

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Algeria

Dairy and Products Annual

Annual

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Report Highlights:

Algerian dairy market reopens to US product with newly negotiated sanitary certificate. U.S. dairy exports continue to suffer from lack of strong U.S. presence in this market. Development of the domestic dairy sector remains one of the government's main priorities.

Executive Summary:

In late June 2011, U.S. and Algerian regulators came to an agreement on a new sanitary certificate reopening the market to US dairy products after it closed in September 2010. The value of Algerian milk powder imports has averaged \$862 million annually over the last six years and U.S. dairy exports to Algeria reached \$84million in 2008 and \$32 million in 2009 and almost vanished in 2010 due to the certificate issue on one side but to the lack of a U.S. presence on the market.

While U.S. suppliers face competition from EU and New Zealand origin product, Algeria remains a major importer of dairy products despite increases in world market prices. There is tremendous potential for U.S. suppliers; Besides the big potential for milk powder and other dairy products such as cheese for processing and anhydrous milk fat, other opportunities opened up for live animals and genetics; The Ministry of Agriculture has established several programs to expand herd size and productivity by expanding artificial insemination and embryo transfer use, expanding pasture areas, supporting heifer nurseries and importing pregnant heifers and dairy cattle along with establishing better quality control in the dairy sector.

Ministry of Agriculture has formally invited expressions of interest from investors, including foreigners, seeking to acquire a stake in the country's pilot farms. With regard to the dairy sector, this should encourage dairy players to look for partnerships in developing integrated dairy complexes.

Commodities:

Select

Production:

Development of the dairy sector to reduce reliance on imports remains one of the main priorities of the Algerian government in line with its new agricultural renewal strategy. As reported previously, the Ministry of Agriculture has established several programs to expand herd size and productivity by expanding artificial insemination and embryo transfer use, expanding pasture areas, supporting heifer nurseries and importing pregnant heifers and dairy cattle and establishing better quality control in the dairy sector by 2014. These programs may provide good opportunities for U.S. exporters of dairy cattle, genetics and artificial insemination materials provided certification is agreed upon.

These programs also encouraged local dairy players to request and look for partnerships in developing integrated dairy complexes, especially now that Ministry of Agriculture has formally invited expressions of interest from investors, including foreigners to acquire stakes in pilot farms; as mentioned in the Ministry of Agriculture instruction: “ It appeared necessary to apply the legislation regarding investment and open these pilot farms established as joint stock companies capital to domestic and foreign investors in accordance with articles 58 and 62 of the Ordinance No 09-01- of July 22, 2009 on 2009 supplementary budget law published in the Official Journal No 44 of July 26, 2009 and the resolution No 007/102/ of March 17, 2010 of CPE (State Participation Council). However it is understood that the land and buildings associated with these production farms are and remain the property of the state. They will be made available by grants in conformity and provision of the decree that explains the operations modalities of agricultural lands in the private domain of state or attached to public institutions." (Source: Ministry of Agriculture website: (www.minagri.dz)).

To recall, Government efforts through PNDA (National Plan for Agricultural Development) and PNDAR (Rural Agricultural Development National Plan) programs in the past years helped increase milk production from 1.5 million MT in 2000 to 2.2 million MT annually in 2007, of which 1.6 million MT is fresh cow milk. About 70 percent of the fresh milk in Algeria comes from cows, and the remaining 30 percent comes from sheep, goat and camels). Only 10 percent of the milk production was commercially collected for the dairy processing industry. Meanwhile, the dairy industry that represents about 120 dairies of which 15 are state-owned, has always relied on imported milk powder for its needs. Reconstituted milk had always provided a major source of milk used in Algeria. It is produced from blended imported non-fat dry milk with anhydrous milk fat or whole milk powder. Whole milk powder is also used in most processed dairy products, and non-fat dry milk in ice cream industry.

The private sector played a dominant role in the Algerian dairy sector. Private sector has typically played a major role in the production of processed dairy products (yogurt, cheese, butter, sour milk, and dairy desserts). Because of the low fixed prices for pasteurized fluid milk (A.D 25/liter), (\$0.34/liter), the private sector would rather produce these more profitable processed products. However, State-owned group Giplait remains the leader in the pasteurized reconstituted milk market with 60 percent share.

In this line, and in order to increase domestic milk production available for the local dairy processing industry, within the policy of the development of the dairy sector, the Ministry of Agriculture pays incentive premiums to milk producers (breeders) about 12 AD/L (\$0.164/L), 5 AD/L (\$0.07/L) to milk collectors and 4 AD/L (\$0.054/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.

These efforts are expected to be enhanced by the latest mechanism implemented in January 2011 that links dairy processors with the office inter professional for milk (ONIL);(the buying agency in charge of

importing milk powder to produce subsidized pasteurized fluid milk for both private and state-owned milk plants) -by specific contracts in order to acquire subsidized milk powder and in return, these processors commit to process this powder into fluid pasteurized milk with all required regulatory standards at 25 A.D. price. These same processors have to commit also to collect fresh milk and integrate it in their process and produce pasteurized fresh milk but with liberalized prices. In return, these processors will get the incentive premium for integration (4 A.D per liter) (as mentioned above). Even better, if these same processors give up on using imported milk powder and use only collected fresh milk, these will receive an incentive premium of 6 A.D per liter integrated in the process. According to Ministry of Agriculture reports, many dairies have joined this mechanism set up to develop the dairy production and collection of milk and encourage the others to do so to benefit from the advantages. Same reports show that production increased in the current 2010/2011 campaign to reach 2.9 million MT as well as collection of milk for industry use (578 million liters collected in 2011 vs. 390 million liters in 2010). In addition, 60,000 pregnant heifers were imported these last three years.

Consumption:

Algeria is the largest dairy consumer in the Maghreb (110 liters per capita per year for milk). With the increasing number of dairy plants and the availability of various dairy products, consumption of dairy products has increased comparing to past years. Milk is sold on the local market under three kind of products; pasteurized reconstituted milk in small bags of one liter with 24 hour shelf-life with GOA fixed price; fresh milk sold directly to consumers from the farm with higher prices, and UHT in tetra packs boxes sold by some private processors; whole milk powder is also imported in small boxes of 500g for direct sale to consumers.

The GOA has estimated domestic consumption at 3.2 million MT annually for the past several years. However, in 2009 increased the estimate to 5 million MT per year.

GOA announced in July, a 15 percent increase in the dairy quotas allocated to dairy processors. This decision came on the eve of the holy month of Ramadan to avoid shortages, knowing that during this month, food consumption increases significantly.

Trade:

In late June 2011, U.S. and Algerian regulators came to an agreement on a new sanitary certificate reopening this lucrative market to US dairy products. The Algerian dairy market closed to U.S. product in September 2010, over health certification issues.

The table below shows that the value of Algerian milk powder imports has averaged \$862 million annually over the last six years and U.S. dairy exports to Algeria decreasing from \$84 million in 2008 and \$32 million in 2009 and almost vanished in 2010 according to Algeria official trade data.

Proximity and good freight rates from Europe have always made trade with EU countries more advantageous and easier. But the absence of agreed health certification as well as the lack of a strong U.S presence in this market impacted negatively on U.S. origin market share.

Algeria milk powder Imports Six-Year Comparison in Million Dollars

	ALL ORIGINS			US ORIGIN		
	NFDM	WMP	Total	NFDM	WMP	Total
CY 2010	308	591	899	5	0.038	5
CY 2009	221	579	800	32	0	32
CY2008	424	758	1182	84	0	84
CY2007	618	361	979	23	0	23
CY2006	158	482	640	25	0.083	25
CY2005	209	462	671	25	0	25

Source: Algeria Official Trade Data

With the market reopened, Algerian dairy processors and the Government buying agency for dairy products (ONIL) which covers 80 percent of the market currently, have expressed interest in U.S. product and buying from U.S. suppliers. The bulk of U.S. dairy exports to Algeria have always been non-fat dry milk, with some quantities of cheese, butter and whey, no whole milk powder.

While all these development programs are setting up, the dairy industry still relies on imported milk powder for its needs and dairy imports still represented 17 percent of the total food imports for the first six months of CY2011. Dairy imports totaled 15 percent of the CY 2010 total food imports. Total dairy imports in CY 2010 reached \$991 million of which \$308 million non fat dry milk and \$ 591 million whole milk powder \$53 million cheese and \$31 million for butter and fats, \$8 million for other dairy products (whey, buttermilk).

The table below shows that imports of milk powder increased the first term of CY2011, compared to the same period last year. Ministry of Agriculture announced this July, a 15 percent increase in the milk powder quotas allocated to dairy processors, on the eve of the holy month of Ramadan to avoid shortages, knowing that during this month, food consumption increases significantly.

Table 1: WMP and NFDM Imports comparison

In CY2010 and CY2011 (MT)

	Jan-June CY 2010		Jan-June CY 2011	
	WMP	NFDM	WMP	NFDM
Argentina	12574	263	20978	1008
Belgium	4234	12102	5575	17480
France	10266	18698	11404	33535
U.S.	19	-		-
Great Britain	3811	2024	13630	1100
Ireland	3275	1401	7351	1446
New Zealand	31475	682	41753	144
Malaysia	2512	-	1827	-
Netherlands	2701	400	6634	1200
Poland	3400	4660	8556	16203
Switzerland	-	200	16	375
Australia	-	-	1778	96
Brazil	2175	-	694	-
Denmark	-	-	419	-
Ukraine	200	650	100	800
Uruguay	5280	1064	3768	100
Germany	2050	1521	4448	10089
India	-	610		-
Sweden	-	-	200	-
Indonesia	-	-	50	-
Chile	1900	-	875	-
Others	657	228	225	272
TOTAL	86530	44503	130281	83848

Source: Algeria Official trade Data

The following table shows also that butter imports increased compared to same period last year. In fact, AMF imports increased compared to last year. In CY2010, total butterfat imports reached 4,714 MT of which 3,131 MT of butter and 1,582 MT of AMF. This CY2011, of 6,315MT butterfat imported, AMF reached 3,329MT. This shows that more powder and AMF were imported to increase production of pasteurized reconstituted fluid milk.

**Table 2: Cheese and Butter Imports comparison
In CY2010 and CY2011 (MT)**

	January-June CY 2010		January-June CY 2011	
	Cheese	Butter	Cheese	Butter
Ireland	4773	20	3535	434
New Zealand	1057	2118	1157	1680
Netherlands	3473	125	3561	242
France	494	1008	605	1500
Germany	218	25	234	-
Australia	140	260	1340	20
Austria	308	-	495	-
Argentina	50	321	25	244
Poland	488	-	425	-
Denmark	30	25	65	72
U.S.	0	18	-	-
Italy	3	-	6	-
Belgium	-	-	-	-
Great Britain	175	79	156	300
Spain	-	-	-	600
Uruguay	-	625	-	950
Others	33	90	81	273
TOTAL	11242	4714	11685	6315

Source: Algeria Official trade Data

Imports of cheese are more or less stable as the domestic processing industry has expanded over the past several years. In the first six months of CY2011, 61 percent of the imported cheese was cheese for processing destined to the processing industry.

Origins of dairy imports are still the same. Most of the non fat dry milk powder comes from EU countries, essentially France with 40 percent of the market share, followed by Belgium with 21 percent and Poland with 19 percent. Whole milk powder originates from New Zealand (32 percent), followed by Argentina with 16 percent market share and Great Britain (10 percent) and France (9 percent). Most of the cheese comes from Ireland, Netherlands and New Zealand. Butterfat originates from New Zealand and France.

Marketing:

U.S. marketing activities in this sector are minimal. U.S. suppliers could strengthen market development and trade servicing activities to improve U.S. market share in this market as well as awareness of U.S. products. The Algerian market is responsive to marketing activities focused on quality and reliability. U.S. suppliers focusing marketing effort in this market could increase market share.

Since the adoption of the new sanitary certificate, there has been increased interest by both importers and American suppliers in the Algerian market. However, both sides seem hesitant to restart trade. On a positive note Algerian importers have expressed interest in traveling to the United States in 2012. They have expressed interest in two US Dairy Export Council recommended events; the IFT and the Dairy Ingredients Symposiums.

Author Defined:

Dairy, Milk, Nonfat Dry	2009		2010		2011	
	Market Year Begin: Jan 2009		Market Year Begin: Jan 2010		Market Year Begin: Jan 2011	
Algeria						
	U S D A O f f i c i a l	New Post	U S D A O f f i c i a l	New Post	U S D A O f f i c i a l	New Post
Beginning Stocks	1 4	14	2 0	21	2 0	22
Production	0	0	0	0	0	0
Other Imports	9 3	93	9 8	97	1 3 0	140
Total Imports	9 3	93	9 8	97	1 3 0	140
Total Supply	1 0 7	107	1 1 8	118	1 5 0	162
Other Export	0	0	0	0	0	0

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Total Exports	0	0	0	0	0	0
Human Dom. Consumption	87	86	98	96	115	115
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	87	86	98	96	115	115
Total Use	87	86	98	96	115	115
Ending Stocks	20	21	20	22	35	47
Total Distribution	107	107	118	118	162	162
CY Imp. from U.S.	15	15	0	0	0	0
CY. Exp. to U.S.	0	0	0	0	0	0
TS=TD		0		0		0
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Comments
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Dairy, Dry Whole	2009	2010	2011
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Milk Powder Algeria						
	Market Year Begin: Jan 2009		Market Year Begin: Jan 2010		Market Year Begin: Jan 2011	
	U S D A O f f i c i a l	New Post	U S D A O f f i c i a l	New Post	U S D A O f f i c i a l	New Post
Beginning Stocks	2	2	30	30	25	15
Production	0	0	0	0	0	0
Other Imports	200	200	167	167	210	210
Total Imports	200	200	167	167	210	210
Total Supply	202	202	197	197	225	225
Other Exports	0	0	0	0	0	0
Total Exports	0	0	0	0	0	0
Human Dom. Consumption	172	172	182	182	200	200
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	172	172	182	182	200	200
Total Use	172	172	182	182	200	200
Ending Stocks	30	30	15	15	25	25
Total Distribution	202	202	197	197	225	225
CY Imp. from U.S.	0	0	0	0	0	0
CY. Exp. to U.S.	0	0	0	0	0	0

TS=TD		0		0		0
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