



**Central Department of Feasibility Studies
and Investment Costs Estimation**

General Department of Economic Feasibility Studies

Summary of a Preliminary Feasibility Study on the Production of Roumy Cheese



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**INVEST IN
EGYPT**

GAFI Translation Department

The Outcomes of a Preliminary Feasibility Study on the Production of Roumy Cheese*

Food Industry Sector

Project General Description

- The project aims to produce 10-kg roumy cheese truckles of different types (old - new - medium), in order to meet the need of a larger segment of consumers.
- The food industry sector is one of the pillars of the Egyptian national economy, as the sector's exports constitute about 14% of the total non-oil exports, and 24.5% of the GDP, as well as encompassing 23.3% of the State's workforce. Accordingly, the food industry sector places third among the various industrial sectors, as it is one of the sectors the State relies on to increase the competitiveness of the Egyptian products in the international markets.
- Given the importance of dairy projects, the United Nations has established a project (associations) that aims to employ Egyptian youth and create job opportunities in the rural economy. This project targets men and women in rural communities, and owners of medium, small and micro sized enterprises.
- The dairy products project is being established to meet the increasing demand for healthy nutritional products, as dairy products have high nutritional value because they are low in calories, rich in Omega 3, and contain specific proteins, vitamins, antioxidants, probiotic bacteria, organic acids, and oligosaccharides.
- Gharbia Governorate is famous for having milk collection centers spread throughout the governorate's eight *Marakiz*. It also possesses livestock wealth in large numbers, including the village of Abshway Al-Malak, affiliated with *Markiz* Qatour, which is one of the largest villages with the largest number of livestock heads and one of the largest dairy-producing villages in the Republic, as this village produces 200 tons/day. Gharbia has 90 milk collection centers at the governorate level, and the daily production capacity reaches 600 tons, which are supplied daily to large companies and factories that manufacture various dairy products.
- Egypt exports volume of all types of cheese reached 27700 tons during the first quarter of 2023, and Saudi Arabia comes as the largest country importing Egyptian cheese.
- Egypt dairy production reaches about 7 million tons annually, and Egypt needs an additional 2.2 million tons to bridge the gap between consumption and production. According to the report of the Chamber of Food Industries, Egypt's consumption of

* The data mentioned in this study are preliminary, estimated, and indicative material retrieved from the competent authorities for the purposes of promoting the investment opportunities available at GAFI. Accordingly, they may not be used before banks, the judiciary, or any other government entity or any third party.

roumy cheese has reached 48 thousand tons annually, and Egypt imports 90% of its cheese production inputs.

- There are many uses for roumy cheese, which makes a large consumer base (hotels, restaurants, wholesalers, retailers, commercial agencies), as it is a basic commodity with a long shelf life and it is available throughout the year.

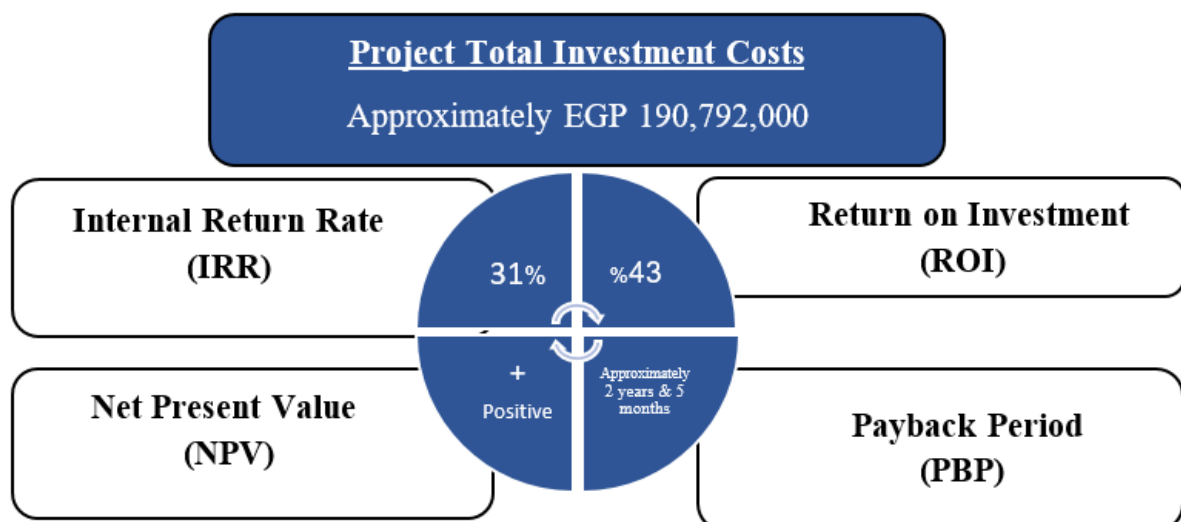
Project Products

- The project aims to produce roumy cheese truckles with a size of 10 kg, which will widen the marketing base of the project.

The Investment Opportunity and the Location of the Project

- Project location: according to the data available on the Investment Map, it is proposed to establish the project in the first phase of Quweisna Industrial Zone at Menoufia governorate. In addition, it is possible to establish the project in any other governorate, that has the resources necessary for the project.
- Project surface area: according to the data received from the relevant authorities and the data available on the Investment Map, the project can be established on a surface area ranging from 350 m² to 500 m²
- Act of disposition: ownership, with a cost of EGP 5000/m², and a surface area of 350 m² with a total cost of approximately EGP 1,750,000.

The Most Important Financial Indicators of the Project



The Outcomes of the Legal Feasibility Study

- As per provisions of Investment Law, the dairy industry is one of the activities subject to the aforementioned law, and the State gives it due diligence and incentives.
- According to the size of the project and the required investments to establish it, it is preferred that the incorporated business activity takes any of the corporation forms, including, without limitation, joint stock company, where the project is managed apart from the owner's equity, as this provides flexibility and ease in dealing with government and executive agencies.
- The project may be incorporated as sole proprietorship, partnership, limited liability company or joint stock company.
- As per the provisions of Investment Law, roumy cheese production is one of the activities subject to the aforementioned Law, and the State gives it due diligence and incentives to encourage it. Therefore, it is preferable for companies that are incorporated for this purpose to be incorporated in accordance with the provisions of Investment Law No. 72 of 2017 in order to benefit from the investment incentives prescribed for this type of investment activities.
- The cheese industry in Egypt is subject to the supervision of the Chamber of Food Industries (Dairy Division) which is one of the chambers of the Federation of Egyptian Industries "FEI". It represents the interests of its members, and provides services and support to the food industry sectors, including the cheese production industries, in a way that increases their competitiveness.
- This industry needs to obtain a license for operating a food industry activity (producing roumy cheese) and to be established in one of the industrial zones or lands where it is permissible to obtain such activity license. It is possible to benefit from the favorable conditions of the golden license offered by Egypt during the period of the study, or to obtain a license-to-operate by the notification system in accordance with the provisions of Law No. 15 of 2017. Some legal determinants must be taken into account regarding the obtainment of the necessary licenses from the governorate, the entity that has jurisdiction on land and its affiliated local units, or the government office, in addition to the requirements of the Civil Defense, which require special procedures due to the industry nature.
- Given the nature of the project's products and their technical specifications, and that the project activity is related to the circulation of a food product that may affect human health, the project must be registered and it must obtain the necessary approvals from the Egyptian Food Safety Authority in accordance with the provisions of Law No. (1) of 2017 and its executive regulations issued by Prime Minister's Decree No. 412 of 2019. In addition, licenses necessary for warehouses, silos, and tanks must be obtained.

- The project must be registered in the Egyptian Organization for Standardization & Quality (EOS), in addition to producing as per the standards in accordance with the Egyptian approved standard specification for food industries (dairy products).
- Given the activity of the project and that it is one of the food industries projects, the project must obtain the approval of the Ministry of Health, and it must also obtain the necessary health certificates for all workers on the production lines dealing with raw materials and the stages of manufacturing the final product.
- If the project uses some types of raw materials imported from abroad, the project must obtain a special import card and register with the General Organization for Export and Import Control (GOEIC), along with adhering to the resolutions No. 6 of 2020 of the Board of Directors of the Food Safety Authority on the obtainment of a license to import food from Abroad. In the case of exportation, the project must obtain an import and export card specifying the nature and description of the products, or export through an intermediary company that undertakes export procedures and customs release on behalf of the project.
- Incorporation fees, lawyer's charge, obtaining licenses and approvals from the Food Safety Authority, and registration with the Industrial Development Authority and the authorities having jurisdiction on the project are approximately EGP 400 thousand.

The Outcomes of the Environmental Feasibility Study

- The environmental feasibility study is defined as the study that explains the degree of protection and maintenance achieved for the environment, by taking into account its absorptive capacity or its maximum capacity to withstand human activities aimed at exploiting environmental resources without the occurrence of environmental degradation or depletion on the short and long term, whether directly or indirectly.
- Environmental feasibility studies are one of the pillars of environment protection and conservation. Attention to environment feasibility studies for various development projects is an imperative necessity to achieve sustainable development, in addition to economic feasibility studies that aim to ensure the achievement of the greatest possible material benefits for the project without taking into account the conditions and capabilities of the environment and the potential negative effects of the project on the environment.
- The project itself is subject to special environmental requirements to limit pollution related to such industry as a result of industrial processes, exhausts resulting from refining boilers and processing equipment, the outputs of chemical treatment processes, and the manner in which waste and residues resulting from manufacturing processes are disposed of. The project is committed to taking the necessary measures periodically to ensure that the standard percentages are not exceeded in accordance with the provisions of the law.

- The project is classified under item No. (11) on List (A) of food industries according to the environmental classification of the Ministry of Environment. This is in line with the site of the project being the subject matter of this study, as it matches the environmental classification of the project in accordance with the environmental safety and security standards.
- The project follows special procedures for the disposal of solid and liquid waste related to the project, through using leak-proof containers, as the project's waste resulting from the industrial operations may contain organic materials that may cause a serious impact on the foodstuffs safety due to the proliferation of disease-causing microorganisms, as well as being a source of breeding of pests and insects. The project must adhere to the provisions of the law in terms of the proper disposal of these waste by delivering it to a specialized contractor licensed to carry out this activity, along with keeping the contracting receipts and documents.
- The project is subject to the occupational health and safety strict requirements, as the project deals with human's food products. The project buildings must be designed in a way that prevents the entry or harboring of pests, insects, birds, and environmental pollutants such as smoke, dust, and microbes, along with adhering to the Egyptian law for food establishments, which ensures the provision of floors made of non-toxic materials that are impermeable and non-absorbent to water, so that they are easy to clean constantly. The walls and ceilings of food establishments must be made of heat-insulating materials and painted with light-colored paints made of non-harmful materials to prevent the growth of fungi, in addition to being washable and easy to clean. The buildings must be designed with systems that prevent the passage of rodents, along with providing buildings with appropriate ventilation to prevent temperature rise or condensation of steam, dust, and odors, in a way that ensures the safe disposal of polluted air. Products, items, and raw materials must be handled at all stages of the production process using tightly sealed containers made of materials that do not endanger human health, in addition to being easy to clean and sterilized constantly to ensure food safety.
- The project is subject to the occupational health and safety strict requirements in order to ensure the safety of workers and the food products at all production stages. This requires providing all necessary supplies and following professional standards in their use, represented in gloves, helmets, vests, ear protection, glasses, safety clothing, masks and heat resistant tools.
- Environmental costs related to reducing pollution risks and liquid treatment processes, other costs related to dealing with emissions and exhausts from chimneys, reducing dust resulting from industrial processes, waste disposal, and ensuring workers' occupational safety and health are included within the direct raw material costs according to what will be explained later in the study.

- In light of the abovementioned, it becomes clear that the project is environmentally feasible, provided that the required environmental requirements are met.

The Outcomes of the Social Feasibility Study

- The social feasibility study aims to analyze the social benefits and costs of various projects for the purpose of selecting projects that achieve the maximum social benefit. It is noted in this regard that the social feasibility study pays attention to additional aspects that no other feasibility study has paid attention to because it focuses on the social effects of the project due to the project's contribution to achieving the economic and social goals of the society.
- Investment projects are one of the main pillars of the State's economic development process and a mean to achieve the economic, social and development goals, and this eventually results in achieving high levels of well-being.
- Corporate Social Responsibility "CSR" is one of the most important terms that include the social role of enterprises (social responsibility for companies. The European Commission defined "corporate social responsibility" as follows: -
 - “Social responsibility is the organization's responsibility for the impact of its activity on society. To perform this role, the organization must respect the laws, regulatory rules, and treaties concluded with various parties. In order for the organization to perform this function well, it must enter into limited partnerships with various parties, set a course that directs the organization's concerns to the social and environmental issues, ethics, and respect human and consumer rights in its operational activities or in developing its strategy.”
- The CSR definition indicates the responsibility of establishments towards the surrounding community and their role in developing society and the environment. The project's social study shows the following: -
 - The project creates new job opportunities, and employs different types of workers, directly through working in the project itself and indirectly through the project's supply chains that, as it provides about (25) direct job opportunities, in addition to indirect job opportunities.
 - The project reduces the unemployment rate, especially the uneducated labor whom the project needs and pays wages to, so that they can afford a decent life and become productive in the society.
 - The project contributes to the national program to replace imports, which is beneficial for the society by relying on local manufacturing, providing hard currency, and localizing the industry.
 - The project contributes to the development and growth of the surrounding social environment as a result of the indirect services needed by the project in dealing with

the surrounding environment, and the complementary industries or the industries related to the activity nature, which may help in providing more indirect job opportunities.

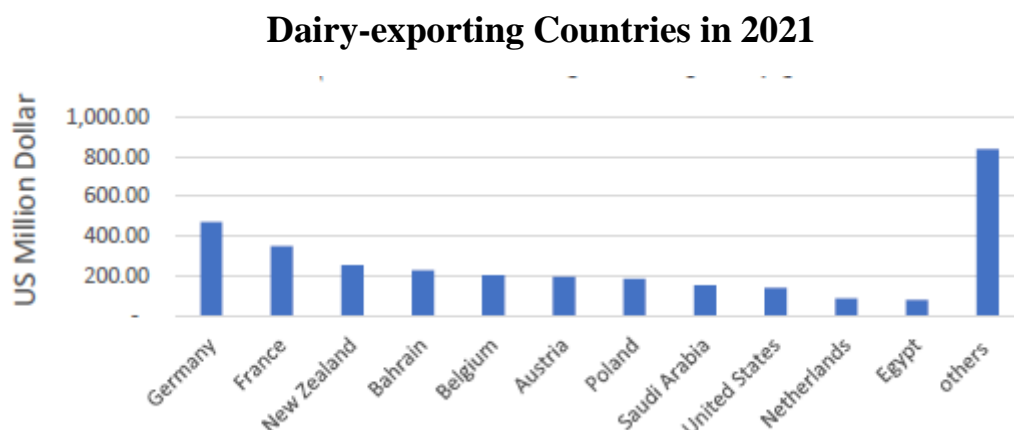
- In light of the abovementioned, it becomes clear that the project is socially feasible.

The Outcomes of the Marketing Feasibility Study, Growth Drivers, and Competitiveness

- The project aims to produce 10-kg rousy cheese truckles.
- The project contributes to increasing the local production of rousy cheese.
- Egypt's strategic location facilitates exporting to Asia, Africa, Europe and North America.
- The availability of raw materials contributes to the production process as well as reaching the largest number of consumers.
- One of the growth and competitiveness drivers of the activity being the subject matter of this study is Egypt's signing of a number of international trade agreements, including:
 - The Greater Arab Free Trade Area (GAFTA)
 - Common Market for Eastern and Southern Africa (COMESA)
 - Agadir Free Trade Agreement
 - The EU-Egypt Association Agreement
 - EFTA (The European Free Trade Association)-Egypt Free Trade Agreement
 - Qualifying Industrial Zones (QIZs)
 - Egypt-Mercosur (the Southern Common Market) Free Trade Agreement

1. Supply Volume

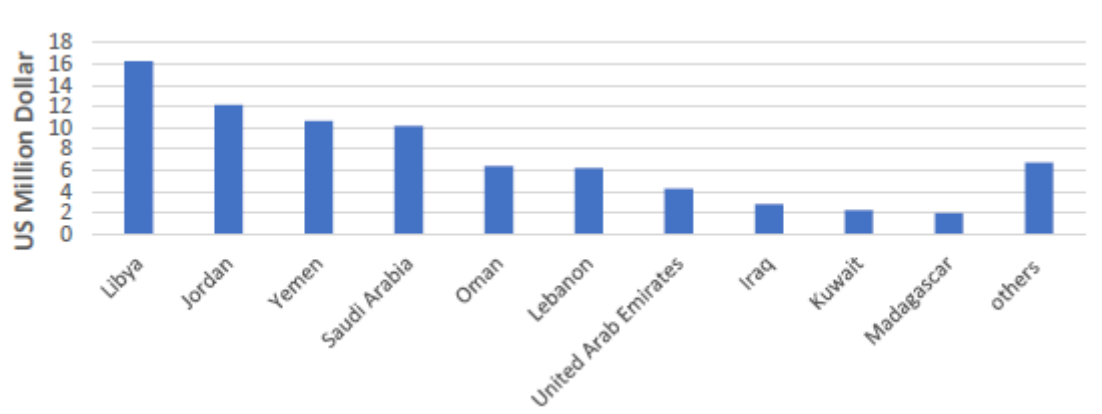
- According to World Bank data, Egypt ranked 11th globally in terms of the volume of dairy exports in 2021. This is shown in the following graph:



The graph is developed as per WB data of 2021

- Dairy products exports amounted to approximately USD 80 million.
- According to the World Bank data, the number of countries to which Egypt exports is 42 countries, The exports volume to the top 10 countries amounted to USD 73 million, as shown in the following graph:

Countries to which Egypt exports dairy products in 2021



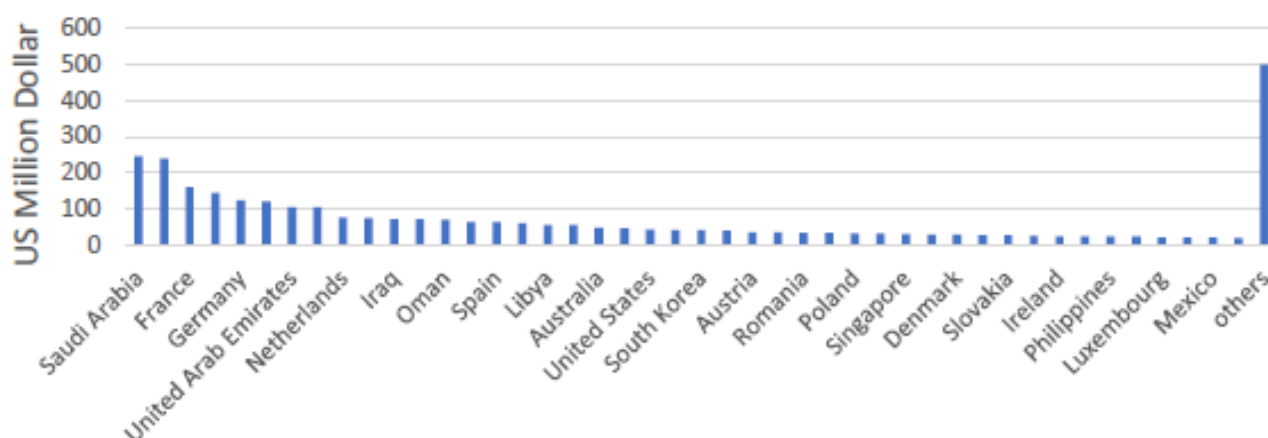
The graph is developed as per WB data of 2021

- From the above graph, it is clear that the countries to which Egypt exports are ranked according to the exports value (Libya: \$16 million, Jordan: \$12 million, Yemen: \$10 million, Saudi Arabia: \$10 million, Oman: \$6 million, Lebanon: \$6 million, UAE: \$ 4 million, and Iraq, Kuwait and Madagascar: \$7 million, etc).

2. Demand Volume

- According to World Bank data, Egypt ranked 44th globally in importing dairy products in 2021, and this can be explained through the following graph:

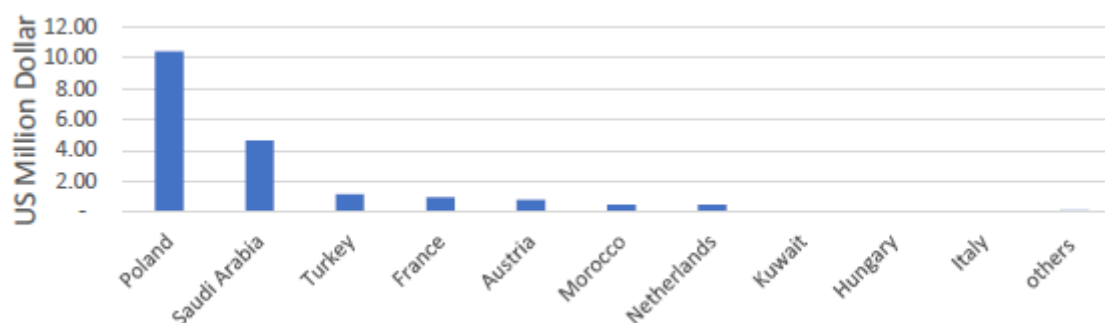
Countries importing Dairy Products in 2021



The graph is developed as per WB data of 2021

- The volume of imports amounted to approximately \$19 million.
- It is noted from the previous graph that the countries with the highest import volume globally are (the Kingdom of Saudi Arabia with \$245 million, the United Kingdom with \$238 million, France with \$159 million, Italy with \$143 million, Germany with \$123 million, China, UAE, Belgium, Netherlands, and El Salvador with one billion and 391 million dollars, etc.).
- According to World Bank data, Egypt imports from one country, and the imports volume of the top 10 countries amounted to approximately \$19 million, which can be illustrated in the following graph: -

Countries from which Egypt imports Dairy Products in 2021

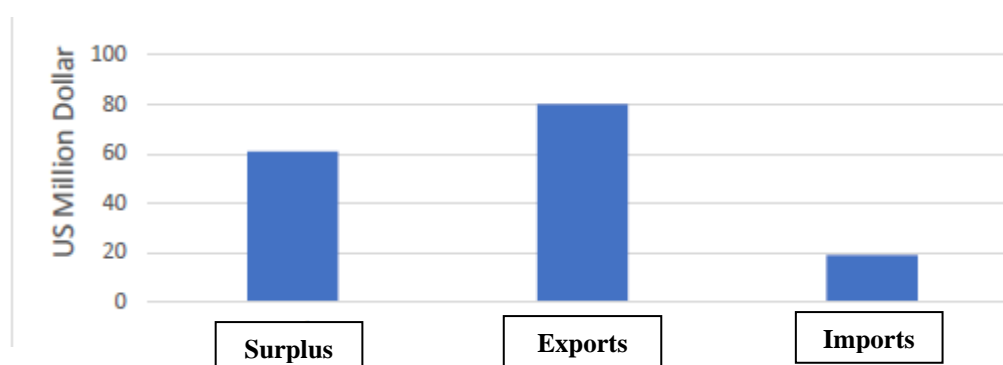


The graph is developed as per WB data of 2021

3. Trade Balance

- It is clear from the foregoing that there is a surplus in the trade balance of dairy products.
- During 2021, Egypt's exports of dairy products amounted to approximately \$80 million and its imports amounted to \$19 million. This can be explained through the following chart:

Egypt's Imports and Exports of Dairy Products



The graph is developed as per WB data of 2021

- According to the above graph, there is a local surplus in dairy products amounting to approximately \$ 61 million. Accordingly, it is a promising opportunity for the project being the subject matter of this study to export abroad.