

# OPPORTUNITY EGYPT

INVESTING IN EGYPT

EGYPTIAN/MALAYSIAN RELATIONS

AGRIBUSINESS

PALM OIL



OPPORTUNITY  
EGYPT



# GENERAL AUTHORITY for INVESTMENT & FREE ZONES

## **Vision:**

Enhance the business and investment environment in Egypt and position it as a competitive hub for business and creativity.

## **Mission:**

Perform a wide range of activities to encourage investment in Egypt. These include:

- Improving the quality of the business environment. Streamlining processes, reducing registration time, simplifying steps and enabling company establishment through a single window.
- Encouraging SMEs to start up, assisting them with access to funding, providing incubation and technical assistance.
- Promoting and supporting sustainable and green investment.
- Providing potential and current investors with information on the key Egyptian sectors, market opportunities and the costs of doing business.
- Attracting and retaining diverse and job creating investments.
- Managing the various free zones and special economic zones of Egypt.



# GAFI'S EFFORTS TO ATTRACT FDI & IMPROVE BUSINESS ENVIRONMENT

## Pro-Active Promotion

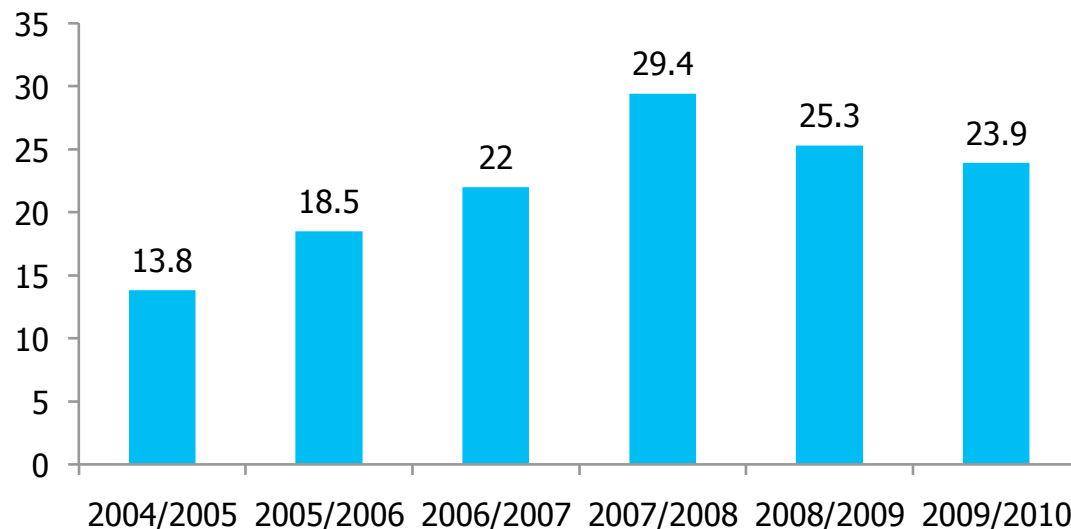
- Planning promotion missions to target countries for FDI attraction.
- Information provision and branding Egypt as an FDI destination through publications.
- Events & Conferences.
- Matchmaking between Egyptian and foreign investors.
- Cooperation with international entities (IFC, OECD, USAID, UNIDO, COMESA, ANIMA ...)
- Signing MOUs and Investment Protection Agreements



# DYNAMIC SUSTAINABLE GROWTH

- Total GDP at current prices have increased from USD154 billion in FY 2007/2008 to reach USD 178.2 billion in FY 2008/2009 and Q1-Q3 2009/2010 reached USD156.6 billion.
- A sustained growth rate of 7% over the last 3 years.
- Egypt's conservative financial policies allowed the Central Bank of Egypt (CBE) to accumulate net international reserves, which increased from USD 19.3 billion FY 2005 to USD 35.5 billion in August 2010 as indicated below, contributing to growth in both reserve money and in broad money (M2).

**Export Proceeds (Billion US\$)**



Source: CBE



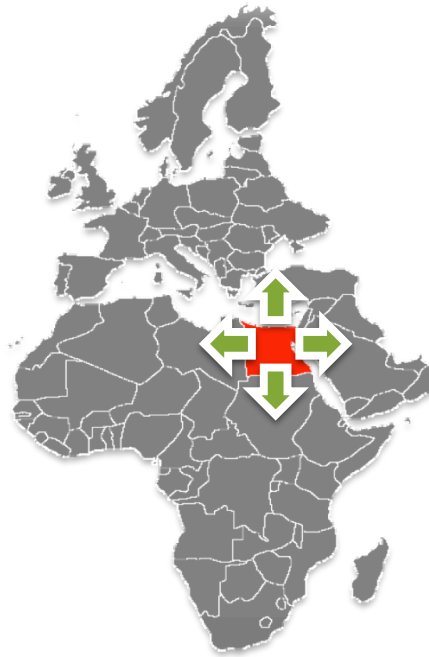
# GLOBAL MARKET ACCESS

## Preferential access and geographic proximity to global markets >>>

### A Global Trade and Investment Hub

Accessing more than 1.5 billion customers through various multilateral and bilateral trade agreements:

- Direct connection through the Suez Canal between the Indian Ocean to the Mediterranean Sea.
- EU through the Egypt-EU Partnership
- US through QIZs
- Middle East through GAFTA
- Africa through COMESA
- Egypt - Turkey Agreement
- Egypt –Switzerland EFTA Countries Agreement



- Preferential Trade Agreements
- Proximity
  - Competitive Freight Cost
  - Time to market
- Competitive cost of production
- Export subsidy
- Natural Resources
- Human Resources



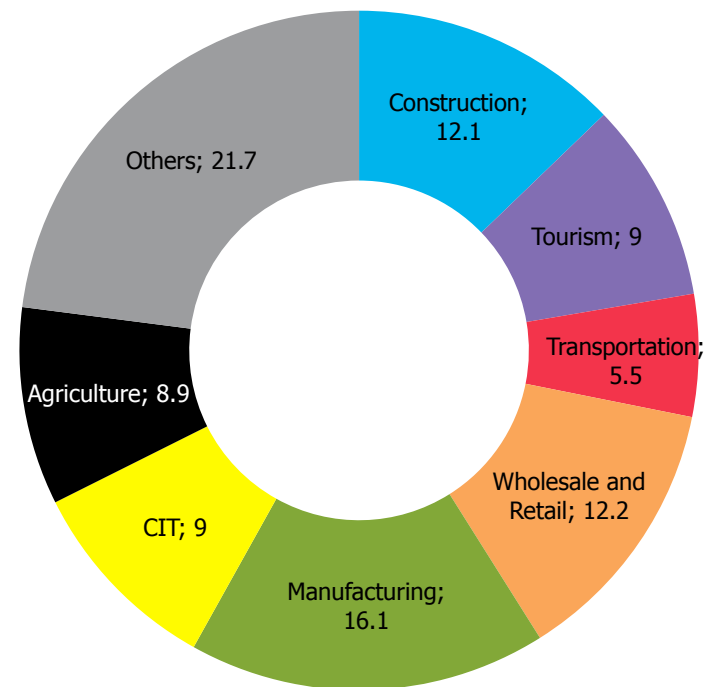
# DIVERSIFIED ECONOMY & GROWING CONSUMER MARKET

✓ **Egypt's economy is among the most diverse in the Middle East and North Africa**

- Industry accounted for 16.1% of GDP
- Prominent service sectors CIT, tourism accounted for 18%
- Retail accounts for 12.2%
- Agriculture accounts for 8.9%

✓ **With a population of 80 million and a 100% increase in per capita income, Egypt has the largest domestic market in the region.**

**GDP Sector Breakdown  
2009/2010**

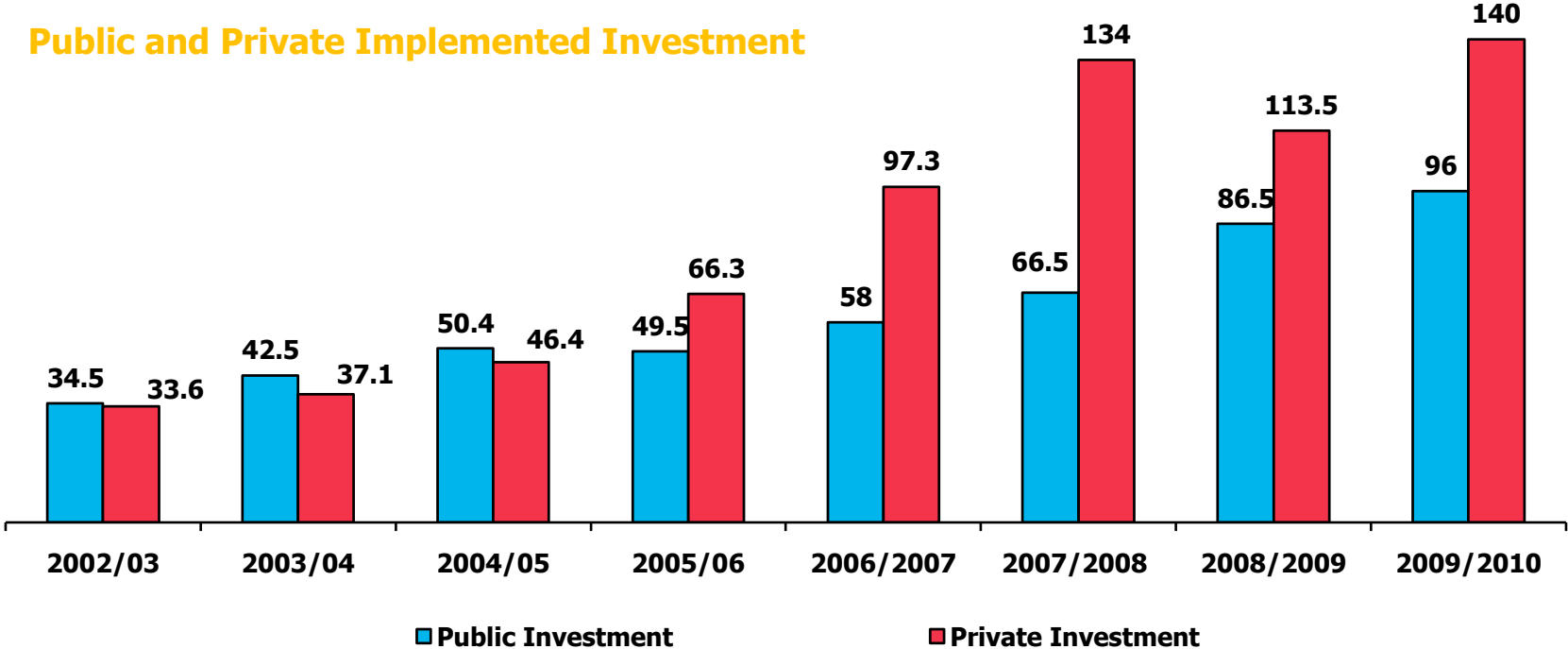


# STRONGER ENGAGEMENT OF THE PRIVATE SECTOR

## A Broadened Private Sector Contribution to Growth...

- Private Public Partnership (PPP)
- Privately-developed Investment Zones

### Public and Private Implemented Investment

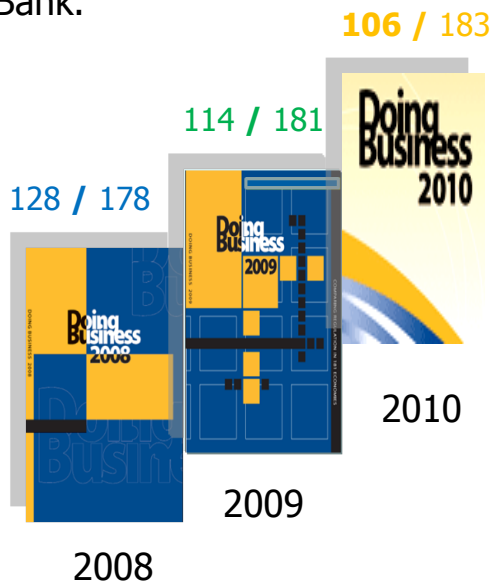


# INTERNATIONAL RECOGNITION

- Moody's Investors Service has assigned ratings of Ba1 to the dollar-denominated senior unsecured bonds recently issued by the government of Egypt. Moody's says that the government of Egypt's Ba1 issuer ratings are supported by the country's robust external position, relatively well diversified economy, favorable public debt structure, and the current government's track record of economic reform.
- Fitch Ratings has assigned the National Bank of Egypt's (NBE) forthcoming USD-denominated medium term note issue an expected rating of 'BB+'.

## Doing Business Report 2010 : Top Reformers

For the 3rd consecutive year, Egypt is among the top 10 reformers in the Doing Business Report issued by the World Bank.



**The top 10 reformers in 2008/09**

Economy	Starting a business	Dealing with construction permits	Employing workers	Registering property	Getting credit	Protecting investors	Paying taxes	Trading across borders	Enforcing contracts	Closing a business
Rwanda	✓		✓	✓	✓	✓		✓		✓
Kyrgyz Republic	✓	✓	✓	✓	✓		✓	✓		
Macedonia, FYR	✓		✓	✓	✓	✓	✓			
Belarus	✓	✓	✓	✓			✓	✓		
United Arab Emirates	✓	✓						✓		
Moldova	✓			✓			✓			
Colombia	✓	✓		✓	✓	✓	✓	✓		✓
Tajikistan	✓	✓	✓		✓	✓				✓
<b>Egypt, Arab Rep.</b>	✓	✓			✓				✓	
Liberia	✓	✓						✓		

Note: Economies are ranked on the number and impact of reforms. First, *Doing Business* selects the economies that implemented reforms making it easier to do business in 3 or more of the *Doing Business* topics. Second, it ranks these economies on the increase in rank on the ease of doing business from the previous year. The larger the improvement, the higher the ranking as a reformer. Source: *Doing Business* database.

**The top 10 reformers in 2007/08**

Economy	Starting a business	Dealing with construction permits	Employing workers	Registering property	Getting credit	Protecting investors	Paying taxes	Trading across borders	Enforcing contracts	Closing a business
Azerbaijan	✓		✓	✓	✓	✓	✓		✓	
Albania	✓				✓	✓	✓			
Kyrgyz Republic	✓	✓			✓	✓				
Belarus	✓	✓		✓	✓		✓	✓		
Senegal	✓							✓		
Burkina Faso		✓	✓	✓			✓			
Botswana	✓					✓		✓		
Colombia	✓	✓					✓			✓
Dominican Republic	✓			✓			✓	✓		
<b>Egypt</b>	✓	✓		✓	✓	✓		✓		



# EGYPT'S POSITION AMONGST EMERGING MARKETS

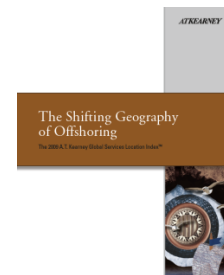
Egypt is a services provider for companies in other Middle Eastern countries.

Egypt jumped from 13<sup>th</sup> rank in 2007 to 6<sup>th</sup> rank in 2008



A.T. Kearney Global Services Location Index, 2007

Rank	Country	Financial attractiveness	People and skills availability	Business environment	Total score
1	India	3.22	2.34	1.44	7.00
2	China	2.93	2.25	1.38	6.56
3	Malaysia	2.84	1.26	2.02	6.12
4	Thailand	3.19	1.21	1.62	6.02
5	Brazil	2.64	1.78	1.47	5.89
6	Indonesia	3.29	1.47	1.06	5.82
7	Chile	2.65	1.18	1.93	5.76
8	Philippines	3.26	1.23	1.26	5.75
9	Bulgaria	3.16	1.04	1.56	5.75
10	Mexico	2.63	1.49	1.61	5.73
11	Singapore	1.65	1.51	2.53	5.68
12	Slovakia	2.79	1.04	1.79	5.62
13	Egypt	3.22	1.14	1.25	5.61
14	Jordan	3.09	0.98	1.54	5.60
15	Estonia	2.44	0.96	2.20	5.60
16	Czech Republic	2.43	1.10	2.05	5.57
17	Latvia	2.64	0.91	2.00	5.56
18	Poland	2.59	1.17	1.79	5.54
19	Vietnam	3.33	0.99	1.22	5.54
20	United Arab Emirates	2.73	0.86	1.92	5.51
21	United States (tier two)	0.48	2.74	2.29	5.51
22	Uruguay	2.95	0.98	1.54	5.47
23	Argentina	2.91	1.30	1.26	5.47
24	Hungary	2.54	0.95	1.98	5.47
25	Mauritius	2.84	1.04	1.56	5.44



The 2009 A.T. Kearney Global Services Location Index

Rank	Country	Financial attractiveness	People skills and availability	Business environment	Total score
1	India	3.13	2.48	1.30	6.91
2	China	2.59	2.33	1.37	6.29
3	Malaysia	2.76	1.24	1.97	5.98
4	Thailand	3.05	1.30	1.41	5.77
5	Indonesia	3.23	1.47	0.99	5.69
6	Egypt	3.07	1.20	1.37	5.64
7	Philippines	3.19	1.17	1.24	5.60
8	Chile	2.41	1.20	1.89	5.50
9	Jordan	2.99	0.91	1.59	5.49
10	Vietnam	3.21	1.02	1.24	5.47
11	Mexico	2.48	1.50	1.45	5.43
12	Brazil	2.18	1.83	1.37	5.39
13	Bulgaria	2.83	0.89	1.62	5.34
14	United States	0.47	2.71	2.15	5.33
15	Ghana	3.26	0.70	1.36	5.32
16	Sri Lanka	3.13	0.95	1.17	5.25
17	Tunisia	2.86	0.91	1.45	5.22
18	Estonia	2.06	0.93	2.20	5.19
19	Romania	2.63	0.91	1.58	5.12
20	Pakistan	3.12	1.08	0.91	5.11
21	Lithuania	2.31	0.81	1.99	5.11
22	Latvia	2.28	0.86	1.96	5.10
23	Costa Rica	2.67	0.89	1.50	5.07
24	Jamaica	2.77	0.79	1.49	5.06
25	Mauritius	2.32	0.95	1.77	5.04



# PRO-BUSINESS INVESTMENT CLIMATE

## Commitment to Lower Cost of Investment and Ease of Doing Business...

- **Low Taxes and Customs**

- 20% flat tax rate
- 6% weighted average tariff rate/streamlined tariff bands

- **Financial Services**

- Stable Banking system; resilient to financial crisis
- Growth of non-bank financial services
- Introduction of Nilex; the region's first small cap stock exchange

- **Enabling legislation and institutional framework**

- New economic (commercial) court system, Anti-money laundering, Anti-trust and consumer protection laws
- Incorporation time slashed to an average of 72 hours
- No minimum capital required for company establishment
- One stop shops introduced at multiple locations throughout the country



# SUPPORTING SMALL & MEDIUM ENTERPRISES (SMEs)

## **SME Growth Fund Mission & Role**

- A private-equity and venture- capital fund dedicated to small and medium enterprises (SMEs). The main objective of the Growth Fund is to provide financial and know-how support to promote the growth of Egyptian SMEs.
- The Fund is an addition to the menu of instruments available to SMEs to access finance, know-how and business intelligence. It aims at supporting commercially viable SME companies across Egypt. To mitigate risk as well as reach the largest possible target group of SMEs

## **Legal Status**

- A closed fund established according to the provisions of the Capital Market Law, law 95 for the year 1992 and its executive regulations and is domiciled in Egypt.

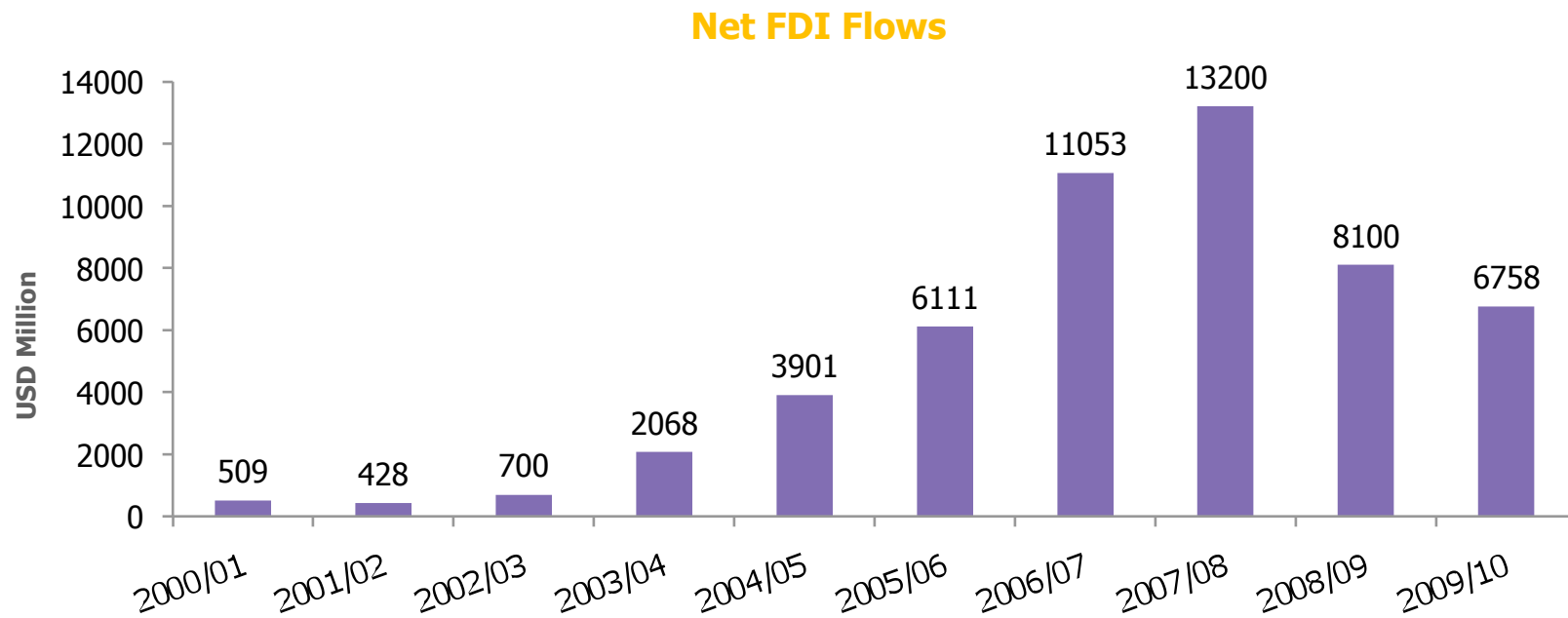
## **Size & Currency**

- The target size of the fund is EGP 1 billion. The first call is anticipated to be in the amount of EGP 300 million.



# EGYPT FDI TRENDS

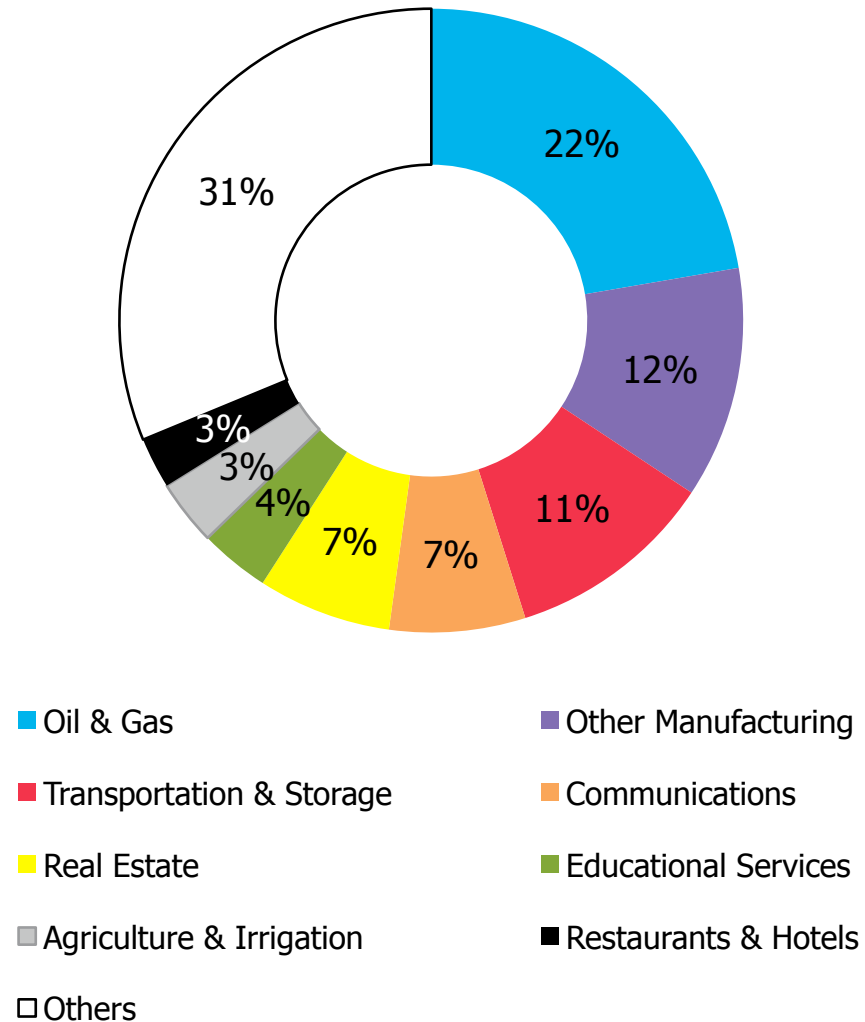
- FDI Inflows rose from US\$ 400 million in FY 01/02 to US\$ 13.2 billion in FY 07/08.
- The recent increase in FDI has been flowing into a wide range of sectors.
- In 08/09 Egypt witnessed a decrease FDI inflows (8.1 billion USD), and an increase in share of oil in the total FDI flow.



# EGYPT FDI TRENDS

Top 15 Countries Investing in Egypt*	Contribution in USD Million (2009/2010)
UK	4926.1
US	1424.9
Belgium	930.1
Saudi Arabia	323.4
UAE	303.5
France	286.2
Kuwait	188.7
The Netherlands	128.8
Switzerland	111.4
Germany	109.7
Jordan	81.8
Italy	67.8
Greece	64.7
Turkey	25.4
Canada	8.2
<b>Total</b>	<b>8980.7</b>

## Investments By Sector (Million US\$)



# INVESTMENT POLICY FRAMEWORK

Category	Inland Investment	Investment Zones	Special Economic Zones
<b>Income Tax</b>	<ul style="list-style-type: none"> <li>• 20% &amp; 40.55% for oil and gas companies</li> <li>• 10 years Exemption for Agriculture and animal production activities.</li> </ul>	<ul style="list-style-type: none"> <li>• 20% &amp; 40.55% for oil and gas companies</li> <li>• 10 years Exemption for Agriculture and animal production activities.</li> </ul>	<ul style="list-style-type: none"> <li>• 5% flat tax rate on personal income tax</li> <li>• 10% tax on all activities within the zone</li> </ul>
<b>Import Duties</b>	<ul style="list-style-type: none"> <li>• 2-32% depending on the product</li> <li>• Flat rate of 5% of the value of imported machinery and equipments</li> </ul>	<ul style="list-style-type: none"> <li>• Custom procedures for production input will be administered in the zone</li> <li>• Equipment customs are paid in 5-10 years installments</li> </ul>	None
<b>Export Duties and Sales Tax</b>	<ul style="list-style-type: none"> <li>• 5-25% of value of all sale transactions</li> </ul>	<ul style="list-style-type: none"> <li>• Sales taxes are paid in 5-10 years installments</li> <li>• Exported good are tax exempted</li> </ul>	<ul style="list-style-type: none"> <li>• No duties when exported out of Egypt</li> <li>• No duties on domestic components when sold in Egypt</li> <li>• 10% of value of non domestic components when sold in Egypt</li> </ul>
<b>Payroll Tax</b>	<ul style="list-style-type: none"> <li>• 10-20% depending on salary level</li> </ul>	<ul style="list-style-type: none"> <li>• 10-20% depending on salary level</li> </ul>	<ul style="list-style-type: none"> <li>• 5% for all salary levels</li> </ul>
<b>Export Minimum</b>	None	None	<ul style="list-style-type: none"> <li>• Depending on zone board's decision</li> </ul>
<b>Other Incentives</b>	<ul style="list-style-type: none"> <li>• Protection against expropriation and compulsory pricing</li> <li>• Full right of profit and dividend repatriation</li> </ul>	<ul style="list-style-type: none"> <li>• Companies established within the investment zones are to enjoy incentives given to both inland and upper Egypt investment regimes.</li> </ul>	<ul style="list-style-type: none"> <li>• Egyptian certificate of origin for SEZ based exporters</li> <li>• Integrated custom and tax administration, licensing, and dispute settlement</li> </ul>

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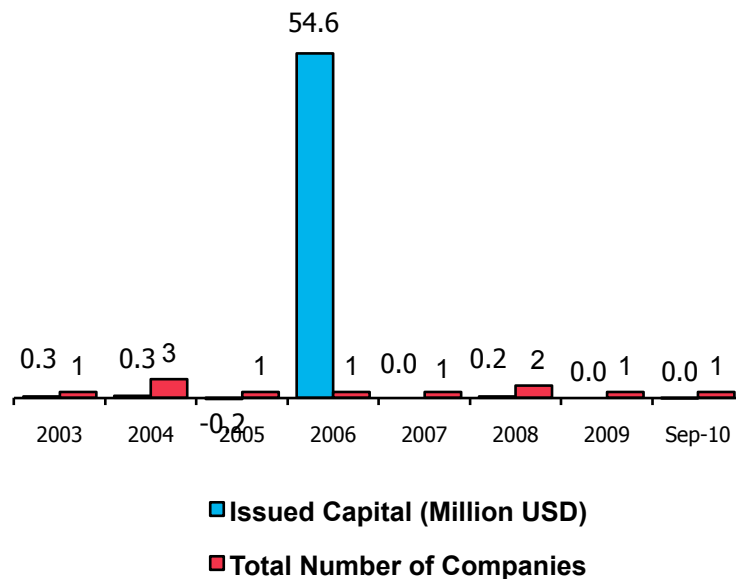
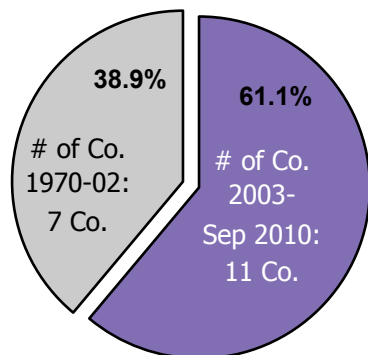
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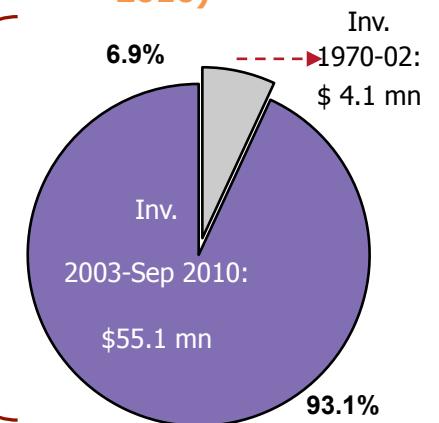
# MALAYSIAN INVESTMENTS IN EGYPT

- Total Malaysian participation in the issued capital is USD 59.2 million (1970- Sep 2010), reflecting the activities of 18 companies operating in Egypt. Malaysia is ranked 44<sup>th</sup> among the countries investing in Egypt.
- 93.1% of total participation in the issued capital were between 2003-Sep 2010, while 61.1% of the companies were established during the same period.
- 2006 is the main landmark in Malaysian investment since 1970; this progress is due to the acquisition of EDF Port Said East Power, and EDF Suez Gulf Power by Kuasa Nusajaya SDN Bhd. Which is a unit of Tanjong energy holding.

**Total Malaysian Companies in Egypt (1970-Sep2010)**



**Total Malaysian participation in the issued Capital (1970- Sep 2010)**

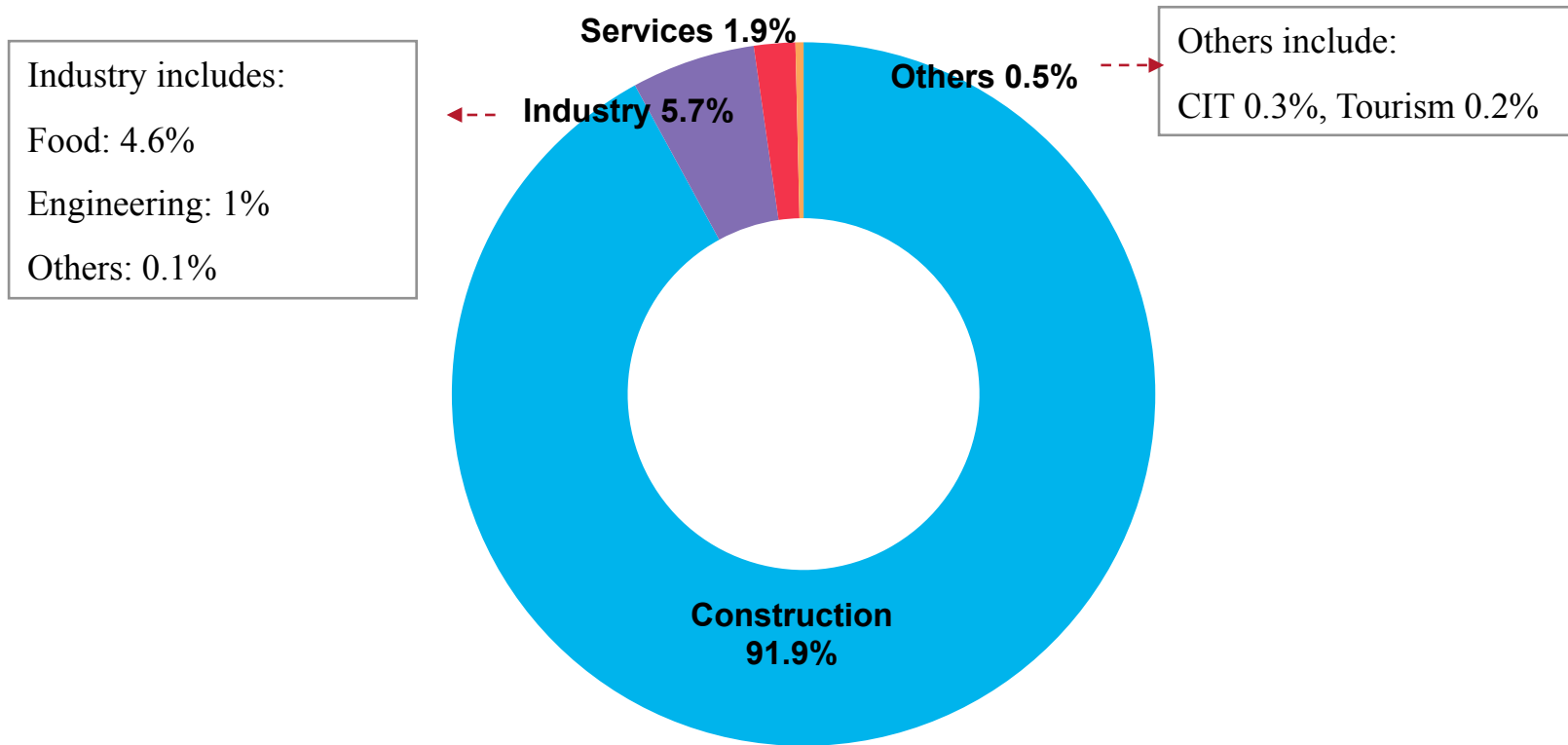


\* Zero indicates investments less than USD 50 000





# MALAYSIAN INVESTMENTS IN EGYPT BY SECTOR



Source: GAFI




# TOP COMPANIES WITH MALAYSIAN PARTICIPATION

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<b>Company</b>	<b>Sector</b>	<b>Inv. (USD mn)</b>
Port Said Energy	Construction of Power Stations	27.6
Suez Gulf Energy	Construction of Power Stations	26.6
Arma For Food Industrial	Food Industry	2.7
Edco Natural Gas	Oil and Natural Gas Transportation	1.14
Egypt Motor Part (EMP)	Manufacturing Car Spare Parts	0.367
Egyptian Operations	Construction of Power Stations	0.25
Ofok for Information Technology	Information System	0.14
Egypt Express	Housing and Urbanisation	0.08
Pioneer for Tourism Investment	Real Estate Investments	0.05
Stitches International for Clothes	Clothes Manufacture	0.05

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Source: GAFI



# MALAYSIAN COMPANIES' ACTIVITIES IN EGYPT

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Company	Activities
<b>PETRONAS</b>	<ul style="list-style-type: none"><li>• The energy group to sign an agreement for exploration activities in the Damietta offshore concession in team with British BP and Royal Dutch Shell.(2010)</li><li>• PETRONAS with BG Egypt signed a new concession agreement and will invest USD80 million in exploration in Sidi Kerir Deep Offshore Area (2006)</li><li>• Heavy investment in exploration, participation of 35.5 and 38% in Egyptian LNG Liquefaction Plant's trains 1 and 2, built with BG in Idku (2005)</li></ul>
<b>Exim Bank</b>	<ul style="list-style-type: none"><li>• Malaysia's Export-Import Bank to sign a cooperation agreement with the National Bank of Egypt. (2009)</li></ul>
<b>Tanjongs</b>	<ul style="list-style-type: none"><li>• The Kuala-Lumpur based company Tanjongs to buy various Egyptian power plants including Sidi Krir plant (2007)</li></ul>

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Source: Animaweb

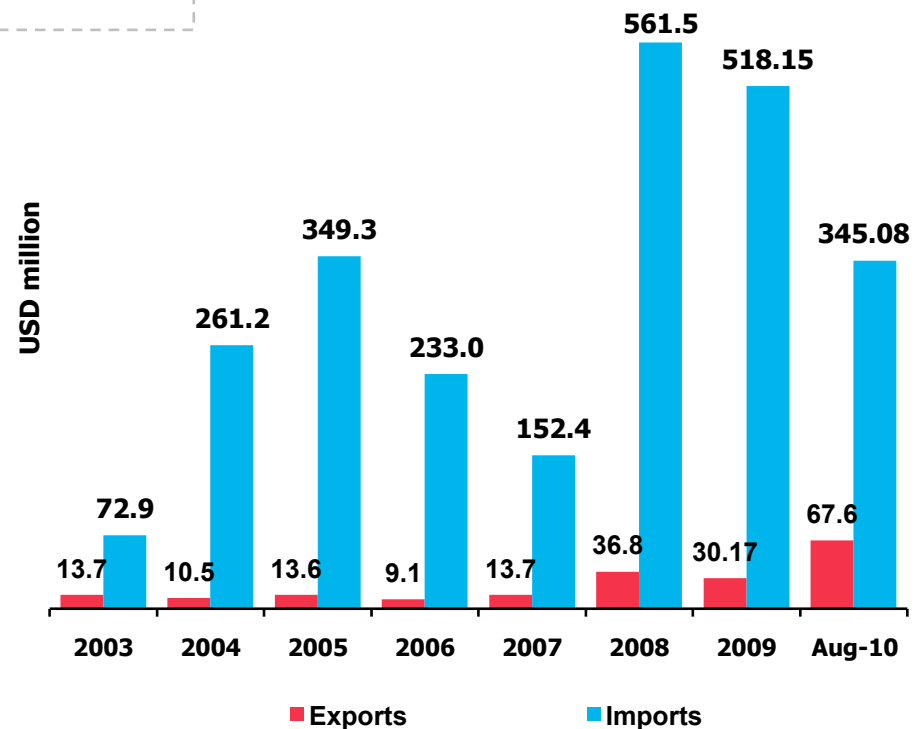


# TRADE VOLUME BETWEEN EGYPT AND MALAYSIA

- The trade balance is in favor to Malaysia, as Egypt main exported commodities are in a primary form, while the imported products are processed into semi-finished and finished goods.
- The increase in the trade volume for the year 2008 is mainly attributed to the rise of imports in Palm Oil, Rubber, and Electric Appliances

## Trade Development (2003 - Aug. 2010)

Top Exports
<ul style="list-style-type: none"> <li>• Aluminum.</li> <li>• Salt &amp; Cement.</li> <li>• Fruits and Vegetables</li> <li>• Cotton</li> <li>• Chemical non-organic products.</li> </ul>
Top Imports
<ul style="list-style-type: none"> <li>• Grease, Oil, and Fats.</li> <li>• Woods.</li> <li>• Chemical non-organic products.</li> <li>• Furniture</li> <li>• Rubber.</li> <li>• Plastic products.</li> <li>• Electric Appliances</li> </ul>



\* Since 2008, Trade point is using the general statistical standard.

# MAIN AGREEMENTS SIGNED BETWEEN EGYPT & MALAYSIA

- |             |  |
|-------------|--|
| <b>1977</b> | <ul style="list-style-type: none"><li>• Trade Agreement.</li><li>• Cultural, scientific and technical cooperation agreement.</li><li>• Economic and technical cooperation.</li></ul>   |
| <b>1996</b> | <ul style="list-style-type: none"><li>• MOU between Egypt's IDSC and the Malaysian electronic institute.</li></ul>   |
| <b>1997</b> | <ul style="list-style-type: none"><li>• Reciprocal Encouragement and Protection of Investments.</li><li>• Tourism cooperation</li><li>• Avoiding double Taxation</li><li>• Air transport agreement.</li></ul>  |
| <b>1998</b> | <ul style="list-style-type: none"><li>• MOU between the Malaysian Wooden Industries Association and Damietta Governorate</li><li>• Scientific and Technical cooperation Agreement</li></ul>  |
| <b>2000</b> | <ul style="list-style-type: none"><li>• MOU for scientific and technological cooperation.</li></ul>  |
| <b>2008</b> | <ul style="list-style-type: none"><li>• MIDA has signed an MOU with GAFI and IDA that tend to explore the ways to enhance Malaysia-Egypt bilateral trade and investment, in addition to information exchange on potential areas of investment in both countries.</li></ul> |
| <b>2009</b> | <ul style="list-style-type: none"><li>• An MOU is prepared and under revision, aiming at the establishment of a joint trade and investment committee (the Ministries of Trade and Industry in both countries)</li></ul>  |

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“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, and an extremely advantageous agricultural calendar that positions Egypt to deliver valuable produce to Europe well before competing markets.”

Ministry of Agriculture

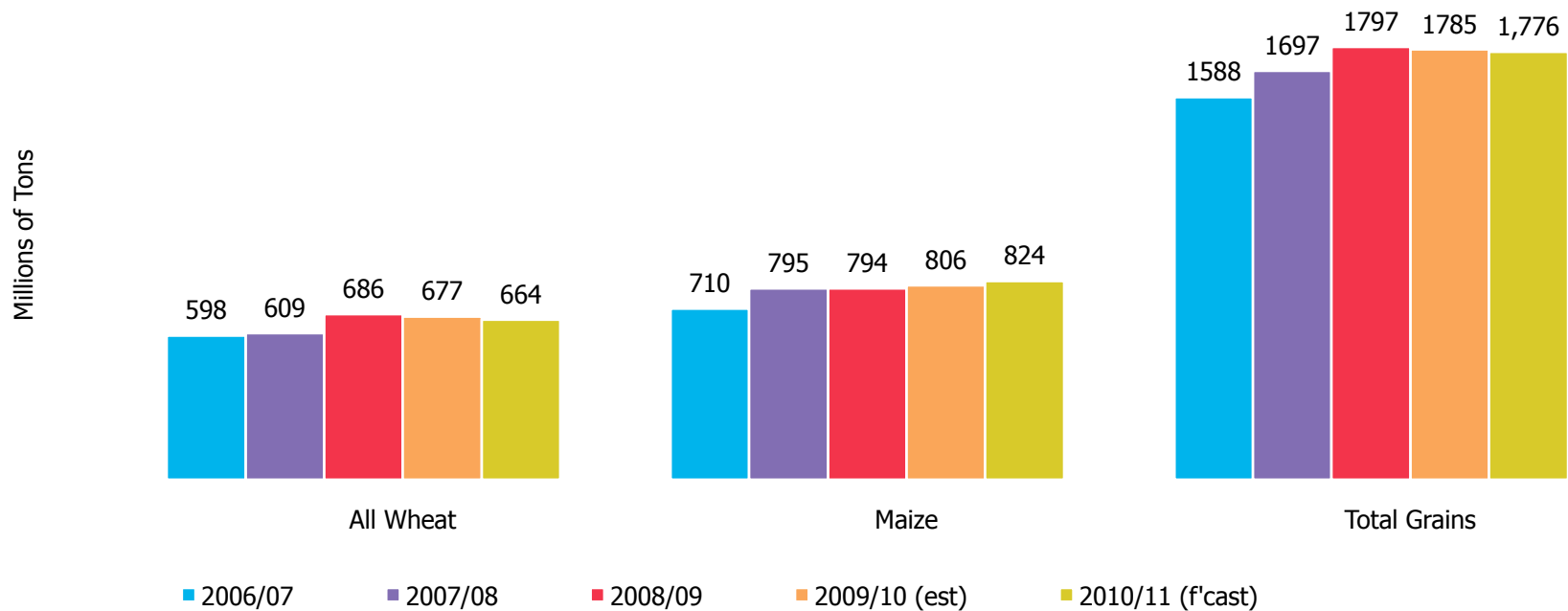


# GLOBAL TRENDS AND RECENT DEVELOPMENTS

In an extended definition agri-processing ranges from 20-35% of developing country GDP. The entire food-system may account for as much as 50% of developing country GDP according to FAO. The agribusiness to agriculture ratio increases with development and is highly correlated with HDI (Human Development Indicator).

Global retail market for food amounted to \$1,879 billion in 2008 (estimated by Key Note Ltd of London). The total growth rate from 2006 to 2007 and from 2007 to 2008 has been from 5- 6%.

## WORLD GRAINS PRODUCTION



Source: International Grains Council





# EGYPTIAN AGRIBUSINESS SECTOR

The agribusiness sector accounts for nearly 11% of Egypt's total private sector production and 12% of total Egyptian public sector production in 2008/2009. Accounting for 9.5 billion dollars worth of production between private and public sectors according to CAPMAS statistics.

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 4,088 companies operating in the Agribusiness space in Egypt and registered on the GAFI database. With total investments reaching 5,514 billion dollars in the period of 1970 to May 2010.

Moreover, agribusiness operations in Egypt are part of the national food export sector which was worth nearly 1.9 billion dollars in 2009; amounting to 12% of total exports and making the sector one of the nation's top exporters according to the Ministry of Trade and Industry.

According to the Egyptian Ministry of Agriculture, the agriculture sector in Egypt is growing by 3.6% (2008); the area of arable land reaching almost 8.5 million feddans in 2008; 1.1 million feddans of which were recovered through land reclamation programs.

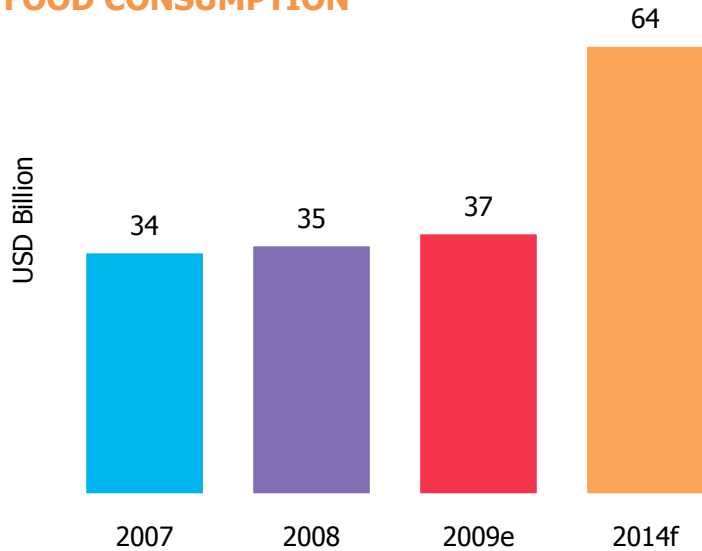


# FOOD CONSUMPTION IN EGYPT

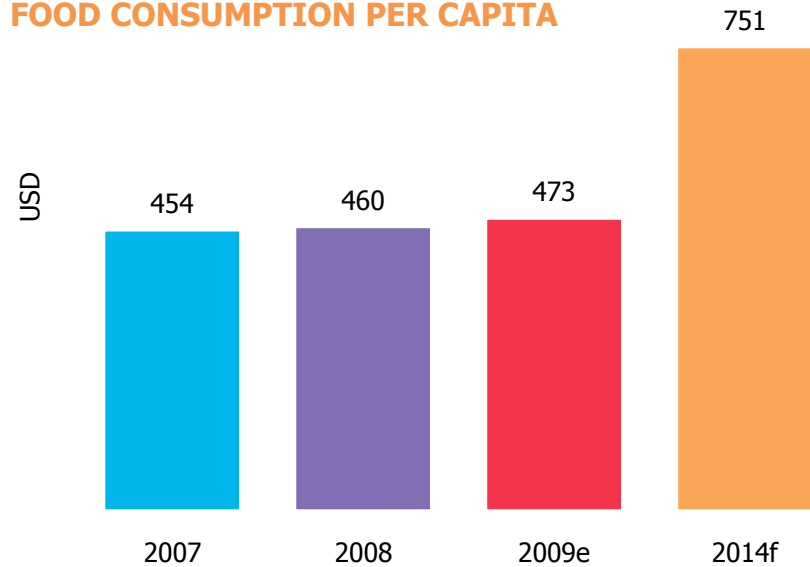
The key factors behind the massive Agribusiness potentials is the growing population, the dynamism of the Egyptian market in addition to the preferential access to neighboring countries through a set of trade agreements.

Driven by modernization and the changes in lifestyle consumers are demanding products with a higher degree of processing, headline value sales are expected to register average annual growth of 7.89% compared to 3.11% on the volume front.

**FOOD CONSUMPTION**



**FOOD CONSUMPTION PER CAPITA**



Source : BMI



# FOOD CONSUMPTION IN EGYPT

Confectionery value sales annual growth is forecasted to average 9.08%. Among the industry's sub-segments, demand for chocolate is expected to continue strengthening on the back of rising incomes as more consumers view chocolates as affordable luxuries.

With regard to edible oils, Egypt constitutes 1.4% of total world consumption; amounting to 2 million tons in 2010 (23 kg per capita annually). Of which Egypt imports 92% of its consumption, this amounts to 1 million ton of oil and 600.000 ton of oil seeds per year.

With per capita soft drinks consumption still standing below 10 litres per annum, the industry maintains significant long-term growth potential. Carbonate sales accounted for an estimated 69% of total soft drinks sales in 2008 and are set to grow at an annual average of 6.29%. At the same time, fruit juice value sales are expected to grow at an annual average rate of 5.3%.

	<b>2007</b>	<b>2008</b>	<b>2009f</b>	<b>2010f</b>	<b>2011f</b>
Food consumption (US\$bn)	34.4	35.4	37.1	41.0	47.1
Per capita food consumption (US\$)	454.4	459.8	473.4	514.7	582.8
Total food consumption growth (y-o-y)	4.7	3.0	4.9	6.8	8.0
Per capita food consumption growth (y-o-y)	2.8	1.2	3.1	5.1	6.3
Food consumption as % GDP	23.1	20.0	18.4	18.0	17.9
Canned food sales (thousand tonnes)	44.8	45.9	47.1	48.3	49.6
Canned food sales (US\$mn)	83.4	93.8	103.5	114.9	131.4



# INVESTMENT IN THE SECTOR IN EGYPT

There are 4,088 companies operating in the agribusiness industry, established between 1970 and May 2010, their breakdown is outlined in the following table:

Activity	Number of Companies	Starting Capital (million LE)	Egyptian Contribution	Arab Contribution	Foreigner Contribution
<b>Processing of agricultural produce</b>	1,296	8,399	73%	20%	7%
<b>Sweets and pasta</b>	747	3,618	81%	7%	12%
<b>Oils</b>	216	3,058	64%	11%	26%
<b>Pre-packaged food</b>	220	3,044	45%	34%	21%
<b>Dairy</b>	284	2,991	60%	25%	14%
<b>Mills</b>	375	2,326	83%	7%	10%
<b>Bottled water</b>	133	1,984	53%	5%	42%
<b>Processed fish and meat</b>	217	865	84%	12%	4%
<b>Cold storage</b>	266	583	74%	17%	3%
<b>Flavorings</b>	57	108	86%	10%	2%
<b>Other nutritional</b>	161	1,553	97%	1%	2%
<b>Other manufactured agricultural</b>	116	2,789	96%	2%	3%

Source: GAFI



# INVESTMENT IN THE SECTOR IN EGYPT

The top countries which are investing in the agribusiness sector in Egypt are the UK, Saudi Arabia, Kuwait, Palestine, USA, France, Holland, Switzerland, Canada, UAE, Iraq, and Syria.

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, 28% 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.

Hence there is an opportunity for investment in the field as raw materials are highly available and affordable, yet there are clear bottlenecks which can serve as opportunities. Investors may choose to set up in the field of cold storage, transport and handling in addition to packaging. This is beside the great opportunity for actual investment in the field of agribusiness through setting up olive oil presses, wheat mills, sugar factories, confectionary plants and all other variations of processed food and drink.



# AGRIBUSINESS TRADE FLOWS

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 region's barrier-free markets do not require changes in unit sizes or labeling language, something that can make breaking into a foreign market rather difficult. Proximity and shared eating habits, make the Arab World an obvious export destination.

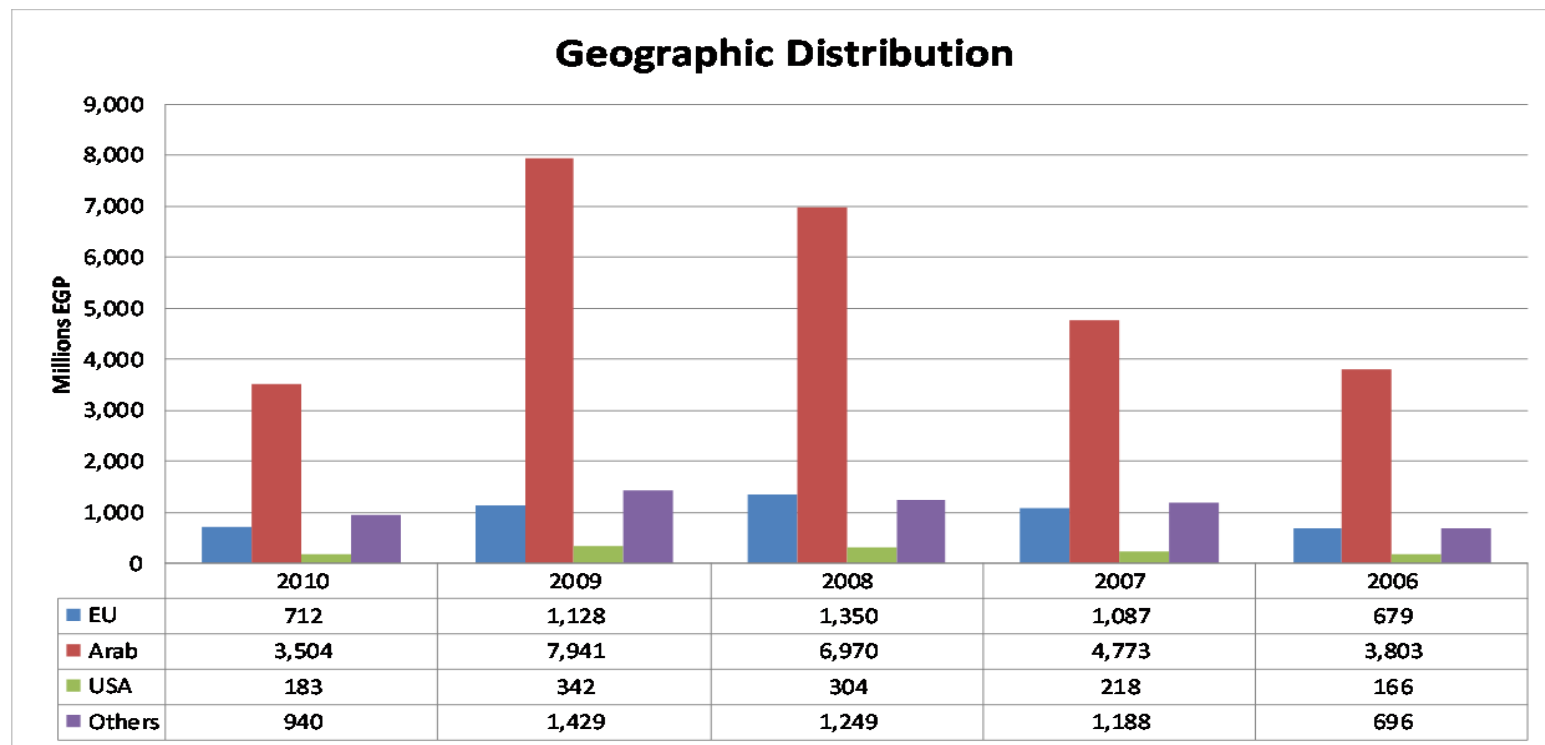
Trade between Egypt and the EU in general is expected to increase as the EU-Egypt Association Agreement (EEAA) begins to mature. Based on the gradual dismantling of tariffs on both industrial and agricultural goods, the agreement affects customs duties on products like sugar confectionery, tomato sauces, soups and broths, mango chutney and coffee preparations — all part of Egypt's processed food industry.

Another burgeoning market for Egyptian food products is on the African continent. Under the Common Market for Eastern and Southern Africa (COMESA) — a preferential trade area stretching from Libya to Zimbabwe — Kenya became the third largest importer of Egyptian goods in 2007, importing up to \$74 million (LE 400 million) of mainly chocolate, sesame products and fruit juices. While Sudan, as the second highest African importer of Egyptian goods, took in a little under \$50 million (LE 270 million) in 2007.



# AGRIBUSINESS TRADE FLOWS

The export of such processed foods rose by 97.5% between 2001 and 2007, according to the Ministry of Trade and Industry (MTI), growing at an average rate of 32% between 2006 and 2010. The majority of agribusiness exports are targeted towards the Arab world with the leading export destinations being Saudi Arabia, Libya and Sudan.



2010 data is only up to May

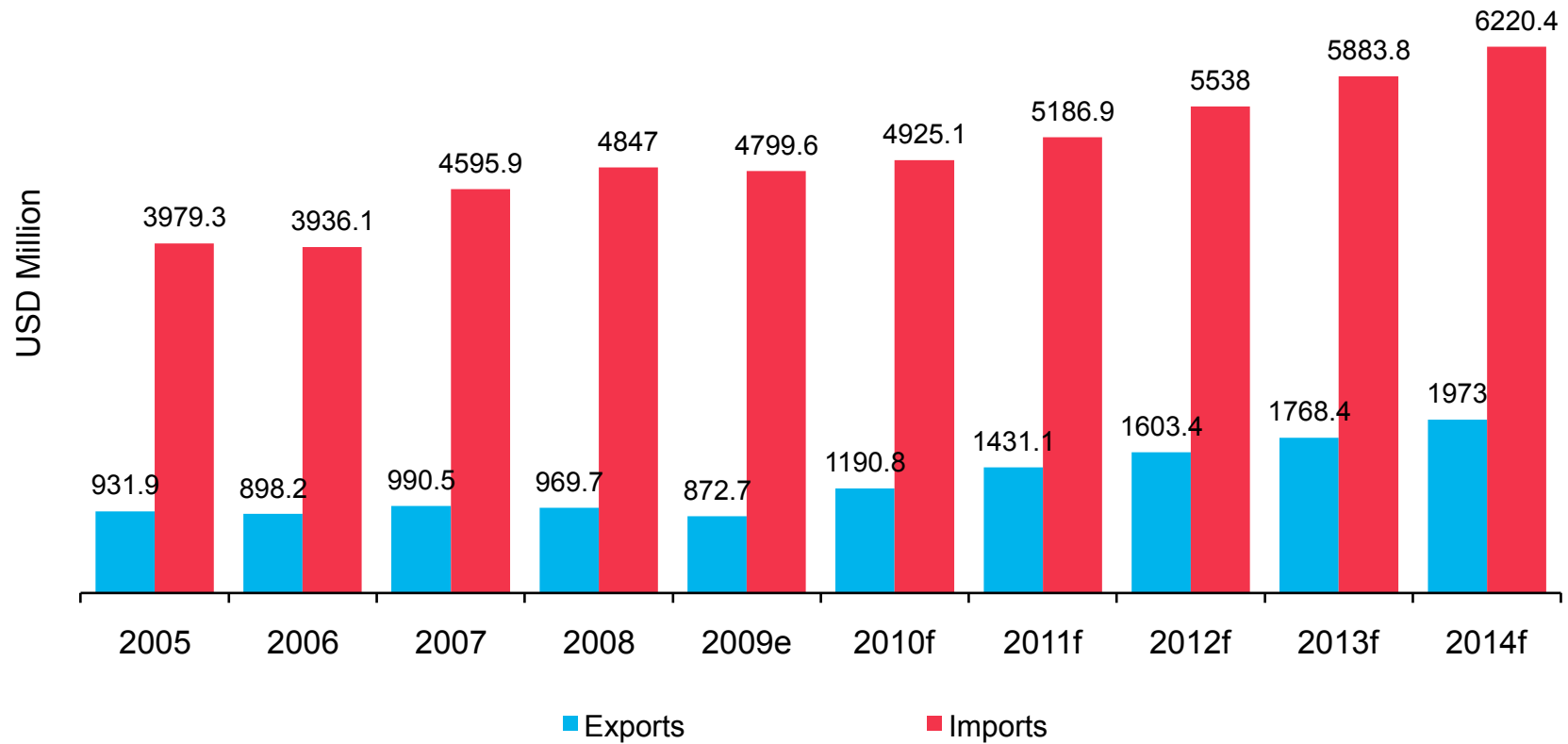
Source: Ministry of Trade & Industry



# FOOD PRODUCTS TRADE IN EGYPT






The Gap between Food, Drink, Tobacco exports and imports offers a huge potential for foreign investors in the field.

## FOOD, DRINK, TOBACCO TRADE





# Potential Size of Export Market

Suggested Export Destinations	Market status	Market dynamics	Preferred products
G.C.C. 	Booming	<ul style="list-style-type: none"> <li>Rare combination of booming target population and fast increasing income per capita</li> <li>Scarcity of local arable land</li> <li>Consumers looking for "branded" products</li> </ul>	<ul style="list-style-type: none"> <li>Fresh fruit and vegetables</li> <li>Branded cheese</li> <li>Frozen potatoes</li> </ul>
Russia Soviet Republics 	Fast Growing	<ul style="list-style-type: none"> <li>Great per capita income increase</li> <li>Booming of fresh and vegetables consumption</li> </ul>	<ul style="list-style-type: none"> <li>Fresh fruit and vegetables</li> <li>Dried vegetables</li> <li>Olives</li> </ul>
Iraq, Libya Sudan Ethiopia 	Growing	<ul style="list-style-type: none"> <li>Lack of processed food industry and competitiveness</li> </ul>	<ul style="list-style-type: none"> <li>Frozen potatoes</li> <li>Dried fruits</li> </ul>
EU25 	Mature	<ul style="list-style-type: none"> <li>Progressive relaxation over the next 5 years of European agricultural policy at least for selective protected products (e.g., tomatoes, olive oil)</li> <li>Labor intensive crops becoming less competitive (e.g., asparagus, artichokes)</li> <li>Low efforts modernization and mechanization of production</li> </ul>	<ul style="list-style-type: none"> <li>Tomatoes derivatives</li> <li>Olive oil</li> </ul>
USA 	Mature	<ul style="list-style-type: none"> <li>Lack of competitiveness, due to expected higher labor costs, on few commodities</li> </ul>	<ul style="list-style-type: none"> <li>Ethnic food</li> <li>Dried vegetables*</li> </ul>

\* Possible growth option can be evaluated

Source: IMC Egypt data, McKinsey analysis

# OPPORTUNITIES TO GROW AGRI-BUSINESS IN EGYPT

## Toshka Region-New

- The area is ideally suited for the cultivation of tomatoes and other vegetables.
- It has an advanced stage of infrastructure and existing water channels.

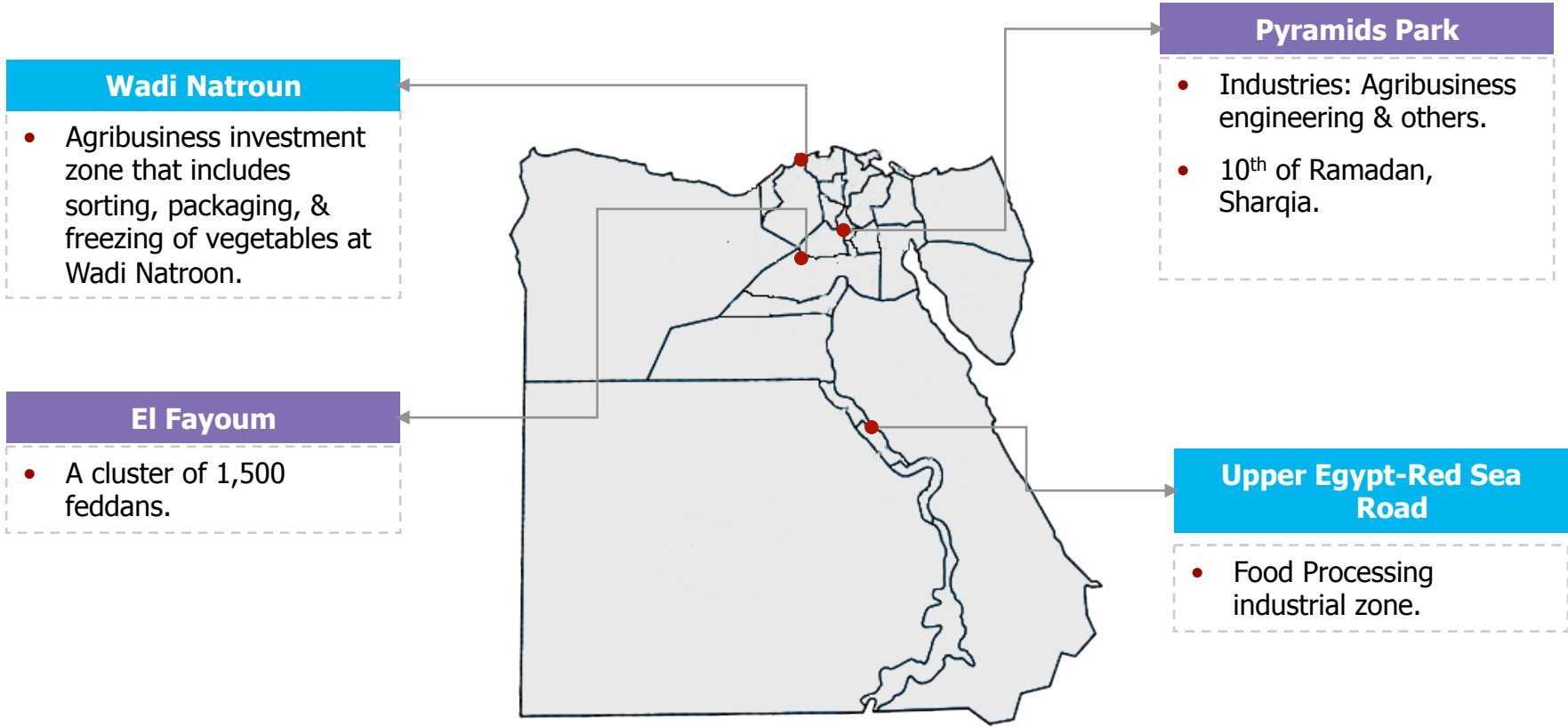


## North Sinai

- A proposed mega farm for the industrialized cultivation of potatoes and olives.
- The farm will include dedicated processing facilities to transform cultivated raw products into packaged products.
- The project will include building supporting infrastructure in proximity of the farm.
- Proper water and irrigation facilities are also put in place.



# OPPORTUNITIES TO GROW AGRI-BUSINESS IN EGYPT



# OPPORTUNITIES TO GROW AGRIBUSINESS IN EGYPT

The potential for horticultural production is great with an annual increase demand estimated at 5.8% of fresh vegetables, amounting to around 809,000 Mt and 5.2% of fresh fruits, amounting to 614,000 Mt of fresh fruits (FAO STAT, 2005).

In addition the processing industry requires approximately 860,000 Mt per year to produce around 130,000 Mt of preserved fruits and vegetables, such as frozen vegetables and fruits, dehydrated vegetables, fruits and vegetables juices and concentrates, jams and canned vegetables. The export markets require adherence to strict standards of produce. In Egypt, like in many other developing countries, only few big exporters are engaged in this business.

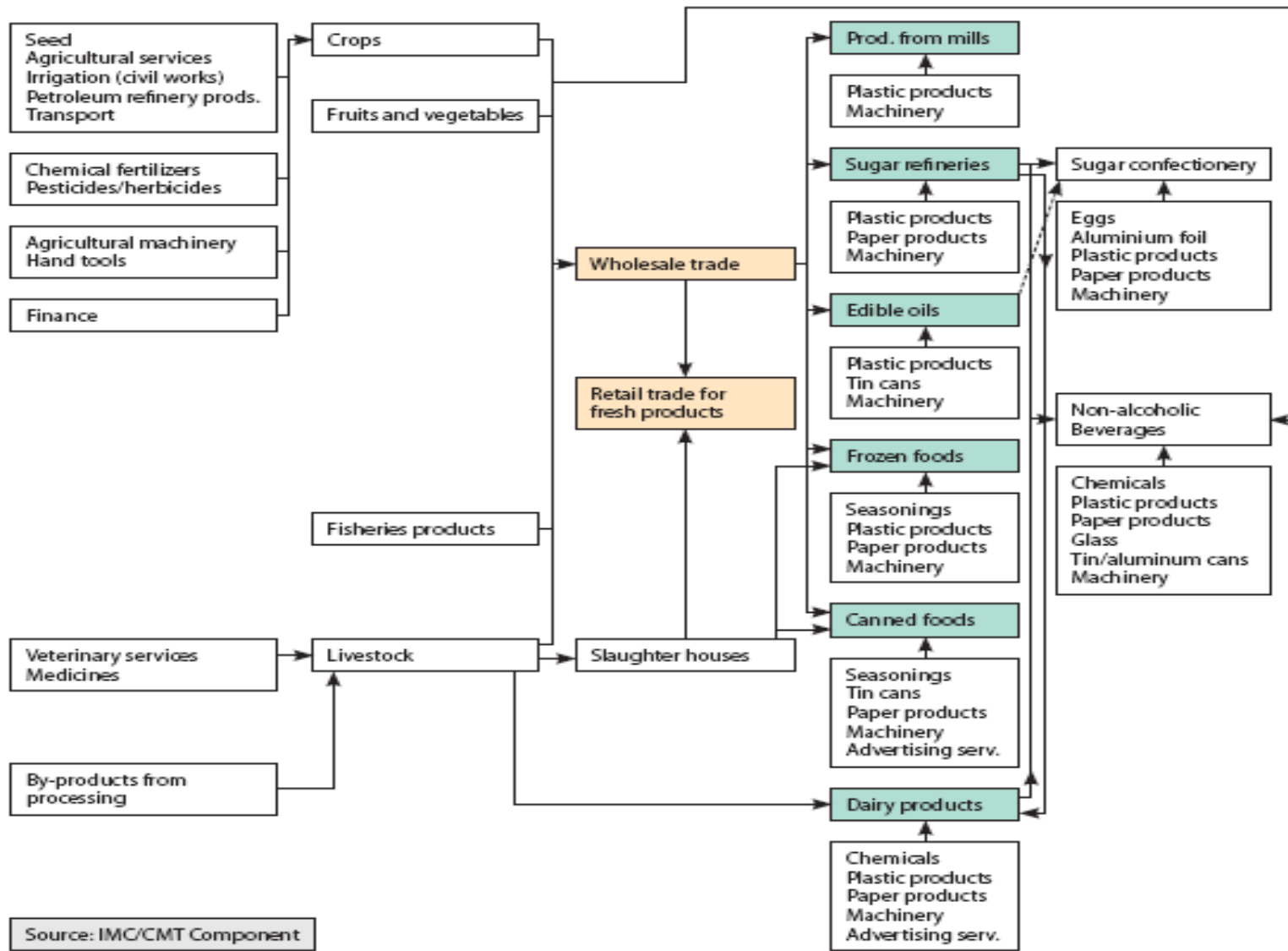
There is an emerging market for high-end quality products for domestic consumption, spurred by demand from hyper retail stores such as Carrefour, Spinney's, and Hypermarket, as well as by the suppliers of 5 star hotels and restaurants, such as the newly established German MAKRO company.

In fruits and vegetables for processing the annual demand is also rising by 9.9 % and 12%. In addition, the emerging modern retail network, that although has still a low market quota of around 3-5 %, is having growth of 30% in frozen and other types of high quality preserve horticultural products (e.g. Carrefour).

Main areas needing investments are: Cold and dry storage, rural and wholesale market facilities, first stage processing, mechanization, and modern agriculture (farm management).



# SECTOR VALUE CHAIN



# GOVERNMENT INITIATIVES

## Development Fund

- The Ministries of Finance and Investment announced the establishment of a USD 146 million fund in 2005 to help upgrade agri-food processing operations in Egypt and increase processed food exports.

## Transnational organizations

- Egypt's membership in several free trade agreements, including GAFTA and COMESA provide foreign investors with the great advantages such as customs exemption within the COMESA member countries, and duty free access to the EU market.



# OPPORTUNITY EGYPT

INVESTING IN EGYPT

EGYPTIAN/MALAYSIAN RELATIONS

AGRIBUSINESS

PALM OIL



OPPORTUNITY  
EGYPT



# PALM OIL INDUSTRY

Palm oil is the most traded vegetable oil in the world, capturing about 48% of the global vegetable oil trade volume in 2002 (Oil World, 2003). A distant second is soybean oil with around 22% of the global trade. It is produced mainly (more than 80%) in South East Asia where Malaysia leads with more than 50% of the world production, followed by Indonesia with about 30% of global production (FAO, 2004).

The overall demand for vegetable oils is expected to grow in the 21st century due to increasing population and per-capita income especially in developing countries where there is latent demand to be met as purchasing power increases. Total fats and oils supply for developing countries is 64 gm/capita/day, compared with 125gm/capita/day in developed countries (FAO, 2004). This will give opportunity for different vegetable oils to expand their markets.

Middle East and North Africa region (MENA) is home of more than 426 million people (about 7% of the world population). The percentage of MENA to the world population is expected to increase to 8% by 2020 according to FAO projections (FAO, 2004).



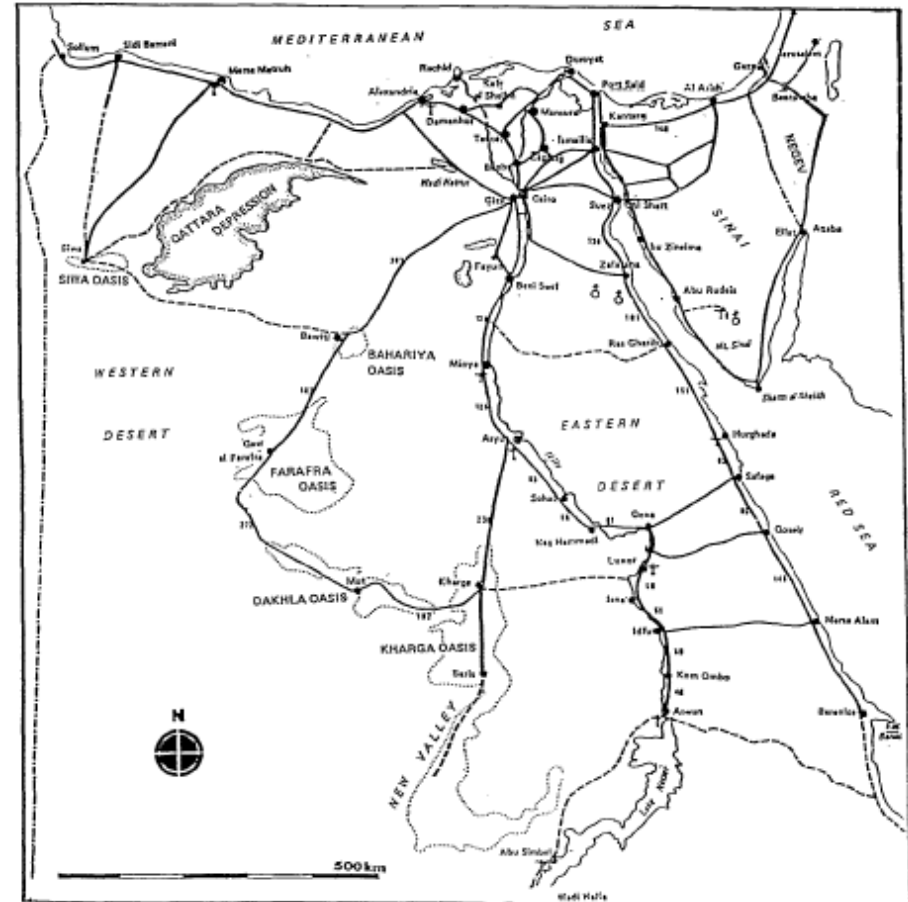


# EGYPTIAN PALM OIL

Planting of palm trees is prevalent in Egypt, it is widespread across the different governorates, with almost 14 million palm trees in place. The area planted with palms is in excess of 73.6 thousand feddans, which is almost 6.3% of total area planted with fruits according to the FAO. Moreover, annual production of dates is at 1.1 million tons, i.e. 13.9% from total production of fruits in Egypt. The majority of those palms are in the Matrouh, New Valley, North Sinai, South Sinai, Red Sea, Nubaria, Toshka, and newly reclaimed areas.

Palm trees need high temperatures and relatively low humidity to prosper, which makes Egypt an ideal environment for palms to grow.

The average yield of the date palm in Egypt is very high, it is about 90 kg per tree, calculated on the base of the bearing palms; this figure is reduced to 75 kg when considering all the palm trees. But, even calculated like this, this figure is very high compared to the world average of 35 kg per tree.



OPPORTUNITY  
EGYPT

Thank you

GAFI

