



Agri-Food Past, Present & Future Report

***Tunisia
December 2005***



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Overview

Tunisia is a predominantly Arab Muslim country which is located in Northern Africa and borders the Mediterranean Sea. Despite its small geographic size, Tunisia leads Northern Africa in its economic diversity and has one of the highest standards of living on the continent. Since 1987, the Tunisian government has greatly improved its economy and is now focused on moving towards greater international competitiveness.

Tunisia is a country with few natural resources, and is therefore highly reliant on foreign trade. Currently, its imports and exports make up 80% of the country's GDP. Tunisia is a strong market prospect for Canadian exporters looking to tap into the North African food market; this is mainly due to the country's growing middle-class, modernized food retail sector and thriving tourism sector.

Canada – Tunisia Relations

Canada and Tunisia have a friendly bilateral relationship. Tunisia is one of Canada's longest-standing partners in Africa, with the earliest diplomatic Canadian-Tunisian contact dating back to 1957. In 1966, Canada's first embassy in the North African region of Maghreb opened in Tunisia's capital, Tunis.

Canada-Tunisia relations are also strengthened due to Tunisia's large African-francophone base. Tunisia is a founding member of La Francophonie and uses French as a delivery channel for its foreign policy. Tunisia has long been a beneficiary of Canadian cooperation and aid in Africa. Established in 1964, Canada's cooperation program with Tunisia was one of the first in a Francophone African country. Canada's current development projects in Tunisia are CIDA's Private Sector Development Fund and the Institutional Strengthening Program.

Currently, trade with Tunisia remains undeveloped although it has become increasingly diversified over the years. The value of Canadian exports fluctuates considerably from year to year. For more information on Canada-Tunisia relations, please visit: http://www.dfait-maeci.gc.ca/middle_east/tunisia_relations

Canada-Tunisia Bilateral Trade 2004	
Tunisia Total Trade	US\$20.8 billion
Exports (f.o.b)	US \$9.3 billion
Imports (f.o.b)	US \$11.5 billion
Trade balance	(US\$2.2 billion)
Canada-Tunisia Trade	\$56.3 million
Exports	\$32.4 million
Imports	\$23.9 million
Trade balance	\$8.5 million
Canada-Tunisia Ag Trade	\$16.5 million
Exports	\$10.4 million
Imports	\$6.1 million
Trade balance	\$4.3 million

- Canada/Tunisia trade totalled \$56.3 million in 2004. Trade between the countries decreased roughly 48.5% from last year's total of \$109.3 million; this was largely due to a decrease in durum wheat exports.
- In 2004, Canada's top exports to Tunisia were wheat and electrical safety and traffic control equipment.
- Main imports from Tunisia were olive oil and clothing.

Agricultural Trade

Tunisia's agricultural trade fluctuates annually due to its rain-fed products' reliance on an unstable climate. In drought years, the country relies heavily on imported agricultural commodities; while years showing favourable rainfall for domestic crops results in a decline in imported agricultural products. In 2004, Canadian exporters saw a severe drop in agri-food exports to Tunisia, as the country witnessed favorable weather conditions and crop production. Canadian agri-food exports to Tunisia totalled \$16.5 million, decreasing by roughly 86% from 2003's total of \$74.7 million. In contrast, Tunisia experienced a drought year in 2002 and Canadian agri-food exports reached \$118.7 million.

Although agricultural trade with Tunisia rises and falls, agri-food exporters may benefit from Canada's growing presence in the Tunisian food market. Companies such as Rougement, Quebec's Lasonde International Inc., Prevost Quebec's Au Printemps Gourmet, Florenceville, McCain Produce and the Canadian Wheat Board are recently having success in the Tunisian food market.

- Agricultural trade represents roughly 29% of all trade between the two countries.
- In 2004, top Canadian exports to Tunisia were durum wheat valued at nearly \$9.9 million and accounting for 95.1% of agri-food exports, and live turkeys which accounted for almost \$337,000, or 3.2% of total exports.
- Top Canadian imports from Tunisia in 2004 were olive oil, fish and octopus. Olive oil was valued at about \$2.9 million and represented 52.4% of all agri-food imports. Fish accounted for almost \$655,700 or 10.8% of agri-food imports, while 9.7% of agri-food imports to Canada were attributed to octopus, making up \$588,100 of this total.
- In 2004, bulk exports accounted for almost all of Canada's agri-food exports to Tunisia, with a value of just over \$9.9 million. In the same year, intermediate exports totalled almost \$468,000, while consumer-oriented products did not produce any revenue.
- Although Canadian consumer-oriented products did not reach Tunisia's food market in 2004, demand for consumer-oriented products is expected to grow. This demand will likely strengthen due to the retail food sector's structural changes and distribution patterns as well as modernizing consumer behavior.

- The following consumer-oriented products are prospected to perform best in the Tunisian market in the near future: tree nuts, dried fruits, cacao powder, cookies, sauces, condiments and mixing seasoning, potato chips and breakfast cereals.

Canada's Top 4 Agricultural Exports to Tunisia (2004)	
Durum wheat	\$9.9 million
Live turkeys	\$337,000
Lentils	\$92,000
Canary seed	\$42,000

Economy

In 1987, the Tunisian government launched a privatisation and restructuring program to improve the country's economy. Over the years, this reform has built a more solid, diversified and competitive economy which is continually working to adapt to a new international environment. Although the Tunisian government is still quite involved in the economy, its control over international affairs has lessened with a turn towards privatization, simplification of the tax structure and a cautious approach to debt. The government's progressive social policies have also helped to raise the country's living conditions.

Agriculture, textiles and clothing, mining, energy and tourism sectors are important contributors to the Tunisian economy. In recent years, favorable rainfall, increased tourism rates and the removal of trade barriers with the European Union (EU) are all factors improving Tunisia's economy. In future years, Tunisia is looking towards broader privatization, increased foreign investment, improvements in government efficiency and reduction of the trade deficit.

Gross Domestic Product (2004)	
GDP	\$28.2 billion
GDP growth	6.0% (2004) 5.0%(2005)
GDP/capita	\$2,838

Current:

- Tunisia has achieved relatively steady economic growth, with an average of 5% growth per year since 1997.
- In 2004, Tunisia's inflation increased to 3.6%. From 1999-2003, the rate of inflation was steady, averaging 2.7% inflation during the period.
- In 2004, Tunisia had the highest per capita income in Northern Africa and ranked 6th on the African continent.

Forecast:

- In 2005, Tunisia's GDP is forecast to reach \$29.3 billion.
- Inflation is expected to decrease to 2.0%, down from 2004's rate of 3.6%.

Agriculture Sector & Policies

Agriculture is one of the most important sectors to Tunisia's economy, accounting for roughly 13.7% of its GDP and one-fifth of its workforce. The geography and climate of Tunisia is varied, containing a temperate mountainous region in the north, a Mediterranean maritime climate along the east coast, hot and dry plains in the centre and desert conditions in the south. Of this land mass, roughly 18% is arable.

Tunisian agriculture, while important to the economy, lacks modern infrastructure and features an unpredictable climate which has negatively affected the country's ability to be self-sufficient. Unfortunately, the majority of Tunisia's agricultural products are rain-fed, including wheat and barley, which makes its agricultural sector vulnerable to drought. Tunisia also has few natural resources, which has increasingly put a large constraint on its agricultural sector. Soil erosion, desertification, and rapid urbanization have depleted agriculture of arable land, labour and water and reduced its capacity for satisfying the growing food demand of the Tunisian population.

In an effort to combat these problems, the Tunisian government has implemented policies designed to conserve and better manage their resources. The government privatized its state-owned farms which led to growth in many industries, including dairy, poultry and wine. Also, Tunisia signed an agricultural agreement with the EU in 2001 which presented new opportunities for Tunisian agricultural exports and boosted the country's position in the European market. This agreement especially increased the export of olive oil, double concentrate tomato paste and table grapes.

Next to olive oil, the fish and seafood industry represents the second major source of food export and is a principal activity in the agricultural sector. This industry contributes roughly 8% of the agriculture value added. Tunisia's common fish catch includes tuna fish, shrimp, cuttlefish and squid, shellfish and mussels, octopus, sea bass and sea bream, sardines as well as anchovies.

Tunisia also has a food processing sector that is important to its economy. Despite its underdeveloped status as compared to North American and European standards, food processing is Tunisia's second largest industry next to its textile and clothing industry, accounting for 17% of industry activity. The greatest concentration of the food processing industry can be found in the oils and fats segment along with the cereals and derivatives segment.

Consumer Market

In recent years, Tunisia's consumer market has become more attractive to exporters due to its growing middle class, young population and thriving tourism industry. Roughly 80% of Tunisian consumers are considered middle class and therefore have significant purchasing power in retail food outlets. Another factor adding to the country's attractive consumer market is Tunisia's young population. Over 55% of Tunisia's population is under 25. This group is increasingly exposed to Western lifestyles through the Internet and television, and as a result will be more open to Westernized food choices.

There is also opportunity for Canadians to export to Tunisia's expanding modernized retail food industry. Tunisia's food retail sector is shifting from traditional small neighbourhood grocery shops carrying limited goods, to a more modern distribution system that is based on supermarket and hypermarket formats. These retail outlets offer more variety for Tunisian consumers, including an array of imported food products. However, exporters must be aware that although modernized retail outlets are increasing, small grocery shops are still dominate in the industry and consumers still may not be wealthy enough to purchase Westernized imported food products.

Tunisia's tourism industry also offers opportunity to Canadians wishing to tap into the country's food market. Every year 5 million tourists visit Tunisia and this industry is expanding, with 8,000 new beds being added to hotels each year. Demand for imported food products is likely to grow, especially in less established tourism markets in the northwest coast and in the southern interior.

Tunisian Consumers

- In 2005, Tunisia's population was estimated at 10.1 million, growing at a very low rate of roughly 1%.
- Tunisians are moving towards more sophisticated consumption patterns due to the increase in modern food retailing.
- Tunisian consumers devote roughly US\$5 billion, or 38%, of overall household spending, on food every year. Common purchases include bread, pasta, semolina, olive oil and dairy products.
- Consumers are increasingly spending more on groceries. It is estimated that the annual food spending growth is 6.6%. Food spending continues to rank first in Tunisia's household priorities.
- It is estimated that consumers living in Tunisia's urban households spend nearly 65% more on food than consumers living in rural households.
- Tunisia's growing middle class has higher disposable incomes which are most suited for modernized retail food markets. Factors contributing to this are an increase of dual income households, increased urbanization and increased exposure to western lifestyles and products.
- About 80% of Tunisian families own houses and poverty numbers have been greatly decreased. In 2004, Tunisia's poverty rate was 7.6%, which is relatively low in comparison to Canada's poverty rate.
- Tunisia has a strong, educated workforce. In 2004, there were 3.6 million employed people in Tunisia.
- Two thirds of Tunisia's consumers live in urban areas and nearly 20% live in the Greater Tunis metropolitan area.
- Tunisia has a young population with over 55% of Tunisians under the age of 25. In 2004, Tunisia's the median age was 27 years old.
- The media and Internet are developed and modernized in Tunisia. More than 25% of Tunisian families have satellite dishes and receive Arab, European and American television broadcasts. Tunisia also ranks among the top Internet-connected African and Arab nations, with about 550,000 internet users in the country.
- 98% of the population is Muslim, and the official religion is Sunni Islam.

Retail Food Sector

- The Tunisian food and non-food retail sector boasts an annual growth rate of roughly 6%. This is due to the country's increased number of supermarkets and hypermarkets. These outlets account for 10% of total retail sales.
- Over the next decade, modernized retailers are expected to capture 30% of Tunisia's overall food retail market.
- Although French retailers (Carrefour and Casino) are currently the only foreign presence in this sector so far, it is expected that more foreign retailers will break into the Tunisian market during the increase of modern-style retail outlets which is expected to surge over the next ten years.
- Currently, there are roughly 220 modern food retail outlets: 2 hypermarkets, 120 supermarkets and 100 superettes (self-service food outlets with a selling area less than 500 sq. meters).
- Major players in the Tunisian modern food retailing industry are: Group UTIC (Carrefour hypermarket and Champion supermarket), Group Mabrouk (Geant hypermarket and Monoprix supermarket fascias licensed by the French retailer, Casino), Magasin General, Promogros (a privately-owned supermarket chain), and Bonprix (chain of superettes).
- Although modern grocery outlets are increasing in popularity, the bulk of food retailing is still dominated by small neighborhood grocery shops. Independent family-run food outlets, known as "attars", usually sell goods on credit. These make up over 90% of food retail sales, with over 250,000 outlets in Tunisia.
- Items considered luxury products, such as salty and sweet snacks, fruit juices or fresh fruit are becoming increasingly popular in Tunisia's retail food outlets.

Tourism Industry

- Tourists represent an important consumer group to Canadian exporters, as 5 million visitors come to the country each year. In recent years, these numbers have dropped due to political instability in the region and fallout from US terrorist attacks in 2001; however, tourism numbers are expected to recover.
- In 2005, tourism revenues were expected to surpass 2001's record earning of \$2.5 billion.
- To meet demands of international visitors, the Tunisian tourism industry requires a moderate amount of imported food. Consequently, the sector represents opportunities for foreign suppliers of food and related services.
- Generally, the tourist industry is driven by visitors from four European countries: Germany, France, Italy and the United Kingdom. These four nations contribute more than 75% of Tunisia's tourist income. Other visitors to Tunisia are from neighboring North African countries.
- In current terms, there are roughly 240 restaurants in Tunisia, catering to both domestic and international tourists.
- Over half of all restaurants in Tunisia are considered high-quality. These types of restaurants are most likely to purchase foreign foods and should therefore be the primary target of Canadian companies selling to the restaurant industry.
- High-end hotels import spirits, wines and specialty cheeses either directly or via import companies. In particular, hotels and restaurants are excellent targets for alcoholic beverage producers.
- Most hotels and restaurants in Tunisia source their food needs either through annual tenders or using the same distribution channels as households.

- For more information on Tunisia's tourism industry, exporters are encouraged to read *The Hotel Restaurant and Institutional Food Market in Tunisia*: <http://www.infoexport.gc.ca/>

Competitors

Canadian exporters face tough competition from European countries. In 1998, the Tunisian government and the European Union (EU) signed a free trade agreement (FTA) titled the *Tunisian European Association Agreement*. Under the terms of the Agreement, the EU and Tunisia commit themselves to creating a free trade area between the countries by the year 2010. The EU is Tunisia's major market: approximately 75-80% of Tunisia's exports go to the EU, and more than 60% of imports originate from France, Italy, Germany and Spain. France, especially, is a key export partner to Tunisia, as the countries have a strong history of francophone ties.

In addition to gaining closer bilateral trade relationships with Europe, Tunisia has pursued stronger relations with its North African neighbors. In 2001, Egypt, Jordan, Morocco and Tunisia joined forces in *The Great Arab Free Trade Zone* ahead of the 2010 target for trade barriers to end in the Euro-Mediterranean area. Over time, this free trade zone is expected to encompass 10 Arab nations. The United States also has trade relationship with Tunisia through the *United States-North African Economic Partnership*, which encourages increased two-way trade between USA, Tunisia and other Maghreb states.

Although Canadian exporters face much competition from these countries, especially Europe, those Canadians wishing to transport food products to Tunisia can benefit from improved infrastructure which was put in place to obtain a free-trade status with the EU. Tunisia has made changes to its Tunis-Carthage International Airport, and road and rail network improvements are increasing steadily. Berthing space and port facilities are undergoing continuous upgrading.

Access Issues

Canadian exporters must be prepared for bureaucratic hurdles when entering the Tunisian market due to the country's traditionally high tariffs that protect the country's domestic industries (particularly on consumer-oriented products). Exporters of bulk and intermediate goods may also face "red tape". In recent years, however, the International Monetary Fund (IMF) has urged that high-tariffs be reduced as part of Tunisia's "second-generation reforms".

The best way to access the Tunisian food retail market is through suitable local importers who are experienced in working with modern retail outlets. Such importers are able to negotiate shelf space and promotional activities with supermarket chains. Canadian exporters are encouraged to check the credentials of Tunisian importers. Another approach may be to contact retailers directly, especially if exporters are interested in making large quantity shipments. Many of retailers have subsidiaries dealing with local and international procurement.

Supermarkets and hypermarkets in Tunisia are commonly stocked through two channels: importers or directly by the retailer using its own local and international procurement subsidiaries, which are called "Centrale D'Achats". Small grocery stores

source their goods mostly from wholesalers and from certain importers who have their own distribution fleet to supply goods at the retail level.

Tunisia's business environment is generally credible. In 2003, the Transparency International Corruption Perceptions Index ranked Tunisia as the least corrupt country in Africa. For further information on accessing Tunisian Import Regulations please visit: <http://www.infoexport.gc.ca/>

Business Travel Tips

- Canadians should dress formally for business meetings in Tunisia. Long pants should always be worn by men, while women are advised to wear clothing that covers the majority of the body, especially shoulders and legs.
- During the holy fasting month of Ramadan the workday is shorter. At this time of the year, it's important to be concise and avoid lengthy meetings.
- Establishing a personal relationship with prospective business partners is essential in doing business in Tunisia. Maintaining this relationship through regular visits and other forms of personal contact are also recommended.
- Because of the country's emphasis on personal relationships, cold calling or sending direct mail to potential clients or customers is not recommended.
- Tunisians perceive Canadian goods as of high-quality, but businessmen may be reluctant to pay substantial premiums, as price remains the most determining factor. Therefore, Canadian exporters should be prepared for relatively demanding price negotiations.
- Tunisia's official language is Arabic, although French is widely spoken and serves as the common business language. Many Tunisians are also beginning to speak English.
- When invited into a Tunisian home for an Iftar meal, the meal marking the end of fast at sunset, it is common for guests to bring a small gift as a token of appreciation.
- The Tunisian weekend is Saturday and Sunday and unlike the majority of Islamic countries, where the day of rest is Friday; Tunisia's day of rest is Sunday.
- Businesses and offices in Tunis, the country's capital, operate very limited hours during the month of August.
- For additional tips on traveling in Tunisia please visit: <http://www.infoexport.gc.ca/>

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