

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Tunisia

Tunisia Exporter Guide

2013 Exporter Guide

Approved By:

Sarah Hanson, Agricultural Attaché

Prepared By:

Youssef Chahed, Agricultural Specialist

Report Highlights:

Although Tunisia remains mostly a bulk market for U.S. soybeans and coarse grain products, many export opportunities exist for U.S. consumer-oriented food products and beverages. Current political instability might fuel trade and commercial disruptions. However, Tunisia's growing urban middle class and expanding modern retail sector provide a market opportunity for U.S. high value food exports.

Author Defined:

Section I: Market Overview

1.1 Political and Economic Situation

On October 23, 2011 Tunisians participated to the first fair and democratic elections in their history and elected 217 members of the National Constitutional Assembly (NCA) whose major task was to draft a new constitution. The Islamic party, Ennahda, who won 89 seats at the election is leading the government in the frame of a coalition with two other secular parties. Two years after, the constitution is not ready for referendum and the inexperienced government is dealing with several economic and social challenges. The precarious security situation during the past two years and the political uncertainty hanging over the country has also led to the government’s increasing unpopularity. Moreover, after recent nationwide protests over the assassination of two leading opposition leaders, the work of the NCA was suspend and the country entered in a deep political crisis. This continuing unstable political atmosphere and the deteriorating economic and social conditions have also created security concerns and made the country a fertile ground for extremist ideologies that feed terrorism. There have been many reportsof weapon warehouses being discovered, including rockets and ground-to-air missiles, in Tunisia's southern town of Medenine, as well as Al-Qaida terrorist affiliation groups.

Today the Tunisian economy that was slowly recovering is seriously threatened by rising insecurity and political instability. Tunisia's global competitiveness index fall from 40th in 2012 to 83rd in 2013, according to the last report from the Davos Forum. Because of this deteriorating business environment the 2013 growth forecast was revised down for the second time by the government, to 3.6% after an initial expectation of 4.5% which is insufficient to cope with unemployment, which is officially estimated at 17 percent and was a major source of the discontent that fuelled the revolution. Inflation reached 6.5% in 2013 and the trade deficit increased to 3.5 billion US\$ in late July 2013. Finally Standard & Poor’s (S&P) had downgraded Tunisia's sovereign credit rating from BB- to B.

For the last two decades, Tunisia has been a net importer of agricultural products with a negative food trade balance. In 2012, Tunisia total exports reached \$1.651 billion, while total imports were around \$2.700 billion. Leading agricultural imports in 2012 were wheat (\$520 million), corn (\$267 million), vegetable oils (\$ 465 million). In 2012, U.S. agricultural exports to Tunisia reached \$232 million after an all time high in 2011, with corn oil, oilseeds, coarse grain, and wheat exports accounting for the bulk of these exports. Tunisia's primary trading partners are France, Italy, Germany, Belgium, Luxembourg, and the Maghreb countries. Over the year 2012, U.S.-Tunisian trade increased by 41% year-on-year and totaled US \$1330 million; up from US \$940 million in 2011. It is worth noting that the US trade balance with Tunisia was negative in 2012 after many years of positive balance. Tunisia’s main exports to the United States are mineral fuels, mineral oils, olive oil, articles of apparel and clothing accessories, electrical parts and the biggest imports from the U.S. are oil seeds, cereals, machinery and mechanical appliances and chemicals. US Agricultural exports accounted for 53% of total US exports to Tunisia.

U.S.-Tunisian Trade

	2010	2011	2012

US EXPORTS (\$1,000)	570	588	593
US IMPORTS (\$1,000)	405	352	737
Total	975	940	1330

Data Source: U.S. Census Bureau, Foreign Trade Statistics

1.2 Key demographic developments and their impact on consumer buying habits

Tunisia's purchasing power parity (PPP) of \$9,360 (2012, WB estimate) is one of the highest in North Africa and is projected to rise to \$10,933 by 2014. Two-thirds of the population lives in urban cities and nearly one-fifth is living in the Greater Tunis Metropolitan area. Tunisia has a relatively large middle class representing 80 percent of the entire population and enjoying a relatively good social welfare, with ready access to education and health services. Women enjoy equal status to men and make up a sizeable part of the work force. Food items account for about 35 percent of household overall expenditures and spending on these items is growing by 6.6 percent annually. Urban households spend nearly 65 percent more than rural households.

Advantages	Challenges
Improved strategic linkages between the United States and Tunisia, and recent Tunisia's positive steps towards political and economic reform	Political instability and deteriorating economic and social conditions may remain and may fuel disruption of trade and economic activities and impact household purchase power
One of the highest disposable incomes in North Africa and a large middle class.	Political instability may remain and may fuel
Major European tourist destination requiring consistent high quality food supply.	Price-conscious buyers make it difficult for US exporters to compete in this market
Expanding modern retail food distribution channels such as supermarkets and hypermarkets that sell imported food products	Lack of direct shipping lines from the U.S. to Tunisia main ports resulting in a long transit times and higher costs
Imported products are generally highly recognized among consumers and institutional services for quality and safety	Heavy French orientation of a large segment of the Tunisian agribusiness establishment
	Relatively small market

The typical Tunisian diet relies on staples such as couscous, a famous dish in North Africa made from durum wheat, meat, fish or chicken, along with various vegetables. Pasta and olive oil are also popular as Tunisian cuisine is, to a certain extent, influenced by the Italian cuisine. Seafood is a mainstay of the Tunisian diet. Candies and sweets are also popular.

Section II: Exporter Business Tips

Doing business in Tunisia very often needs agents/distributors that are crucial to introducing new products into the Tunisian market. Both commission agents and distributors may represent foreign

businesses. The official language is Arabic, and the second language is French. Although Tunisian businessmen perceive U.S. agricultural products to be of high quality, many are reluctant to pay substantial quality premiums, as price remains the most determining factor. Therefore companies embarking on doing business in Tunisia should be prepared for relatively demanding price negotiations.

Food standards are in general similar to those prevailing in developed countries as Tunisia is heavily relying on Codex Alimentarius standards when setting its own food safety measures. According to the Consumer Protection Law of 1992, Arabic has to be one of the languages used for product labeling (decree # 2003-1718) while the measuring system in use is the international metric system. If pork meat, pork fat, beef fat or alcohol is one of the ingredients it should be clearly mentioned on the label. Labeling is also mandatory for all foods and food ingredients containing biotechnology.

The Tunisian currency, the Dinar, is not fully convertible. The banking system is strictly supervised by the Central Bank of Tunisia, which has several restrictions on capital outflows. However, the Dinar is convertible for trade and investment transactions. During the period January-September 2013, the value of the Tunisian Dinar declined vis-à-vis the U.S. dollar to 1.65 TND/\$US.

Business etiquette is quite similar to western countries. The Tunisian weekend is Saturday and Sunday. During fasting in the holy month of Ramadan, the workday is shorter and it is advisable to be concise and to avoid lengthy meetings. When invited into someone's home, it is common for guests to bring a small gift as a token of appreciation. Commercial advertising is well developed in Tunisia with TV and newspapers providing the main venue for ads. Posters, lotteries and sponsorship of event are also very common. Tunisians, especially those with high income, like to buy brands/trademarks with 'westernized look' advertized in foreign satellite TV commercials and foreign newspapers.

The majority of food products imported to Tunisia are subject to technical quality control procedures prior to customs clearance and the issuance of a document called 'Autorisation de Mise à la Consommation' (AMC). In general, products submitted to the technical check are the imported products intended for sale in their current state and for final consumption. However, products free from the procedures of the technical check include raw materials, semi-finished materials intended for the professional use of the importer in the framework of his industrial, agricultural, craft or touristic activity, and also imported samples. The list of the products concerned by the technical control is regularly published in departmental orders and establishes three distinct modalities:

1. List A includes all goods submitted to a systematic control i.e. a conformity assessment with or without sampling for further laboratory testing to be undertaken at each shipment regardless of whether the product has or has not been tested in the past. This list includes virtually all processed agricultural products.
2. List B includes products submitted to the so-called certification regime whereby customs clearance is granted for goods accompanied by a certificate issued by the country of origin and stating that those goods are in compliance with international standards. Agricultural products are not among products subject to the certification regime.
3. List C includes products submitted to a conformity assessment with the conditions defined by a GOT-sanctioned specifications book (Cahier des charges). Agricultural products submitted to

‘cahier des charges’ are mostly bulk and intermediate agricultural products.

Section III: Market Sector Structure and Trends

Although Tunisia remains mostly a bulk market for U.S. wheat and coarse grain, especially during drought years, many export opportunities exist for U.S. consumer-oriented food products and beverages. There are several factors that make Tunisia’s consumer-product market increasingly attractive to U.S. exporters:

Expanding modern retail food outlets: The retail sector in Tunisia has seen significant changes in the last ten years fuelled by the expansion of modern distribution outlets, supermarket and hypermarkets. Although the traditional distribution network, based on over 250,000 neighborhood grocery shops, continues to dominate the Tunisian market, modern distribution channels are growing rapidly. It currently represents 18% of the Tunisian retail sector with a national goal to increase the level to 50% by 2016. Since the opening of the first French hypermarket Carrefour in 2001, two new international brands were introduced into the market (Champion and Casino) while the main state supermarket chain “Magasin General” was fully privatized in 2007. Currently, there are roughly 220 modern food retail outlets: 2 hypermarkets, 150 supermarkets and 100 ‘Superettes’ (self-service food outlets with area less than 500 sq. m). Fresh fruit and vegetables, as well as, fishery products are also sold in local out-door markets “souk”.

Franchising: After a long opposition to franchising, the GOT is encouraging investment in this area to help create new jobs and technology transfer. In August 2009, the Tunisian government approved legislation defining franchising for the first time. Before the approval of this law, franchises permission to open and operate on a franchise was accorded in 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 represent a good opportunity for U.S. companies to enter and benefit from this fast growing market. It is worth noting that after the revolution, several franchise shops opened in Tunis including mainly European and French food franchises.

Growing middle-class: Roughly 80 percent of Tunisian consumers are considered middle class and thus have significant purchasing power. According to the latest survey by the National Statistics Institute’s (INS) conducted in 2005, Tunisians spend on food nearly 6.3 billion TD a year (about \$5 billion), mainly to purchase staples like bread, pasta, semolina, cooking oil and dairy products. Other 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, youth population group represents a large part (55 percent of the total population is under the age of 30) and is more open to western-style food products. In addition, there are about 6 million tourists who visit Tunisia annually and offer opportunity of selling high processed food products.

The food processing sector

The food processing sector accounts for about 1,066 enterprises producing for a value of \$6,000 million and contributing with a value added of 1,316 million \$ in 2008. The food processing sector demand for imported high-value ingredients is steadily increasing, with more sophisticated products licensed by multinational food companies such as Nestle and Danone. Agricultural and food imports by the food processing sector in 2009 were estimated at \$1,814 million compared to \$937 million in 2002. Cereals and products, oils and sugar derivatives account on average for 80 percent of Tunisia food imports. The Hotel and Restaurant Industry (HRI) is not perceived as a separate market, for most hotels and restaurants source their food needs either through annual tenders or use the same distribution channels used by households. In addition to domestic customers, this sector caters to more than 6 million tourists visiting Tunisia each year. High-end hotels do import spirits, wines and specialty cheese either directly or via import companies.

Section IV: Best high-value product prospects

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 include: Tree nuts, dried fruits, cookies, sauces, condiments and mixed seasoning and breakfast cereals.

Apart from food products, there is also a good market opportunity for U.S. agricultural equipment in Tunisia, particularly in water desalination equipment, water management tools and grain storage where Tunisia experiences frequently significant shortages. Also, there are a good opportunities for U.S. suppliers of concrete and portable grain silos as well as elevators exist in Tunisia.

The best approach to enter the market for new exporters is to identify a suitable importer, i.e., an importer with proven experience in handling the targeted products. U.S. exporters are encouraged to check the credentials of the importer. Another alternative is to contact major retailers directly, as some of them have subsidiaries dealing with local and international procurement. Through various activities, the USDA/FAS office in Tunisia is able to help in 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.

Section V: Key Contacts and Information Sources

The Office of Agricultural Affairs (OAA) at the American Embassy in Tunis is the main contact for USDA activities 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 Contacts:

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

Wheat	486	501	459	29	17	3	6	3	0.6
Barley	90	62	109	17	0	0	18	0	0
Corn	197	240	238	40	109	0	20	45	0
Soybean oil	147	200	130	8	0	0	7	0	0
Soybean meal	32	13	80	0	0	3	0	0	3.75
Soybean	143	234	280	118	117	137	82	50	48
Milk and derivatives	35	41	49	4	7	6	11	17	12
Potatoes	14	21	20	0	0.1	0	0	0	0
Tea	18	12	15	0	0	0	0	0	0
Sugar	205	303	223	1.4	2.1	0.2	0.6	0.6	0

Source: Institut National des Statistiques (INS)+ BICO