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Egypt

Retail Food Sector

Report

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Report Highlights:

The Egyptian food retail sector continues to develop rapidly. Foreign investors have set their sights on the local retail sector to expand grocery store chains into Egypt's urban centers. International supermarket chains, such as "Carrefour," "Shoprite," and "Monoprix" (soon to open) continue to expand in Egypt.

Includes PSD Changes: No
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I. MARKET SUMMARY

The food retail sector in the Egyptian market continues its rapid development, which started with the opening of 18 outlets of Metro, a local supermarket chain, and the presence of a number of multi-national firms, such as "Shoprite" South Africa, "Carrefour" French and "Monoprix."

a) General Background

- Population of Egypt is around 69 million; the largest cities are Cairo (18 million) and Alexandria (12 million).
- GDP (US dollars / FY 02/03): 76.6 billion
- GDP per capita: \$1,470 in 2002
- Inflation rate: 3.9 percent
- Total Ag. imports (2002): \$3.5 billion
- Total U.S. Ag. imports (2002): \$866,940 million

b) Highlights of recent trends that impact the retail:

- The devaluation of the Egyptian pound has led to an increase in the price of imported products by 45 percent and for the local products 30 percent.
- The introduction of hypermarkets and superstores is helping to re-shape the retail industry. "Carrefour," which was the first international hypermarket to open in Egypt, succeeded to change the way Egyptians shop, 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.
- With the expansion of supermarkets and hypermarkets, it is expected that medium size supermarkets (500 square meters) and grocery stores may go out of business within the next five years. The future looks bright for supermarket chains that can cater to changing consumer buying habits.
- Egyptian consumers are beginning to expect cleanliness, quality, and 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.
- The average consumer spends about \$12 per basket. However, it varies from one area to another. Middle and upper-middle income shoppers are drawn to supermarket chains.

- Home delivery service is becoming very popular among the large retailers. The objective of the delivery service is to create customer loyalty. None of the retailers charge extra fees for the delivery.
- Distribution/retail of alcoholic beverages is limited to a few authorized dealers only.
- The United States of America, France, Germany, Italy, Switzerland, Greece, Holland, Denmark, and South Africa are the dominant suppliers of consumer-ready food products to Egypt.
- The following tables illustrate food retail sales (value)* and a snapshot of advantages and challenges in this market:

EGYPT	1998	1999	2000	2001	2002
Wholesale and retail sales, restaurants and hotels (\$ million)	51,587	55,376	60,001	61,809	-
Retail sales for food and non-food products through retail outlets (\$ billion)	86.07	90.53	97.86	104.14	111.47
Food retail sales (\$ billion)	55.08	57.94	63.61	67.69	70.23
* Source: Euromonitor from trade sources					

ADVANTAGES	CHALLENGES
Of the 69 million Egyptians, about 12 million can afford to purchase imported food products.	Lack of product availability and limited income. Egyptian import regulations and labeling requirements are too stringent.
Products perceived as both western and new-to-market have a wide appeal to Egyptians. U.S. products are perceived as "high quality."	Lack of U.S. supplier interest in the Egyptian market. With the EU-Egypt Partnership Agreement, import tariffs on most European products will be cut substantially or eliminated over the next 12-15 years. The agreement may lead to displacement of some U.S. agricultural products especially in the processed food sector unless positive trade policy changes can be made between the U.S. and Egypt.

<p>Expansion of the number of supermarket chains. International companies interested in the Egyptian market include, "Carrefour" (French), "Shoprite" (South African), and "Monoprix" (French).</p>	<p>With the growing size of supermarket chains, the desire to introduce a broad array and new-to-market products is strengthening.</p>
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II. ROAD MAP FOR MARKET ENTRY FOR U.S. SUPPLIERS

A. SUPERMARKETS AND HYPERMARKETS

International Supermarkets and Hypermarkets

- ❑ Multi-national food retailers have started to invest in Egypt. Shoprite "South African chain" is currently operating five outlets with a plan to open two more within one year. Their strategy is to offer competitive prices to maintain consumers and deal directly with manufacturers and not distributors. Shoprite does not compete with retail markets like Metro and Alfa markets but rather with Egyptian wholesalers. They import directly for their supermarket chains from South Africa, Italy, Hong Kong, and Singapore.
- ❑ The French chain "Carrefour" opened two hypermarkets; one in Cairo and one in Alexandria. Their plan is to open two more outlets by 2005. Their focus is on middle-income families. Carrefour is now reporting an average of 15,000 visitors per day on weekdays and 38,000 visitors on the weekends; an average of 7,000 transactions a day during week days and 12,000 daily on weekends. They rely primarily on local goods.
- ❑ The French chain "Monoprix" which is expected to open two outlets by 2005, will feature more international products at lower prices.

Local Supermarkets and Hypermarkets

- ❑ Metro, Egypt's largest food retailer, is currently operating 18 outlets in Cairo and Alexandria. Metro plans to expand in other governorates, such as Ismailia, Hurghada, and Mansoura. This will add to the rapidly growing retail sector and services to consumers and strengthen Egypt's retail distribution network. Metro carries a variety of products including over 16,000 food items and 6,000 non-food items.
- ❑ The only local hypermarket currently operating in Egypt is "Alfa" Market. Currently, Alfa Market has six outlets. It used to be the biggest market in Cairo before Carrefour. Alfa carries about 70,000 items out of which 20,000 are food items. They provide consumers other services, such as dry cleaning, video rentals ...etc.
- ❑ "HyperOne" a second local hypermarket is scheduled to open in early 2004 on the outskirts of Sixth of October City near Cairo. The project will include a 10,000 square meter hypermarket, 20 shops, food court and a children's entertainment area.

ENTRY STRATEGY

FAS/Cairo Upcoming Activities

- FAS/Cairo plans to organize a recipe campaign in Cairo targeting 140 outlets including hotels, restaurants, cafes, elite health clubs, pastries and pubs in addition to three major supermarket chains in Cairo. Recipes developed on a monthly basis using a famous TV dietitian will be highlighted through mass mailing of postcards. Live cooking presentations will be conducted inside the supermarkets promoting U.S. brands during the recipe campaign.
- FAS/Cairo will organize an Egyptian delegation to attend the FMI show every May. The objective is to acquaint Egyptian importers/distributors with the high quality of U.S. products. 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.

U.S. Suppliers Strategy

- U.S. exporters, Egyptian importers, and other traders may participate in FAS-sponsored promotions in Cairo and Alexandria, such as in-store promotions, sports clubs (class A) promotions in Cairo to introduce new products or expand sales of U.S. products already available in the Egyptian market.
- U.S. suppliers should study the market and be prepared to comply with Egypt’s labeling requirements; entertain orders that are smaller than normal, share a shipment with other U.S. exporters or share more than one product in one shipment.

DISTRIBUTION CHANNELS

Importers either sell their products to wholesalers who distribute food products to retail outlets, or sell directly to retailers. There are three supermarket chains, namely Carrefour, Oscar, and Shoprite that import food products directly.

Distribution Channels for Food, Alcoholic Beverages and Confectionery.

Food	<ul style="list-style-type: none"> ➤ Hypermarkets and supermarkets ➤ Large grocery stores ➤ Medium and small grocery stores ➤ Hotels and Restaurants
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Alcoholic Beverages	<ul style="list-style-type: none">➤ Hotels➤ Restaurants with 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

COMPANY PROFILES

(2002 / 2003)

Retailer Name & Outlet Type	Ownership	No. of Outlets	Locations (City)	Purchasing Agent Type
Metro	Local	18	Cairo, Alexandria, Ismailia	Direct / Distributor
Ragab Sons	Local	13	Cairo	Direct / Wholesaler
Fathalla	Local	8	Alexandria	Direct / Importer / wholesaler
Zahran	Local	5	Alexandria	Direct
Alfa	Local	5 (4 hypermarkets and one supermarket)	Cairo & Alexandria	Direct / Importer
El Hawari	Local	5 (one of which is a modern supermarket) Plan to open a local hyper market in 2004	Cairo	Wholesaler
Shoprite	International Joint Venture	5	Cairo	Direct / Importer
Abba	Local	4	Cairo	Direct / Wholesaler
Seoudi	Local	3	Cairo	Direct
Oscar	Local	2	Cairo	Direct / Agent / Importer
Carrefour	International	2	Cairo / Alexandria	Direct / Importer

Annual sales range from \$7 - \$100 million.

<i>Supermarkets, Hypermarkets, and Convenience Stores</i> (1998 – 2002)					
<i>NO. OF OUTLETS</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>
Supermarkets	325	360	390	437	493
Hypermarkets	2	2	2	3	6
Convenience stores	245	250	280	324	372
Source: Euromonitor Data (2003)					

Demand and Supply Trends

- Mid to upper income consumers are becoming more and more demanding and are increasingly perceiving traditional supermarkets in Egypt as inadequate. Retailers started to become customer driven in their approach to staff, cleanliness, product range, and service.
- Consumption of prepared foods is growing rapidly. The increasing number of working women has led to an increase in the purchasing power and demand for ready made meals and/or easy to cook meals.
- The trend for purchasing frozen products is increasing.
- Choices for dietetic or low calorie food items are very limited.
- 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, but purchase 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 recently introduced a new concept of convenience stores. They currently operate over 10 stores and have plans to open 25-30 stores within the next couple of years. 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.

- The average gas mart outlet is 30 to 50 square meters with a few exceptions (few Mobil Mart outlets have 100 square meters).
- Average sales differ according to the gas mart location; for example the medium outlet sales is \$14,000 while the high outlet sales is \$60,000 per month.

- 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.

ENTRY STRATEGY

- U.S. suppliers must make sure that products are consistently available in the market in order to build product loyalty. Suppliers should appoint a reliable distributor to ensure that products are available in sales outlets at all times.

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.

III. COMPETITION

In 2002, according to the UN Trade Data, total imports to Egypt from the U.S. for consumer oriented products totaled \$42 million compared to \$50.5 million in 2001. This decrease is attributed to the current political situation in the Middle East and the devaluation of the Egyptian pound, which has lost about 30 percent of its value against the dollar since January 2003. Major importers are reporting a decrease of 30 percent in sales as a result of these conditions.

The U.S. and European countries, mainly France, Spain, Italy, Germany, Greece, Holland, Denmark and South Africa are the dominant suppliers of consumer-ready products to Egypt.

The following table illustrates the Egyptian imports for the following products categories:

(Jan -Dec. 2002 \$ Mil)

PRODUCT	TOTAL IMPORTS	IMPORTS FROM THE U.S.	U.S. MARKET SHARE (%)	IMPORT TARIFF **
Fresh vegetables	2,964,167	0	0 %	20%
Frozen vegetables	4,482,940	0	0%	30%
Dried vegetables	15,163,857	297,519	2%	20%
Nuts	11,924,865	2,582,107	22%	30%
Fresh fruit	1,614,873	33,567	2%	30-40%
Apples	18,377,459	3,574,182	19%	40%
Dried fruit	8,943,397	223,036	2%	30-40%
Coffee	6,369,397	11,746	0%	5-30%

PRODUCT	TOTAL IMPORTS	IMPORTS FROM THE U.S.	U.S. MARKET SHARE (%)	IMPORT TARIFF **
Spices	428,460	0	0%	20%
Beef canned (red meat prepared)	1,783,510	0	0%	30-40%
Red meat (fresh, chilled, frozen)	191,419,592	156,034	0%	5%
Bovine, offals frozen	34,276,728	34,169,474	100%	5-40%
Frozen fish	64,070,544	3,135,755	5%	5%
Cocoa paste	1,049,461	0	0%	20%
Cocoa butter	1,244,744	0	0%	30%
Cocoa powder	11,899,353	46,803	0%	30%
Biscuits/bread/pastry	3,729,473	984,798	26%	40%
Jams	316,621	49,259	16%	40%
Juices	1,222,398	89,298	7%	30%
Sauces/mayonnaise/ketchup	806,375	299,658	37%	30%
Ice cream	974,029	205,044	21%	30%
Beer	11,887	0	0%	1200%
Wine	204,127	16,825	8%	3000%
Pet food	1,209,008	152,522	13%	30%
Pastas	892,919	4,199	0%	40%
Cheese	22,652,069	230,755	1%	10-30%
Butter	65,801,264	0	0%	5-15%
Milk powder	33,837,190	1,600,713	5%	10-40%
Pasteurized Eggs	152,413	42,703	28%	30%
Grand Total	558,889,437	50,043,340 *	9%	

- * U.S. Trade data for consumer-oriented products for CY 2002 totaled \$42 million compared to \$50 million from the Egyptian data (CAPMAS). The difference might be attributed to the freight costs.
- ** Extra fees represent service tax, commercial and industrial profits, miscellaneous expenses vary from one product to another.

Source: Trade data from the Central Agency for Public Mobilization and Statistics (CAPMAS), Cairo, Egypt

The following table illustrates suppliers of consumer foods and edible fishery products:

SUPPLIERS OF CONSUMER FOODS AND EDIBLE FISHERY PRODUCTS			
PRODUCT	LARGEST SUPPLIERS	MARKET SHARE (%)	U.S. MARKET SHARE (%)
Fresh Veg.	China	95%	0 %
Frozen Vegetables	Netherlands Saudi Arabia	70% 30%	0%
Dried Vegetables	Mynamar Canada China	36% 21% 7%	2%
Fresh Fruit	Lebanon Chilly Syria Italy France Greece	24% 13% 9% 9% 5% 5%	8%
Dried Fruit	Turkey Syria Greece Iran	32% 19% 12% 11%	2%
Nuts	Turkey India	60% 18%	22%
Coffee	Indonesia Brazil India Vietnam	40% 28% 8% 4%	0%
Spices	India China Syria	39% 21% 19%	0%
Red Meat Prepared	Brazil Argentina Jordan	81% 9% 5%	0%

PRODUCT	LARGEST SUPPLIERS	MARKET SHARE (%)	U.S. MARKET SHARE (%)
Red Meat (fresh, chilled, frozen)	Brazil India Argentina Uruguay	43% 28% 20% 3%	0%
Bovine, offals frozen	U.S.		100%
Canned Fish	Thailand France Indonesia	93% 1% 1%	1%
Frozen Fish	Netherlands United Kingdom Ireland EEC France Germany	35% 16% 15% 7% 4% 4%	5%
Cocoa Paste	United Kingdom China France	53% 32% 4%	0%
Cocoa Butter	United Kingdom France	88% 4%	0%
Cocoa Powder	U.A.E. United Kingdom Malaysia Netherlands France Indonesia	21% 11% 8% 7% 5% 4%	0%
Other Food Preparations	United Kingdom Germany Netherlands Australia	68% 4% 4% 3%	9%
Biscuits / Bread / Waffles	EEC United Kingdom	15% 12%	26%
Biscuits / Bread / Waffles	Germany Italy Saudi Arabia France	9% 8% 6% 2%	

<i>PRODUCT</i>	<i>LARGEST SUPPLIERS</i>	<i>MARKET SHARE (%)</i>	<i>U.S. MARKET SHARE (%)</i>
Jams	Poland France Belgium Hungary Bulgaria	21% 20% 14% 12% 8%	16%
Juices	Spain U.A.E. Cyprus Thailand Saudi Arabia	25% 9% 8% 7% 2%	7%
Sauces / Mayonnaise / Ketchup	India Netherlands France Germany Pakistan	18% 13% 6% 4% 4%	37%
Ice Cream	France Germany EEC	38% 17% 9%	21%
Beer	Ireland	100%	0%
Wine	EEC Italy Saudi Arabia	44% 26% 17%	8%
Pet Food	France Australia Germany	18% 16% 13%	13%
Pastas	Italy Indonesia Saudi Arabia China Turkey	29% 16% 11% 8% 8%	0%
Cheese	Netherlands Denmark France United Kingdom	56% 3% 2% 2%	1%
Butter	New Zealand Australia	60% 20%	0%

PRODUCT	LARGEST SUPPLIERS	MARKET SHARE (%)	U.S. MARKET SHARE (%)
Milk Powder	New Zealand Poland Sweden	16% 15% 14%	5%
Pasteurized Eggs	France India	51% 18%	28%

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

IV. BEST PRODUCT PROSPECTS

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

- Dressings, sauces and seasonings
- Apples
- Nuts and dried fruit
- Juices
- Salted snacks and potato chips
- Mexican 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 (not available at all)

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

- Wine (high custom tariff rate)
- Beer (High custom tariff rate)
- U.S. high quality beef (a maximum of 7% fat content on imported beef)
- Turkey (modest quantities of processed turkey are imported)

V. POST CONTACT AND FURTHER INFORMATION

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Other References: www.fas.usda.gov (Country,Egypt,Reports)

- Trade Policy Monitoring Report / Report no. EG3004
- Food and Agricultural Import Regulations and Standards (FAIRS 2003) Report no. EG3019
- Exporter Guide / Report no. EG3023