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Egypt

Food Processing Ingredients

Food Processing Ingredients - Annual 2017

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Report Highlights:

With an estimated 5,200 companies, Egyptian food processors and manufacturers reportedly generated an estimated turnover of \$22.5 billion in calendar year 2017 (January-August), up nearly 55 percent by some estimates compared to the same period in 2016. The sector in 2016 reportedly accounted for about 4.7 percent of the country's gross domestic product. The sector has grown with a compound annual growth rate of almost 15 percent [2011-16]. Driving growth is the shift to increased production for domestic consumption and exports. Despite competition for European Union suppliers, Egyptian food companies are on the lookout for U.S. food ingredients that can provide a competitive advantage. Top five imported food ingredients groupings include: food preparations; chocolate and cocoa products; condiments and sauces; spices; and eggs and egg products. Food ingredients are imported with minimal tariff to no tariffs for the food processing and manufacturing sector.

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) are concentrated in the narrow strip of land along the Nile River; or on about five percent of the total land area. The country's population is growing at 2.45 percent per annum, adding roughly 2 million new 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. This makes Egypt also one of the world's fastest growing markets for food and agricultural products. Egypt however is a price-sensitive market, it continues to struggle due to a weak tourism sector (security concerns remain), government austerity measures, soaring youth unemployment, and double-digit inflation.

Egypt's nominal gross domestic product (GDP) in 2017 is estimated at about \$193 billion; reportedly it is forecast to reach \$251 billion in 2018. 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 4.8 percent in 2018 and forecasted to come in around the 5.2-5.4 percent range in 2019 as the construction and the energy sectors expand (especially the latter with the supergiant Zohr natural gas field coming on stream in the 4th quarter of 2017, which will reduce the need for costly fuel imports).

Millions of low- and middle-income Egyptian consumers have seen their living standards deteriorate due to soaring inflation (averaged nearly 27 percent in 2017, but forecast to drop to 18 percent in 2018), stagnant incomes, and high unemployment. The rollout of tough reform measures included the introduction of a value-added-tax (VAT) of 13 percent, which in July 2017 climbed to 14 percent. Measures included an increase in the import duty rate on [364 tariff lines](#) (some increasing between 50 and 700 percent). Fifty-three food and agricultural products, described as provocative or unnecessary luxury goods are on that list.

On November 3, 2016, the Central Bank of Egypt floated the Egyptian pound (EGP – pound) in an effort to eliminate the parallel market; causing 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 exchange rate is currently about EGP 17.84 to \$1.00.

Consumer behavior has been changing in recent years as retail prices of nearly of all goods and services have increased. This is limiting disposable income, which was already low. Food prices soared 40 percent in June 2017 compared to the same period last year; food inflation reportedly reached 44 percent in April 2017.

The floating of the pound, which has stoked inflation, is also pressuring importers to raise prices charged for imported products. The government is imposing stricter rules on importers; reportedly, the government aims to reduce imports by 25 percent to save foreign currency reserves and protect local industries.

Egypt's Processed Food Industry

The growth of Egypt's food processing and manufacturing sectors is associated with the market being price sensitive. Driving growth has been a shift to increased production for domestic consumption and exports. Egyptian consumer consumption of processed and manufactured foods has grown from \$32 billion (EGP 180 billion at EGP 5.56 to \$1.00) in 2008 to nearly \$45 billion (EGP 800 billion at EGP 17.84 to \$1.00) in 2017. Egyptian food companies are continuously on the lookout for U.S. food ingredients that can provide them a competitive food manufacturing advantage.

TABLE 1: Egypt, Food and Agricultural Product Sales (est.) by Sector (2017)

Sector	(\$ Billions)
Beverages	4.0
Food	17.5
Agri-Businesses	5.8
TOTAL:	27.3

Source: FAS Cairo office research.

TABLE 2: Egypt, Estimate, Food Processing and Manufacturing Industries (2017)

Industry	Number of Companies	Turnover (\$ Millions)
Meat and Meat Products	1,096	1,824.0
Fish and Seafood	132	516
Fruits and Vegetables	526	840
Fats and Oils	198	712
Dairy Products	431	458
Sugar and Confectionary	1,095	476
Bakery Industry	423	5,897.0
Beverages	310	4,935.0
Others	~1,000	~6,800.0
Total Food Processing and Manufacturing Industries	~5,211	~22,458

Note: Sources indicate that there are about one thousand food processors and manufacturers that do not readily fit within these categories. Registration requirements in 2018 will generate greater clarity/ accountability in the sector.

Source: Egyptian Chamber of Food Industries, Euromonitor, FAS Cairo office research.

Egyptian 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. Egyptian processed and manufactured food products are import-duty exempt in nearly all of the Arab and African export destinations. Egypt's exports of processed and manufactured foods reached nearly \$2.6 billion through November 2017; of which, some \$1.1 billion have gone to regional markets such as Saudi Arabia (\$289 million), Libya (\$144 million), and Jordan (\$123 million). Top exports were edible oils (\$397 million), processed cheese (\$152 million), and sugar and confectionary (\$143 million).

With an estimated 5,200 food companies, Egypt's food processors and manufacturers reportedly generated a turnover of \$22.5 billion in calendar year (CY) 2017 (January-August), up nearly 55 percent by some estimates compared to the same period in 2016. This sector in 2016 reportedly accounted for approximately 4.7 percent of the country's gross domestic product. New registration requirements in 2018 may generate greater clarity, supposedly facilitating a more accurate accounting of number of players and actual turnover.

FAS Cairo sees opportunities for supplying Egypt's food processing and manufacturing sectors; which grew with a CAGR of almost 15 percent [2011-16]. Product groupings in 2017 offering the most potential were baked goods, rice, pasta and noodles, dairy, as well as processed meats, seafood, edible oils, sauces, dressings, and condiments. U.S. food and agricultural product exports to Egypt in CY 2016 reached \$775 million, making Egypt our 32nd largest export market.

TABLE 3: Egypt, Top 15 Suppliers (2016)

Consumer-Oriented Products Top 15 Suppliers

	2014	2015	2016
Brazil	775,309	1,272,961	780,280
India	605,505	459,748	450,001
New Zealand	347,272	353,238	283,480
Kenya	309,814	255,615	251,571
United States	433,603	347,872	224,262
Netherlands	191,758	185,552	168,030
Italy	172,998	246,480	150,055
France	141,460	142,442	103,077
Greece	87,527	113,503	92,013
Ireland	78,494	95,278	91,091
Germany	113,859	107,910	84,902
UAE	110,838	120,513	84,834
United Kingdom	86,548	72,575	82,868
Syria	64,403	90,561	82,094
Poland	55,789	69,840	77,860
Others	851	997	716
World	4,426	4,931	3,722

Fish and Seafood Products Top 15 Suppliers

	2014	2015	2016
Thailand	157,080	168,711	160,722
Netherlands	193,549	138,570	74,202
UAE	22,508	25,274	43,770
Vietnam	62,530	56,241	40,843
Brazil	7,196	41,933	35,933
Japan	30,476	44,471	33,391
Norway	42,131	45,828	32,422
Spain	23,537	42,841	27,294
China	29,302	19,764	27,010
India	17,931	18,645	22,044
Yemen	20,473	21,844	20,099
Ireland	20,806	11,901	12,976
Morocco	6,670	8,986	9,439
Iceland	5,176	26,128	7,559
Indonesia	8,816	7,628	6,977
^a Others	89	72	47
World	737	751	602

Note: Based on latest full CY 2016 (January-December) data. The United States is a negligible supplier of fish and seafood products to Egypt; only \$2 million in product was shipped in CY 2016.

Source: FAS-UNTrade, FAS Cairo office research.

In terms of the free trade agreement with the European Union (EU), Egypt signed an Association Agreement with the EU which entered into force on June 1, 2004. This agreement provided for

immediate duty-free access for Egyptian products into the EU markets, while duty-free access for EU products was phased in over a twelve-year period. In 2010, Egypt and the EU completed an agricultural annex to their free trade agreement (FTA), liberalizing trade in over 90 percent of agricultural goods.

Egypt is a signatory to several multilateral trade agreements and operating conventions for facilitating trade including:

- The General Agreement on Tariffs and Trade (GATT)
- The General Agreement on Trade in Services (GATS)
- Egyptian-European Mediterranean Partnership Agreement
- The Common Market for Eastern and Southern Africa (COMESA)
- Pan Arab Free Trade Area (PAFTA)
- Turkey-Egypt Free Trade Agreement
- Egypt-Mercosur Free Trade Agreement (effective June 22, 2017)

Egypt has also signed several bilateral agreements with Arab Countries: Jordan (December 1999), Lebanon (March 1999), Libya (January 1991), Morocco (April 1999), Syria (December 1991), and Tunisia (March 1999). In 1995, Egypt and China entered into a trade accord. Egypt also signed an economic treaty with Russia.

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

Advantages	Challenges
<ul style="list-style-type: none"> - U.S.-origin ingredients have a good reputation and image. - Food processing companies are on the lookout for new ingredients, especially low-value and unprocessed commodities. - There is a growing demand for high-value and highly processed ingredients needed for creating new to market products. - The Egyptian food processing industry is growing; it requires more imported food ingredients. U.S. producers offer a broad range of food ingredients and are able to meet demand of the Egyptian food processing industry. - Egypt is centrally located in the Middle East North Africa (MENA) region; its food processors and manufactures are increasing their exports to the region. - Within 500 kilometers, Egypt has access to roughly 339 million consumers; some of which are located in the affluent Persian Gulf states. 	<ul style="list-style-type: none"> - Consumers prefer to buy fresh produce in traditional markets. - U.S. exporters face competition from the EU member states. Egypt has a free trade agreement with the European Union, which in a number of cases severely disadvantages U.S.-origin products. - Egypt often recurs to EU standards, which do not coincide with U.S. and or Codex standards. - Higher import tariffs levied on U.S.-origin goods than on similar products originating in the European Union. - Importers indicate a lack of U.S. supplier interest in Egypt. - Import regulations are complex, non-transparent. - Importers largely unfamiliar with U.S. Export controls, procedures, standards, and certifications - Lack of adequate cold storage facilities outside of Alexandria and Cairo. - Proximity to market of EU and Arab food and agricultural products exporters.

SECTION II. ROAD MAP FOR MARKET ENTRY

A) ENTRY STRATEGY

Barriers to entry are low, as Egypt only 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 (see, [FAIRS – EGYPT Country Report 2016](#)).

Despite low entry barriers, U.S. food ingredients face a distance and tariff disadvantage from countries that have trade arrangements with Egypt such as the EU, COMESA and the Greater Arab Free Trade Area. However, U.S. food ingredients are widely recognized as being innovative, high quality, and readily available.

For new-to-market exporters, the most successful strategy for entering the market is working through a USDA cooperator group. The cooperator groups have an extensive list of contacts in the different sectors and are actively marketing and promoting U.S. agricultural products. The following cooperator groups are active in Egypt: the [U.S. Wheat Associates](#), [U.S. Dairy Export Council](#), [U.S. Soybean Export Council](#), [Washington Apple Commission](#), and the [U.S. Grains Council](#). If the exporter's sector is not represented by a cooperator group, FAS Cairo can provide a list of importers or food processors by sector, but it is highly recommended that exporters do their own due diligence.

Besides contacting their respective commodity cooperator group, U.S. exporters can also contact their respective U.S. State Regional Trade Groups (SRTG) and/ or their State Department of Agriculture to obtain additional market entry support. The cooperators regularly organize trade and reverse trade missions which are arranged around trade shows or other events. These missions have proven to be an excellent platform for U.S. suppliers of food ingredients to meet and to do business with Egyptian and other foreign buyers.

It is highly advisable that companies wanting to do business in Egypt attend trade shows. Egyptian companies flock in significant numbers to [international events like Gulfood](#) and [ANUGA](#), as well as the locally held [Food Africa](#) trade show.

Once a relationship has been established, it is of utmost importance to visit and keep in continuous and close contact with Egyptian partners. Additionally, exporters should assure good quality and a reasonable price given the Egyptian market's price sensitivity.

FAS Cairo recommends that U.S. exporters consider the following steps:

- Identify the distribution channel that will best fit the export company's market strategy
- Depending of the channel chosen, identify a strategic import partner
- Review sanitary and phytosanitary requirements
- Request import permits as required
- Forward to the importer copies of customs clearance documentation prior to shipment
- Provide ongoing support to the importer to help build consumer demand

Food Standards and Regulations: On January 2, 2017, the Egyptian Parliament approved law number 001/2017 establishing the Egyptian National Food Safety Authority (NFSA). The law was published in the official gazette on January 10, 2017. Since then prime ministerial decrees 683/2017 and 1733/2017 have been issued establishing a Board of Trustees and a Board of Directors for the new agency. According to the new law, the NFSA will commence operations on January 10, 2018.

The new law requires that the NFSA assume all responsibilities to regulate the handling of foodstuffs from all other ministries, public institutions, government agencies and municipalities. The approval of this law ends the patchwork of food-related regulation that has created confusion and inefficiencies for importers and exporters working in the Egyptian market for years.

Until the NFSA fully assumes its responsibilities in 2018, the Ministries of Trade and Industry (MTI), Health (MOH), and Agriculture and Land Reclamation (MALR) currently in charge of overseeing food safety will continue to function as they previously have done (see, [FAIRS – EGYPT Country Report 2016](#) and [GAIN – EGYPT Exporter Guide 2017](#)).

General Import and Inspection Procedures: Egypt's import regulations require that every component of a product be inspected, regardless of the compliance history of the product, country of origin, exporter or the importer. No import can be sold in Egypt without first proving that it conforms to Egyptian standards. If there are no Egyptian standards that suit the imported product, then an international standard such as the Codex *Alimentarius* (Codex) standard is applied. In lieu of these standards, U.S. and EU standards are used occasionally. For import requirements, documentation, and certification requirements see, FAIRS – EGYPT Certificate and Narrative 2017 reports (available in late December 2017).

Egypt's Customs Authority is responsible for applying the corresponding import duties. The World Bank estimates that the tariff rate, applied, weighted mean, all products (%) in Egypt was 7.04 in 2015.

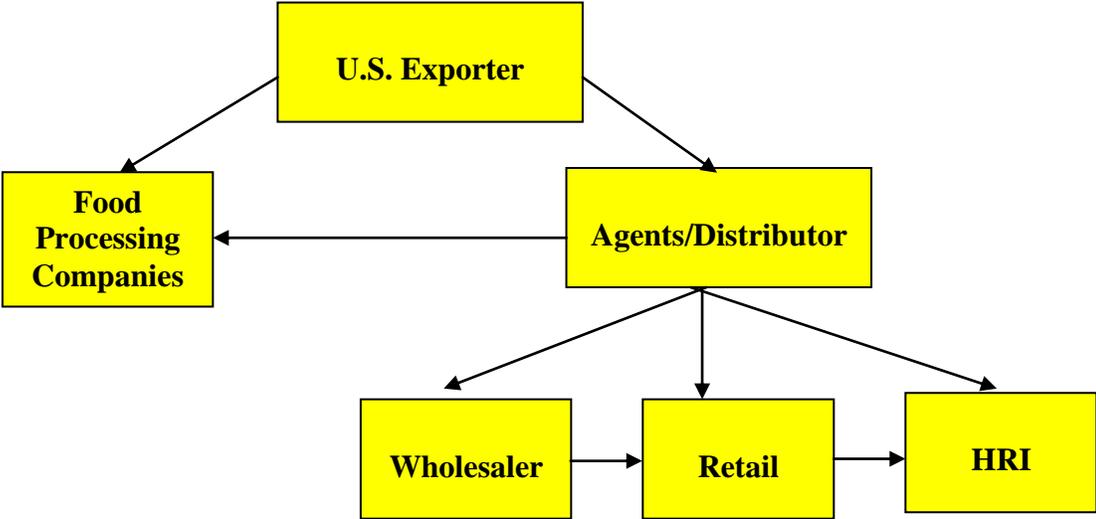
Tariffs on the vast majority of goods entering the country are below 15 percent. Vehicles, alcohol, apples, and tobacco products however are among the items on which tariffs are 40 percent or greater. The tariff for alcoholic beverages ranges between 1,200 percent and 3,000 percent; however, the tourism industry continues to enjoy a substantial reduction at 300 percent duty, to which a 40 percent sales tax is added.

B) Market Structure

Egypt's market structure is fairly straight forward. Importers can be food processors, manufacturers, or agents/ distributors of thereof. Large companies prefer to source their food ingredients or products directly from abroad. They do this in order to obtain reasonable pricing, guaranteed continuous product flow, and for quality assurance purposes.

Agents and distributors play a critical role in the market structure, since Egypt's food processing and manufacturing sectors are highly fragmented with many small and medium enterprises depending exclusively on the former for their imported ingredients due to: 1) the small quantities purchased; 2) seek to refrain from risks associated with importing product directly; 3) pay for their purchases in local currency; and 4) do not maintain large inventories.

CHART 1: Egypt Distribution Channel for Imported Food Ingredients



C) Company Profiles

In contrast to most countries, with the exception of the chilled processed food sector, the food processing industry in Egypt is not controlled just by a few big players. FAS Cairo finds that there are ample opportunities to tap into the market at all levels.

TABLE 4: Egypt, Overview of Largest Food Companies (2016)

Company (Product Type)	Sales (\$ Millions) * / 2016	End User Channel	Production Location	Procurement Channel
READY MEALS				
Sunbullah Group	\$3.94	Retail/HRI	Egypt	Direct
King M for Food Products	\$1.49	Retail/HRI	Egypt	Direct
SAUCES, DRESSINGS AND CONDIMENTS				
New Salheya Olive Oil Mill	\$46.45	Retail/HRI	Egypt	Direct
Al Wadi Foods	\$44.63	Retail/HRI	Egypt	Direct
American Garden Products Inc.	\$31.52	Retail/HRI	Egypt	Direct
Misrco Farm Fresh	\$23.22	Retail/HRI	Egypt	Direct
Fine Foods Egypt	\$21.00	Retail/HRI	Egypt	Direct
El Rashidy El Mizan Confectionery	\$18.64	Retail/HRI	Egypt	Direct
SOUPS				
Nestle Egypt SAE	\$3.10	Retail/HRI	Egypt	Direct
Bestfoods Egypt	\$2.06	Retail/HRI	Egypt	Direct
National Co for Foods	\$1.10	Retail/HRI	Egypt	Direct
SPREADS				
Hero Co for Food Industries	\$46.18	Retail/HRI	Egypt	Direct
Ferrero SpA	\$17.36	Retail/HRI	Egypt	Direct
El Rashidi El Mizan Confectionary SAE	\$10.74	Retail/HRI	Egypt	Direct
Egyptian Advanced Food Industries	\$7.36	Retail/HRI	Egypt	Direct
Cebe Nusse	\$6.86	Retail/HRI	Egypt	Direct
BAKED GOODS				
Edita Food Industries SAE	\$288.41	Retail/HRI	Egypt	Direct
Modern Bakeries 6th of October SAE	\$51.58	Retail/HRI	Egypt	Direct
Monginis Foods Ltd	\$43.58	Retail/HRI	Egypt	Direct
Egyptian Advanced Food Industries	\$16.64	Retail/HRI	Egypt	Direct
Egyptian Lebanese for Foods	\$11.81	Retail/HRI	Egypt	Direct
BREAKFAST CEREALS				
Mass Food Co	\$6.68	Retail/HRI	Egypt	Direct
Kellogg Co	\$2.27	Retail/HRI	Egypt	Direct
Emco Co	\$0.83	Retail/HRI	Egypt	Direct
Quaker Oats Co	\$0.48	Retail/HRI	Egypt	Direct
PROCESSED FRUIT AND VEGETABLES				
Farm Frites Egypt	\$20.38	Retail/HRI	Egypt	Direct
Harvest Foods Co	\$13.23	Retail/HRI	Egypt	Direct
Ajwa Group	\$12.54	Retail/HRI	Egypt	Direct
United Co for Food Industries	\$11.10	Retail/HRI	Egypt	Direct
Americana Egypt	\$10.89	Retail/HRI	Egypt	Direct
Givrex	\$8.31	Retail/HRI	Egypt	Direct
Sunbullah Food & Fine Pastries Mfg	\$7.74	Retail/HRI	Egypt	Direct

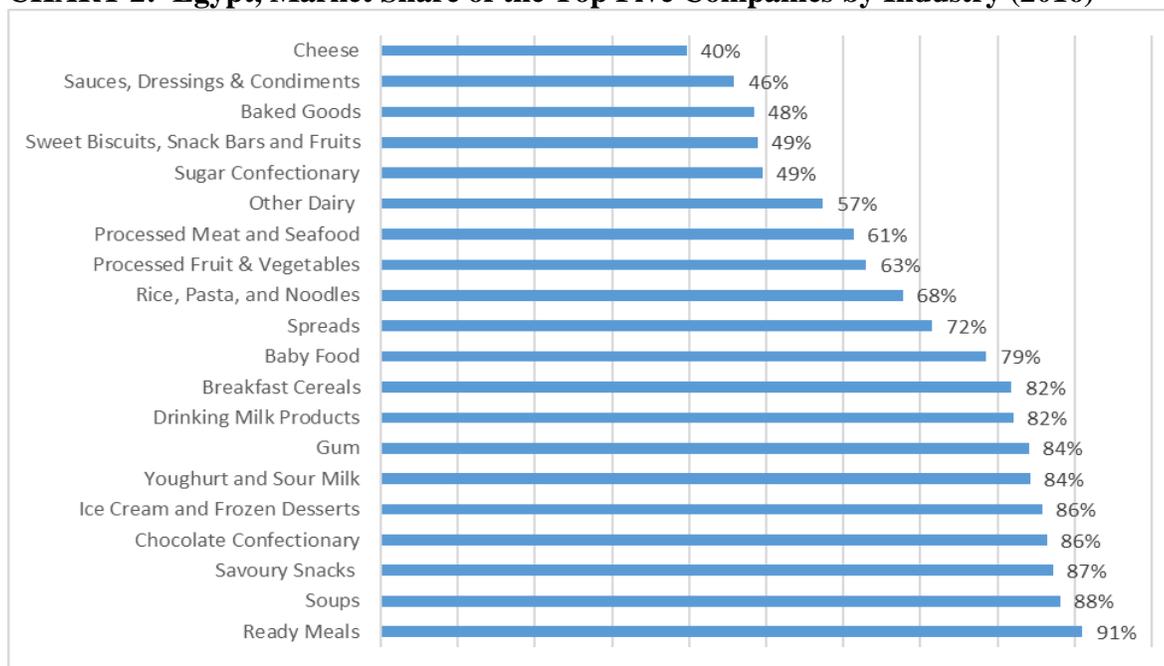
PROCESSED MEAT AND SEAFOOD				
Halwani Bros Co	\$282.81	Retail/HRI	Egypt	Direct
Cairo Poultry Processing Co	\$279.55	Retail/HRI	Egypt	Direct
Egyptian Advanced Food Industries	\$208.65	Retail/HRI	Egypt	Direct
RICE, PASTA, AND NOODLES				
Al Doha Co for Processing & Dist.	\$546.05	Retail/HRI	Egypt	Direct
El Sohagy for Trade Co	\$273.20	Retail/HRI	Egypt	Direct
Al Farasha Co	\$152.83	Retail/HRI	Egypt	Direct
Regina Pasta & Food Industries	\$133.57	Retail/HRI	Egypt	Direct
Zamzam Beverage Co	\$102.54	Retail/HRI	Egypt	Direct
BABY FOOD				
Wyeth Nutritionals Ireland	\$45.22	Retail/HRI	Egypt	Direct
Nestle Egypt SAE	\$33.44	Retail/HRI	Egypt	Direct
Nutricia Zoetermeer NV	\$30.63	Retail/HRI	Egypt	Direct
Milupa AG	\$15.13	Retail/HRI	Egypt	Direct
Hero Middle East Trading LLC	\$12.06	Retail/HRI	Egypt	Direct
CHEESE				
Arabian Food Industry Co (Domty)	\$188.31	Retail/HRI	Egypt	Direct
Best Cheese Co for Dairy Products SAE	\$178.54	Retail/HRI	Egypt	Direct
Obour Land Co	\$165.71	Retail/HRI	Egypt	Direct
Royal Friesland Campina NV	\$152.11	Retail/HRI	Egypt	Direct
Bel Egypt SAE	\$75.10	Retail/HRI	Egypt	Direct
Middle East Dairy & Foodstuff Co	\$67.05	Retail/HRI	Egypt	Direct
Katillo Co for Dairy Products	\$62.84	Retail/HRI	Egypt	Direct
DRINKING MILK				
Juhayna Food Industries	\$376.39	Retail/HRI	Egypt	Direct
Nestle Egypt SAE	\$124.34	Retail/HRI	Egypt	Direct
Intl. Co. for Agr. Ind. Projects (Beyti)	\$87.77	Retail/HRI	Egypt	Direct
Best Cheese Co for Dairy Products	\$35.55	Retail/HRI	Egypt	Direct
Investment Co for Dairy Products	\$20.92	Retail/HRI	Egypt	Direct
OTHER DAIRY				
Juhayna Food Industries	\$13.06	Retail/HRI	Egypt	Direct
Danone Egypt	\$10.90	Retail/HRI	Egypt	Direct
Middle East Dairy & Foodstuff Co	\$6.33	Retail/HRI	Egypt	Direct
Hawaii for Industry & Trade	\$3.64	Retail/HRI	Egypt	Direct
Pinar Dairy Food Co	\$3.41	Retail/HRI	Egypt	Direct
YOGHURT AND SOUR MILK				
Juhayna Food Industries	\$324.20	Retail/HRI	Egypt	Direct
Danone Egypt	\$309.91	Retail/HRI	Egypt	Direct
Best Cheese Co for Dairy Products	\$192.18	Retail/HRI	Egypt	Direct

CHOCOLATE CONFECTIONARY					
Cadbury Egypt Group	\$177.37	Retail/HRI	Egypt	Direct	
Mars, Egypt	\$99.57	Retail/HRI	Egypt	Direct	
Nestle Egypt SAE	\$30.06	Retail/HRI	Egypt	Direct	
Ferrero SpA	\$14.63	Retail/HRI	Egypt	Direct	
Alex. Confc. & Choc. Co. (Corona)	\$11.73	Retail/HRI	Egypt	Direct	
GUM					
Cadbury Egypt Group	\$158.57	Retail/HRI	Egypt	Direct	
Egyptian Modern Food Industries	\$18.44	Retail/HRI	Egypt	Direct	
Wrigley Jr Co, William	\$14.27	Retail/HRI	Egypt	Direct	
Alex. Confc. & Choc. Co. (Corona)	\$12.36	Retail/HRI	Egypt	Direct	
ICE CREAM AND FROZEN DESSERTS					
Nestle Egypt SAE	\$469.93	Retail/HRI	Egypt	Direct	
Hawaii for Industry & Trade	\$36.12	Retail/HRI	Egypt	Direct	
Masterfoods France SA	\$18.40	Retail/HRI	Egypt	Direct	
SAVORY SNACKS					
Chipsy For Food Industries Co SAE	\$280.57	Retail/HRI	Egypt	Direct	
Egypt Food Co	\$49.15	Retail/HRI	Egypt	Direct	
Senyorita Food Industries	\$32.78	Retail/HRI	Egypt	Direct	
El Jawhara Co	\$20.95	Retail/HRI	Egypt	Direct	
Danone, Groupe	\$19.70	Retail/HRI	Egypt	Direct	
SUGAR CONFECTIONARY					
Cadbury Egypt Group	\$75.83	Retail/HRI	Egypt	Direct	
Sima Food Industries Group	\$28.03	Retail/HRI	Egypt	Direct	
International Confectionery Co (SAE)	\$25.99	Retail/HRI	Egypt	Direct	
Delta Confectioneries SAE	\$20.99	Retail/HRI	Egypt	Direct	
Melouky Co	\$17.52	Retail/HRI	Egypt	Direct	
SWEET BISCUITS, SNACK BARS, AND FRUIT SNACKS					
Ocean Foods	\$157.78	Retail/HRI	Egypt	Direct	
Family Nutrition SAE	\$107.32	Retail/HRI	Egypt	Direct	
Egyptian Modern Food Industries	\$93.74	Retail/HRI	Egypt	Direct	
Egyptian Co for Food (Biscomisr)	\$70.63	Retail/HRI	Egypt	Direct	
Eastern for Food Industries (Biscato)	\$65.77	Retail/HRI	Egypt	Direct	

NOTE: (*) Based on the pre-November 3, 2016, exchange rate of EGP 8.88 to \$1.00.

Source: Euromonitor, FAS Cairo office research.

CHART 2: Egypt, Market Share of the Top Five Companies by Industry (2016)



Source: Euromonitor, FAS Cairo office research.

D) SECTOR TRENDS

Sector Trends: Egypt’s food processing and manufacturing sector in 2012-16 grew with a compound annual growth rate of about 12 percent; slightly off the longer 2011-16 interval’s growth of almost 15 percent due to the 2016 currency float. Sources indicate that total sales reached EGP 104 billion (or about \$11.7 billion based on the pre-November 3, 2016 exchange rate).

FAS Cairo finds that the product groups that have experienced the greatest growth during the period include milk, savoury snacks, and yoghurt and sour milk. Processed fruits and vegetables, meats, seafood, rice, pasta and noodles experienced growth of between 13 and 14 percent during this period.

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. Some estimates, prior to the 2016 currency float were then forecasting total sale reaching about EGP 140 billion by 2021.

Consumer Trends: We attribute the growth in processed and manufactured foods to Egypt’s time-starved middle class consumers adopting a more westernized lifestyle. The hectic pace of life is leading a growing number of consumers to turn increasingly to ready-to-eat frozen meals and instant noodles. Egyptians are also becoming more aware of the availability and convenience of packaged food products.

Another factor driving the sector’s growth has been the pound’s depreciation against the dollar. This has impacted all segments of Egyptian society. Less costly, local brands that source greater amounts of local content and sold largely through hyper- and supermarkets are increasingly being picked up by middle-class consumers that are pinching piasters (i.e., pennies). Low income consumers continue to

purchase mainly at traditional grocery stores; this explains why the traditional grocery stores remain the strongest distribution channel despite hyper- and supermarket expansion.

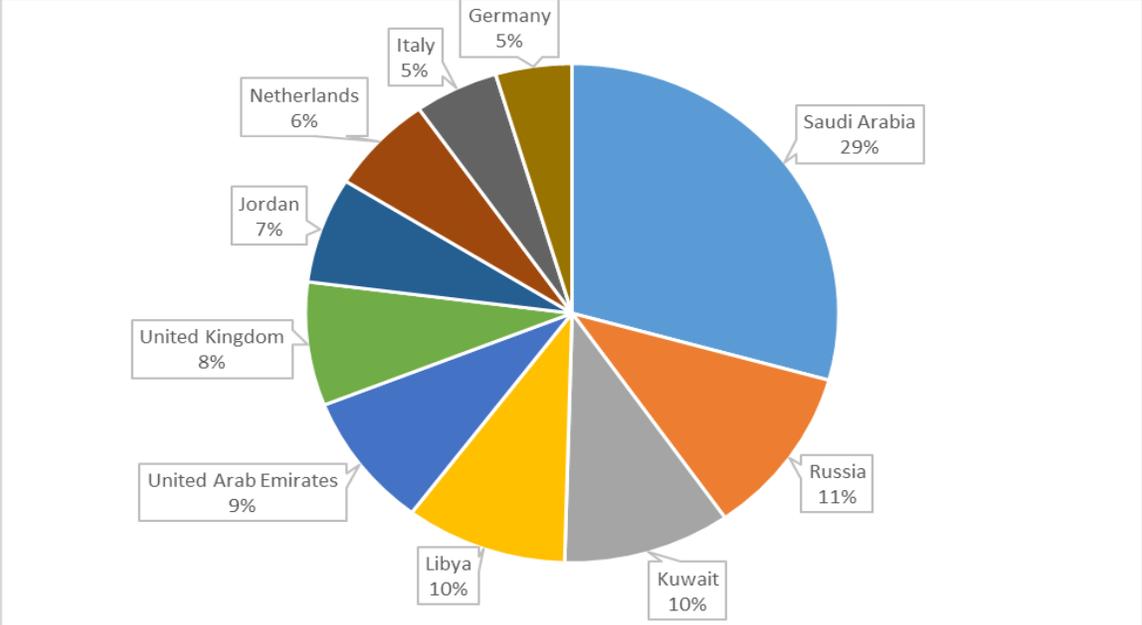
Egypt’s middle-class consumers accounted for roughly 40 percent of the population prior to the pound’s November 2016 float; or about 38 million people. Importers of consumer-oriented foodstuffs are indicating based on their own sales that the middle-class is actually contracting because of high unemployment (especially among the youth), double digit inflation, and the halving of income and purchasing power.

The average middle-class household has four people and reportedly food and groceries purchases take up half of the household income. The middle-class prior to the pound’s float reportedly accounted for 45 percent of total consumption in the Egyptian economy. Some estimates currently put the Egyptian middle-class today at less than 20 percent of the population (or roughly 19.4 million consumers).

Export Trends: Egyptian processed and manufactured foods export sales will trend upwards in the 2017-21 period. FAS Cairo sees growth of four percent. Exports grew with a compound annual growth rate of around two percent in the 2012-16 period; reaching \$1.6 billion in 2016.

In 2016, Egypt’s top export destinations were its Arab neighbors, Russia, and the Gulf Arab states. Saudi Arabia was the largest destination (\$614 million), then Russia (\$229 million), Kuwait (\$212 million), and Libya (\$205 million). The country’s main exports were processed vegetables (\$520 million), dairy products (\$317 million), and snack foods (\$185 million).

CHART 3: Egypt, Top Export Destinations, 2016

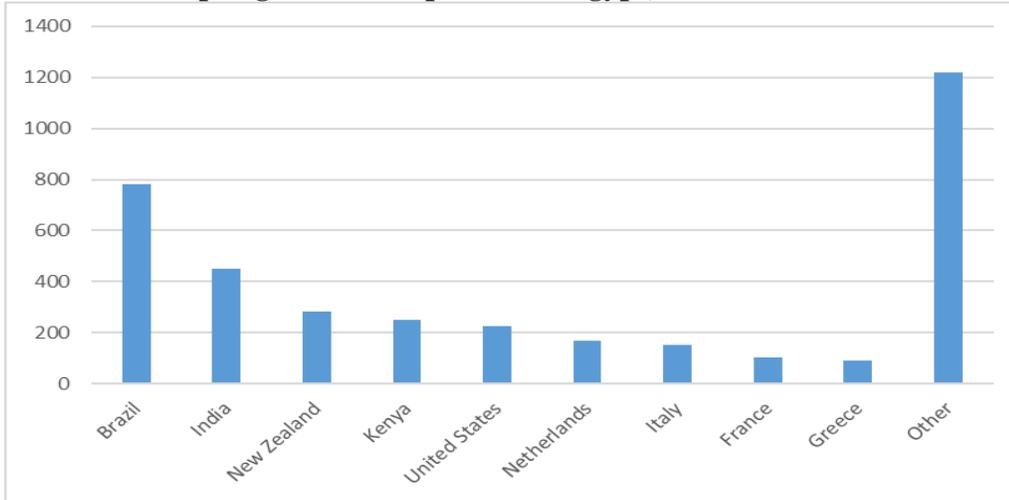


Source: FAS-UNTrade, GATS, FAS Cairo office research.

SECTION III. COMPETITION

In calendar year 2016, the United States was Egypt’s fifth largest supplier of food ingredients. Some \$224 million worth of product was imported by Egypt, representing six percent of the import market share. The top suppliers to Egypt were Brazil (\$780 million) and India (\$450 million).

CHART 4: Top Ingredients Exporters to Egypt, 2016 (\$ Millions)



Note: FAS Cairo factors into these estimates products that go into the manufacture of a final product (e.g., wheat used to manufacture flour).

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

Despite being the fifth largest supplier of food ingredients to Egypt, U.S.-origin food ingredients face a tough competitive environment from European, Middle Eastern, and African exporters. These maintain preferential trade arrangements with Egypt; which provide favorable tariff treatment. Shipping proximity to Egypt also provides exporters in these countries an additional comparative advantage against U.S. food ingredients.

TABLE 5: Egypt, Competitive Situation (2016)

Product Category	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Snack Foods Imports: 23,899 MT \$33.5 million	1. UAE – 26.6% 2. Turkey – 15.8% 3. Italy – 9.14 7. USA – 5.5% (82.54% increase from 2015)	Duty free access Proximity	Lower quality More price competitive
Breakfast Cereals Imports: 2,275 MT \$3.7 million	1. Poland – 20.43% (123% increase from 2015) 2. Turkey – 16.4% 3. France – 12.5% 4. USA – 11.9% (45% increase from 2015)	EU duty free access	Imports perceived to be better quality
Beef and Offal Imports: 129,716 MT \$1,459.0 million	1. Brazil – 50.36% 2. India – 32.22% 3. USA – 13.42%	Low cost of production (India/Brazil)	Limited domestic stock
Dairy (excl. cheese) Imports: 211,870 MT \$513.7 million	1. New Zealand – 51.22% 2. France – 7.22% (46% decrease from 2015) 3. Germany – 7% 4. USA – 4.38%	Low cost of production (NZ) EU duty free access	Limited domestic production
Cheese Imports: 30,678 MT \$124 million	1. Netherlands – 33.32% 2. New Zealand – 17.21% 3. Poland – 14.73% 11. USA – 0.77%	Low cost of production (NZ) EU duty free access	Domestic production does not meet demand
Fresh Apples Imports: 10,320 MT \$350.3 million	1. Italy – 36.82% 2. Greece – 19.53% 3. Poland – 13.03% 18. USA 0.02%	EU duty free access Proximity	No domestic production
Processed F&V Imports: 55,934 MT \$85.2 million	1. Turkey – 16.64% 2. China – 9.8% 3. Greece – 6.44% 6. USA – 5.3%	Duty free access Low costs of production	Large domestic industry Distribution/quality issues
Fish & Seafood Products Imports: 359,503 MT \$648.8 million	1. Thailand – 27.13% 2. Netherlands – 13.2% 3. Vietnam – 6.6% 23. USA – 0.42%	Duty free access	Large domestic tilapia production Limited production of marine varieties
Tree Nuts Imports: 2,509 MT \$88.7 million	1. USA – 36.2% 2. Turkey – 16.8% 3. Sri Lanka – 11.4%	Three major importers supply different products	Limited domestic production
Beverages (non-alcoholic) Imports: Quantity N/A \$141.4 million	1. UAE – 40.96% 2. Spain – 11.93% 3. Saudi Arabia – 6.46% 20. USA – 0.47%	Duty free access (Arab Union)	Limited domestic production
Pet Food Imports: 5,591 MT \$7.374 million	1. Germany – 27.14% 2. France – 23.27% 3. USA – 13.11%	EU duty free access	Limited local production

Source: Global Trade Atlas, Egypt CAPMAS, FAS Cairo office research.

SECTION IV. BEST PRODUCT PROSPECTS

Category A)

TABLE 6: Products Present in the Market That Have Good Sales Potential

Product / Product Category	2016 Market Size \$ Million	2016 Imports \$ Million	2012-2016 Average Annual Import Growth	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness for USA
0202.30 Bovine Boneless Frozen	\$1,001.0	\$1,001.0 (220,100 MT)	2%	0%	Competitors: Brazil (59%), India (38%), and New Zealand (0.5%). Devaluation of the Egyptian pound in 2016 increased import costs, as well as reduced the purchasing power of Egyptian consumers.	With \$4.9 million in export sales, the United States is the 4 th largest supplier. With tourism returning, demand will grow for U.S. beef in the high hotel and restaurant sector. Economic recovery/growth in 2018/19 should help increase demand for U.S. product. Egypt's domestic production of bovine boneless is sold fresh.
0206.22 Bovine Livers, Frozen	\$206	\$206 (152,011 MT)	4%	5%	Competitors: Brazil (18%) and India (13%). Devaluation of the Egyptian pound in 2016 increased import costs, as well as reduced the purchasing power of Egyptian consumers.	With \$127 million export sales, the United States is the main supplier (62% market share). U.S.-origin bovine livers will continue to face little competition; the majority of Egyptian consumers regard livers as main source of affordable animal protein. Economic recovery/growth in 2018/19 should help increase demand for U.S. product. Egypt's domestic production of livers is sold fresh.
0206.29 Bovine Offal Frozen	\$69	\$69 (36,882 MT)	17%	5%	Competitors: Brazil (45%) and India (10%). Devaluation of the Egyptian pound in 2016 increased import costs, as well as reduced the purchasing power of Egyptian consumers.	With \$26 million in export sales, the United States is the 2 nd largest supplier (38%). Economic growth in 2018/19 will increase demand for U.S. product. Egypt's domestic production of offal is sold fresh.

TABLE 6: Products Present in the Market That Have Good Sales Potential (continued)

0402.10 Milk Powder <1.5% Fat	N/A	\$142 (58,008 MT)	- 7%	0%	Competitors: Germany (22.5%), France (13%), New Zealand (12%), and Canada (10.5%). Russia's ban on European dairy, led EU exporters cut their prices (due to high stocks) and offloaded product into Egypt.	With \$12.8 million in export sales, the United States is the 5 th largest supplier. Post anticipates increased demand due to expanded dairy, confectionary, and bakery manufacturing industry in Egypt.
0406.90 Cheese Except Fresh	\$498	\$95 (17,879 MT)	- 4%	HS 0406- 9010 = 0% HS 0406- 9090 =10%	Competitors: Netherlands (45%), New Zealand (21%), and Ireland (17%). Devaluation of the Egyptian pound in 2016 increased import costs. Egypt grants its EU FTA partners preferable tariff treatment. U.S. shipping costs are higher compared to European ones.	U.S. exports grew 32% in 2016 to \$1 million. Post anticipates increased demand due to the expansion of the Egyptian dairy processing sector industry.
1901.20 Mixes and Doughs	N/A	\$3 (1,214 MT)	- 1%	20%	Competitors: Germany (33%), Belgium (33%), France (13%), and UAE (12%). Devaluation of the Egyptian pound in 2016 increased import costs. Egypt grants its EU FTA partners preferable tariff treatment. U.S. shipping costs are higher compared to European ones.	With \$197 thousand in export sales, the United States is the 5 th largest supplier. Post anticipates increased demand due to the expansion of the Egyptian bakery industry.
0802.12 Almonds, No Shell	\$18	\$18 (1,688 MT)	2%	20%	Letters of Credit	With \$15.5 million in export sales, the United States is the largest supplier (88% market share). Post anticipates increased demand due to the expansion of the Egyptian food processing industry. Egypt does not produce Almonds.

TABLE 6: Products Present in the Market That Have Good Sales Potential (continued)

0802.32 Walnuts, No Shell	\$5	\$5 548 MT	3%	20%	Competitors: India (7%) and Vietnam (5%). Devaluation of the Egyptian pound in 2016 increased import costs. Egyptian monetary measures drive up costs; banks require 100% collateral for Letters of Credit.	With \$4 million in export sales, the United States is the largest supplier (88% market share). Post anticipates increased demand due to the expansion of the Egyptian food processing industry. Egypt does not produce Walnuts.
2309.10 Dog & Cat Food	\$6	\$6 3,308 MT	1%	40%	Competitors: Germany (33%), France (17%), and Italy (17). Devaluation of the Egyptian pound in 2016 increased import costs. Egypt grants its EU FTA partners preferable tariff treatment. U.S. shipping costs are higher compared to European ones.	With \$655 thousand in export sales, the United States is the 4 th largest. Economic recovery/ growth in 2018/19 should help increase demand for U.S. product. Egypt does not produce dog and cat food in commercial quantities.
2103.90 Sauces NES	\$375	\$10 2,578 MT	- 10%	20%	Competitors: Saudi Arabia (37.5%) and India (12.5%). Devaluation of the Egyptian pound in 2016 increased import costs. Egypt grants its EU FTA partners preferable tariff treatment. U.S. shipping costs are higher compared to European ones.	With \$1.8 million in export sales, the United States is 2 nd largest supplier (12.5% market share). Economic recovery/ growth in 2018/19 should help increase demand for U.S. product. Post anticipates increased demand due to the expansion of the Egyptian food processing industry.

Note: Percentages have been rounded.

Sources: FAS-UNTrade, Euromonitor International, FAS Cairo office research.

Category B: Products Not Present in Significant Quantities but Which Have Good Sale Potential

U.S.-origin products whose market potential is limited by high tariffs include apples, alcohol, processed fruits and vegetables, as well as chocolate and confectionaries.

TABLE 7: Egypt, Agricultural Tariff Increases Limiting U.S. Product Access

HS Code	Product	Bound Rate	Old Tariff	Decree 184/2013 - 25/2016 - 538/2016	2012	2013	2014	2015	2016	Jan - Oct 2016	Jan - Oct 2017
080810	Apples, Fresh	60	20	40	3,956.00	4,074.40	2,870.20	1,088.80	87.50	87.50	47.30
080212	Almonds, No Shell	45	5	20	2,518.30	1,741.80	1,710.90	1,126.10	2,155.70	1,957.10	351.30
080211	Almonds, In Shell	45	5	20	770.1	964.6	596	246.6	566.7	485.2	41
240110	Tobacco, Unman.	9 pound/net kg	6.1 pound/net kg	9 pound/net kg	745.5	308.4	591.4	576.7	427.3	388.9	38.2
080231	Walnuts, In Shell	45	5	20	737.9	404.4	1026.7	839.3	646.4	563.8	160.4
230910	Dog Or Cat Food	40	30	40	569.7	410.1	702.6	493.8	490.3	471.9	332.1
080221	Hazelnuts, In Shell	45	5	20	509.7	526.5	518.9	410.5	344.5	159.5	105.6
080251	Pistachios, In Shell	45	5	20	503.5	793.8	481	375.9	405.4	247.7	99.8
080232	Walnuts, No Shell	45	5	20	279.2	115.6	321.3	639.2	788.9	690.7	174.9
190531	Cookies (Sweet Biscuits)	60	30	60	168.1	197.5	106.7	34.1	0	0	0
080620	Grapes, Dried	60	20	40	132	41	91.8	0	18	18	0
170490	Sugar Confectionery	60	30	60	123.1	49.5	98.4	138.5	78.8	59.2	81.4
170191	Refined Sugar, Flavr	20	10	20	106.1	0	9.3	0	0	0	0
200880	Strawberries, Prep	60	20	60	104.4	0.5	0.9	2.6	2.2	2.2	0
180610	Cocoa Powder, Sweet	60	10	20	89.4	0	0	0	5.4	1.4	5.5
081320	Prunes, Dried	60	10	30	88	99.3	64.1	38.9	37	37	0
180690	Chocolate, Nesoi	60	20	40	72.8	30.3	76.3	92.4	45.4	35	10.3
200819	Nuts, Seeds Prep	60	20	60	37.8	109.6	136.1	247.4	210.7	197.6	51.6
170410	Chewing Gum	60	30	60	37.1	5.8	10.2	0	0	0	0
080252	Pistachios, Shelled	45	5	20	29.3	0	26.7	42.8	0	0	0
200931	Citrus Juice, Brix <=20	60	20	60	28.8	26.3	14.4	27.1	8.5	8.5	5.6
200979	Apple Juice, Nesoi	60	20	60	27.1	0	0	0	9.3	9.3	0
180620	Chocolate >=2kg	60	10	20	16.7	1.6	10.7	7.2	9.2	7.7	2.7
200989	Single Fruit, Juice, Other	60	20	60	16.4	1.1	8.7	0	0	0	0
180631	Chocolate Filled	60	20	40	7.3	1.5	23.2	24.9	0	0	0
200919	Orange Juice	60	20	60	5.7	0	0	0	0	0	0
200899	Fruit Other, Prep	60	20	60	5.3	8.7	6.6	21.4	16	16	8
190532	Waffles And Wafers	60	30	60	5.1	2.3	8.9	1.6	0	0	0
180632	Chocolate Not Filled	60	20	40	3	5.1	2.4	3.2	0	0	0
080830	Pears, Fresh	60	20	40	0	89.6	0	0	0	0	0

Category C: Products Not Present Because They Face Significant Barriers

See, table 7 above and FAS Cairo's GAIN – EGYPT Retail Sector 2017 Annual (available late December 2017).

SECTION V. POST CONTACT AND FURTHER INFORMATION

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