Required Report - public distribution

Date: 12/6/2018

GAIN Report Number: EG18028

Post: Cairo

Egypt

Exporter Guide 2018

Egypt's Budding Economic Recovery Offers U.S. Exporters Possibilities

Approved By:
Ali Abdi, Minister-Counselor

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

Report Highlights:
Egypt’s hotel, restaurant, and retail food sectors are growing in 2018 thanks to a budding recovery in tourism and consumer spending. Sources forecast demand increasing, with growth reaching 15-20 percent by 2021 as tourism and consumer purchasing power recover. U.S.-origin consumer-ready products face competition from other origins benefitting from more favorable trade relationships (i.e., free trade agreements). In 2017, U.S. consumer-oriented products exports to Egypt were largely beef livers and other beef offal, milk products,

and food preparations.

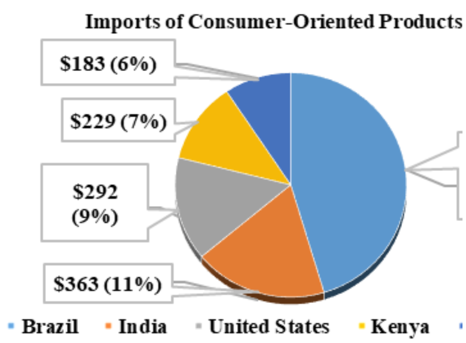
Market Fact Sheet: Egypt

Executive Summary

Egypt's hotel, restaurant and retail food sectors are growing in 2018 thanks to a budding recovery in tourism and consumer spending. Sources forecast demand increasing, with growth reaching 15-20 percent by 2021 with tourism and consumer purchasing power recover. U.S.-origin consumer-ready products face competition from other origins benefitting from favorable trade relationships (i.e., free trade agreements). In 2017, U.S. consumer-oriented products exports to Egypt were beef livers and other beef offal, milk products, and food preparations.

Imports of Consumer-Oriented Products

Egypt imported $3.3 billion in consumer-oriented products in 2017. Primary suppliers were Brazil, India, the United States, Kenya, and New Zealand.



Retail Food Sector

The Egyptian retail foods sector size is close to $24.7 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 recover, in tandem with increased purchasing power, the market is anticipated to grow. 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.

Food Processing vs. Imports in the Retail Sector

In 2016, the Egyptian government implemented policies that discouraged the import of consumer-oriented products. Ingredients and products for further processing were prioritized. There are over 7,000 food processing and manufacturing companies in Egypt, generating sales of

Quick Facts CY 2017

Imports of Consumer-Oriented Products $3.3 billion

List of Top 10 Growth Products in Egypt

1) Frozen Beef	2) Beef Liver
3) Black Tea <3kg	4) Fresh Apples
5) Food Preparations	6) Milk Conc. FAT<1.5%
7) Frozen Chicken	8) Butter
9) Cheese	10) Infant Food Prep.

Consumer Oriented Foods ($ billion) 2017

Consumer Oriented Food Sales	$22.1
Exports*	$3.5
Imports*	$3.3
Inventory	N/A
Total Sales	$25.4
Retail	$24.1
Food Service	$1.3

Note: * Refers to consumer-oriented products only.

Top Egypt Hotels & Restaurants Chains & Retailers

- Marriott International	- Americana Group
- Hilton International	- Manfoods
- Accor International	- Intl. Co.Food Industries
- Mövenpick Hotels	- Delicious Inc.
- Steigenberger	- Mo'men Group
- Carrefour	- Mansour Holding
- Seoudi Market	- On-the-Run
- HyperOne	- Spinneys
- BIM	- Kazyoun
- Gourmet	- Alfa Market

GDP/Population

Population *(millions)*: 99.4
GDP *(billions USD)*: $236.5 (2017), $333 (2016)
GDP per capita *(USD)*: 12,700 PPP

Sources: World Bank, 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. Shortage in supply of imported consumer-oriented products	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

over $22.1 billion in 2017. Although improving, local production remains more limited in terms of quality and variety.

Hotels, Restaurants, and Institutions

The hotel and restaurant sector's performance improved in 2018. Revenues reached $3 billion in the first half six fiscal year (FY) 2018 compared to $1.7 billion during the same period in 2017. FAS Cairo (Post) estimates the hotel industry's expenditure on food and beverage is $44 million for the same period. Food and beverage revenues should double in 2018. Egyptian institutional sales channels are varied and information is limited. Certain institutions, such as hospitals, correctional, and military facilities, operate centralized kitchens. These institutions issue government tenders for private firms to run the kitchens. Government employees also staff centralized kitchens. Post estimates institutional food service industry at $1.3 billion.

SECTION I: MARKET OVERVIEW

Egypt is the Arab world's most populous country. Ninety-five percent of this North African country's 99.4 million inhabitants (Central Intelligence Agency – July 2018 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 2.4 percent per annum, adding some 2 million Egyptian consumers yearly. The population will surpass 100 million by 2021 and 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 health care.

In late 2016, persistent dollar shortages and waning aid from Egypt's Gulf allies led Cairo to turn to the International Monetary Fund (IMF) for a 3-year, $12 billion loan program. This required Egypt to float its currency (Egyptian Pound – EGP), introduce new taxes, and cut energy subsidies – inflation surpassed 30 percent for most of 2017. Since the currency float, foreign investment in Egypt's high interest treasury bills has risen, boosting dollar availability and central bank reserves. Cairo will be challenged to obtain foreign and local investment in manufacturing and other sectors without a sustained effort to implement a range of business reforms (U.S. dollar $1.00 = EGP ~17.92).

Egyptian consumers are adjusting to the economic transformation. Demand among higher-income consumers is increasing. Middle- and lower-income consumers are again consuming as inflation moderates and incomes improve. Industry sources report that food and beverage demand grew in July 2017; they expect demand to grow by 15-20 percent in the next five years. While U.S.-origin products face competition from regional exporters with preferential trade agreements. Cheese, infant formula, peanut, bread flour, sauces, dressings, syrups, beef liver, black tea, food preparations, concentrated milk and cream, and butter still represent good prospects for U.S. exporters.

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

Advantages	Challenges
• U.S.-origin food products and ingredients have a good reputation and image, they are associated with high quality and continue to enjoy acceptance in the Egyptian market.	• U.S. exporters face competition from the EU member states. Egypt has a free trade agreement with the European Union, which provides preferential tariffs to EU-origin products. • Egypt often recurs to EU standards, which do not coincide with U.S. or Codex standards.
• Growing demand for high-value U.S. products in the hotel and restaurant sector. • Growing demand for high-value, highly processed ingredients. Food processing is growing; it requires imported food ingredients. Companies seek new ingredients, especially affordable unprocessed commodities. Food processors and manufactures are exporting to the region. Within 500 kilometers, Egypt has 339 million consumers.	• Many importers indicate lack of US 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. • Importers are largely unfamiliar with U.S. export controls, procedures, standards, and certifications.

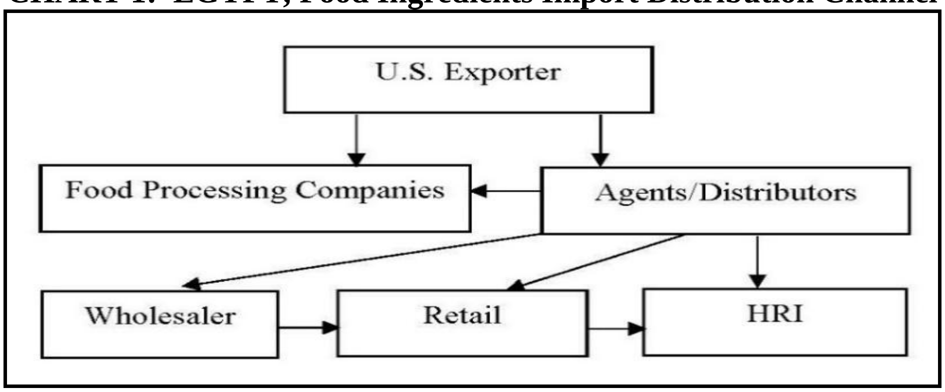
• New-to-market products benefit from the recent expansion of supermarket and hypermarket chains.	• Higher tariffs often levied on imported consumer-oriented products.

SECTOIN II: 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 (EG18004) - Egypt Food Processing Ingredients 2018, GAIN EGYPT (EG18014) - Egypt Retail Foods Guide 2018, and GAIN EGYPT (EG18022) - Egypt Food Service – Hotel Restaurant Institutional 2018).

Market Structure: Egypt's market structure is straightforward. Importers are food processors, manufacturers, and or agents/distributors of these. Larger companies source their 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: FAS Cairo (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 imported. There growing availability packaged food products.

SECTION III: IMPORT FOOD STANDARDS AND REGULATIONS AND IMPORT PROCEDURES

Customs Clearance: Ministry of Foreign Trade and Industry Decree 770/2005 (October 2005) establishes the General Organization for Export and Import Control (GOEIC) as the national authority responsible for the inspection and certification of food items. It is responsible for processing customs documents for food imports, as well as issuing the results of inspections through a certificate of conformity (see GAIN EGYPT – FAIRS Egypt Country Annual Narrative 2017, and the GAIN EGYPT – FAIRS Egypt Country Export Certificate 2017 reports).

Documents normally required for food imports include:

- Bill of laden
- 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)
- 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 in any way (see GAIN EGYPT – FAIRS Egypt Country Annual Narrative 2017, and the GAIN EGYPT – FAIRS Egypt Country Export Certificate 2017 reports).

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, to safeguard national interests, and to abide by international standards. The new tariff lines aim to 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. The amendments are not exceptional, taking place each five years to remain compatible with international standards.

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 (see GAIN EGYPT (EG 18002) – Egypt's Food Processing Ingredients Competitive Landscape).

Trademarks and Patents Market Research: In June 2002, Egypt passed the Intellectual Property Rights (IPR) Law 82/2002. The law describes copyright's legal rights and enforcement procedures, expedited trademark registration, and piracy protection (see GAIN EGYPT – FAIRS Egypt Country Annual Narrative 2017).

SECTION IV: MARKET SECTOR STRUCTURE AND TRENDS

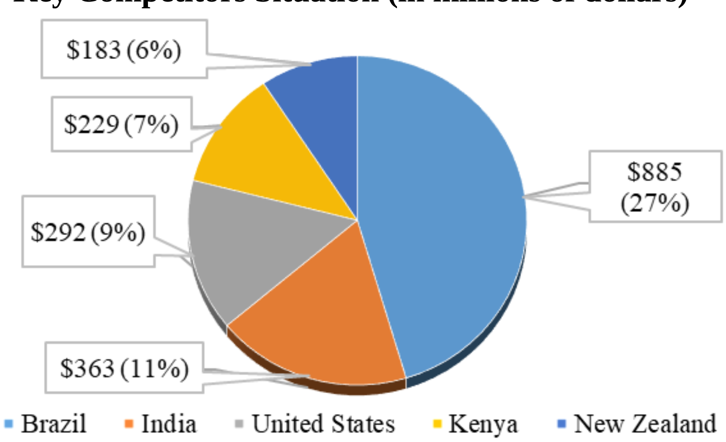
Key Developments for Top 5 Sectors: The 2016 devaluation of the Egyptian pound, and ensuing inflationary pressure on food prices, drove consumers to lower-priced locally produced consumer-oriented products. This shift contributed to the food-processing sector's expansion (see GAIN EGYPT (EG 18002) – Egypt's Food Processing Ingredients Competitive Landscape).

Best Consumer-Oriented Product Prospects: U.S.-origin powdered infant formula and other milk products remain competitive. Egypt is a major market for U.S. beef livers and offal; exports in calendar year (CY) 2017 (January-December) reached $70 million. Shipments to Egypt in CY 2018 (January-September) are roughly $49 million. U.S.-origin beef muscle cuts quality is well known, but despite the room for growth, these are restricted to affluent buyers (see GAIN EGYPT (EG18022) - Egypt Food Service – Hotel Restaurant Institutional 2018).

Table 2: Egypt, Company Profiles and Top Retailers

Company	Activity	Outlets	Remarks
Carrefour	Supermarket/Hypermarket	24	Domestic & Imported Goods
Mansour Group	Retail/Distribution	102	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	256	Primarily Domestic Goods
Kazyon	Retail	182	Primarily Domestic Goods
Gourmet Egypt	Retail	8	Domestic & Imported Goods
Alfa Market	Retail	6	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	

Key Competitors Situation (in millions of dollars)



Source: Global Trade Atlas, FAS Cairo office research.

Best High-Value, Consumer-Oriented Products Prospect Categories: Egypt's imports of food and beverage ingredients and additives is growing. Post attributes growth to the expansion of the Egyptian food processing and manufacturing industry. Expansion is aided by the government imposing low to no tariff on these imported products.

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), are imported products high in demand. 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 have nonetheless good potential.

The top consumer-oriented imports (all origins) in CY 2017 were beef ($995 million), beef livers ($299 million), black tea ($254 million), apples ($209 million), food preparations NESOI ($153 million), concentrated milk and cream ($123 million), frozen chicken ($119 million), and butter ($88 million). Products present in the market, which have good sales potential, such as cheese, infant formula, wine, peanut, bread flour, sauces, dressings, syrups, beef liver, black tea, food preparations, concentrated milk and cream, frozen chicken, and butter, continue to represent good prospects for U.S. exporters.

U.S.-origin products not present because they face significant barriers include fresh apples due to high tariffs and poultry parts (i.e., chicken leg quarters) due to non-tariff barriers. The Egyptian government prohibits the importation 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 – FAIRS Egypt Country Annual Narrative 2017, and the GAIN EGYPT – FAIRS Egypt Country Export Certificate 2017 reports).

SECTION V: AGRICULTURAL and FOOD IMPORTS

Table 3: Egypt, 5-Year Food and Agricultural Imports, CY 2013-18 (January-December)

Description	United States Dollars (millions)										YTD Jan-Jun				% Change 2017/2018	% Change 2017/2018
	2013		2014		2015		2016		2017		2017		2018			
	World	U.S.	World	U.S.	World	U.S.	World	U.S.	World	U.S.	World	U.S.	World	U.S.	World	U.S.
Total	$14,318	$1,713	$11,597	$2,034	$10,628	$1,234	$9,886	$959	$8,825	$947	$3,934	$465	$5,000	$939	27.1	101.84
Oil Seeds Etc.; Misc. Grain, Seed, Fruit, Plant Etc.	$1,281	$319	$1,353	$411	$1,000	$243	$896	$105	$1,057	$377	$486	$186	$864	$540	77.69	190.31
Meat And Edible Meat Offal	$1,200	$220	$1,687	$275	$1,989	$260	$1,764	$225	$1,508	$238	$439	$111	$721	$145	64.05	31.25
Cereals	$4,663	$607	$5,237	$812	$4,316	$324	$4,103	$217	$3,820	$86	$1,901	$41	$1,945	$87	2.32	114.68
Dairy Prods; Birds Eggs; Honey; Ed Animal Pr. NESOI	$768	$142	$890	$129	$760	$39	$666	$25	$451	$24	$222	$10	$365	$27	64.32	168.83
Edible Fruit & Nuts; Citrus Fruit Or Melon Peel	$399	$31	$504	$27	$707	$30	$596	$35	$321	$10	$191	$8	$159	$17	-16.74	112.6
Fish, Crustaceans & Aquatic Invertebrates	$432	$3	$568	$8	$557	$3	$499	$3	$542	$6	$235	$4	$329	$4	40.06	-2.95
Edible Vegetables & Certain Roots & Tubers	$590	$3	$578	$4	$532	$3	$560	$2	$430	$2	$167	$1	$178	$2	6.51	111.3

Live Animals	$80	$0	$138	$0	$164	$0	$160	$2	$129	$1	$45	$0	$105	$2	133.07	N/A
Lac; Gums, Resins & Other Vegetable Sap & Extract	$28	$2	$22	$1	$23	$1	$24	$2	$17	$1	$8	$1	$10	$0.46	28.33	-49.44
Live Trees, Plants, Bulbs Etc.; Cut Flowers Etc.	$2	$0	$2	$0	$2	$0	$2	$1	$2	$0	$0	$0.10	$2	$0.46	446.89	335.74
Coffee, Tea, Mate & Spices	$495	$0	$528	$1	$502	$0	$535	$0	$477	$0	$199	$0.11	$279	$0.43	40.23	243.16
Products Of Animal Origin, NESOI	$25	$0	$41	$0	$30	$1	$30	$0	$34	$0	$19	$0	$26	$0.38	34.34	N/A
Milling Products; Malt; Starch; Inulin; Wht. Gluten	$42	$1	$45	$1	$42	$1	$49	$1	$34	$0	$20	$0.13	$16	$0.09	-19.15	-26.76
Vegetable Plaiting Materials & Products Nesoi	$4	$0	$4	$0	$4	$0	$3	$0	$3	$0	$1	$0	$2	$0.01	18.64	N/A

OBS: Import values reported in Cost-Insurance-Freight (CIF) terms.
Source: Global Trade Atlas, FAS Cairo office research.

SECTION VI: KEY CONTACTS 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

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/

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/

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

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, Ramsis 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

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 ● +20-122-782-5233
Email: info@fei.org.eg ● Website: http://www.mvegypt.com/egycfi/en

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, Phone: +20- 2- 2794-4338/ 8224/ 8184 ● +20-2- 2795-8481
Email: 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
Email: mfti@mfti.gov.eg ● Website: http://www.mti.gov.eg/English/Pages/default.aspx