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Global Agricultural Information Network

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## **Algeria**

### **Dairy and Products Annual**

#### **Dairy Outlook for USLGE Promising**

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**Report Highlights:**

The Government of Algeria (GOA) continues its efforts to increase development in the dairy sector to reduce reliance on imports. Direct state support continues to be available to farmers interested in this sector.

**Executive Summary:**

The development of the dairy sector remains a priority in Algeria. The Government of Algeria's policy is oriented dairy farm projects that increase the sector's capacities to meet domestic demand that would eliminate its reliance on imported milk powder by 2020.

The GOA continues to support the dairy sector with subsidies for fodder, fodder seeds and silage production to improve breeding performance and production. According to the local press, 240,000 dairy cattle will be imported by 2019. The Algerian grain buying agency (OAIC) will import fodder seeds (such as alfalfa, triticale, feed peas, and faba beans) that will be distributed to farmers. In addition, the Ministry of Agriculture (MoA) seeks investment in the processing sector to process the fresh milk into powder which will enable the valorization of local milk and reduce milk powder imports.

These new projects have the potential to generate sales and will likely be seen as investment opportunities for exporters of cattle, bovine genetics, seeds as well as dairy farm and dairy processing equipment. This is especially significant because the United States and Algeria are negotiating a breeder cattle certificate which when finalized would open the market to U.S. dairy cattle.

During the recent SIMA-SIPSA agri-business and livestock trade exposition in Algiers, Algerian farmers were keenly interested in U.S. livestock and genetics as well as in partnerships with U.S. companies to establishing large-scale dairy farms. As reported previously, an American group signed a joint venture (JV) agreement in 2015 with a private Algerian group to create the U.S.-Algeria JV, El Ferma. The U.S. role in the JV is to provide advanced agricultural technologies, breeder cattle, and seeds needed to establish and operate an integrated U.S. production models in Algeria. This exemplifies how U.S. agribusinesses can play a key role in supporting the Algerian government's efforts to increase agricultural production and at the same time, create market opportunities for U.S. highly quality commodities, machinery, and equipment.

U.S. exporters and their market development associations should become more engaged in the Algerian market to address the lack of product awareness and the lack of technical expertise to secure place for US livestock and farm equipment in Algeria. (See marketing section).

Despite the expansion in the dairy sector, with the new policy to reduce imports, consumption is expected to more or less stabilize. Customs figures show that Algeria's imports of dairy products decreased (27.6 percent) in value and (8.5 percent) in volumes in the first eight months of the CY2016 compared to the same period in CY2015 and the previous year.

The GOA introduced import and export licensing (published in Journal Officiel No 66 in December 9, 2015), on agricultural commodities and goods originating from the E.U, in order to benefit from the customs duty exemption and preferential tariffs. These measures will likely have the effect of slowing the pace of imports in the future, (see policy section).

**Commodities:**

Select

**Production:**

The development of the dairy sector remains a priority in the GOA's overall strategy to reduce imports following the sharp drop in world oil prices as well as reduce the impact on its economy as oil exports account for 97 percent of revenues.

The policy to revitalize and develop the dairy industry is focused on eliminating imports of milk powder by 2020 similar to durum. Several programs were implemented to reach this goal:

- dairy farm projects (1000 to 10,000 head) were launched in order to increase this sector's capacity to meet domestic demand by providing quantitative and qualitative products at affordable prices and the export of surplus dairy products to other markets. The farm projects benefit from significant land and water resources. Fallow land will also be used to maximize farming.

Local media reports indicate that upwards of 240,000 dairy cattle will be imported by 2019 as part of this program. In addition, the MOA has called for investment in the dairy processing sector to increase the availability of fresh milk as well as to convert excess milk into powder reduce milk powder imports.

The GOA's support for the sector with state subsidies continues unimpeded. The GOA will support fodder production to improve breeding performances and production. The acquisition of fodder seeds will also be supported up to 50 percent, as well as silage production to 1,000 A.D/m<sup>3</sup>, and ribboned fodder up to 30 percent of the referenced price. Farmers producing their own fodder will be eligible for this support. The OAIC has been involved in the implementation of the pasture production policy. The OAIC will import fodder seeds (such as alfalfa, triticale, feed peas, and faba beans) to support farmers.

U.S. market development association's expertise and know-how would also help assure a good share for US livestock and farm equipment in Algeria as the dairy sector has always suffered from deficit in fodder and feed production and supply because of climatic conditions, need for improved genetics as well as constraints in animal husbandry and nutrition management that still need improvement.

The El Ferma project is located on approximately 7,000 hectares in Algeria's western region. The newly formed company will focus on dairy cattle, housing, health, nutrition, milking parlor design and herd management, as well as forage development, crop rotation and plant nutrition in addition, to potato planting and harvesting machinery operations ; high-quality potato seed varieties and related planting, growing and seed selection, handling, processing and storage technologies. This project will require at least 20,000 head of dairy cattle that will need to be imported from the U.S.

According to the MOA, the development programs encouraged the expansion of the dairy processing in recent years. For example, milk production increased five folds between 2009 and 2014, and is expected to increase to 1.85 million MT by 2019. Fresh milk collection continued to trend upward; in 2014, 964 million liters of fresh milk were collected, versus 189 million liters in 2009. Estimates are that 70 percent of the fresh milk is from cows, while the remaining 30 percent is from sheep, goats and camels.

### Consumption:

The MOA's development programs led the dairy processing sector to expand in the recent years from 88 dairy plants operating in different regions across the country in 2009 to 182 in 2015 of which 15 are state-owned. The diversification of dairy production has made Algeria's consumption of milk and dairy products the highest in the North African with per capita consumption estimated at 120 liters per year. Dairy is the second most consumed food product in Algeria after cereals, and is considered a staple along with cereals and potatoes.

The GOA has estimated domestic consumption at 5 MMT annually of which 3.5 MMT is domestic production (2014) and 1.5 MMT come from imported milk powder. Despite the expansion in the dairy sector, with the new policy to reduce imports, consumption is expected to more or less stabilize.

Most of the milk consumed in Algeria in the past was reconstituted in blends of imported non-fat dry milk and anhydrous milk fat. With the implementation of the development programs and incentives for the integration of fresh milk in the dairy processing industry, local processors began producing pasteurized fresh milk with a 24 hour shelf-life for one liter plastic bags as well as UHT tetra pack fresh milk. The incentive provided to milk producers (breeders) of about 12 AD/L (\$0.114/L), 5 AD/L (\$0.047/L) to milk collectors and 4 AD/L (\$0.038/L) to dairy processors.

### Trade:

Dairy and derivatives imports annually cost Algeria more than a billion dollars which makes Algeria one of the largest importers of milk powder. Algeria's powdered milk imports averaged about 315 million MT valued at \$1.20 billion over the last six years. Dairy products represented 12.5 percent (\$1.17 billion) of total food imports (\$9.31 billion) in CY2015. U.S. exports were 0.1 percent of the market in 2015, due to non-competitive prices with Europe

### Algeria Milk powder Imports Six-Year Comparison In Million Dollars

|                | ALL ORIGINS |      |       | US ORIGIN |       |         |
|----------------|-------------|------|-------|-----------|-------|---------|
|                | NFDM        | WMP  | Total | NFDM      | WMP   | Total   |
| <b>CY2015</b>  | 331         | 670  | 1001  | 1         |       | 1       |
| <b>CY2014</b>  | 745         | 1054 | 1799  | 100       | 0.788 | 100.788 |
| <b>CY2013</b>  | 461         | 613  | 1074  | 106       | 0     | 106     |
| <b>CY2012</b>  | 348         | 740  | 1088  | 19        | 0     | 19      |
| <b>CY2011</b>  | 460         | 884  | 1344  | 0         | 0     | 0       |
| <b>CY 2010</b> | 308         | 591  | 899   | 5         | 0     | 5       |

Source: Algeria Official trade data

According to news reports, Customs figures show that Algeria's imports of dairy products decreased (27.6 percent) in value and (8.5 percent) in volumes in the first eight months of the CY2016 compared to the same period in CY2015 and the year before. Algeria imported \$557 million worth of dairy products in the first eight months of 2016, compared to the same period in 2015 (\$770 million) and 2014 (\$1.29 billion). Volumes imported during the first eight months of 2016, equaled 236,931 tons compared to 258,913 tons in the same period in CY2015 and 251,842 tons during the same period in

2014. The decrease in value was due to falling prices worldwide. The new Government policy to decrease imports would impact the volumes.

### Algerian milk powder imports Six-Year Comparison in MT

|                | ALL ORIGINS |        |        | US ORIGIN |     |       |
|----------------|-------------|--------|--------|-----------|-----|-------|
|                | NFDM        | WMP    | Total  | NFDM      | WMP | Total |
| <b>CY2015</b>  | 135845      | 224971 | 360816 | 499       | 0   | 499   |
| <b>CY2014</b>  | 167740      | 205725 | 373465 | 21925     | 157 | 22082 |
| <b>CY2013</b>  | 119322      | 142979 | 262301 | 26941     | 0   | 26941 |
| <b>CY2012</b>  | 110280      | 188025 | 298305 | 6986      | 0   | 6986  |
| <b>CY2011</b>  | 125373      | 204472 | 329845 | 0         | 0   | 0     |
| <b>CY 2010</b> | 97492       | 167070 | 264562 | 1805      | 0   | 1805  |

Source: Algeria Official trade data

Dairy imports sources remain almost unchanged. Most of the nonfat dry milk powder is imported from EU countries (France with 35.83 percent, Belgium with 23.4 percent, Poland with 18.22 percent. The U.S. shared the market only with 0.3 percent.

Whole milk powder is imported from New Zealand (42.35 percent) followed by France (18 percent), Belgium with 9 percent and Poland 8 percent. Most of the cheese is imported from the Netherlands (33.5 percent), Ireland (25.21 percent), and New Zealand (14.16 percent).

Butterfat originates from New Zealand (53 percent), Uruguay (24 percent), and Ireland (12.5 percent).

### Algerian milk powder imports by Origin in MT in CY2015

|                      | NFDM  | WMP    | TOTAL  |
|----------------------|-------|--------|--------|
| <b>New Zealand</b>   | 2683  | 150127 | 152810 |
| <b>France</b>        | 48679 | 15592  | 64271  |
| <b>Argentina</b>     | 3622  | 17410  | 21032  |
| <b>Belgium</b>       | 31798 | 2351   | 34149  |
| <b>Poland</b>        | 24764 | 3121   | 27885  |
| <b>Germany</b>       | 15742 | 4243   | 19985  |
| <b>Ireland</b>       | 2183  | 5415   | 7598   |
| <b>Netherlands</b>   | 75    | 3825   | 3900   |
| <b>Great Britain</b> | 475   | 1375   | 1850   |
| <b>U.S.</b>          | 500   | 0      | 500    |
| <b>Uruguay</b>       | 1315  | 19008  | 20323  |
| <b>Australia</b>     | 2016  | 0      | 2016   |
| <b>Denmark</b>       | 447   | 87     | 534    |

|                    |               |               |               |
|--------------------|---------------|---------------|---------------|
| <b>Switzerland</b> | 100           | 0             | 100           |
| <b>Ukraine</b>     | 1050          | 150           | 1200          |
| <b>Sweden</b>      | 198           | 408           | 606           |
| <b>Indonesia</b>   | 0             | 397           | 397           |
| <b>Spain</b>       | 148           | 1062          | 1210          |
| <b>Others</b>      | <b>50</b>     | <b>400</b>    | <b>450</b>    |
| <b>Total</b>       | <b>135845</b> | <b>224971</b> | <b>360816</b> |

Source: Algeria Official trade data

**Policy:**

The GOA reduced as far as possible their costs, in order to curb the impact of the sharp drop of the world crude oil prices on the economy’s revenues, given that 97% of the latter come from oil exports. The GOA implemented measures in 2016 to reduce imports. The GOA introduced import and export licensing (published in Journal Officiel No 66 in December 9, 2015), on agricultural commodities and goods originating from the E.U, in order to benefit from the customs duty exemption and preferential tariffs. The list included; durum wheat and bread wheat, barley, oats, corn, rice coarse grains as well as oilseeds along with live animals, meat, milk and cheese, eggs, crude vegetable oil, sugar and many more. These measures will likely have the effect of slowing the pace of imports in the future.

**Marketing:**

U.S. and Algerian veterinary officials are negotiating a breeder cattle certificate to allow for export of U.S. dairy cattle to Algeria. This agreement coupled with the new strategy to develop dairy farms in Algeria, has big potential for U.S. dairy cattle and bovine genetics. To support the case for U.S. cattle, the U.S. Livestock Genetics Export Incorporated sent an expert who met with nearly 100 potential importers over the course of the four-day SIMA-SIPSA agri-business and livestock exposition in Algiers. It is highly encouraged that U.S. exporters and their market development associations become more engaged in Algeria to build a base for U. S. livestock and bovine genetics in Algeria. USLGE’s participation put a face on U.S. livestock and bovine genetics for Algerians who are unfamiliar with U.S. products but consider U.S. products to be of the highest quality.

We encourage more U.S. exporters to consider regional trade events or visits to Algeria in coordination with the Office of Agricultural Affairs to market U.S. products.

**Production, Supply and Demand Data Statistics:**

| <b>Dairy, Dry Whole Milk Powder</b> | <b>2015</b>          |                 | <b>2016</b>          |                 | <b>2017</b>          |                 |
|-------------------------------------|----------------------|-----------------|----------------------|-----------------|----------------------|-----------------|
| <b>Market Begin Year</b>            | <b>Jan 2015</b>      |                 | <b>Jan 2016</b>      |                 | <b>Jan 2017</b>      |                 |
| <b>Algeria</b>                      | <b>USDA Official</b> | <b>New Post</b> | <b>USDA Official</b> | <b>New Post</b> | <b>USDA Official</b> | <b>New Post</b> |
| <b>Beginning Stocks</b>             | 33                   | 33              | 38                   | 43              | 0                    | 45              |
| <b>Production</b>                   | 0                    | 0               | 0                    | 0               | 0                    | 0               |
| <b>Other Imports</b>                | 220                  | 225             | 220                  | 220             | 0                    | 210             |
| <b>Total Imports</b>                | 220                  | 225             | 220                  | 220             | 0                    | 210             |
| <b>Total Supply</b>                 | 253                  | 258             | 258                  | 263             | 0                    | 255             |
| <b>Other Exports</b>                | 0                    | 0               | 0                    | 0               | 0                    | 0               |
| <b>Total Exports</b>                | 0                    | 0               | 0                    | 0               | 0                    | 0               |
| <b>Human Dom. Consumption</b>       | 215                  | 215             | 218                  | 218             | 0                    | 219             |
| <b>Other Use, Losses</b>            | 0                    | 0               | 0                    | 0               | 0                    | 0               |
| <b>Total Dom. Consumption</b>       | 215                  | 215             | 218                  | 218             | 0                    | 219             |
| <b>Total Use</b>                    | 215                  | 215             | 218                  | 218             | 0                    | 219             |
| <b>Ending Stocks</b>                | 38                   | 43              | 40                   | 45              | 0                    | 36              |
| <b>Total Distribution</b>           | 253                  | 258             | 258                  | 263             | 0                    | 255             |
|                                     |                      |                 |                      |                 |                      |                 |

(1000 MT)

| <b>Dairy, Milk, Nonfat Dry</b> | <b>2015</b>          |                 | <b>2016</b>          |                 | <b>2017</b>          |                 |
|--------------------------------|----------------------|-----------------|----------------------|-----------------|----------------------|-----------------|
| <b>Market Begin Year</b>       | <b>Jan 2015</b>      |                 | <b>Jan 2016</b>      |                 | <b>Jan 2017</b>      |                 |
| <b>Algeria</b>                 | <b>USDA Official</b> | <b>New Post</b> | <b>USDA Official</b> | <b>New Post</b> | <b>USDA Official</b> | <b>New Post</b> |
| <b>Beginning Stocks</b>        | 49                   | 49              | 39                   | 35              | 0                    | 25              |
| <b>Production</b>              | 0                    | 0               | 0                    | 0               | 0                    | 0               |
| <b>Other Imports</b>           | 140                  | 136             | 135                  | 130             | 0                    | 125             |
| <b>Total Imports</b>           | 140                  | 136             | 135                  | 130             | 0                    | 125             |
| <b>Total Supply</b>            | 189                  | 185             | 174                  | 165             | 0                    | 150             |
| <b>Other Exports</b>           | 0                    | 0               | 0                    | 0               | 0                    | 0               |
| <b>Total Exports</b>           | 0                    | 0               | 0                    | 0               | 0                    | 0               |
| <b>Human Dom. Consumption</b>  | 150                  | 150             | 140                  | 140             | 0                    | 140             |
| <b>Other Use, Losses</b>       | 0                    | 0               | 0                    | 0               | 0                    | 0               |
| <b>Total Dom.</b>              | 150                  | 150             | 140                  | 140             | 0                    | 140             |

|                           |     |     |     |     |   |     |
|---------------------------|-----|-----|-----|-----|---|-----|
| <b>Consumption</b>        |     |     |     |     |   |     |
| <b>Total Use</b>          | 150 | 150 | 140 | 140 | 0 | 140 |
| <b>Ending Stocks</b>      | 39  | 35  | 34  | 25  | 0 | 10  |
| <b>Total Distribution</b> | 189 | 185 | 174 | 165 | 0 | 150 |
|                           |     |     |     |     |   |     |
| (1000 MT)                 |     |     |     |     |   |     |