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Required Report - public distribution

Date:

GAIN Report Number:

Egypt

Retail Foods

Retail Food Sector

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Report Highlights:

The growth in the consumer food retail sector in 2008 and 2009 was primarily due to continued population growth, relatively strong economic growth despite the global downturn in 2009, and the presence of new international and domestic retail companies. Changes in consumer lifestyle, as Egyptian consumers become more westernized in their work hours and eating habits, along with the presence of more women in the workforce, contributed to increased retail and food service sales. Tourist arrivals also remained strong with over 13 million tourists visiting Egypt in 2009. The economic climate will further improve as the global economic crisis is resolved, breathing new life into the ever growing Egyptian market.

Post: Commodities:
Cairo

Executive Summary:

I. MARKET SUMMARY

While the global financial crisis has reduced the growth rate in the catering business in Egypt by about 15-20%, retail sales have increased by the same proportion due to the expansion of international chains, variety of products offered and an increase in the level of income and brand advertising. The food retail sector in Egypt continues its rapid development. More hypermarkets and supermarkets are sprouting in suburban Cairo and Alexandria in addition to more supermarket chains establishing a position in the rest of the governorates, primarily the Red Sea resort area. Carrefour (France) now operates 6 stores and has a plan to open 18 new stores over the next 5 years including 16 small express stores. Makro Cash and Carry (the local brand of the Dutch Metro chain) expects to open two outlets in 2010. The local Metro supermarket chain has 39 branches now and its affiliated class B and C food chain "Kheir Zaman", operates 21 branches.

a) General Background

- - Egypt's population is around 79 million (2009); the largest cities are Cairo (15 million) and Alexandria (5 million).
- - GDP– current prices (US dollars / 2009): \$188 billion
- - GDP per capita (2009): \$2,380 or \$6,000 on a purchasing power parity basis.
- - Inflation rate (2009): 10.1 percent
- imports (2009): \$44.0 billion
- - Total food and agriculture imports (2008) \$10.9 billion
- - Total U.S. food and agricultural imports (2008): \$1.9 billion
- - Total U.S. consumer oriented products (2008): \$230 million
- - U.S. food and agricultural market share (2008): 17.5%
- - Overall modern retail food service : LE 7.8 billion in 2003 and LE 9.2 billion in 2008 (Source – Euromonitor, although this appears to be an underestimate).

b) Highlights and recent trends impacting the retail sector:

The demand for ready-made foods is growing rapidly as the increasing number of women entering the work force pushes the demand for convenience-based food even further. The traditionally family-run stores are gradually declining in number as the numbers of independent modern supermarkets and hypermarkets rises. The Egyptian market is expanding, especially the number of supermarkets in the rapidly developing upscale urban areas around Cairo. Acceptance of Western products is expected to bring more Western chains into the country.

New entries in the market were led by multinational players. Consumers' lifestyles changed and they started to be more

prone to spend than save. This affected the market positively and brought high growth, which encouraged international companies to enter the Egyptian market. Thanks to the large number of shopping centers, which are frequently visited by shoppers, foreign companies could find ideal retail areas with little risk. The U.S., France, Germany, Italy, Switzerland, Greece, Holland, Denmark, Thailand and China are the dominant suppliers of consumer-ready food products to Egypt.

The introduction of hypermarkets (store area of more than 5,000 square meters), supermarkets (more than 450 square meters), and mini markets (more than 150 square meters) is helping to re-shape the retail industry as well as the shopping habits of customers. One of the biggest challenges to expansion is the limited availability of shelf space. Hypermarkets need a large plot of land for sufficient retail space and storage area and large parking lots which is not available in Central Cairo. However, land is available in the rapidly developing suburban areas.

Sales of packaged food and consumer foodservice in 2009 has increased due to the increase in GDP and the good economic conditions; thus contributing to the growth in retailing. While GDP increased 7.2% in 2008, the economy turned in a relatively respectable 4.7% growth in 2009, thanks in part to government economic stimulus efforts. GDP growth is forecast in the range of 4.5 to 5% in 2010. Socio-demographic factors were also very favorable to retailing, with population growth of 2% over 2009. Home delivery service is becoming very popular among the large retailers. The objective of the delivery service is to create customer loyalty while also providing convenience. Some of the retailers charge an extra small fee for delivery. It is becoming a big business in Egypt since it is convenient for customers with Cairo's infamous heavy traffic and also contributes in hiring many young people.

Internet retailing is a new trend that is currently rising. Many retailers such as Metro and many small retailers are currently viewing the Internet as the number one medium for advertising their products. Internet access has become more affordable for the average citizen recently and many websites have been launched with the intention of increasing consumer expenditures via the web.

The Sinai, Red Sea, Luxor and Aswan regions are currently Egypt's main tourist destinations. This includes the cities of Hurgada, Sharm El Sheikh, Dahab, Soma Bay and Marsa Alam, all of which are heavily populated with tourists from all over the world. The influx of tourists in such areas has encouraged more food retailers to open outlets in Hurgada and Sharm El Sheikh. El-Sheikh Abdallah Group and 24/7 Company opened in Sharm El-Sheikh, and Metro and Spinneys in Hurgada.

The three main formats for retail stores in Egypt are:

A) Hypermarkets:

Hypermarkets have become the first choice for shopping among consumers and have encouraged existing local retailers such as Hyper 1 and multinational companies such as Makro, Spinneys and Carrefour, to enter and expand in Egypt. Rapid expansion has continued in the Hypermarket sector their number has increased by 8% in 2008 with sales reaching \$200 million for the year. International rivals maintain their leadership despite aggressive competition from local operators. It is expected that in the next few years consumers will change their daily shopping habits into more organized weekly ones through use of hypermarkets. Egypt can accommodate 30-40 hypermarkets in the next five years. Currently there are 10 outlets including Carrefour (6), Spinneys (2), Hyper 1 (1) and Al Mercato (1). Four outlets are expected to open in 2010: Makro Cash and Carry (2), Hyper 1 (1) and Ragab Sons (1). Makro, at least initially, plans to operate as a big box

wholesaler, oriented toward food service operators and small retailers who purchase case lots or extra large sizes. About 55% of the sales of the existing hypermarkets are grocery products and 45% are non-grocery. New competitors are likely to enter the hypermarket business including Lulu, one of the leading hypermarkets in the UAE.

Hypermarkets have been well accepted, especially by families. They offer a one-stop shopping experience for their customers. Hypermarkets use economies of scale to keep prices low. Their business model is based on low overhead, expanding the number of stores located in the outskirts of major cities where property prices are lower and selling large volume of goods at low profit margins. The savings are passed along to the consumer. One way in which hypermarkets were able to shave percentage points off their prices is by lowering their packaging costs. They also negotiated contracts with local suppliers to supply a growing line of private label brands therefore employing economies of scale while satisfying a demand for cheap and high quality goods. The desire to sell at the lowest possible prices initially discouraged hypermarkets and supermarkets chains from importing goods which were subject to high tariffs and lengthy customs procedures, however, tariff reductions in Feb 2007 and the prospect of a less burdensome customs clearance process has encouraged these chains to revive plans to stock imported goods.

The opening of City Stars Mall and Hotel Complex in Downtown Cairo in early 2005 caused a dramatic boost to the Egyptian retail industry. This center is the largest shopping mall in the Middle East and North Africa, with a 14,000 square meter Spinney's hypermarket, three international hotels, 16-screen multiplex cinema, food court, living compound, a large play center for kids, a medical facility and a world class business center with 70,000 square meters serving multinational and major local companies. City Stars, set between the two relatively affluent suburbs of Heliopolis and Nasr City, was a natural place to open the first outlet for many international clothing and food stores. The mega-mall complex became a magnet for Cairo's business community and the shopping location for its higher income consumers.

Carrefour was the first international hypermarket to open in Egypt. It succeeded in changing the way Egyptians shop by making it possible to buy everything under one roof with a weekly shopping list rather than visiting a series of small groceries, meat and produce vendors on a daily basis. This change has prompted some local retailers to reinvent themselves. The first branch of Carrefour was fully functional by the end of 2002 and now operates 5 additional stores - four in Cairo (including a small express store) and two in Alexandria of over 8,000 square meters. This French international retailing concept is targeting Egyptian middle-class families and is relying on local goods primarily. The average daily sales at a Carrefour are \$325,000 (the highest is the El-Maadi outlet with daily sales of \$545,000). About 97% of the displayed products are Egyptian and the rest are imported primarily from the EU and Saudi Arabia. Carrefour currently stocks over 530 private label products and is expected to increase this number shortly. The chain has plans to open 18 stores in Egypt over the next 5 years (16 small express ones of 2,000 square meters and 2 larger ones), beginning with a location on the Suez Road that is expected to draw customers from nearby trendy and upscale, Heliopolis. It also intends to open stores in the yet-overlooked Delta cities.

One of the major international newcomers to the retail sector in Egypt is Spinneys, they opened their first 13,500 square meter outlet at City Stars Mall in 2006 and the second one opened in Al-Obour city in the suburbs of Cairo. The average daily sales at Spinneys are \$225,000. The opening of Spinneys has increased competition not just for Carrefour but also for supermarket retailer Metro. Spinneys plans to open branches in some of the capital's most populous areas. Plans are in place to open outlets in Zamalek, Mohandessein, and Sixth of October City.

An Egyptian retailer, El-Hawary, has opened the first domestic-operated hypermarket under the Hyper 1 name in March

2005. The two-story outlet is located in Sixth of October City about 20 Km west of Cairo. It is considered more discount oriented than the average Carrefour market, and appeals to the average and lower income groups. Hyper 1 will open its second branch at Al-Obour city in the beginning of 2010.

B) Super markets:

Even with the increased number of hypermarkets, supermarkets are still one of the most important channels in grocery product sales in Egypt because they are much more fragmented and still monopolized by the local retailers. Sales of supermarkets in 2008 increased by 18% compared to the previous year. The number of supermarkets continued to grow at the expense of older retail format small grocery shops. Their number continued to increase and reached 550 supermarkets in 2008 with a sales value of about \$1.6 billion. 96% of their sales are grocery products and 4% are non-grocery items. Although supermarkets will continue to grow, they will lose market share to hypermarkets as many consumers shift their shopping loyalty to this convenient and modern format. Leading the supermarket pack are: Metro, Kheir Zaman, Ragab Sons, Al-Mahmal, Abu Zekri, Seoudi, Alfa, Abba, Al-Hawary, Zahran, Oscar and Royal house.

The supermarket sector has been progressing rapidly over the past ten years in Egypt.

There are now an estimated 550 independent supermarkets in Egypt built with western style concepts. About 220 of these are in Cairo. Inner-city sites are the most popular as products are mainly aimed at the middle to upper-class customer. Shopping in modern and clean supermarkets with a variety of different products is becoming a lifestyle and leisure activity among Egyptians. There are also a growing number of smaller chains. There are several domestic chains such as Metro, Ragab Sons, Abu Zekri and others featuring open and modern stores with wide product ranges including imported Western products in inner-city areas. The chains may be small in comparison with typical Western supermarket chains but the trend is worth noticing.

Metro Markets has about 39 branches under Metro name and 21 branches of Kheir Zaman as an affiliated sister division for Metro, targeting class B and C consumers. Both offer a wide variety of fresh foods and a quality range of groceries. Metro averages daily sales of \$13,500 per store, compared to \$21,000 for Ragab Sons (15 outlets). In June 2006, Metro opened its first discount store under the Kheir Zaman banner name, and it now has 21 outlets. Kheir Zaman was developed to target the lower income shoppers in the densely populated areas of Cairo. The chain boasts the most competitive prices in the market and provides only local brands or locally manufactured international brand name products. More stores are planned for similar areas. The stores have a promising strategy likely to be a success in the Egyptian market. Metro has purchased 60,000 square meters in 6th of October City as a storage area. The cost of building this new warehouse is expected to reach about \$17 million.

The sales of dried, chilled, frozen and canned/preserved foods are growing fast due to the increased number of supermarkets and hypermarkets, especially in suburbs. Dried processed food sales such as rice, pasta and dehydrated soup reached \$900 million (1 million tons) in 2009. Chilled and processed food –mainly meat and seafood- occupied the second place with a sales value of about \$190 million (35 TMT) in 2009, up by 16% in value and 4% in volume from the year before. Frozen processed food mainly meat, processed meat, poultry, seafood, vegetables and processed potatoes reached \$135 million (33 TMT) in 2009. Canned/preserved food value sales reached about \$75 million (19 TMT) up 12% from the previous year. The most important canned/preserved foods were fish and seafood, meat and meat products, vegetables, tomatoes, beans and canned fruit.

C) Convenience Stores:

Egyptian consumers are beginning to expect cleanliness, quality and a wider variety of products. Consumers are currently asking for convenience and shopping at supermarkets is becoming a leisure activity. Consumers depend less on neighborhood grocery and convenience stores except for last minute spur of the moment food needs. In the suburbs and less developed areas of Egypt, grocery and convenience stores still play an important role in the retail business. Retailing is highly fragmented; largely dominated by single-outlet operations in the largest retailing formats, including independent grocers, food specialists and leisure and personal goods retailers.

The biggest share of the retail market is still held by traditional stores and it will take a long time before supermarkets will acquire a dominant position. It is estimated that 90-95% of the food outlets can be categorized as small grocery stores. Supermarkets account for no more than 5% of the outlets. There are currently around 140,000 small grocery outlets of which only 10,000-12,000 are equipped with freezers; there are no more than 550 outlets that could be categorized as supermarkets, included in this count are the hypermarkets and the medium-sized supermarkets. The rapid growth of the supermarket sector is hindered by the fact that a large part of the population still lives in poverty and is unable to buy products in the more expensive supermarkets.

Sales through modern convenience stores grew steadily in 2009. Their number is increasing. Their total number reached 224 units. Most of them have a sit-in space, which is generally popular with young people, thereby increasing product purchase. The continuous development in new residential areas and roads and the increase number of car owners have contributed in these developments.

Convenience stores are more important in the new residential areas and on the main highways. Hot weather has helped in the increasing number of these stores especially on the highways. The majority of the new established units are very modern, air-conditioned, and offer high quality products and services.

Exxon-Mobil is the leader with about 74% value share with its brands Mobil Market, Esso Snack and Shop, and On the Run. The latter is a unique one with a value share of 31% of the convenience store in 2008 in Egypt. Its leadership comes from the fact that it is a convenient, comfortable modern store for the young Egyptians. It is the only outlet that supports its operations with heavy advertising and consumer promotion.

TABLE 1: ADVANTAGES / CHALLENGES IN THE EGYPTIAN MARKET

ADVANTAGES	CHALLENGES
Out of 80 million Egyptians, about 15 million can afford to purchase imported food products.	Lack of product availability and limited income. Egyptian import regulations such as Halal requirement slaughtering for beef and poultry, and labeling requirements are too stringent.

<p>Products perceived as both Western and new-to-market have a wide appeal to Egyptians.</p> <p>U.S. products are perceived as "high quality."</p>	<p>Lack of U.S. supplier interest in the Egyptian market.</p> <p>Tariff on most processed food products ranges from 20-30% in addition to 10% sales taxes</p>
<p>Expansion of the number of supermarket chains. International companies interested in the Egyptian market include, Carrefour, Makro Cash and Carry Egypt (opens in 2009).</p>	<p>With the growing size of supermarket chains, the desire to introduce a broad array and new-to-market products is strengthening.</p>

II. ROAD MAP FOR MARKET ENTRY FOR U.S. SUPPLIERS

The following facts should be recognized by the U.S. suppliers:

- * U.S. suppliers who are interested in doing business in Egypt are encouraged to visit Egypt in order to better understand the potential of the market.
- * U.S. exporters should closely consult with FAS/ Cairo and importers to ensure that Egyptian import requirements are met in order to avoid unnecessary delays at customs. The customs/health clearance process can easily run up 30 days once products have arrived.
- * Production and expiration dates are mandatory and Arabic/English labels or stickers are required.
- * Egyptian importers can use various tools, such as free samples, advertising, in-store displays, and price discounts during promotional activities.
- * Contact FAS/Cairo to obtain a list of local advertising media; advertisement in monthly magazines is effective when targeting a specific audience. Also, there are specific magazines for hotels and restaurants.
- * FAS Cairo occasionally works with U.S. cooperators to organize a variety of market development activities including in-store promotions, trade shows, cooking demonstrations in cooperation with Egyptian importers, retailers, hotels, restaurants, institutions and companies. For more information, please contact FAS Cairo on how to participate.
- * Shipping consolidated containers is advantageous to importers. Local importers tend to purchase small quantities to introduce and register new-to-market products until they are confident that the product has market potential. In most cases, the market capacity is not ready to absorb a whole container of a single product. However, processed products with nutrition claims, even to being vitamin enriched, must be registered with the National Nutrition Institute prior to importation.
- * American suppliers require that most payments be issued part in advance and the balance to be transferred after the

shipment has sailed and documents are presented. To avoid banks charges and fees, many transactions are conducted through direct money transfers and not through opening letters of credit which in Egypt are expensive and require 100% deposit.

* U.S. suppliers must make sure that products are continuously available in the market in order to build product loyalty. Suppliers should appoint a reliable distributor, who understands the import requirements and cultural practices (halal), to ensure that products are available in sales outlets at all times.

A. ROAD MAP FOR: SUPERMARKETS, HYPERMARKETS, AND DISCOUNTERS

International Supermarkets and Hypermarkets

- Three multi-national food retailers have started to invest in Egypt:
 - Makro Cash and Carry, Egypt has just arrived. Makro will open large wholesale stores for professionals, hotels, restaurants, offices, etc. Product lines will include fresh vegetables and fruits, meat and fish, in addition to dry and canned goods. The company is targeting to open its first two stores in May and July 2010.
 - Spinneys opened its first outlet in Cairo's at City Stars in 2006 and the second one opened in Al-Obour City in the suburbs Cairo. The opening of Spinneys has increased competition not just for Carrefour but also for supermarket retailer Metro. Spinneys plans to open branches in some of the capital's most populous areas. Spinneys plans to open outlets in Zamalek, Mohandessein, and Sixth of October City.
 - The French chain Carrefour has revolutionized the retail industry in Egypt by introducing a new format for hypermarket shopping. Carrefour opened six hypermarkets: four in Cairo and two in Alexandria. The first Carrefour opened in December 2002, covering 28,000 sq. meters of retail space. Two of them opened in 2003, covering 32,000 sq. meters, one opened in 2008, and two opened in 2009. Carrefour is now reporting an average of 17,000 visitors per day on weekdays and 40,000 visitors on the weekends; an average of 7,500 transactions a day during week days and 13,000 daily on weekends. Their focus is on middle-income families and they rely primarily on local goods.

Local Supermarkets and Hypermarkets

- Metro, Egypt's largest food retailer is currently operating 39 outlets in Cairo, Alexandria and Ismailia. Metro plans to expand in other governorates, such as Hurgada and Mansoura. This adds to the rapidly growing retail sector and services to consumers and strengthens Egypt's retail distribution network. Metro carries a variety of products including over 16,000 food items and 6,000 non-food items. The company applies a shop and drop concept in their chains where they can deliver the goods to the customer's door.
- Alfa market was the biggest market in Cairo - with six outlets- before Carrefour, it has only two branches now. Alfa carries about 70,000 items out of which 20,000 are food items. Alfa Market has a strategy of conducting

monthly discount promotions on various products in the range of 10-20%. Also, Alfa created several types of customer loyalty cards, such as “Family Cards,” offering 3-10% discounts.

- Hyper One, a second local hypermarket, has opened in early 2005 on the outskirts of Sixth of October City near Cairo. The project includes 10,000 square meter hypermarket, 20 shops, food court and a children’s entertainment area. It opened its second branch in Al-Obour city, a suburb of Cairo.

Discounters

- With the expansion of local supermarkets, international supermarkets and hypermarkets, discounters have recently upgraded their outlets and services to maintain their presence in the Egyptian market.
- Ragab Sons, El-Mahmal and Abou Zekry are leading discounters which face fierce competition from supermarket chains. However, Ragab Sons implemented a promotion strategy on various products with discounts in the range of 10-20%. Also, the chain has extended its operating hours to 24-hour in some outlets.

FAS Cairo Upcoming Activities

- FAS Cairo organizes Egyptian delegations to attend the Food Expos (FMI, Anuga, SIAL, and to Gulfood in Dubai). The objective is to introduce Egyptian importers/distributors to U.S. exporters. With the expansion of the number of supermarket chains and the introduction of hypermarkets in the Egyptian market, there is a good opportunity to introduce new-to-market products.
- FAS Cairo encourages U.S. SRTGs and Cooperators to participate in Egypt’s biggest annual food show called “HACE” which takes place during November. Companies from the Southeastern United States (Florida and Georgia under the umbrella of “SUSTA”) participated in the November 2009 show and exhibited samples from their products. It is expected that more companies will participate in HACE 2010. Post encourages and supports other U.S. associations and companies to participate in this show as it grows in relevance and importance to Egyptian buyers.

Distribution Channels

Importers either sell their products to wholesalers who distribute food products to retail outlets, or sell directly to retailers. There are some supermarkets chains, namely Carrefour, Metro, Fathalla, and Oscar that import food products directly. Carrefour buys some of its meat from a private processing plant which imports live animals and sells imported beef cuts at their stores. There are over 30 food companies that import processed food from U.S. and deliver it to the different supermarkets and hypermarkets.

Distribution channels for Food, alcoholic beverages and confectionery:

Food	<ul style="list-style-type: none"> • Hypermarkets and supermarkets • Large grocery stores
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	<ul style="list-style-type: none"> • Medium and small grocery stores • Hotels and Restaurants
Alcoholic Beverages	<ul style="list-style-type: none"> • Hotels • Restaurants with a license for alcoholic beverages • Liquor shops (very limited)
Confectionery	<ul style="list-style-type: none"> • Hypermarkets and supermarkets • Large grocery stores • Medium and small grocery stores • Petro/gas/service stations • Kiosks • Pastry shops

Table 2: Hypermarkets Profiles (2008/09)

Retailer Name & Outlet Type	Ownership	No. of Outlets	Locations (City)	Purchasing Agent Type
Carrefour	French	6	4 in Cairo / 2 in Alexandria	Direct / Importer
MAKRO Cash and Carry	German	2 (expected to open in May and July 2010)	Cairo	Direct / Importer
Spinneys	International	2	City Stars-Cairo/and 6 th of October	Direct
Hyper one	Local	2 (6 th of October and one expected to open in 2010 in El-Obour/ Cairo)	Cairo	Direct
Markato	Local	1	Cairo	Direct/ importer
Ragab Sons	Local	1 (expected to open in end of 2010 or mid 2011)	Al-Obour/ Cairo	Direct/ Importer

Table 3: Supermarkets profiles (2008/09)

Retailer Name &	No. of	Locations	Purchasing Agent
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Outlet Type	Ownership	Outlets	(City)	Type
Metro	Local	39	Cairo, Alexandria, Ismailia	Direct / Distributor
Kheir Zaman	Local	21	Cairo, Alexandria	Direct/ Distributor
Ragab Sons	Local	15	Cairo	Direct / Wholesaler
El-Mahmal	Local	9	Cairo	Direct/ Wholesale
Fathalla	Local	7	Alexandria	Direct / Importer / wholesaler
Abu Zekri	Local	7	Cairo	Direct
Zahran	Local	5	Alexandria	Direct
El Hawari	Local	5	Cairo	Wholesaler
Seoudi	Local	5	Cairo	Direct
Alfa	Local	2	Cairo & Alexandria	Direct / Importer of household items
Oscar	Local	2	Cairo	Direct / Agent / Importer

Table (4): Number of different types of food outlets

NO. OF OUTLETS	2007	2008	2009
Supermarkets	522	554	580
Hypermarkets	5	6	10
Convenience stores	425	428	430
Cooperatives	225	210	205
Discounters	77	80	82
Independent Groceries	320	325	350

Demand and Supply Trends

- Mid to upper income consumers are becoming more demanding and are increasingly perceiving traditional grocery shops in Egypt as inadequate. Retailers have begun to become customer driven in their approach to staffing,

cleanliness, product range and service.

- Sales of prepared foods are growing rapidly. The increasing number of working women has led to an increase in their purchasing power and the demand for ready made meals.
- Sales of frozen food products are increasing as ethnic frozen locally produced products become available.
- Sales of dietetic or low calorie food items and specialty foods are still limited but growing.
- Most importers tend to bring in a wide range of products, but only in small quantities. With a few exceptions, wholesalers and retailers do not import directly.

B. CONVENIENCE STORES, GAS MARTS AND KIOSKS

Convenience stores, kiosks, and gas marts sell imported candy, snacks, juices and soft drinks. They do not import items, but make their purchases from local importers, wholesalers and distributors. The most popular gas marts are Mobil Mart, Esso, Caltex and Shell. Exxon Mobil, namely “On The Run”, has introduced a new concept of convenience stores. They currently operate about 25 stores and have plans to open 10-15 stores within the next couple of years. The gas station stores called “El-Emirate Misr” have 20 outlets. These stores range in size from 60-200 sq. meters. They are open 24 hours and sell a variety of products including ready-made meals.

La Poire, a well-known patisserie and bakery chain, has conquered the convenience store sector through its chain La Poire Express. The stores are mainly located in gas stations like Cooperation, and offer a wide range of food and beverages, such as the chain’s famous pastries.

- The average gas mart outlet is 30 to 50 square meters with a few exceptions (some Mobil Mart outlets have 100 square meters).
- Average sales differ according to the gas mart location; for example the medium outlet sales are \$4,300/day.
- Dealers are in complete control of the outlets.
- Gas mart profit margins are about 25 percent of sales.

Convenience stores are not suitable for marketing activities or introducing new-to-market products.

C. “MOM AND POP” SMALL INDEPENDENT GROCERY STORES

Small grocery stores offer a limited number of imported food products. It is perceived that the small grocery stores will diminish with the expansion of large supermarket chains and hypermarkets. Small groceries still account for the largest share of low-to-middle-income shoppers.

III. COMPETITION

In 2008, according to UN Trade Data, total U.S. exports to Egypt for consumer oriented products were \$230 million

compared to \$146 million in 2007. This increase is attributed to the expansion of international chains, variety of products offered and an increase in the level of income and brand advertising.

The U.S., EU (France, Spain, Italy, Germany, Greece, Holland and Denmark), China and Thailand are the dominant suppliers of consumer-ready products to Egypt.

The following table illustrates Egyptian imports: main products, main suppliers and U.S. market share:

Egypt's total imports in 2008, and U.S. share

Item	Countries	Total Value (\$000)	U.S. (\$ 000)	U.S. Share (%)
Live animals	Djibouti, Uruguay, Romania	26,146	0	0
Meat and meat offals	India, Brazil, U.S.	614,624	77,842	12.66
Fish and fish products	Netherlands, Vietnam, Japan	269,884	4,398	1.63
Dairy products	New Zealand, U.S., India	483,420	89,860	18.59
Products of animal origin	Spain, U.K., China	41,327	389	0.94
Live trees and plants	Netherlands, U.S., France	1,739	370	21.28
Edible vegetables, roots, & tubers	France, U.K., Canada	367,348	1,352	0.37
Fruits and nuts	Lebanon, Syria, U.S.	128,772	16,045	12.46
Coffee, tea, and spices	Kenya, India, Vietnam	349,852	575	0.16
Cereals	U.S., Russia, Argentina	3,106,178	1,147,631	36.95
Products of milling industries	Italy, Turkey, China	24,645	817	3.32
Oil seeds	U.S., Argentina, Canada	645,184	311,672	48.31
Lac, gums, resins	India, France, Germany	18,201	459	2.52
Other vegetable products and materials	Singapore, U.S., Malaysia	2,615	126	4.82
Animal or vegetables fats and oils	Indonesia, Argentina, Malaysia	1,495,564	79,922	5.34
Preparations of meat and fish	Thailand, Brazil, U.S.	122,294	4,692	3.84
Sugar and sugar confectionery	Brazil, India, U.S.	574,621	16,293	2.84
Cocoa and cocoa preparations	Netherlands, Malaysia, Indonesia	37,475	330	0.88
Preparations of cereals, flour, starch, or milk	Belgium, Netherlands, Saudi Arabia	62,514	1,390	2.22
Preparations of vegetables, fruit, nuts, or other plants	Syria, UAE, China	41,393	3,099	7.49
Other edible food preparations	Germany, Netherlands, Morocco	79,500	5,510	6.93
Beverages, spirits and vinegar	EU, U.K., France	40,656	1,687	4.15
Residues and waste from the food industries	U.S., Argentina, Tunisia	226,755	90,288	39.82
Tobacco and manufactured tobacco	EU, Switzerland, South Africa	280,111	15,249	5.44
Wood and articles of wood	Russia, Finland,	1,161,994	29,140	2.51

	Sweden			
Cotton	India, Syria, China	689,017	12,675	1.84
Total		10,891,829	1,911,811	17.55

Source: Central Agency for Public Mobilization and Statistics (CAPMAS)

Tariff rates for the most important products in 2009

Product	Feb. 2009
Meat of bovine animals, sheep, goat	Free
Poultry	30%
Beef liver	5%
Fish (most types), shrimp	5%
Dairy products	5-20%
Fresh or chilled vegetables	5-10%
Nuts	5%
Tomato paste	5%
Prepared or Preserved vegetables, fruits	20%
Dried fruits	10%
Citrus, grapes, apples, pears, apricots, fruit juices	20%
Cherries, strawberries, plums, peaches	5%
Jams	20%
Coffee: not roasted	Free
Coffee: roasted	10%
Tea, spices	2%
Vegetable oil: Put-up for retail sale	10%
Sugar	2%
Molasses	10%
Chewing gum	30%
Chocolate	10-20%
Mineral water	30%
Beer	1200%
Wine, whiskies	1800-3000%

Source: Tariff book, Ministry of Finance

IV. BEST PRODUCTS PROSPECTS

A. Products in the market, which have good sales potential:

- Dressings and sauces
- Apples and pears
- Nuts and dried fruit
- Juices
- Salted snacks and potato chips
- Mexican or ethnic food items

B. Products not present in significant quantities, but which have good sales potential:

- Microwave popcorn
- Cheese
- Candies
- Baking mixes
- Topping
- Pudding sauces
- Canned shrimps

C. Products not present in supermarkets because they face significant barriers:

- Wine (high tariff rate)
- Beer (high tariff rate)
- Poultry parts (banned)

V. POST CONTACT AND FURTHER INFORMATION

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Other References: www.fas.usda.gov (GAIN reports)

- Food and Agricultural Import Regulations and Standards- FAIRS
- Exporter Guide

Author Defined: