

# Invest In Egypt

# Agribusiness

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# Agribusiness

## Sector Overview

The agribusiness sector accounts for nearly 11% of Egypt's total private sector production and 12% of total Egyptian private sector production in 2008/2009. Accounting for 54 billion Egyptian pounds worth of production between private and public sectors.

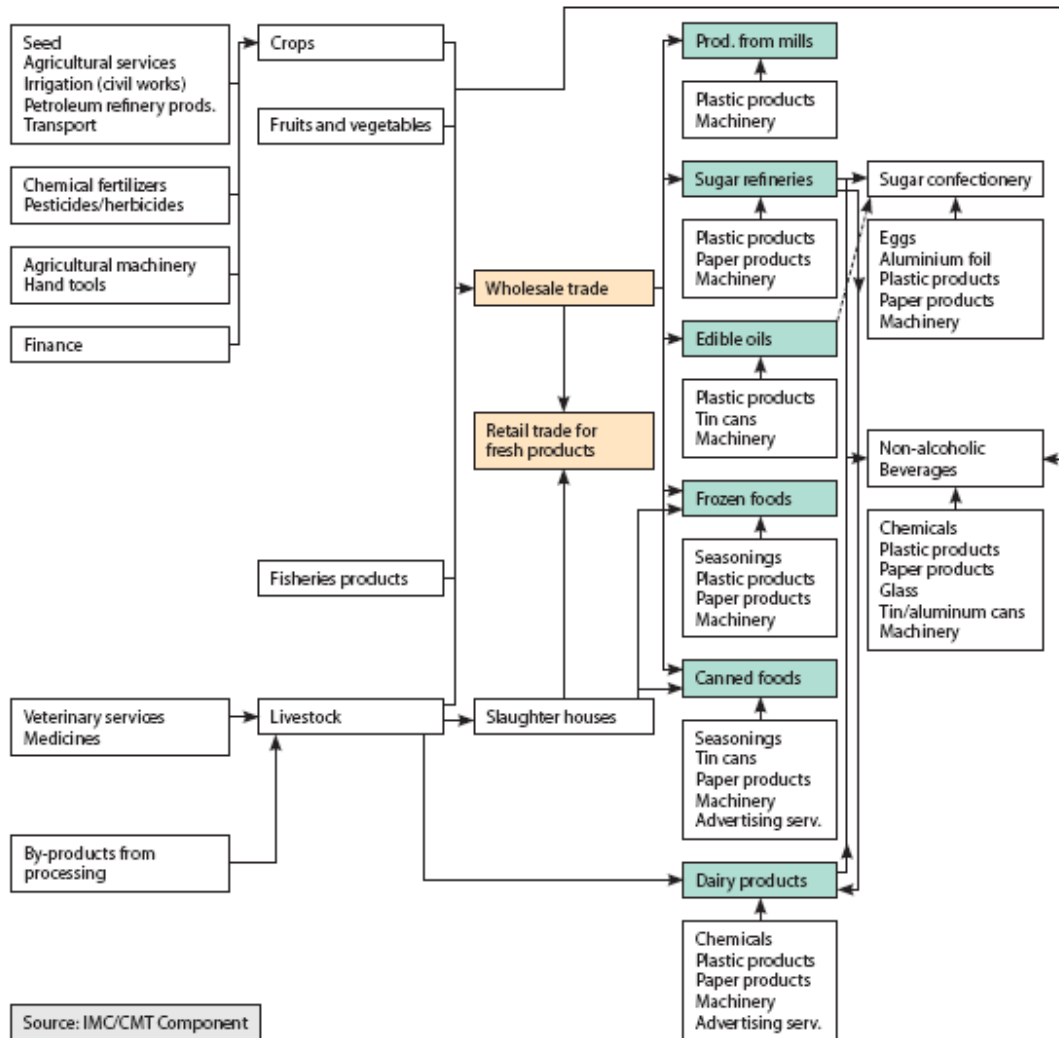
International industry experts and national industrial strategists alike believe the sector possesses striking potential for growth thanks to favorable growing conditions, proximity to key global markets including Europe, and an extremely advantageous agricultural calendar that positions Egypt to deliver valuable produce to Europe well before competing markets. Meanwhile, Egypt's sophisticated food processors are creating products and packaging that are high in quality, competitively priced and attractive to global markets.

There are 8,060 companies operating in the Agribusiness space in Egypt. With total investments reaching 59.86 billion Egyptian pounds. Moreover, agribusiness operations in Egypt are part of a national food export sector that was worth nearly 10.8 billion Egyptian pounds in 2009; amounting to 12% of total exports and making the sector one of the nation's top exporters. The majority of agribusiness exports are targeted towards the Arab world with the leading export destinations being Saudi Arabia, Libya and Sudan. The main exports are tea, coffee, white chocolate, potatoes and frozen vegetables.

According to the Egyptian Ministry of Agriculture, the broadly defined agribusiness sector is expected to bring in more than US\$ 21 billion in annual revenue and create some 500,000 new jobs by the year 2020. To increase the country's capacity to grow 254 million tons of fruits and vegetables annually, the Ministry has set a goal of converting 1.3 million hectares of desert land into farmland by 2020. Egypt will then be able to increase exports to 38 million tons of produce annually with a projected total value of US\$ 1.5 billion in 2020.

With an annual growth rate of over 34%, the food processing subsector – the largest under the agribusiness umbrella – is one of the most dynamic and fast-growing sectors in the country. The large domestic market's high growth potential has attracted multinational investors who both cater to the local market and use Egypt as an export hub. In fact, 37% of investment in the food processing industry originates from foreign companies. Prominent multinationals operating regional manufacturing bases in Egypt include Heinz, Tetrapak, Unilever, Cadbury, Danone and Coca-Cola, all of which have made successful investments and acquisitions.

### Food supply Chain (simplified presentation)



# Competitive strengths and Capabilities

## Leading Agribusiness Firms Working in Egypt

Altria [www.altria.com](http://www.altria.com)

Dina Farms [www.dinafarms.com](http://www.dinafarms.com)

EgySwiss Foods [www.egyswissfood.com](http://www.egyswissfood.com)

Farm Frites Egypt [www.farmfrites.com](http://www.farmfrites.com)

General Mills [www.generalmills.com](http://www.generalmills.com)

Givrex Frozen Foods [www.givrex.com](http://www.givrex.com)

Groupe Danone [www.danone.com](http://www.danone.com)

Halwani Bros. [www.halwani.com](http://www.halwani.com)

Kraft [www.kraft.com](http://www.kraft.com)

Magrabi Agriculture (MAFA) [www.magrabi-agriculture.com](http://www.magrabi-agriculture.com)

Nestle [www.nestle.com](http://www.nestle.com)

Procter & Gamble [www.pg.com](http://www.pg.com)

Sara Lee Corp. [www.saralee.com](http://www.saralee.com)

Sekem [www.sekem.com](http://www.sekem.com)

Smithfield Foods [www.smithfieldfoods.com](http://www.smithfieldfoods.com)

Tyson Foods [www.tyson.com](http://www.tyson.com)

Unilever [www.unilever.com](http://www.unilever.com)

Wadi Foods [www.wadifood.com](http://www.wadifood.com)

**Core Areas for Investment:** *Agricultural product cultivation, infrastructure projects, mega farms, production and exports*

**Diversity.** A wide range of fruits and vegetables are already being grown in the country and the foundation is being laid for expansion. With government support, the Food Products Exporters' Council is now targeting an export goal of US\$ 1.5 billion annually by 2020.

**Climate.** Egypt's climate — which allows for extended and extra growing seasons — and 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 agricultural production becomes very limited in Europe and northern Asia.

**Preferential Access.** Egyptian agriculture and food exports enjoy preferential access to important markets including the European Union and the Arab world.

**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 Robust Infrastructure.** Several years' planning for mega-farm projects in North Sinai and the Toshka region of Upper Egypt have resulted in extensive infrastructure and the means to export rapidly to international markets. Area-specific investments will target dedicated corridors to reach the closest airport. This will greatly reduce the start-up time needed to prepare future projects as well. Egypt is also looking to reduce the cost of logistics in supplying importing countries with agricultural goods.

**A Large and Growing International Consumer Base.** With a total cultivated area of 2.86 million hectares, Egypt is one-of-a-kind in the region. Gulf Cooperation Council countries have a strong desire for products they cannot produce locally and that carry familiar brand names. In fact, the Gulf region is the main market for Egyptian processed food exports, accounting for more than 50% of total exports, followed by the EU, North Africa and the USA.

**A Large Local Workforce.** Egypt has the largest agribusiness workforce in the region, with an estimated 6 million employees, representing 30.2% of the country's total labor force. Plans to further enhance productivity include construction of labor communities in close proximity to areas of cultivation as well as educational centers teaching state-of-the-art technologies related to the field.

**High Export Potential.** Egypt is ranked among the top five exporters of vegetable and fruit juices in the Mediterranean region, and number eight among the top olive producers worldwide. Government plans to expand the harvested area aim at positioning Egypt as the third most important olive producer in the world by the year 2010.

**Critical Mass.** 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.

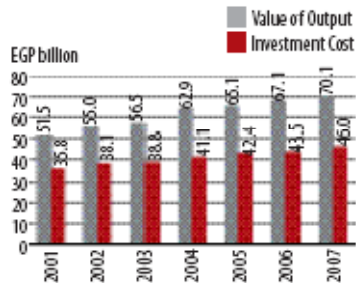
**Feeder Companies Abound.** No one knows the local agribusiness sector like the Egyptian companies already operating in it. Partnerships would enjoy an established infrastructure and workforce, as well as knowledge of the ins and outs of the local business climate. Makers of packaging supplies and marketing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

#### Number of Projects in the Food Processing Sector



#### Value of Output and Investment Cost in the Food Processing Sector

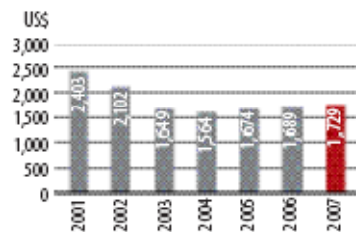
### Value of Output and Investment Cost in the Food Processing Sector



Source: Industrial Development Authority, 2008

### Average Annual Wages and Salaries in the Food Processing Sector

#### Average Annual Wages and Salaries in the Food Processing Sector



Source: Industrial Development Authority, 2008

## Policy support for Agribusiness Investment

- The Ministry of Agriculture, together with the Ministry of Trade and Industry, has made expanding agricultural exports a top priority.
- The Ministry of Agriculture is focusing on country-specific marketing and reprioritizing the activities of promotion agencies. Making the agenda clear and ensuring seamless coordination between different government agencies is also key.
- The government is committed to improving quality standards in the agribusiness industry. In addition to the industry's commitment to applying HACCP standards, the Ministries of Finance and Investment announced the establishment of a US\$ 146 million fund in 2005 to help upgrade agri-food processing operations in Egypt and increase processed food exports.
- Another advantage is Egypt's membership in several regional free trade agreements, including GAFTA and COMESA. Through Egypt's COMESA membership, foreign investors in Egypt can benefit from the customs exemptions granted to COMESA member nations, whereas Egypt's trade pact with the European Union gives Egyptian processed food items duty-free access to the EU market.

## New Ventures

Among the new agricultural opportunities for which the government is currently recruiting investors is a massive mega-farm project to be built in either North Sinai or the Toshka region of Upper Egypt. The farm is designed to attract investments of almost US\$ 5 billion and will create some 45,000 jobs. To be built on 226,000 hectares, it will be suitable for the industrialized cultivation of tomatoes, potatoes and vegetables allocated to large-scale products. The Egyptian government will continue the land reclamation process and ensure that rigorous safety and quality standards are met.

## Egypt's MegaFarm project

**North Sinai** — A proposed mega farm for the industrialized cultivation of potatoes and olives. The mega farm will include dedicated processing facilities to transform cultivated raw products into packaged products (e.g., potatoes into frozen fries, olives into olive oil, etc). The project will include building supporting infrastructure in proximity of the farm (e.g., community for farmers, laboratories, educational facilities, etc). The government is ensuring proper water and irrigation facilities are also in place.

**New Valley** — The Toshka region of New Valley is another proposed site for the mega farm. The area is ideally suited for the cultivation of tomatoes and other vegetables. Its existing water channels give it an edge with an advanced stage of infrastructure development. The area also gives the project high visibility.

## Production of Selected Fresh Fruits and Vegetables (thousand tons)

Produce	2007
Tomato	8,639
Aubergine	1,160
Cantaloupe	830
Marrow	725
Green pepper	652
Cabbage	617
Sweet potato	364
Fresh haricot	330
Fresh peas	263
Artichoke	173
Strawberries	174
Taro	138
Carrot	170
Okra	118
Molokhia	105
Fresh kidney beans	56
Dried haricot	61

Source: CAPMAS Statistical Year Book (2009)

### Sector Drivers

Labor Force

### Egypt's value proposition

Egypt's agribusiness labor force makes up 30.2% of the country's total workforce.

### Investor Benefits

Large local workforce that is eager, skilled and growing rapidly.

Labor Support Infrastructure	Ongoing and planned construction of labor communities and educational facilities in close proximity to production areas. State-of-the-art laboratories teaching cutting edge cultivation techniques.	Infrastructure projects ensure access of agribusiness to labor, and maintain skills and competitive edge of the labor pool.
Large International Market	Egypt has a total cultivated area of 2.86 million hectares, which is especially attractive to countries in the GCC, where agricultural resources are minimal.	With GCC countries looking for “branded” agricultural products, the time for investment partnerships with established local companies and new “mega farm” projects has never been better.
Infrastructure	The Suez Canal and numerous shipping ports on the North Coast and along the Red Sea make Egypt a global hub for trade and export.	Flexible export options, ease of transport, excellent infrastructure to cut down on time between production and export.

## Success stories

### Farm Frites

Established in Denmark in 1971, Farm Frites is a worldwide enterprise and internationally recognized brand producing a wide variety of processed food products.

In 1989, the company expanded its global operations by establishing Farm Frites Egypt as a closed shareholding company. The majority of Farm Frites Egypt’s products, including frozen potatoes, tomatoes, peas, carrots and strawberries, are exported to Europe and GCC countries. Farm Frites Egypt is a regional force in food production and export.

### Sekem

In 1977, Sekem was established on an area of 70 hectares as part of an initiative to produce wholesome foods in a pesticide-free environment. Since 2004, Sekem Holding has been overseeing 70,000 ha of organic farms across Egypt and the Sudan, and it owns seven different companies, including Isis for Organic Foods.

In 1981, Sekem began exporting its medicinal herbs to the USA, and in 1983 it launched its first product line of herbs and organic foodstuff. In 1988, Libra Company was established, specializing in packing and exporting fresh fruit and vegetables to Europe.

Sekem’s organic products are produced through biodynamic farming and meet ISO 9001-2000 and HACCP quality standards. Sekem Holding cooperates with the International Finance Corporation (IFC) and its trading practices conform to the standards of the Fair Trade Federation.

### 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

Established in 1998, EgySwiss Foods is an Egyptian-Swiss joint stock company that manufactures high-quality processed meats. The company started out by supplying its products to upscale international hotel chains, airlines and restaurants. In 2006, it began targeting the local retail market. EgySwiss Foods currently supplies a wide variety of retail products to select retail outlets including Carrefour and Spinney's. The company's factory in the new Bilbais Industrial Zone employs 105 skilled workers under the supervision of the company's Swiss operations manager.

Also in 2006, EgySwiss Foods began exporting its products, establishing a regular supply line to Jordan, among other countries. It also takes pride in having been the first Egyptian processed foods company to supply an Asian Games event.

The company claims it now supplies its products to over 90% of all five-star hotels in Egypt, including The Four Seasons and Grand Hyatt hotels, as well as to international airlines such as Lufthansa, Air France and EgyptAir.