

Egypt in Transition: Market on the Move

By *Ali Abdi*

Egypt is a country of contrasts. Strolling down a busy city street, a visitor is likely to see people dressed in traditional robes and contemporary business attire.

The old and new stand apart and yet blend together like the tributary streams of the Nile. Similarly, Egypt's agricultural market for U.S. goods has become a blend of enduring traditions and signs of what will be.

A World Market in Transition

Egypt's open air markets still buzz with vendors selling fruit, vegetables and meat. But as Egypt's economy grows and incomes rise, consumers are beginning to crave the convenience of cool, clean supermarkets. Major chains of other nations are answering their call.

The shopping experience is not all that is changing. Egypt's traditional import mix of bulk commodities is starting to include more intermediate and consumer products. Although the United States is still a major supplier of Egypt's wheat, corn and other commodities, lately, Egypt has been buying more U.S. intermediate agricultural goods.

This article will give a snapshot of key sectors of the Egyptian market: the bulk market, where the United States is currently strongest; the market for intermediate goods, which is showing impressive growth; and the emerging market for high-value consumer goods.

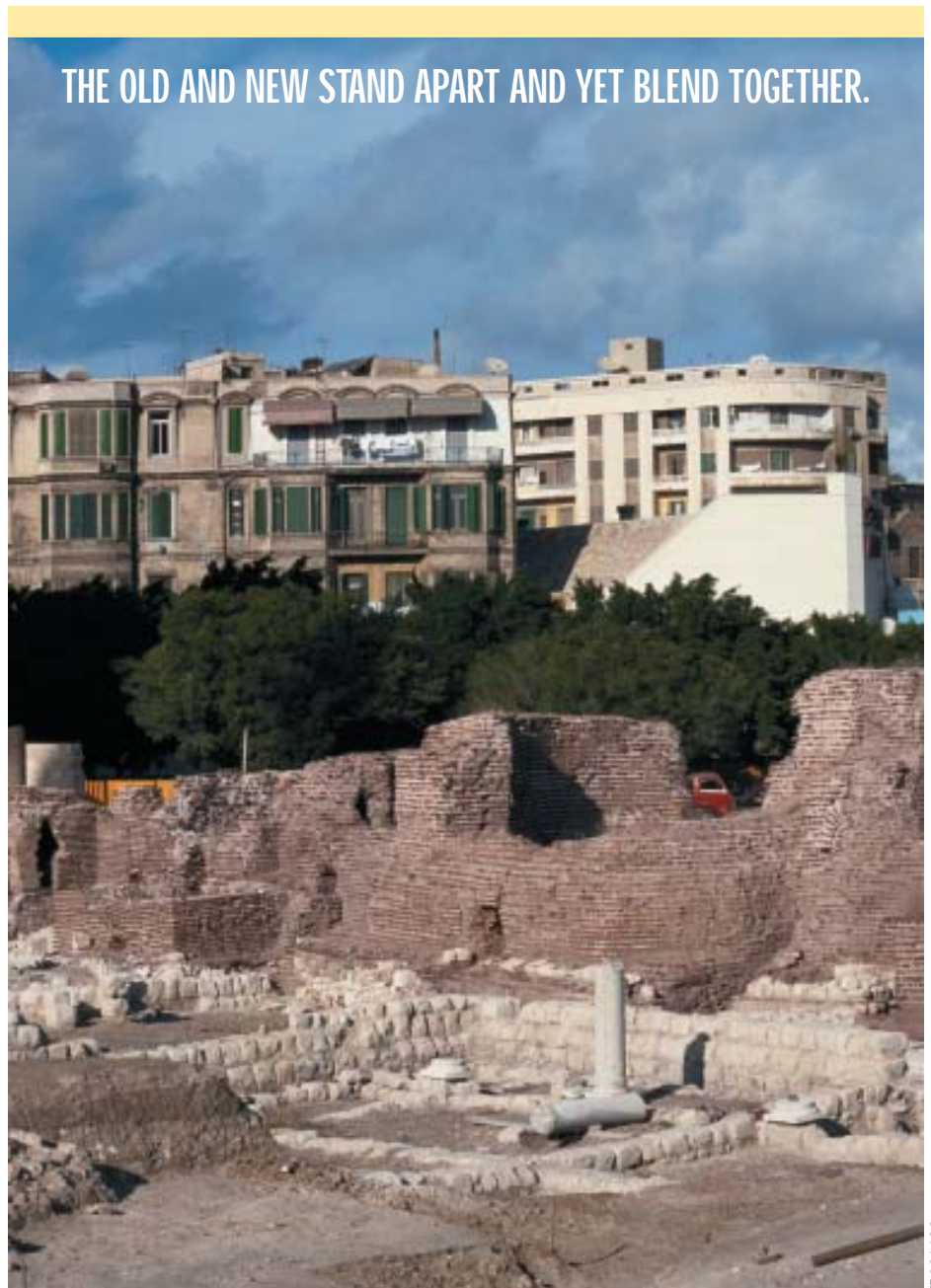
While the economy is in transition, Egypt's geomorphology will largely remain as in antiquity. Roughly 97 percent of

Egypt's land mass is desert; imports naturally play a vital role in food supply.

Nevertheless, the remaining 3 percent of Egypt's arable land is a powerhouse of agricultural production.

Located at an economic, cultural and industrial crossroads, Egypt provides a good market for many agricultural products, assuming that exporters understand the dynamic of that specific commodity.

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The Gains from Bulk Sales

Bulk commodities account for more than 83 percent of total U.S. sales to Egypt by value. The top seller is wheat. In fact, the United States claimed 84 percent of Egypt's wheat market in the first six months of fiscal year 2001. Total sales for the five months ending in February 2001 were just above \$200 million.

Last year, Egypt imported a record 4.4 million tons of corn, and the United States' 85-percent U.S. share was impressive. In addition, the United States also exported \$26 million worth of soybeans to Egypt.

Part of this export growth in corn and soybeans stems from Egypt's expanding soybean and feed processing industry, which churns out product for growing poultry concerns.

Last year's increased U.S. soybean sales can be credited to alert U.S. soybean trade association representatives in Egypt, who foresaw opportunities and pursued them.

U.S. Wheat: the Incredible Bulk

One reason the United States sells so much wheat in this country is that Egypt must import about 50 of its wheat requirements due to agricultural restrictions.

The limited land is better used for other commodities such as cotton and vegetables which offer a better return on Egyptian farmers' investments.

Also contributing to this dynamic: FAS has been an aggressive partner with U.S. trade associations in preserving market share for U.S. wheat.

For example, U.S. Wheat Associates works to promote U.S. wheat exports worldwide. Working closely with FAS, the association works on technical problems in Egypt. It also provides trade servicing and seminars for Egyptian millers, wheat buyers and traders. Today, U.S. Wheat

Choosing Egypt With Open Eyes

ADVANTAGES	CHALLENGES
Of the 65 million Egyptians, about 12 million can afford to purchase imported food products.	Many consumers lack awareness and have limited income.
Products perceived as both western and new-to-market have a wide appeal to Egyptians.	High tariffs restrain U.S. suppliers' interest in the Egyptian market.
Expansion of the number of supermarket chains. International companies with interests in the Egyptian market include the United Kingdom's Sainsbury, France's Carrefour, Germany's Metro and South Africa's Shoprite chains.	With the growing number of supermarket chains, there is a need to introduce new-to-market products. Egyptian import regulations and labeling requirements are stringent.

Associates' quality seal is widely accepted in Egypt as an emblem of excellence.

Welcome to the *Baladi* Bread Basket

Domestic competition is a consideration for U.S. wheat, but by no means an overriding concern.

Egyptian farmers who grow wheat know that the Ministry of Supply will buy their crop at 30 percent above international rates. What does the government do with all that wheat? Much of it is made into *baladi* bread. The recipe for this subsidized bread

is 80 percent wheat flour combined with 20 percent white corn flour, also purchased from Egyptian farmers.

Exporters need not worry, however; *baladi* bread can't really account for major changes in the market because the amount of wheat is relatively small compared with total demand. In fact, domestic wheat supplies only half the total consumption. The rest is imported for both *baladi* bread and the unsubsidized sector.

More serious competitors for U.S. wheat are Egyptian rice and potatoes. But there is a growing demand from prosperous two-income families for high-quality wheat products.

More important still to the U.S. exporter is the way Egypt has upgraded its baking facilities and improved training for bakers. After all, a well-run factory uses less raw materials because it wastes less. It's also more profitable, which means more imports in the long run.

Growth in Intermediate Imports

During the first six months of fiscal year 2001, imports of intermediate agricultural commodities, including soybean meal, feeds

Buy Like an Egyptian

Products with good sales potential:

- Dressings, sauces and seasonings
- Apples
- Nuts and dried fruit
- Juices
- Salted snacks and potato chips
- Mexican food items

Products not present in significant quantities that have good sales potential:

- Microwave popcorn
- Cheese
- Candies

and fodders, and vegetable oil rose 43 percent—to \$107 million—over the same period in 2000, according to the U.S. Department of Commerce.

While a few months do not constitute a trend, countries that are gaining economic strength tend to buy more intermediate agricultural goods.

Egypt now has the luxury of being able to purchase bulk or semi-processed goods depending on its needs.

If the economic growth continues, it could be good news for U.S. agriculture. When a nation like Egypt gains wealth to purchase processed goods, the benefits of exporting are extended not only to bulk producers but also to those who refine, mill and process commodities.

Egyptians Open Market to U.S. Foods

As Egypt's bulk and intermediate markets are in transition, so are its markets for high-value consumer foods. Wishing to increase trade with the United States, Egypt's government is doing more to free the flow of goods across its borders.

For example, under a new decree, the government now offers exporters one-stop service to speed up import inspection at the Central Authority for Import/Export Control Authority. In the past, there were five government entities operating separately in the import clearance process.

A Commitment to Quality

Egypt may officially have an open attitude on trade, but U.S. agribusinesses and commodity association should remain alert, as complications can occur.

Last year, for example, FAS Cairo helped get 10 containers of Louisiana hot sauce released by Egyptian authorities. The product had languished in port for more than two weeks because Egyptian import

Egypt's total wheat imports for 2000:

Country	Metric Tons
United States	3,385,329
Australia	523,132
France	256,280
Canada	33,000
Argentina	64,063
Turkey	21,000
Germany	25,000
Others	35,000
Grand Total:	4,342,804

EGYPT'S OPEN AIR MARKETS STILL BUZZ WITH VENDORS SELLING FRUIT, VEGETABLES AND MEAT.



regulations required a test which no lab in Egypt could perform. The product had, however, already undergone that test in the United States.

The solution: FAS Cairo convinced Egyptian authorities to release the shipment and to accept analysis from the hot sauce company in the future.

Spicy sauces are hot in Egypt, where annual U.S. exports of such products are expected to amount to \$300,000 this year.

But FAS Cairo is concerned with more than expediting specific shipments of goods.

Last year, FAS and the U.S. CODEX Office hosted a food safety and quality control workshop. Members from four government ministries that make up the Egyptian CODEX committee attended. This workshop laid the groundwork for expanding cooperation with Egypt.

It was notable for another reason, too. Egypt became the first Middle Eastern nation to chair a regional CODEX committee. The CODEX Alimentarius is the United Nations body that oversees these cross-border food safety issues as they relate to trade.

High-Value U.S. Exports in Egypt

Supermarket chains in South Africa, Britain and France have already sensed the Egyptian consumer's attraction to convenience and are aggressively pursuing opportunities in Egypt, often with help from a partner in the region. There may also be ample opportunities for the United States in the future.

But don't assume Egypt's modern markets accord with U.S. practices; there are added cultural factors to consider.

For example, Halal meats, from animals that have slaughtered in the Islamic tradition, are critical for in this market.

Making the Fava Bean Scene

Egyptians eat fava beans as a source of protein in their diet, usually at breakfast. Realizing this, some astute farmers and agricultural researchers in Maryland have suggested that U.S. farmers gain a hold in Egypt's consumer goods market as well.

It appears these beans, which are well-suited to the growing conditions in Maryland, offer an intriguing alternative for crop rotation. Farmers could try growing a rotation of fava beans in place of feed soybeans, the scientists reasoned. Like soybeans, fava beans offer an agronomic bonus to producers—they return nitrogen to the soil after a rotation of corn.

Test plots are currently in production at the University of Maryland on the Eastern Shore. If the project is a success, farmers would have an alternative crop that restores nitrogen to their soil, and has a potential as an export, one with high-value. In addition, the researchers will work with Egyptian scientists to identify varieties that provide high yields.

Fava beans are one of four commodities being studied (the others being maize, wheat and rice). The projects are funded by the U.S. Agency for International Development, is called the Agricultural Technology Utilization and Transfer project (ATUT).

Exporters also need to be mindful that alcohol sales are be confined mainly to Westernized restaurants and hotels catering to tourists.

Right now, the United States holds about 11 percent of the market share for Egypt's consumer foods. Exporters can do much to help position their products in Egypt. Here are some suggestions for success:

Think variety, small volume, convenience. 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. Also be aware that convenience is a factor for the increasing number of working women with more purchasing power who demand ready made meals or ones that are easy to cook.

Conduct in-store promotions in prominent supermarket chains in Cairo. The objective of this activity is to increase the visibility of U.S. products in the Egyptian market.

A case in point: When a prominent supermarket chain tried to tap into the ready-

made meal market, consumers were shy about trying their product. To warm them up to the new way of making dinner, the supermarket offered ready-made meals free with the purchase of \$50 worth of groceries. The promotion worked. Now, many consumers reserve orders by phone to guarantee availability.

Conduct an educational seminar in conjunction with the in-store promotion. Before you can reach the diner in a restaurant or the shopper in the supermarket, you must first convince industry players and government officials of the value and quality of your foods.

Seminars enable these important players to learn about food safety and quality control, shelf-life, labeling and packaging.

To your contacts in supermarkets, food production and fast-food chains, the seminars offer a chance to learn about how to introduce products, maintain customer loyalty, hold promotions and analyze consumer trends.

Egypt's private-sector professionals often ask about the latest methods used in the U.S. food industry. Armed with their

new knowledge, they become motivated to push your product harder.

Bring an Egyptian delegation to FMI. The Food Marketing Institute or FMI holds an international food trade show each year in Chicago, covering everything from technology to new product introductions.

Exporters who host Egyptian importers and distributors can acquaint them with the high quality of U.S. products. With the expansion of supermarket chains and the introduction of hypermarkets in the Egyptian market, now is the time to introduce new-to-market products.

The bottom line for Egypt is: While bulk is still king, intermediate goods are showing promising growth and consumption of prepared foods is also on the rise. In this land of contrasts, know your market. ■

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