of 12</a>
C. "MOM AND POP" GROCERY STORES .....	<a href="#">Page 8 of 12</a>
III. COMPETITION .....	<a href="#">Page 8 of 12</a>
IV. BEST PRODUCT PROSPECTS .....	<a href="#">Page 10 of 12</a>
A. Products in the market, which have good sales potential: .....	<a href="#">Page 11 of 12</a>
B. Products not present in significant quantities, but which have good sales potential: .....	<a href="#">Page 11 of 12</a>
C. Products not present in supermarkets because they face significant barriers: .....	<a href="#">Page 11 of 12</a>
V. POST CONTACT AND FURTHER INFORMATION .....	<a href="#">Page 11 of 12</a>

## I. MARKET SUMMARY

Egyptian consumers have increasing demand for quality and variety. Egypt imports a billion dollars of U.S. agricultural products each year, and demand for consumer ready products is trending upward. In 2000, U.S. imports of consumer oriented products totaled \$77 million. With the expansion of local supermarket chains and multi-national firms investing in Egypt, such as "Shoprite" South Africa, "Metro" Germany, and "Carefour" French, the desire to introduce a broad array of products is increasing.

The following are some important events/trends:

- # The European Union and Egypt signed a partnership agreement on June 24, 2001 whereby import tariffs on most products, including agricultural products will be cut substantially, or eliminated over the next 12-15 years. The Agreement is expected to be implemented within the next 12-15 months. Both Egyptian and European exporters of various agricultural commodities will gain substantial benefits from the Agreement.
- # The EU-Egypt partnership Agreement may lead to displacement of some U.S. agricultural exports to Egypt especially in the processed food sector where tariffs range between 30 - 50% on commodities, such as breakfast cereals, sauces, and jams. Tariffs on European processed agricultural exports to Egypt will be reduced by 15-25% during the first four years following the implementation of the Agreement. Several U.S. agricultural exports to Egypt will be disadvantaged when the bilateral trade agreement is implemented unless positive trade policy changes can also be made between the U.S. and Egypt in the future.
- # In a new development to reform its import/export regime, the Government of Egypt took a 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 approval of imported goods. In the past, there were five government entities involved in the import clearance process. With the new decree, inspection has been speeded up centralized under the General Organization for Export/Import Control (GOEIC) of the Ministry of Foreign Trade.
- # The markets for consumer-ready food products particularly supermarkets are concentrated in Cairo (15 million people) and Alexandria (5 million people); hotels and restaurants in Cairo, Alexandria and the Red Sea resorts.
- # Egyptian buying habits have changed dramatically. For example, in the past Egyptian consumers used to buy products such as meats and fresh fruits and vegetables from small neighborhood shops. However, with the increasing number of supermarkets in Cairo and services offered in one place, high income consumers started to look for cleanliness, quality, wider variety and purchase most of their requirements from supermarket.
- # The U.S. and mainly France, Germany, Italy, Switzerland, Greece, Holland, Denmark, and South Africa are dominant suppliers of consumer-ready food products to Egypt.

- # Multi-national food retailers have started to invest in Egypt. Currently, Shoprite "South African chain" has 3 outlets with a plan to open 8 more outlets within one year. Shoprite has 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.
- # The French chain "Carrefour" will open 3 hypermarkets in Cairo and Alexandria. Their first outlet (20,000 sq. meters) is expected to open in March 2003.
- # Also, "Metro" (Germany) is expected to begin operations in Egypt in 2002 by selling only to a wholesalers "Price Club."
- # The British chain "Sainsbury's" closed its stores and left Egypt. All their outlets have been converted to a local chain, namely "A-One" market.
- # The only local hypermarket currently operating in Egypt is "Alpha" Market . Alpha market has three outlets operating and is expected to open two more stores within one year. Alpha carries about 70,000 items out of which 20,000 are food items. They have other services for consumers, such as laundry, video club (to purchase cinema and theatre tickets plus renting video films), repair shoes ...etc. Alpha conducts a monthly promotion on all products where they offer from 10 to 20% discount. Products discounted vary from one month to another. In order to maintain consumer loyalty. Alpha market is offering several types of cards for their consumers, such as Family Cards (3 to 10% discounts on purchases of over \$50).
- # Metro, a huge modern local supermarket chain (not linked to the "German" Metro), is currently operating 15 outlets in Cairo and Alexandria. Their plan is to open 4 more outlets through 2002 and to extend in other governorates, such as Mansoura and Ismailia. Metro carries a variety of products including 16,000 food items and 6,000 non-food items.
- # A local company is working to open a hypermarket in Cairo in March 2003. The project has two stages: The first stage is to open a supermarket (15,000 sq. meters, food court, and a playing center); the 2<sup>nd</sup> stage is to open restaurants (3,000 sq. meters) plus a theatre. The 1<sup>st</sup> stage will start operation in March 2003.
- # With the expansion of supermarkets with international partners, it is expected that medium size supermarkets (500 square meters) and groceries may go out of business 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 \$12 per basket. However, it varies from one area to another.
- # According to the Egyptian Customs authorities and the Ministry of Public Enterprises, in 2000 Egypt had the following privately owned firms: 5,200 registered importers, 8,200 exporters, 3,400 commercial agents representing 104,000 foreign firms, and 3,200 factories licensed to import components.

ADVANTAGES	CHALLENGES
Of the 66 million Egyptians, about 12 million can afford to purchase imported food products.	Lack of consumer awareness and limited income.  Egyptian import regulations and labeling requirements are stringent.
Products perceived as both western and new-to-market have a wide appeal to Egyptians.  U.S. products are perceived as "high quality."	Lack of U.S. supplier interest in the Egyptian market.  With the EU-Egypt Partnership Agreement, import tariffs on most European products will be cut substantially or eliminated over the next 12-15 years. The agreement may lead to displacement of some U.S. agricultural products especially in the processed food sector unless positive trade policy changes can be made between the U.S. and Egypt.
Expansion of the number of supermarket chains. International companies interest in the Egyptian market include, "Carefour" (French), and "Metro" (Germany), and "Shoprite" (South African).	With the growing size of supermarket chains, the desire to introduce a broad array and new-to-market products is strengthening.

## II. ROAD MAP FOR MARKET ENTRY FOR U.S. SUPPLIERS

### A. SUPERMARKETS AND HYPERMARKETS

#### ENTRY STRATEGY

- # FAS/Cairo will conduct a marketing seminar prior to the annual FAS-sponsored in-store promotion. U.S. companies interested in the Egyptian market are encouraged to send

brochures and/or samples to acquaint the private industry and retailers of their products. The objective of the seminar would be to retailers and wholesalers the latest in merchandising, consumer loyalty, advertising...etc. Also, maintain contacts with the private sector and organize activities to help educate supermarket operators, food manufacturers, and fast food chains on topics, such as how to introduce new-to-market products, promotions, consumer trends that impact food retailing, what do customers want and buy?

- # FAS/Cairo will organize an Egyptian delegation to attend the FMI show every May. 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. It is highly recommended for U.S. suppliers interested in the Egyptian market to send us letters prior to the show inviting prospective importers to meet them at FMI.
- # Participate in FAS-sponsored or other promotions in Cairo and Alexandria, such as in-store promotions, sports clubs (class A) promotions in Cairo to promote U.S. products already available in the Egyptian market or 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 two supermarket chains which import food products directly.

### Distribution Channels for Food, Alcoholic Beverages and Confectionery

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

### Number of Outlets (2000/2001)

	<b>Wholesalers</b>	<b>Super- markets</b>	<b>Groceries</b>	<b>Kiosks</b>	<b>Gas stations</b>	<b>Total</b>
<b>Cairo + Giza</b>	2123	119	33623	6401	274	<b>42540</b>
<b>Alexandria</b>	450	25	7753	2327	110	<b>10665</b>
<b>Total Delta</b>	1917	4	23143	5834	336	<b>31234</b>
<b>Grand Total</b>	<b>4490</b>	<b>148</b>	<b>64519</b>	<b>14562</b>	<b>720</b>	<b>84439</b>

### COMPANY PROFILES

(2000 / 2001)

<b>Retailer Name &amp; Outlet Type **</b>	<b>Ownership</b>	<b>No. of Outlets</b>	<b>Locations (City)</b>	<b>Purchasing Agent Type</b>
1 <sup>st</sup> Company	Local	15	Cairo & Alexandria	Direct / Distributor
2 <sup>nd</sup> Company (Zahran)	Local	5	Alexandria	Direct
3 <sup>rd</sup> Company (Fathalla)	Local	3	Alexandria	Direct / Agent Importer
4 <sup>th</sup> Company	Local	3	Cairo	Direct
5 <sup>th</sup> company	Local	5 (one of which is a modern supermarket)	Cairo	Wholesaler
6 <sup>th</sup> Company	Local	3	Cairo	Direct / Agent / Importer
7 <sup>th</sup> Company	International Joint Venture	3	Cairo	Direct / Importer

\*\* Egyptian companies do not like to publicize their names and finances. Annual sales range from \$7 - \$90 million.

- < Mid to upper income consumers are becoming more and more demanding and are increasingly perceiving traditional 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 has led to an increase in the purchasing power and demand for ready made meals and/or easy to cook meals. A well-known local supermarket chain report that they had initial difficulty convincing consumers to try the ready- to-eat-meals. However, they overcame this by promoting ready-to-eat-meals with a free sample for consumers purchase of \$50. Now, consumers reserve their ready-to-eat-meals by telephone to guarantee availability.

## **B. 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 popular shops are Mobil Mart, Esso, Caltex, and Shell. A new concept of convenience stores has recently been introduced by Exxon Mobil, namely "On The Run." They currently operate 3 stores and have a plan to open 25-30 stores within the next couple of years. These stores range in size from 60-200 sq. meters. They are open 24 hrs. and sell a variety of products including ready-made meals.

- < 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 according to the gas mart location; for example the medium outlet sales is \$14,000 while the high outlet sales is \$58,000 per month.
- < Dealers are in complete control of the outlets.
- < Gas mart profit margins are about 25% on sales; it differs according to product item.

## **ENTRY STRATEGY**

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

## **C. "MOM AND POP" SMALL INDEPENDENT GROCERY 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 five coming years with the expansion of large supermarket chains and hypermarkets.



### III. COMPETITION

According to the Central Agency for Public Mobilization and Statistics (CAPMAS), in 2000, total U.S. imports for consumer oriented products totaled \$77 million compared to \$83 million in 1999. This decrease is attributed to the decline in the value of the Egyptian pound from \$1= L.E. 3.88 at the end of 2000 to \$1= L.E. 4.55 at the end of Dec. 2001. Also, there was a general economic slow-down and particularly a decrease in imports of red meat (fresh, chilled and frozen) which totaled \$30 million in 1999. Religious considerations are important to the importation of meat and animal products. Islamic law requires animals to be slaughtered according to halal. The second largest product was dairy products which totaled \$6 million. The consumption of dairy products is among the fastest growing sectors in Egypt Egyptian market. The Egyptian Government reduced its 45% safeguard duty on milk powder to 15%, 7% and 3% over the next 3 years. EU-Egypt partnership Agreement will offer tariff advantages to European dairy exporters when the Agreement is ratified. Also, U.S. imports of apples and nuts, totaled \$5 million. The major competitor to the U.S. is the EU. In 2000, agricultural exports to Egypt from the EU totaled \$697 million in 2000. Top EU agricultural exports included frozen bovine meat (138 mil.), sawn wood (\$162 mil.), and frozen fish (\$60 mil.). Trade between the EU and Egypt will probably change in the future when the Partnership Agreement comes into effect.

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

**(Jan -Dec. 2000 / \$ Mil) \*\***

<b>PRODUCT</b>	<b>TOTAL IMPORTS</b>	<b>IMPORTS FROM THE U.S.</b>	<b>U.S. MARKET SHARE</b>	<b>IMPORT TARIFF *</b>
Edible offals, fresh, chilled, frozen	49	42	87%	5%
Frozen meat	229	0.074	0	5%
Prepared meat	6	0.034	1%	30-50%
Fish, fresh, chilled, frozen	102	1.5	1%	5%
Prepared fish	28	0.170	1%	10-30%
Milk powder	80	17	22%	10-40%
Butter	95	0	0	5-15%
Cheese	42	0.427	1%	10-30%
Apples	25	5.6	23%	50%
Dried fruit	6	0.421	7%	30-40%

<b>PRODUCT</b>	<b>TOTAL IMPORTS</b>	<b>IMPORTS FROM THE U.S.</b>	<b>U.S. MARKET SHARE</b>	<b>IMPORT TARIFF *</b>
Nuts	22	3.4	16%	30%
Mis. food prep. (Soups, ice cream, jelly)	41	4.7	11%	30%
Canned veg./fruits	12	0.485	4%	30-40%
Cocoa products	6	0.125	1%	20-40%
Jams	4	0.049	2%	40%
Juices	2.7	0.217	8%	30%
Sauces	1.1	0.294	25%	30%
Breakfast cereals	0.964	0.548	14%	40%
Snack foods	n/a	0.748	n/a	n/a
Pet Food	n/a	0.176	n/a	30%
Grand total	<b>522.764</b>	<b>77.4</b>	<b>15%</b>	<b>n/a</b>
* Extra fees represent 3% Service Tax, 1% Commercial and Industrial profits, miscellaneous expenses vary from one product to another.				

1) U.S. trade data for consumer oriented products for calendar year 2000 totaled \$50 million compared to \$77 million from the Egyptian data (CAPMAS). The difference might be attributed to the freight costs and trans shipment which were banned in 1999, but permitted in 2000, possible leading to confused destinations for U.S. year 2000 export statistics.

2) Trade sources tend to confirm CAPMAS rather than U.S. figures for some products, such as apples, cheese, dried fruit, nuts..etc.

**\*\* Note:** Source: Total Imports: Trade data from the Central Agency for Public Mobilization and Statistics (CAPMAS), Cairo, Egypt.

The above products do not include all consumer oriented products.

## **IV. 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, but which have good sales potential:**

- < Microwave popcorn
- < Cheese
- < Candies

### **C. Products not present in supermarkets because they face significant 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)

## **V. POST CONTACT AND FURTHER INFORMATION**

### Mailing Address

Office of Agricultural Affairs  
Unit 64900, Box 22  
APO AE 09839-4900  
Tel: 011 (202) 797-2388 / 2389  
Fax: 011 (202) 796-3989  
E-mail: [AgCairo@fas.usda.gov](mailto:AgCairo@fas.usda.gov)  
Web page: [www.usembassy.egnet.net](http://www.usembassy.egnet.net)

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

- < Food and Agricultural Import Regulations and Standards (FAIRS 2001)  
Report no. EG1017
- < Trade Policy Monitoring Report / Report no. EG1008
- < EU-Egypt Partnership Agreement / Report no. EG1030

- < A Practical Guide to Egyptian Import Procedures and Requirements (Last edition May 1998)