

Retail Sector Shepherds Tunisian Food Industry

By Abdelkrim Sma

Most U.S. agricultural exporters think of Tunisia as a market for bulk and intermediate commodities like corn, wheat, vegetable oil, soybean meal and planting seeds. However, opportunities also exist for consumer-oriented agricultural exports as disposable income increases and Western-style consumption habits grow.

The robustness of the Tunisian economy influences how much food the country imports each year. In calendar 2003,

with lingering effects of the 2002 economic downturn, Tunisia imported about \$1 billion worth of agricultural products. Some \$74 million worth came from the United States. The year before, U.S. exports had amounted to \$115 million, with record highs for coarse grains and soybean meal.

Though the EU (European Union) provides stiff competition and has the advantages of proximity and preferential access, there is room for growth of U.S. product sales.

Economy Hinges on Tourism, Agriculture, Exports to EU

Often considered a model for other African and Middle Eastern countries, Tunisia's diversified economy is based on



30120

sound market-driven economic reforms launched in the late 1980s.

Despite an overall growth rate averaging 5 percent, however, the economy is still fragile. In 2002, the GDP (gross domestic product) advanced only 1.7 percent after three situations hurt the economy: the country experienced drought for



AA025586

a third year, tourism slowed due to the unsettled international situation and weakening demand in the EU led to a falloff in exports.

About 20 percent of the Tunisian workforce is engaged in agriculture, which contributes nearly 11 percent of the GDP and 10 percent of overall exports. In 2003, Tunisia exported nearly \$600 million worth of agricultural products, mainly citrus, olive oil, dates and seafood.

Most Tunisian farmers grow wheat and barley and face highly variable production due to intermittent droughts. Irrigated horticulture is well developed, but production must be supplemented at times with imports.

In 2003, the economy recovered noticeably due to a good agricultural season; growth is expected to reach 6 percent in 2004.

Tunisia Highly Urbanized

Two-thirds of Tunisia's population of 10 million is urban and nearly 20 percent lives in the Tunis metropolitan area. The population enjoys a relatively good social support system, with ready access to education and health services.

Women enjoy equal status with men and make up a sizeable part of the work



In Calendar 2002, These U.S. Consumer-Oriented Exports Accounted for a 10-Percent Market Share in Tunisia

Product by Rank	All Imports (\$)	Imports of U.S. Products (\$)	U.S. Market Share (%)
Seafood	16,489,109	38,869	0.2
Tree nuts	3,362,831	905,651	26.9
Dried fruits	2,718,569	417,636	15.4
Cocoa powder	2,600,352	82,283	3.2
Others	2,327,321	1,095,705	47.1
Biscuits	1,802,852	482,774	26.8
Sauces, condiments and mixed seasonings	789,192	25,189	3.2
Potato chips	380,852	29,873	7.8
Breakfast cereals	377,146	26,157	6.9
Total	30,848,224	3,104,137	10.0

force. Tunisia's middle class represents 80 percent of the entire population, and per capita income, at \$2,100, provides the highest purchasing power in North Africa.

Households number 2.1 million, each spending about \$2,400 on food per year. Average household size is five persons. Urban households spend nearly 65 percent more than rural households. Food spending, growing about 6.6 percent annually, accounts for 40 percent of overall household spending.

Do You Parlez-Vous?

The country's official language is Arabic, but French is the second language and often used in business. Since a personal touch counts, exporters need to engage directly with customers or with a local agent who can facilitate trade and serve as interpreter, if necessary.

Though business people appreciate U.S. goods as being of high quality, price is still the overriding factor in food purchases.

Bureaucratic hurdles impede the trade of some bulk and intermediate commodi-

ties, but Tunisia is committed to making progress with market liberalization.

Commercial advertising is well-developed in Tunisia with television and newspapers the preferred vehicles. Posters, tombolas (prize drawings) and events are common promotional tools, while brands and trademarks seen via satellite TV and foreign newspapers appeal to higher income consumers.

Gaining Entrée

Language on labels should be Arabic and measurements must be metric. Food packaging materials must meet Tunisian standards and bear an international logo depicting that the material meets food grade standards.

Food standards are similar to those in developed countries, as Tunisian sanitary and phytosanitary requirements are mostly consistent with Codex Alimentarius.

Importers can help suppliers navigate through customs. Besides phytosanitary and sanitary certificates based on Codex, most consumer-oriented food products are subject to technical quality control sampling prior to customs clearance.

The AMC (*Autorisation de Mise à la Consommation*) document issued by customs confirms quality and must be secured before goods are distributed or further processed. Application for this document must be accompanied with:

- Import certificate and commercial invoice
- Certificate of origin
- Packing list
- Bill of lading
- Technical notice explaining processing technique, if product is new to market
- Other documents specified by customs

The Central Bank of Tunisia strictly supervises the country's banking system. While short-term commercial credit is usually available, medium- to long-term credit may not be. U.S. exporters can use USDA's Export Credit Guarantee Programs to secure credit in this market.

Supermarkets Spearheading Industry Growth

In 2000, Tunisians spent nearly \$5 billion on food, mainly to purchase staples like bread, couscous and other types of pasta, semolina, cooking oil, seafood and dairy products. Items once considered luxury goods, such as salty and sweet snacks, fruit juices and fresh fruits, are increasingly popular.

Fragmented distribution systems that worked for traditional small neighborhood shops carrying limited inventory are being replaced by the modern organized systems required by the supermarket format.

These major retailers are posting double-digit revenue growth. French-owned supermarkets are present, along with some Tunisian retailers. More foreign retailers are expected to enter the market during



60263

the next decade and capture up to 30 percent of the market.

For distribution purposes, Tunisia's HRI (hotel, restaurant and institutional) market is not recognized as a separate sector from retail—most hotels and restaurants purchase foods through annual tenders or use the same distribution channels as households.

The HRI market should not be overlooked by exporters, however. It caters to more than 6 million tourists annually, in addition to domestic diners. And high-end hotels import some products directly, particularly spirits, wines and specialty cheeses.

The food processing sector demand for consumer-oriented ingredients is steadily increasing. Aside from domestic products, the Tunisian processing sector relies mainly on EU-origin ingredients. However, some U.S.-origin ingredients such as cocoa powder for the confectionery industry and dried fruits and tree nuts for the baking industry are imported.

Select Right Importer

The best entry strategy for new-to-market exporters is to identify and check the credentials of a suitable importer experienced in handling targeted products. Retailers can also be contacted as some have direct importing experience.

Business etiquette is similar to that of Western countries. **n**

The author is an agricultural specialist with the Office of Agricultural Affairs at the U.S. Embassy in Tunis, Tunisia. This office will assist in matching U.S. exporters with potential business partners or conducting inquiries. Tel.: (011-216-71) 107-349; Fax: (011-216-71) 107-101; E-mail: usemb.tunisag@planet.tn

For details, see FAS Report TS4001. To find it on the Web, start at www.fas.usda.gov, select **Attaché Reports** and follow the prompts.

