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GAIN Report

Global Agricultural Information Network

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Tunisia

Exporter Guide

2010 Tunisia Exporter Guide

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Report Highlights:

All sections of the Exporter Guide report have been revised, mainly to update economic data and import regulations.

Section I: Market Overview

1.1 Economic Situation

Tunisia is relatively a stable and diversified economy; with leading sectors include agriculture, manufacturing and services. After decades of heavy state intervention in the economy, several economic reforms were introduced in the mid-1980s enabling Tunisia to achieve an average GDP growth rate of 5 percent per year since 1994. This economic performance is very often hailed as a model for other African and Middle Eastern countries and allowed Tunisia to be one of the few developing countries in the region to have moved into the "middle income" category. Tunisia's competitiveness improved from 38th to 32nd position, according to the ranking of the 2010-2011 Davos World Economic Forum Global Competitiveness Report. Tunisia preserves the lead within Africa, based on the strength of its efficient government institutions, high level of security and an educational system that ensures a good quality of education.

In recent years, good economic policies and structural reforms accompanied by trade openness allowed Tunisia to achieve higher growth and strengthened its position to face the challenges presented by global economic crisis. In 2009, real GDP growth slowed down from 4.6 percent in 2008 to 3 percent, reflecting mainly a decline in the manufacturing sector and a fall in exports of mining/phosphates (down 50 percent) and oil (down 35 percent) principally to EU countries. This drop was partially offset by an improved agricultural production and higher services activities. Unemployment continues to plague Tunisia's economy and is aggravated by a rapidly growing work force especially the young and the skilled workers. The Tunisia government has changed its methodology for measuring the unemployment rate in 2010. Officially, there is 13.3 percent of the Tunisian work force is unemployed in 2010. Tunisia is expecting a GDP growth rate of 3.8 percent in 2010, and projecting a rate of 4.8 percent for 2011.

Historically, the main Tunisian exports are crude oil, minerals, manufactured goods, and agricultural products. Tunisian imports are mainly textiles, machinery and equipment, hydrocarbons, chemicals, and agricultural and food, particularly cereals. In 2009, due to a drop in demand by Tunisia's major importers, exports dropped 17.6 percent, while imports declined 15 percent, reducing the total trade balance deficit by almost 6 percent. Tunisia's primary trading partners are France, Italy, Germany, Belgium, Luxembourg, and the Maghreb countries. Total trade between Tunisia and the U.S. in 2009 was estimated at \$827 million, a 27 percent decline from the 2008 level. U.S exports to Tunisia remained unchanged, at \$502 million, while imports dropped 142 percent, to \$325 million. The U.S. market share of the Tunisian import market is estimated at 4 percent in 2009, up from 3 percent in 2008. According to U.S. Census data in 2009, the U.S. had a trade surplus of \$177 million, after several years of trade deficit.

TOTAL TRADE (\$Million)	US Exports	US Imports	Balance
2009	502	325	+177
2008	502	644	-142
2007	403	458	-55

Data Source: U.S. Census Bureau, Foreign Trade Statistics

Although relatively high customs duties are levied on the imports of most consumer-oriented

food products, export opportunities do exist as the Tunisian consumers have higher disposable income and more exposure to western-style consumption patterns. U.S. exports have real potential for growth despite a price competitiveness gap with the EU suppliers caused by substantially higher freight costs and preferential access granted under the EU-Tunisia free trade agreement that started in the mid 90's.

1.2 Key demographic developments and their impact on consumer buying habits

With ten million consumers growing at annual rate of 18 percent and enjoy an average per capita income of \$4,125, the Tunisian market represents a good import market. This per-capita income is among the highest in North Africa and is projected to rise to \$4,195 by 2011. Two-thirds of the population lives in urban cities and nearly one-fifth is living in the Greater Tunis Metropolitan area. Tunisia has a relatively large middle class representing 80 percent of the entire population and enjoying a relatively good social welfare, with ready access to education and health services. Women enjoy equal status to men and make up a sizeable part of the work force. Food items account for about 35 percent of overall household's expenditures and spending on these items is growing by 6.6 percent annually. Urban households spend nearly 65 percent more than rural households.

Advantages	Challenges
The highest disposable income in North Africa and a large middle class.	Price-conscious buyers make it difficult for US exporters to compete in this market
Major European tourist destination requiring consistent high quality food supply.	Geographic proximity to Europe and the lack of direct shipping lines from the US resulting in long transit times and higher export costs
Expanding modern retail food distribution channels such as supermarkets and hypermarkets that sell imported food products	Heavy French orientation of a large segment of the Tunisian agribusiness establishment
Imported products are generally highly recognized among consumers and institutional services for quality and safety	Relatively small market

The typical Tunisian diet relies on staples such as couscous, a famous dish in North Africa made from durum wheat meat, fish or chicken, along with various vegetables. Pasta and olive oil are also popular as Tunisian cuisine is, to a certain extent, influenced by the Italian cuisine. Seafood is a mainstay of the Tunisian diet. Candies and sweets are also popular.

Section II: Exporter Business Tips

Doing business in Tunisia very often needs agents/distributors that are crucial to introducing new products into the Tunisian market. Both commission agents and distributors may represent foreign businesses. The official language is Arabic, and the second language is French. Although Tunisian businessmen perceive U.S. agricultural products to be of high quality, many

are reluctant to pay substantial quality premiums, as price remains the most determining factor. Therefore companies embarking on doing business in Tunisia should be prepared for relatively demanding price negotiations.

Food standards are in general similar to those prevailing in developed countries as Tunisia is heavily relying on Codex Alimentarius standards when setting its own food safety measures. According to the Consumer Protection Law of 1992, Arabic has to be one of the languages used for product labeling (decree # 2003-1718) while the measuring system in use is the international metric system. If pork meat, pork fat, beef fat or alcohol is one of the ingredients it should be clearly mentioned on the label. Labeling is also mandatory for all foods and food ingredients containing genetically modified organisms (GMO).

The Tunisian currency, the Dinar, is not fully convertible. The banking system is strictly supervised by the Central Bank of Tunisia, which has several restrictions on capital outflows. However, the Dinar is convertible for trade and investment transactions. The Government of Tunisia is carrying out reforms aimed at the full convertibility by 2014, but this unlikely to happen at that time. During the period January to August 2010, the value of the Tunisian Dinar declined 11.5 percent vis-à-vis the U.S. dollar and appreciated slightly (0.5 percent) against the Euro

Business etiquette is quite similar to western countries. The Tunisian weekend is Saturday and Sunday. During fasting in the holy month of Ramadan the workday is shorter and it is advisable to be concise and to avoid lengthy meetings. When invited into someone's home, it is common for guests to bring a small gift as a token of appreciation. Commercial advertising is well developed in Tunisia with TV and newspapers providing the main venue for ads. Posters, lotteries and sponsorship of event are also very common. Tunisians, especially those with high income, like to buy brands/trademarks with 'westernized look' advertized in foreign satellite TV commercials and foreign newspapers.

The majority of food products imported to Tunisia are subject to technical quality control procedures prior to customs clearance and the issuance of a document called 'Autorisation de Mise à la Consommation' (AMC). The list of the products concerned by the technical control is regularly published in departmental orders and establishes three distinct modalities:

1. List A includes all goods submitted to a systematic control i.e. a conformity assessment with or without sampling for further laboratory testing to be undertaken at each shipment regardless of whether the product has or has not been tested in the past. This list includes virtually all processed agricultural products.
2. List B includes products submitted to the so-called certification regime whereby customs clearance is granted for goods accompanied by a certificate issued by the country of origin and stating that those goods are in compliance with international standards. Agricultural products are not among products subject to the certification regime.
3. List C includes products submitted to a conformity assessment with the conditions defined by a GOT-sanctioned specifications book (Cahier des charges). Agricultural products submitted to 'cahier des charges' are mostly bulk and intermediate agricultural products.

Section III: Market Sector Structure and Trends

Although Tunisia remains mostly a bulk market for U.S. wheat and coarse grain, especially during drought years, many export opportunities exist for U.S. consumer-oriented food products and beverages. There are several factors that make Tunisia's consumer-product market increasingly attractive to U.S. exporters:

Expanding modern retail food outlets: The retail sector in Tunisia has seen significant changes in the last ten years fuelled by the expansion of modern distribution outlets, supermarket and hypermarkets. Although the traditional distribution network, based on over 250,000 neighborhood grocery shops, continues to dominate the Tunisian market, modern distribution channels are growing rapidly. Since the opening of the first French hypermarket Carrefour in 2001, two new international brands were introduced into the market (Champion and Casino) while the main state supermarket chain "Magasin General" was fully privatized in 2007. Currently, there are roughly 220 modern food retail outlets: 2 hypermarkets, 150 supermarkets and 100 'Superettes' (self-service food outlets with area less than 500 sq. m). Fresh fruit and vegetables as well as fishery products are also sold in local out-door markets "souk".

Franchising: After a long opposition to franchising, the GOT is encouraging investment in this area to help create new jobs and technology transfer. In August 2009, the Tunisian government approved legislation defining franchising for the first time. Before the approval of this law, franchises permission to open and operate on a franchise was accorded in case-by-case basis. In August 2010, the Tunisian government issued a ministerial decrees outlining contract provisions and publishing a sectoral list in which franchises would need no prior authorization to operate in Tunisia. Franchises on this list will be able to operate like any other foreign business in Tunisia, while the franchises that are not on the sectoral list, such as the food franchises, must obtain an approval to operate. The U.S. franchises are currently under-represented in Tunisia. This may represent a good opportunity for U.S. companies to enter and benefit from this fast growing market.

Growing middle-class: Roughly 80 percent of Tunisian consumers are considered middle class and thus have significant purchasing power. According to the latest survey by the National Statistics Institute's (INS) conducted in 2005, Tunisians spend on food nearly 6.3 billion TD a year (about \$5 billion), mainly to purchase staples like bread, pasta, semolina, cooking oil and dairy products. Other items that used to be considered luxury goods, such as salty and sweet snacks, fruit juices or fresh fruits are increasingly popular. Tunisia's growing young population is also adding to this factor. In fact, youth population group represents a large part (55 percent of the total population is under the age of 30) and is more open to western-style food products. In addition, there are about 6 million tourists who visit Tunisia annually and offer opportunity of selling high processed food products.

The food processing sector

The food processing sector accounts for about 1,066 enterprises producing for a value of \$6,000 million and contributing with a value added of 1,316 million \$ in 2008. The food processing sector demand for imported high-value ingredients is steadily increasing, with more sophisticated products licensed by multinational food companies such as Nestle and Danone. Agricultural and food imports by the food processing sector in 2009 were estimated at \$1,514 million compared to \$937 million in 2002. Cereals and products, oils and sugar derivatives account on average for 80 percent of Tunisia food imports. The Hotel and Restaurant Industry

(HRI) is not perceived as a separate market, for most hotels and restaurants source their food needs either through annual tenders or use the same distribution channels used by households. In addition to domestic customers, this sector caters to more than 6 million tourists visiting Tunisia each year. High-end hotels do import spirits, wines and specialty cheese either directly or via import companies.

The following table shows the number of food processing companies broken down by sub-sectors. For each sub-sector there are off-shore companies whose operations are geared toward export and on-shore companies, i.e. those working mainly for the domestic market.

Activity	Off-shore companies	On-shore companies	Total
Oils and fats industries	14	312	326
Fruits and vegetables industries	17	45	62
Cold storages facilities	56	81	137
Seafood industries	39	37	76
Cereals and derivatives industries	4	234	238
Beverage industries	8	51	59
Dairy industries	-	37	37
Sugar and confectionary industries	2	24	26
Meat industries	1	24	25
Other food processing industries	21	59	80
Total	162	904	1066

Source: Tunisia Industry Promotion Agency-June 2008

Section IV: Best high-value product prospects

As mentioned earlier, owing to an expanding middle-class and the consequent change of both consumption patterns and distribution channels, the Tunisian market is evolving in a way creating real export opportunities for value-added consumer-oriented products (COP). The consumer-oriented products that have good prospects to perform best in the Tunisian market include: Tree nuts, dried fruits, cookies, sauces, condiments and mixed seasoning and breakfast cereals.

Apart from food products, there is also a good market opportunity for U.S. agricultural equipment in Tunisia, particularly in grain storage where Tunisia experiences frequently significant shortages. Also, there are a good opportunities for U.S. suppliers of concrete and portable grain silos as well as elevators exist in Tunisia.

The best approach to enter the market for new exporters is to identify a suitable importer, i.e., an importer with proven experience in handling the targeted products. U.S. exporters are encouraged to check the credentials of the importer. Another alternative is to contact major retailers directly, as some of them have subsidiaries dealing with local and international procurement. Through various activities, the USDA/FAS office in Tunisia is able to help in

matching new-to-market exporters with appropriate potential business partners or to conduct specially tailored inquiries for U.S. companies seeking export opportunities in this emerging market.

Section V: Key Contacts and Information Sources

The Office of Agricultural Affairs (OAA) at the American Embassy is the USDA/FAS office in Tunisia. It provides trade servicing and market intelligence. Services offered by OAA include market briefings, lists of importers, setting up agendas and meetings.

US Embassy/ USDA-Foreign Agricultural Service Contacts

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Fax : 216 71 107 101

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Other Contacts:

Directorate General for Veterinary services (DGSV)

Ministry of Agriculture, Environment and Hydraulic Resources

30, rue Alain Savary, 1002, Tunis, Tunisia

Phone: 216 71 786 833

E-mail: : mag@ministeres.tn

Directorate General for Agricultural Production (DGPA)

Ministry of Agriculture, Environment and Hydraulic Resources

30, rue Alain Savary, 1002, Tunis, Tunisia

Phone: 216 71 786 833

E-mail: : mag@ministeres.tn

Directorate General for Crop Protection and Quality of Agricultural Products (DGPCQPA)

Ministry of Agriculture, Environment and Hydraulic Resources

30, rue Alain Savary, 1002, Tunis, Tunisia

Phone: 216 71 786 833

E-mail: : mag@ministeres.tn

Directorate of Quality and Consumer Protection (DQPC)

Ministry of Commerce

Address:37,av.Keireddine Pacha, 1002 Tunis

Phone: (216) 71 890-070 / 890 337

e-mail: mcmr@ministeres.tn

National Agency of the Sanitary and Environmental Control of Products (ANCSEP)

Ministry of Public Health

Adresse : Appt. Idriss - 3ème Etage - Bloc N°9 - Cité Elmhiri - Berges du Lac - 2045 Tunis

Phone : +216 71 960 222

e-mail : thouraya.attia@ms.tn

Institut National de Normalisation et de Propriété Industrielle (INNORPI)

Standards setting and intellectual property enforcement authority

BP 23 - 1012 Tunis Belvédère

Phone: 216 71 785 922

Fax: 216 71 781 563

E-mail: inorpi@email.ati.tn

The Packaging Technical Centre (PACKTEC)

Address : Cité El Khadra, par la rue Alain SAVARY. BP 64 .1003 Tunis.

Tel. : +216 71 772 755

Fax. : +216 71 773 300

Email : Packtec@packtec-tunisia.com

Other relevant websites

- www.cepex.nat.tn: The website of the Cepex (Export promotion agency) which has the full list of has le list of the domestic and international trade shows of interest for Tunisian businessmen
- www.Tunisie-commerce.com: A directory of trade Tunisian companies
- <http://www.tunisianindustry.nat.tn>: the website of the Industry promotion agency
- www.bct.gov.tn: The website of the Tunisian Central bank
- www.smg.com.tn: the website of the leading Tunisian retailer: Magasin General
- www.TunisiaOnline.com: a digital gateway to news and information resources on Tunisia, Tunisia's history, government, culture and environment.

Exporter Guide Appendix I. Statistics

Table A: Key Trade & Demographic Information

Agricultural Imports From All Countries (\$mil) / US Market Share (%) 2009	1814	11.1 percent
Consumer Food Imports From All Countries (\$mil) / US Market Share (%) 2009	894	Less than 1%
Total Population (millions)/ Annual Growth Rate (%), 2008	10,326	1.18 percent
Urban Population (millions)/ Annual Growth Rate (%), 2004	6490	1.83 percent
Number of Major Metropolitan Areas	1	
Size of the Middle Class (millions)/ Growth rate, 2004	8	
Per capita Gross Domestic Product (U.S. Dollars), 2009	4,125 (equivalent US dollars at current prices)	
Unemployment rate (%)	13.3 (2009)	
Per capita Food Expenditures (U.S. Dollars), 2005	519	
Percent of female population Employed	25.4	
Exchange Rate	1.34 TD for \$ 1.0	

Source: Institut National des Statistiques (INS)

Table B. Tunisia agricultural imports

Tunisia Imports	Imports from the World \$Million			Imports from the U.S. \$Million			U.S Market Share (%)		
	2007	2008	2009	2007	2008	2009	2007	2008	2009
Wheat	603	892	316	90	120	9	14	13	2.8
Barley	218	159	12	6	0	0	2	0	0
Corn	147	223	127	135	90	12	91	45	9.4
Soybean oil	129	306	119	4	41	19	5	12	10
Soybean meal	84	122	82	0	0	7	0	0	0
Soybean	0	11.6	108	0	0	93			86
Milk and derivatives	40	65	33	1.8	8.6	0.8	0	1	0.03
Potatoes	54	16	37	0	0		0	0	0
Tea	14	19	18	0	0	0.05	0	0	0
Sugar		130	133	0.3	0.8	0.2	0	0	0

Source: Institut National des Statistiques (INS)+ BICO

