



For the Month of September 2023

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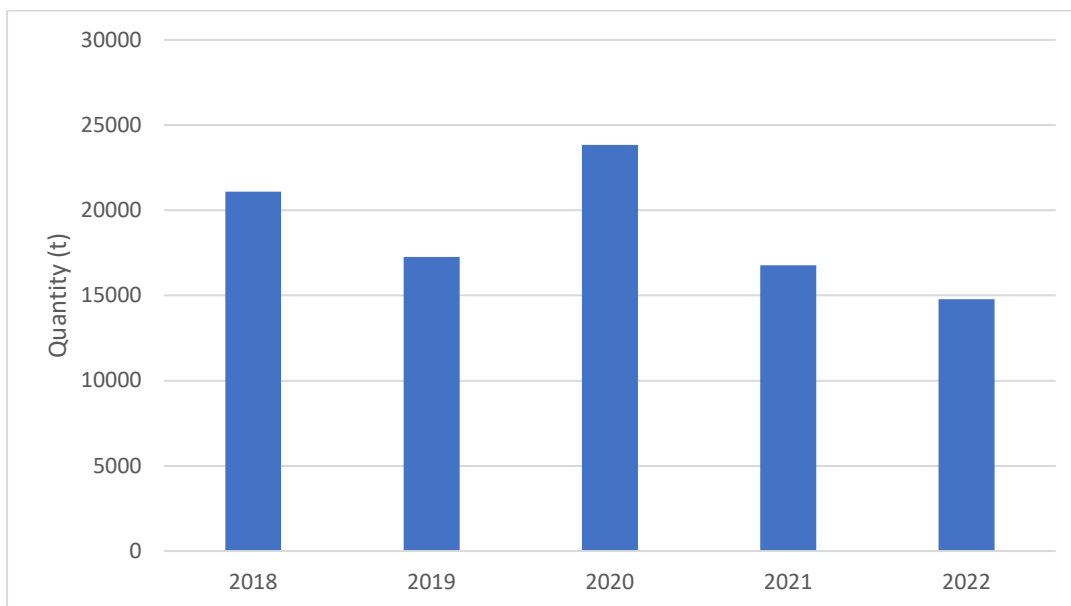
## Executive Summary

### Overview

This brief will focus on two markets, Egypt and Morocco. Egypt's market share for US butter has been reported to growing. The competition that the US faces in the two markets is discussed in this section.

### Egypt

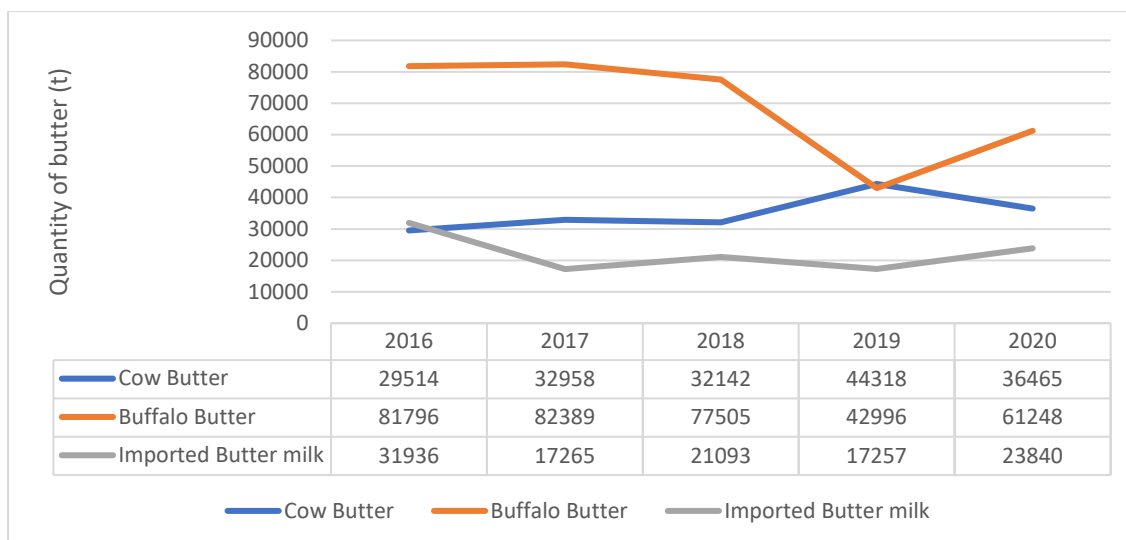
The demand for butter is wide based on cultural practices and preferences as well as performance indicators. Egypt is a significant market for butter. In 2022, Trade Maps reported that Egypt imported about 14.8 tons of butter from the world. Between 2018 and 2022, the quantity of butter imported by Egypt has been decreasing as shown in Figure 1.



Source: TradeMaps, 2022

**Figure 1: Quantity of butter imports by Egypt**

Although there is a decreasing trend shown in the figure above, Statista estimates that the market will grow annually by 10.29% between 2023 and 2028 (Statista, 2023). Common in the Egyptian market is buffalo butter which poses competition with cow milk butter. In Egypt, buffaloes represent 47% of the total population of livestock compared to cattle. And buffalo's milk is preferred by the Egyptian consumer due to its high fat content, colour, and flavour but milk yield per dairy buffalo is still low which is 4-10 kg. Egypt also imports a substantial volume of buffalo milk (Arefaine and Kashwa, 2015). More buffalo butter is locally produced than cow milk butter. The figure below shows the quantity produced for both butters as shown in the figure below.



Source: FAO

**Figure 2: Quantity of butter produced in Egypt.**

According to the data, Egypt produced 61 248 tons of buffalo butter and 36 465 tons of cow milk butter in 2020, both of which are on the rise. This could explain why the amount of imported butter in Egypt has been decreasing, as illustrated in Figure 1.

Despite an increase in domestic output, the Egyptian market continues to import butter. Egypt imported butter worth \$98 million in butter from around the world in 2022 (Trade Maps, 2022). Furthermore, according to the OEC, Egypt is one of the fastest-growing markets for US butter. In 2021, it imported butter worth \$10.4 million from the US alone. Egypt is one of the fastest-growing markets for butter.

The Oceania countries have the biggest proportion of imported butter in the Egyptian market New Zealand has been the major exporting country of butter to Egypt between the years 2018 and 2022. New Zealand alone in 2022 was responsible for butter imports in Egypt worth close to \$40 million and the entire Oceania region exported butter worth \$47 million to Egypt. A popular New Zealand brand in Egypt is Anchor Butter which is imported by the Sakr group. Another popular international brand found on the Egyptian market is Lupark butter. In 2022, Egypt imported butter worth about \$4.9 million from Denmark. The table 1 below compares the prices of the local butter brands to the international brands.

**Table 1: Butter brands common on the Egyptian market**

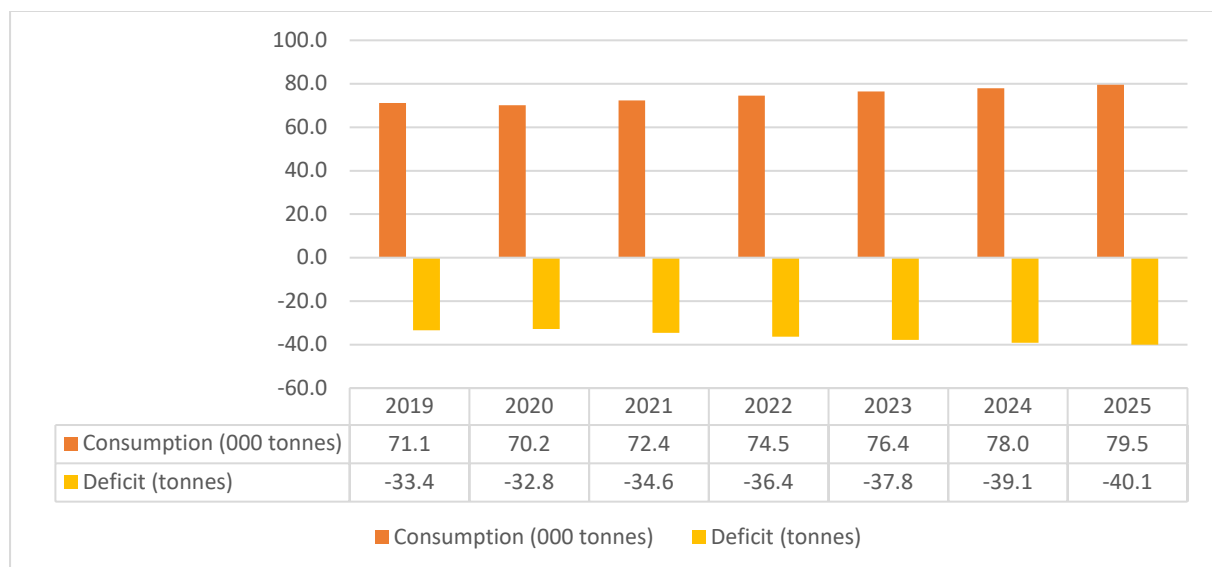
| Product   | Price /kg | Notes  |
|---|-----------|--|
| <b>International brands</b>   |           |  |
| <br>Anchor pure butter       | \$13.28   | This is a product of Fonterra, New Zealand that is distributed by the Sakr Group in Egypt (Sakr, 2019).  |
| <br>Lurpak butter            | \$20.56   | This is manufactured by Arla Foods from Denmark. Lurpak butter is found in major retail outlets.   |
| <b>Local Brands</b>   |           |  |
| <br>El-halouba butter       | \$3.72    | This is a product of the Sakr Group, an Egyptian company.  |
| <br>Crystal Mixed butter   | \$2.23    | The butter is available in Egypt but specific information on the manufacturer is not explicitly provided.  |
| <br>Fern Mixed butter      | \$3.08    | Manufactured by IFFCO from its facilities in Egypt. The company uses milk imported from New Zealand (IFFCO, 2022)                                |
| <br>Ganna Mixed butter     | \$2.48    | The brand is owned by the Savola group that is based in the United Arab Emirates. The company has a significant presence in Egypt (Savola, 2023) |
| <b>Local Brands Buffalo Butter</b>  |           |  |
| <br>Ezbetna Buffalo Butter | \$6.30    | The products are found in various outlets across Egypt.  |

As shown in the table above, local brands are way cheaper than international brands. Most of the local butter brands are mixed or blended butter which is not pure butter but instead mixed with oils and milky fats. This could explain the relatively low prices for local brands as compared to international brands. Amongst the local brands, buffalo milk butter is also cheaper than the international butter brands.

## Morocco

Morocco is another significant market for imported butter. Consumption of butter in Morocco is driven by a number of factors including festive seasons. The high demand for butter is usually experienced during Ramadan, when demand more than doubles compared to the rest of the year. Last year, Moroccan retail outlets sold 7,000mt of butter (Euromonitor International, 2022).

The Morocco dairy industry is characterized by slow milk yield and strong consumption growth resulting in deficit in butter and other dairy products. Low investments in the production of butter such that the butter deficit is expected to increase from 34,630 tons in 2021 to 40,140 tons in 2025 (Fitch Solutions, 2021). The figure below shows the estimated consumption for butter between 2019 and 2020 and the forecasted consumption and deficit from 2021 to 2025.



Source: Fitch Solutions, 2021

**Figure 3: Butter consumption and deficit for Morocco**

To address the deficit Morocco imported butter worth \$86,8 million from the rest of the world in 2022 and the value of imported butter has been growing. Other significant imports by Morocco were from the US, New Zealand, Ireland, France, Turkey, Argentina and the Netherlands. The table below shows the value of imports by Morocco between 2018 and 2022

**Table 2: Value of butter imports by Morocco**

| Origin      | 2018      | 2019      | 2020     | 2021     | 2022     | Trend |
|-------------|-----------|-----------|----------|----------|----------|-------|
| World       | \$95 868  | \$70 113  | \$68 582 | \$72 737 | \$86 813 |       |
| New Zealand | \$31,055  | \$26,443  | \$15,335 | \$14,823 | \$17,518 |       |
| Turkey      | \$0,000   | \$0,000   | \$0,00   | \$124    | \$11,160 |       |
| Ireland     | \$9,530   | \$15,784  | \$23,282 | \$22,754 | \$10,917 |       |
| Argentina   | \$714,000 | \$112,000 | \$0,000  | \$2,501  | \$4,835  |       |
| France      | \$4,568   | \$4,160   | \$3,197  | \$3,205  | \$3,230  |       |
| US          | \$4,1150  | \$0,00    | \$117,0  | \$3,205  | \$1,690  |       |
| Netherlands | \$1,284   | \$1,264   | \$397    | \$638,00 | \$683,00 |       |

Source: Trade Maps, 2023

As demonstrated in Table 2, Ireland and New Zealand butter have dominated the Moroccan butter market during the last five years. However, imports from Ireland and the United States have been dropping, even though Irish butter is popular in the Moroccan market. This implies that Morocco's butter imports from the two countries have been decreasing.

According to Euromonitor, Moroccan consumers have been burdened by inflationary pressures paired with the persistent high cost of butter. While Irish butter is popular, some purchasers prefer cheaper butter from Argentina, Turkey, and New Zealand. As shown in the table above, the value of butter imports from Ireland declined sharply between 2021 and 2022. Therefore, Turkey and Argentina are competitors that should be noted by the US butter exporters. Commodities like butter are elastic, when there is inflation or a threat to household incomes consumers go for substitutes and cheaper options of the same commodity. This therefore puts Argentina and Turkey in a competitive position in the Moroccan market if they continue supplying the market with relatively cheaper butter. By using the value of the imports, the US lost its market share by 47.3% between 2021 and 2022 whilst Turkey and Argentina gained the Moroccan market share by 89% and about 60% respectively. This therefore suggests that US exporters need to find means to cut down costs to make their butter more affordable for Moroccan consumers. Aside from cheaper butter from other countries competing with the US for the Moroccan market share, there are various items, such as Smen, that can be consumed as an alternative.

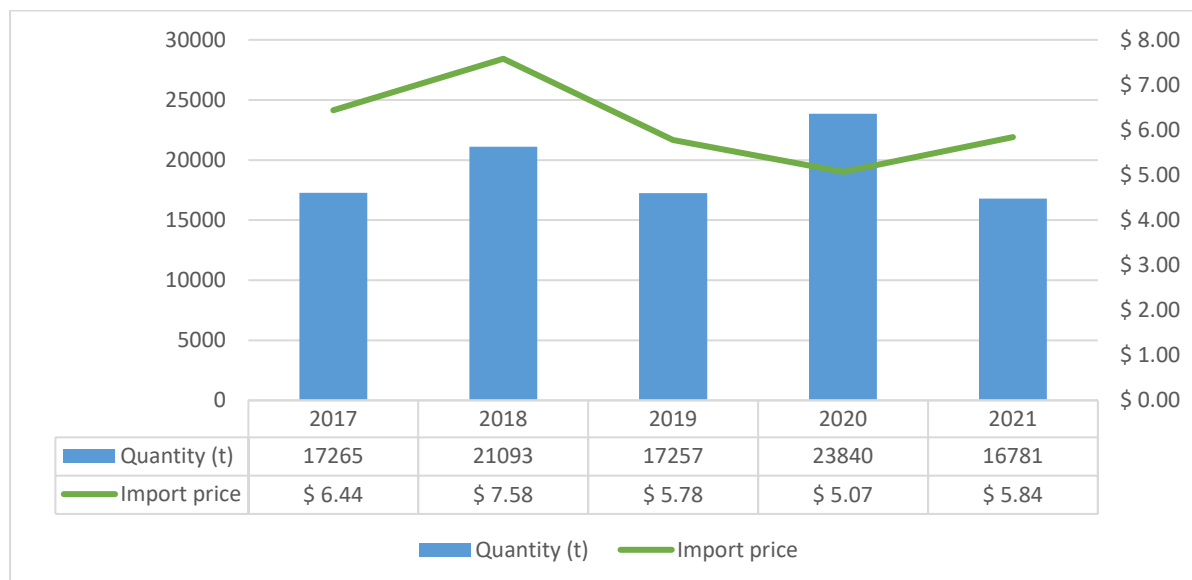


Smen is fermented butter popular in Morocco. It is made from raw milk, cream, or butter, which is fermented with salt and stored in a cool, dark place for several months to years. The production of

Smen in Morocco is a small-scale, artisanal industry. It is traditionally made by women in rural areas, who use traditional methods to ferment and store the butter. In recent years, there has been some interest in commercializing Smen production, but the industry remains relatively small. It is an industry worthy tracking in terms of development. Moreover, Euromonitor reports the abundance of portions of margarine and spreads is particularly noticeable on retail shelves, and it appears to have increased in 2022 in response to high butter prices. Spreadable butter accounted for slightly more than a third of the butter and spread retail sales in volume and more than 17% in value in 2021 (Euromonitor International,2022).

## Market Intelligence Update

The two markets in question are price-sensitive, implying that the demand for butter responds to changes in markets. As illustrated in the figures below, in 2020 when the import price for a kilogram of butter, Egypt imported over 23 840 tons of butter. Interestingly in 2018, the import price was the highest, but Egypt imported more than 21 thousand tons of butter. This could be explained by the inflation rate. In 2017, the inflation rate of Egypt was 29.5% and it declined by more than half in the following year and went down to 14.40%. Generally, a rise in imports indicates a rise in general spending which suggests that could have pushed the demand for butter.

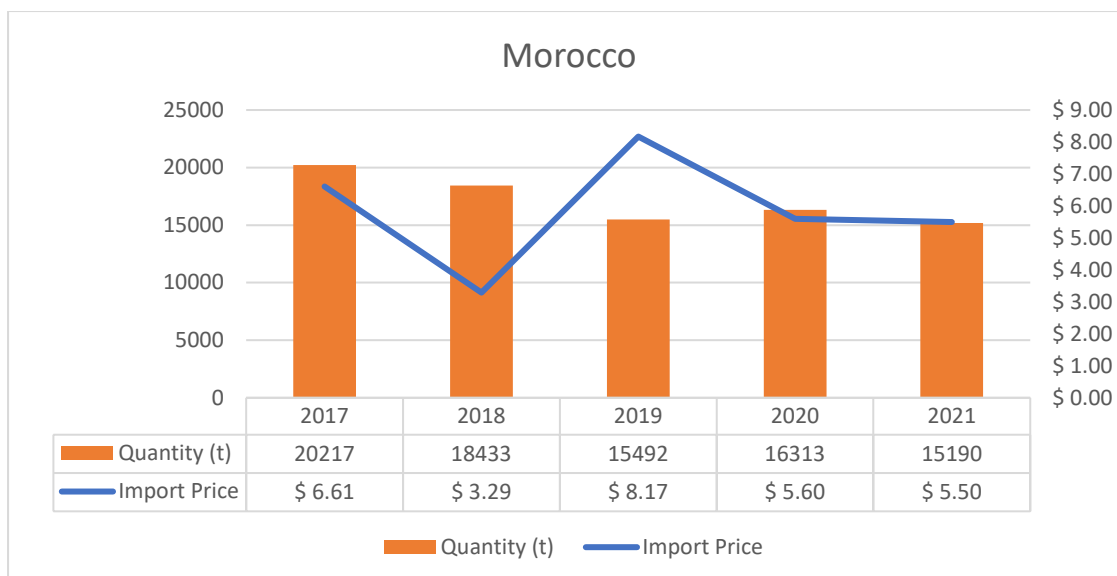


Source: Selina Wamucii, 2022; Trade Maps, 2023

**Figure 4: Import price of butter and quantity imported by Egypt.**

Likewise, the Moroccan market is price sensitive. Morocco imported the most butter over a 5-year period (shown in Figure 5) in 2017, although the import price was the second highest (\$6.61) after the 2019 import price of \$8,17. This could be explained by the inflation rates during the relevant time periods. Morocco's inflation rate in 2017 was 0.75%, therefore demand was high even though import prices were higher. In 2018, the inflation rate increased by more than 50%, resulting in a decreased import volume of 18 433 tons despite the lowest import price. Morocco had the lowest inflation rate (0.3%) in the 5-year period in 2019, but the highest import price (\$8.17).

Morocco had the lowest inflation rate (0.3%) in the 5-year period in 2019, but the import price was the highest (\$8.17), therefore 15 492 tons of butter were imported in response. However, it was not the lowest quantity imported in the 5-year period because a low inflation rate might have offset the high import price.



Source: Selina Wamucii, 2022; Trade Maps, 2023

**Figure 5: Import price of butter and quantity imported by Morocco.**

Though both markets are sensitive, the Egyptian butter market is more resilient than the Moroccan market. As discussed above, comparing the two markets, on average, Egyptian has a higher inflation rate, and experiences higher import prices yet it imports more butter than Morocco. According to Dutch, 2021, Morocco is almost self-sufficient when it comes to domestic dairy production, this could explain why it imports less than the Egyptian market. For both markets, it is therefore important that US butter exporters find means to offer their butter at a competitive price for both markets.

**Private Label and Partnership.** Although it is reported that Egypt spends a substantial amount on importing butter from the US, our online search could not find any US-branded butter. The common international butter products that can be found online are Anchor from New Zealand and Lupark from Denmark. This could be because the butter is imported in bulk and marketed under private labels. This is not new to the Egyptian market as it is reported that the Sakr Group of companies in Egypt is in partnership with a New Zealand company, Fonterra to import butter in bulk. Also, Sakr Group distributes the Anchor butter brand in Egypt. Similarly, Lupark butter, which is a brand of Arla Foods, is distributed by Juhanya Foods and an Egyptian-based dairy company and they have been in partnership since 2015. There is no explicit information on any partnerships between butter processors and distributors in Egypt and exporters.

## Updates on Relevant Market Channels.

### Egypt

According to *Global data*, hypermarkets and, supermarkets in 2021 were the leading distribution channels in the Egyptian dairy and soy food sector. These hypermarkets and supermarkets play a pivotal role in getting the product to the consumers. Hypermarkets and supermarkets source butter products from local distributors/ agents and manufacturers. Some international brands in the market have established partnerships with local companies. Sakr Group is the official distributor of Anchor Butter. Arla Foods and Juhanya entered a third-party distribution partnership in Egypt. The partnership ensured that the Lurpak brand was distributed in Egypt by Juhanya.

## Morocco

Popular international brands on the retail shelves in Morocco are Elle & Vile by Savencia Fromage and Dairy, Kerrygold by Ornuu Foods, President by Lactalis, Pure New Zealand by Anchor, and Lurpak by Arla Foods. There are also European brands in the Moroccan market that are not popular international brands such as Payson Breton is a French brand.



International butter brands in Morocco penetrated the market using different methods. Lactalis for example, with their President butter entered the market by establishing a physical presence in the country. The company started distributing its products to local retailers and other players in the country. Physical presence in the country is achieved through joint ventures or mergers and acquisitions of local companies within the dairy industry. Other international players work directly with local Moroccan importers/ agents, retailers, and wholesalers. Therefore, the distribution channel of butter consists of butter exporters, butter importers, local manufacturers, retailers, small grocery stores, and open-air markets.