USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 3/31/2009

GAIN Report Number: AG9004

Algeria

Grain and Feed

Annual

2009

Approved by:
Hassan Ahmed
U.S. Embassy, Algiers

Prepared by:
Nabila Hales

Report Highlights:
Algeria's wheat and barley crops are projected to increase sharply in 2009, due to sufficient rainfall and favorable weather conditions. Despite increased total wheat imports in MY 2008/2009, wheat imports from the U.S. dropped sharply. Barley imports in MY 2008/09 are expected to more than double their level in MY 2007/08. The exemption from value added tax (VAT) for corn and some other ingredients destined for animal feed manufacturing should encourage imports of these products.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Annual Report
Algiers [AG1]
[AG]

Table of Contents

Production

Grain planting season in Algeria was completed under fairly satisfactory conditions. Most of the grain production regions in the eastern and central plains benefited from high precipitation resulting in good soil moisture levels. Precipitations were higher than average levels in the fall and winter months, with heavy snow reported in some regions. Heavy rains and snow caused significant floods and other damage in some areas, but seem to have generally helped alleviate the drought conditions that challenged Algerian grain farmers in previous years. The Ministry of Agriculture is reluctant to release any official estimates regarding area planted or projected yields for the new grain crops. Our estimates for area planted/harvested are based primarily on secondary information obtained from industry contacts as well as on inferences from the crop patterns for previous years.

Estimates indicate that about 3 million hectares of grains have been planted in Algeria in 2009, of which 68 percent are wheat, and 30 percent are barley. The grain crops are reportedly developing under favorable soil moisture and good weather conditions throughout the country. Provided that favorable weather conditions carry on into April and May, total grain production could reach 4 million MT, twice that of MY 2007/2008 (2.1 million MT). Algeria's grain production over the past five years has averaged at an estimated 2.7 million MT, reaching a maximum of 4.3 million MT in 2007.

Wheat

Approximately 2 million hectares of land have been planted with wheat, accounting for about two-thirds of Algeria's total grain area in 2009. Of this area, durum wheat accounts for 1.3 million hectares, common (bread) wheat for about 600,000 hectares, and wheat intended for seed production 180,000 hectares. Planting conditions were reported to be better than normal with sufficient rainfall contributing to good moisture conditions for sowing. However, shortages in seeds and fertilizer supplies in some areas may slightly impact overall wheat output. Wheat yields are usually higher than those of barley, as wheat is more attentively maintained. Wheat yield usually fluctuates between 0.9 and 1.6 tons per hectare, depending on rainfall and weather conditions in any given year. Total wheat production in MY 2008/09 was estimated at 1.6 million MT, because of drought and poor weather conditions in that year. For the 2009/10 wheat crop, it is projected that production could reach 2.9 million MT. In order to boost domestic wheat production and encourage the collection of the local harvest, the government increased domestic wheat purchasing prices to match international market prices starting with the 2008 harvest. (See policy section).

Barley

When it comes to planting grains, barley ranks second behind durum wheat in order of importance of grain area. For MY 2009/10, barley plantings are estimated to be over 800,000 HA, with total production projected at about 980,000 MT. Barley production in MY 2008/09 was 560,000 MT, due to drought and poor weather conditions in that year, with the average yield at 0.8 tons per hectare.

Consumption

Wheat

Algeria is considered to be one of the world's 10 largest consumers of wheat, a commodity which is eaten mainly in the form of bread and couscous made from semolina. Algerian wheat consumption has risen slightly in recent years as a result of increased urbanization, population growth as well as increased milling capacity. Wheat consumption is expected to stabilize.

Owing to the privatization of the wheat sector in 1998, the number of private mills has sharply increased drastically in the last 10 years. Industry analysts estimate that the total milling capacity is twice that of Algeria's total needs. According to Ministry of Industry 2006 data, total milling capacity in Algeria is about 10 MT annually, of which the private sector comprises 7.4 MT. Almost all Algerian mills have not been operating at full capacity for various reasons, including inefficient management and mandated supply restrictions by the Office of Grains (OAIC).

Cereals remain a staple food for the population. As is the case elsewhere, common wheat is milled mainly for bread flour while durum is milled mainly to make semolina that will be then used to produce pasta and couscous. Algeria consumes about 2.4 million tons of semolina annually, for which it processes about 3.2 million tons of durum.

Despite the sharp increase in commodity prices worldwide last year, local sales prices for bread and flour did not change. Price ceilings were extended to semolina starting in 2008, while price ceilings for bread and bread flour dated back to 1996 (Decree of April 1996).

Barley

Barley is mainly used for animal feed, although rural populations also consume it as food. Barley consumption is projected to remain relatively stable, though there may be a slight decrease in feed consumption due to improved pasture conditions. If Algeria is confronted with another drought situation in the ranchland as was the case in 2008, it is likely to cause a significant increase in barley feed demand by livestock breeders.

Trade

Wheat

Algeria has remained one of the largest importers of wheat in the world. Total wheat imports for CY 2008 are estimated at 6.3 million MT ($3.1 billion) of which durum totaled to 1.9 million MT ($1.3 billion) and bread wheat to 4.3 million MT ($1.7 billion).

The European Union is Algeria's principal wheat supplier. For CY 2008, France remained Algeria's primary exporter of bread wheat (59 percent) followed by Germany (10 percent), Argentina (9.6 percent) and the U.S. (6.5 percent). Mexico and Canada were Algeria's top suppliers of durum wheat, followed by France.

Table 1 - Algeria Total wheat imports by origin (Calendar Year 2008, 1,000 MT)

Origin	Durum	Bread wheat	Total wheat
France	270	2594	2,864
Canada	804	-	804
Mexico	832	-	832
Argentina	-	422	422
US	-	288	288
Germany	-	441	441
Lithuania	-	175	175
Ukraine	4	102	106
Great Britain	-	83	83
Brazil		78	78
Spain	72	-	72
Sweden	-	79	79
Others	-	107	107
Total	**1,982**	**4,369**	**6,351**

Source: Official Algerian Trade Data

Algeria's wheat imports from the U.S. declined sharply in 2008, due to strong competition from wheat exporters from Europe and the Black Sea region. Algerian Customs data shows that 288,000 MT (valued at $124 million) of common wheat were imported from the U.S., compared to 414,000 MT ($118 million) of common wheat in CY in 2007. No durum wheat was imported from the U.S. in CY 2008, while 71, 000 MT were imported in CY 2007. The U.S. share of Algeria's durum wheat import market has also been declining in the past few years, with U.S. suppliers losing ground to exporters from France and in the last year to Mexican suppliers. With reasonable quality, good prices and proximity to the market, French exporters have become the largest supplier of wheat to Algeria.

Algeria's wheat imports are mostly handled by the Office of Grains and by some specialized bulk commodities importers.

Barley

Barley is primarily imported in small shipments from Europe and Black Sea producers. In CY 2008, Algeria imported 233,000 MT of barley from France, 53,000 MT from Ukraine and 6,000 MT from Spain. No barley was imported from the U.S. Due to a poor harvest and drought conditions in some pastoral areas in 2008, the Office of Grains decided to increase imports of barley and subsidize prices.

Table 2- Algeria Barley Imports from all origins (Calendar Year, 1,000 MT)

Origin	2005	2006	2007	2008
Ukraine	21.7	68.0	-	52.8
Czech	-	2.9	-	-
Hungary	-	3.2	-	-
Russia	61.5	10.3	-	-
France	9.7	35.4	32.3	232.9
Spain	-	-	-	6.1
U.S.	23.8	24.1	-	-
Germany	15.7	-	24.6	0.0
Sweden	10.0	-	-	-
Total	**142.5**	**143.9**	**56.8**	**291.9**

Source: Official Algerian Trade Data

It forecasts that MY 2009 domestic barley production will increase and imports will therefore decrease.

Corn

Algeria imported 2.28 million MT of corn in CY 2007. The U.S. was Algeria's principal supplier of corn with 1.16 million MT, followed by Argentina (1.09 MT) and France (11,000 MT) in that year.

In CY 2008, Algeria imported less corn compared to CY 2007, likely due to the increase in prices worldwide. Having the most competitive of these prices, Argentina took the lead in 2008 to become Algeria's primary supplier of corn followed by U.S., France and then Canada.

Table 3 - Algeria Imports of Corn (Calendar Year 2008)

	Quantity (1,000 MT)	Value (Million $)
Argentina	1,229	390
US	540	157
Canada	84	32
France	113	31
Ukraine	50	12
Brazil	50	10
Romania	38	9
Paraguay	27	10
Total	**2,131**	**651**

Source: Algerian Official Trade Data

Imports of corn should remain relatively constant, largely due to demand from animal feed manufacturers.

Soybean Meal: Demand for soybean meal comes mostly from the poultry feed manufacturing sector. As there is no crushing plant in Algeria, demand is expected to remain high. Major suppliers are Argentina and the United States. Algeria imported 656,000 MT (valued at $204 Million) of soybean meal in CY2007, mostly from Argentina with 571,000MT and the U.S. with 44,000 MT.

Table 4 - Algeria imports of Soybean meal (Calendar Year 2008)

Country of Origin	Quantity (1,000 MT)	Value ($Million)
Argentina	634	289
US	50	22
Spain	4	2
Total	**688**	**313**

Source: Official Algerian Trade Data

An exemption from value added tax (VAT) for corn and soybean meal that was implemented in 2008 and is set to be in effect through December 31, 2009, (see policy section) is expected to further encourage imports from U.S. suppliers who should make efforts to lower prices in order to see an increase in exports to Algeria.

DDG's: Some shipments of distilled dry grains (DDG's) entered Algeria early in 2008. This is a new product for Algerian feed millers and importers, but with technical assistance demand could grow further. Trials are being done in some regions with the expectation of increased usage.

Pulses: Algeria imported an annual average of about 180,000 MT of pulses in the past four years, mostly from Canada, China, Mexico, Argentina, and Turkey. The most significant pulses are beans, lentils, chickpeas and beans for seeding. Imports from the U.S. represented a very small amount of Algeria's total pulse imports market in CY 2008 and were mostly chickpeas, lentils and beans.

Table 5 - Algeria Pulses imports (Calendar Year, 1,000 MT)

Origin	2005	2006	2007	2008
Canada	96.4	61.0	76.6	70.4
Mexico	20.9	40.7	23.2	26.1
Argentina	12.1	20.3	23.3	26.2
China	31.5	16.8	23.9	29.5
India	13.9	5.7	23.6	10.2
Turkey	9.0	4.6	3.1	4.7
U.S.	1.5	3.6	3.7	1.8
France	3.2	2.9	1.8	3.3
Others	8.5	8.1	12.0	14.6
Total	**196.9**	**163.6**	**191.2**	**187.0**

Source: Official Algerian Trade Data

Rice: Algeria's imports of rice are very irregular. Private importers take opportunities when good prices occur to buy rice in small containers from different origins. Algeria imported 71,345 MT of rice in CY 2007, mostly from Pakistan, India, Thailand and Vietnam. Algeria imported 955 MT of rice from U.S. in CY 2008. The first time Algeria imported a large quantity of rice from the U.S. was in 2002 (28,000 MT), as a result of the competitive prices in that marketing year under GSM-102.

Table 6 - Algeria Rice imports
(Calendar Year, 1,000 MT)

Origin	2005	2006	2007	2008
Vietnam	26.5	39.1	8.2	14.8
Thailand	8.8	6.1	16.3	52.3
Tajikistan	5.3	3.2	3.4	5.7
Pakistan	0.6	1.1	19.6	16.9
Japan	0.0	0.0	0.0	0.0
Italy	0.5	0.0	0.0	0.0
India	2.2	13.3	17.8	3.5
France	0.0	0.0	0.0	0.0
U.S.	0.1	-	0.0	1.0
Spain	8.6	3.4	5.3	0.1
China	-	0.0	0.2	1.1
Argentina	-	-	-	2.1
Brazil	-	-	-	0.2
Singapore	0.3	0.9	-	0.1
Canada	-	0.1	-	-
Others	1.5	0.0	0.5	-
Total	**54.4**	**67.3**	**71.3**	**97.8**

Source: Official Algerian Data

Policy

Algeria's new agricultural development strategy places special emphasis on improving food production and quality. It more explicitly calls for the intensification of agricultural production (cereals, potatoes, olive oil, milk, meat and poultry), the revitalization of natural resources, and improved usage of water resources and land.
In August 2008 the Agricultural Act (No 08-16) was passed, effectively providing a legal framework with which to protect agricultural land as well as the security of farmers in the long term. In order to boost domestic wheat production, the GOA decided in 2008 to subsidize the crop. The purchasing price for domestic wheat crops will be increased to the competitive international level. The Office of Cereals cooperatives will buy durum from farmers at 4500 AD ($63) per quintal, bread wheat at 3500 AD ($49) per quintal and barley at 2500 AD ($35) based upon an exchange rate of $1=71 AD.

In July 2008, the Algerian government issued a decree providing incentives to farmers, feed manufacturers and livestock producers to encourage local production. The farmers' incentives include an exemption from valued added tax (VAT) until December 2009 for some agricultural inputs such as fertilizers, insecticides, herbicides and some feed grains as corn, soybean meal, and alfalfa destined for feed manufacturers. However, U.S. exports of feedstuffs are expected to experience stiff competition from Argentinean suppliers.

Marketing

The milling industry has expanded in the past several years, but continues to experience some operational difficulties. Technical assistance is highly sought in wheat blending techniques and quality control as well as equipment maintenance.
Some FAS cooperators in the wheat and feed sector are currently active in Algeria and the North African region. They maintain periodic presence in the country to conduct trade servicing activities, technical workshops and seminars, trade missions and visits. The US Wheat Associates, through their office in Casablanca, works closely with importers and millers in Algeria. The US Grains Council covers Algeria from its regional office in Tunis and works closely with the feed manufacturing, poultry, dairy, and ruminant feed sectors. The American Soybean Association covers Algeria from Europe and through a resident consultant.

Wheat, Algeria (Areas in 1,000 hectares and quantities in 1,000 Metric tons):

Wheat Algeria	2007			2008			2009		
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Jul 2007			Market Year Begin: Jul 2008			Market Year Begin: Jul 2009		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Area Harvested	1,700	1,700	1,700	1,700	1,700	1,800			1,800
Beginning Stocks	3,486	3,486	3,486	4,118	2,736	2,744			1,674
Production	2,600	2,600	2,730	2,600	2,600	1,600			2,900
MY Imports	5,904	4,400	4,400	5,600	4,400	5,600			4,800
TY Imports	5,904	4,400	4,400	5,600	4,400	5,600			4,800
TY Imp. from U.S.	937	128	937	0	128	120			180
Total Supply	11,990	10,486	10,616	12,318	9,736	9,944			9,374
MY Exports	22	0	22	15	0	20			25
TY Exports	22	0	22	15	0	20			25
Feed Consumption	50	50	50	50	50	50			50
FSI Consumption	7,800	7,700	7,800	8,100	7,700	8,200			8,250
Total Consumption	7,850	7,750	7,850	8,150	7,750	8,250			8,300
Ending Stocks	4,118	2,736	2,744	4,153	1,986	1,674			1,049
Total Distribution	11,990	10,486	10,616	12,318	9,736	9,944			9,374

Barley, Algeria (Areas in 1,000 hectares and Quantities in 1,000 Metric tons):

Barley Algeria	2007			2008			2009		
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Jul 2007			Market Year Begin: Jul 2008			Market Year Begin: Jul 2009		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Area Harvested	700	700	700	700	700	700			800
Beginning Stocks	454	454	454	354	354	464			334
Production	700	700	950	700	700	560			980
MY Imports	50	50	140	350	50	350			120
TY Imports	350	50	140	150	50	350			120
TY Imp. from U.S.	0	0	25	0	0	0			20
Total Supply	1,204	1,204	1,544	1,404	1,104	1,374			1,434
MY Exports	0	0	0	0	0	0			0
TY Exports	0	0	0	0	0	0			0
Feed Consumption	700	700	930	950	700	890			950
FSI Consumption	150	150	150	150	150	150			150
Total Consumption	850	850	1,080	1,100	850	1,040			1,100
Ending Stocks	354	354	464	304	254	334			334
Total Distribution	1,204	1,204	1,544	1,404	1,104	1,374			1,434