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Report Highlights:

As the security situation continues to improve, Algeria is moving ahead with its plans for economic, financial, and agricultural reforms. These reforms are making the country more attractive as a market, as well as an easier place in which to do business. Although still primarily a bulk commodity market, opportunities are beginning in the high value products area.

Includes PSD changes: No
Includes Trade Matrix: No
Annual Report
Rabat [MO1], AG

SECTION I. MARKET OVERVIEW

Algeria is the second largest country in Africa (the tenth largest in the world), and is one of the largest importers of agricultural products in Africa, thus make it an enticing market. The energy sector provides most of its economic livelihood, accounting for more than 90 percent of export earnings, 30 percent of GDP, and 60 percent of government revenue. It is the world's second largest exporter of liquefied natural gas.

Agriculture represents less than 12 percent of Algeria's GDP and provides a means of livelihood for at least 20 percent of the Algerian population. The country's arable land or useful agriculture land is about 8 million hectares, which is about 3 percent of its total area (238 million hectares). Largely desert, Algeria will never be self sufficient in food, and imports account for 75 percent of total needs. Agriculture is a rainfall-dependent sector, and suffered from drought for several consecutive years.

However, agricultural production increased by 5-10 percent in both 2000 and 2001. This is mainly due to the launch of an ambitious plan of farmland conversion as part of the new agriculture development program (PNDA), in order to better manage occasions of drought. Grains production is focused in the most productive regions (eastern and central plains with rainfall between 450mm-800mm). More traditional dryland crops (vineyards, certain fruit trees) are being encouraged for the regions that have less rainfall, such as the western regions, the steppes and the Sahara regions.

Current Economic Situation: Algeria has moved from a centrally planned to a largely market-oriented economy, and has undertaken a far-reaching macro-economic reform plan with the support of the International Monetary Fund (IMF). However, economic growth is still constricted by large unemployment (over 27.3 percent), a lack of modern financial services and antiquated telecommunications systems. The Algerian government started the restructuring of the latter, with liberalization of the telephone market in summer 2001.

In the field of agribusiness, the government has committed to disengaging itself and letting the private sector take the main role in the economy. Since the beginning of the privatization process and disappearance of monopolies in 1996, local private investments have risen sharply, with the result that the private sector has taken a substantial share of the market. The state-owned beverage and milling sectors are scheduled to be privatized, as well as some sugar and vegetable oil refineries. The dairy group Giplait is also scheduled to be privatized in December 2004.

Banking System:

The Central Bank of Algeria (Banque d'Algérie) is the monetary authority that regulates both private and state-owned commercial banks. There are six state-owned banks: the External Bank of Algeria (BEA), the Popular Credit of Algeria (CPA), the Local Development Bank (BDL), the Agriculture Development Bank (BADR), the National Bank of Algeria (BNA), and the Algerian Development Bank (BAD).

While the lack of a modern financial services sector restricts the growth of the economy, several

private banks now operate in Algeria. The most prominent are the American group Citibank; the French banks Natexis, Banques Populaires and Societe Generale; and the Arab group ABC. Reforming the state-owned banks is long overdue and a priority for the GOA.

Key Demographic Developments: Algeria has slightly more than 30 million people. Sixty percent of the population live in cities, 20 percent in semi-built-up cities and 20 percent in rural areas. The capital Algiers, with 3 million people, is the nation's largest city, followed by Oran with 1.5 million people. Industry and services employ half of the country's working population, while 20 percent are employed by agriculture. Algeria's official language is Arabic but Amazigh (a Berber language) and French are spoken throughout the country. The prevailing religion is Islam.

For the most part, Algerians have traditional cooking habits, but changes are occurring in the cities where the tendency of young households is to adopt the western lifestyle. As the number of working women has increased, habits have started to change, and consumers are turning to ready-for-use or semi-processed products. Some consumers buy home-made products directly from non working women who sell their products in order to help the family income.

Total Population (2002)	31.2 million
Population Growth Rate (2003)	1.53 %
Labor Force Growth Rate (1998)	4.4 %
Projected Population (2004)	32.08 million
Births per 1,000 population (2003)	19.7 %
Deaths per 1,000 population (1998)	5
Infant Deaths per 1,000 live births (1998)	42
Total fertility Rate (per women)	2.8
Percentage of Men/Percentage of Women	50.5 - 49.5
Percentage of Population under the Age of 15 (2003)	32 %
Percentage of Population between 15 and 65 (2003)	61.3 %
Percentage of Population over the Age of 65	3.96 %
Illiteracy Rate Men/Women (1998)	23.65 - 40.27 %
Population Living in Rural Areas (1998)	20 %
Average Number per household (1998)	6.5

Consumer Spending: Since the economy was liberalized in 1997, the number of private importers has risen sharply, and consumers have become more accustomed to seeing imported products and semi-processed products sent to the consumers through little stores and small private supermarkets. The former state-owned distribution chain (ONACO) was restructured in 1980 to form ENAPAL, with wholesale units linked directly to the state supermarket company (SNGA). The latter was closed in 1996, and recently some important private businessmen have bought some of the old state supermarkets in order to re-open them as local private chains. Consumers can find both bulk and packaged products, both local and imported, even though the latter are little expensive for some households with low income.

Advantages	Challenges
Local production is heavily dependent on rainfall and meets only 25% of the need.	Geographical disadvantage, due to proximity with Europe.
American products are always appreciated as good quality for Algerian.	Algerian importers usually do business through Europe
The local food processing industry is improving and upgrading, and is mostly based on imported raw materials.	No direct shipping lines, making transit from Europe necessary.
Distribution sector needs to be improved, with need for American know-how. Private sector willing to sell with American brand names.	Custom duties on high value products
	Traditional distribution network still predominant
	Many products need to be promoted in Algeria.
	Lack of knowledge about US standards, grades.
	French continues to be predominant business language.

SECTION II. EXPORTER BUSINESS TIPS

- G** Standards are same as Codex Alimentarius standards. Some American grades and standards are being introduced into regulations in the field of quality control of grains and pulses.
- G** To clear customs some sanitary certificates are required (depending on the products), such as dairy products.
- G** Imported goods are subject to custom duties, VAT, and some local specific taxes. Some customs dues fees of 2 percent and custom processing fees of 0.4 percent have to be added to the applied tariffs.

With a new economic reforms program, starting from July 2001 Algeria replaced some specific taxes for high value products. The old "Valeur administree"-- a local tax arbitrarily decided upon by authorities and paid in Algerian dinars--has been replaced by a new temporary additional duty (DAP), which decreases 12 % each year to become 0 % in 2006. (It is 36 % in 2003.) The TSA (additional specific tax) has been replaced by TIC (domestic consumption tax), some products in tariff code chapters 08/09/16/22 are affected by this tax. The products affected by this tax are considered as luxury goods.

- G In addition, custom duties (which used to range from 5 to 45 %) were reduced and are now 30 %.
- G The VAT (value added tax) was reduced from 14 to 21% to range now from 7 to 17 %.
- G Algeria uses the metric system for measurement.
- G French is still the predominant business language. French promotional materials will definitely have an advantage in dealing with importers.
- G Most importers are located in the big cities and import through the main active ports (Algiers, Oran, Bejaia, and Jijel). They import both bulk and packaged products. The products are distributed to wholesalers in wholesale markets, then sold in small stores, supermarkets and open markets.

SECTION II. MARKET SECTOR STRUCTURE AND TRENDS

The limiting factor to increasing demand for consumer-oriented products is still the combination of low incomes and high consumer prices for imported products. During the period of state monopoly, imported products were supported by the state and their prices were lower, so more Algerian consumers were able to purchase them. Since privatization, however, products are sold at their real prices.

With the processing sector improving, many food processors can offer products with lower prices by importing the raw material and processing it locally. For example, the milling sector can offer cheaper semolina and flour produced locally from imported wheat, and dairy processors offer dairy products processed locally from imported milk powder or cheddar cheese.

The new adjustments in customs duties and taxes allow consumers to purchase some luxury goods at lower prices. For example, bananas used to be sold at 450 Algerian Dinars (about \$6), whereas now consumers can buy them for only 80 AD (\$1). Hopefully, these adjustments will help to encourage Algerian consumption of consumer-oriented products, although other problems (long shipping times and lack of direct shipping lines) continue to face U.S. consumer-oriented products.

High value Products for Food Processing Sector:

With local processors becoming numerous and quality conscious, U.S. suppliers can play a major role in fulfilling the demand for regular quantities of raw materials. Important processing sectors include the dairy processing sector and the milling sector (with about 160 mills currently operational and some others on the way). Some important processors prefer to import their raw materials directly rather than buying them locally from importers, because their market is not regularly supplied. Some of them have already contacted U.S. suppliers but have not gotten replies.

High Value Products for Hotels, Restaurants and Institutions:

High-ranked hotels and restaurants buy most of their products locally. U.S. suppliers should try to work with the distributors to enter the market, as hotel managers are rarely willing to get involved in import operations because of the small volume involved. The potential market for U.S. consumer-oriented products may interest essentially six 5-star hotels concentrated in Algiers (Sheraton, Hilton, El Aurassi, El-Djazair, Sofitel and Mercure) as well as some Asian, Italian, and western-style restaurants.

Export of Seafood Products to Algeria:

Algeria is looking for partners in order to improve the seafood and fishing sector. Algeria consumes 3.2 kg of fish products per year per capita, and produces 70,000 - 100,000 tons of fish per year (compared with Morocco, which produces about 1 million tons per year). Algeria has 15 ports for fishing and 50 percent of the flotilla is 20 years old. In the markets, seafood is very expensive and out of reach of many households. For example, prawns cost at least 500 AD (\$6.50) per kilogram, and the most popular and cheapest seafood, sardines, cost 100 AD (\$1.30) per kilo. Most canned tuna sold in supermarkets is imported, as well as frozen fish and seafood. Fresh fish is only sold in open markets. Some private canners are beginning operations and need raw materials, which could be a good opportunity for US seafood products

SECTION IV. BEST HIGH VALUE PRODUCT PROSPECTS

- Pulses (lentils, peas, chickpeas, beans)
- Dried fruits (dries prunes, dried raisins)
- Dried Nuts (Almonds, peanut, pistachio)
- Canned fruits (tropical)
- Canned corn
- Confectionaries
- Honey
- Whisky and Beer
- Cereal derivatives
- Skimmed Milk powder
- Sauces (ketchup...)

SECTION V. KEY CONTACTS AND FURTHER INFORMATION:

The office of Agricultural affairs at the American Embassy Algiers provides trade servicing and information about Algerian market. The free service provided by the office includes market briefing, market tours, lists of importers, setting up agendas and meetings, hotel reservations and in some cases providing translation and transportation.

US. Embassy / USDA- Foreign Agricultural Service Contacts:

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Fax : (213-21) 69-37-72

Local Address: 4, chemin Bachir Ibrahimi, Hydra, BP 408, Alger Gare, Algeria

Local Contacts:

Ministry of Agriculture.

12, Boulevard Colonel Amirouche, Alger, Algeria.

Phone: (213-21) 71-17-12

Fax: (213-21) 71-88-70

Direction of Plant Protection and Technical Control

Ministry of Agriculture

12, Boulevard Colonel Amirouche, Algiers, Algeria

Phone: (213-21) 74-95-66

Fax : (213-21) 74-95-70

Direction of Veterinary Services

Ministry of Agriculture

12, Boulevard Colonel Amirouche, Algiers, Algeria

Phone: (213-21) 74-34-34

Fax : (213-21) 74-34-34

Quality control and squad services

Ministry of Commerce

Batiment Sonatrach, Boulevard Mohamed V, Alger, Algérie.

Phone: (213-21) 63-11-53

Fax : (213-21) 63-11-53

Customs services

Direction des Douanes, Centre National de l'Informatique et des Statistiques.

17, rue des Mourabitounes, Place du 1er Novembre, Alger, Algérie.

Phone : (213-21) 71-56-00

Fax : (213-21) 71-56-40

HOTELS:

Hotel El-Djazair (5 stars)

Avenue Souidani Boudjemaa- Algiers

Phone : (213-21) 69-21-21 or (213-21) 23-09-33 to 37

Fax : (213-21) 69-35-08

(213-21) 69-27-00

Hotel El-Aurassi (5 stars)

Avenue Frantz Fanon- Algiers

Phone : (213-21) 74-82-52

Fax : (213.21) 71-72-87 or (213-21) 71-72-90

Hotel Sheraton- Club des Pins; (5 stars)

Staoueli- Algiers

Phone : (213-21) 37-77-77 or (213-21) 37-88-88

Fax : (213-21) 37-74-10 or (213-21) 37-77-00

Hotel Hilton (5 stars)

Palais des Expositions - Algiers

Phone : (213-21) 21-96-96 or (213-21) 20-10-10

Fax : (213-21) 21-06-06 or (213-21) 21-95-74

Hotel Sofitel (5 stars)

Le Hamma Algiers

Phone : (213-21) 68-52-10

Fax : (213.21) 67-31-42

Hotel Mercure (5 stars)

BP 12- 5 Juillet, Bab Ezzouar- Algiers

Phone : (213-21) 24-59-70

Fax : (213.21) 24-59-10/19

FOOD & AGRICULTURAL FAIRS:

- ' DOMESTIC PRODUCTION FAIR: Held each year in October, this fair is the best to reach local operators in food processing and manufacturing, as well as institutions involved in the economic process (banks, etc.).
- ' AGRICULTURE FAIR : Held every year during March. This fair features farmers, breeders, food processors, producers and importers, and all those who are directly linked to the profession (agriculture services, agriculture chambers, Institutes, etc.).
- ' ALGIERS INTERNATIONAL TRADE FAIR : Held each year in mid-June, it gathers a large number of foreign participants. The U.S. has sponsored a U.S. pavilion for the past four years, after an absence of seven years.

WORKING DAYS / HOURS

- ' Working days in Algeria are Saturday through Wednesday

- ' Typically working hours are 8:30-12:00 and 13:00pm-16:30pm.
- ' Banks and insurance companies have different week-ends (Friday and Saturday)
- ' Algeria is on Greenwich Mean Time + 1.
- ' US Embassy Algiers and FAS Office working days and hours are Saturday through
- ' Wednesday from 8:00 -12:00 and 13:00- 5:00 pm.
- ' Most of the active population and administration close in August for vacation

HOLIDAYS:

- ' Religious holidays follow the lunar calendar and thus move back 10 days every calendar
- ' year.
- ' Below are Algerian holidays for the calendar year 2004.

<u>January 1, 2004</u>	<u>New year</u>
<u>February 3, 2004</u>	<u>Aid El Adha (Feast of Lamb/Pilgrimage)</u>
<u>February 23, 2004</u>	<u>Moharem (First Moslem New Year)</u>
<u>March 3, 2004</u>	<u>Achoura (Muslim Feast)</u>
<u>May 1, 2004</u>	<u>Algerian Labor Day</u>
<u>May 04, 2004</u>	<u>Aid El Mawlid (Prophet's birthday)</u>
<u>June 19, 2004</u>	<u>National Recovery</u>
<u>July 5, 2004</u>	<u>Algerian Independence Day</u>
<u>November 01, 2004</u>	<u>Algerian Revolutionary day</u>
<u>November 16, 2004</u>	<u>Aid El Fitr (End of the holly month of Ramadan)</u>

A. KEY TRADE & DEMOGRAPHIC INFORMATION

<u>Agricultural imports from All Countries (2002) (\$Mil.)/US. Market Share (%)</u>	<u>2,600</u>	<u>10%</u>
<u>Consumer Food Imports From All Countries (\$Mil.) / US. Market Share(%)</u>		
<u>Edible Fishery Imports From All Countries(\$Mil.)US market Share (%)</u>		
<u>Total Population (Millions)/Annual Growth Rate (%) (2002)</u>	<u>31.2</u>	<u>1.5%</u>
<u>Urban Population (Millions) / Annual Growth Rate (%)</u>	<u>18</u>	<u>1.5%</u>
<u>Number of Major Metropolitan Areas (a)</u>	<u>14</u>	<u>=</u>
<u>Size of the Middle Class (Millions) / Growth Rate (%) (b)</u>	<u>5</u>	
<u>Per Capita Gross Domestic Products (\$US)</u>	<u>\$1790</u>	
<u>Unemployment Rate (%) (2001)</u>	<u>27.3%</u>	
<u>Per Capita Food Expenditures (\$US) (c)</u>	<u>\$940</u>	
<u>Percentage of Female Population Employed (1998)</u>	<u>9.7%</u>	<u>=</u>
<u>Exchange Rate (US \$1 is: in Algerian Dinars)(2002)</u>	<u>79.68</u>	<u>=</u>

(a) Areas which have International airports and ports with population in excess of 600,000

(b) Estimated population that can regularly purchase imported food products

(c) AgAtt Estimates.