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Report Name: Grain and Feed Update

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Report Highlights:

Crop conditions look normal overall, which indicate optimistic forecasts for Algeria's MY2020/21 grain crop. Post maintains the wheat production forecast at 3.900 million metric tons (MMT) and barley production at 1MMT for MY2020/21. The Algerian Office of Cereals purchased cereals on the international market during the first quarter of CY2020. Post maintains the forecast figure for wheat imports during MY2020/21 at 5MMT. Revision of the FY2020 Supplemental Finance Act regarding the partnership rule improves opportunities for foreign investment.

Executive summary

The Normalized Difference Vegetation Index (NDVI) by Region indicates overall normal conditions. Crop conditions look good in the Eastern region but remain sparse in the Western region and Highlands. The NDVI chart shows conditions recovered in April-May, including the grain fill period after precipitations resumed.

The crop explorer's Cumulative Normalized Difference Vegetation Index (NDVI) chart shows that the 2019-2020 crop (MY2020/21) conditions are above normal.

The Ministry of Agriculture has not yet officially released forecast figures for this year's grain production. However, media reports indicate that according to the Minister of Agriculture, farmers have already harvested 20 million quintals (2 million metric tons) (2 MMT) of durum and bread wheat since the start of the harvest in the South of Algeria from April 12 to May 20, 2020.

Algerian Customs figures show imports of cereals rose by 2.46 percent in value in the first quarter of the calendar year (CY) 2020. The import bill for the cereals reached \$629.50 million. This includes durum and bread (common) wheat (\$346.19 million) and corn (\$223.18 million). The statistics did not provide details on the volumes imported.

News reports indicated that the Algerian Office of Cereals (OAIC) purchased cereals on the international market during the first quarter of CY2020. The current health crisis and its repercussions on the cereal supply have pushed the OAIC to build up necessary stocks.

Opportunities are opening to foreign investment following the publication of the FY2020 Supplemental Finance Act's revision on the scope of the partnership rule (49/51 percent). However, this revision does not apply to product purchase/resale activities or strategic sectors.

The government encourages large-scale agricultural investments in the Highlands and the "Sahara" (South of Algeria). In addition, the development strategy promotes foreign direct investments and partnerships particularly in the field of cereals, oilseeds, and sugar productions. The development strategy also promotes crushing and refinery projects that generate processing to support the processing industry. Such projects include supporting the development of increased storage capacity, increased cold chain infrastructures and packaging projects.

Post maintains the wheat production forecast at 3.900 MMT and barley production at 1MMT for MY2020/21.

Given the Algerian government's establishment of an upper import limit of 4 MMT of bread (common) wheat per year compared to 6 million metric tons (MMT) usually imported as well as the overall policy to reduce imports, Post maintains the forecast figure for wheat imports during MY2020/21 at 5MMT.

Post maintains the official USDA figure for barley imports for MY2020/21.

Crop update

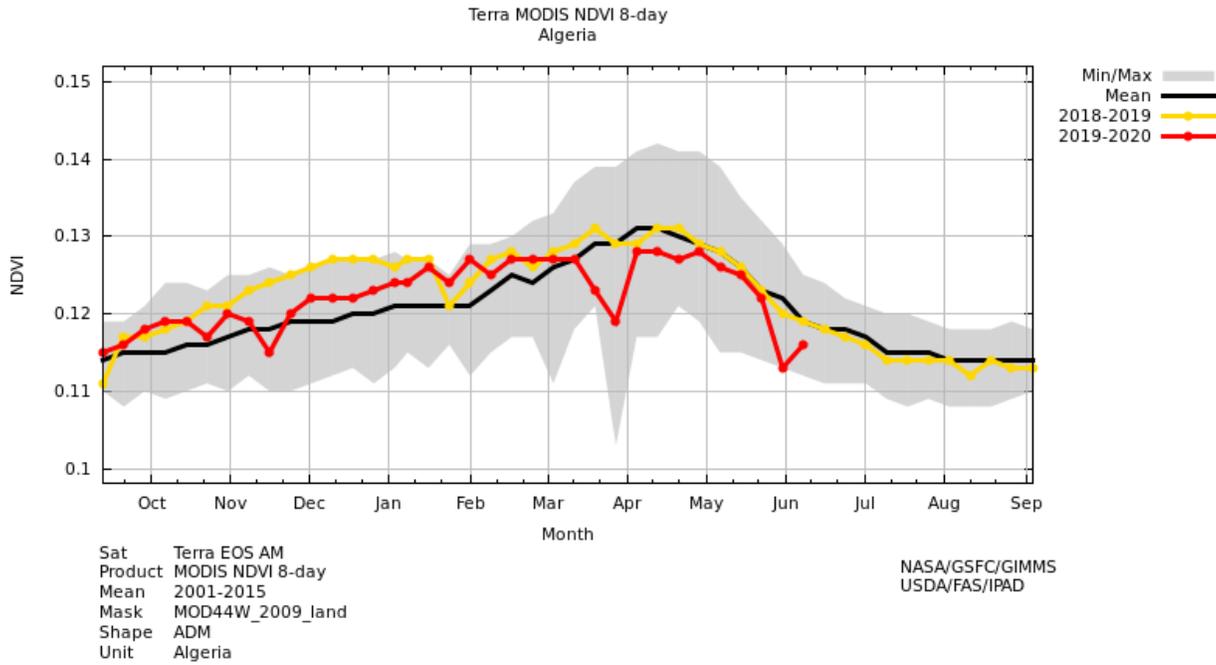
According to the Normalized Difference Vegetation Index (NDVI) by Region, the vegetation index is normal. Crop conditions look good in the Eastern region but remain sparse in the Western region and Highlands. The satellite image shows dry pockets in the Highlands. The lack of precipitation affected these regions. Precipitation levels were lower this marketing year MY2020/21 compared to MY2019/20 and to the normal average precipitation. This resulted in lower soil moisture levels particularly in the Western region and Highlands. (See precipitation chart below).

Algeria: Normalized Difference Vegetation Index (NDVI) by Region as of June 16, 2020:
(<https://glam1.gsfc.nasa.gov/>)



The chart below depicts the historical and current Normalized Difference Vegetation Index (NDVI) (<https://glam1.gsfc.nasa.gov/>) in Algeria. As of June 16, 2020, the chart below shows crop conditions with a level of vegetation above the average from October to March. In March, the lack of precipitation seemed to have influenced the conditions. However, conditions recovered in April-May including the grain fill period after precipitation resumed.

Figure: Algeria's Normalized Difference Vegetation Index (NDVI) as of June 16, 2020.

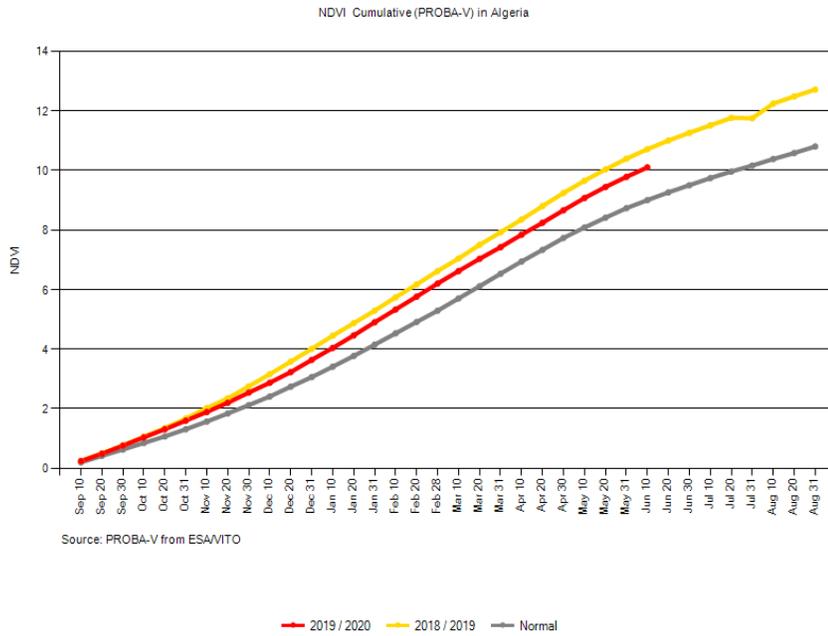


Source: NASA/GSFC/GIMMS – USDA/FAS/OGA

The USDA crop explorer's Cumulative Normalized Difference Vegetation Index (NDVI) chart below shows that the (MY2020/21) crop conditions are above normal, however, at lower levels than the MY2019/20.

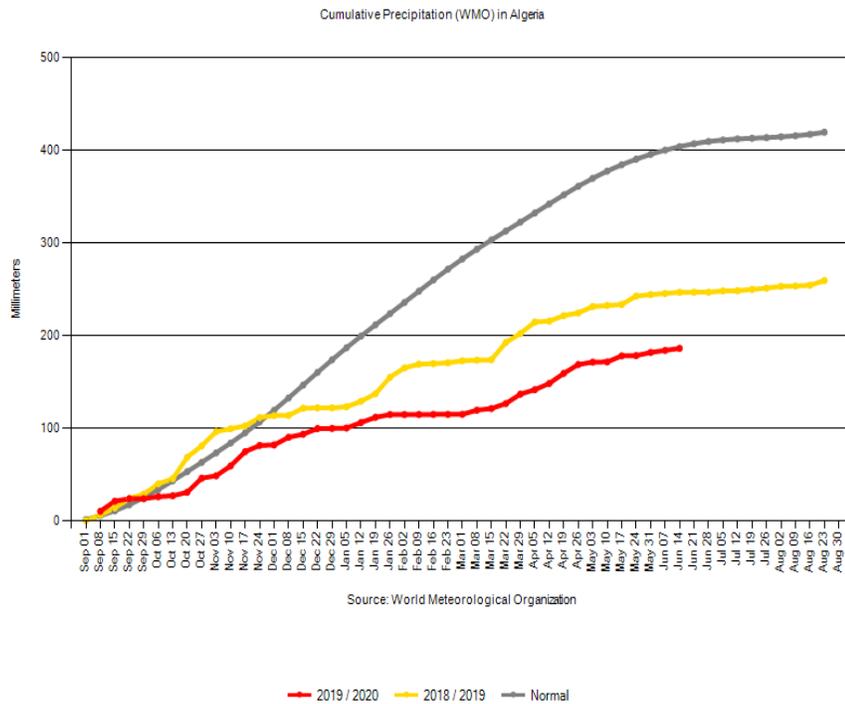
Cumulative Normalized Difference Vegetation Index (NDVI) as of June 10, 2020

(Source: <https://ipad.fas.usda.gov/cropexplorer>)



USDA Crop Explorer Cumulative Precipitation Chart (As of June 14, 2020)

(Source: <https://ipad.fas.usda.gov/cropexplorer>)



On April 12, 2020, the press reported that the Ministry of Agriculture (MoA) announced the official start of the grain harvest season in the South of Algeria (Saharan regions). The harvest should start in May in the Northern areas. In these hot and dry areas, farmers use pivot systems for irrigation. Usually, yields can range from 45 to 80 quintals per hectare in these areas. In addition, the Government of Algeria (GoA) provided all equipment and means to facilitate the harvest, particularly considering the COVID-19 crisis.

In a March 2020 interview, the previous Minister of Agriculture, Mr. Cherif Omari indicated that actions were undertaken in anticipation of the Covid-19 impact on agriculture plantings and harvesting. The Ministry of Agriculture instructed all government offices to ensure regular plantings and harvestings continue as well as transportation and health protection to be provided to the agricultural workers to allow them to work in secure conditions in order to allow the agricultural chain to continue regularly.

The Ministry of Agriculture has not released forecast figures for this year's grain production. However, the press reported the Minister of Agriculture's statement regarding wheat volumes collected. On the sidelines of a visit to the field in one of the Northern areas on May 17, 2020, the Minister (at that time), indicated that farmers have harvested 20 million quintals (2 million metric tons) (2MMT) of wheat (durum and bread wheat) since the start of the harvest on April 12 in the South of Algeria. According to the MoA, the Algerian Office of Cereals (OAIC) cooperatives have already collected these quantities.

Furthermore, in another statement, the previous Minister indicated that the forecasts for the 2019-2020 crop production (MY2020/21) are optimistic. In addition, he stated that Algeria would no longer need to import durum wheat this year given that this year's crop will largely cover domestic demand.

Post maintains the wheat production forecast at 3.900 MMT and barley production at 1MMT for MY2020/21. Post maintains production figures for MY2018/19 and MY2019/20.

Consumption update

Like other countries around the world affected by COVID-19, in the beginning of the crisis, Algerian consumers rushed to purchase staple foods such as flour and semolina fearing shortages and supply disruption, despite the government's assurance of availability. Subsequently, the government countered the impact of supply chain disruptions. Wheat mills increased their production and worked seven days a week to meet the increased market demand. The Algerian Office of Cereals (OAIC), which both imports and buys domestic grains, is the main supplier to domestic processors. According to the wheat industry, OAIC supplied the mills to full capacity for a week to help the mills to meet the increased market demand during the crisis. Normally, private processors would be supplied 50 percent of their requirements.

Currently, the situation has returned to normal.

Wheat consumption will remain relatively stable for the near future. However, the government's aim to educate consumers to decrease consumption of bread to avoid waste to decrease demand for bread

(common) wheat and thus reduce its imports. Post maintains the wheat consumption forecast at 10,700 MMT.

Barley is consumed mainly as grain in animal feed by sheep, cattle, and camels, with small amounts consumed as green fodder, and minor amounts used for traditional foods. Algeria's breweries consume small amounts of barley, generally imported from Europe. Barley consumption is a function of weather-related pasture conditions—in general, bad pasture conditions result in increased demand for barley, which generates an increase in imports.

Barley consumption has trended upward since 2000. This is due to increasing animal numbers, particularly sheep as well as better rations that include more barley. Efforts to introduce barley into the dairy ration as part of the policy to improve domestic production and reduce imports of some other expensive feed grains contributed to the increase in barley consumption over the years.

The press reported that the OAIC built large stocks of barley and can easily supply farmers until the next season. Industry reports that some farmers sell barley at market price more expensive than OAIC prices. OAIC sells barley to domestic consumers, including livestock producers and public and private feed mills at the set price of AD 15,000/MT (\$117.18). The end-result affects overall barley consumption. Post therefore maintains barley total consumption at 2MMT for MY2020/21.

Trade update

The Algerian Customs report released recently shows imports of cereals rose by 2.46 percent in value during the first quarter of the CY2020. From January to March 2020, the Algerian cereals import bill reached \$629.50 million compared to \$614.39 million imported during the same period in CY2019. For the first quarter of CY2020, cereal imports included durum and bread (common) wheat (\$346.19 million) and corn (\$223.18 million). However, the statistics do not provide details on the actual volumes imported.

Cereal imports are always on the top of the food import list. In the first quarter of CY2020, cereals counted for 32.51 percent of the total food import, which reached \$1.94 billion.

Press reports indicated that despite an increase in international prices, the Algerian Office of Cereals (OAIC) proceeded to purchase cereals on the international market during the first quarter of CY2020. The current health crisis and its repercussions on the cereal supply pushed the OAIC to advance the date of purchases on the international market, to build up the necessary stocks and avoid shortages. This occurs often due to the OAIC's strategy that has always been to build up substantial stocks of wheat to avoid shortages.

Following the decline in oil prices, Algeria pledged to continue efforts to diversify the economy outside of the energy sector and control spending to offset the drop in energy earnings. The new government of Algeria (GoA) continues to pursue its strategy to control imports and protect domestic production.

Algeria's strategy to reduce import growth remains a priority for the GoA. In the previous Minister of Agriculture's recent statement, he reiterated that the GoA would still reduce durum imports, as domestic production will meet domestic demand. The efforts undertaken regarding durum wheat cultivation have

shown improvements in recent years. This has been part of the Ministry's program to produce durum locally by 2020 to reduce imports. Additionally, the government plans to reduce imports of bread (common) wheat. The GoA is encouraging farmers to grow more bread wheat and consumers to avoid wasting bread to reduce overall consumption.

As outlined in the annual report, press reports indicated that the Algerian government recently reported the establishment of an upper import limit of 4 MMT of bread (common) wheat per year compared to 6 MMT usually imported. Given this information, Post maintains the forecast figure for wheat imports during MY2020/21 at 5MMT. Post also maintains the figures for MY2018/19 and MY2019/20 for wheat imports.

Barley imports are weather driven. Bad pasture conditions result in increased demand. Recently, press reports indicated that the Algerian Office of Cereals (OAIC) purchased barley via tender. Furthermore, the press indicated that currently, the OAIC has a large stock of barley that will allow the government to easily supply the farmers until the next year.

Post maintains the official USDA figures for MY2019/20 and MY2020/21 for barley imports. Post forecasts barley imports to decrease in MY2020/21, because of the overall policy to reduce imports like for wheat and other products.

Policy update

At the beginning of the COVID-19 crisis, the government announced a series of measures to counter the impact of supply chain disruptions. To preserve strategic food reserves, the government implemented a temporary suspension on the export of any strategic product until the end of the pandemic. Such products include food and medical products.

The Customs Directorate General published the list of tariff subheadings for products suspended from export until the end of the health crisis. This list included 1,219 tariff subheadings. The list is available on the customs website: <http://www.douane.gov.dz/spip.php?article429&lang=fr>

This list included several products including semolina, flour, pulses, rice, and pasta.

Opportunities for Foreign investment

The Supplemental Finance Act for FY2020, under Law No 20-07 of June 4, 2020, published in the [Journal Officiel No 33 of June 4, 2020](#), revises the scope of the partnership rule (49/51 percent). However, this provision does not apply to product purchase/resale activities or strategic sectors.

Article 49 provides for the opening of activities producing goods and services to foreign investment without obligation of association with a local party. These activities exclude any product resale/purchase activities and those of a strategic nature, falling under the sectors defined in Article 50 of the law. Those strategic sectors remain subject to resident national shareholding participation up to 51%. Article 50 of the same law (see link above) defines the strategic sectors remaining subject to the shareholding participation. These strategic sectors include the exploitation of the mining domain, the energy sector upstream and any activity falling under the hydrocarbon law, the military industries and defense sector,

railway tracks, ports and airports as well as the pharmaceutical industries with the exception of the essential innovative high value added products manufacturing investments intended for the local market and export.

Under the direction of the new President, the Government of Algeria issued a new five-year economic development plan. This plan focuses on reviving and diversifying the Algerian economy toward sustainable growth. The plan also covers proposed improvements to the business climate, the development of the strategic sectors, the promotion of exports and controlling imports.

The plan encourages modern industrial agriculture, using new technologies, satellite, digitization as well as innovative tools and renewable energies. The new policy prioritizes investment in agricultural products ensuring food security. The government encourages large-scale agricultural investments in the Highlands and the “Sahara” (South of Algeria). In addition, the development strategy promotes foreign direct investment and partnerships particularly in the field of cereals, oilseeds, and sugar production. The development strategy also promotes crushing and refinery projects that generate processing to support the processing industry. Such projects include supporting the development of increased storage capacity, increased cold chain infrastructure and packaging projects.

The Ministry of Agriculture is creating an office for the development of industrial agriculture to promote agriculture investments in the Highlands and Sahara (South of Algeria). This office will facilitate procedures for investors (local and foreign) for their projects using new technologies and innovative tools.

U.S. industry can contribute to this development, since their niche is providing advanced agricultural technologies, livestock, and seeds needed to establish and operate integrated production models in Algeria.

Wheat	2018/2019		2019/2020		2020/2021	
Market Year Begins	Jul 2018		Jul 2019		Jul 2020	
Algeria	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	2074	2074	2074	2074	2075	2074
Beginning Stocks (1000 MT)	4529	4529	5219	5419	4809	5204
Production (1000 MT)	3940	3940	3950	3950	3750	3900
MY Imports (1000 MT)	7515	7515	6500	6500	7500	5000
TY Imports (1000 MT)	7515	7515	6500	6500	7500	5000
TY Imp. from U.S. (1000 MT)	437	119	0	119	0	119
Total Supply (1000 MT)	15984	15984	15669	15869	16059	14104
MY Exports (1000 MT)	15	15	10	15	10	0
TY Exports (1000 MT)	15	15	10	15	10	0
Feed and Residual (1000 MT)	50	50	50	50	50	50
FSI Consumption (1000 MT)	10700	10500	10800	10600	11000	10650
Total Consumption (1000 MT)	10750	10550	10850	10650	11050	10700
Ending Stocks (1000 MT)	5219	5419	4809	5204	4999	3404
Total Distribution (1000 MT)	15984	15984	15669	15869	16059	14104
Yield (MT/HA)	1.8997	1.8997	1.9045	1.9045	1.8072	1.8804

(1000 HA) ,(1000 MT) ,(MT/HA)

MY = Marketing Year, begins with the month listed at the top of each column

TY = Trade Year, which for Wheat begins in July for all countries TY 2020/2021 = July 2020 - June 2021

Barley	2018/2019		2019/2020		2020/2021	
Market Year Begins	Jul 2018		Jul 2019		Jul 2020	
Algeria	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	1026	1026	1026	1026	1025	1026
Beginning Stocks (1000 MT)	517	517	790	890	970	1370
Production (1000 MT)	1950	1950	2000	2000	1845	1000
MY Imports (1000 MT)	323	323	430	430	300	300
TY Imports (1000 MT)	467	467	250	250	300	300
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	2790	2790	3220	3320	3115	2670
MY Exports (1000 MT)	0	0	0	0	0	0
TY Exports (1000 MT)	0	0	0	0	0	0
Feed and Residual (1000 MT)	1650	1550	1900	1600	1800	1650
FSI Consumption (1000 MT)	350	350	350	350	350	350
Total Consumption (1000 MT)	2000	1900	2250	1950	2150	2000
Ending Stocks (1000 MT)	790	890	970	1370	965	670
Total Distribution (1000 MT)	2790	2790	3220	3320	3115	2670
Yield (MT/HA)	1.9006	1.9006	1.9493	1.9493	1.8	0.9747

(1000 HA) ,(1000 MT) ,(MT/HA)

MY = Marketing Year, begins with the month listed at the top of each column

TY = Trade Year, which for Barley begins in October for all countries TY 2020/2021 = October 2020-September 2021

Attachments:

No Attachments