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Required Report - public distribution

Date: 9/20/2018

GAIN Report Number: EG18022

Egypt

Food Service - Hotel Restaurant Institutional

Steady Recovery for the HRI Sector in Egypt

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Report Highlights:

Sales in Egypt's hotel and restaurant sector grew by 33 percent in 2017, recording a total output of US\$3.6 billion and representing around two percent of Egyptian GDP. Egypt's 2016 economic reforms program negatively affected imports of consumer-oriented products. Due to high exchange rates and elevated tariffs, consumer-oriented imports declined to US\$3.3 billion in 2017, down from US\$4.4 billion in 2016. With the exception of beef liver, US exports of consumer-oriented products continue to face stiff competition from exporters in countries with more favorable trade relationships. US-origin wines, apples, bread flour, sauces, dressings, and syrups are currently not present in sufficient quantities but have sales potential.

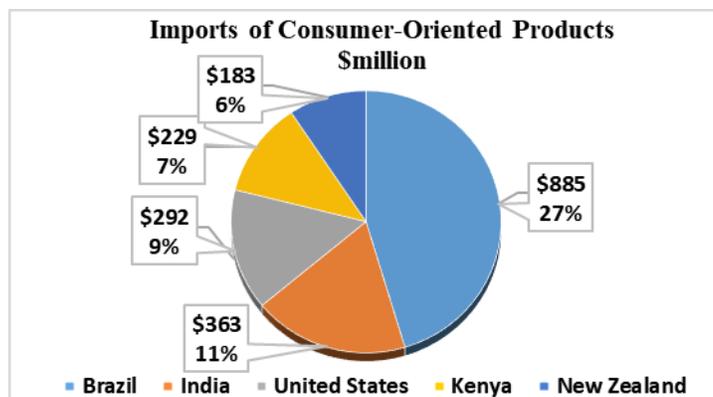
Market Fact Sheet: Egypt

Executive Summary

Egypt's hotel and restaurant sector grew 33 percent in 2017 due to recovering tourism and normalization of expenditure patterns among Egyptians. Sources in the sector forecast continued demand increase and growth to reach 15-20 percent by 2021 as tourism and consumer purchasing power continue to recover. Consumer-ready products from the US face stiff competition from suppliers in countries with more favorable trade relationships. In 2017, the highest value US products exported to Egypt were beef liver and offal, milk products, and food preparations.

Imports of Consumer-Oriented Products

Egypt imported \$3.3 billion in consumer-oriented products in 2017. Primary suppliers were Brazil, India, United States, Kenya, and New Zealand.



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

Hotels, Restaurants, and Institutions

The hotel and restaurant sector performed better in 2018 than in 2017. Their revenues were about US\$3 billion in the first six months of fiscal year 2018 compared to US\$1.7 billion for the same period in 2017. Post estimates the hotel industry's expenditure on food and beverage was US\$44 million for the same period. Their food and beverage revenues are expected to double by the end of 2018. Egyptian institutional sales channels are varied and information is limited. Certain institutions, such as hospitals, correctional and military facilities, have centralized kitchens to provide meals for their patients, inmates, or soldiers. In many cases, these institutions issue government tenders for private firms to run the kitchens. In other instances, civil servants may staff centralized kitchens. Post estimates institutional food service industry at US\$1.3 billion annually.

Quick Facts CY 2017

Imports of Consumer-Oriented Products US\$3.3 billion

List of Top 10 Growth Products in Egypt

- | | |
|-------------------------------|-----------------------|
| 1) Frozen Beef | 2) Beef Liver |
| 3) Black Tea <3kg | 4) Fresh Apples |
| 5) Food Preparations FAT<1.5% | 6) Milk Conc. |
| 7) Frozen Chicken | 8) Butter |
| 9) Cheese | 10) Infant Food Prep. |

Consumer Oriented Foods (US\$ billion) 2017

Consumer Oriented Food Sales	\$22.1
Exports*	\$3.5
Imports*	\$3.3
Inventory	N/A
Total Sales	\$25.4
Retail	\$24.1
Food Service	\$1.3

Note: * Refers to consumer-oriented products only.

Top Egypt Hotels & Restaurants Chains

- | | |
|--------------------------|----------------------------|
| - Marriott International | - Americana Group |
| - Hilton International | - Manfoods Industries |
| - Accor International | - Intl. Co.Food Industries |
| - Mövenpick Hotels | - Delicious Inc. |
| - Steigenberger | - Mo'wen Group |

GDP/Population

Population (millions): 97.5
 GDP (billions USD): \$235 (2017), \$333 (2016)
 GDP per capita (USD): 11,583 PPP

Sources: World Bank, International Monetary Fund, FAS Cairo office research.

Strengths/Weaknesses/Opportunities/Challenges

Strengths	Weaknesses
1. Large consumer market 2. Consumer acceptance of US origin products	1. High tariffs 2. Complex import regulations
Opportunities	Threats
1. Growing demand 2. Shortage in supply of imported consumer-	1. Trade competitors with free trade-

oriented products.	agreements 2. Trade competitors with closer proximity
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Data and Information Sources: FAS Cairo office research.
Contact: FAS Cairo AgCairo@fas.usda.gov

Executive Summary:

SECTION I. MARKET SUMMARY

In 2016, the Egyptian government started an ambitious, multi-prong economic reform program. In September 2016, Egypt implemented a 13 percent value added tax on most commercial transactions, which increased to 14 percent in July 2017. In November 2016, the Egyptian government floated the currency. Within six months, the Egyptian Pound depreciated from EGP 8.88 to EGP 18.00 per US Dollar. Inflation peaked at 34 percent in July 2017, up from 19 percent in November 2016, before gradually scaling down to 13 percent in July 2018.

In 2017 budget tourism flourished as cost of tourist packages to Egypt became more competitive. The Egyptian Central Agency for Public Mobilization and Statistics (CAPMAS) reported a 57 percent increase in tourists visiting Egypt in 2017 compared to 2016. The number of tourists increased from 5.3 million in 2016 to 8.3 million in 2017, generating revenues of US\$ 7.2 billion. Sources in the hotel sector report 15-20 percent increase in occupancy rates in the first six months of 2018. Post estimates that 10 million tourists will visit Egypt by the end of the year.

Egyptian consumers adjusted to the economic transformation. They absorbed the price adjustments and resumed their expenditure patterns. Industry sources reported that food and beverage demand began to increase July 2017. More information can be found in the [2018 Retail Food](#) Report from FAS Cairo. Sources in the hotel sector report 25 percent increase in occupancy rates and 45 percent in restaurants sales since July 2017. Restaurants increased menu prices by almost 30 percent to cover the additional operation costs after November 2016. *Euromonitor* reported that sales of restaurants both chained and independent in 2017 is estimated at US\$4.7 billion.

During the first half of fiscal year 2018, the hotel and restaurant sector performed better than the same period of 2017. Total revenues were about US\$3 billion compared to US\$1.7 billion for the same period in 2017. Post estimates that during the first six months of 2018 the industry's expenditure on food and beverage was US\$44 million of which US\$11 million was imported food. Post forecasts the industry food and beverage revenues to double by the end of 2018.

Table 1: Advantages and Challenges Facing US Suppliers of Consumer-Oriented Products

Advantages	Challenges
- US origin food products and ingredients have a good reputation and image.	- US exporters face competition from the EU member states. Egypt has a free trade agreement with the European Union, which provides preferential tariffs to EU-origin products.
- Growing demand for high-value US products in the hotel and restaurant sector.	- Many importers indicate lack of US supplier interest in Egypt. - Geographic proximity favors competing suppliers due higher shipping costs from the US - Egyptian import regulations are at times non-transparent.

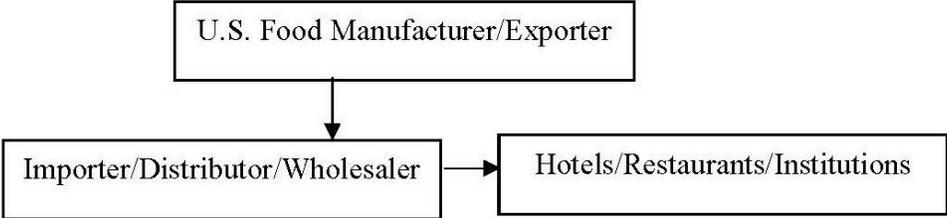
SECTION II: ROADMAP FOR MARKET ENTRY

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 hotels, restaurants and institutions. More information in the [2017 Egypt Food Service – Hotel Restaurant Institutional](#) report from FAS Cairo.

Market Structure / Distribution

In order to decrease risk and minimize costs, hotels, restaurants, and institutions do not directly import food and beverage ingredients and supplies. Alternatively, they purchase from Egyptian importers who have established relationships with foreign exporters and are more familiar with importation and government regulations.



Sub-Sector Profiles:

Hotels: There are over 24 international hotel chains operating 145 facilities in Egypt. These hotels chains have a total of 43,545 rooms in Egypt. Hotels in Cairo serve business and leisure visitors. Hotels in Alexandria and cities along the Red Sea (Taba, Nuweibea, Dahab, Sharm El Esheikh, Hurghada, Ain El Sokhna, Luxor, Aswan) mainly serve leisure visitors.

Table 2: Large Hotel Chains Operating in Egypt

S/N	Name of Chain	Purchasing	# Operations	# Rooms	Location
1	Marriott International	Direct	19	8,090	Nationwide
2	Hilton International	Direct	17	6,187	Nationwide
3	Accor International Hotels	Direct	17	4,529	Nationwide
4	Mövenpick Hotels, Resorts & Cruises	Direct	16	3,145	Nationwide
5	Steigenberger Hotels & Resorts	Direct	12	3,260	Nationwide
6	Azur Hotels & Resorts	Direct	10	2,806	Nationwide
7	Swiss Inn Hotels & Resorts	Direct	8	1,674	Nationwide
8	Helnan International Hotels	Direct	7	1,192	Nationwide
9	InterContinental Hotels	Direct	5	2,148	Cairo
10	Four Seasons Hotels & Resorts	Direct	4	952	Nationwide

Source: Post research

Restaurants: In 2017, the foodservice sector responded to the increased tariffs on imported foodstuff, the 14 percent VAT, and the devaluation of the Egyptian Pound by increasing menu prices up to 30 percent. Egyptians, in turn ate out less during the first six months. However, prices are now stabilizing and consumer demand is rebounding. Over 38,400 outlets both chained and independent restaurants sales were estimated about US\$4.7 billion in 2017.

Table 3: Major Restaurant Chains Operating in Egypt.

Company	Purchasing	Outlet Name	Type	# Outlets	Location
American Group	Direct/Import	Fish Market, Costa Coffee, Hardee's, Maestro, Baskin Robins, Samadi, Grand Café, TGI Friday, KFC, Pizza Hut, Chicken Tikka	Fast Food, Casual Dining, Café	334	Nationwide
Manfoods	Direct/Import	McDonald's	Fast Food	90+	Nationwide
Intl. Co. for Food Ind.	Direct/Import	Cook Door	Fast Food	62	Nationwide
Delicious Inc.	Direct/Import	Cilantro, Abou El Seid	Casual Dining	56	Nationwide
Mo'men Group	Direct/Import	Mo'men	Fast Food	30	Nationwide
Spectra	Direct/Import	Spectra	Restaurant & Café	28	Nationwide
Brinker Intl. Inc.	Direct/Import	Chili's Grill & Bar	Casual Dining	22	Nationwide
Al-Sobai'ya Group	Direct/Import	Abou Shakra	Casual Dining, Fast Food	11	Nationwide
The Olayan Group	Direct/Import	Burger King	Fast Food	17	Nationwide

Source: Post research

Institutional: Egyptian institutional sales channels are varied and information is limited. Certain institutions, such as hospitals, correctional and military facilities, have centralized kitchens to provide meals for their patients, inmates, or soldiers. In many cases, these institutions issue government tenders for private firms to run the kitchens. In other instances, civil servants may staff centralized kitchens. Post estimate institutional food service industry at US\$1.3 billion annually (Table 4).

Table 4: Institutional Food and Beverage Expenditure in 2017 (US\$ million) – Post Estimates

Institutions	Population	F&B Expenditure US\$ million	Remarks
Public Universities	2,219,371	444	Students expenditure
Public Schools	7,408,730	370	Students expenditure
Public Hospitals	93,897	281	Government funded
Private Schools	2,032,679	203	Students expenditure

Gas & Oil Sector	206,063	82	Company & Ind. Exp.
Ministry of Defense	438,500	79	Soldiers meals
School Feeding Program	11,200,000	54	Government funded
Private Universities	64,335	26	Students expenditure
Correctional Facilities	90,000	11	Inmates meals
Private Hospitals	32,698	10	Residents' Expenditure

Sources: CAPMAS, Post research

SECTION III: COMPETITION

In 2017, the United States was Egypt's third largest supplier of consumer-oriented food products. Egypt imported \$3.3 billion worth of consumer-oriented products. The top suppliers to Egypt were Brazil (US\$885.3 million), India (US\$363.4 million), United States (US\$292 million), Kenya (US\$229.2 million), and New Zealand (US\$182.6 million). Despite being the third largest supplier to Egypt, US-origin food products face a tough competitive environment from European, Middle Eastern, and African consumer-oriented products 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.

SECTION IV: BEST PRODUCT PROSPECT CATEGORIES

Products currently available in the market which have good sales potential, include beef muscle cuts, beef liver, black tea, apples, food preparations, concentrated milk and cream, frozen chicken, and butter. The top imported products in 2017 were beef (US\$995 million), beef livers (US\$300 million), black tea (US\$254 million), apples (US\$209 million), food preparations (US\$153 million), concentrated milk and cream (US\$123 million), frozen chicken (US\$119 million), and butter (US\$88 million).

Sources in the hotel and restaurant sector advise that US-origin products not present in significant quantities in the market which have good sales potential include beef, wine, peanut, bread flour, sauces, dressings, and syrups.

Alcohol beverages are served in most all Egyptian hotels, as well as in some high-end restaurants. Many hotels, however, serve only local wines due to cost and competitiveness. Others choose to maintain their reputation as quality imported wine provider despite the higher costs, and long and complicated import process. All hotels confirm that serving US wines would boost their restaurant sales, but complain about a lack of steady supply.

Importing alcohol beverages is subject to high tariffs. Beer is subject to import tax of 1200 percent, still wines to 1,800 percent, sparkling wines and spirits to 3,000 percent. However, The Ministry of Tourism issues import permits for specific hotels and restaurants to import these products at a reduced rate of 300 percent. These establishments buy the products from limited group of local importers who source from foreign suppliers.

Section V. Post Contact and Further Information

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For additional information, see www.fas.usda.gov. See also to our Food and Agricultural Import Regulations and Standards (FAIRS) reports, FAIRS Export Certificate, Food Processing Ingredients Sector, and HRI Food Service Sector GAIN reports.

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