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**Report Highlights:**

The Government of Algeria's strategy to improve domestic production to reduce imports of dairy products remains. Dairy products are subject to the temporary additional safeguard duty that the Government implemented in January 2019 to replace the import ban. Opportunities exist for the U.S. dairy, US livestock, genetics and farm equipment industry to supply the Algerian market.

## Executive Summary

Improving domestic dairy production to reduce reliance on imports remains a priority for the Government of Algeria (GoA).

The Ministry of Agriculture (MoA) focuses on the government's strategy to increase the production of milk and regulate the sector efficiently. The MoA encourages dairy farmers to organize into cooperatives to reduce production costs by sharing the use of the equipment and access bank credit.

These development programs provide opportunities for the U.S. dairy, US livestock, genetics and farm equipment industries' to supply the Algerian market.

Algerian farmers showed for the fourth year in a row their keen interest in U.S. livestock and genetics during the [2019 SIPSA show \(agri-business and livestock trade exhibition\)](#) in Algiers.

Trade Data Monitor figures show that Algeria imported 271,508 metric tons (MT) of whole milk powder and 166,851 MT of nonfat dry milk from January to December 2018.

In January 2019, the GoA replaced this import ban implemented in 2018, with a [temporary additional safeguard duty \(Droit Additionnel Provisoire de Sauvegarde, \(DAPs\)\)](#). Milk and milk cream, buttermilk, yogurt, butter and other fats, cheeses and curds are included, (see table below). Milk powder as well as feed grains remain unaffected by the DAPs.

## Production

The Government of Algeria's (GoA) overall strategy to develop and improve domestic production and reduce imports for both the dairy and cereals sectors remains.

The government's vision to orient agriculture toward intensive models and to develop modern agricultural complexes remains. The Ministry of Agriculture (MoA) still supports large dairy farms, by granting land for dairy production and production of pasture.

In addition, the Minister of Agriculture maintains the government's strategy to increase the production of milk and cereals to reduce imports and regulate the two sectors efficiently. Milk powder and cereal imports account for more than half of the country's food imports. The GoA commissioned an assessment of the real needs of the domestic wheat and milk market. A commission will carry out an in-depth study of the two sectors and look for ways to streamline the supply.

In the same line, the MoA created a national council for dairy in February 2019 to act at various levels. The objective of the council is to help farmers increase milk production. The council will also monitor the construction of large dairies in the south of the country. In addition, the MoA encourages dairy farmers to organize into cooperatives to reduce production costs by sharing the use of the equipment and access bank credits.

Moreover, the MoA encourages the strengthening of the relationship between large and small livestock farmers as well as modernizing livestock structures, equipment and creating breeding centers and improving management and milk collection.

The Government maintains the incentives set years ago to improve production and encourage milk collection and integration into the processing industry. The incentive provided to milk producers (breeders) of about 12 AD/L (\$0.1/L), 5 AD/L (\$0.041/L) to milk collectors and 4 AD/L (\$0.033/L) to dairy processors.

In addition, the GoA supports funding for the construction of stables and the acquisition of irrigation systems for the production of massive fodder.

These programs provide opportunities for the U.S. dairy industry to supply this market. U.S. market development association's expertise would also help assure a good share for US livestock, genetics and farm equipment in Algeria. The dairy sector has always suffered from deficits in fodder and feed production due to climatic conditions and sub-optimal genetics. In addition, constraints in animal husbandry and nutrition management still need improvement.

During the [2019 SIPSA show \(agri-business and livestock trade exhibition\)](#) in Algiers, Algerian farmers showed for the fourth consecutive year their keen interest in U.S. livestock and genetics. Although, the U.S. and Algerian regulatory agencies have not yet reached an agreement on the sanitary certificate for breeding cattle, opportunities still exist for semen and embryos, as well as beef cattle, once agreement is reached.

During the SIPSA show, farmers and dairy producers also showed an interest in partnerships with U.S. companies to establish large-scale dairy farms. The U.S.'s niche is to provide advanced agricultural technologies, cattle, and seeds needed to establish and operate an integrated production model in Algeria. This is one way U.S. agribusinesses can assist in developing the Algerian government's efforts to increase agricultural production and at the same time, create market opportunities for U.S. agribusiness.

## **Consumption**

Dairy remains the second most consumed staple food product in Algeria after cereals.

The GoA estimates domestic dairy consumption demand at 5 million metric tons (MMT) annually, 3.62 MMT of which comes from domestic production (2017). The short fall is filled by imports of milk powder.

Fresh cow's milk represents 73% of the domestic production. Other milk production comes from sheep and goats. Camel milk production is marginal. The diversification of dairy production has increased Algeria's dairy consumption making it the highest in North Africa and the world.

The head of the government dairy buying agency, (Office National Inter-professionnel du Lait, (ONIL) indicated in press reports that Algerians consume more milk than the world average. He indicated that the Algerian annual consumption of milk is estimated at 145 liters per year, while the average fixed by the FAO is 90 liters per year per capita, which represents 55 liters per year more than the world average.

Dairy consumption is expected to be stable especially with the new policy to reduce imports and increase consumers' awareness regarding health issues due to excessive consumption of dairy products.

The milk consumed in Algeria has historically been reconstituted with blends of imported non-fat dry milk and anhydrous milk fat. With the implementation of the development programs and incentives for the integration of fresh milk in the dairy processing industry, local processors began producing pasteurized fresh milk with a 24-hour shelf life in one-liter plastic bags as well as in UHT tetra packs.

## **Trade**

Algeria's total dairy product imports represented 17.51 percent (\$493 million) of the total food imports (\$2.81 billion) in the first four months of CY2019. According to the Algerian Customs' Statistics Center, the value imported decreased by 12.59 percent compared to the same period in CY2018 (\$564.5 million). World prices for milk powder were lower in the beginning of CY2018, but increased since July 2018, which explains the decrease in the imports in the beginning of CY2019.

Algeria's total dairy product imports reached \$1.4 billion (16.34 percent) of the total food imports (\$8.57 billion) in CY2018.

Trade Data Monitor figures show that Algeria imported 271,508 metric tons (MT) of whole milk powder and 166,851 MT of nonfat dry milk from January to December 2018. Algeria imported whole milk powder mostly from New Zealand (35.57 percent) followed by Uruguay (26.6 percent) and Argentina (25.4 percent). EU origin accounted for only 9.72 percent.

Nonfat dry milk mostly originated from the EU (86 percent) followed by Canada (10.47 percent) and Australia (0.9 percent). The U.S. origin imports accounted for only 1 percent of the nonfat dry milk imports and 0.1 percent of the whole milk powder imports.

Europe benefits from proximity and favorable freight rates. Algeria has traditionally traded with EU countries. However, European traders currently see Canadian exports as so competitive that they are displacing EU sales in traditional export markets, such as Algeria. The European dairy industry is facing competition from Canadian exports that are increasing yearly.

### **Global Exports of Milk Powder to Algeria Annual Series January 2013 –December 2018**

Reporter	Unit	Annual Series (UOM1: T)					
		2013	2014	2015	2016	2017	2018
<b>_Total</b>	<b>T</b>				<b>375680</b>	<b>391406</b>	<b>439326</b>
EU 28 External Trade	T	87501	212896	145049	125105	197893	170633
New Zealand	T	39358	98430	126362	188945	102152	97050
Uruguay	T	10002	9169	26783	18258	38483	72454
Argentina	T	56693	45210	31387	29368	23855	69212
Canada	T	0	500	0	855	13063	17483
Malaysia	T	582	1525	1943	4589	3431	5148
Australia	T	464	0	2016	2016	5165	3191
United States Consumption	T	31954	15388	500	2101	2211	2154
Switzerland	T	473	802	605	1453	360	725
Turkey	T	0	300	27	794	1507	575
Brazil	T	0	6650	0	0	1310	500
Ukraine	T	80	1350	1150	2198	1975	200
Indonesia	T	3567	3763	1166	0	0	0
India	T	12453	2496	0	0	0	0
Chile	T	100	1900	0	0	0	0

Source : Trade Data Monitor, LLC

Due to the GoA strategy to reduce imports in favor of domestic production, Post forecasts a decrease in the imports. In addition, the world price of milk powder is rebounding from the previous low price levels seen at the beginning of 2018.

## Policy

In January 2018, the GoA replaced the import licensing system implemented in 2017 by a temporary import ban. This ban temporarily suspended 851 products, of which 576 were agricultural including some dairy products with the exception of milk powder. In January 2019, the GoA replaced this import ban with a [temporary additional safeguard duty \(Droit Additionnel Provisoire de Sauvegarde, \(DAPs\)\)](#).

The list of goods subject to the temporary additional safeguard duty and the corresponding rates were published in the [Journal Officiel No 06 of January 27, 2019](#) as part of the Ordinance of January 26, 2019. The list included 1095 items of which 658 were food and 437 industrial products in addition to their tariff codes and the corresponding DAPs rates. Food items represent 60% of the list. Most of the food items listed are processed and high value products. Some dairy products (milk and milk cream, buttermilk, yogurt, butter and other fats, cheeses and curds) are included, (see table below). Milk powder as well as feed grains remain unaffected by the DAPs.

<b>Categories</b>	<b>DAPs Rate (%)</b>	<b>Tariff Code</b>
-milk and milk cream non-concentrated, non- sugar or sweetener added	70	04.01
-buttermilk, curdled milk and cream, yogurt and other fermented or acidified milk and creams concentrated or sugar-added or other sweeteners-added, flavored, fruits or cocoa-added	70	04.03
-butter and other fats derived from milk, dairy spreads	70	04.05
-cheeses and curds	70	04.06

The detailed list in English can be found in FAS reports at:

[https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Trade%20Policy%20Update\\_Algeria\\_Algeria\\_2-12-2019.pdf](https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Trade%20Policy%20Update_Algeria_Algeria_2-12-2019.pdf)

The original full revised list in French with the current DAPs rate can be found at:

<https://www.joradp.dz/FTP/jo-francais/2019/F2019026.pdf>.

On April 21, 2019, the GoA updated the list with a [new ordinance](#) to temporarily exclude some food items from the DAPS. The dairy products that were excluded from the list of products subject to the DAPs are as follows:

<b>Categories</b>	<b>Previous DAPs Rate (%)</b>	<b>Tariff Code</b>	<b>Current change</b>
-butter and other fats derived from milk, dairy spreads	70	04.05.10.19.00 04.05.10.90.00 04.05.20.00.00	excluded

In addition, wheat, barley, corn, soybeans and soybean meal as well as distiller's dried grains with solubles (DDGs), starch residues and preparations for animal feed remain also unaffected by the implementation of the temporary additional safeguard duty (Droit Additionnel Provisoire de Sauvegarde or DAPs).

Furthermore, the exemption from Value-Added-Tax (VAT) for barley, corn, DDGs and other feed grains implemented in FY2018 is still current.

## **Marketing**

Although, the U.S. and Algerian veterinary officials have not yet reached agreement on the health certificates to allow exports of U.S. dairy cattle, beef cattle, bovine semen and embryos to Algeria, the Algerian market still holds tremendous potential for U.S. livestock and genetics.

FAS Algiers regularly participates in the ([SIPSA show \(agri-business and livestock trade exhibition\)](#)) in Algiers in October as well as the international Food and Agribusiness Show ([SIAG](#)) in Oran (second largest city in Algeria) in March, promoting U.S. agricultural products.

FAS Algiers invites all U.S. exporters and Cooperators interested in doing business in the Algerian market to participate in these annual events.

<b>Dairy, Dry Whole Milk Powder</b>	<b>2018</b>		<b>2019</b>		<b>2020</b>	
<b>Market Begin Year</b>	<b>Jan 2018</b>		<b>Jan 2019</b>		<b>Jan 2020</b>	
<b>Algeria</b>	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>
<b>Beginning Stocks</b>	72	72	107	98	0	73
<b>Production</b>	0	0	0	0	0	0
<b>Other Imports</b>	280	271	230	230	0	230
<b>Total Imports</b>	280	271	230	230	0	230
<b>Total Supply</b>	352	343	337	328	0	303
<b>Other Exports</b>	0	0	0	0	0	0
<b>Total Exports</b>	0	0	0	0	0	0
<b>Human Dom. Consumption</b>	245	245	265	255	0	265
<b>Other Use, Losses</b>	0	0	0	0	0	0
<b>Total Dom. Consumption</b>	245	245	265	255	0	265
<b>Total Use</b>	245	245	265	255	0	265
<b>Ending Stocks</b>	107	98	72	73	0	38
<b>Total Distribution</b>	352	343	337	328	0	303
(1000 MT)						

<b>Dairy, Milk, Nonfat Dry</b>	<b>2018</b>		<b>2019</b>		<b>2020</b>	
<b>Market Begin Year</b>	<b>Jan 2018</b>		<b>Jan 2019</b>		<b>Jan 2020</b>	
<b>Algeria</b>	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>
<b>Beginning Stocks</b>	54	54	64	65	0	45
<b>Production</b>	0	0	0	0	0	0
<b>Other Imports</b>	165	166	140	140	0	140
<b>Total Imports</b>	165	166	140	140	0	140
<b>Total Supply</b>	219	220	204	205	0	185
<b>Other Exports</b>	0	0	0	0	0	0
<b>Total Exports</b>	0	0	0	0	0	0
<b>Human Dom. Consumption</b>	155	155	150	160	0	165
<b>Other Use, Losses</b>	0	0	0	0	0	0
<b>Total Dom. Consumption</b>	155	155	150	160	0	165
<b>Total Use</b>	155	155	150	160	0	165
<b>Ending Stocks</b>	64	65	54	45	0	20
<b>Total Distribution</b>	219	220	204	205	0	185
(1000 MT)						



**Attachments:**

No Attachments