



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Required Report - public distribution

Date: 7/11/2003

GAIN Report #TS3005

Tunisia

Grain and Feed

Annual

2003

Approved by:

Merritt Chesley, Rabat, Morocco

U.S. Embassy

Prepared by:

Abdelkarim Sma, Tunis, Tunisia

Report Highlights:

MY 2003/2004 is likely to start with a bountiful cereal crop of nearly 1.9 million MT, roughly a fourfold increase compared to the last year's harvest. In a monopolistic and price-driven Tunisian market, U.S. wheat continues to be edged out by both the traditional wheat exporters and the relatively new competitors: the so-called Former Soviet Union (FSU) countries. Conversely, U.S. corn continues to comprise nearly 2/3 of the Tunisian market.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Rabat [MO1], TS

I - SITUATION AND OUTLOOK	1
Production	1
Consumption	2
Trade	2
Trade Policy	3
.....	5
II - STATISTICAL SECTION	5
Wheat	5
Barley	8
Corn	10

I - SITUATION AND OUTLOOK

Production

In MY 2002/2003, Tunisian aggregate cereal production (mainly winter wheat and barley) plummeted to 510,000 MT, its lowest level in decades after severe drought slashed the harvest output by nearly two-thirds as compared to MY 2001/2002. The following table details this drop for the main cereals harvested in Tunisia.

Table 1 :Tunisian Cereals Production

(In 1,000 MT)

	MY 2001/2002	MY 2002/2003
Durum wheat	935	370
Bread wheat	185	50
<u>Subtotal wheat</u>	<u>1120</u>	<u>420</u>
Barley	236	90
Total	1356	510

Source: Tunisian Ministry of Agriculture

The total cropland devoted to cereal planting last fall reached 1,400,000 million Ha. This overall figure breaks down as follows: 710,000 Ha planted to durum wheat, 150,000 Ha to bread wheat and 540,000 Ha to barley.

The MY 2003/2004 Tunisian cereal output is expected to rebound to near-record levels thanks to timely and plentiful precipitations during the planting stage last fall and the ripening stage during the spring season. Yields are expected to reach near-record levels of 1.55 MT per hectare for durum wheat and 1.85 MT per hectare for bread wheat.

In sum, larger planting combined with an upturn in yields are likely to result in a bountiful MY 2003/2004 cereal crop of nearly 1.9 million MT, roughly a fourfold increase from the last year's harvest.

Consumption

The overall consumption of food grains (bread and durum wheats) remains constant over the forecast period. It is made up of nearly 1.4 million MT of durum wheat consumed in form of pasta and semolina and 1.0 million MT of bread wheat transformed into baking flour. In Tunisia, the use of wheat as a feed ingredient is unauthorized in order to prevent any accidental or deliberate mingling of food grades with feed grades.

The aggregate consumption of feed grains (mainly barley and corn) soared to its highest level in the first semester of MY 2002/2003 due to the acute shortage of other feedstuffs as a consequence of a devastating drought.

The slowdown of the coarse grains consumption perceptible in the second half of MY 2002/2003, is likely to continue through the next MY 2003/2004 since availability of pasture is cutting the use of feed compound by livestock farmers. The consumption of corn is expected to get back to its normal level of nearly 700,000 MT mainly for the poultry sector, the main drive for corn demand in Tunisia.

Trade

Total cereal imports during MY 2002/2003 are set to reach an all-time record to offset the domestic production shortfall. The following table shows the break-down of total imports by type of cereal over the last four marketing years.

Table 2: Tunisian Cereals Imports

(In 1,000 MT)

	MY 1999/00	MY 2000/01	MY 2001/02	MY 2002/03 (1)
Durum wheat	255	496	399	850
Bread wheat	708	996	855	1100
Barley	237	574	685	700
Corn	678	767	868	680
Total	1878	2833	2807	3330

Source: INS trade statistics

(1): Estimates

Current MY 2002/2003 is the third year in a row characterized by above-average cereal imports due to the impact of drought. The Tunisian state-run Cereals Board (Office des Cereales) imports spending are set to reach about US\$ 450 million by the end of the current MY, 25 percent up from last year's spending in an effort to plug the gap in domestic crop production.

This cereal imports up-ward trend is likely to falter during MY 2003/2004 as a probable bumper harvest is expected. However, apart from structural imports of bread wheat, some build-up of inventories is likely to take place current MY 2003/2004 to replenish over-tapped government-held strategic stocks. The estimated carry-over wheat stock is currently well below the official stocks-to-use ratio of 1/4. If, as forecast, production rebounds in traditional export countries (U.S., Canada, Australia) and prices decrease significantly, there will be a major incentive for the GOT to rebuild its wheat stocks at the end of the next MY.

In MY 2002/2003, US wheat continues to be edged out by both traditional wheat exporters (EU and Canada) and by relatively new competitors: the so-called Former Soviet Union countries (FSU). These countries altogether grabbed about two thirds of the Tunisian bread wheat market. The Tunisian durum wheat market is dominated by Canada and the EU with nearly a 50 percent market share each.

With respect to exports of wheat and derived products (baking flour, pasta and semolina), we expect the status quo over the forecast period. Roughly 50 percent of the total export volume is baking flour shipped or hauled to Libya and the other half is made up of pasta and semolina mainly exported to the Sub-Saharan African countries (Niger, Ivory coast and Senegal).

Trade Policy

Domestic support

Imports of cereals, except corn, continue to be the monopoly of the state-run Cereal Board (Office des Cereales). The GOT argue that this monopoly is meant to ensure the stability of this strategic sector and to provide a financial leverage to sustain subsidizing the sector both upstream at the farmer level and downstream at the consumer level.

Upstream subsidies are granted through relatively high farm gate prices completely deconnected from the international price fluctuations. These prices are currently set as follows: TD 290 per MT for durum wheat (equivalent to US\$ 230 per MT at the current exchange rate of US\$ 1.00 / TD 1.257), TD 260 per MT for bread wheat (equivalent to US\$ 207 per MT) and TD 170 per MT for barley (equivalent to US\$ 135 per MT).

In addition, farmers can benefit from emergency measures taken by GOT to alleviate the impact of drought such as subsidizing feed barley at the rate of 20 TD per MT or adjusting the price of other imported feedstuffs (wheat bran, oats, feed sorghum) through temporary suspension of customs duties and/or VAT.

Downstream subsidies are aimed at making staple wheat products such as bread, pasta and semolina easily affordable by the low-income households and thus avoiding social unrest. In August 2002, the GOT trimmed the spending of the compensation fund (Caisse Generale de Compensation) by rising the price of couscous and pasta respectively by 7 percent to TD 0.605 /Kg and 7.6 percent to TD 0.565/kg.

Market Access

Tunisia has granted TRQs (Tariff Rate Quotas) for the main imported cereals both within the WTO framework under the current access arrangements and within the framework of the EU-Tunisian Free Trade Agreement which was enacted in January 1998. The following table recapitulates the access conditions relatives to these TRQ.

Table 3: Cereal TRQs Granted by Tunisia

Cereal	TRQ/WTO	In quota duty	MFN* duty	EU quota	EU in quota duty
Durum wheat	300,000 MT	17 percent	80 percent	17,000 MT	17 percent
Bread wheat	600,000 MT	17 percent	80 percent	460,000 MT	17 percent levied on half of the TRQ (230,000 MT) and phasing out of this duty on the extra 230,000 MT (1)
Barley	200,000 MT	17 percent	80 percent	12,000	17 percent

Source: EU-Tunisian agreement /Tunisian customs service

* : Most Favorite Nation (Bound tariff)

(1): The tariff is being phased out in 5 equal steps between January 1st, 2001 and January 1st, 2005.

The preferential treatment granted to the EU regarding import of bread wheat is the only access measure likely to significantly impact wheat imports from the U.S. The 6 percent duty currently levied on the extra 230,000 MT is a significant competitive advantage specially in the price-sensitive Tunisian market.

In addition, abolishing the current state monopoly on cereal trade is a prerequisite to having quality play a significant role in cereal import decisions. In a free trade environment, millers, intermediate users (bakers, biscuits manufacturers) as well as end-users are likely to be more responsive to the quality aspects.

Ag Tunis does not expect any significant trade policy changes in the near future.

II - STATISTICAL SECTION

Wheat

PSD Table						
Country:	Tunisia					
Commodity:	Wheat					
		2001		2002		2003
	USDA	Post	USDA	Post	USDA	Post
Market Year Begin		07/2001		07/2002		07/2003
Area Harvested	825	825	300	755	900	810
Beginning Stocks	992	856	840	655	720	435
Production	1120	1120	430	420	1400	1300
TOTAL Mkt. Yr. Imports	1261	1254	1800	1950	800	1400
Jul-Jun Imports	1261	1254	1800	1950	800	1400
Jul-Jun Import U.S.	45	45	45	25	0	50
TOTAL SUPPLY	3373	3230	3070	3025	2920	3135
TOTAL Mkt. Yr. Exports	133	175	100	190	100	200
Jul-Jun Exports	133	175	100	190	100	200
Feed Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	2400	2400	2250	2400	2200	2400
Ending Stocks	840	655	720	435	620	535
TOTAL DISTRIBUTION	3373	3230	3070	3025	2920	3135

Export Trade Matrix			
Country:	Tunisia	Units:	1,000 MT
Commodity:	Wheat		
Time period:	MY		
Exports for	2001		2002
U.S.		U.S.	1
Others		Others	
Libya	90	Libya	87
Ivory Coast	30	Ivory Coast	24
Niger	15	Niger	30
Total for Others	135		141
Others not listed	40		48
Grand Total	175		190

Import Trade Matrix			
Country:	Tunisia	Units:	1,000 MT
Commodity:	Wheat		
Time period:	MY		
Imports for	2001		2002
U.S.	45	U.S.	25
Others		Others	
Turkey	250	Canada	350
Canada	53	Kazakhstan	104
Sweden	165	Ukraine	432
Germany	55	Greece	130
UK	192	Argentina	226
France	187	Spain	219
Romania	56	France	98
Hungary	60	Russia	87
Total for Others	1018		1646
Others not listed	191		279
Grand Total	1254		1950

Barley

PSD Table						
Country:	Tunisia					
Commodity:	Barley					
		2001		2002		2003
	USDA	Post	USDA	Post	USDA	Post
Market Year Begin		07/2001		07/2002		07/2003
Area Harvested	250	250	150	400	400	540
Beginning Stocks	120	134	190	305	160	195
Production	150	236	70	90	400	625
TOTAL Mkt. Yr. Imports	670	685	650	700	300	100
Oct-Sep Imports	656	685	650	700	300	100
Oct-Sep Import U.S.	0	18	0	20	0	25
TOTAL SUPPLY	940	1055	910	1095	860	920
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0
Oct-Sep Exports	0	0	0	0	0	0
Feed Dom. Consumption	700	700	700	850	700	700
TOTAL Dom. Consumption	750	750	750	900	750	750
Ending Stocks	190	305	160	195	110	170
TOTAL DISTRIBUTION	940	1055	910	1095	860	920

Import Trade Matrix			
Country:	Tunisia	Units:	1,000 MT
Commodity:	Barley		
Time period:	MY		
Imports for	2001		2002
U.S.	18	U.S.	0
Others		Others	
Ukraine	94	Ukraine	466
Germany	135	Germany	25
France	180	France	83
UK	91	Bulgaria	56
Bulgaria	60	Russia	70
Russia	35		
Total for Others	595		700
Others not listed	72		0
Grand Total	685		700

Corn

PSD Table						
Country:	Tunisia					
Commodity:	Corn					
		2001		2002		2003
	USDA	Post	USDA	Post	USDA	Post
Market Year Begin		7/2001		7/2002		7/2003
Area Harvested	1	1	1	1	1	1
Beginning Stocks	5	5	8	74	9	55
Production	1	1	1	1	1	1
TOTAL Mkt. Yr. Imports	802	868	800	680	800	700
Oct-Sep Imports	793	879	800	615	800	650
Oct-Sep Import U.S.	625	570	0	400	0	420
TOTAL SUPPLY	808	874	809	755	810	756
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0
Oct-Sep Exports	0	0	0	0	0	0
Feed Dom. Consumption	800	800	800	700	800	710
TOTAL Dom. Consumption	800	800	800	700	800	710
Ending Stocks	8	74	9	55	10	46
TOTAL DISTRIBUTION	808	874	809	755	810	756

Import Trade Matrix			
Country:	Tunisia	Units:	1,000
Commodity:	Corn		
Time period:	MY		
Imports for	2001		2002
U.S.	570	U.S.	400
Others		Others	
Argentina	241	Argentina	150
Hungary	18	Brazil	24
		Hungary	42
		Ukraine	30
Total for Others	259		246
Others not listed	39		34
Grand Total	868		680