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Tunisia

Retail Foods

2012 Tunisia Retail Foods

Approved By:
Sarah Hanson, U.S. Embassy, Tunis
Prepared By:
Youssef Chahed, Agricultural Specialist

Report Highlights:

Government support and Libyan refugees with high consumption levels have helped Tunisia's retail sector to recover quickly after the violent turmoil in 2011. At present, the majority of the hypermarkets and supermarkets have reopened with total sales increasing in 2012 after a decrease of 2011. In the near term, instability may remain in Tunisia and might fuel trade and commercial disruptions. However, in the medium term Tunisia remains a very attractive country for retail investments with more foreign retailers expected to enter the market over the next decade.

Post:
Tunis

Author Defined:

Section I Market Summary

A. Tunisian Retail Sector Overview

The Tunisian retail sector recovered quickly after the turmoil and the disruption of economic activities that followed the deposing of the Ben Ali regime in early 2011. The majority of the hypermarkets and supermarkets that were destroyed or damaged during the violent unrest reopened after a shutdown of several months, including the main hypermarket (Geant). Government support and the insurance companies played a significant role in financing loses and reconstruction. Moreover, the business situation improved slightly by mid 2011 with the arrival of about one million refugees from neighboring Libya who had lots of cash and a high consumption level.

Sales of food products at modern retail outlets in Tunisia were estimated at $1.3 million in 2012, compared to $915 million in 2011. In 2012, international brands that were present in the market expanded their activities by opening new shops or launching new ones with new concepts such as Carrefour Express that opened its first store in the capital. Auchan, another giant French retailer, entered the Tunisian market in 2012 with the acquisition of a 10% of Magasin Général (67 outlets). Currently, there are roughly 280 modern food retail outlets: 2 Hypermarkets, 180 Supermarkets and 100 'Superettes' (self-service food outlets with a selling area less than 500 sq. m). Modern retailers represent only 18% of the retail industry and the government goal is to increase it to 50% by 2016 through a development plan. The plan will encourage investors to open supermarkets and hypermarkets in order to reach 90,000 sqm by 2020 against 22,000 sqm today.

In the short term, political instability may remain for some time and might fuel trade and commercial disruptions. Tunisia continued to drop in its ranking (-11) for the Global Retail Development Index (Grdi) in 2012. However, Tunisia remains one of the most attractive countries for retail investment in the medium term, and more foreign retailers are expected to enter the market over the next decade. Main reasons are the increased per capita income associated with a growing urban middle class and a sophisticated consumption patterns. In fact, modern outlets have changed the purchasing habits of many consumers, though the bulk of food retailing is still undertaken by small neighborhood grocery shops. Fresh fruit and vegetables, as well as fishery products are also sold in souks, a type of out-door market.

The fast growth of supermarkets and hypermarkets in the last few years has caused concerns for small retail stores that represent the traditional distribution network, with more than 250,000 neighborhood grocery shops and 80 percent of the Tunisian market. Small corner shops were affected by the expansion of hypermarkets, and the store owners regularly complained to the government about their inability to compete. In order to improve the retail business climate and ensure a balance between various stakeholders the GOT issued the first law that organizes the distribution sector in August 2009

(Law 69#2009). This legislation intended to help modernize the retail industry and meet the requirements of retail sector development. In addition, the new law regulates two other important segments of the food retail sector: franchising and central purchasing

B. Consumer trends

Tunisia's purchasing power parity (PPP) of $9,415 (2011, WB estimate) is one of the highest in North Africa and is projected to rise to $10,933 by 2014. With ten million consumers growing at annual rate of 1.8 percent, the Tunisian market represents a good market for imported food products. Two-thirds of the population lives in urban cities and nearly one-fifth are living in the Greater Tunis Metropolitan area. As in most developing countries, food expenditures represent a high percentage of total expenditure. According to the latest survey by the Tunisian National Statistics Institute's (INS), Tunisians spend nearly 6.3 billion TD (about $4,9 billion) on food a year, mainly to purchase staples like bread, pasta, semolina, cooking oil and dairy products.

During the past decade, Tunisia achieved strong macroeconomic indicators and a rapid growth. However this development was accompanied by a continuing rise of unemployment, endemic corruption, and unequal repartition of the wealth. Employment was generated in the coastal regions, especially in tourism and industry; the central and western parts of the country where the social uprising started were economically marginalized with few investments, higher level of poverty and lower level of consumption. Tunisian customers are price-conscious buyers, especially in the inner area of the country. The price increase of food items registered at the end of 2010 was among the factors that prompted the riots, especially in neglected regions, despite GOT efforts to maintain low prices through subsidizing prices of major food commodities. The official inflation rate in 2011 was 3.5 percent compared to 4.4 percent the year before. Prices of food items (which accounts for about 35 percent of a household's overall expenditures) increased by 3.6 percent in 2011.

The development of Tunisia's food consumption structure, especially in urban areas, showed an important change in the type of food products sold in the market in recent years. More manufactured and processed products are finding their way into the market compared to non-manufactured products. Food expenditure shares have been modified due to changes in relative prices, incomes and variations in tastes and preferences. In the same time, items that used to be considered luxury goods, such as salty and sweet snacks, fruit juices or fresh fruits are increasingly popular. Tunisia's growing young population is also adding to this factor. In fact, the youth population represents a large group (55 percent of the total population is under the age of 30), and they are more open to western-style food products. In addition, there are about 6 million tourists who visit Tunisia annually, and this offers another customer base for processed food products.

Opportunities	**Challenges**

A relatively high household disposable income	Political instability may remain and may fuel disruption of trade, tourism activities
Fast growth of modern distribution channels that translates in an increasing sophistication of the consumption patterns.	Economy will be affected by widespread of workers strikes, sit-ins, by the slowdown of economic activities in partner-countries, particularly in Europe.
Imported products are generally highly recognized among consumers and institutional services for quality and safety. US food products' quality is well perceived	Price-conscious buyers with an expected drop in consumer spending growth due to deteriorated economic situation.
A favorable U.S. dollar exchange rate against the Euro	Customs duties levied on consumer-oriented food products make it difficult for US exporters to compete in this market
Major European tourist destination requiring consistent high quality food supply.	Lack of direct shipping lines from the US resulting in long transit times and higher export costs as compared to goods sourced from nearby Europe
New legislations organizing the food retail sector and establishing franchises	Hypermarkets and some supermarkets tend to procure food products through their European franchisers.
	Lack of awareness of the U.S. food products brand names compared to the European brands
	Fewer business ties compared to those with the EU

Section II: Road Map For market Entry

II-1: Modern retail outlets: hypermarkets, supermarkets and superettes

Hypermarkets (over 5,000 sq meters), supermarkets (between 500 and 5,000 sq meters) and superettes (less than 500 sq meters) are referred to as modern distribution outlets in Tunisia. They get the majority of consumer's attention, as they represent in many cases international name brands. In 2012, Tunisia super and hypermarket area reached 22,000 sqm. The country's retail distribution chains, however, continue to be dominated by more than 250,000 small shops. The modern distribution sector in Tunisia hinges on three main actors: Group UTIC (Carrefour hypermarket and Champion supermarket fascias licensed by the French retailer Carrefour), Group Mabrouk (Geant hypermarket and Monoprix supermarket fascias licensed by the French retailer Casino) and Magasin General group owned by Bayahi-Poulina Consortium who won in 2007 the privatization of the state-owned supermarket Magasin General. The stocking of shelves at the supermarkets and hypermarkets levels is done through two channels: either through importers or directly by the retailer using its own local and international procurement subsidiary, the so-called 'Centrale d'achats'. Small grocery stores source their goods from wholesalers for the large part of their assortment and from certain importers having their own distribution fleet to supply goods at the retail level.

New legislations

The rapid arrival of hypermarkets in Tunisia has caused concerns in the supply chain and the organization of the retail outlets, especially in the absence of a law organizing the sector. For example, it is common to observe small corner shop owners buying their supplies in hypermarket like Carrefour or Geant and reselling them at their shops. In addition, the location of where the hypermarkets can be established was a controversial issue. After several years of hesitations, the GOT developed a trade reform distribution published in August 12, 2009 (Law No. 2009-69) in order to improve the retail business climate, ensure the balance between various stakeholders and address current concerns. Main focus of the new law was the regulation of two important aspects of the food retail sector: franchising and central purchasing. After the election of October 23rd, the new government announced positive steps in order to encourage investors to open super and hypermarkets in order to reach 90,000 sqm by 2020 against 22,000 sqm today. No official licenses were authorized, but the Ministry of Commerce confirmed that many brands and new supermarkets will be authorized in 2013 despite protest from local consumers association.

Franchising: Before the approval of the 2009-69 law, permissions to open and operate franchises were accorded on a case-by-case basis. In August 2010, the Tunisian government issued a ministerial decrees outlining contract provisions and publishing a sectoral list in which franchises would need no prior authorization to operate in Tunisia. Franchises on this list will be able to operate like any other foreign business in Tunisia, while the franchises that are *not* on the sectoral list, such as the food franchises, must obtain an approval to operate. The U.S. franchises are currently under-represented in Tunisia. This may provide a good opportunity for U.S companies to enter and benefit from this fast growing market. During the second Tunisia Med Franchise show organized in December 2011, we noticed a strong interest of Tunisian investors for food franchises. In fact we saw in 2012 several franchise shops opened in Tunis including food franchises mainly European and French. U.S retailers and food companies should take advantage of this positive development.

Central purchasing

According to the new law, any person or legal entity can create a central purchasing company called 'Centrale d'achat' in order to buy products at preferential prices and resell them to other retailers that are members of this central purchasing. Larger retailers are also allowed to own their 'Centrale d'achat'. This could probably encourage better organization of distribution channels and improve relations between importers, distributers and the retailers.

Entry strategy

The best way to introduce new products to these outlets is to identify a suitable importer, i.e. an importer with proven experience in handling the targeted products and having direct relations with supermarkets. Such importers are able to negotiate shelve space and promotional activities with the supermarket chain. In any case, U.S. exporters are encouraged to check the credentials of the importer. Joint ventures can offer certain advantages to penetrate the market. Tunisian businesses are mostly family-owned and controlled and they welcome foreign investment in distribution and marketing ventures, but U.S. companies should be rigorous in selecting their partner.
An alternative approach, especially for large exporters, is to contact retailers directly as some of them have subsidiaries dealing with local and international procurement. USDA/FAS office in Tunis can help in the process of matching new-to-market exporters with appropriate potential business partners or to conduct specially tailored inquiries for U.S. companies seeking export opportunities in this emerging market.

Market access

Tunisia is a party to a variety of free trade agreements (FTA). Chief among them is the Tunisian European Association Agreement. As of January 1, 2008, the EU-Tunisia free trade agreement has been in full swing. The agricultural sector, currently running under a TRQ system, will be the subject of future negotiations aimed at dismantling import tariffs. However the existing TRQ system for EU agriculture products is diverting a significant portion of agricultural trade away from other trading partners including the U.S. In the absence of preferential access, US-origin processed food products face relatively high MFN tariff rates. Following is the current taxation system applying to a selection of grocery items:

ITEM	HS CODE	Customs tariff %	VAT %
Ketchup	2103 20 2000	60	29
Canned Tomatoes	2002 10 0000	73	6
Whole Peeled Tomatoes	2002 10 0000	73	29
Tomato Sauce	2103 20 4000	60	29
Tomato Paste	2002 90 0060	100	6
Mayonnaise	2103 90 9020	60	29
Peanut Butter	2008 11 1000	150	18
Cereal	1904 10 0040	73	29
Hot Sauce	2103 20 4000	60	29
Canned Vegetables	2005 51 2040	73	29
Honey	0409 00 0055	150	18
Mustard	2103 30 0000	60	29
Vinegar	2209 00 0000	73	18
Canned Beans	2005 59 0000	73	29
Jam	2007 10 0000	73	18

Source: Tunisian Customs service

Market structure

The modern retail industry continues to be dominated by 3 important groups. These groups are very important in the Tunisian economy and have diversified activity (real estate, car industry, tourism). Others small retailers (caddy and 2 Pas) also exist with several independent local chains that expanded in 2012 but still have insignificant market share (less than 2%). The following table presents the most important players. :

	Retailer name and Outlet Type	*Ownership*	*Estimated Sales(2012)*	*Purchasing Agent Type*
UTIC Group	Hypermarket Carrefour (1) Carrefour Market and Carrefour city (42)	Group UTIC (80 %) and Carrefour France (20 %)	$ 380 million	-Imports directly and buys from local importers -Relies on Carrefour for its procurement
Mabrouk Group	-Géant, Hypermarket(1) -Monoprix, supermarket chain (71 of which 10 closed) -Expand to Lybia	Group Mabrouk under the license of French retailer CASINO	$ 120 million $ 320 million	-Imports directly and buys from local importers -Imports directly and recently signed an agreement with monoprix France.
Magasin General Group	-Magasin General supermarket chain(56) -Promogros (6) -Magro (5)	Group Bayahi and Poluina	S480 million	-Imports directly and buys from local importers

Source: Estimates based on market reports and retailers disclosed information.

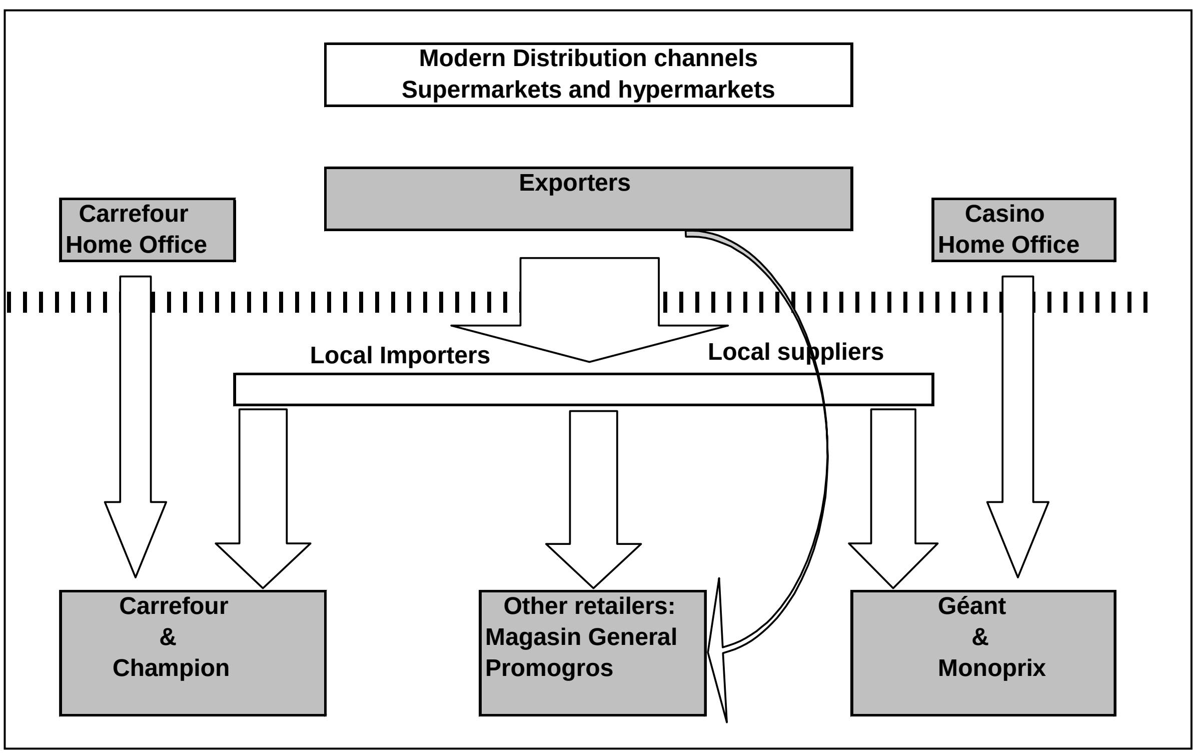
Market share of modern retailers

	Market share
UTIC Group	29
Mabrouk Group	33.5
Magasin Generale	36.5
Others	1%

Source: 2012 AgTunis estimates

Distribution channel flow diagram

The following distribution channel flow diagram shows modern distribution channels particularly how imported food items are passed from exporters to the modern retail outlets.



Company profiles

The distribution sector in Tunisia hinges on three main actors:

The Mabrouk Group (Geant/Monoprix)

The Mabrouk group is owned by the son-in-law of the ousted president Ben Ali and is the partner firm with the French retailer Casino (Geant for hypermarkets and Monoprix for supermarkets). In the late 1990's, the group formed a partnership with Monoprix that allowed Mabrouk to use the French brand name Monoprix at about 60 of its own supermarkets. In 2009, Mabrouk extended its partnership with Monoprix in order to access Monoprix's central buying service and set up a goal of having 80 supermarkets located in all big cities across the country. In 2010, Monoprix bought the 'Sahara Confort' retailer which will increase the number of its supermarkets to 70 stores and double its turnover in 5 years. At the same time the group invested in the segment of hypermarket, again under license of French Casino retailer that opened in 2005 with a 12,000 sq meters hypermarket located on the highway to Bizerte (10 minutes north of Tunis) and part of a commercial center known as Tunis City. During the revolution, the hypermarket and many of the Mabrouk supermarkets were attacked as the owner was considered a part of the former regime. The hypermarket Géant recorded damage that reached $50 million, according to estimates. It reopened in January 2012 after reconstruction work that cost around $20 million. Today, the group has totally recovered and the expansion opportunities are promising. The Group announced that Monoprix will expand in Libya with the opening of 3 shops in 2012 and 30 by the end of 2014. Others plan of expanding in Morocco and Algeria also exists. More information can be found on the company's website www.geant.tn. With its internal and external expansion strategy, the Mabrouk group became the leader in the food retail sector in Tunisia, with an estimated global market share of 36 percent.

Ulysee Trading and Industrial Companies Group (Carrefour/Champion)

This group, owned by the Chaibi's family, has 35 percent market share and was relatively unaffected by violence during the revolution. It runs 42 store chain of small supermarket (superettes) under the Carrefour market Brand and was the first to introduce in 2001 the hypermarket segment in Tunisia with the French retailing group Carrefour. Carrefour revolutionized the retail industry in Tunisia by introducing a new format for hypermarket shopping and the idea of taking car to go shopping treating the event as an outing. The hypermarket is a cornerstone of a shopping center on the main highway between the capital Tunis and its northern suburb (La Marsa). It has a selling area of nearly 10,000 sq meters and carries a product assortment of nearly 36,000 items. One third of its assortment is made up of food items. It has an outstanding produce department, bakery, deli and food-to-go sections. This was the first such deal in the retail sector as foreign investment in this sector remains subject to the Government's prior approval. More information can be found on the following website: www.utic.com.tn

Magasin General Group (Magasin general/Promogros/Magros)

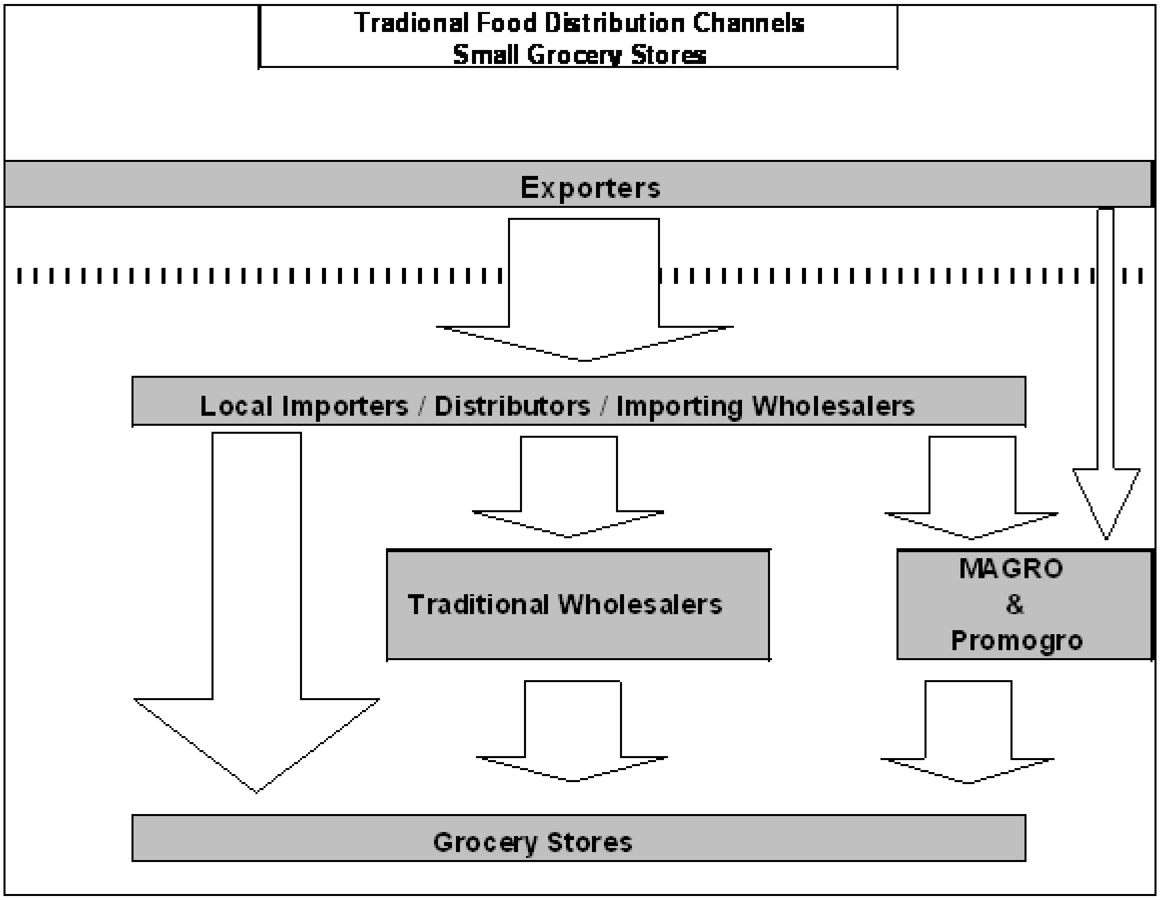
Magasin General is a former state-owned supermarket chain established in 1920. The supermarket chain was privatized in 2007 and bought by a consortium composed of two important groups Poulina and

Bayahi who already owns the wholesalers Promogros and Magros. Today Magasin General is a group composed of 45 supermarket-type outlets present in all the country's provinces and 11 others outlets under the brand Promogros and Magros present in Tunis, Sousse, Gabes and Djerba. These outlets have selling areas ranging from 2,000 to 5,000 sq meters. They are more of a hybrid format carrying an assortment similar to the one normally carried by a hypermarket but in a relatively limited space. They are catering to small grocers in the way cash & carry stores do while drawing household shoppers. In 2009, the group embarked on a remodeling program for all its stores and generated about $ 300 million of food and non-food sales ranking behind Mabrouk group and UTIC. The turmoil that followed the revolution interrupted the development plan and cost $17 million in reparation and reconstruction. 2011 was a difficult year with more than $10 million in losses. Today the situation improved, and the group has good potential and is estimated to increase its turnover by 50% in 2012. The Magasin general was always presented as the group that has the most potential to import U.S. consumer oriented products as it is the only independent modern retailer in Tunisia. In 2012, the French retailer Auchan took a 10% share which may make Magasin General progressively more French oriented like the other two groups. More information on this retailer is available on the website www.smg.com.tn.

II-2 Small grocery shops

Small groceries shops made up of a relatively dense network of more than 200,000 outlets are still dominating the Tunisian retailing structure. Despite the fast growing supermarket industry, those shops continue to retain more than 80 percent of food retail sales. A typical outlet has a selling area between 20 and 50 sq meters, carries a hundred or so food items, and draw shoppers from an estimated 500-meter radius. In general, the shop owner, referred to as 'Attar', knows very well his clientele and often accepts to sell goods on credit.

With the expected expansion of large supermarket, it is perceived that this type of retail will steadily diminish and lose market share in the coming years. Modern retail outlets, thanks to their business model, offer a wider product choice at low prices that attract more clients especially families. However, it will take time before supermarkets obtain a dominant position and the traditional retail expected to remain an important segment, as Tunisian shoppers tend to buy food items on a daily basis in nearby grocery stores and go to larger outlets once or twice a month. The following chart illustrates the path followed by imported goods from exporters to the grocery shop's shelves.



II-3 Souks (open markets)

In Tunisia all big and medium size cities have their weekly souk. A souk is an outdoor market where rural and urban households alike can buy fresh produce, fish and seafood products as well as dry groceries. Souks and street venders are the main feature of food retailing in the rural areas. Cities in urban areas have retail venues called municipal markets, which open daily and offer fresh produce and fishery products.

Section III Competition

Tunisia's average annual agricultural, fish and forestry imports amount to US$ 2.4 billion. The U.S. market share hovers around 12 to 13 percent. Imports of consumer-oriented products (COP) from all countries amounted to $1.189 billion in 2011. The US-origin COP exports account for less than one percent as they are facing strong competition from European products. Imported goods are generally perceived as higher quality, but at the same time more expensive and thus of limited affordability.
Tunisian demand for COP is experiencing an up-ward trend, which is likely to continue and strengthen due to structural changes related to the consumption and the distribution patterns. In the medium term, the U.S. suppliers would likely benefit from this trend especially due to favorable US$/Euro exchange rate.

Section IV Best Prospect Products

As mentioned earlier, owing to an expanding middle-class and the consequent change of both consumption patterns and distribution channels, the Tunisian market is evolving in a way creating real export opportunities for value-added consumer-oriented products (COP). The consumer-oriented products that have good prospects to perform best in the Tunisian market are:

1. Tree nuts
2. Dried fruits
3. Cacao powder
4. Cookies
5. Sauces, condiments and mixed seasoning
6. Potato chips
7. Breakfast cereals
8. Beverages (energy drink…etc)

The list is fairly short as Tunisia is importing mainly bulk and intermediate products from the U.S.

Section V Post Contact and Further Information

The Office of Agricultural Affairs (OAA) at the American Embassy is the USDA/FAS office in Tunisia. It provides trade servicing and market intelligence. Services offered by OAA include market briefings, lists of importers, setting up agendas and meetings.

US Embassy/ USDA-Foreign Agricultural Service Contacts

Sarah. Hanson, Regional Agricultural Attaché (Resides in Rabat, Morocco)
E-mail: Agrabat@usda.gov
Phone : 212 53776 5987
Fax : 212 53 776 5493

Other reports that might be useful to US exporters of consumer-oriented food products to Tunisia can be found at website: http:/www.fas.usda.gov)

Directorate General for Veterinary services (DGSV)
Ministry of Agriculture, Environment and Hydraulic Resources
30, rue Alain Savary, 1002, Tunis, Tunisia
Phone: 216 71 786 833
E-mail: mag@ministeres.tn

Directorate General for Agricultural Production (DGPA)
Ministry of Agriculture, Environment and Hydraulic Resources
30, rue Alain Savary, 1002, Tunis, Tunisia
Phone: 216 71 786 833
E-mail: mag@ministeres.tn

Directorate General for Crop Protection and Quality of Agricultural Products (DGPCQPA)
Ministry of Agriculture, Environment and Hydraulic Resources
30, rue Alain Savary, 1002, Tunis, Tunisia
Phone: 216 71 786 833
E-mail: mag@ministeres.tn

Directorate of Quality and Consumer Protection (DQPC)
Ministry of Commerce
Address:37,av.Keireddine Pacha, 1002 Tunis
Phone: (216) 71 890-070 / 890 337
e-mail: mcmr@ministeres.tn

National Agency of the Sanitary and Environmental Control of Products (ANCSEP)
Ministry of Public Health
Adresse : Appt. Idriss - 3ème Etage - Bloc N°9 - Cité Elmhiri - Berges du Lac - 2045 Tunis
Phone : +216 71 960 222
e-mail : thouraya.attia@ms.tn

Institut National de Normalisation et de Propriété Industrielle (INNORPI)
Standards setting and intellectual property enforcement authority
BP 23 - 1012 Tunis Belvédère
Phone: 216 71 785 922
Fax: 216 71 781 563
E-mail: inorpi@email.ati.tn

The Packaging Technical Centre (PACKTEC)
Address : Cité El Khadra, par la rue Alain SAVARY. BP 64 .1003 Tunis.
Tel. : +216 71 772 755
Fax. : +216 71 773 300
Email : Packtec@packtec-tunisia.com

Other relevant websites

- www.cepex.nat.tn: The website of the Cepex (Export promotion agency) which has the full list of has le list of the domestic and international trade shows of interest for Tunisian businessmen
- www.Tunisie-commerce.com: A directory of trade Tunisian companies
- http://www.tunisianindustry.nat.tn: the website of the Industry promotion agency
- www.bct.gov.tn: The website of the Tunisian Central bank
- www.smg.com.tn: the website of the leading Tunisian retailer: Magasin General
- www.TunisiaOnline.com: a digital gateway to news and information resources on Tunisia, Tunisia's history, government, culture and environment.