Invest In Egypt

A WEALTH OF OPPORTUNITIES

Invest in Agribusiness and Food Processing

QUICK FACTS

Quick Facts

- Egypt’s market of some 88 million consumers in one of the largest in Africa and the Middle East.
- Egypt’s agribusiness and food processing industry is a host to the majority of global players who have set manufacturing presence in the country, to cater to local as well as export demand.
- Egypt has been ranked among the top five global exporters of vegetable and fruit juices in the Mediterranean basin.
- Egypt’s climate and geographic proximity to the export markets of Europe, Africa and the Middle East make it ideally suited as an export spring-board for agribusiness and food processing.
- Egypt’s food processing industry is relatively one of the most dynamic in terms of growth within the manufacturing sector.

Note:

The definition of agribusiness follows that of the Food and Agricultural Organization (FAO) which denotes the collective business activities that are performed from farm to table. This covers agricultural input suppliers, producers, agro processors, distributers, traders, exporters, retailers and consumers.

Food processing includes activities defined by the International Standard Industrial Classification of All Economic Activities, Rev.4: •C - Manufacturing•10 - Manufacture of food products•11 - Manufacture of beverages

SOCIOECONOMIC IMPORTANCE

- The country's food production industry is better developed than that in many neighboring states, creating strong export opportunities.
- Import opportunities from the EU would increase if the free trade zone between theEU and all littoral Mediterranean states is established, with the preliminary agreement already in place.
- Egypt's free-trade deal with Mercosur, a trade bloc that includes major agricultural exporters such as Brazil and Argentina, could result in Egypt importing Argentinean wheat.
- The government will continue to invest in land reclamation projects, increasing the area available for agricultural output.
- The government has initiated a number of schemes designed to improve food security in the country, both on the production and consumption front.
- Multinational majors are investing heavily into the country and region, which will improve production facilities.
- Rising disposable incomes and changing consumer habits have helped to fuel domestic consumption growth.

GROWTH DRIVERS

A LARGE CONSUMER BASE AND VAST AGRICULTURAL RESOURCES

With a growing population of more than 88 million, the Egyptian market is considered to be one of the largest consumers markets of the region. The country's agriculture base accounts for close to 15% of GDP (2013/2014), and supplies high-quality inputs to the country's competitive and diverse food processing industry.

Egypt's food processing industry is also considered to be among the most established in terms of years of operation and number of establishments, with the private sector accounting for the largest share of its ownership base.

Availability of High-quality Inputs from a Diverse Agricultural Crop base: Egypt's agricultural sector, which contributes around 15% of GDP, is the supplier of high-quality inputs to the agribusiness and food processing industry. A wide range of fruits and vegetables are already being grown in the country.

Climate: Egypt's climate – which allows for extended and extra growing seasons, coupled with significant groundwater resources make it particularly conducive to agribusiness projects. Especially beneficial to the sector, is the ability to cultivate winter crops from November to May, when the window agricultural production becomes very limited in Europe and Northern Asia.

Location: Straddling Africa and Asia, situated on the Mediterranean, and midway between East and West, Egypt is ideally located for exporting agricultural products to all major consumer markets. The country's geographic location makes exporting to Europe and the gulf fast and painless.

A Large Local Workforce: Egypt has the largest agribusiness workforce in the region, benefiting from access to skilled workers and highly competitive wages.

Large Consumer Market: Egypt has emerged as a destination of choice for multinationals looking to establish cost-effective production and export of agricultural products. Multinationals have experienced the advantage of working with local farmers and the government to turn the Egyptian agribusiness sector into a worldwide producer and exporter.

Feeder Companies Abound: No one knows the local agribusiness sector like the Egyptian companies already operating in it. Partnerships would enjoy an established infrastructure and workforce, as well as knowledge of the ins and outs of the local business climate. Makers of packaging supplies and marketing materials as well as service companies catering to the industry are legion.

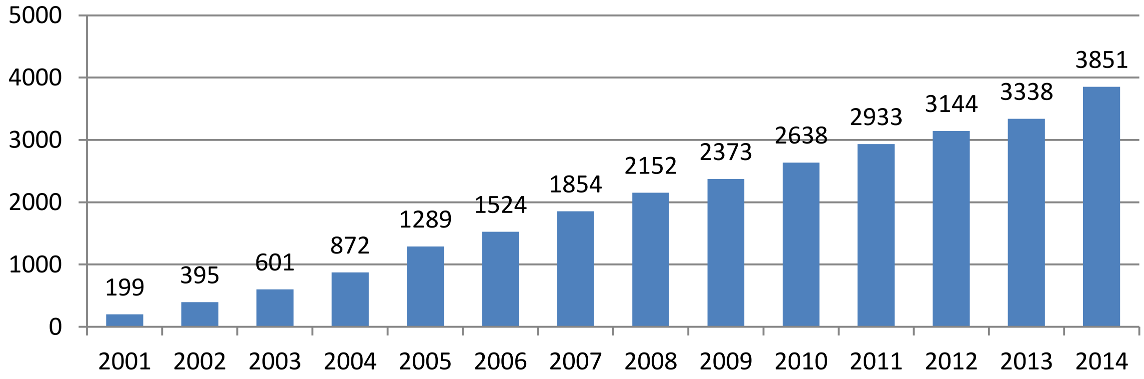
High Export Potential and Planned Increase in Cultivated Area: Egypt's food processing industry is at a far more advanced stage of development, product sophistication and exporting experience compared to many neighboring competitor locations states. Egypt is targeting an increase in the area cultivated land (2.4 million acres until 2017).

MARKET STRUCTURE

There are 5809 business establishments operating in the agribusiness sector in Egypt, with total capital standing at EGP 9.6 billion. According to data from the Central Agency for Public Mobilization and Statistics, Egypt's exported a total of USD 4.9 billion (in 2013) worth of agricultural products and processed food products (USD 3.2 billion of agricultural and live products and USD 1.6 billion of food processing), accounting for close to 13.8 % of total exports. These figurers qualify the two sectors among Egypt's top exporters. Arab countries account for the main export markets, followed by the European Union.

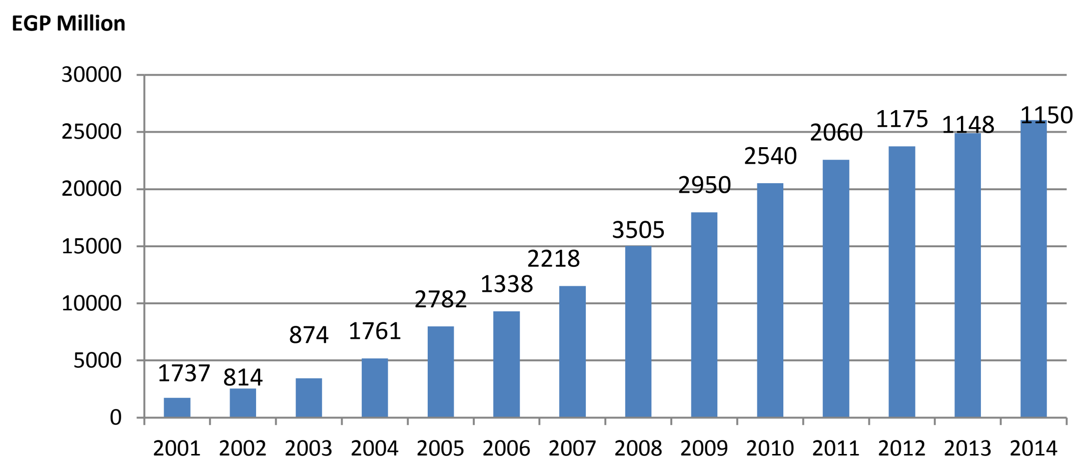
Key exports by the country's food processing sector include cooked cheese, processed sugar, aromatic oils, resins, non-olive oils, juices and concentrates and frozen vegetables.

- **NUMBER OF COMPANIES WORKING IN FOOD PROCESSING SECTOR**



Source: *General Authority for Investment and Free Zones*

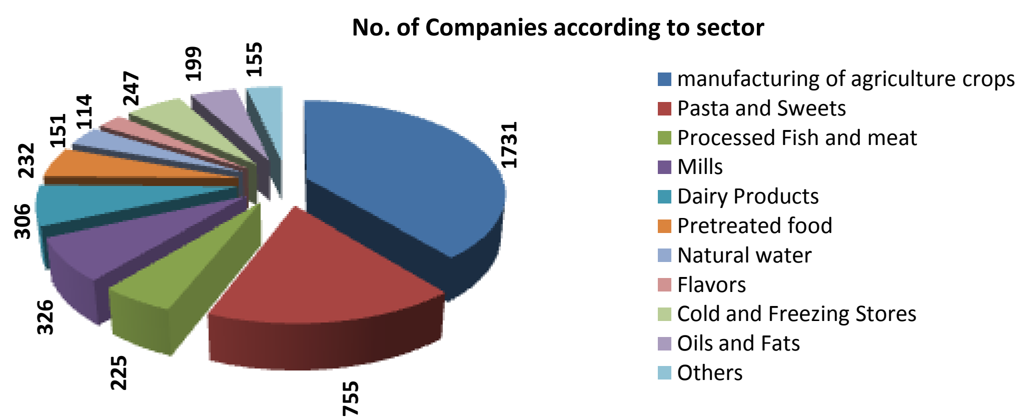
- **ISSUED CAPITAL IN THE FOOD PROCESSING SECTOR**



Source: *General Authority for Investment and Free Zones*

The companies reflected in the above graph include manufacturing of agricultural crops, which is the main subsector in the agribusiness sector followed by pasta & sweets, processed fish and meat, and other activities as mills, dairy products, oils and fats ....etc.

The table below shows the breakdown of companies operating in the food processing cluster, classified by the subsector.



Source: *General authority for Investment and Free Zones*

2020

OUTLOOK

Most of Egypt's livestock demand is met through domestic production, though the production deficit of both poultry and beef will increase out to 2018/19, as incomes will rise and demand growth will outpace that of supply of both forms of meat.

In 2014/15, it is expected poultry output to increase by 2.1% y-o-y to reach 955,000 tones and for beef production to decline by 6.3% y-o-y to reach 300,000 tones, the beef output will rise again in 2015/16. Out to 2018/19, poultry output to increase by 13.9% on the 2013/14 level to reach 1.1mn tones, and for beef production to rise by 0.6% to reach 322,000 tones.

Poultry demand will outperform beef as it is a cheaper form of meat. Out to 2018/19, it is expected that poultry consumption to rise by 21.1% on the 2013/14 level to reach 1.2mn tones, while beef demand will increase by 9.3% to reach 603,500 tones.

Over the medium term, beef is set to be a beneficiary of a trade-up in livestock preferences. This rising demand is normally met through growing imports of both live and frozen cattle from countries such a Sudan, Ethiopia and Brazil. Egypt's growing tourism industry, which is recovering from 2011's political instability, will also support demand for high-quality beef imported for hotel and restaurant consumption, which will have more of an impact on value sales.

KEY PERFORMANCE INDICATORS

- There are 5809 business establishments operating in the agribusiness sector in Egypt, with total capital standing at EGP 9.6 billion.

- Egypt's exported a total of USD 4.9 billion (in 2013) worth of agricultural products and processed food products (USD 3.2 billion of agricultural and live products and USD 1.6 billion of food processing), accounting for close to 13.8 % of total exports.

- Egypt's agricultural sector, which contributes around 15% of GDP, is the supplier of high-quality inputs to the agribusiness and food processing industry.

SECTOR ASSESSMENT AND SUCCESS STORIES

Consumption remains to either exceed or meets the production of the agribusiness and processed food products in Egypt, especially for wheat and corn. The market in Egypt remains to be unsaturated, with great opportunities to absorb unmet demand through new investments.

- **PRODUCTION AND CONSUMPTION OF MAIN PRODUCTS AND CROPS**

Rice

	2009	2010	2011	2012	2013	2014
Rice Production,"000 tones	4,402	4,564	3,100	4,250	4,650	4,750
Rice Consumption,"000 tones	4,270	3,940	3,600	3,600	3,906	4,000

Sugar

	2009	2010	2011	2012	2013	2014
Sugar Production,"000 tones	1,612	1,820	1,830	1,980	2,000	2,013
Sugar Consumption,"000 tones	2,748	2,629	2,800	2,850	2,827	2,870

Milk

	2009	2010	2011	2012	2013	2014
Milk Production,"000 tones	5,624	5,779	5,779	5,700	5,825	6,200
Liquid Milk Consumption,"000 tones	4,723	5,423	5,543	5,625	5,747	5,875

Cheese

	2009	2010	2011	2012	2013	2014
Cheese Production,"000 tones	644.5	644.5	644.5	629.0	642.8	655
Cheese Consumption,"000 tones	640.4	650.0	649.3	651.4	665.6	693

Wheat

	2009	2010	2011	2012	2013	2014
Wheat Production,"000 tones	7,977	8,523	7,200	8,400	8,500	8,250
Wheat Consumption,"000 tones	17,200	17,900	17,700	18,600	18,693	18,500

Corn

	2009	2010	2011	2012f	2013	2014
Corn Production,"000 tones	6,645	6,280	6,500	5,500	5,800	8,800
Corn Consumption,"000 tones	11,100	12,000	12,500	11,700	11,700	13,200

SUCCESS STORIES

Farm Frites

Farm Frites-Egypt (The International Company for Agricultural Development), is an Egyptian, Kuwaiti, and Dutch joint venture, established in 1988 as a closed shareholding Egyptian company.

Farm Frites International has dedicated itself to an ongoing program of specialized development in the breeding, selection, processing and packaging of potato products. Farm Frites- Egypt is one of many Farm Frites plants all over the world, and is involved in a major potato farming operation; the biggest of its kind in the Middle East

Halwani Bros.

Halwani Brothers Egypt is a leading food manufacturer in both Egypt and the Middle East known for its high-quality processed food products. Established in Saudi Arabia in 1952, Halwani Bros. opened its Egyptian subsidiary in 1970, which currently employs more than 1,000 skilled workers in its factory in Tenth of Ramadan City in the Greater Cairo area.

Having established itself on the local market, Halwani Bros. now exports to the USA, Canada, Australia, Europe, Africa, Japan and the Gulf. The company produces processed meat products, jam, juice, rice and frozen strawberries, with a total annual sales volume of up to US$ 50 million.

Wadi Food

Since its beginnings as a 30-hectare olive grove in 1986, Wadi Food Industries now has 930 hectares devoted to the production of organic food products, including olive products, sauces, vinegars and fresh produce.

With more than 100 healthy and high-end products, the company is the proud supplier of olive oil and table olives to Egyptian five-star hotels and restaurants. The company has become a leading exporter of olive products to Canada, the USA, Europe and several MENA countries.

In 2005, the company received the HACCP International Food Certificate for its extra-virgin olive oil, and it received the distinguished Organic Agriculture Certificate, declaring all Wadi Food farms to be fully organic and all Wadi Food products 100% free of fertilizers and pesticides. It has been ISO-certified since 1999.

EgySwiss Foods

In the present era and within the challenging world of business and competitive markets, it became a challenge for all companies and organizations to form rational structures and solve the equation of being profitable, yet bring the consumer upfront and consider as the end in mind …

From that perspective, and with a clear objective of adding value to customers whether businesses or individuals, and to deliver products and services that stand out of the crowd with highest quality and service levels in various and diverse fields of business, amongst Manufacturing, Trading and Service, EgySwiss Holding Company was formed as a conglomerate allying four prosperous companies in their respective fields, EgySwiss Food Company, Egyptian Company for Food Industries and Cooling , Egyptian Company for investment and Slaughter Houses, and EgySwiss Trading Company summing up years of experience in the local, regional as well as international market for the benefit of the consumers, business partners and other parties in the areas the Holding Company operates in.

Regina Pasta and Food Industries

“Al Masreyah” Macaroni & Starch was founded in 1986 and operates under law number 43 of the year 1974. The company’s main activity is to produce high quality pasta with all its forms and types using best qualities of semolina (durum wheat). The firm initially operated under the brand name Masreya, but due to the intense competition it did not yield optimum profits considering the magnitude of investment. In 1993, an amazing turnover occurred by launching a new brand name "Regina"

Regina Company for pasta and food industries is a 20 year joint stock company. The company produces high quality pasta for different consumer segments and has managed to locally become a market leader. In addition, it exports pasta products to more than 25 countries worldwide.

Seeking the synergies of vertical integration, the company owns the majority stake in a milling company, Regina for Food Industries, which exclusively provides the company with principal raw materials. This mill is specialized in the production of semolina, flour, bran and other related products.

The production process starts with buying 100% pure durum wheat; then extracting and storing semolina to pass through mixing, shaping and drying stages to produce tasty pasta. This pasta is carefully inspected, packed, moved to the warehouse, where best storage conditions are ensured.

Arma Group

Arma was established as a result of HSA's vast experience for more than 25 years in the manufacturing of vegetable ghee and edible oils. Arma is now considered one of the leading industrial groups in Egypt that offers reputable high quality products in the Middle East and several other regions.

Arma's initial business was focused on producing vegetable ghee and edible oils products for the Egyptian market. As years passed, Arma developed new markets in the Middle East, Africa and the Mediterranean countries.

Arma Group consists of Arma Food Industries (AFI), Arma Oil Industries (AOI), and Arma Soap and Detergents (ASD).

Arma Group possesses the highest market share of corn oil sunflower oil market in Libya, Egypt, and Sudan.

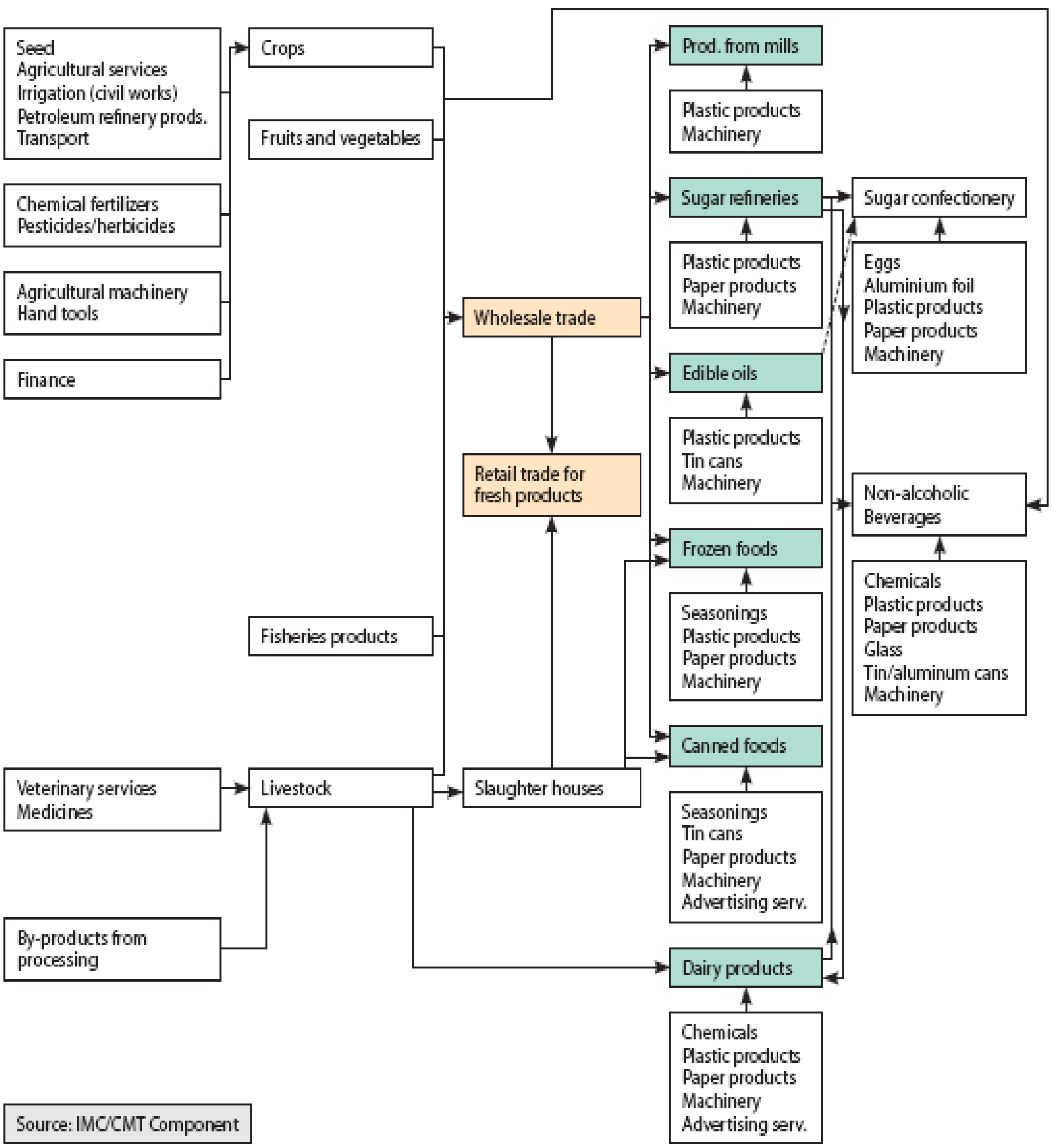
Tetra Pak

Tetra Pak is one of three companies in the Tetra Laval Group – a private group that started in Sweden. The other two companies are DeLaval and Sidel. Tetra Laval is headquartered in Switzerland.

Tetra Pak began in the early 1950’s as one of the first packaging companies for liquid milk. Since then, it has become one of the world's largest suppliers of packaging systems for milk, fruit juices and drinks, and many other products. In 1991, Tetra Pak expanded into liquid food processing equipment, plant engineering, and cheese manufacturing equipment. Today, it is the only international company in the world able to provide integrated processing, packaging, and distribution line and plant solutions.

Since the start in 1951 it provides the best possible processing and packaging solutions for food, Operating in more than 170 markets with over 20,000 employees, for 50 years it has been involved in school milk and school feeding programmes around the world. The Food for Development Office (FfDO) works in close partnership with governments, development agencies, NGOs, local dairies and farmers.

FOOD SUPPLY CHAIN (SIMPLIFIED PRESENTATION)



Source: IMC/CMT Component