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Algeria

Dairy and Products

Annual

2001

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Report Highlights:

Algeria continues to try to liberalize its market, and the private dairy sector continues to grow. This is resulting in increased demand for imported raw materials. Recent tariff adjustments should encourage future imports further. Except for skim milk powder imports, U.S. prices have not been competitive enough to compensate for the other shipping advantages enjoyed by European product.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Executive Summary

Production

Algeria only produces 40 percent of its needs. The estimated need for milk in Algeria is about 3 million MT, but domestic production of fresh milk was only 1.6 million MT at the end of 2001. The new agricultural development plan (PNDA) calls for expanded production of 2 million MT for 2004, to be achieved through increased price supports and through incentives to build 200 creameries (up from the current number of 10) in the next 2 years. Farmers receive both production support and transportation subsidies when they sell their milk to any of the 18 plants in state-owned Giplait group, as well as additional support from the Ministry of Agriculture.

Table 1: Government support to the farmers:

	Giplait		Ministry of Ag.	
	Old	New	Old	New
Production	22 AD	22 AD	5 AD	6 AD
Transport	-	-	3 AD	4 AD

Note:78 Algerian dinars (AD)=\$1

Despite this increased subsidy, farmers generally sell their fresh milk directly to consumers because they can receive higher prices than from Giplait. Consumer prices for fluid milk are the only prices still fixed by the government, and Giplait argues that the price is too low to remain profitable. Since the retail price of reconstituted milk was fixed at 20 AD (about \$0.25) per liter in 1996, the price was not revised until February 2001, when the Ministry of Commerce finally announced an increase to 25 AD (\$0.31) per liter. Other observers maintain that the government-fixed consumer price is close to the market price, and that Giplait suffers from poor management. In any case, the Giplait group has faced problems in obtaining raw material and has serious financial difficulties, and might have faced bankruptcy if the reconstituted milk price had not been raised.

Table 2: Chronology of Retail Prices of Milk in Algerian Dinars (AD):

Years	Farm price of fresh milk (1 liter)	GOA-fixed price for reconstituted milk (1 liter)	Whole milk powder (0.5 kg boxes)	Exchange Rate (AD in \$1)
1993	18	6	50	-
1994	20	8	75	35
1995	25	12	100	35
1996	26	20	110	54
1997	30	20	110	57
1998	30	20	110	60
1999	40	20	120	68
2000	40	20	120-140	78
2001	45	25	120-140	76

Source: Ministry of Commerce and Local Market

Because of insufficient production levels, reconstituted milk provides a major source of milk used in Algeria. This is produced by blending imported non-fat dry milk with butteroil, or sometimes whole milk powder. Most reconstituted milk is produced in the 18 processing plants of the state-owned group Giplait, which dominates the production of pasteurized fluid milk (35 percent of Algerian fluid milk). The private sector dominates the production of processed dairy products (yogurt, cheese, butter, sour milk, and dairy desserts). Because of the low price fixed by the government for pasteurized fluid milk, the private sector would rather produce these more profitable products. Some dairy processors have started to experiment with UHT milk in tetra-packs, in partnership with some French brand names (Danone and Candia).

Local cheese is produced from processing imported cheddar cheese and powdered milk and some times, when it is available, with local fresh milk. The cheese produced is normally in the form of soft white cheese (*fromage frais*), "brie" cheese and "Camembert" cheese. Butter is mostly imported. Small volumes of butter are manufactured by the state plants and some private plants, but as with other dairy products is processed from imported raw material. Some insignificant quantities of butter are produced from local fresh milk and are sold from the farms directly to the consumer at high prices.

The new PNDA also supports pasture production and heifer nurseries to encourage farmers to breed dairy cattle in order to increase herd size and improve dairy production. Most of the dairy cattle herd is imported. Because of the BSE crisis, imports of European cattle were prohibited. In fact, no cattle have been imported since November 2000, even from the U.S., because of the lack of a sanitary protocol and the cost of transportation. Milk production, however, has not been really affected by the crisis since Algeria relies mostly on imports rather than local production.

Consumption

Trade

Algeria heavily relies on imports for dairy products. After wheat, dairy products account for the second largest agricultural import item (about \$500 million each year). Since the private sector has grown, many dairy processing plants have appeared, with a commensurate increase in demand for nonfat dry milk and whole milk powder, which are used in producing yogurt and cheese. As the number of private processors continues to grow, demand for imported raw materials should also rise in the future. With U.S. prices generally higher than world prices, U.S. products have not enjoyed much of this increased demand. In 2001, Algerian imports of both milk powder and nonfat dry milk increased considerably. But only imports of U.S. nonfat dry milk rose, due to the increased competitiveness vis-a-vis higher world prices.

The increase in world cheese prices in the summer of 2001 discouraged the imports of cheese in 2001. Imports of butter increased because after liberalization, the GOA no longer subsidizes the consumption prices nor controls the retail market for butter. In addition to low world prices for butter, encouraged private imports in 2001. Imports of dairy products in the future should benefit from the new changes in tariffs and taxes which the GOA decided last summer (see Trade Policy section).

Table 3 : Imports of Dairy Product (Jan-Jun 2001) in MT:

	Total Imports	U.S. Origin
WMP	67,169	1,047
NFDM	53,290	170
BUTTER	13,598	436
CHEESE	7,486	25

Stocks

Policy

With new economic reforms starting from July 2001, Algeria replaced some specific taxes for high value products.

1. The old "Valeur administree"-- a local tax arbitrarily decided upon by authorities to protect domestic production and paid in Algerian dinars -- has been replaced by a new temporary additional duty (DAP) on some products. The DAP is now 60 percent but will decrease by 12 percent each year to become 0 percent in 2006. This also applies to imported products also produced in Algeria (e.g., cheese).

2. The "additional specific tax" (TSA) has been replaced by a "domestic consumption tax" (TIC), but this tax only applies to about 20 products which are considered as luxury goods (tariff code chapters 08, 09, 16, and 22).
3. The maximum rate for customs duties, formerly 45 percent, has been reduced to 40 percent, effective July 2001. (Therefore, the new rates range from 5 to 40 percent.) In 2002, the maximum rate will be reduced further to 30 percent.
4. The value added tax (VAT), which used to range from 14 to 21 percent, has also been reduced. Now it ranges from 7 to 17 percent.

Table 4: New tariff rates for dairy products:

Products	Custom duties	Value added tax	TIC	DAP
NDM	5 %	none	none	none
WMP	5 %	none	none	none
Cheese	30 %	17 %	none	60 %
Butter	30 %	17 %	none	60 %

Note 1: In addition to these duties, there are still some customs fees of 2 percent and custom processing fees of 0.4 percent.

Note 2: These products require a sanitary veterinary inspection certificate, as well as a number of other certificates, provided by the suppliers (radiation or isotopic, microbiological specifications).

Marketing

Algerians have experienced great changes over the past few years, due to the liberalization of foreign trade. The availability of cash makes both public and private importers able to import dairy products on a cash basis. Thus, price competitiveness is the key factor for selecting suppliers. Algerian importers usually choose to do business with Europe because of proximity, direct shipping lines, and cost of transportation. The U.S. market share has decreased significantly, as programs such as GSM and DEIP have not been available. This year two main dairy processors went into partnership with French brand names (Danone and Candia) after receiving no reply from U.S. suppliers.

PSD Table						
Country	Algeria					
Commodity	Dairy, Dry Whole Milk Powder				(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Beginning Stocks	2	2	3	3	3	3
Production	0	0	0	0	0	0
Intra EC Imports	0	0	0	0	0	0
Other Imports	110	110	110	112	0	112
TOTAL Imports	110	110	110	112	0	112
TOTAL SUPPLY	112	112	113	115	3	115
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Human Dom. Consumption	109	109	110	112	0	112
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	109	109	110	112	0	112
TOTAL Use	109	109	110	112	0	112
Ending Stocks	3	3	3	3	0	3
TOTAL DISTRIBUTION	112	112	113	115	0	115
Calendar Yr. Imp. from U.S.	0	0	0	2	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Import Trade Matrix			
Country	Algeria		
Commodity	Dairy, Dry Whole Milk Powder		
Time period		Units:	MT
Imports for:	2000		2001
U.S.	641	U.S.	
Others		Others	
France	63187		
Belgium	11379		
Canada	2412		
Germany	3000		
Ireland	4500		
New Zealand	4000		
Great Britain	3000		
Total for Others	91478		0
Others not Listed	17800		
Grand Total	109919		0

PSD Table						
Country	Algeria					
Commodity	Dairy, Milk, Nonfat Dry				(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Beginning Stocks	2	2	2	2	2	2
Production	0	0	0	0	0	0
Intra EC Imports	0	0	0	0	0	0
Other Imports	70	70	75	80	0	80
TOTAL Imports	70	70	75	80	0	80
TOTAL SUPPLY	72	72	77	82	2	82
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Human Dom. Consumption	70	70	75	80	0	80
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	70	70	75	80	0	80
TOTAL Use	70	70	75	80	0	80
Ending Stocks	2	2	2	2	0	2
TOTAL DISTRIBUTION	72	72	77	82	0	82
Calendar Yr. Imp. from U.S.	0	2	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Import Trade Matrix			
Country	Algeria		
Commodity	Dairy, Milk, Nonfat Dry		
Time period		Units:	MT
Imports for:	2000		2001
U.S.	2500	U.S.	
Others		Others	
Germany	14600		
Belgium	6600		
France	26700		
Ireland	1685		
Poland	14000		
Switzerland	3000		
Netherlands	1000		
Total for Others	67585		0
Others not Listed	0		
Grand Total	70085		0

PSD Table						
Country	Algeria					
Commodity	Dairy, Cheese				(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Beginning Stocks	0	1	0	1	0	1
Production	0	4	0	4	0	4
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	18	0	15	0	15
TOTAL Imports	0	18	0	15	0	15
TOTAL SUPPLY	0	23	0	20	0	20
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Human Dom. Consumption	0	22	0	19	0	19
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	0	22	0	19	0	19
TOTAL Use	0	22	0	19	0	19
Ending Stocks	0	1	0	1	0	1
TOTAL DISTRIBUTION	0	23	0	20	0	20
Calendar Yr. Imp. from U.S.	0	2	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Import Trade Matrix			
Country	Algeria		
Commodity	Dairy, Cheese		
Time period		Units:	MT
Imports for:	2000		2001
U.S.	1699	U.S.	
Others		Others	
Germany	478		
France	769		
New Zealand	7011		
Netherlands	2666		
Great Britain	402		
Ireland	509		
Switzerland	492		
Italy	3436		
Total for Others	15763		0
Others not Listed	870		
Grand Total	18332		0

PSD Table						
Country	Algeria					
Commodity	Dairy, Butter			(1000 MT)		
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Beginning Stocks	0	1	0	1	0	1
Production	0	3	0	3	0	3
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	6	0	7	0	7
TOTAL Imports	0	6	0	7	0	7
TOTAL SUPPLY	0	10	0	11	0	11
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Domestic Consumption	0	9	0	10	0	10
TOTAL Use	0	9	0	10	0	10
Ending Stocks	0	1	0	1	0	1
TOTAL DISTRIBUTION	0	10	0	11	0	11
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Import Trade Matrix			
Country	Algeria		
Commodity	Dairy, Butter		
Time period		Units:	MT
Imports for:	2000		2001
U.S.	13	U.S.	
Others		Others	
France	1846		
Belgium	75		
Australia	504		
New Zealand	2882		
Netherlands	100		
Ireland	316		
Germany	110		
Spain	229		
Total for Others	6062		0
Others not Listed	0		0
Grand Total	6075		0