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Snacking in Egypt

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Snack Foods

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Report Highlights:

With its population growing and an extensive distribution network and low prices, sweet and savory snack demand in Egypt is expanding. Consumers in the Egypt spent close to 8 billion Egyptian Pounds, (1.33 billion USD) on salty snacks, sweets and other treats last year. Sales grew by five percent in 2011 compared to 2010, but on a volume basis, the category posted a decline of 3 percent due to inflation and economic condition post-revolution.

Despite this decline, the salty snacks market in Egypt has attracted new investors even post-revolution, with five new brands entering the market in 2011 supported by heavy media campaigns. Currently the salty snacks market is estimated at 130,000 tons per year with the potato chip category leading the field with a 60% share.

General Information:

Egyptians throughout history have been fond of sweets and snacks. Ancient Egyptians illustrated their passion for sweets through drawings on the sides of the Abu Simbel temple in Aswan back in 2600BC. Sweet and salty treats became a part of the Egyptian culture and the tradition has launched an industry that continues to grow.

Snacks, as a sector, are the least affected by inflation due to high demand and low price. Salty snacks are particularly popular and make up 44 percent of the confectionary market and consumers in Upper Egypt, mostly rural population, are particularly fond of them.

Chocolates and biscuits are the second biggest categories with 18 percent and 14 percent of the market respectively. Just as with salty snacks, both biscuits and chocolates have attracted new investments in 2011, mainly from Turkish manufacturers.

The cake and croissants category represents 13 percent of the confectionary market and is dominated by a large local manufacturer who has almost LE 1 billion in annual sales.

Despite stagnation in 2011, investors are still interested in the Egyptian market given its large size. This sector has also proven to be good investment especially post- revolution as it has managed to maintain growth despite the economic and political upheaval.

Sweet and savory snacks

Sweet and savory snacks in Egypt performed well in 2010, with volume sales reaching 52,000 tons and sales of LE 1.4 billion. The availability of a diverse range of sweet and savory snacks in terms of both price and flavor is significant and contributes to the category's favorable position. Successful marketing strategies and promotions such as offering new flavors and larger packaging sizes for the same price, also contributed significantly to the favorable performance of sweet and savory snacks in 2010.

Furthermore, the availability of sweet and savory snacks across all grocery retail channels from supermarkets and hypermarkets to small grocery retailers and kiosks, allowed Egyptian consumers of all income groups, to find sweet and savory snacks anywhere throughout the country.

The sweet and savory snacks market categories in Egypt include: Chips/Crisps, Extruded Snacks, Fruit Snacks, Nuts, Popcorn, Pretzels and Tortilla/Corn Chips

Chipsy for Food Industries Company SAE, continued to lead sweet and savory snack industry in Egypt during 2009 with 52% of the market. Chipsy markets a wide variety of food brands including its leading brand Chipsy as well as Crunchy, Cheetos, Doritos, El Abtal, Lay's and many others. The sweet and savory snacks brand of Chipsy is one of the most popular among Egyptian consumers.

Sweet and savory snacks are expected to grow steadily during t 2012, with volume growth of 5% and constant value growth of 4% expected. Sales will be led by chips and crisps, the most popular type of sweet and savory snacks among children and adults alike. Egypt's current population growth, combined with extensive distribution and low unit prices, will lead to sweet and savory snacks remaining popular in Egypt throughout the forecasted period.

Sugar confectionery

Sugar confectionery continued to remain a popular segment in Egypt. A large segment of the Egyptian population falls below the poverty line and eating sweets regularly is part of their diet as they are not as health conscious or aware of the risks that these snacks pose.

El Rashidy El Mizan Confectionery continued to dominate the segment in 2009 with a 22% share. They produce the Halva product which is the most popular seller within the sugar confectionery segment. Halva is consumed mainly by the lower income majority.

The sugar confectionery demand is expected to continue to grow by 1% in value terms and 2% in volume terms. Both of these growth rates are relatively low, as the economic crisis in recent years has caused people to curb their spending or spend on cheaper products than they previously had. However, companies are not expected to witness severe losses, as consumers get used to certain sugar products that they have been consuming for many years and are likely to cut out other items they consider luxuries in order to save money.

Biscuits

Biscuits sales remained the second most popular category within the bakery segment in Egypt due to their wide appeal to all ages and income groups. Biscuits are eaten in various forms and flavors. Sweet biscuits remain the most popular due to their association with teatime which is a national pastime in Egypt. The Egyptian Company for Food (Biscomisr) continued to lead the biscuits segment in 2009, capturing a 14% value-share of the total biscuits segment. The company has had a presence in the country for many years and has created a renowned brand name for itself by continuously upgrading its quality and distribution patterns in order to capture as much of the segment as possible. Its brands include Choco, Dandosha, Date Bars, Lux, Maamoul Bisco Misr, Marie, Marie Ica, Nice, Picnic and Ramsis. Lux continues to remain its most popular brand with a 3% value-share.

Biscuit sales are expected to grow by 2% in constant value terms and 4% in volume terms during 2012. This segment remains popular with the majority of the population who fall below the poverty line due to their low cost. Biscuits are also a popular snack as they are high in carbohydrates and more filling.

Impulse and indulgence products

The confectionary items placed on store counters such as milk products, ice cream, snack bars, cupcakes, gum and beverages grew in 2011, due to their appeal to a large customer base in Egypt. With the population of Egypt steadily increasing at 2% annually and now approaching 85 million, demand continues to grow.

Edita for Food Industries was the company with the largest market share at 6%. This is due to the company's wide portfolio of products such as Molto, Hoho's and Twinkies. The company has a strong distribution system and very effective distribution channels. The company is the only food manufacturer to reach a large number of small kiosks in Egypt, making their products accessible to most consumers, especially children. The launch of the new cake Todo is also adding more strength to the company and increasing brand awareness. The launch was accompanied by a heavy advertising campaign on television channels, radio and billboards across the country.

Impulse and indulgence product sales are expected to reach LE 6 billion by 2015. This is a positive growth rate, especially considering the economic climate. However, value sales are not expected to rise dramatically over the forecasted period as companies strive to keep production costs down.

Nutrition Staples

Unpackaged artisanal bread (balady bread) remained the most important bakery category with sales of LE 24 billion in 2010 (USD 4 billion). This is mainly due to most Egyptians having extremely low disposable income and consume balady bread as it is cheap and widely available; it has been the staple of the Egyptian diet for many years. The Egyptian government provides this subsidized bread to the entire population and it is considered a political commodity. Tight regulations have been placed to control production and distribution of balady bread, however, subsidized flour is leaked on to the market, creating a crisis in the supply to legitimate distribution channels.

Artisanal products led sales in the nutrition staples market with just over 60% of sales. This is largely due to the fact that they are substantially cheaper than packaged products and therefore appeal to the large lower income population.

Multinational Corporate Presence in Egypt:

Kraft Cadbury Schweppes Plc is the market leader with almost 13% of the Middle East market. The company's Egyptian operation, known as Kraft Cadbury Egypt Group, is the leading manufacturer of chocolate (Cadbury Dairy Milk, Moro, Allora, Gersy, Mandolin, Kraft brands), sugar confectionery (Jelly Cola, Jelly Juice, and Jelly Mix), and gum (Chiclets, Hearty, Trident, Adams, Blox) in Egypt. Now with over 80 confectionery product offerings, the company has a stronghold in the Middle East with a particular presence in Egypt, where the corporate giant has almost 50% of market share for confectionery.

Mars Inc has a regional office in Egypt. In the Middle East, the company has gained significant brand recognition with its Snickers®, Mars®, M&M®, Twix®, Bounty®, Skittles®, and Galaxy® brands. With more than USD 3 Billion sales in 2010-2011.

Other major multinational companies with sizeable sales in Egypt include Nestle, Unilever and Perfetti Van Melle Group among others. Together, these four multinational companies account for 10.2% of the retail market in the Middle East and they compete intensely for additional sales.

Most Middle Eastern markets rely on imports to meet their demand and the confectionery market is poised for growth in the years to come. Increased competition from local producers and foreign suppliers is anticipated. European producers are the main source of competition to the American companies at least when it comes to imports. This is particularly true within the chocolate segment since developed countries, like those within the EU, tend to be mature markets for confectionery, growth will come from markets such as Egypt.

Most exports come from Italy, Spain, Germany, and Belgium. Companies from the EU have strong brand recognition and are associated with premium quality and product innovation. Although U.S. products are perceived to be of high quality, awareness of U.S. brands other than industry leaders like Wrigley or Hershey is relatively low. Some traders have also reported that consumers simply prefer the taste of European products over competing American, especially for chocolate because it is considered smoother and more sugary.

Sugar-free and nutritional candy is a developing sector in the Middle East. Low sugar or sugar substitute candies using Maltitol are now being imported and are gaining popularity in the Egyptian market as

consumers become more health conscious.

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