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Algeria

Grain and Feed Annual

Market Opportunities For U.S. Feed Grains

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Report Highlights:

The Algerian Ministry of Agriculture reported favorable early prospects for the MY2018/19 winter grain crop. The Government continues to employ a strategy to control the spending by implementing new measures to control imports and protect domestic production as part of the 2018 Finance Act. However, the removal of the Value Added Tax on feed grains provides market opportunities.

Executive Summary

Crop conditions seem to be fairly good at the moment. Rainfall has been adequate. Most of the grain production regions benefited from good precipitation resulting in good soil moisture levels. Algeria's grain planting season ended under fairly satisfactory climatic conditions throughout the country. The Ministry of Agriculture reported favorable early prospects for the MY2018/19 winter grains crop.

The areas planted reached 3.44 million hectares (ha). Durum accounted for the largest share with 1.6 million ha followed by barley with 1.28 million ha. Areas planted with bread wheat and oat accounted only for respectively 480,000 ha and 80,000 ha.

The Government of Algeria (GoA)'s action plan outlines as a priority to support for agricultural sector development, particularly, cereal production. The Ministry of Agriculture has embarked on a program; - to increase irrigated areas from 1.3 million hectares (current estimate), to 2 million hectares, of which 600, 000 ha will be devoted to cereals by 2020. The GoA also wishes to achieve self-sufficiency in durum production by 2020. In addition, the Algerian Office of Cereals (OAIC) announced that durum, bread wheat, and barley seeds will henceforth be produced locally. Algeria will no longer import cereal seeds.

Overall imports decreased for most of commodities (barley, corn, soybean meal, DDG's) as they have been impacted by the increase in Value Added Tax (VAT) and the import licensing system imposed in 2017. Rice and pulses imports increased slightly unlike the other commodities in 2017 despite the increase in VAT which is attributed to massive imports which occurred prior to the import ban. The new measures restricting imports announced by Ministry of Commerce, in January 2018 produced a surge in imports.

Algeria will continue to import wheat mostly bread wheat as Algeria produces durum locally. Wheat remains exempt from VAT and unaffected by recent changes to import restrictions and subsidy programs.

Algeria's strategy to reduce imports continues with new measures implemented for 2018. The GoA dropped the import licensing system for most products, but introduced new measures as a part of the 2018 Finance Act (see policy for details). Import licenses are no longer needed for feed grains. Barley, corn, DDGs and other feed grains are exempt from VAT; therefore, opportunities may rise for these commodities, while other commodities may be negatively impacted, like soybean meal.

Production

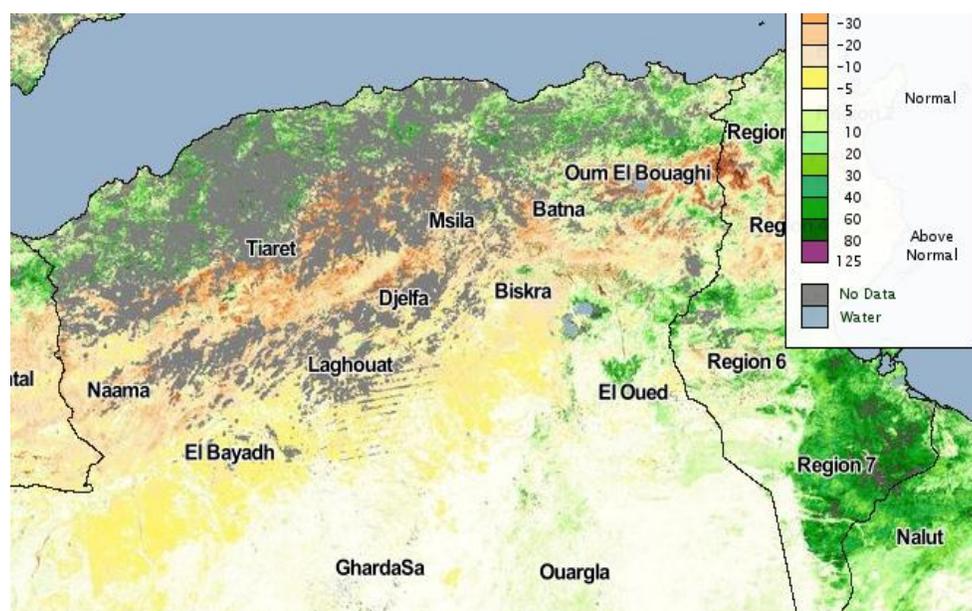
According to the Ministry of Agriculture (MOA)'s Algerian Office of Cereals (OAIC), early prospects for Algeria's 2018 winter grain crop are favorable. Crops benefited from widespread precipitation in the east, central and west of Algeria.

Planting season and working conditions were good. The Ministry of Agriculture (MOA) made available certified seeds and fertilizer to farmers again this year, as well as provided technical and economic assistance facilitating access to credit for the acquisition of inputs to help improve yields and quality.

Algeria's grain planting season ended with fairly satisfactory climatic conditions throughout the country. The Ministry of Agriculture's provisional planting figures for MY2018/19 show the areas planted reached 3.44 million hectares (ha). Durum accounted for the largest share with 1.6 million ha followed by barley with 1.28 million ha. Areas planted with bread wheat and oat accounted only for respectively 480,000 ha and 80,000 ha respectively.

The vegetation index below shows the pockets of vegetation that lie in the western, central and eastern regions of the country.

Algeria: Normalized Difference Vegetation Index (NDVI) by Region



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

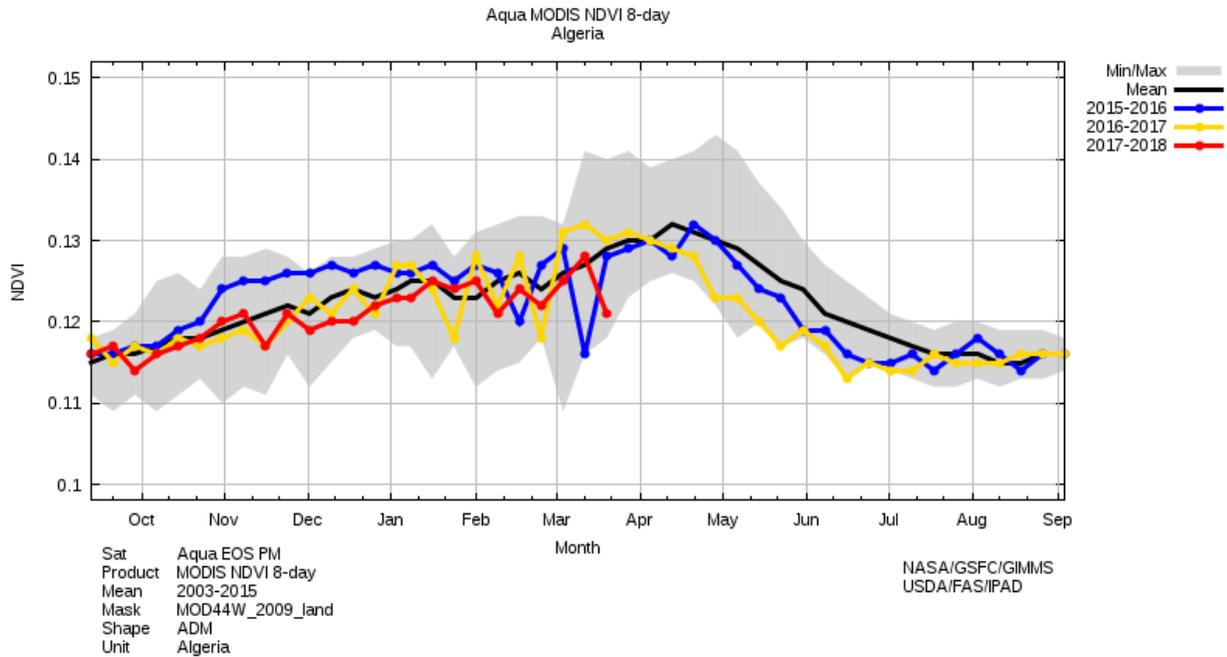
In general, rainfall has been adequate. Most of the grain production regions benefited from good precipitation resulting in good soil moisture levels which helps crop development.

As of March 17, 2018, MOA bulletins indicated the following stages of crop development:

- Wheat
 - Bolting in the coastline and sub-coastline center, eastern and western regions
 - Early bolting in the center, eastern and western high plateaus.
- Barley and Oats
 - Bolting in the coastline and sub-coastline center, eastern and western regions

- Early bolting in the center, eastern and western high plateaus.

Algeria: Normalized Difference Vegetation Index (NDVI) over Time



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

Crop conditions seem to be fairly good at the moment and look more or less the same as last year's. Post forecasts wheat production at 2500MT and barley production at 1000MT.

Algeria Cereal Production (Million MT)

Source: Ministry of Agriculture

2000-08	2009	2010	2011	2012	2013	2014	2015	2016	2017
2.97	6.12	4.56	4.25	5.13	4.91	3.04	4.0	3.3	3.5

The GoA's support to agriculture sector development and particularly cereal production remains a priority in the government's action plan. Among the goals outlined are:

1-The expansion of irrigated agricultural areas, with priority given to cereals. Irrigated areas are expected to increase from 1.3 million hectares to 2 million hectares, of which 600,000 ha will be devoted to cereals by 2020. Currently, the irrigated areas devoted to cereals are estimated at 250,000 hectares, which remains minimal compared to the GoA's objectives.

2-Achieve self-sufficiency in durum production by 2020; The Ministry of Agriculture has embarked on a program to achieve self-sufficiency in durum wheat and pulses production by 2020, through the Algerian Office of Cereals (OAIC). OAIC will be involved in cereal production as well as importing grains. The OAIC acquired land in various regions, particularly in the south, to begin durum wheat production with supplemental irrigation on large scale farms, while the OAIC will pursue imports of bread wheat. Climatic conditions are not in favor of bread wheat production in Algeria, as this variety is very sensitive to dry conditions. In addition, the OAIC announced that durum, bread wheat, and barley seeds will henceforth be produced locally. Algeria will not import cereal seeds; (<http://www.aps.dz/economie/69082-les-semences-de-ble-et-d-orge-produites-totalement-en-algerie-oaic>).

Consumption

Algeria is among the largest consumers of wheat in the world, a commodity eaten mainly in the form of bread and couscous made from semolina. Wheat is the major staple food. Algerian wheat consumption has risen slightly in past years as a result of increased urbanization, population growth and increased milling capacity. There are 430 mills operational in Algeria. There has been no new investment in the sector in recent years. Post forecasts wheat consumption at 10.550 MMT in MY2018/19.

Barley consumption is dependent on climatic conditions. Barley's use as a feed remains highly dependent on pasture conditions – in general, better pastures result in lower barley demand. Algeria's breweries consume small amounts of barley, generally imported from Europe. Barley consumption may rise slightly in MY2018/19 as the exemption from VAT will slightly drive imports up, but the liberalization of barley's market price at the consumption level may negatively affect the demand. Post forecast barley consumption at 1.950 MMT for MY2018/19.

Post maintains previous barley estimates for MY2016/17 and MY2017/18. The increase in VAT in 2017, as well as the removal of the domestic sales price support, makes barley sold at market price more expensive. The end result impacts overall barley consumption.

Trade

Cereals are always at the top of the list of Algeria's food imports. Algeria is the third largest importer of wheat in the world behind Egypt and Indonesia. Algerian Customs reports that cereal imports hit \$2.77 billion in CY2017 and represented 31.97 percent of total imports. The OAIC reported that Algeria imported 8.4 MMT of cereals in CY2017. Algeria will continue to import wheat mostly bread wheat as it tends to produce durum locally.

Algeria's strategy to reduce imports continues with new measures implemented for FY2018. (See Policy below for details). Among the measures, barley, corn, DDGs and other feed grains are exempt from VAT. Therefore, opportunities may rise for these commodities, while others may be impacted negatively like soybean meal. Soybean meal is not exempt from VAT. Soybean meal's VAT increased from 7 to 9 percent already as a part of the fiscal measures in the 2017 Financial Act and increased to 19 percent in 2018. Wheat remains exempt from VAT and unaffected by the changes.

Overall imports decreased for most commodities (barley, corn, soybean meal, DDG's) due to the VAT increase and the import license system imposed in 2017. As reported previously, in the beginning of 2017, the VAT increased from 7 to 9 percent in the 2017 Finance Act for these commodities. The Ministry of Commerce implemented an import licensing regime and extended it to all "non-essential" products. The effective starting date for the application of the import license regime remained unknown until April 2017 when the Ministry of Commerce published the first list of products which included barley, corn, and soybean meal, as well as vitamin mineral concentrate. The quotas to be imported were only granted and published in June, 2017 and limited to (barley: 462,076 MT, corn: 2,128,779 MT, soybean meal: 495,514 MT). Delays in the introduction of import licenses for feed in 2017 led to increased prices and supply shortages.

Rice and pulses imports increased slightly unlike the other commodities in CY2017. Industry contacts reported that this is due to massive imports that occurred prior to the import ban. The new measures restricting imports of a major list of products, announced by Ministry of Commerce to be implemented in 2018 produced a surge in imports. Also, rice and pulses were not subject to import licenses in 2017.

Wheat

Post forecasts wheat imports in MY17/18 and MY18/19 will fall to 8.2 MMT in response to the strategy to import less durum and produce it locally by 2020. Bread wheat will continue to occupy the vast majority of Algeria's wheat imports as the GOA focuses on self-sufficiency in durum production. Bread wheat represents 75 to 80 percent of total wheat imports while durum imports represent 20 to 22 percent.

Table: Algeria Bread Wheat Imports by Origin (MT)

	MY15/16 (Jul/Jun)	MY16/17 (Jul/Jun)	YTD MY16/17 (Jul /Dec)	YTD MY17/18 (Jul/Dec)
World	6505614	6409471	3252491	3203299
France	4797636	2262544	1126641	2105308
Germany	61855	644759	558261	27672
Poland	165996	320416	288918	0
Canada	0	0	0	0
Latvia	432504	209024	209024	93310
Ukraine	106280	137367	117676	68214

Lithuania	232426	152590	152590	51841
Sweden	314087	263078	179578	0
Russia	0	73049	73049	0
United Kingdom	175510	206646	206646	0
United States	0	547148	202837	304668
Czech Republic	0	181494	93074	0
Estonia	161545	53436	27350	92689
Bulgaria	0	10800	10800	0
Moldova	0	6048	6048	0
Romania	31500	0	0	0
Switzerland	26250	0	0	0
Uruguay	0	181520	0	0

Source: Official Algerian Trade Data

Post adjusted MY2016/17 estimate at 8.444 MMT.

Table: Algeria Durum Wheat Imports by Origin (MT)

	MY15/16 (Jul/Jun)	MY16/17 (Jul/Jun)	YTD MY15/16 (Jul/Dec 16)	YTD MY16/17 (Jul/Dec 17)
World	1653547	2035120	935462	619126
Mexico	430699	555536	529286	36741
Canada	965919	1172852	303974	455814
Ukraine	0	27500	27500	0
France	150770	51196	34956	57539
United States	106137	187858	39747	64032
Kazakhstan	0	5500	0	5000
Australia		32850	0	0
Spain	0	1828	0	0

Source: Official Algerian Trade Data

Barley

Algeria's barley imports are weather-driven. Barley imports increase when there are pasture shortages resulting from drought conditions. Post forecasts barley imports for MY18/19 to increase slightly to 650,000 MT as the VAT was removed. The GoA policy to reduce imports and the liberalization of barley's market price at the consumption level will decrease demand and may affect imports negatively. Post adjusts the MY2016/17 estimates at 642,000 MT as shown in the table below and downward for MY2017/18 to 600,000 MT.

Table: Algeria Barley Imports by Origin (MT)

	MY15/16 (Jul/Jun)	MY16/17 (Jul/Jun)	YTD MY16/17 (Jul/Dec16)	YTD MY17/18 (Jul/Dec17)
World	859,760	641697	363531	263393
Ukraine	58418	21500	21500	0
Russia	122488	91862	62456	61900

Finland	28350	31500	31500	0
Romania	58418	21500	21500	0
Hungary	10148	13523	13523	0
France	211896	164919	8098	94243
Moldova	0	6495	6495	0
United Kingdom	266289	49735	24738	0
Argentina	10895	0	0	0
Bulgaria	0	0	0	0
Estonia	0	0	0	0
Lithuania	0	0	0	0
Germany	0	60653	0	0
Poland	0	0	0	0

Source: Official Algerian Trade Data

Corn

Argentina remains the number one supplier of corn to Algeria, followed by the U.S. Algeria's preference for some qualitative aspects and specifications of Argentine corn over U.S. corn still remain. The figures in the table below show the Algerian total corn imports decrease in MY2015/16 and MY2016/17 (see trade section). Total Algerian corn imports increased from July 2017 to December 2017, as the quota for corn to be imported under import license system was only announced in June 2017 and limited to: 2,128,779 MT.

Table: Algeria Corn Imports by Origin (MT)

	MY15/16 (Jul/Jun)	MY16/17 (Jul/Jun)	YTD (07/16-12/16)	YTD (07/17-12/17)
World	4,269,498	4091761	1,472,984	1,591,977
Argentina	2,511,300	2868891	1,080,725	948,636
Brazil	1,128,925	452828	259,612	179,338
United States	243,896	527209	58,379	436,265
Ukraine	109,600	156488	0	27,500
France	84	119	24	70
Russia	57,323	27000	0	0
Romania	36,950	35990	0	0

Paraguay	11,892	0	74,099	0
Bulgaria	10,497	0	0	0
Yugoslavia	7,562	21288	0	0

Source: Official Algerian Trade Data

The new agricultural strategy to encourage domestic agricultural production renewed interest in domestic corn production for many farmers. Corn is now produced in some of the southern provinces where average yields range from 13 to 80 quintals per ha. Technical issues related to crop management, irrigation and harvest equipment hamper the production of local feed.

DDGS

The high duties (30 percent) and VAT increase in 2017 discouraged the use of DDGS despite the successful trials conducted in the past years. Hopefully, this year's VAT exemption will raise the prospects for DDGS.

Soybean Meal

Demand for soybean meal comes mainly from Algeria's poultry feed industry. Imports continue to decrease in CY2017 as mentioned above due to recent measures to reduce total imports.

U.S. soybean meal imports decline is due to a lack of price competitiveness and consumer's preference for certain Argentine qualitative aspects and specifications.

Argentine soybean meal always accounts for the largest share (88 percent) of imports. Argentina is also the major soybean meal supplier.

Table: Algeria Soybean Meal Imports by Origin (1,000 MT)

	CY15	CY16	CY17
World	1,421	1,330	1,161
Argentina	1,266	1,276	1,025
United States	31	27	15
Brazil	51	0	78
Paraguay	66	17	28

Source: Official Algerian Trade Data

Rice

Algerian rice imports are very irregular but have increased over the 2006-2013 period. This is due to population growth. Algerian consumers have introduced more rice into their diets. Recent declines in rice imports resulted from the government's measures to reduce imports. However, the increase in 2017 is due to massive imports that occurred prior to the measures restricting imports.

Private importers take advantage of good prices to buy rice in small containers from different origins but mostly from Vietnam and Thailand. In CY2017, Algeria imported 3000 MT of rice from the U.S. There were no imports from the U.S. since 2012 (4192 MT), as U.S. prices were not competitive against the Asian market.

Table: Algeria Rice Imports by Origin (MT)

	CY14	CY15	CY16	CY17
World	117,312	113,859	110,547	129773
India	41,600	46,083	49,000	37589
Thailand	29,290	18,190	24,344	41493
Vietnam	26,975	30,130	14,046	27225
Pakistan	7,099	7,033	8,845	6690
Tajikistan	6,044	8,333	5,935	7443
Argentina	0	1,999	4,000	500
Spain	1,261	1,521	2,858	3962
United States	0	3	0	3000
Portugal	0	0	0	400
Uruguay	4,080	0	500	300
Singapore	0	0	0	250

Source: Official Algerian Trade Data

Pulses

Algeria's imports of pulses are mostly beans, lentils, chickpeas, and beans for seeding. U.S. pulse exports to Algeria have trended upward for the past several years with the potential for growth in the Algerian market which is price sensitive. Algeria's U.S origin imports consisted mainly of chickpeas, lentils, beans, and peas.

Table: Algeria Pulse Imports by Origin (MT)

	CY15	CY16	CY17
World	228,294	199,346	237524
Canada	95,417	59,882	86461
Argentina	26,066	47,800	30930
Mexico	21,240	28,423	36779
India	29,094	20,169	17804
Egypt	38,446	16,168	25789
Russia	2,685	6,461	7690
United States	4,798	5,285	15481

Turkey	2,210	2,717	3804
Spain	1,289	1,011	639
Kyrgyzstan	0	977	2222
China	198	366	139
France	2,005	1589	1707
Kazakhstan	0	1699	2589
New Zealand	1,425	1578	2947

Source: Official Algerian Trade Data

Stocks

With regard to storage capacities, in recent years, the OAIC undertook (via tendering) the construction of 39 silos. These silos will increase storage capacity for durum, bread wheat, and barley from 5 MMT already existing to 6 MMT. The plan was to add 0.82 MMT of capacity in 2012 with plans to add an additional 0.84 MMT by 2019. Nine silos will be operational in 2018 while the rest are to be completed by 2020.

Policy

The Government of Algeria (GoA) continues its strategy to control spending to offset the drop in energy earnings by implementing new measures to control imports and protect domestic production.

The GoA dropped the import licensing system for most of the products, but introduced new measures as part of the 2018 Finance Act. Effective January 1, 2018, imports are subject to a new management mechanism which was specified, in the announcement of the Ministry of Commerce in January 2018 and is available on their website: ([02.01.2018 Avis et Communiqués](#)). A new list of 851 products was temporarily suspended from imports. This cancels all the former ones from 2017. The 2018 list of banned items includes 576 agricultural products; only feed grains are covered in this report. The full list can be found on the Ministry of Commerce's link (above).

According to the 2018 Finance Act, Feed Grains are exempt from VAT:

-Barley (tariff heading 10.03), corn, (tariff heading 10.05), bran, (tariff code 23.02), starch residues and similar residues (tariff heading 23-03) including DDGs, preparations used for feeding animals (tariff heading 23-09). Import licenses are no longer needed for these products. The information can be found at: https://www.mfdgi.gov.dz/images/pdf/communiques/Communique_LF2018.pdf

Corn derivatives; (corn starch, corn flour, corn semolina) are temporarily suspended along with another 576 agricultural products as part of these new measures. Wheat products are also included (dough and other preparations for pastry and bakery, pasta (macaroni, spaghetti, noodles, stuffed pasta), couscous, muesli, wheat bulgur, corn flour and corn starch, corn grits, sweet corn (prepared or cured). In addition, agricultural tractors and harvesters are also suspended from import.

The entire list can be found at: <https://www.commerce.gov.dz/reglementation/decret-executif-n-deg-18-02>.

Effective March 1st, 2018, the products under tariff code 19.05 (26 subheadings); biscuits and bakery products, pastry or biscuit products, crispbread, gingerbread, biscuits with added sweeteners, waffles and wafers, rusks, toast ...) were added to the list of temporarily suspended products. These products are largely manufactured in Algeria with very good quality and affordable prices compared to those imported.

The other measure concerns wheat and barley. Both are part of the list of products that require a phytosanitary certificate for the banking domiciliation's application prior to import. The Ministry of Agriculture issues this certificate. On December 26, 2017, the Association of Banks and Financial Institutions (ABEF) relayed an order on behalf of the Ministry of Commerce which directed Algeria's commercial banks that banking domiciliation's applications should include the following documents effective January 1, 2018. The publically released communication can be found at: <https://www.tsa-algerie.com/wp-content/uploads/2018/01/Rationalisation-des-importations.pdf>:

- a) - Sanitary and Phytosanitary certificates delivered to the importer by the Ministry of Agriculture, Rural Development and Fisheries regarding imports of (bananas, wheat, barley, garlic, beef and fish except sardines).
- b) - Prior technical authorization delivered by Ministry of Commerce related to the import of cosmetics and toxic products
- c) - Certificate of free movement of the product in the country of origin or provenance, established by a duly empowered authority in the exporting country and / or of origin attesting that the goods to be imported except the one cited above: (bananas, wheat, barley, beef, garlic and fish), are actually and freely marketed on their territory in accordance with the provisions of the article 12 of the executive decree no12-203 of the May 06, 2012 relating to the rules applicable for security of the products.

In addition, back in 2017, -Effective October 22, new banking measures require the deposit of 120% of the import transaction value with an Algerian Bank, 30 days prior to shipment for any imported goods for resale as is. For more information on this requirement, please refer to FAS AG1707 report: <https://gain.fas.usda.gov/Recent%20GAIN%20Publications/New%20Payment%20Requirement%20on%20Imports%20Algiers%20Algeria%2011-6-2017.pdf>).

Marketing

FAS Algiers actively engages with the following co-operators in their market development programs and activities in Algeria; U.S. Wheat Associates (based in Casablanca, Morocco), the U.S. Grains Council (based in Tunis, Tunisia), and the U.S. Soybean Export Council in the U.S. and U.S Livestock and Genetics Export in the US. These cooperators are active and carry out technical workshops, seminars, trade missions, and technical exchange programs to share knowledge and know-how with Algerian millers, importers, feed manufacturers, and poultry and dairy cattle farmers on the quality and reliability of U.S. commodities. FAS Algiers with these cooperators promote the benefits of increased trade with the United States.

Wheat	2016/2017		2017/2018		2018/2019	
Market Begin Year	Jul 2016		Jul 2017		Jul 2018	
Algeria	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1300	1300	1600	1600	0	1600
Beginning Stocks	4357	4357	4413	4443	0	4578
Production	2000	2000	2400	2400	0	2500
MY Imports	8414	8444	7700	8200	0	8200
TY Imports	8414	8444	7700	8200	0	8200
TY Imp. from U.S.	993	735	0	700	0	700
Total Supply	14771	14801	14513	15043	0	15278
MY Exports	8	8	15	15	0	15
TY Exports	8	8	15	15	0	15
Feed and Residual	50	50	50	50	0	50

FSI Consumption	10300	10300	10400	10400	0	10500
Total Consumption	10350	10350	10450	10450	0	10550
Ending Stocks	4413	4443	4048	4578	0	4713
Total Distribution	14771	14801	14513	15043	0	15278
Yield	1.5385	1.5385	1.5	1.5	0	1.5625
(1000 HA) ,(1000 MT) ,(MT/HA)						

Barley	2016/2017		2017/2018		2018/2019	
Market Begin Year	Jul 2016		Jul 2017		Jul 2018	
Algeria	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	900	900	763	763	0	900
Beginning Stocks	1313	1313	899	905	0	623
Production	1000	1000	968	968	0	1000
MY Imports	636	642	700	600	0	650
TY Imports	533	533	700	500	0	550
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	2949	2955	2567	2473	0	2273
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	1700	1700	1500	1500	0	1600
FSI Consumption	350	350	350	350	0	350
Total Consumption	2050	2050	1850	1850	0	1950
Ending Stocks	899	905	717	623	0	323
Total Distribution	2949	2955	2567	2473	0	2273
Yield	1.1111	1.1111	1.2687	1.2687	0	1.1111
(1000 HA) ,(1000 MT) ,(MT/HA)						