

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Egypt

Retail Foods

Egypt Retail Sector Report – Annual 2018

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Report Highlights:

Demand for food and beverage products is expected to rise in the coming years. The economic policy reforms implemented in 2016 are yielding positive results on macroeconomic stability, but consumers still face high inflationary pressures. The Egyptian retail food sector continues to be dominated by traditional grocery stores, though supermarket chains, convenience stores, and online retailing platforms are growing in number and popularity. Products from the United States face stiff competition from countries with which Egypt has trade agreements; however, opportunities exist for U.S. exporters.

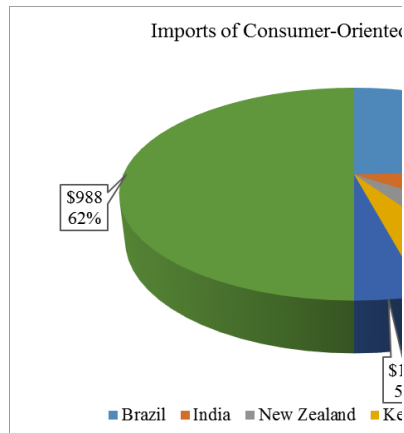
Market Fact Sheet: Egypt

Executive Summary

Egypt faced high inflation in the months following the November 2016 currency devaluation. Upward price pressures have now begun to fall and demand is improving. Higher-income consumers were less impacted by inflation and growing government austerity, while mid to low-income buyers were forced to alter their consumption patterns. Sources in the retail sector expect increasing demand and growth of 15-20 percent over the next five years as consumer purchasing power recovers. Consumer-ready products from the U.S. face stiff competition from suppliers in countries with more favorable trade relationships. In 2017, the highest value U.S. products exported to Egypt were beef liver, infant formula, and tree nuts.

Imports of Consumer-Oriented Products

Egypt imported \$2.6 billion in consumer-oriented products in 2017. Primary suppliers were Brazil, India, New Zealand, Kenya, and the United States.



Food Processing vs. Imports in the Retail Sector

In 2016, the Egyptian government implemented policies that discouraged the import of consumer-oriented products. Importers of ingredients and products for further processing were given priority. There are over 7,000 food processing and manufacturing companies in Egypt, generating sales of over \$22.1 billion in 2017.

Quick Facts CY 2017

Imports of Consumer-Oriented Products US\$2.6 billion

List of Top 10 Growth Products in Egypt

- 1) Frozen Beef
- 2) Beef Liver
- 3) Infant Formula
- 4) Butter
- 5) Black Tea <3kg
- 6) Fresh Apples
- 7) Frozen Whole Chicken
- 8) Cheese
- 9) Chocolate & Cocoa Powder
- 10) Tree Nuts

Consumer Oriented Foods (US\$ billion) 2017

Consumer Oriented Food Sales	\$22.1
Exports*	\$3.5
Imports*	\$2.6
Inventory	N/A
Domestic Sales	\$24.7
Retail	\$24
Food Service	\$0.7

Note: * Refers to consumer-oriented products only.

Top Egypt Retailers

- Carrefour	- Mansour Holding
- Seoudi Markets	- On-the-Run
- HyperOne	- Spinneys
- BIM	- Kazyon
- Gourmet	- Alfa Market

GDP/Population

Population (millions): 97
 GDP (billions USD): \$237.07** (2017), \$336.3 (2016)
 GDP per capita (USD): 12,537 PPP

Though steadily improving, local production remains more limited in terms of quality and variety.

Retail Food Industry

The Egyptian retail foods sector is estimated to be \$24.7 billion. Higher income consumers drive much of the demand for imported products, while middle and lower income consumers are tending toward substitution of imports with domestic alternatives. As incomes recover and purchasing power increases, the market is expected to grow. Retail industry representatives anticipate growth of 15-20 percent in the coming five years. Imports of consumer-oriented food products in 2017 reached \$2.6 billion. Traditional outlets dominate the Egyptian market, representing 98.7 percent of total outlets and around 80 percent of total sales. In spite of this, modern outlets are growing in number and volume of sales. Online retail platforms are also becoming increasingly popular as internet penetration increases.

Sources: International Monetary Fund, FAS Cairo office research. ** IMF GDP estimates as of April 2018.

Strengths/Weaknesses/Opportunities/Challenges

<i>Strengths</i>	<i>Weaknesses</i>
1. Large consumer market 2. Consumer acceptance of U.S. origin products	1. High tariffs 2. Complex import regulations
<i>Opportunities</i>	<i>Threats</i>
1. Growing demand 2. Increase of modern supermarkets, convenience stores and online ordering platforms	1. Trade competitors with free trade-agreements 2. Trade competitors with closer proximity

Data and Information Sources:
FAS Cairo office research.
Contact: FAS Cairo
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SECTION I: MARKET SUMMARY

The Egyptian government unpegged the Egyptian Pound in November 2016, allowing it to devalue markedly and driving up inflation. Core inflation peaked in July 2017 at 35.26 percent before gradually decreasing to its current 11.62 percent (CBE, April 2018). High inflation rates have eroded purchasing power for many Egyptians. Under these macroeconomic conditions the Egyptian food and beverage retail market has become increasingly price sensitive, especially so for middle and low-income consumers. This has driven consumers to substitute domestic products for those previously imported.

Modern supermarket and hypermarket chains operating in Egypt confronted increased price sensitivity by running promotions, creating loyalty programs, and offering bulk discounts. In some cases, they have also substituted imported products for domestic alternatives. Modern retail channels, such as supermarkets, hypermarkets and convenience stores, have a combined 1,500 outlets and represent around 20 percent of total sales.

Small traditional grocers remain the dominant retail outlet in Egypt. There are an estimated 115,000 traditional grocers in Egypt, controlling around 80 percent of the total market share. These outlets are conveniently located in urban centers, carry a wide variety of food and beverage products, provide reasonably priced home delivery service and, in some cases, offer credit to buyers. Two modern supermarket chains, Turkish BIM and Egyptian Kazyon, have followed this model setting up chains of small neighborhood stores. The former now boasts 256 outlets across Egypt, while the latter has a reported 182 locales.

In spite of the recent macroeconomic upheaval, demand amongst higher-income consumers is already increasing. Middle and lower-income consumers are expected to revert to their normal consumption patterns as inflation moderates and incomes improve. Industry sources expect retail demand to grow by 15-20 percent in the next five years.

While U.S. products could be competitive in the Egyptian market, they face stiff competition from exporters in regions with preferential trade agreements. Currently, beef, infant formula, apples, cheese, tree nuts and certain confectionaries represent the best growth prospects in Egypt.

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

Advantages	Challenges
U.S. origin products continue to enjoy acceptance in the Egyptian market.	Higher tariffs often levied on imported consumer-oriented products.
U.S. products are associated with high quality.	Many importers indicate that there is a lack of U.S. supplier interest in Egypt.
New-to-market products benefit from the recent expansion of supermarket and hypermarket chains.	Geographic proximity to competing suppliers.
	Egyptian import regulations are at times non-transparent.

SECTION II: ROADMAP FOR MARKET ENTRY

Entry Strategy

Firms interested in exporting to Egypt should begin by identifying an Egyptian importer or distributor, with whom they can build a relationship. These Egyptian firms are best suited to navigate local regulations, understand distribution chains, and have relationships with food retailers. Some larger retailers import directly; however, the lion’s share of small and medium retailers work through importers. More information can be found in the [2017 Annual Retail Foods](#) report from FAS Cairo.

Market Structure

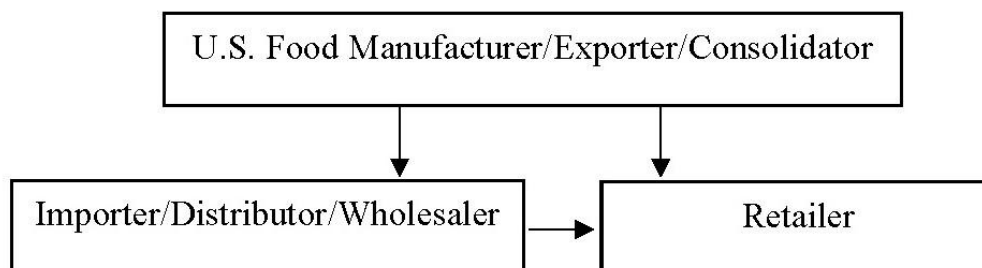


Table 2: Company profiles and top host country retailers

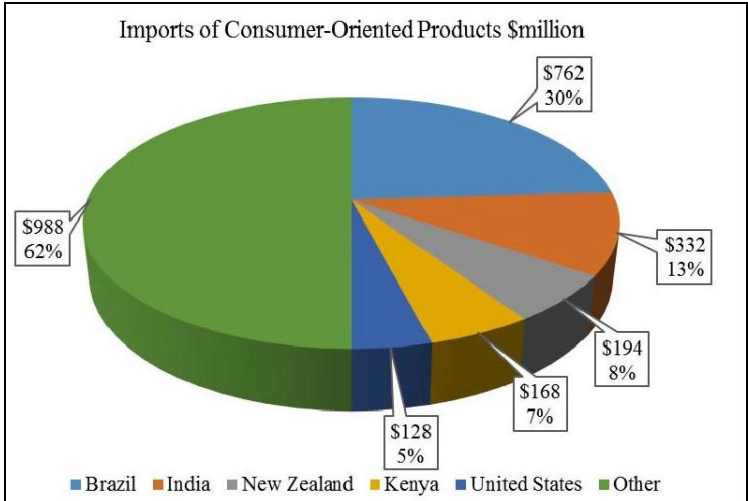
Company	Activity	Outlets	Remarks
Carrefour	Supermarket/Hypermarket	24	Domestic & Imported Goods
Mansour Group	Retail/Distribution	102	Domestic & Imported Goods
Seoudi	Retail	12	Domestic & Imported Goods
On-the-Run	Convenience Store	27	Domestic & Imported Goods
HyperOne	Retail	2	Domestic & Imported Goods
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	

SECTION III: COMPETITION

Consumer-oriented products from the United States face heavy competition from both domestic and imported products (Table 3). Egyptian produced substitutes have gained ground following the devaluation and now fill much of the domestic demand for chips, crackers, and cookies. Though domestic production has grown, imported products are perceived as being of higher quality and often offer greater variety. Higher income consumers continue to purchase imported retail products. Egypt’s import of consumer ready products in 2017 was around \$2.6 billion. The U.S. share of imports was around five percent, or \$128 million.

In 2017 the main exporters of consumer-oriented products to Egypt were Brazil at 30 percent (\$762 million), India at 13 percent (\$332 million), New Zealand at eight percent (\$194 million), and Kenya at seven percent (\$168 million).

Figure 1: Top Exporters of Consumer Oriented Products to Egypt



Source: GTA – Shipments to Egypt as reported by exporters

Table 3: Egypt – Major Imports and Competing Suppliers (2017)

Product Category	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Beef Frozen Imports: 245,000 MT \$825 million	1. Brazil –63% 2. India –32% 3. Paraguay – 3% 7. USA – 0.20%	Low production cost.	- Limited domestic production - High demand
Beef Livers, Frozen Imports: 62,000 MT \$61 million	1. USA – 90% 2. Australia – 5% 3. India – 3% 4. New Zealand – 1%	Competitors cannot supply sufficient quantities at reduced price.	- Limited domestic production - High demand
Mackerel,	1. Japan –	Low production cost, year-around	- No local production

Frozen Imports: 108,000 MT \$117 million	33% 2. China – 27% 3. Netherlands – 9% 11. USA – 1%	supply, EU duty-free access.	- High demand
Food Preparations Imports: 19,000 MT \$57 million	1. Netherlands – 22% 2. Germany – 21% 3. Thailand – 13% 12. USA – 2%	EU duty-free access and proximity.	- Limited domestic production - High demand
Infant Formula Imports: 11,000 MT \$73 million	1. Netherlands – 33% 2. Belgium – 25% 3. France – 22% 8. USA – 0.54%	EU duty-free access and proximity. Lower production cost (Canada)	Limited domestic production
Butter Imports: 18,000 MT \$105 million	1. New Zealand – 55% 2. India – 15% 3. USA – 7% 4. Ukraine – 6%	Low cost of production, and proximity	Limited domestic production
Cheese Except Fresh Imports: 13,000 MT \$63 million	1. Netherlands – 34% 2. New Zealand – 29% 3. Ireland – 19% 8. USA – 1%	EU duty-free access. Low cost of production (NZ)	Limited domestic production
Cocoa Powder, Nt Swt Imports: 16,000 MT \$32 million	1. Malaysia – 36% 2. Netherlands – 19% 3. Indonesia – 14% 15. USA – 1%	Low production cost and proximity	No domestic production
Almonds, No Shell Imports: 843.6 MT \$8 million	1. USA – 41% 2. Australia – 22% 3. Turkey – 20%	Competitors cannot supply sufficient quantities at high quality and commercially competitive price.	No domestic production

	4. Spain – 16%		
Walnuts, No Shell Imports: 400.5 MT \$3.4 million	1. USA – 51% 2. India – 30% 3. Turkey – 12% 4. China – 4%	Competitors cannot supply sufficient quantities at high quality and commercially competitive price.	No domestic production

Source: GTA – Shipments to Egypt as reported by exporters

SECTION IV: BEST PRODUCT PROSPECTS CATEGORIES

- Products present in the market, which have good sales potential, such as cheese, infant formula and beef products, continue to represent good prospects for U.S. exporters. Egypt is a net importer of processed dairy products, and U.S. products may be competitive based on exchange rates and other considerations. U.S. powdered infant formula and other milk products are generally competitive. As in past years, Egypt remains an important market for U.S. beef liver and offal. The country is by far the largest importer of U.S. beef liver. Liver exports to Egypt in 2017 reached US\$214 million, an increase by almost 16 percent over 2016’s \$185million. U.S. Beef muscle cuts are well known for their quality among affluent buyers and represent a category with growth potential.
- Top consumer-oriented products imported from the world include frozen beef, beef liver, cheese, infant formula, butter, fresh apples, frozen whole chicken, chocolate and cocoa products, and tree nuts.
- Top consumer-oriented products imported from the United States include beef liver, dairy products, and tree nuts.
- Products not present in significant quantities but which have good sales potential among the more affluent Egyptian consumers include tree nuts, sweets and snacks, healthy and nutritional foods, and pet foods.
- Products not present because they face significant barriers include fresh apples due to high tariffs and poultry parts due to non-tariff barriers.

SECTION V: KEY CONTACTS AND FURTHER INFORMATION

For further information, see: [Food and Agricultural Import Regulations and Standards \(FAIRS\) EGYPT – Narrative](#) and [Certificate 2017](#) reports, as well as [GAIN – EGYPT Exporter Guide 2017](#), [GAIN – EGYPT HRI Food Service Sector 2017](#), and the [Country Commercial Guide](#) reports.

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