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Egypt

Food Processing Ingredients

Food Processing Ingredients Annual 2018

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Report Highlights:

There are over 7,000 food processing and manufacturing companies in Egypt, generating sales of \$22.2 billion in 2017 (up 55 percent compared to 2016). Egypt imported \$4 billion in food ingredients in 2017; imports from the United States come in with a market share of four percent at \$138 million. The sector has grown with a compound annual growth rate of 22.5 percent [2012-17]. Driving growth is production for domestic consumption and export. Egyptian food companies seek out U.S. food ingredients that can provide a competitive advantage. Top five imported food ingredients groupings include: corn (maize), frozen fish, tea flavored and unflavored, black tea, and milk cream concentrated or sweetened. Food ingredients imported for the food processing and manufacturing sector face minimal tariff to no tariffs.

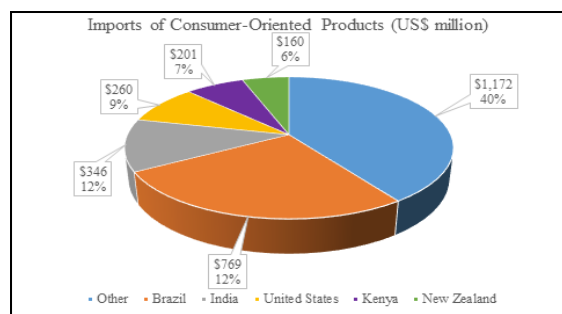
Market Fact Sheet: Egypt

Executive Summary

Egypt's nominal gross domestic product (GDP) in 2017 is estimated at \$194.5 billion; it is forecast to reach \$240.6 billion in 2018. Ninety-five percent of the population lives along the Nile River on five percent of the total land area. The population is growing at 2.45 percent per annum, adding 2 million Egyptian consumers. Egypt is a price-sensitive market, it is struggling due to a weak tourism sector (security concerns remain), government austerity measures, high youth unemployment, and double-digit inflation.

Imports of Consumer-Oriented Products

Egypt imported \$2.9 billion worth of consumer-oriented products in 2017; mainly from Brazil, India, and the United States, as well as from Kenya, and New Zealand.



Food Processing Industry

There are over 7,000 food processing and manufacturing companies in Egypt, generating sales of over \$22.2 billion in 2017. Egypt imported almost \$4 billion worth of food ingredients in 2017; imports from the United States come in at \$138 million, representing a market share of four percent.

Top five imported food ingredients groupings include: corn (maize); frozen fish; tea whether or not flavored; black tea; and milk cream concentrated or sweetened. Food ingredients are imported with minimal tariff to no tariffs for the food processing and manufacturing sector.

Food Retail Industry

Egypt is the largest market and most diversified economy in the Arab world. Egyptian demographic trends will continue to bolster spending. In spite of the immediate inflationary pressures, overall purchasing power is still expected to increase overtime, facilitating consumer purchases of imported food products. Domestic market food sales in 2017 reached \$22.1 billion. Retail sales accounted for \$19.1 billion, or 86 percent of the domestic market sales. Reportedly the retail market is dominated by traditional grocers (\$15.6 billion in sales); alone there are over 115,000 groceries in Egypt. Wet markets account for about \$2.9 billion in domestic market sales. Sources indicate that modern supermarkets sales in 2017 come in at \$3.6 billion.

Quick Facts CY 2017

Imports of Consumer-Oriented Products \$2.9 billion

List of Top 10 Growth Products in Egypt

- | | |
|---------------------|-----------------------|
| 1) Meat of Bovine | 2) Livers of Bovine |
| 3) Black Tea Frmdt | 4) Apples Fresh |
| 5) Food Preparation | 6) Chicken Meat/Offal |
| 7) Milk Crm Cntd | 8) Butter |
| 9) Cheese | 10) Infants Food Prep |

Food Industry by Channels (U.S. \$billions) 2017

Food Industry Output*	\$22.2
Food Exports*	\$3.0
Food Imports*	\$2.9
Inventory	\$0.1
Domestic Market	\$22.1
Retail	\$19.1
Food Service	\$0.11
Wet Market	\$2.89

Note: (*) Processed, consumer-oriented. Figures are rounded.

Food Industry Gross Sales (U.S. \$billions) 2017

Food Industry Revenues
- Food (Domestic market): \$19.2 billion

Top 10 Egypt Retailers

- | | |
|---------------------|--------------------|
| 1) BIM | 2) Kazyoun |
| 3) Carrefour | 4) Ragab Sons |
| 5) Metro Markets | 6) Spinneys |
| 7) El Nil/Al Masria | 8) Fathallah Gomla |
| 9) Seoudi Market | 10) Alfa Market |

GDP/Population

Population (millions): 97.0
GDP (billions USD): \$194.5 (2017); \$240.6 (2018 forecast)
GDP per capita (USD): 12,097 PPP

Sources: World Bank, Economist Intelligence Unit (EIU), Central Intelligence Agency (CIA), FAS Cairo office research.

Strengths/Weaknesses/Opportunities/Challenges

Strengths	Weaknesses
1. Big market 2. Export hub	1. Application of EU standards 2. Complex import regulations
Opportunities	Threats
1. Import dependent 2. Low tariff on food ingredients	1. Trade competitors with free trade-agreements 2. Trade competitors with closer proximity

Data and Information Sources: World Bank, EIU, CIA, World Trade Atlas, FAS Cairo office research.

Contact: FAS Cairo AgCairo@fas.usda.gov

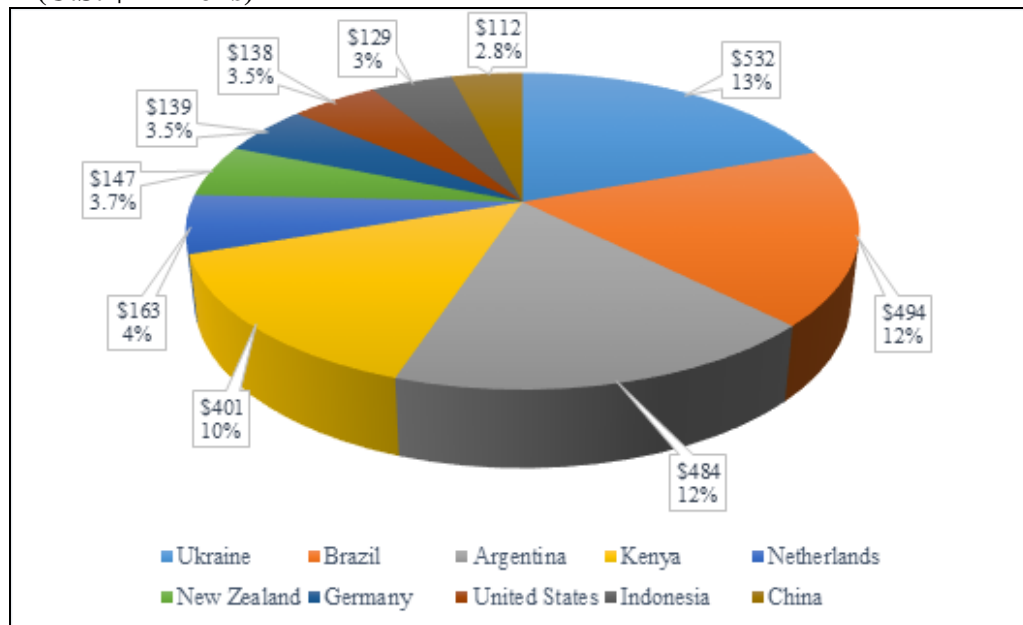
SECTION I. MARKET SUMMARY

Egypt is the most populous country in the Arab world. Ninety-five percent of this North African country's 97 million inhabitants (Central Intelligence Agency – July 2017 estimate) live along the Nile River on five percent of the total land area. The country is predominantly rural with 56 percent of the population residing in rural areas; by 2030, the rural population will drop to 53 percent. The country's population is growing at 2.45 percent per annum, adding 2 million Egyptian consumers every year. The population will surpass 100 million by 2021 and reach 117 million by 2030, making Egypt the 15th largest country in the world in terms of population. Egypt is now one of the world's fastest growing markets for food.

Egypt nonetheless is a price-sensitive market; it is struggling due to a weak tourism sector (security concerns remain), government austerity measures, high youth unemployment, and double-digit inflation. On November 3, 2016, the Central Bank of Egypt floated the Egyptian pound (EGP – pound) in an effort to eliminate the parallel market; this caused the pound to shed close to 60 percent of its value against the U.S. dollar (initially dropping from EGP 8.88 to \$1.00 to EGP 13.75 to \$1.00). With the adoption of a more flexible exchange rate, Egyptian importers of food and agricultural products have seen costs double. The pound's free float makes it vulnerable to volatility in the near- to medium-term. The pound trades at EGP 17.72 to \$1.00.

Egypt's nominal gross domestic product (GDP) in 2017 is estimated at \$194.5 billion; it is forecast to reach \$240.6 billion in 2018 (Economist Intelligence Unit – based on fiscal year date ending June 30). The country has seen real GDP grow by 4.2 percent in 2017, down 0.1 percent compared to 2016; real GDP growth during 2013-17 has averaged about 3.8 percent. Egypt's real GDP growth is estimated to reach 4.9 percent in 2018 and forecasted to come in around the 5.2-5.4 percent range in 2019 (see, [GAIN – EGYPT: Exporter Guide Report 2017](#)).

CHART 1: EGYPT, Food Ingredients and Additives Imports by Origin, 2017 (U.S. \$ millions)



Source: FAS-UNTrade, GTIS, FAS Cairo office research.

In calendar year (CY) 2017, the United States was Egypt’s eighth largest supplier of food ingredients and additives. Some \$138 million in U.S.-origin product was imported by Egypt; representing four percent of the import market share. The top suppliers to Egypt were Ukraine (\$532 million), Brazil (\$494 million), Argentina (\$484 million), and Kenya (\$401 million).

Egypt’s Processed Food Industry: Egypt’s food processing and manufacturing sectors are price sensitive. Driving the sectors growth has been a shift to increased production for domestic consumption and exports. Egyptian consumer consumption of processed and manufactured foods (domestic production plus imports) in dollar terms has dropped from \$32 billion (EGP 180 billion at EGP 5.56 to \$1.00) in 2008 to now about \$25.1 billion (EGP 447 billion at EGP 17.79 to \$1.00) in 2017. The November 2016 devaluation of the Egyptian pound explains the drop in dollar terms. In Egyptian pound terms, consumption has grown with compound annual growth rate of about 10.5 percent [2008-17] in tandem with population growth and increased domestic manufacturing. Local food processors and manufacturers are taking advantage of Egypt’s central location in the Middle East North Africa (MENA) region to increase exports to nearby regional markets.

The Egyptian [Chamber of Food Industries \(CFI\)](#) indicates that there are over 7,000 food processing and manufacturing companies; 5,200 of these are registered with it. According to the chamber, the sector in 2017 generated sales of \$22.2 billion (up nearly 55 percent compared to 2016). Egypt imported almost \$4 billion worth of food ingredients in 2017 (January – November); imports from the United States come in around \$138 million, representing a market share of four percent. Despite competition from European Union (EU) suppliers, Egyptian food companies seek out U.S.-origin food ingredients that can provide a competitive advantage.

Advantages and Challenges Facing U.S.-Origin Food Processing Ingredients in Egypt

Advantages	Challenges
U.S.-origin ingredients have a good reputation.	U.S. exporters face competition from the European Union (EU). Egypt has a free trade agreement with the European Union.
Companies seek new ingredients, especially affordable unprocessed commodities.	Egypt often recurs to EU standards, which do not coincide with U.S. or Codex standards.
There is growing demand for high-value, highly processed ingredients.	Importers often indicate a lack of U.S. supplier interest in Egypt.
The Egyptian food processing is growing; it requires more imported food ingredients.	Import regulations are complex, non-transparent.
Egypt’s food processors and manufactures are exporting to the region. Within 500 kilometers, Egypt has access to 339 million consumers.	Importers are largely unfamiliar with U.S. Export controls, procedures, standards, and certifications

SECTION II. ROAD MAP FOR MARKET ENTRY

Barriers to entry are low, but bureaucratically cumbersome. Egypt requires product registration for special dietary food products, which are those that claim health or nutritional claims such as calorie-modified foods, baby and infant foods, energy foods, diabetic and weight control foods, vitamin and mineral supplements, medicinal herbs, and bottled water (for import requirements and certification

requirements see, [FAIRS – EGYPT: Country Report 2017 - Narrative](#) and [FAIRS – EGYPT: Export Certificate Report 2017 - Certification](#)). U.S.-origin food ingredients are seen as innovative, high quality, and readily available.

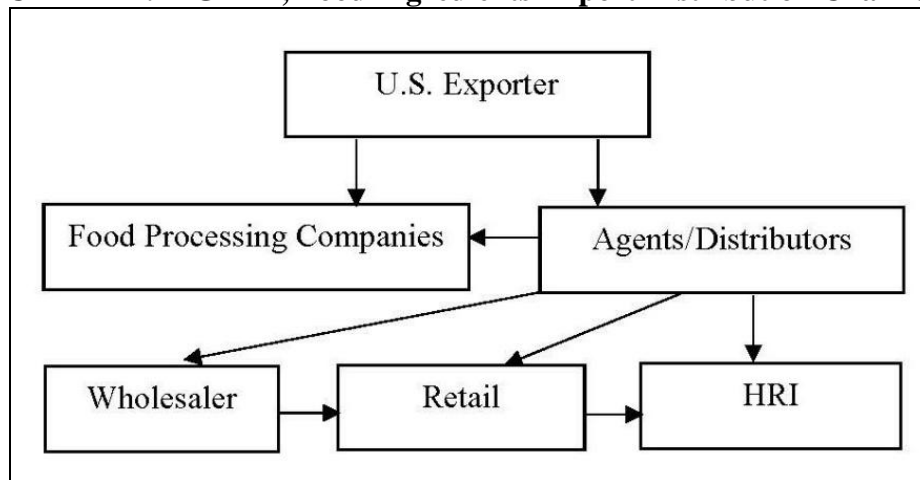
Entry Strategy: For new-to-market exporters, a key strategy for entering the market is to work with a USDA cooperator group. Cooperator groups maintain contact lists, as well as market and promote U.S. agricultural products. FAS Cairo also provides importer lists by sector. U.S. exporters may also contact their respective U.S. State Regional Trade Groups (SRTG) and/ or their State Department of Agriculture for additional market export support.

Import Procedures: Once a relationship is established, visit and keep in close contact with Egyptian partners (see, [GAIN – EGYPT: Exporter Guide Report 2017](#)). FAS Cairo recommends:

- Identify the distribution channel that will best fit the company’s export market strategy;
- Identify a strategic import partner;
- Review sanitary and phytosanitary requirements;
- Request required export/ import permits;
- Forward to the importer copies of customs clearance documentation prior to shipment;
- Support the importer to build consumer demand.

Market Structure: Egypt’s market structure is straight forward. Importers are food processors, manufacturers, or agents/ distributors of these. Larger companies source their food ingredients or products directly to lower prices, guarantee product flow, and for quality assurance. Agents and distributors service the food processing and manufacturing sectors, comprised of numerous fragmented small and medium size companies. Smaller manufacturers tend to purchase reduced quantities, do not import directly, pay in pounds rather than in U.S. dollars; and maintain small inventories (see, [GAIN – EGYPT: Overview of Egypt’s Largest Food Companies by Sales 2018, EG18003](#)).

CHART 2: EGYPT, Food Ingredients Import Distribution Channel



Sector Trends: Egypt’s food processing and manufacturing sector in 2012-17 grew with a compound annual growth rate of about 22.5 percent. Sources indicate that total sales reached \$22.2 billion in 2017 (up 55 percent compared to 2016). The food processing and manufacturing sectors are forecast to grow during the 2017-21 period in Egyptian pound terms, albeit at a slower five percent rate.

Consumer Trends: FAS Cairo attributes the growth in processed and manufactured foods to Egypt's time-starved middle class consumers adopting a more westernized lifestyle. Ready-to-eat frozen meals and instant noodles are increasingly popular time-saving meal options; ingredients for these products often need to be imported. There is also greater availability and convenience of packaged food products.

SECTION III. COMPETITION

U.S.-origin food ingredients compete with European, Middle Eastern, and now also increasingly with African-origin exports. These origins maintain preferential trade arrangements with Egypt; which provide favorable tariff treatment. Shipping proximity to Egypt also often provides exporters in these countries an additional comparative advantage against U.S.-origin food ingredients (see, [GAIN – EGYPT: Egypt's Food Processing Ingredients Competitive Landscape, EG18002](#)).

SECTION IV. BEST PRODUCT PROSPECTS

Egypt's imports of food and beverage ingredients and additives to continue to grow. Post attributes this 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 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. For additional details, see Section II of the [FAIRS – EGYPT: Country Report 2017 – Narrative](#) and the [FAIRS – EGYPT: Export Certificate Report 2017 - Certification](#) reports.

SECTION V. POST CONTACT 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 additional information, see www.fas.usda.gov. See also to our [FAIRS – EGYPT: Country Report 2017 – Narrative](#) and the [FAIRS – EGYPT: Export Certificate Report 2017 - Certification](#), as well as our [GAIN – EGYPT Exporter Guide 2017](#), and [GAIN – EGYPT HRI Food Service Sector 2017](#) 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/egyctfi/en>

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
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Website: <http://www.mti.gov.eg/English/Pages/default.aspx>