Required Report: Required - Public Distribution **Date:** July 01,2020

Report Number: EG2020-0032

Report Name: Retail Foods

Country: Egypt

Post: Cairo

Report Category: Retail Foods

Prepared By: Ibrahim Al-Habbal, Marketing Assistant and Olutayo O. Akingbe, Agricultural Attaché

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

Report Highlights:

Egypt imported some $2.9 billion worth of consumer-oriented products in 2019. This is a 16 percent increase of the 2018 imports value of $2.5 billion. The United States was the fifth largest exporter to Egypt with approximately $170 million in exports accounting for roughly 6 percent market share. This represents a 29 percent increase over 2018 export value of $132 million. The Egyptian retail food sector continues to be dominated by traditional grocery stores, however, supermarket chains, convenience stores, and online retailing platforms are growing in number and popularity. U.S.-origin food exports to Egypt face competition from European, Middle Eastern, and increasingly African-origin exports. Free trade agreements, shipping proximity and lower production costs often provides exporters in these countries an advantage over U.S.-origin food products.

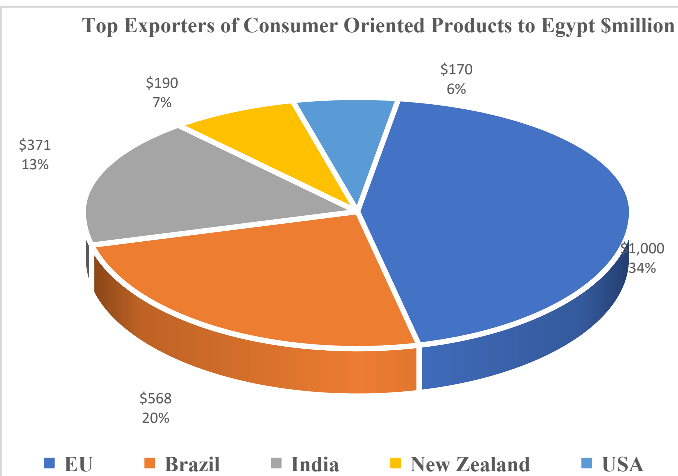
Market Fact Sheet: Egypt

Executive Summary

Egypt imported some $2.9 billion worth of consumer-oriented products in 2019. This is a 16 percent increase of the 2018 imports value of $2.5 billion. The United States was the fifth largest exporter to Egypt with approximately $170 million in exports accounting for roughly 6 percent market share. This represents 29 percent increase over 2018 export value of $132 million. The Egyptian retail food sector continues to be dominated by traditional grocery stores, however, supermarket chains, convenience stores, and online retailing platforms are growing in number and popularity. U.S.-origin food exports to Egypt face competition from European, Middle Eastern, and increasingly African-origin exports. Free trade agreements, shipping proximity and lower production costs often provides exporters in these countries an advantage over U.S.-origin food products.

Imports of Consumer-Oriented Products

Primary consumer-oriented products imported were frozen beef, milk & cream, black tea, apples, food preparations, potatoes seeds, cheese, beef livers, butter, meat and edible chicken. The main suppliers were the European Union, Brazil, India, New Zealand, and the United States.



Food Processing vs. Imports in the Retail Sector

In 2019, the Central Bank of Egypt provided a financial stimulus package of $6.25 billion to different local industries (food processing sector among them) to help increase the sector size, productivity and its competitiveness. The Egyptian Chamber of Food Industries reported that there are over 10,000 registered food processing and manufacturing companies. Post estimates this sector contributing to about six percent ($17.5 billion) of 2019 GDP ($302 billion – IMF estimates). Though steadily improving, local production remains limited in terms of quality and variety.

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. As incomes grow, in tandem with increased purchasing power, the market is growing. Sources foresee growth of 15-20 percent over the next five years. Traditional outlets still dominate the Egyptian market, representing 96 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 Consumer-Oriented Products US$2.9 billion

List of Top 10 Growth Products in Egypt

1) Frozen Beef
2) Milk & Cream, Conc.
3) Black Tea
4) Apples, Fresh
5) Food Preparations
6) Potatoes Seeds
7) Cheese
8) Beef Livers
9) Butter
10) Meat and edible chicken

Consumer Oriented Foods (US$ billion) 2019

Consumer-Oriented Food Sales	$27.5
Exports*	$2.5
Imports*	$2.9
Inventory	N/A
Total Sales	$27.5
Retail	$17.5
Food Service	$10

Note: * Refers to consumer-oriented products only.

Top Egypt Retailers

- Carrefour
- Seoudi Markets
- HyperOne
- BIM
- Gourmet
- Mansour Holding
- On-the-Run
- Spinneys
- Kazyon
- Alfa Market

GDP/Population

Population *(millions)*: 100

GDP *(billions USD)*: $249.6 (2018), $236.6 (2017)
GDP per capita *(USD)*: 13,357 PPP

Sources: International Monetary Fund, Central Intelligence Agency, FAS Cairo office research.

Strengths/Weaknesses/Opportunities/Challenges

Strengths	**Weaknesses**
1. Large consumer market 2. Consumer acceptance of U.S. origin products	1. High tariffs 2. Complex import regulations
Opportunities	**Threats**
1. Growing demand 2. Increase of modern supermarkets, convenience stores and online ordering platforms	1. Trade competitors with free trade-agreements 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

The Egyptian government unpegged the Egyptian Pound in November 2016, allowing it to devalue markedly and driving up inflation. Core inflation peaked in July 2017 at 35.26 percent. By the end of 2019 inflation rates decreased to about 9 percent. High inflation rates have eroded purchasing power for many Egyptians. Under these macroeconomic conditions, the Egyptian food and beverage retail market has become increasingly price sensitive, especially so for middle and low-income consumers. This has driven consumers to substitute domestic products for those previously imported.

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.

In spite of the recent macroeconomic upheaval, demand amongst higher-income consumers is increasing. Middle and lower-income consumers are expected to revert to their normal consumption patterns as inflation moderates and incomes improve. Industry sources expect retail demand to grow by 15-20 percent in the next five years. While U.S. products could be competitive in the Egyptian market, they face stiff competition from exporters in regions with preferential trade agreements. Currently, beef, infant formula, apples, cheese, tree nuts and certain confectionaries represent the best growth prospects in Egypt.

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

Advantages	Challenges
U.S. origin products continue to enjoy acceptance in the Egyptian market.	Higher tariffs often levied on imported consumer-oriented products.
U.S. products are associated with high quality.	Many importers indicate that there is a lack of U.S. supplier interest in Egypt.
New-to-market products benefit from the recent expansion of supermarket and hypermarket chains.	Geographic proximity to competing suppliers.
	Egyptian import regulations are at times non-transparent.

SECTION II: ROADMAP 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 are best suited to navigate local regulations, understand distribution chains, and have relationships with retailers, food processors, hotels, restaurants and institutions (see GAIN EGYPT (EG2019-0009) - Egypt Food Service – Hotel Restaurant Institutional 2019, and GAIN EGYPT (EG2020-0006) Food Processing Ingredients).

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.

Market Structure

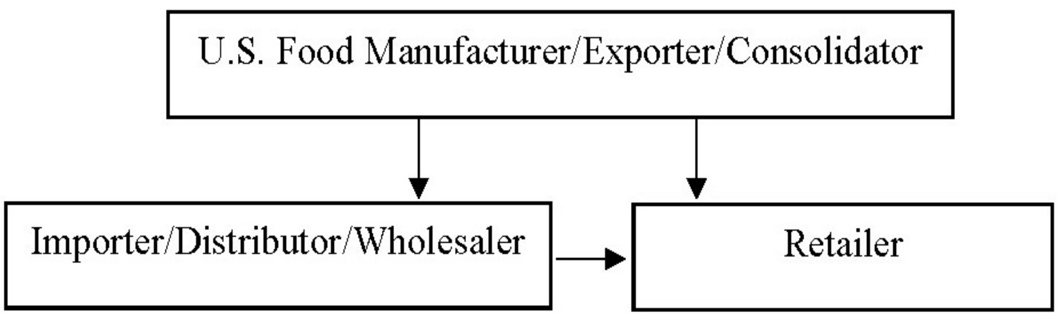


Table 2: Company profiles and top host country retailers

Company	Activity	Outlets	Remarks
Carrefour	Supermarket/Hypermarket	36	Domestic & Imported Goods
Mansour Group	Retail/Distribution	98	Domestic & Imported Goods
Seoudi	Retail	12	Domestic & Imported Goods
On-the-Run	Convenience Store	27	Domestic & Imported Goods
HyperOne	Retail	2	Domestic & Imported Goods
Spinneys Egypt	Retail	13	Domestic & Imported Goods
BIM	Retail	300	Primarily Domestic Goods
Kazyon	Retail	424	Primarily Domestic Goods
Gourmet Egypt	Retail	15	Domestic & Imported Goods
Alfa Market	Retail	7	Domestic & Imported Goods
Ayman Afandi	Importer/Distributor	Marketing & Distribution	
Al-Shaheen Co.	Importer/Distributor	Marketing & Distribution	
GMA	Importer/Distributor	Marketing & Distribution	
Amin Trading	Importer/Distributor	Marketing & Distribution	

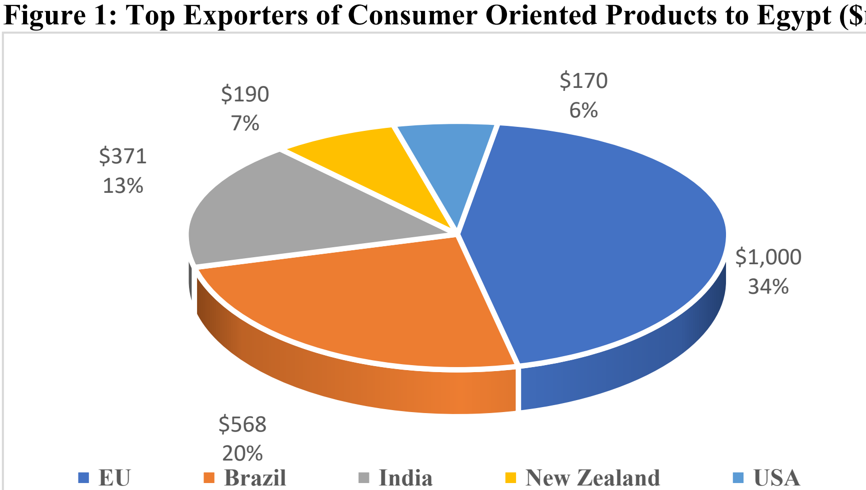
AM Foods	Importer/Distributor	Marketing & Distribution
Egyptian Group	Importer/Distributor	Marketing & Distribution
Bassiouni Sons	Importer/Distributor	Tree Nut Importer/Processor/Distributor
Samo Trading	Importer/ Distributor	Tree Nut Importer/Processor/Distributor

SECTION III: COMPETITION

Consumer-oriented products from the United States face heavy competition from both domestic and imported products (Table 3). Egyptian-produced substitutes have gained ground following the devaluation and now fill much of the domestic demand for chips, crackers, and cookies. Though domestic production has grown, imported products are perceived as being of higher quality and often offer greater variety. Higher income consumers continue to purchase imported retail products. Egypt's import of consumer-ready products in 2019 was around $2.9 billion. The U.S. share of imports was around 6 percent, or $170 million.

In 2019, the main exporters of consumer-oriented products to Egypt were the European Union at 44 percent ($1.0001 billion), Brazil at 25 percent ($568 million), India at 16 percent ($371 million), New Zealand at 8 percent ($190 million), and the United States at 6 percent (170 million).

Figure 1: Top Exporters of Consumer Oriented Products to Egypt ($million)



Source: TDM, CAPMAS, & FAS Cairo Research.

Table 3: Egypt – Major Imports and Competing Suppliers (2019)

Product Category	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Beef Frozen $779.76 million	1. Brazil – 60% 2. India – 37% 3. Columbia – 1% 6. USA – 0.32%	Low production cost.	- Limited domestic production - High demand
Milk & Cream Concentrated $192.7 million	1. EU – 73% 2. Canada – 11.6% 3. USA – 7% 4. Turkey – 3.8%	EU duty-free access. Proximity.	Limited domestic production. - High demand.

Black Tea (fermented) $177.8 million	1. Kenya – 93% 2. India – 3.6% 3. Sri Lanka – 2.4% 20. USA – 0%	Low production cost, year-around supply. Proximity.	- Limited domestic production - High demand
Apples, Fresh $148.7 million	1. EU – 99.5% 2. Turkey – 0.48% 3. USA – 0.021.9%	EU duty-free access. Proximity.	- No local production - High demand
Food Preparations $103.86 million	1. EU – 72.8% 2. Thailand – 11.5% 3. Malaysia – 3.14% 9. USA – 2.02%	Low cost of production, and proximity. EU duty-free access.	Limited domestic production. - High demand.
Potatoes Seeds, fresh or chilled $103 million	1. EU – 99% 2. China – 0.78% 3. India – 0.2% 38. USA – 0%	EU duty-free access and proximity. Lower production cost	Limited domestic production. - High demand.
Cheese, nesoi, including cheddar & colby $90.6 million	1. EU – 71.15% 2. New Zealand – 18% 3. Saudi Arabia – 4.6% 4. USA – 2.64%	EU duty-free access and proximity. Lower production cost	Limited domestic production. - High demand.
livers of bovine animals, edible, frozen $87.64 million	1. USA – 77% 2. Australia – 11.4% 3. New Zealand – 3.6% 4. Brazil – 3.5%	Competitors cannot supply sufficient quantities at reduced price.	Limited domestic production. - High demand.
Butter $85.7 million	1. New Zealand – 42.9% 2. EU – 33.8% 3. India – 23% 16. USA – 0%	EU duty-free access. Lower production cost	- Limited domestic production - High demand
Meat and edible offal of chicken, not cut in pieces, frozen $83 million	1. Brazil– 82% 2. Ukraine – 17% 3. USA – 0.31% 4. EU – 0.01%	Low cost production. Year-around supply.	Limited domestic production. - High demand.

Source: TDM, CAPMAS, & FAS Cairo Research.

SECTION IV: BEST PRODUCT PROSPECTS CATEGORIES

- Products present in the market, which have good sales potential, such as cheese, beef products, and tree nuts, continue to represent good prospects for U.S. exporters. Egypt is a net importer of processed dairy products, and U.S. products may be competitive based on exchange rates and other considerations. As in past years, Egypt remains an important market for U.S. beef liver and offal. The country is by far the largest importer of U.S. beef liver, reaching about US$67.4 million in 2019. U.S. beef muscle cuts are well known for their quality among affluent buyers and represent a category with growth potential.
- Top consumer-oriented products imported from the world include frozen beef, milk & cream concentrated, black tea, fresh apples, food preparations, and beef liver.
- Top consumer-oriented products imported from the United States include beef liver, dairy

products, and tree nuts.

- U.S. products not present in significant quantities but which have good sales potential among the more affluent Egyptian consumers include sweets and snacks, healthy and nutritional foods, and pet foods.
- U.S. products not present because they face significant barriers include fresh apples due to high tariffs and poultry parts due to non-tariff barriers.

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

For further information, see: GAIN EGYPT (EG2019-0025) – FAIRS Annual Country Report 2019 and GAIN EGYPT (EG2019-0029) – FAIRS Export Certificate Report 2019 reports, as well as GAIN EGYPT (EG2019-0028) – Exporter Guide 2019, GAIN EGYPT (EG2019-0009) - Egypt Food Service – Hotel Restaurant Institutional 2019), and the Country Commercial Guide 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
Website: http://www.mvegypt.com/egycfi/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
Mailing Address: 9 El Gamaa Street, Giza, Egypt
Phone: (+202) 3568-6373/ 1658
Website: www.agr-egypt.gov.eg/

Ministry of Investment and International Cooperation
Mailing Address: 3 Salah Salem Street, Cairo
Mailing Address: 8 Adly Street – Down Town, Cairo
Phone: +20-2-2405-5417 ● +20-2-2391-0008 ● +20-2-2390-8819 ● +20-2-2393-5147
Email: ministeroffice@miic.gov.eg

Ministry of Supply and Internal Trade
Mailing Address: 99 Al Kasr Al Aini, Al Inshaa WA Al Munirah, Qasr an Nile, Cairo Governorate, Egypt
Phone: +20- 2- 2794-4338/ 8224/ 8184 ● +20-2- 2795-8481 ● info@msit.gov.eg
Website: www.msit.gov.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

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

General Authority for Veterinary Services
Nadi El-Saeed Street, Dokki, Giza
Phone: +20-2-3748-1763

Attachments:

No Attachments