



ITALIAN TRADE CENTER

(ITC)

&

ASSOLOUMBARDA ASSOCIATION



FOOD PROCESSING, PACKAGING,
COLD STORAGE AND
AGRICULTURAL
MACHINERY IN EGYPT
RECENT SITUATION

REPORT

2009

CAIRO





INTRODUCTION



.1 Importance of the Agriculture Sector for the Economy

- Egyptian economy has traditionally relied heavily on the agricultural sector for food, fiber and other products. The agricultural sector provides the livelihood for about 55% of the inhabitants and employment for about 34% of the total employment and labor force. In addition, agriculture contributes about 20% of the gross domestic product (GDP) and about 20% of the total exports and foreign exchange earnings.
- The demand for agricultural products is increasing due to population growth and the need for more export earnings. The country plan is to bring to cultivation a total of 3.4 million acres from the desert area up to the year 2017. This requires more emphasis on agricultural research to identify agricultural-sector constraints and to develop solutions through appropriate technologies especially in the newly cultivated and reclaimed areas



2. Strategy Objectives for Agricultural Development up to 2017

1. Increasing the annual rate growth in the agricultural production from 3.4% to 3.8% during the remaining period of the Fourth 5-Year Plan, and to 4.1% annually up to 2017. This goal is attainable only through vertical and horizontal expansion of plant and animal production, which will have a positive bearing on job creation, income to producers and the overall standard of living of the rural population.
2. Reclaiming not less than 150 thousand feddans annually, within the master-plan of Egypt's Land and water resources which assesses the reclaimable and cultivable lands in the Delta, Southern Valley, East Owaynat and East and West of Suez Canal by the year 2017 at about 3.4 million feddans.
3. Increasing the agricultural production horizontally and vertically through the efficient allocation and use of soil and water resources. Maintenance and development of the natural resource base is an integral part of Egypt's sustainable agricultural development program.
4. Forming a national strategic stock of the basic food commodities by focusing on the efficient use of the available resources and redirecting investments to such areas that help fulfill the increasing food needs of the population. This shall be accompanied with rationalization of food consumption levels, reduction of post-harvest losses.



5. Maximizing the benefits from the principle of Comparative Advantage in export promotion so as to achieve food security in the full sense of the word.
6. Expanding the use of bio-technology for the development of high-yielding, early-maturing varieties so as to better serve production targets and rationalize irrigation water use in the following major crops: wheat (3-4.5 tons/feddan), rice (4.5-5 ton/feddan), maize (4.2-5.6 tons/feddan), cotton (4.25-4.6 tons/feddan) and sugarcane (61 tons/feddan).
7. Developing livestock, poultry and fish resources to increase per capita share in animal protein from 18 grams/day to 24 grams/day.
8. Creating new job opportunities within the agricultural sector, thus leading eventually to increase income to producers and improved living standard for the rural population.
9. Increasing the value of agricultural exports from a current level of LE. 2.0 billion annually to LE. 5.0 billion annually, based on quality assurance and product safety, which are keys to competitiveness under WTO policies and partnership agreements with the EU and the USA.



10. Encouraging domestic Arab and Foreign direct investment in agriculture.
11. Enhancing the agricultural research institutes especially genetic engineering and biotechnology, agricultural extension, credit, marketing, cooperatives and farmers' NGOs including those working in the field of enhancing the role of women in agricultural and rural development.
12. Provisioning raw materials for the existing major industrial activities such as food processing and spinning and weaving industries.
13. Realizing comprehensive agricultural development in the new lands through efficient resource use, creation of new jobs to absorb new entrants into the agricultural labor market. Small and micro projects in the old and new lands will be encouraged as means of employment and income generation.



CHAPTER ONE

ECONOMIC IN EGYPT



1. Egyptian Statistics

- Natural Resources.
- Population.



2. Growth Through Commerce

- Egypt's trade policy is pro-actively engaged in several regional blocs as well as multiple bilateral and multi-lateral trade agreements. The recent boost in exports, driven by a devaluation of the pound that has made Egyptian goods more competitive, has given new impetus to the country's desire to secure reliable trading partners. A US-Egypt Free Trade Agreement (FTA), which for political reasons has been highly sought after for four years, still does not seem likely for 2005 or even 2006. Other trading partners are of greater importance in the short term. Regional partners represented in trading blocks, such as the Greater Arab Free Trade Area (GAFTA) and the Common Market for Eastern or Southern Africa (COMESA), have thus far been the primary focus of the government's trade policy. The Qualified Industrial Zone (QIZ) agreement between Egypt, Israel and the US has also commanded the government's attention, although perhaps much for its political dimensions as those of trade.



- The main trading partner of Egypt is the EU, to which is sold 33% of its exports and bought 27% of its imports. That trade relationship is underpinned by an Association Agreement signed with the EU in 2001, which came into force in June 2004 and replaced a 1977 Co-operation Agreement. The agreement provides for the progressive liberalization of trade between the two parties, starting with free trade on industrial products and manufactured goods, as well as for greater flexibility in getting goods to the EU market.



3. Turning over a New Life

- Agriculture accounts for just under 20% of Egyptian GDP. While this seems slight, given the historical significance of agriculture in Egypt, it is still remarkable considering that, according to the Food and Agricultural Organization (FAO), only 3.5% of Egypt's land mass is classified as agricultural land. The majority of it is located along the Nile and its delta. Most of the rest of Egypt's land is desert.



Increasing Exports:

Some farmers particularly those who have made a success of organic farming. They believe that Egypt's agricultural future lies in the more profitable use of existing resources, and argue that Egypt should be exporting large volumes of high margin products, such as organic produce, flowers, fruit and herbs, to European and North American markets.



Land Reform:

Recent changes to the laws governing tenancy and rent for agricultural land have allowed for the consolidation of several smaller landholdings, and has enabled more efficient types of export oriented farming to develop.



Foreigner Land ownership:

Investor should submit agricultural company feasibility study to ministry of agriculture and land reclamation to be revised and get approval, requesting prim-minister decree for land allocation in newly reclaimed land according to company request for their potential agricultural production .



4. Taxing Transformation

Agricultural Land Tax:

There are two basic ways to tax agriculture directly: tax the income derived from agricultural pursuits and/or tax wealth cum property taxation. Although both forms of taxation are presently used in Egypt.



Tariff Law

On September 8th 2004 Egypt's structure was radically reformed by presidential decree, drafted under the advice of the newly appointed economic-reform cabinet. The decree outlined six simple ad valorem tariff rates (down from 27), lowered the customs rate on raw materials to only 2% and removed extra fees to conform with World Trade Organization rules.



Income tax low:

The new income tax law was signed by president. After its ratification by the people's assembly, which took 17 sessions to debate and approve the legislation. Effective July 1, the new law raises the ceiling for tax exemptions for employees making between 2,000 LE to 5,000 LE annually, while a 10-percent tax will be levied on employees making between 5,000 LE and 20,000 LE. A 15-percent income tax will be levied on employees making between 20,000 LE and 40,000 LE annually. Companies and cooperatives will be charged a unified 20-percent tax instead of the much higher rate of 32%, and sometimes 40%, stipulated by the previous law. Although the new cuts taxes it removes a number of tax exemptions previously granted as incentives to investment, including the 10-year tax exemption offered to new companies established in Egypt's new industrial zones.



5. Various Other Taxes

- Sales Taxes
- Incentives & Grants



6. Corporate Framework

How to establish company in Egypt

Foreign companies seeking to establish a presence in Egypt may do so by establishing a representative office or branch, or by incorporating an Egyptian subsidiary.



- **Representative Office**
- **Branch Office**
- **Egyptian Companies**



7. Foreign Investment

Law No. 13 of 2004 (Law 13) introduces certain amendments to the Investment Guarantees and Incentives Law, with the aim of centralizing incorporation and investment services at the General Authority for Investment and Free zones (the "One-stop shop"). In that regard, Article 51 of Law 13 provides that all governmental authorities, economic and services departments dealing with investors shall establish branch offices in GAFI and in every branch there of and such offices shall be exclusively responsible for accepting applications, concluding all transactions, executing contracts, and granting permits necessary for incorporation and operation investment projects.



Pursuant to Article 52 of Law 13, GAFI shall prepare a standard investment application from depending on the nature of each field of activity including the requisite information concerning the project and the documents required for submittal to GAFI. GAFI and its branches shall be responsible for concluding all necessary procedures on behalf of the investor and submitting to the competent authorities all information and documentation they require from the investor. In turn, the investor is required to pay to GAFI all charges due by the various regulations to the relevant authorities that provide investment services .Such charges are to be paid in one installment .



The Foreign Investment Law provides certain incentives for foreign investors who carry out activities in Egypt in accordance with its provisions.

Egyptian prim-minister issued law No. 2108/1998 for agriculture investment. In the following investment activities:

Land reclamation activities such as earth moving & land infrastructure.

New land cultivation using modern irrigation such as drip irrigation, center pivot, sprinkler irrigation.

Animal production farming.

- Cattle fattening
- Poultry
- Aquaculture
- Dairy production
- Establishing packing house and cold storage facilities
- Establishing grain storage.
- Free zones

Construction the above mentioned projects is not entailed to be nationalized by government in any case, also, investor has freedom to transfer hard currency to any place all over the world.



8. Financial issues

- **Insurance Law**
- **Banking Sector**
- **The main financial sources & credit for Agriculture sector**
Principle Bank for Development and Agricultural Credit
- **Social Fund for Development**



- **Role of the private sector in agricultural development**
- **Promoting the private sector investment:**
- **Commodity Councils**
- **Commodity Council for Horticultural Crops:**
- **Export Promotion Coordination with Export Promotion Institutions**



9. Labor Law

The Labor Law allows employers, for economic reason, to fully or partially close down or downsize their firms, impacting the size of the employed labor force. Parliament passed an Emergency Subsidy Fund in June 2002 to compensate employees whose wages are suspended due to partial or complete closure of their firm or due to its downsizing.



CHAPTER THREE

FOOD PROCESSING SECTOR



Processed Food Value L.E*

Production Field	Average value of factory production (1000L.E.)
Plant and animal production	8.826
Cattle slaughter houses	13.278
Milk and milk products industry	12.975
Canning and preservation of fruits, vegetables and legumes	15.84
Canning, preservation and preparing of sea foods	5.655
Oils and fats industry	72.379
Grain milling	14.029
Bakeries products	2.017
Sugar industry and packing	89.39
Cacao, chocolate and sweets	2.002
Foods industries don't classification in another place	12.266



Production Field	Average value of factory production (1000L.E.)
Animal feed industry	29.295
Distillation and filtration of alcoholic beverages	2
Wine industry	103.8
Industry of Beer and Alcoholic Beverages	42
Industry of Soft Drinks	46.19
Tobacco industry	51.274

Source: General Authority for Food Industry 2007.

*One Euro = 7.6 L.E and 1 \$ = 5.75L.E



Number of Processed Food Factories

Production Field	No. of Factories
Plant and animal production	23
Cattle slaughter houses	230
Milk and milk products industry	361
Canning and preservation of fruits, vegetables and legumes	300
Canning, preservation and preparing of sea foods	84
Oils and fats industry	124
Grain milling	727
Bakeries products	2197
Sugar industry and packing	41
Cacao, chocolate and sweets	506
Foods industries don't classification in another place	636



Production Field	No. of Factories
Animal feed industry	251
Distillation and filtration of alcoholic beverages	2
Wine industry	5
Industry of Beer and Alcoholic Beverages	14
Industry of Soft Drinks	58
Tobacco industry	84

Source: General Authority for Food Industry 2007.



Olive oil: EU Imports from outside the EU country

Country	Olive oil: Union Import Extra Virgin			
	2002	2003	2004	Vol. Share, %
Argentina	224	1.220	41	0.02
Egypt	252	367	203	0.1
Lebanon	60	301	443	0.2
Morocco	38	268	18.881	8
Syria	541	21.745	19.251	8.2
Tunisia	19.705	36.311	179.216	76
Turkey	14.941	40.896	17.923	7.6
Total	35.761	101.108	235.958	100

Source: Food Processing Strategy, IMC 2006/2007.



Dried Onions: EU Imports (prices/kg).

Dried Onion UNION Import Market	Price/kg Euro		
	2002	2003	2004
China	1.78	1.94	2.10
Egypt	1.67	1.47	1.38
India	1.62	1.32	1.29
Syria	1.93	1.77	1.51
United states	2.56	2.13	1.79
Import Extra EU	1.96	1.68	1.52
France	1.98	2.02	2.03
Germany	1.81	1.93	2.14
Netherland	1.02	1.25	1.40
Spain	2.21	2.48	2.48
Import Intra EU	1.80	1.95	1.98
Import +E	1.88	1.82	1.72



Other Dried Vegetables (rather than dried Onions): EU Imports-Value

Other Dried Vegetables EU Import Market	2002	2003	2004
Chile	3%	1%	1%
China	37.2%	31.5%	35.5%
Egypt	3.5%	3.2%	3.5%
Egypt EU import million Euro	3,236	2,706	3,105
Egypt EU import 000 Tons	2,231	2,266	2,784


Source: Food Processing Strategy, IMC 2006/2007.



Strawberries: EU Imports %-Market

Strawberries: UNION Import Market	Import value share		
	2002	2003	2004
China	13.7%	31.3%	24.6%
Egypt	0.2%	0.7%	1.9%
Morocco	43%	40.1%	51.3%
Turkey	30.1%	17.8%	14.2%
Import Extra UNION	100%	100%	100%
Belgium	5.3%	6.5%	10.1%
Germany	9%	9.6%	7.4%
Netherland	10.9%	10.6%	11.6%
Poland	54.5%	49.5%	44.5%
Spain	10.3%	11.7%	15.5%
Import Intra UNION	100%	100%	100%

Source: Food Processing Strategy, IMC 2006/2007.



Frozen Artichokes: EU Imports-Value

Artichokes UNION Imports Market	2002		2003		2004	
	Import Euro million	Import tons	Import Euro million	Import tons	Import Euro million	Import tons
Egypt	3,402	1,579	4,293	2,242	5,097	2,728
Morocco	549	243	1,304	578	2,010	946
Total Extra UNION	4,733	2,191	6,212	3,108	8,292	4,231
Spain	7,308	3,580	8,354	3,933	7,600	3,347
Total Intra UNION	9,067	4,331	10,335	4,605	9,796	4,378
Total I+E UNION	13,800	6,523	16,547	7,713	18,088	8,609



Tropical Juices: Country Export Share in Volumes in EU

Tropical Market Share	1990, %	2003, %	2005, %
Brazil	25	52	68
Peru	7	6	4
South Africa	13	3	3
Egypt	0.2	1.2	1.3
Mexico	11	10	6
Pakistan	5	3	1.2
Costa Rica	8	6	3
USA	23	15	9
Other	8	4	4
Total	100	100	100

Source: Food Processing Strategy, IMC 2006/2007.



Spices: Egypt Value Share in EU

UNION Value Share Import from Egypt

Spices	2003	2004	2005
Fennel	25%	23%	21%
Caraway	54%	67%	65%
coriander	15%	14%	14%

Source: Food Processing Strategy, IMC 2006/2007.



Others Interesting Categories for Egypt to be Exported

* Dried tomatoes	Raisin•
* Canned artichokes	* Canned Asparagus (see Frozen Artichokes)
* Syrup fruit	* Frozen raspberries
* Pickles in vinegar	Dates•
* Dried apricots	* Dried figs



Egyptian commodity import

Item	2000	2006	Av. Growth rate
Pickled olives (MT)	850	863	1%
Tomato processing (ton)	50,000	65,000	3%

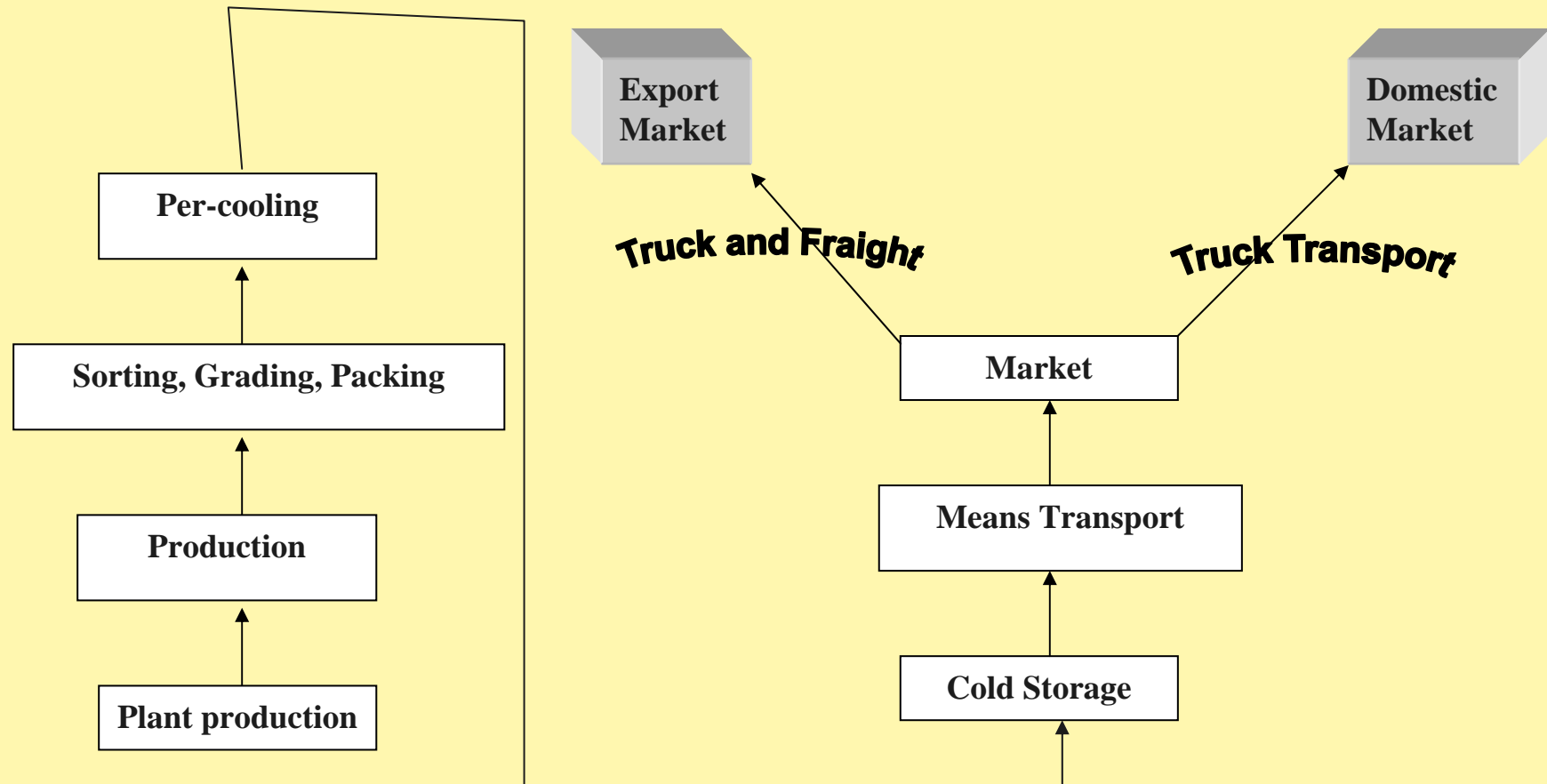


Expected Export Demand in the next 5 years

	Pickled olive (ton)	Processed Tomato (000 ton)
2007	276.2	50.4
2008	288,169	55.71
2009	300,561	61.113
2010	313,485	67.041
2011	326,964	73.544
2012	350,000	78.000

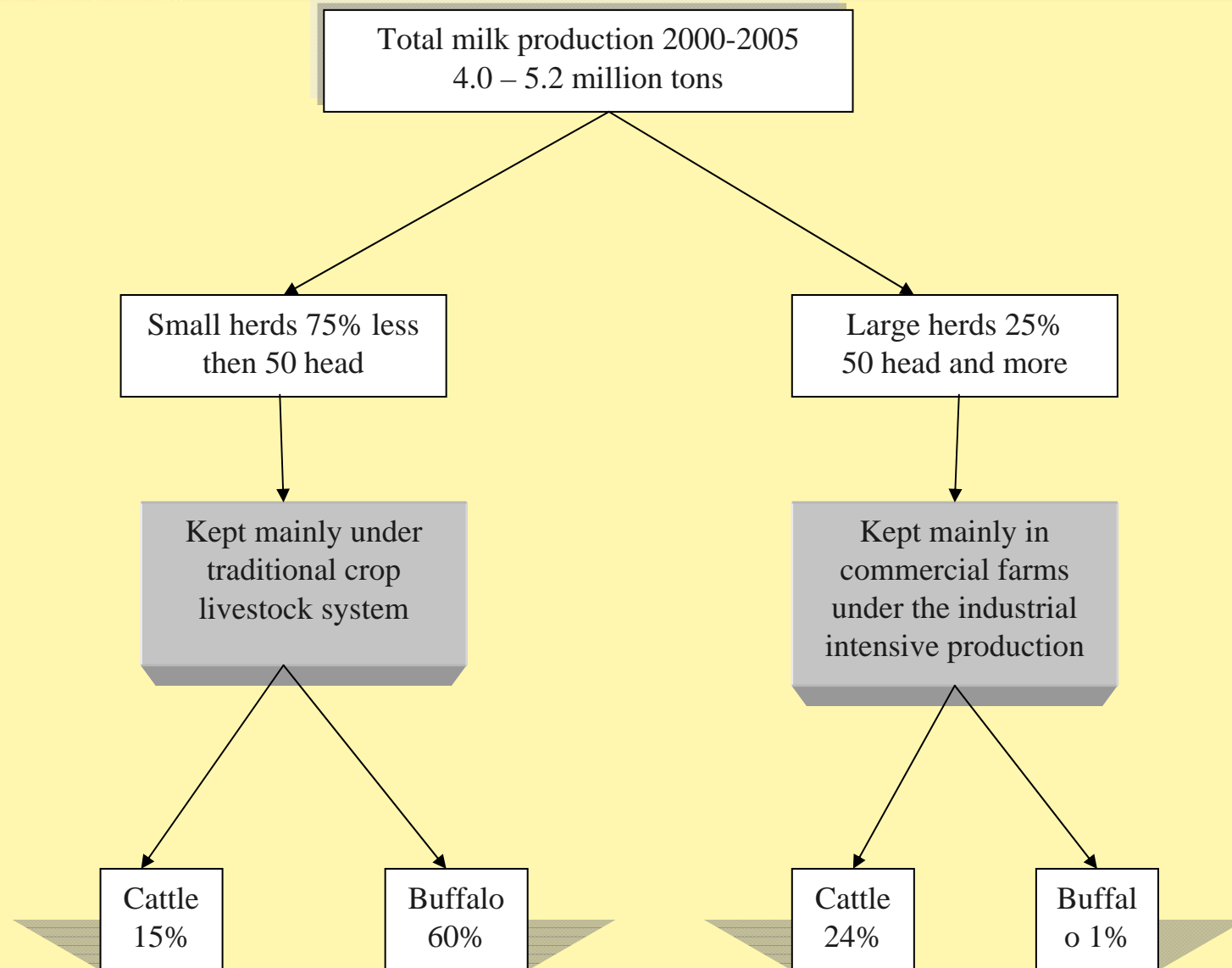


C. Post harvest facilities





a. Dairy and Meat Animal



The background of the slide is a soft, yellowish-green color with a faint, large-scale image of a field of grain, possibly sorghum, with a bright sun flare visible in the upper left quadrant. A horizontal black bar is positioned across the middle of the slide, containing the chapter title. Below this bar, the chapter's main topic is written in a larger, bold font.

Chapter Five

Leading Sectors Export and Investment in Packing



a. Food Processing industry

- the Egyptian food processing industry was still facing many challenges, particularly poor management, which was holding the industry back. "Mismanagement is the main obstacle in the agriculture sector itself". Improvement was also needed in packaging, distribution, marketing and quality control. As an example, Egypt is one of the top 10 producers of fresh tomatoes in the world, yet it only processes 2 percent of 7,587,069 tons tomatoes production, while Turkey processes about 25 percent of its own tomatoes. "Most factories are not working to their full capacity and find it difficult to secure the needed amount of tomatoes to process."



- Egypt was also weak in edible oil production. "Around 75 percent of [Egypt's] edible oil requirement is imported, which costs the government about LE 1 billion annually...The edible oil processing industry has a significant scope for generating job opportunities, saving foreign exchange, and providing byproducts such as protein feed for animals, which could have a substantial benefit on dairy products," At that time, frozen meat production was expanding rapidly. "Consumers are becoming increasingly accustomed to frozen rather than fresh meat," we noted. that the sector was squeezed by a shortage of cattle, and many factories were operating at half capacity



- Other products such as baby food were adopted more slowly as Egyptian consumers were less aware of the benefit for their infant and saw such products as a "luxury." Moreover, international baby food company Gerber produce rice products for baby.
- Today, the food processing sector includes around 5,000 companies employing some 250,000 people. According to the ministry of trade & Investment, Egyptian food exports in 2004 amounted to \$ 7.6 billion, of which \$120 million were processed food products, Food imports, meanwhile, were \$1.6 billion, of which \$ 677 million were processed foods.



b. milk Production

- According to MLAR statistics 2005, the total milk production from cattle and buffaloes is about 4.0 million tons. About 60% of the total milk output comes from buffaloes. Buffalo milk is preferred by Egyptian consumers because of its white color, high fat content (about 7%) and flavor. The contribution of foreign breeds and crosses to domestic milk production is about 25%, which is produced mainly by commercial farms. About 45% of the total milk in Egypt is produced by only five governorates (Behera, Sharkia, Menia, Gharbia and Menofia).
- Milk marketing milk is consumed mainly by subsistence farmers (50% of total production), primarily in the form of processed products. Fresh milk is usually sold to middleman at low price, but most products are marketed in processed form.



Packaging Materials by Volume in Egypt

Relative use of packaging materials 2004

PAPER/BOARD/CARTONS	39.10%
PLASTICS	29.50%
METAL	21.00%
GLASS	7.20%
WOOD	3.20%



Packaging Equipment

	2005	2006	2007 (Estimated)
Total Market Size	593.3	740.0	925.0
Total Local Production	59.2	74.0	92.5
Total Exports	0.0	0.0	0.0
Total Imports	532.8	666.0	832.5
Imports from the U.S.	37.0	43.7	54.8



Food Processing and Packaging Equipment

	2005	2006	2007 (Estimated)
Total Market Size	397.5	409.2	485.4
Total Local Production	42.9	43.7	45.1
Total Exports	30.4	31.1	31.8
Total Imports	384.8	396.6	408.5
Imports from the U.S.	25.9	26.6	27.4



Number of Packing Companies in Egypt

Activity products	No. of company
Plastic film	43
Printed film	29
Carton	99
Printed duplex	54
Printed label	11
Agric. Film	6
Foam	13
Card board	1
Cans soft drink	1
foil	17
Glass containers	5
Industrial agencies	78
Local manufacturing	29
Tin	33
Ink	37



Chapter Five

Agricultural engineering



- **Pre-production Phase**
- **Seedbed Preparation**
- **Tractors**
 - Tractor Annual Replacement
 - Power Range:
 - Ownership
- **Available tillage implements**
 - Primary tillage equipment
 - Secondary tillage equipment
- **Harvesting**
- **Role of dealers, distributors and local manufacturers**
- **Ministry of Agriculture's role and support**



Chapter Six

Promotion investment for Agriculture



a. Food processing

- New technology of grain storage facilities should be established in grain production area, especially in newly- reclaimed land to reduce grain losses.
- Medium and Small Wheat milling factories at Towns and villages, should be up graded for better flour products, suite Egyptian flour Standard.
- Bakeries of (Baladi) bread should be up graded for better bread quality & production.
- New extraction and refining technology for essential oils should be introduced for value added products which has high demand in the international market.



- Improved distillation efficiency and energy saving methods.
- Bulk verses retail packaging should be promoted for better food processing marketing.
- New technology for manufacturing Herbs and Spices should be promoted, such as freeze drying, liquid pastes and aseptic packing.
- Great opportunities of marketing organic Date from Siwa Oasis and New Valley to EU markets.



- Low acid and acidified processing of Tomato paste should be promoted in Keft production area, Kena Governorate.
- Aseptic processing and packaging, and frozen food processing should be enhanced in Upper Egypt for export of food products to the developed countries.
- Real guaranties to establish Dehydrated fruits and vegetables processing factory in Upper Egypt near production areas, for energy saving and minimize freight costs.



b. Post harvest fruits and vegetables

- There are enough market share to establish pre-cooling & cold storage facilities, to serve growers, traders and exporters of fresh fruits and vegetables in production area, especially in Upper Egypt.
- The major constrain of marketing fresh fruits and vegetables is shortage of refrigerated trucks fleet available in appropriate time. also, during peak production season, there is a bottleneck of limited space of airfreight and sea-freight.



C. Marketing

- Investment opportunities on marketing agriculture production from Siwa Oasis & new valley such as date fruits, olives and herbs



d. Slaughter Houses

- Introducing modern slaughter houses for the cattle beef, sheep, goats & poultry.
- Building up freezing and meat packaging plants near the animals production area.
- Small and medium poultry slaughter houses, should be introduced to production area, for safe healthy poultry products.