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Tunisia

Exporter Guide

Annual

2004

Approved by:
Merritt Chesley
U.S. Embassy

Prepared by:
Abdelkarim Sma

Report Highlights:
Tunisia has a population of 10 million and enjoys one of the highest degrees of purchasing power in Africa. Consumption patterns are becoming more sophisticated and thus demand for high-value consumer-oriented food products is on the rise. A short list of best prospects has been highlighted to help U.S. exporters capture a greater market share or, for those new-to-market, to gain a foothold.

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Annual Report
Tunis [TS1]
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Table of Contents

Section I: Market overview

1.1 Economic Situation

Tunisia, the North African country home of the ancient merchant city of Carthage, has a relatively open economy relying heavily on foreign trade. The rate of its economy's openness, as calculated as a ratio of total exports and imports to GDP, is around 80 percent.

The Tunisian economy, unlike many other Arab oil-based economies, hinges on a set of diversified sectors (agriculture, manufacturing and services) and shows a steady growth at roughly 5 percent a year fueled by sound market-driven economic reforms launched in the late 80's. Tunisia, whose economic performance is very often hailed[1] as a model for other African and Middle Eastern countries, is well anchored in the 'middle-income' category of nations.

Nevertheless, the Tunisian economy remains fragile to both endogenous and exogenous shocks. In 2002, GDP advanced by a mere 1.7 percent as the Tunisian economy experienced a severe slowdown ascribed to a third year of drought in a row; a sluggish tourism sector, resulting from the international political situation; and lackluster exports due to a weakening demand in the EU, the country's major trade and investment partner. In 2003, the economy recovered noticeably, thanks, in part, to a good agricultural season and is likely to post a growth in excess of 5 percent. The outlook for 2004 is also favorable as GDP growth is set to reach 6 percent. Inflation has also been kept within sound limits. (The annual rate of consumer price index is estimated at 2.8 percent in 2003.)

Agriculture plays a major role in Tunisia. Approximately one-fifth of the workforce is engaged in agriculture which contributes nearly 11 percent of the GDP and up to 10 percent of the overall export of goods. In 2003, Tunisia exported nearly US$ 600 million worth of agricultural products, mainly citrus, olive oil, dates and seafood.

The majority of Tunisian farmers grows basic rain-fed food grains (wheat and barley) and faces highly variable production due to intermittent droughts. Irrigated horticulture is well developed but must be supplemented, from time to time, with imports to attain a sufficient domestic supply. Tree farming (olive, citrus and dates) is export-driven.

Tunisia is a net importer of agricultural products. In 2003 Tunisia imported agricultural products valued at 1,261 Billion Tunisian Dinars (equivalent to nearly US$ 1 billion). About 10 percent of this total is sourced from the US.

[1] In the recent 2003 "Africa Competitiveness Report" published by the World Economic Forum, Tunisia ranked first out of 24 African countries in the overall competitive index.

So far, the major goods imported into Tunisia from the US remain bulk commodities such as wheat, corn and some intermediate products such as soybean meal and planting seeds. However, opportunities do exist for consumer-oriented agricultural exports as the Tunisian consumer is becoming more sophisticated thanks to a greater disposable income and an increasing exposure to western-style consumption habits.

The U.S. market share has real room for growth despite a price competitiveness gap with the EU caused by substantially higher freight costs and preferential access granted to the EU following the free trade agreement[2] enactment in the mid 90's.

Despite the constantly improving market access, U.S. exporters have to take into account some remaining bureaucratic hurdles, as the State and parastatals still retain controlling stakes in the agricultural trade of some bulk and intermediate commodities. Market liberalization, although still incomplete, is firmly on track as the GOT is committed to expedite the on-going prioritization program and to ease the red tape. Business environment in Tunisia is, in general, credible. The Transparency International Corruption Perceptions Index 2003 ranked Tunisia as the least corrupt country in Africa.

1.2 Key demographic developments and their impact on consumer buying habits

Tunisia has a population of 10 million, growing at a very low rate (only 1.08 percent in 2002). Two-thirds of the inhabitants live in urban cities and nearly one-fifth is living in the Greater Tunis metropolitan area. The population enjoys a relatively good social welfare, with ready access to education and health services. Women enjoy equal status to men and make up a sizeable part of the work force.

Tunisians enjoy relatively high per capita revenue, currently around US$ 2,100, equivalent to a purchasing-power parity (PPP) of nearly US$ 6,300. This PPP level is the highest[3] in North Africa and ranks fourth in the whole African continent.

Data collected by the latest household consumption survey conducted in 2000 by the INS (Institut National des Statistiques) put the total household count at nearly 2.1 million, each spending on average roughly 3,000 TD on food per year. However, urban households spend nearly 65 percent more than rural households. The annual food spending growth is estimated at 6.6 percent, continues to rank first in households' priorities, and accounts for nearly 40 percent of the overall household spending.

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[2] Tunisia was the first country (July 1995) to sign an Association Agreement with the EU, which implies a free trade area to be gradually reached over a 12-year transition period.

[3] According to the World Development Indicators database, World Bank, July 2003

Tunisia has a relatively large middle class, which represents 80 percent of the entire population.

The typical Tunisian diet relies on staples such as couscous, the famous dish of North Africa made from durum wheat. Pasta and olive oil are also popular as Tunisian cuisine is, to a certain extent, influenced by Italy, its closest European neighbor. Seafood is a mainstay of the Tunisian diet. Tunisians like their food hot and spicy.

Advantages	**Challenges**
A relatively high household disposable income	Trade with US is sensitive to political turmoil and to some boycott attempts
US food products' quality is well perceived	Higher freight cost as compared to goods sourced from nearby Europe
A favorable US dollar exchange rate against the Euro	Lack of awareness of US food products' brand names compared to the European brands
An increasing sophistication of the consumption patterns driven by modern food retail	Fewer business ties compared to those with the EU

Section II: Exporter Business Tips

Doing business in Tunisia very often needs direct interaction with customers or at least via a local agent who serves as a trade facilitator and sometimes as an interpreter. The official language is Arabic, and the second language is French. Although Tunisian businessmen perceive US agricultural goods as of high quality, some of them are reluctant to pay substantial premiums, as price remains the most determining factor. So people embarking on business in Tunisia should be prepared for relatively demanding price negotiations.

Business etiquette is quite similar to western countries. The Tunisian weekend is Saturday and Sunday. During the holy fasting month of Ramadan the workday is shorter and it is advisable to be concise and to avoid having lengthy discussions or meetings. When invited into someone's home to share the Iftar meal (the meal marking the end of fast at sunset), it is common for guests to bring a small gift as a token of appreciation.

Commercial advertising is well developed in Tunisia with TV channels and newspapers providing the most sought-after vehicles for ads. Posters, tombolas and event sponsorships are also very common. Tunisians, especially those with high income, like to buy brands/trademarks having a 'western look' seen in foreign satellites TV commercials and in foreign newspapers ads.

According to the Consumer Protection Law of 1992, labeling should be in Arabic in addition to other languages, and measurements must be in the metric system. Food packaging materials must meet Tunisian standards and bear a food grade international logo (Decree # 2003-1718 of August, 2003).

Food standards are in general similar to those prevailing in developed countries as Tunisia is heavily on Codex alimentarius standards when setting its own food safety measures.

In addition to phytosanitary and sanitary certificates, the majority of consumer-oriented food products are subject to a technical quality control prior to customs clearance, as mandated by decree # 94-1744 dated August 1994. Importers must apply for a document called Autorisation de Mise a la Consommation (AMC). In order to expedite customs clearance, the importer is entitled to a temporary document called Autorisation Provisoire d'Enlevement (APE), pending dossier instruction but must refrain from distributing or further processing the imported good until the AMC is delivered by the Ministry of Commerce, Directorate of Quality and Consumer Protection.

In order to comply with the technical control requirements, an application form has to be submitted along with the following documents:

1. Import certificate coupled with commercial invoice
2. Certificate of origin
3. Packing list
4. Bill of lading
5. Technical notice
6. Other document (s) at the discretion of the Authorities

Tunisian currency is not freely convertible and the Tunisian banking system is strictly supervised by the Central Bank of Tunisia. Supply of short-term commercial credit generally exceeds demand. Medium to long-term credit is available, in part thanks to USDA's Export Credit Guarantee Programs. FY 04 allocations are: US$ 10 million for GSM 103, US$ 30 million for GSM 102, US$ 20 million for the Supplier Credit Guarantee Program and US$ 10 million for the Facility Guarantee Program.

Section III: Market sector structure and trends

According to the latest INS survey conducted in 2000, Tunisians spend on food nearly 6.5 billion TD a year (nearly US$ 5 billion), mainly to purchase staples like bread, pasta, semolina, cooking oil and dairy products. Other items that used to be considered luxury goods, such as salty and sweet snacks, fruit juices or fresh fruits are increasingly popular.

The food retail sector is gradually shifting from traditional distribution patterns based on small neighborhood shops carrying limited assortments (a few dozens of food items) to modern distribution based on supermarkets displaying wider and deeper food assortments. The major retail players are posting double-digit revenue growth. French supermarkets, such as Carrefour, Casino and the discount store Leader Price, are already present in Tunisia, along with Tunisian retailers such as Magasin General and Monoprix. More foreign retailers are expected to enter the market in the medium run enticed by a sector poised to expand more aggressively over the next decade, displacing traditional shops and capturing an estimated 30 percent of the overall food retail market.

In Tunisia, HRI is not perceived as a separate market, for most hotels and restaurants source their food needs either through annual tenders or using the same distribution channels as households. In addition to domestic customers, this sector caters to more than 6 million tourists visiting Tunisia each year. High-end hotels do import spirits, wines and specialty cheese either directly or via import companies.

The food processing sector demand for imported high-value ingredients is steadily increasing, with more sophisticated products licensed by multinational food companies (Nestle, Danone).

Activity	Off-shore companies	Onshore companies	Total
Oils and fats industries	11	173	184
Fruits and vegetables industries	4	49	53
Cold storages facilities	30	51	81
Seafood industries	36	27	63
Cereals and derivatives industries	5	284	289
Beverage industries	2	40	42
Dairy industries	-	37	37
Sugar and confectionary industries	2	29	31
Meat industries	-	16	16
Other food processing industries	11	48	59
Total	101	754	855

Source: Industry Promotion Agency-April 2003

The best market entry approach for new-to-market exporters is to try to identify a suitable importer, i.e., an importer with experience in handling the targeted products. U.S. exporters are encouraged to check the credentials of the importer. Another alternative could be to contact retailers directly, as some of them have subsidiaries dealing with local and international procurement. The USDA/FAS office in Tunisia is able to help match new-to-market exporters with appropriate potential business partners or to conduct specially tailored inquiries for U.S. companies seeking to conduct business in this emerging market.

Section IV: Best high-value product prospects

Unit: US$

Product	All origin Imports into Tunisia (CY 2002)	US origin imports (CY 2002)	US market share
1) Seafood	16,489,109	38,869	0.2%
2) Tree nuts	3,362,831	905,651	26.9%
3) Dried fruits	2,718,569	417,636	15.4%
4) Cacao powder	2,600,352	82,283	3.2%
5) Other Food preparations*	2,327,321	1,095,705	47.1%
6) Biscuits	1,802,852	482,774	26.8%
7) Sauces, condiments and mixed seasoning	789,192	25,189	3.2%
8) Potato chips	380,852	29,873	7.8%
9) Breakfast Cereals	377,146	26,157	6.9%
Total	**30,848,224**	**3,104,137**	**10.0%**

*(NSH: 2106909899)
Source: INS data processed by AgTunis

CY 2003 imports of U.S. origin potato chips are surging (+500 percent year-on-year growth, cacao powder (+300 percent), tree nuts (+87 percent) and dried fruits (+14 percent).

Section V: Key contacts and further information

The Office of Agricultural Affairs (OAA) at the American Embassy is the USDA/FAS office in Tunisia. It provides trade servicing and market intelligence. Services offered by OAA include market briefings, market tours, lists of importers, setting up agendas and meetings, hotel reservations and in some cases providing translation and ground transportation.

US Embassy/ USDA-Foreign Agricultural Service Contacts:

Merritt Chesley, Regional Agricultural Attaché (based in Morocco)
E-mail: Agrabat@usda.gov
Phone : 212 3 776 5987
Fax : 212 3 776 5493

Abdelkarim SMA, Agricultural Specialist
E-mail: abdelkarim.sma@usda.gov
Agtunis@usda.gov
Phone: 216 71 107 486
Fax : 216 71 107 101
Adresse : Zone Nord-Est des Berges du Lac, Nord de Tunis, 2045 La Goulette, Tunisia

Other Contacts :

Directorate General for Veterinary services (DGSV)
Ministry of Agriculture, Environment and Hydraulic Resources
30, rue Alain Savary, 1002, Tunis, Tunisia
Phone: 216 71 786 833
E-mail: : mag@ministeres.tn

Directorate General for Crop Protection and Quality of Agricultural Products (DGPCQPA)
Ministry of Agriculture, Environment and Hydraulic Resources
30, rue Alain Savary, 1002, Tunis, Tunisia
Phone: 216 71 786 833
E-mail: : mag@ministeres.tn

Directorate of Quality and Consumer Protection (DQPC)
Ministry of Commerce
Adresse : 37, av. Keireddine Pacha, 1002 Tunis
Phone : (216) 71 890-070 / 890 337
e-Mail : mcmr@ministeres.tn

Institut National de Normalisation et de Propriété Industrielle (Innorpi)
Standards setting and intellectual property enforcement authority
BP 23 - 1012 Tunis Belvédère
Phone: 216 71 785 922
Fax: 216 71 781 563
E-mail: inorpi@email.ati.tn

Institut National des Statistiques (INS)
Trade and demographic statistics
Phone: 216 71 891 002
Fax (216) 71 792 559
E-mail E-mail : INS@mdci.gov.tn
http://www.ins.nat.tn

- **ACNielsen Tunisia:** A market research company
  12 Rue 8003, 4th Floor
  Montplaisir, 1002 Belvedere Tunis 1000
  TUNISIA

  Phone: +216 71 78 60 49
  Fax: +216 71 28 59 45

Other relevant websites

- www.cepex.nat.tn: The website of the Cepex (Export promotion agency) which has the full list of has le list of the domestic and international trade shows of interest for Tunisian businessmen
- www.Tunisie-commerce.com: A directory of trade Tunisian companies
- http://www.tunisianindustry.nat.tn: the website of the Industry promotion agency
- www.bct.gov.tn: The website of the Tunisian Central bank
- www.smg.com.tn: the website of the leading Tunisian retailer: Magasin General
- www.TunisiaOnline.com: a digital gateway to news and information resources on Tunisia, Tunisia's history, government, culture and environment.

Exporter Guide Appendix I. Statistics

Table A: Key Trade & Demographic Information

Agricultural Imports From All Countries($mil) / US Market Share (%) (average of 2001/2002/2003)	935	11 percent
Consumer Food Imports From All countries ($ mil) / US market share (%) (Average of 2001/2002/2003)	275	1 percent
Edible Fishery Imports from All countries ($mil)/ US market Share (2002)	16.5	0
Total Population (millions)/ Annual Growth Rate (%)	9947 (2004 estimate)	1.08 percent (2003)
Urban Population (millions)/ Annual Growth Rate (%)	6306 (2002)	1.4 percent
Number of Major Metropolitan Areas	1	
Size of the Middle Class (millions)/ Growth rate	8 (2004 estimate)	1.0 percent
Per capita Gross Domestic Product (U.S. Dollars), 2002	2,185 (equivalent US dollars at current prices)	
Unemployment rate (%)	14.3 (2003)	
Per capita Food Expenditures (U.S. Dollars)	970 (in 2000)	
Percent of Female Population Employed	24.7 (2002)	
Exchange Rate	1.3 TD for $ 1.0 (2003 average)	

Table B. Consumer Food & Edible fishery product imports

Tunisia Imports (In Millions of Dollars)	Imports from the World			Imports from the U.S.			U.S Market Share		
	2000	2001	2002	2000	2001	2002	2000	2001	2002
CONSUMER-ORIENTED AG. TOTAL	99	105	116	4	3	3	4	3	3
Snack Foods (Excl. Nuts)	4	5	4	0	0	0	0	0	0
Breakfast Cereals & Pancake Mix	1	1	1	1	1	1	29	27	7
Red Meats, Fresh/Chilled/Frozen	8	1	0	1	0	0	0	0	0
Red Meats, Prepared/Preserved	1	1	1	0	0	0	0	0	0
Poultry Meat	1	1	1	1	0	0	31	0	0
Dairy Products (Excl. Cheese)	17	15	20	1	0	0	3	0	0
Cheese	5	7	7	0	0	0	0	0	0
Eggs & Products	2	4	2	1	1	1	0	0	0
Fresh Fruit	3	3	5	0	1	1	0	0	0
Fresh Vegetables	13	14	18	1	0	0	0	0	0
Processed Fruit & Vegetables	7	6	7	0	1	1	0	0	6
Fruit & Vegetable Juices	2	2	3	0	0	0	0	0	0
Tree Nuts	1	3	3	1	1	1	3	23	27
Wine & Beer	1	1	1	0	0	0	0	0	0
Nursery Products & Cut Flowers	4	3	3	1	1	1	5	0	0
Other Consumer-Oriented Products	30	41	41	3	3	2	8	6	5
FISH & SEAFOOD PRODUCTS	12	19	19	1	1	1	0	0	0
Salmon	1	1	1	1	0	1	1	0	1
Surimi	1	1	0	0	0	0	0	0	0
Crustaceans	1	1	1	0	0	0	0	0	0
Groundfish & Flatfish	2	2	1	0	1	0	0	0	0
Molluscs	1	1	1	0	0	1	0	0	5
Other Fishery Products	9	15	16	1	0	0	1	0	0
AGRICULTURAL PRODUCTS TOTAL	728	818	993	88	127	121	12	15	12
AG., FISH & FORESTRY TOTAL	853	952	1128	88	127	121	10	13	11

Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office

Table C. TOP 15 Suppliers of Consumer Foods & Edible Fishery products

Tunisia Imports

CONSUMER-ORIENTED AG. TOTAL ($ 1,000)

	2000	2001	2002
France	24,255	24,891	26,112
Netherlands	12,809	15,861	18,079
Egypt	11,803	16,615	15,507
Spain	4,056	4,025	7,745
Morocco	3,900	4,991	7,390
Belgium	1,924	2,736	5,956
New Zealand	2,904	4,579	4,779
Ecuador	2,309	1,973	3,868
United States	3,809	3,407	3,387
Germany	10,609	3,496	3,268
Italy	3,004	3,270	3,129
Denmark	2,034	1,973	2,669
Austria	2,636	3,267	2,611
Australia	1,687	1,585	1,725
Turkey	1,140	2,684	1,618
Other	10,372	9,265	8,391
World	99,263	104,632	116,232

FISH & SEAFOOD PRODUCTS

	2000	2001	2002
India	0	417	2,733
Taiwan (Estimated)	63	864	1,977
Thailand	148	278	1,885
France	1,938	3,424	1,702
Iran	1	9	1,391
Spain	1,394	1,464	1,236
Yemen (Sanaa)	56	98	925
Korea, Republic of	7	1,220	923
Japan	235	0	833
Areas NES	466	211	764
Italy	658	856	512
Argentina	417	876	475
Indonesia	0	0	401
Mauritania	87	305	391
Brazil	1,684	1,913	353
Other	4,438	6,755	2,062
World	11,595	18,696	18,564

Source: United Nations Statistics Division