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Algeria

DAIRY AND PRODUCTS ANNUAL

Annual

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Report Highlights:

The government of Algeria implemented several measures to boost domestic production of dairy products and control imports. Algerian dairy imports from the U.S. declined sharply in 2009. During Jan.-August period, the U.S. share of Algeria's dairy import market fell to 2 percent in 2009, compared to 6 percent in 2008.

Executive Summary

Dairy sector improvement remains one of the priorities of Algeria's agricultural development strategy. The GOA has established some measures to provide incentives to improve milk production and reduce imports of dairy products. Algeria's need to import semen, embryos and dairy cattle may provide good opportunities for U.S. exporters to enter this market. In the past five years, fresh milk production increased from 1.5 million MT to 2.2 million MT, of which 1.6 million MT is cow milk. Local production, however, remains short of satisfying domestic consumption needs estimated at 3.2 million MT annually.

In CY 2008, total dairy product imports were estimated at 295,000 metric tons, valued at 1.2 billion dollars. Algeria's dairy products imports from the U.S. declined sharply in 2009, compared to the year before. Algerian dairy import data show that the U.S. share of Algeria's dairy import market fell from 6 percent in 2008 to only 2 percent in 2009. In the first 8 months of 2009, about 5,369 MT of nonfat dry milk powder (valued at $11 million) were imported, compared to 16,611 MT (valued at $63 million) of various dairy products (non fat dry milk, cheddar cheese and whey) that were imported during the same period in 2008.

The government of Algeria has recently enacted some measures to promote domestic production and to control imports. The import measures include the use of Letter of credit (LC) as the only mean of payment for all shipments instead of direct transfer as well as the requirement of sanitary permits for dairy products to be issued by the veterinary services. In addition, the Phytosanitary as well as quality conformity certificate and the certificate of origin are now required for all food products. Many dairy import companies have voiced their complaints about the difficulties and delays they are encountering in funding and clearing their import shipments.

Production:

Dairy sector improvement remains one of the priorities of Algeria's agricultural development strategy. The Ministry of Agriculture has established several programs to provide incentives to improve milk production in order to fulfill domestic industry requirements and to reduce imports. The production programs aim at expanding herd size and productivity, improving animal breeding and nutrition, and to establish better quality control in the dairy sector.

In the coming years, with the implementation of government measures to support production, it is expected that the Algerian dairy sector would experience some growth in the size of the dairy herd and an increase in the areas reserved for pasture. The pasture areas could jump from 450,000 HA to 900,000 HA, of which 180,000 HA could be in irrigated land. This should help improve animal nutrition and reduce imports of animal feed, provided that suitable weather conditions prevail. It is not known whether the government would provide any financial supports to the importation of dairy heifer in order to help farmers increase the size of the dairy cattle herd. Analysts anticipate that there will be a strong need for Algeria to import live animals and genetics materials to help improve production quantity and quality. Currently, almost all imported cattle are from European origin (Monbeliardes and Holstein). Most of these imported animals are producing at less than one third of their production capacity, due to the lack of adaptation to local conditions and poor feeding rations.

Algeria's potential importation of dairy cattle may provide good opportunities for U.S. exporters to reenter this market after a long absence, provided that U.S. cooperators conduct much needed marketing and trade servicing activities to train local farmers on how to adapt imported animals to the new environment. Opportunities also exist for U.S. exporters of genetics and artificial insemination materials to penetrate the Algerian market. Semen and embryo imports are projected to increase due to the expansion in using artificial insemination and embryo transfer techniques, with overall growth in this area of 80 percent projected by 2014. The dairy cattle herd is currently estimated at 900,000 heads, of which 26 percent are considered cattle of enhanced genetics, though its production is less than real potential. To further help dairy farmers, the Ministry of Agriculture suspended, at the end of 2008, the value added tax (VAT) on corn and soybean meal imports as well as import duties on inputs for veterinary drugs manufacture. Imports of some agricultural inputs such as fertilizers, insecticides, herbicides and agricultural machinery were also exempted from VAT until December 2009.

The recent government efforts to help develop the dairy sector may help increase milk production and improve the situation for the dairy processing sector. In the past five years, government efforts helped increase milk production from 1.5 million MT annually to 2.2 million MT annually, of which 1.6 million MT of fresh cow milk. This production level, however, still remains short of the total amount needed to satisfy domestic consumption, which is estimated to 3.2 million MT annually. Only 12 percent of milk production in Algeria is commercially collected for the dairy processing industry, which depends mostly on imports to provide its needs. About 70 percent of the fresh milk in Algeria comes from cows, and the remaining 30 percent comes from sheep, goat and camels.

In order to increase domestic milk production available for the local dairy processing industry, the Ministry of Agriculture pays incentive premiums to milk producers about 12 AD/L ($0.16/L), 5 AD/L ($0.07/L) to milk collectors and 2 to 4 AD/L ($0.06/L) to dairy processors. With local processors controlling the market of dairy products (yogurt, cheese, butter, dairy desserts and fermented milk), these incentives are expected to increase the amount of fresh milk collected to produce pasteurized milk locally.

Consumption:

Dairy products consumption in Algeria is expected to slightly grow in the coming years. The expansion of dairy production in recent years and the availability of diverse dairy products in the market have pushed Algerian consumption of milk and dairy products to be the highest in the North African region, with per capita consumption estimated at 110 liters per year. Most of the milk consumed in Algeria is reconstituted from blends of milk powder and anhydrous fats, pasteurized and packaged in one-liter plastic bags with 24 hours shelf-life. Some private processors continue to produce UHT packed in tetra-pack boxes at higher prices. Consumption of yogurts is currently estimated at 640,000 metric tons, while total cheese consumption has reached 37,000 metric tons.

Trade:

Algeria remains one of the largest importing countries of dairy products in North Africa. It relies on a large number of countries for sourcing. In CY 2008, total dairy product imports was estimated at 295,000 metric tons and valued at 1.2 billion dollars. Imports of whole milk powder and non fat dry milk declined in 2008 (in volume) compared to 2007, due to higher prices in the world market. In the first eight months of CY 2009, dairy products accounted for 15 percent of all food imports. With the huge decline in dairy prices in the world markets in 2009, Algeria's total dairy product imports' bill in the first eight months of the year fell almost by one half compared to imports during the same period of 2008.

Table 1: WMP and NFDM Imports comparison in 2008 and 2009 (MT)

	Jan-Aug CY 2008		Jan-Aug CY 2009	
	WMP	NFDM	WMP	NFDM
Argentina	8074	1550	21765	692
Belgium	17969	10572	19438	6776
France	23303	15771	18499	15650
U.S.	**0**	**14400**	**0**	**5369**
Great Britain	3905	240	2476	656
Ireland	2982	1293	5118	300
New Zealand	31311	1422	59911	4674
Malaysia	436	96	2430	47
Netherlands	5476	502	6069	3300
Poland	9429	11660	5842	9145
Switzerland	0	639	1000	3092
Australia	175	0	2447	1848
Brazil	7450	0	4400	1000
Denmark	957	160	3995	250
Ukraine	3865	5252	875	5045
Czech	559	0	650	350
Uruguay	100	100	200	1100
Germany	2706	6506	273	3332
India	0	6284	0	0
Others	660	352	1409	572
TOTAL	**119357**	**76949**	**156797**	**63198**

Source: Algeria Official trade Data

Algeria's imports of non fat dry milk declined in Jan-August 2009, compared to the same period in CY 2008. Imported NFDM in Algeria is used mostly for ice cream manufacturing, which declined significantly this year because of a drop in ice cream consumption due to the month long fast during Ramadan which occurred in the summer.

Algerian cheese imports were relatively higher in the first eight months of 2009, due to increased demand for cheese processing. About 73 percent of imported cheese in 2009 was destined for the domestic cheese processing industry, compared to 65 percent in the year before. Low cheese prices in the world market have encouraged dairy processors to import additional quantities this year to increase stocks.

Table 2: Cheese and Butter Imports comparison in 2008 and 2009 (MT)

	January-Aug CY 2008		**January-Aug CY 2009**	
	Cheese	**Butter**	**Cheese**	**Butter**
Ireland	752	412	5156	690
New Zealand	2950	3405	3473	2008
Netherlands	3318	1596	3712	690
France	468	169	609	50
Germany	520	44	506	0
Australia	1060	0	440	300
Austria	156	0	340	
Argentina	250	1927	170	1486
Poland	517	0	246	
Denmark	52	0	70	24
U.S.	**245**	**966**	**0**	**0**
Uruguay	114	575	72	100
Tunisia	131	40	66	0
Belgium	100	0	0	209
India	140	763	0	0
Spain	0	916	0	23
Others	334	131	97	761
TOTAL	**11,107**	**10,944**	**14,950**	**6,314**

Source: Algeria Official trade Data

Butter imports declined in the first eight months of 2009, compared to 2008. Total AMF imports accounted for only 29 percent of the total butter, compared to 69 percent in the same period last year.

Imports of dairy products from the United States sharply declined in 2009, compared to the year before. During the first eight months of the year, imports figures show that the U.S. share of total Algeria's dairy imports fell from 6 percent in 2008 to only 2 percent in 2009. A total of 5,369 MT of nonfat dry milk powder (valued at $11 million) were imported in 2009, compared to a total of 16,611 MT of various dairy products (non fat dry milk, cheddar cheese and whey) valued at $63 million that were imported from the U.S. during the same period in 2008.

The lack of a direct shipping line to Algeria and the long distance from U.S ports make U.S. dairy products exports (especially cheese and butter) to Algeria less competitive compared to EU suppliers. With the decrease in market prices and good freight rates, Algerian importers find it more advantageous to buy elsewhere. Many importers are familiar with EU suppliers, while the quality of U.S. dairy products is still relatively unknown to most of the local end-users. The lack of interest and presence of U.S. exporters and cooperators in this market is negatively impacting the size of the U.S. market share.

In 2009, France dominated imports of nonfat dry milk with 25 percent, followed by Poland, Belgium and Netherlands. During the first eight months of the year, about 63 percent of nonfat dry milk and 70 percent of cheese were imported from EU countries. Ireland dominated imports of cheese, followed by Netherlands, France and Germany. The U.S. share of the nonfat dry milk import market is estimated at 8 percent during this period. Whole milk powder is mostly imported from New Zealand (38 percent), Argentina (14 percent), France (12 percent), and Belgium (12 percent), Netherlands (4 percent) and Poland (4 percent). Algerian butter imports are mostly from New Zealand, Argentina, Ireland and Netherlands.

Policy:

The government of Algeria has recently enacted measures to promote domestic production and to control imports. In order to control imports, the Ministry of Agriculture now requires a sanitary permit issued by the veterinary services after inspection of the importer's storage facilities prior to issuing the permit and allowing the imported products entry into the country. Letter of credit is also required as the only mean for payment for the imported goods by the Algerian banks instead of direct transfer. Although this measure may be favorable to the exporters, many of the small and medium sized importing companies have complained about the difficulties and delays they encounter in funding their import shipments.

A phytosanitary certificate for all imported food products, along with the quality control and conformity certificate, as well as, the certificate of origin is also required by the importers' bank prior to the importation and clearing the goods. These certificates are issued by officials in the exporting country.

Marketing:

Market development and trade servicing activities by FAS dairy cooperators in Algeria are almost non-existent. The weak presence of the U.S. supplier or exporters in this market is reflected in the Algerian importers' lack of awareness of the quality and availability of U.S.

dairy products. Post believes that conducting trade servicing activities by FAS cooperators in the Algerian market should be strengthened, which could have a positive impact in helping improve the U.S. competitive position in this market.

Production, Supply and Demand Data Statistics:

Dairy, Cheese Algeria	2007			2008			2009			
	2007			2008			2009			
	Market Year Begin: Jan 2007			Market Year Begin: Jan 2008			Market Year Begin: Jan 2009			
	USDA Official Data		Old Post Data	USDA Official Data		Old Post Data	USDA Official Data		Jan Data	
Beginning Stocks	1	1	1	1	1	1	1		1	(1000 MT)
Production	13	13	13	13	13	13	13		13	(1000 MT)
Other Imports	24	24	24	24	24	20	24		24	(1000 MT)
Total Imports	24	24	24	24	24	20	24		24	(1000 MT)
Total Supply	38	38	38	38	38	34	38		38	(1000 MT)
Other Exports	0	0	0	0	0		0		0	(1000 MT)
Total Exports	0	0	0	0	0	0	0		0	(1000 MT)
Human Dom. Consumption	37	37	37	37	37	33	37		37	(1000 MT)
Other Use, Losses	0	0	0	0	0	0	0		0	(1000 MT)
Total Dom. Consumption	37	37	37	37	37	33	37		37	(1000 MT)
Total Use	37	37	37	37	37	33	37		37	(1000 MT)
Ending Stocks	1	1	1	1	1	1	1		1	(1000 MT)
Total Distribution	38	38	38	38	38	34	38		38	(1000 MT)
CY Imp. from U.S.	0	0		0	0		0		0	(1000 MT)
CY. Exp. to U.S.	0	0		0	0		0			(1000 MT)
TS=TD			0			0			0	
Comments										
AGR Number	AG9010									

Dairy, Butter Algeria	2007			2008			2009			
	2007			2008			2009			
	Market Year Begin: Jan 2007			Market Year Begin: Jan 2008			Market Year Begin: Jan 2009			
	USDA Official Data		Old Post	USDA Official Data		Old Post	USDA Official Data		Jan	
			Data			Data			Data	
Beginning Stocks	1	1	1	1	1	1	1		1	(1000 MT)
Production	0	0	0	0	0		0		0	(1000 MT)
Other Imports	12	12	12	12	12	10	12		9	(1000 MT)
Total Imports	12	12	12	12	12	10	12		9	(1000 MT)
Total Supply	13	13	13	13	13	11	13		10	(1000 MT)
Other Exports	0	0	0	0	0	0	0		0	(1000 MT)
Total Exports	0	0	0	0	0	0	0		0	(1000 MT)
Domestic Consumption	12	12	12	12	12	10	12		9	(1000 MT)
Total Use	12	12	12	12	12	10	12		9	(1000 MT)
Ending Stocks	1	1	1	1	1	1	1		1	(1000 MT)
Total Distribution	13	13	13	13	13	11	13		10	(1000 MT)
CY Imp. from U.S.	0	0		0	1		0			(1000 MT)
CY. Exp. to U.S.	0	0		0	0		0			(1000 MT)
TS=TD			0			0			0	
Comments										
AGR Number	AG9010									

Dairy, Dry Whole Milk Powder Algeria	2007			2008			2009			
	2007			2008			2009			
	Market Year Begin: Jan 2007			Market Year Begin: Jan 2008			Market Year Begin: Jan 2009			
	USDA Official Data		Old Post	USDA Official Data		Old Post	USDA Official Data		Jan	
			Data			Data			Data	
Beginning Stocks	28	28	28	9	9	9	8		2	(1000 MT)
Production	0	0	0	0	0	0	0		0	(1000 MT)
Other Imports	161	161	161	179	179	153	180		160	(1000 MT)
Total Imports	161	161	161	179	179	153	180		160	(1000 MT)
Total Supply	189	189	189	188	188	162	188		162	(1000 MT)
Other Exports	0	0	0	0	0	0	0		0	(1000 MT)
Total Exports	0	0	0	0	0	0	0		0	(1000 MT)
Human Dom. Consumption	180	180	180	180	180	160	185		160	(1000 MT)
Other Use, Losses	0	0	0	0	0		0		0	(1000 MT)
Total Dom. Consumption	180	180	180	180	180	160	185		160	(1000 MT)
Total Use	180	180	180	180	180	160	185		160	(1000 MT)
Ending Stocks	9	9	9	8	8	2	3		2	(1000 MT)
Total Distribution	189	189	189	188	188	162	188		162	(1000 MT)
CY Imp. from U.S.	0	0	0	0	0	0	0		0	(1000 MT)
CY. Exp. to U.S.	0	0	0	0	0		0			(1000 MT)
TS=TD			0			0			0	
Comments										
AGR Number	AG9011									

Dairy, Milk, Nonfat Dry Algeria	2007			2008			2009			
	2007			2008			2009			
	Market Year Begin: Jan 2007			Market Year Begin: Jan 2008			Market Year Begin: Jan 2009			
	USDA Official Data		Old Post Data	USDA Official Data		Old Post Data	USDA Official Data		Jan Data	
Beginning Stocks	1	1	1	8	8	8	15		14	(1000 MT)
Production	0	0		0	0		0		0	(1000 MT)
Other Imports	91	91	91	91	91	90	90		91	(1000 MT)
Total Imports	91	91	91	91	91	90	90		91	(1000 MT)
Total Supply	92	92	92	99	99	98	105		105	(1000 MT)
Other Exports	0	0	0	0	0	0	0		0	(1000 MT)
Total Exports	0	0	0	0	0	0	0		0	(1000 MT)
Human Dom. Consumption	84	84	84	84	84	84	95		84	(1000 MT)
Other Use, Losses	0	0	0	0	0	0	0		0	(1000 MT)
Total Dom. Consumption	84	84	84	84	84	84	95		84	(1000 MT)
Total Use	84	84	84	84	84	84	95		84	(1000 MT)
Ending Stocks	8	8	8	15	15	14	10		21	(1000 MT)
Total Distribution	92	92	92	99	99	98	105		105	(1000 MT)
CY Imp. from U.S.	0	9	9	0	14		0		7	(1000 MT)
CY. Exp. to U.S.	0	0		0	0		0			(1000 MT)
TS=TD			0			0			0	
Comments										
AGR Number	AG9010									