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## Tunisia

### Oilseeds and Products

### Annual

### 2006

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**Report Highlights:**

Tunisian corn oil imports from the United States are on the rise as high international prices draw Tunisian olive oil from the domestic market. Weak demand for soybean meal is expected to continue to curtail imports as a result of reduced poultry consumption as consumers remain fearful of avian influenza.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Tunis [TS1]  
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## EXECUTIVE SUMMARY

In Tunisia, all supplies of oilseeds and derived products, except olive oil, are sourced from imports. MY 05<sup>1</sup> (twelve-month period starting November 1, 2005) olive oil production is estimated at 210,000 MT, up nearly 70 percent from previous year's output. Exports are expected to soar due to this larger supply as well as to production shortfalls in Italy and Spain, the two main export markets for the Tunisian olive oil.

Although Tunisia hasn't reported so far any avian influenza (AI) outbreaks, demand for soybean meal experienced a significant AI-driven slowdown. AI outbreaks in nearby European countries as well as in Africa sparked fears among Tunisian consumers, and therefore exerted downward adjustments in the poultry sector.

Market fundamentals for soybean oil remain unchanged as this product continues to be sourced from the nearby EU-based soybean crushing industry thus displacing US-origin soybean oil.

Conversely, U.S.-origin corn oil imports are on the rise as this commodity, in addition to being re-exported to Libya, is being increasingly marketed as healthy edible oil more affordable than pricey olive oil to average Tunisian households. Corn oil is considered as a mid-scale product positioned between low-quality subsidized cooking oil and up-scale olive oil.

## TOTAL OILSEEDS

### Production

Tunisia has no significant oilseed production. Olive tree farming is the only domestic source of edible oils. 2005/06 crop year (11/05 - 10/06) hereafter referred to as MY 2005 is boasting a bountiful harvest estimated at 1050,000 MT, significantly up from the previous year's output. This surge, which usually alternates with production shortfalls, is a common feature of the predominantly rain-fed olive tree farming system prevailing in Tunisia.

Farm gate prices for olives, closely linked to export prospects for olive oil, reached unprecedented levels raging from 0.900 to 1.200 TD per kilo (equivalent to 0.69 to 0.92 USD). Comparatively, the average price recorded during previous season was only 0.6 TD (equivalent to 0.46 USD)

In addition to oil-yielding olives, a relatively small 13,000 MT production of table olives is also reported for MY 2005.

### Consumption

The entire olive harvest is processed into various grades of olive oil by numerous olive mills located nearby the olive groves. In MY 2005, it is estimated that nearly 1,300 out of the country's total 1,500 mills took part in the crushing season, which usually starts at mid November and runs for two to four months, according to the harvest's size and the availability of workforce, as the harvesting is

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<sup>1</sup> *Statistical Note: In this report we refer to calendar year as a reporting period instead of the marketing year for all the oilseed products except for the olive oil. This is due to both the lack of soybean and products domestic production and the availability of reliable data on a calendar year basis only. So, for instance, CY 2005 is used instead of MY 2004/2005 for soybean & products. The average CY 2005 exchange rate used for the purpose of this report is: 1.00 US\$ equivalent to 1.30 TD.*

still done manually. The crushing season underway is expected to wrap up by mid March 2006. Olive oil mill-gate prices are noticeably higher than last year. Prices are averaging 6 DT per liter compared to 4 TD last year (respectively equivalent to 4.62 and 3.08 USD).

### Trade

Apart from sesame seeds imported for confectionery purposes (about 10,000 MT annually) and peanuts used as salty snacks (nearly 5,000 MT per year), Tunisia does not import oilseeds to be processed into protein meals and edible oils. However, import of soybeans is likely to occur in the medium run for at least one soybean crushing facility is currently being built.

Tunisia has no meal-yielding oil crops. Imports of soybean meal account for nearly the country's entire supply of protein meals. A recent development whereby corn gluten feed is being marketed in Tunisia is poised to displace a significant amount of imported soybean meal. Soybean meal is mixed with other feed ingredients by nearly 750 feed mills (560 commercial size and 190 on-farm units) into compound feed according to standardized feed formulas.

### Consumption

Soybean meal consumption is mainly driven by the poultry sector: An estimated 75 percent of the imported soybean meal is used in broiler, turkey and egg productions. The remainder is included in cattle feed rations (dairy and feedlot operations)

In CY 2005, the overall consumption markedly receded from last year's all-time high, largely on account of AI-induced poultry production/consumption slowdowns during the fourth quarter. CY 06 soybean meal consumption is likely to plummet further due to the compounded effect of AI worries (so far, farmers reduced the number of chicks being placed for growout by more than 15 percent) and larger supplies of corn gluten feed, a partial substitute for soybean meal in dairy rations.

### Trade

Tunisia's soybean meal imports over the last five calendar years were as follows:

#### Tunisian Soybean meal Imports

	CY '01	CY '02	CY '03	CY '04	CY '05
Quantity (in 1000 MT)	266.0	338.7	270.3	391.2	271.4
Value (in million USD)	56.1	75.2	61.8	125.8	70.2
CIF Unit price (USD/MT)	210.9	222.0	228.6	321.6	258.8
Year-on-year quantity growth	-	27.3 %	- 20.2 %	44.7 %	- 30.6 %

Source: Institut National de Statistiques (INS)

The downward consumption trend mentioned above along with slowdown of meal exports to nearby Libya translated into a sharp decrease of soybean meal shipped to Tunisia in CY 2005.

Soybean meal is imported into Tunisia continuously throughout the year at the pace of 25,000 MT on average per month (equivalent to a shipload). This supply scheme reflects a situation where imports

are driven by an inelastic and quite predictable demand owing to a short production cycle in the poultry sector, the main user of soybean meal.

The CY 2006 import estimate is based on the assumption that consumption will further deteriorate amid growing avian influenza worries.

Argentina-sourced soybean meal, continues to enjoy the lion's share of Tunisian imports owing to its price competitiveness. This situation is likely to persist as Tunisian importers and end-use farmers are price sensitive.

CY 2005 US-origin soybean meal shipments (equivalent to two shiploads) are usually imported during the first months of the calendar year for bridging requirements, waiting for the South American new crop that is available starting from April-May. CY 06 U.S.-origin is likely to suffer from the current poultry production slowdown.

### **Policy**

Soybean meal and pellets imports from all origins are subject to an MFN customs duty of 17 percent and to a 6 percent VAT. However, the EU benefits from a relatively small TRQ of 6,000 MT subject to zero duty.

In January 2006, GOT announced a zero-duty TRQ of 100,000 MT of corn gluten feed in response to feed millers request to access a cheaper feed ingredient substitute to soybean meal, especially in dairy rations formulation (Decree n# 2006-4 dated 3 January, 2006)

### **TOTAL OILS**

#### **Production**

Olive oil is the only edible oil produced in Tunisia on a commercial scale. (See TOTAL OILSEEDS, Production section).

Tunisia's requirements for edible oil are met by imports of crude oils (refined locally) and, to a lesser extent, by its own olive oil production.

Domestic olive oil consumption is very price-elastic: it varies from a maximum of 70,000 MT to about 30,000 MT. MY 2005 consumption is expected to be on the low end due to relatively high prices fuelled by bullish export forecasts. In Tunisia, price formation of olive oil is mainly driven by the demand/supply equation in the EU. The latter, having captured more than 90 percent of Tunisian exports during MY 04, is in a dire need for third countries' olive oil to offset 20 to 30 percent production shortfalls in Spain and Italy, the two main European producers.

The relative cost of the olive oil makes it increasingly unaffordable for Tunisian middle class households who rely instead on other vegetable oils, mainly imported soybean oil, and recently corn oil, which are refined and bottled locally. Olive oil tends to be used as an occasional salad dressing whereas imported vegetable oils are used in every day cooking.

Consumption of margarine, produced locally using palm, coconut and to a lesser extent soybean oil, is growing at the average pace of 7 percent per year.

## Trade

Tunisia's olive oil exports represent a main source of foreign exchange. MY 2004 exports, at 98,000 MT, reflected smaller supplies. However, the average export price was up by more than 23 percent. MY 2005 export forecast is tentatively set at 180,000 MT. Good price levels estimated at 5.5 DT per Kg on average would translate in export earnings of nearly 1 billion TD, an all-time record.

On the imports side, Tunisia continues to rely heavily on soybean oil to meet the households' needs for vegetable oils. The breakdown of edible oils imports over the last five-year period is shown in the following table:

### Tunisian Vegetable Oil Imports

Unit: in 1000 MT

	CY 2001	CY 2002	CY 2003	CY 2004	CY 2005
Soybean oil	95.6	181.1	193.0	174.6	171.8
Corn oil	15.3	29.8	48.8	38.9	88.9
Palm oil	15.4	18.4	21.4	30.0	34.0
Coconut oil	5.2	4.0	5.7	5.2	2.9
Other oils	0.8	0.6	1.5	6.9	2.6
<b>Total</b>	<b>132.3</b>	<b>233.9</b>	<b>270.4</b>	<b>255.6</b>	<b>300.2</b>

Source : Institut National de Statistiques (INS)

CY 2005 overall edible oils imports increased markedly, mainly owing to larger corn oils shipments into Tunisia. Overall imports volume of corn oil break down to nearly 1/4 crude and 3/4 refined. After a collapse in CY 2004, corn oil re-exports to Libya totaling 43,000 MT greatly recovered and even exceeded the previous record of 41,000 MT set in CY 2003.

In CY 2005, soybean oil continued to be predominantly sourced from the EU, which accounted for more than two thirds of the entire quantity shipped to Tunisia. The remainder is sourced from Brazil and Argentina. The U.S.-origin soybean oil, lacking price competitiveness, accounted for a mere 3 percent of the overall imported quantity.

Palm oil imports are also on the rise mainly driven by the surging domestic consumption of margarine.

## Policy

The GOT policy governing the edible oils sector continues to seek the following objectives:

1. To promote the export of the olive oil, given the country's hard currency needs,
2. To fulfill the bulk of the domestic demand through imports of crude vegetable oils at the lowest cost possible. Those imports, carried over by the State-run National Oil Board (ONH), are handed over to local refiners according to a toll refining quota system, and
3. To subsidize the vegetable oil thus obtained and marketed by ONH in order to maintain a relatively low price at the retail level. The GOT, through the Compensation Fund (Caisse Generale de Compensation) regularly writes off the deficit incurred by the ONH and stemming from the difference between the actual production cost and the retail price.

Recent policy developments pertaining to the above-mentioned objectives are:

- In an effort to preserve the country's image as a reliable international supplier of olive oil, GOT recently promulgated a new specifications book governing exports of bulk olive oil (Agriculture Departmental Order dated October 19, 2005) requiring, inter alia, that licensed exporters maintain an adequate storage capacity and enter into long-term agreements with licensed laboratories to constantly monitor the quality of exported olive oil.
- In addition, the GOT, in an attempt to increase exports of bottled olive oil, currently weighing a mere 1 to 2 percent of total olive oil exports, set a special fund to provide incentives to exporters. This fund dubbed 'Fonds de Promotion de l'Exportation de l'Huile d'Olive Conditionnée', will collect a 0.5 percent ad-valorem tax levied on all exports of bulk olive oil.
- GOT continues to bolster the domestic oil refining industry while encouraging the consumption of unsubsidized edible oils. To do so, it recently announced the extension of the customs duty waiver on crude palm, sunflower seed and corn oil and maintained a substantive VAT reduction granted last year (from 18 to 6 percent). A similar tax burden relief was also applied on the refined forms of those three edible oils whereby customs duties are lowered from 43 to 10 percent and VAT reduced from 18 to 6 percent (decree # 2006-4 dated January 3, 2006)

## STATISTICAL SECTION

## PSD Soybean Meal

Unit: 1,000 MT

Country	Tunisia					
Commodity	Meal, Soybean					
	2004	Revised	2005	Estimate	2006	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		1/2005		1/2006		1/2007
Crush	0	0	0	0	0	0
Extr. Rate, 999.9999						
Beginning Stocks	0	35	0	35	0	20
Production	0	0	0	0	0	0
MY Imports	360	270	440	200	0	260
MY Imp. from U.S.	40	54	40	25	0	50
MY Imp. from the EC	0	0	0	0	0	0
<b>TOTAL SUPPLY</b>	<b>360</b>	<b>305</b>	<b>440</b>	<b>235</b>	<b>0</b>	<b>280</b>
MY Exports	0	15	0	15	0	10
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	0	0	0		0	0
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Waste Dom. Consum	360	255	440	200	0	250
TOTAL Dom. Consumption	360	255	440	200	0	250
Ending Stocks	0	35	0	20	0	20
<b>TOTAL DISTRIBUTION</b>	<b>360</b>	<b>305</b>	<b>440</b>	<b>235</b>	<b>0</b>	<b>280</b>
Calendar Year Imports	0	270	0	200	0	260
Calendar Yr Imp. U.S.	0	54	0	25	0	50
Calendar Year Exports	0	15	0	15	0	10
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

## Import Trade Matrix Soybean Meal

Import Trade Matrix			
Country:	Tunisia	Units:	1,000 MT
Commodity:	Soy bean Meal		
Time period:	CY		
<b>Imports for</b>	<b>2004</b>		<b>2005</b>
U.S.	47	U.S.	54
Others		Others	
Argentina	343	Argentina	216
Total for Others	343		216
Others not listed	0		0
<b>Grand Total</b>	<b>390</b>		<b>270</b>

## PSD Soybean Oil

Unit: 1,000 MT

Country	Tunisia					
Commodity	Oil, Soybean					
	2004	Revised	2005	Estimate	2006	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		1/2005		1/2006		1/2007
Crush	0	0	0	0	0	0
Extr. Rate, 999.9999						
Beginning Stocks	0	35	0	17	0	17
Production	0	0	0	0	0	0
MY Imports	175	172	175	175	0	175
MY Imp. from U.S.	12	6	25	5	0	5
MY Imp. from the EC	125	115	125	120	0	120
<b>TOTAL SUPPLY</b>	<b>175</b>	<b>207</b>	<b>175</b>	<b>192</b>	<b>0</b>	<b>192</b>
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	175	190	175	175	0	175
Feed Waste Dom. Consum	0	0	0	0	0	0
TOTAL Dom. Consumption	175	190	175	175	0	175
Ending Stocks	0	17	0	17	0	17
<b>TOTAL DISTRIBUTION</b>	<b>175</b>	<b>207</b>	<b>175</b>	<b>192</b>	<b>0</b>	<b>192</b>
Calendar Year Imports	0	172	0	175	0	175
Calendar Yr Imp. U.S.	0	6	0	5	0	5
Calendar Year Exports	0	0	0	0	0	0
Calendar Yr Exp. to U.S.	0	0	0	0	0	0

## Import Trade Matrix Soybean Oil

Import Trade Matrix			
Country:	Tunisia	Units:	1,000 MT
Commodity:	Oil, Soybean		
Time Period:	CY		
Imports for	2004		2005
U.S.	6	U.S.	6
<i>Other</i>		<i>Other</i>	
Argentina	13	Argentina	27
Brazil	19	Brazil	15
EU	137	EU	115
Total of Others	169	Total of Others	157
Others not listed	0	Others not listed	9
<b>Grand Total</b>	<b>175</b>	<b>Grand Total</b>	<b>172</b>

## PSD Olive Oil

Unit: 1,000 MT

Country	Tunisia					
Commodity	Oil, Olive					
	2004	Revised	2005	Estimate	2006	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		11/2004		11/2005		11/2006
Area Planted	0	1340	0	1340	0	1340
Area Harvested	0	1200	0	1200	0	1200
Trees	0	60000	0	60000	0	60000
Beginning Stocks	57	15	30	7	35	7
Production	130	130	250	210	0	160
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
<b>TOTAL SUPPLY</b>	<b>187</b>	<b>145</b>	<b>280</b>	<b>217</b>	<b>35</b>	<b>167</b>
MY Exports	100	98	190	180	0	100
MY Exp. to the EC	95	90	165	160	0	85
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	57	40	55	30	0	40
Feed Waste Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	57	60	55	30	0	0
Ending Stocks	30	7	35	7	0	27
<b>TOTAL DISTRIBUTION</b>	<b>187</b>	<b>145</b>	<b>280</b>	<b>217</b>	<b>0</b>	<b>167</b>
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	100	109	190	180	0	100
Calndr Yr Exp. to U.S.	0	5	0	10	0	5

## Export Trade Matrix Olive Oil

Export Trade Matrix			
Country:	Tunisia	Units:	1,000 MT
Commodity:	Oil, Olive		
Time period:	MY		
Exports for	2003		2004
U.S.	14	U.S.	5
Others		Others	
Italy	138	Italy	70
Spain	53	Spain	20
Total for Others	191		90
Others not listed	5		3
<b>Grand Total</b>	<b>210</b>		<b>98</b>