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Algeria

Dairy

Dairy Annual Report

1998

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Report Highlights:
Since 1996, there has been a serious drop in U.S. dairy export market share because of decreases in DEIP subsidies. The private sector is more active in dairy product importing. The GOA has increased financial support to local dairy farmers.

Includes PSD changes: Yes
Includes Trade Matrix: Yes

I. EXECUTIVE SUMMARY

There were 427 million USD of dairy imports in 1997, making Algeria one of the world's largest dairy product importers. There are several reasons for Algeria's heavy reliance on imports. Low productivity, insufficient forage due to the lack of irrigation water, high input prices and a general unstable agricultural sector are chief among them.

The Algerian government has officially designated milk as the main source of protein for Algerians and has established a goal of providing 110 liters per capita annually. In theory, this goal has been reached; however, the majority of the amount consumed is imported.

The Algerian population is growing at a rate of about 2.1 percent per year and 75 percent of the population is under the age of 25. Since young people consume milk in large quantities, demand should rise along with the growing population. This represents a great opportunity for Algeria's foreign suppliers of dairy product, including the United States, to export to Algeria.

About 70 liters out of the 110 liters consumed annually by Algerians are reconstituted from milk powder while just 40 liters is from fresh milk produced locally.

Reconstituted milk powder is produced by combining fresh milk powder and butter oil. Both milk powder and butter oil are entirely supplied from overseas. A large amount is also marketed as imported whole milk (26-percent fat content), which needs only to be mixed with water before use. Whole milk powder is also entirely imported.

In 1997, Algeria spent around 354 million USD on imported Non Fat Dry Milk (NFDM) and Whole Milk Powder (WMP) and other condensed and sweetened milk. In addition, Algeria imported other dairy products such as butteroil, cheese and butter, valued at 73 million USD.

U.S. dairy export market shares to Algeria have declined significantly since 1996. The U.S. was formerly well placed in the Algerian market for butteroil and NFDM. But by 1997, the U.S. supplied only 7.4 % of NFDM (52% in 1994) and 32 % of the butteroil (43% in 1996) imported by Algeria. GSM credits and the DEIP program sustained these high market shares in the past. Reduced DEIP subsidies will make U.S. dairy products less attractive and competitive compared to European products. Total U.S. dairy exports to Algeria dropped from 102 million USD in 1995 to only 16 million USD in 1997.

II. PRODUCTION

1. General

The fresh milk sector faces numerous barriers which hinder production. These include a lack of water irrigation, and good quality forage, high feed prices, and a shortage of feed and concentrate supplies.

Production of local milk is estimated to have reached one million MT in 1997 and should increase this year thanks to good agricultural conditions and the new GOA program for dairy production enhancement . However, the country will rely heavily on imports to meet its needs, estimated at three million MT per year.

The public dairy sector has undergone important restructuring this year. A dairy group has been created, "GIPLAIT", the Industrial Group for Dairy Production. The factories of dairy offices located in each geographic region have been transformed into 18 autonomous units managed by the dairy group GIPLAIT.
In addition, a trading firm has been created, " MILK TRADE", which is in charge of the supply of the 18 autonomous units. This firm is a subsidiary of GIPLAIT. Further changes are afoot. Two autonomous plants will soon be privatized and GIPLAIT is searching for foreign partners to develop the dairy industry.

The public dairy sector faces serious problems at different levels; including production, commercialization, human resources and financing.

Issues can be summed-up as follows:

At the production level:

- The industrial process is simple, but not sufficiently mechanized for dairy products.
- There are important losses both of raw materials and finished goods during processing
- Bad packaging (plastic bags) causes losses during distribution.
- Equipment is outdated.
- A low integration rate of crude local milk and a heavy reliance on imports.
- The cost of crude milk is uncompetitive in comparison to imported milk.

At the commercial level:

- The milk price fixed by the GOA is not sufficiently remunerative for reconstituted milk.
- There is a monopoly situation for reconstituted milk but there is competition in the whole milk powder market.
- The private sector is more active in production and dairy product imports.
- A decrease in demand for reconstituted milk due to price increases.

At the human resources level:

-There is over-staffing which decreases efficiency and competitiveness.

In 1996, the public dairy sector had a deficit of 181 million USD and revenues of 370 million USD. In 1997, thanks to staff-cuts, the deficit decreased to 123 million USD.

2. Production Factors

Average milk production does not exceed 8 liters per day per head. This low productivity is due primarily to poor quality feed that is usually comprised of 60 percent hay and straw, small quantities of silage with a remaining 40 percent from concentrate. Green forage is available during 6 months of the year only. During the rest of the time, green forage has been replaced by poor quality straw and vetch-oats. Concentrate is less used because of increasing prices for imported concentrate and soybean meal.

The area in forage represents only 9.1 percent of the total arable acreage with 412,150 hectares in 1996, compared to 488,860 hectares in 1995.

3. Production Mix

A. Fluid Milk

Around one million MT of fluid milk are produced annually in Algeria, while 3 million MT are consumed. In 1997, fluid milk production reached 1.05 million MT. To meet its needs, the country has to import NFDM and butteroil to mix them locally and WMP to sell directly to consumers.

Until 1994, relatively high beef prices induced farmers to switch from milk to red meat production. According to official statistics, the number of bovine livestock head have decreased from 1.313 million in 1993 to 1.225 million in 1997. In addition, many farmers switched from feed crops to more profitable vegetable crops. This was especially true for irrigated land.

TABLE 1: BOVINE LIVESTOCK

Year	Total Bovine	Milk Cows	Milk/Total
1995	1,226,620	698,650	57 %
1996	1,227,940	676,720	52 %
1997	1,255,410	627,705	50 %

Source: Ministry of Agriculture.

However, since 1995, the GOA has subsidized fresh milk production to encourage farmers to increase milk output. For each liter produced, the farmer receives an average price of 22 AD from the GIPLAIT autonomous units, plus a subsidy of 4 AD from the GOA. Additionally, for each liter collected, the farmer receives 2 AD from the GOA if the milk is carried to the collection point by the farmer.
In addition to this program, in 1998, the GOA decided to give another subsidy of 35 million USD in order to enhance milk production. Consequently, the subsidy of 4 AD was raised to 5 AD. The bonus self-transportation subsidy was raised from 2 AD to 3 AD.

Given the fact that the GOA fixes retail milk price at 20 AD/liter, the different plants of the industrial group for dairy production (GIPLAIT) prefer to use the milk they collect for products such as fresh cheese or yogurt, which prices are not controlled.

B. Reconstituted Milk

Reconstituted milk is a major source for Algeria's milk needs. The price of reconstituted milk is still fixed by the GOA. Algeria produces reconstituted milk by blending imported raw material (NFDM and butteroil). But since last year, due to high butteroil prices on the international market, GIPLAIT plants used WMP in place of butteroil to produce reconstituted milk. An estimated 3 percent of fresh milk collected by GIPLAIT plants is also used as raw material in the production of reconstituted milk.

While these inputs are almost entirely imported, the products are mixed domestically by the 18 different plants of the Industrial Group for Dairy Production. The production of this group meets 35 percent of Algerian milk needs.

In 1997, GIPLAIT was the main importer of dairy products. However, private importers import a large share of dairy products, especially whole milk powder (which is sold directly in 0.5 Kg packages or in sacks of 25 kg for yogurt production), cheese and butter.

In 1997, Algeria imported 78,713 MT of NFDM from Poland (39 percent); France (28 percent), Germany (12 percent) and the U.S. (7 percent).

For the first nine months of 1998, 71,571 MT of NFDM were imported, mainly from Poland (32 percent), which is offering NFDM this year at very competitive prices, France (33 percent) and the U.S. (11 percent).

C. Butteroil

In order to mix Non Fat Dry Milk (NFDM), Algeria imports butteroil. The U.S. is well placed in this market as shown in the following table. Algeria’s butteroil imports decreased from 10,706 MT in 1996 to only 3,950 MT in 1997. This drop in butteroil imports is due to an increase in butteroil prices on the international market.

TABLE 2: Algeria's butter oil imports in 1997 (metric tons)

Origin	Quantity	Percent
U.S.	1,500	38
New Zealand	221	5
Australia	2,228	57
Total	3,950	100

TABLE 3: Algeria's butter oil import in 1998
(first eight months) (Metric Tons)

Origin	Quantity	Percent

New Zealand	1,597	63
Ireland	999	37
Total	2,526	100

Source: Algerian Customs

D. Whole Milk Powder

To satisfy the rest of its milk needs, Algeria imports whole milk powder (26 percent fat content) which is mixed with water before consumption. Private importers import most WMP in Algeria.

In 1997, 73,094 MT of WMP were imported, mainly from France (82 Percent), New Zealand (8 percent) and Great Britain (3 percent). The remaining quantity was imported from Belgium and Canada. In 1996, only 52,000 MT of WMP were imported by Algeria. This increase in whole milk powder imports is due both to the increase in the price of reconstituted milk and to the stabilization of WMP prices in Algeria. In addition, several private businessmen started to launch plants in dairy products production, plants which use mainly WMP as a raw material to produce yogurt.

For the first nine months of 1998, WMP imports reached 82,154 MT, mainly from France (62 percent), Germany (15.6 percent) and Belgium (8 percent).

Imports of WMP usually come in pre-packaged cardboard containers made by suppliers on behalf of the importer (including name, quantity, method of use, specifications and the name of the importer in Arabic). Each container contains 24 boxes of 0.5 kilogram each, or sacks of 25 kilograms for use in the production of yogurt or other dairy desserts. It's particularly useful in the countryside, as well as in the Saharan desert area. According to some Algerian importers, U.S. WMP is not imported in Algeria due to its specific taste which is different from the European WMP. Furthermore, according to U.S. suppliers, the U.S. does not traditionally produce much WMP.

E. Butter

Consumer prices for butter are no longer subsidized or controlled on the retail market. Higher butter prices have depressed consumption and, hence, production and imports. Over the past few years butter has been replaced by margarine thanks to its competitive price.

Algeria imported 4,670 MT of butter in 1997; mainly from New Zealand (45 percent) and France (24 percent). The country imported 2,526 MT of butter for the first eight months of 1998. Imports of butter are usually in containers of 12 packs of 0,250 kg. each.

F. Cheese

Local cheese production comes up in the form of soft white cheese (fromage frais), "brie" cheese and "Camembert" cheese. These kinds of cheese are made from local fresh milk and sometimes from powdered

milk. However, the most popular and least expensive cheese in Algeria is the cheese spread kind which is made from cheddar.

In 1997, Algeria imported 15,315 MT of cheese including 8,041 MT of cheddar mainly from New Zealand (41 percent) while 9 percent was of U.S. origin. This compares to 1,700 MT of cheese (mainly cheddar cheese) imported in 1993 of which 60 percent was of U.S. origin. In addition, Algeria imported 5,985 MT of cheese spread (97 percent French origin). Algeria has been experiencing a boom in cheese imports due to foreign trade liberalization. Algeria imported 10,017 MT of cheese in the first eight months of 1998. One kilogram of local cheese spread costs 350 AD (6 USD) at the retail market.

4. Production Technology

Algeria's livestock breeding technology remains underdeveloped. High-performance imported cattle often have difficulty adapting to the Algerian environment and their productivity suffers.

Although not widespread, artificial insemination is practiced. The state-owned "National Center for Artificial Insemination and Genetic Improvement" (CNIAAG) is in charge of extending and implementing government program to increase the use of artificial insemination and genetic enhancement throughout the country. However, it is reported that most of the bulls used do not perform well and in some cases are too old. Moreover, a large part of Algeria's dairy herd consists of non-registered breeds. Consequently, artificial insemination is often inefficient. This year, the GOA decided to increase the subsidy for each artificial insemination from 1,000 AD (17 USD) to 1,200 AD (21 USD) to increase its practice.

5. Production Problems

As already mentioned above, one of the major production obstacles and perhaps the most important one, is lack of appropriate feed. Poor feed supplies are even worse when drought occurs.

Another problem is the poor sanitary conditions for livestock. The most frequent diseases affecting cattle are foot and mouth disease, tuberculosis and mastitis. Foot and mouth disease is being combated with a vaccination program, tuberculosis and mastitis have testing programs.

6. Production Policy

Since 1970, government policy has given priority to reconstituted milk made from imported milk powder over fresh milk produced locally. This policy was encouraged by the low, subsidized, international prices of milk powder. As a result, although the milk powder consumption goal of 110 liters per person per year, has been reached, the local dairy sector has suffered.

Since 1995, a program has been in place to promote dairy production and collection. This program led to an increase in dairy production. This program was not a success, because, according the Algerian Minister of Agriculture: out of 52 million USD, only 14 million USD were used. He also stated that only 10 percent of total milk production is collected by GIPLAIT plants. The amount of milk collected by GIPLAIT plants decreased from 137.6 million liters in 1996 to 113 million liters in 1997 due to drought.

In 1998, the GOA took the decision to give a subsidy of 35 million USD to dairy farmers to promote dairy production. The 50 % percent subsidy limit concerns the auto-drinking equipment subsidy is given to farmers for installation of automatic drinking equipments. This limit rose from 175 USD to 263 USD and from 2,631 USD to 3,509 USD for equipment used for forage production. Dairy equipment subsidies rose from 7,895 USD to 8,772 USD for dairy equipment. Moreover, the GOA decided to increase its support to dairy collection and processing. Thus, the 60 % limit of that subsidy, rose from 4,386 USD to 5,263 USD for the setting-up collection centers and from 7,017 USD to 14,035 USD for the acquisition of refrigerated tanks of a minimum capacity of 1,000 liters/day. There was an increase in the level of support for the setting-up of a dairy plant decreasing from 40 percent to 60 percent for with a limit at 70,175 USD. These subsidies should have a positive impact on local dairy production. The goal of this project is to reach 1.5 MMT of local milk production and 250 million liters collected by GIPLAIT plants by the year 2000.

Table 4: Milk collected by the GIPLAIT Plants

Years	Quantity in Million liters
1994	81.5 million liters
1995	125 million liters
1996	137.6 million liters
1997	113 million liters

This year, the private sector is the sole importer of dairy cattle and has imported 15,000 heads over the past two years. Because of mad cow disease, cattle imports from most European countries are forbidden. Therefore, there is an opportunity for U.S. cattle to be sold, which have a good reputation in Algeria.

III. CONSUMPTION

1. General

The GOA has officially designated milk as the main source of protein, representing 65 percent of proteins consumed by Algerians.

In order to meet the goal of 110 liters per year per consumer, in the past, the GOA has subsidized consumer milk prices. However, since 1996, following its agreement with the International Monetary Fund, Algeria reduced subsidies. Nevertheless, it still subsidizes milk production.

2. Utilization Patterns

A. Infant Needs

In Algeria, mothers breast-feed their babies for 6 months in large cities and up to one year in rural areas before introducing them to infant milk formula. When available, parents feed their babies fresh cow milk.

B. Availability of Milk

Because fresh milk is seldom available on the retail market, consumers generally buy reconstituted milk made from a mixture of NFDM and butter oil. Reconstituted milk is packaged in one liter plastic sacks. Since its price increased in 1996, reconstituted milk has been available the entire day. This is in contrast to years ago, when milk was disappearing a few hours after being put on the shelf. This year GIPLAIT has experienced some problems in financing imports and as a consequence, there have been a few disruptions in reconstituted milk supply.

Whole milk powder ready for consumption (26% fat content) is consumed just as often as reconstituted milk. Whole milk powder, which is packaged generally in 0.5 kg boxes, is used throughout the country and has a long shelf life.

C. Butter Consumption

The butter usually consumed in Algeria is unsalted. Butter is mostly used for baking cookies or for breakfast (with bread and jam). Butter consumption increases during Ramadan and in summertime when weddings take place. The consumption of butter has decreased these last years due to the lower prices of margarine.

3. Product Substitution

Because butter no longer has price supports, butter is being partially replaced by margarine, which is cheaper. One kilo of butter costs 360 AD (6.3 USD), while one kilo of margarine costs only 150 AD (2.6 USD). If the price of reconstituted milk increases next year, WMP might partially replace reconstituted milk.

4. Prices

Since the GOA decided to reduce consumption subsidies in 1992, prices of all dairy products have increased significantly (see table 4 and 5). Now, the price of reconstituted milk remains the only dairy product price still fixed by the GOA.

In 1996, the price for reconstituted milk packaged in plastic bags rose by 66 percent to reach 20 AD/ liter. The price has not increased since that date.

One box of 0.5 kg whole milk powder ready for consumption (26 percent fat), yielding around 4 liters of liquid milk, is sold 110 AD. This price has been stabilized and did not increase this year.

One liter of fresh local milk costs 30 AD (a 15 percent increase over 1996). This price has not increased in the past two years.

Retail milk prices have been stabilized, except for reconstituted milk, for which the price is still fixed by the GOA. The prices of other milk products are not expected to increase significantly in the coming year.

Table 5: Retail Price of Milk in AD

Years	Fresh local milk (1 liter at the farm)	Reconstituted milk (1 liter plastic sack)
1993	18	6
1994	20	8
1995	25	12
1996	26	20
1997	30	20
1998	30	20

Table 6: Retail price of whole milk powder (packaged in 0.5 kg boxes) in A.D.

Years	Prices
1993	50
1994	75
1995	100
1996	110
1997	110
1998	110

Exchange rate: 1997: 57 AD/$, 1996: 54 AD/$, 1995: 35 AD/$, 1994: 35 AD/$

IV. TRADE

1. Overall Trade Trends

For the first nine months of 1998, Algeria spent more than 380 million USD on dairy imports. The Algerian market remains heavily influenced by international prices. The U.S. used to be competitive in Algeria in butteroil, NFDM and cheddar cheese. However, the reduction of DEIP subsidies seriously undermines the U.S. export of dairy products to Algeria.

Dairy imports decreased from 560 million USD in 1995 to 427 million USD in 1997. This is due to increased local milk production and decreased demand for reconstituted milk.

A stagnation in dairy imports or a small increase is expected in 1999 thanks to the increased production of fresh local milk and a stagnation in demand.

The liberalization of foreign trade over the past years has resulted in large numbers of private importers starting to import cheese ready for consumption, especially cheese spread, mainly from France. In 1997, Algeria imported a total of 8 million USD of cheese spread. The most common cheese is cheese spread which is eaten with bread. Next year, the market share of private importers should increase significantly. These importers are especially interested in WMP and cheese. In fact, they import WMP in packs of 0.5 kg to be sold directly to consumers without any processing, or to produce yogurt in 25 Kg packs. In addition, in 1997, 25 million USD of condensed milk were imported, mainly from France (78 percent).

WMP imports rose from 55,000 MT in 1996 to 73,094 MT in 1997. This quantity increased further to 81,154 MT for the first nine months of 1998. NFDM imports have increased from 52,024 MT in 1996 to 78,713 MT in 1997 (163,403 MT in 1995) and to 71,571 MT for the first nine months of 1998. Butteroil imports have fallen from 10,706 MT in 1996 to only 3,950 MT in 1997. The decrease of butteroil imports is mainly due to its high price on the international market.

The different plants of the dairy group GIPLAIT are the main users of NFDM and butteroil to produce reconstituted milk. These imports decreased over the past few years due to a decrease in demand for reconstituted milk. This has contributed to a fall in U.S. exports.

The decrease in U.S. dairy imports, especially NFDM and butteroil, is mainly due to the decrease in DEIP subsidies.

The main U.S. competitors are the European Union (especially France, Belgium, Germany and Great Britain), Poland in the NFDM market, and Australia, New Zealand and the Netherlands in the butteroil and cheddar cheese markets.

As stated earlier, an industrial dairy production group (GIPLAIT) has been created, the different production units have been transformed into autonomous units. A trading firm (Milk Trade) has been created which will be in charge of the imported raw material supply to the different units.

The Interprofessional Office of Dairy Products was created in order to organize, supply, regulate and stabilize

the market for dairy products. This office is under the control of the Ministry of Agriculture. This office is in charge of the regulations concerning distribution and the determination of dairy product prices.

2. Trade Policy

The price of reconstituted milk made from NFDM and butteroil is still fixed by the GOA. This product consumption decreased over the past few years due to price increases. The price of this product might increase next year as it reaches its balanced price. According to a new regulation, private importers have to send their sales forecasts to the Ministry of Trade in order to enable the Ministry of Trade to regulate the market. Currently, state-owned firms use cash for all import payments. Milk Trade, the firm which is in charge of the public dairy supply, uses cash for all import operations.

3. Tariff Changes

During 1995, the government announced changes in tariff rates for most dairy products.

TABLE 7: Custom Tariff for Dairy Products

Product	Custom duties	Value Added Tax	TSA
Non Fat Dry Milk	5 percent	None	None
Whole Milk Powder	5 percent	None	None
Butteroil	5 percent	21 percent	None
Spread cheese	45 percent	21 percent	35 percent
Cheddar cheese	45 percent	21 percent	35 percent

TSA is a specific tax for ready to consume products.

4. Non Tariff Barriers

Since Algeria has liberalized its foreign trade, there are non-tariffs barriers, no price supports, and no import quotas.

5. Export Subsidies

Due to the fact that Algeria depends heavily on imports, no export subsidies are provided.

6. Export Restrictions

None.

7. Quality, Safety and Health

Algerian health sanitary regulations for the import of cattle are strict. The cattle must be less than 30 months old. Consequently, only heifers are imported. Imported cattle are systematically put in quarantine and tested for diseases like IBR and leukosis, (two AGID tests at least 90 days apart with the second test being conducted within the 45 days prior to export). This represents an obstacle for U.S. cattle suppliers because holding the animals for more than 90 days adds significantly to import costs (approximately $250/head). This makes the U.S. less competitive compared to European countries in Algeria. In addition, European cattle are highly subsidized. However, there is currently a ban on some European cattle due to mad cow disease. There is an exception for Germany, Austria, Dutch and Denmark.
This creates an opportunity for U.S. Holstein cattle. Many private importers are interested in importing cattle from the U.S. However, two constraints remain: the lack of a veterinary protocol between the two countries, and the high price of U.S. dairy cattle.

8. GSM Credits

In the past, the U.S. has been able to capture a substantial market share in the dairy market because of the GSM and DEIP programs, especially in the NFDM and butteroil markets. However, in recent years, the U.S. market share has decreased significantly. For example, for NFDM, the U.S. share decreased from 52% in 1994 to only 7 % in 1997. For butteroil, the U.S. market share is still significant, making up 43 % of imports in 1997.

The decrease in U.S. market share is due to the decrease in the GSM and DEIP programs. The allocations for DEIP which were specific to Algeria were replaced by regional allocations. U.S. dairy sales under the GSM program decreased from 117.3 million USD in FY 1993 to only 14.8 million USD in FY 1997.

Since FY 1997, the GOA decided not to use any short or mid-term credit for better debt control and instead to make all food commodity purchases (including dairy products) by cash. The GOA decided to do not accept GSM-102 program, but has requested USDA to establish a GSM 103 program. A program level has not been established.

TABLE 8: U.S. Dairy sales under the GSM program (Million USD)

Fiscal year	1994	1995	1996	1997
Value (C&F)	80	0	29.5	14.8

Note: These sales include butteroil, cheese and NFDM.

V. MARKETING

1. Market Development Opportunities

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.

The DEIP program remains critical to maintaining the competitiveness of U.S. dairy products.
Several private businessmen are looking to import WMP products in containers of 0.5 kg under their own trademarks or launching reconstituted milk plants . Some of them are looking to become franchisees of U.S. firms.

2. Import Requirements:

A. General

All dairy products must have at least 80 percent of shelf-life remaining at the arrival date in Algeria.

B. Import requirements for milk powder

The import requirements for milk powder are strict: the milk must have an aspect of white powder or light cream, homogeneity, it cannot contain any impurities or lumps and it cannot have a specific odor or flavor.

The designation "whole milk powder" corresponds to milk with at least 26% fat content.

The designation low fat milk powder corresponds to milk with fat content varying between 1.5% to 26% content.

The designation "Non Fat Dry Milk Powder" corresponds to milk with fat content less than 1.5%.Milk powder must have 6% mineral content and 34% protein content.

TABLE 9: MOISTURE AND ACIDITY RATE

Product	Moisture	Acidity
Whole Milk Powder	Max: 3%	From 0.11% to 0.15%
Partially Fat Milk powder	Max: 4%	From 0.11% to 0.15%
Non Fat Milk Powder	Max: 4%	Max: 0.11%

Vitamins or additives can be added to milk powder in conformity with sanitary regulations.

Milk powders intended for final consumers must be packaged in packs of 0.5 kg, 1 kg, 2 kg, or 10 kg, closed

and with adequate solidity.

C. Import Requirements for Condensed and Sweetened Milks:

Condensed milk or partially condensed milk is the liquid product obtained directly by the elimination of water from milk.

Condensed milk or partially dehydrated milk must have an aspect of white semi- liquid milk, an amber color and it cannot have a specific odor or flavor.

The designation condensed milk or whole condensed milk corresponds to milk containing at least 7.5 percent of dairy fat in terms of weight.

The designation condensed low milk fat designates milk containing by weight varying between 1 and 7.5 percent dairy fat content and at least 20 percent dairy dry extracts.

The designation non-fat condensed milk designates milk containing by weight no more than 1 percent dairy fat content and no less than 20 percent dairy dry extracts.

The designation sweetened or condensed milk or whole sweetened condensed milk is specific to milk partially dehydrated with added saccharose (semi-white sugar, white sugar or refined sugar) containing by weight, at least 8 percent dairy fat content and 28 percent dry dairy extracts.

The designation partially sweetened condensed milk designates partially dehydrated milk with saccharose added and containing by weight between 1 and 8 percent dairy fat content and more than 24 percent dairy dry extracts.

Non-fat condensed partially dehydrated milk with saccharose added cannot contain by weight more than 1 percent dairy dry fat and must contain less than 24 percent dairy dry extracts.

The condensed milk which forms the object of this settlement must contain at least 34 grams of proteins and 100 grams of non fat dry material.

Additives and/or vitamins can be added to condensed non-sweetened or sweetened milk consistent with sanitary regulations.

Condensed sweetened or non-sweetened milk must be packaged in waterproof packs.

For other products there are no specific Algerian standards, but they have to be in conformity with CODEX ALIMENTARUS standards.

D. Labeling:

The labeling requirements are the same for milk powder and sweetened or non-sweetened milk.
The labeling must be written in Arabic (the official language of Algeria).
Labels on milk powder, sweetened and non-sweetened milk labels products ready to be consumed must contain the following information:

Name of the importer.
Production and expiry date.

The designation "milk" must be completed depending on the case as:
- powder, dry or dehydrated.
- whole, partial fat or non fat.

For condensed milk, the designation condensed milk must be completed depending on the case as
- Whole, partially fat or non fat.
- Sweetened or non-sweetened

The percentage of dairy fat shown by weight, in proportion to the product.
The country where the product was manufactured.
The official identification number of the factory
The set's number (code).

The packaging must have an horizontal band 1 centimeter large in one of the following colors:
Blue for whole milk powder and whole condensed milk.
Yellow for partial milk powder and partially condensed milk.
Red for Non Fat Dry Milk and non fat condensed milk.

The Algerian Veterinarian Services require the following documentation:

- Inspection certificate with a microbiological, toxicological, and radioactivity analysis issued by a registered laboratory.
- Certificate of origin of the product.
- APHIS EXPORT CERTIFICATE, Animal products (veterinary/ sanitary certificate).

The following instructions must be included on the certificate:
- "United States Department of Agriculture, Animal and Plant Health Inspection Service" letterhead;
- An official and legible stamp from USDA/APHIS;
- The legible signature of an APHIS signer official,

All the above documents must come in original copies.

3. Marketing Facilities

As mentioned in the trade section above, there has been a decrease in demand for reconstituted milk which is made from butteroil and NFDM due to the price increase of this product over the past few years. In fact, reconstituted milk prices rose by 66 percent between 1995 and 1997.

This decrease in demand for reconstituted milk might lead to reductions in NFDM and butteroil imports. In fact, NFDM imports decreased from 110,766 MT in 1994 to only 78,713 MT in 1997, similarly for butteroil, its imports decreased from 14,290 MT in 1994 to only 3,950 MT in 1997.

On the other hand, cheese imports increased from 8,662 MT in 1994 to 10,961 MT in 1996. This increase in cheese imports is due to the liberalization of foreign trade. In fact, many private importers have started to import cheddar to produce soft white cheese.

4. Competitive Activities

Due to export subsidies provided by third country competitors, especially by EU countries, U.S. dairy products still need DEIP subsidies to sustain their market share and to face highly subsidized EU dairy products.

VI. STOCKS

This year, GIPLAIT plants have been experiencing trouble financing raw material imports, mainly NFDM and butteroil.

Report highlight:

There has been a serious drop-off since 1996 in U.S. dairy export market share. The GOA has increased support prices to local dairy farmers.

END OF REPORT

Note: -For PS&D, the production figures are estimates, import data are provided by the Algerian Customs.
-For Trade Matrix, the import data used are the final results of 1997 and the temporary ones for the first nine months of 1998 for WMP and NFDM and for the temporary ones for the first eight month of 1998 for butter and cheese. The import data are provided by the Algerian Customs.
-For cheese, the import & production data include all kinds of cheese.

PSD Table: NFDM

PSD Table						
Country:	Algeria					
Commodity:	Dairy, Milk, Nonfat Dry					
		1997		1998		1999
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1997		01/1998		01/1999
Beginning Stocks	2	2	2	2	2	2
Production	0	0	0	0	0	0
Intra EC Imports	39	38	35	46	0	47
Other Imports	31	41	28	48	0	50
TOTAL Imports	70	79	63	94	0	97
TOTAL SUPPLY	72	81	65	96	2	99
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	69	78	62	93	0	96
Other Use, Losses	1	1	1	1	0	1
Total Dom. Consumption	70	79	63	94	0	97
TOTAL Use	70	79	63	94	0	97
Ending Stocks	2	2	2	2	0	2
TOTAL DISTRIBUTION	72	81	65	96	0	99
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 Matrix: NFDM

Import Trade Matrix			
Country:		Units:	MT
Commodity:			
Time period:			
Imports for	1997		1998
U.S.	5,884	U.S.	7,993
Others		Others	
Poland	30,884	France	24,298
France	22,454	Poland	22,791
Great Britain	9,493	Germany	6,033
Belgium	3,006		
Canada	2,547	Canada	2,998
Netherlands	1,712	Belgium	2,032
Total for Others	70096		58152
Others not listed	2,847		5,426
Grand Total	78827		71571

PSD Table: Dry Whole Milk Powder

PSD Table						
Country:	Algeria					
Commodity:	Dairy, Dry Whole Milk Powder					
		1997		1998		1999
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1997		01/1998		01/1999
Beginning Stocks	2	2	2	2	2	2
Production	0	0	0	0	0	0
Intra EC Imports	69	65	70	100	0	105
Other Imports	12	8	14	9	0	12
TOTAL Imports	81	73	84	109	0	117
TOTAL SUPPLY	83	75	86	111	2	119
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	80	72	83	108	0	116
Other Use, Losses	1	1	1	1	0	1
Total Dom. Consumption	81	73	84	109	0	117
TOTAL Use	81	73	84	109	0	117
Ending Stocks	2	2	2	2	0	2
TOTAL DISTRIBUTION	83	75	86	111	0	119
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 Matrix: WMP

Import Trade Matrix			
Country:		Units:	MT
Commodity:			
Time period:	1 year		
Imports for	1997		1998
U.S.	66	U.S.	
Others		Others	
France	60032	France	51030
New Zealand	5997	Germany	12830
Great Britain	2326	Belgium	6630
Belgium	1824	New Zealand	3372
		Netherlands	3063
		Czech	2499
Total for Others	70179		79424
Others not listed	2824		2730
Grand Total	73069		82154

PSD Table: Cheese

PSD Table						
Country:	Algeria					
Commodity:	Dairy, Cheese					
		1997		1998		1999
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1997		01/1998		01/1999
Beginning Stocks	1	1	1	1	1	1
Production	2	3	2	3	0	4
Intra EC Imports	8	11	8	9	0	10
Other Imports	4	4	3	6	0	5
TOTAL Imports	12	15	11	15	0	15
TOTAL SUPPLY	15	19	14	19	1	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	14	18	13	18	0	19
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	14	18	13	18	0	19
TOTAL Use	14	18	13	18	0	19
Ending Stocks	1	1	1	1	0	1
TOTAL DISTRIBUTION	15	19	14	19	0	20
Calendar Yr. Imp. from U.S.	1	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Import Matrix: Cheese

Import Trade Matrix			
Country:		Units:	MT
Commodity:			
Time period:	1 year		
Imports for	1997		1998
U.S.	755	U.S.	500
Others		Others	
France	6,540	Australia	3,643
New Zealand	3,783	France	1,971
Netherlands	2,267	Netherlands	1,699
Belgium	1,140	New Zealand	1,576
Total for Others	13730		8889
Others not listed	830		628
Grand Total	15315		10017

PSD Table: Butter

PSD Table						
Country:	Algeria					
Commodity:	Dairy, Butter					
		1997		1998		1999
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1997		01/1998		01/1999
Beginning Stocks	1	1	1	1	1	1
Production	3	3	3	3	0	3
Intra EC Imports	2	3	2	2	0	2
Other Imports	2	2	1	2	0	2
TOTAL Imports	4	5	3	4	0	4
TOTAL SUPPLY	8	9	7	8	1	8
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	7	8	6	7	0	7
TOTAL Use	7	8	6	7	0	7
Ending Stocks	1	1	1	1	0	1
TOTAL DISTRIBUTION	8	9	7	8	0	8
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 Matrix: Butter

Import Trade Matrix			
Country:		Units:	Metric Tons
Commodity:			
Time period:			
Imports for	1997		1998
U.S.	0	U.S.	0
Others		Others	
New Zealand	1,780	New Zealand	999
France	1,162	France	895
Netherlands	631		
Great Britain	500		
Total for Others	4073		1894
Others not listed	561		632
Grand Total	4634		2526