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Report Highlights:

Improving domestic dairy production to reduce reliance on imports remains a priority of the government of Algeria. As of June 14, 2020, the government is prohibiting the use of subsidized milk powder for the manufacture of pasteurized whole milk or other dairy products and dairy derivatives. As of May 2020, the Algerian market is open for U.S. bovine embryos to be exported to Algeria.

Executive Summary

The agriculture sector remains a priority for the Government of Algeria (GoA) in its efforts to diversify the economy. The government's new strategic plan encourages the continued development, modernization, and industrialization of the agricultural sector, with the goal of achieving self-sufficiency and promoting exports.

Improving domestic dairy production to reduce reliance on imports remains a priority.

The Ministry of Agriculture (MoA) still supports large dairy farms and production of pasture. However, it encourages the creation of small dairy units in the mountainous areas and camel and goat breeding the Saharan areas.

The GoA's development programs provide opportunities for the U.S. dairy, U.S. livestock, genetics, and farm equipment industries to supply the Algerian market.

Trade Data Monitor figures show that Algeria's total imports from the world reached 232,734 metric tons (MT) of whole milk powder and 120,232 MT of skim milk powder from January to December 2019.

To better manage the subsidies, the GoA has prohibited the use of subsidized milk powder for the manufacture of pasteurized whole milk or other dairy products and dairy derivatives. In addition, the use of pasteurized milk packaged in sachets in cafes, restaurants, and drinking establishments is prohibited as well.

The [temporary additional safeguard duty \(Droit Additionnel Provisoire de Sauvegarde, \(DAPs\)\)](#), implemented in January 2019 and revised in April 2019, remains. The Algerian Ministry of Commerce stated in the news that the list of products subject to the DAPs will be extended and will soon be published. Currently, milk powder and feed grains remain unaffected.

Production

The agriculture sector remains a priority for the GoA in its efforts to diversify and revive the economy toward sustainable growth. Under the direction of the new president, the government issued a new five-year strategic plan. The plan also covers proposed improvements in the business climate, the development of the strategic sectors, the promotion of exports, and controlling imports. The government encourages the continued development, modernization, and industrialization of the agricultural sector to achieve self-sufficiency and promote exports.

The government encourages modern industrial agriculture, using new technologies, digitization as well as innovative tools and renewable energies.

The government's vision to orient agriculture toward intensive models and to develop modern agricultural complexes remains. The MoA still supports large dairy farms, by granting land for dairy production and production of pasture. However, the new economic plan also encourages the

creation of small dairy units in the mountainous areas and encourages camel and goat breeding in the Saharan areas. In addition, the MoA encourages dairy farmers to organize into cooperatives to reduce production costs by sharing the use of the equipment and access bank credits. Moreover, the MoA encourages the strengthening of the relationship between large and small livestock farmers as well as modernizing livestock structures, equipment and creating breeding centers, and improving management and milk collection.

Additionally, the Ministry of Agriculture is creating an office for the development of industrial agriculture in the Saharan areas to promote agriculture investments. This office will be facilitating procedures for investors (local and foreign) in their projects using new technologies and innovative tools.

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

Market opportunities exist in the dairy industry, animal genetics, planting seeds, processing industry, as well as distribution chains. The Algerian dairy sector has always suffered from deficits in fodder and feed production due to climatic conditions and sub-optimal genetics. In addition, constraints in animal husbandry and nutrition management still need improvement. The Algerian agriculture sector could benefit from the U.S. market development association's expertise. Their expertise could improve market opportunities for U.S. livestock, genetics, and farm equipment in Algeria.

During the fourth previous editions of the [SIPSA show \(agri-business and livestock trade exhibition\)](#) in Algiers, Algerian farmers showed their keen interest in U.S. livestock and genetics. Now that the U.S. and Algerian regulatory agencies reached agreement on the sanitary certificate for export of bovine embryos from the United States to Algeria, the market is open for U.S. bovine embryos. Opportunities still exist for semen, beef cattle, as well as breeding cattle once agreement is reached.

The incentives set years ago to improve production and encourage milk collection and integration into the processing industry are still current. The incentive provided to milk producers (breeders) of about 12 AD/L (\$0.093/L), 5 AD/L (\$0.039/L) to milk collectors and 4 AD/L (\$0.031/L) to dairy processors. In addition, the GoA supports funding for the construction of stables and the acquisition of irrigation systems to produce fodder. However, the government is trying to better manage the subsidies applied to milk. On June 14, 2020, the government published in the Official Journal, a new decree regulating the use of subsidized milk. (See Policy Section).

Consumption

Dairy products remain the second staple food product consumed in Algeria after cereals. The GoA estimates domestic dairy consumption needs at 5 million metric tons (MMT) annually, of which 70 percent comes from domestic production. The short fall is filled by imports of milk powder.

The diversification of dairy production has increased Algeria's dairy consumption making it the highest in North Africa and the world. In line with the overall strategy to control imports of food products particularly cereals and dairy, the GoA is trying to encourage consumers to favor fresh milk produced locally rather than reconstituted milk. Reconstituted milk has historically been the most consumed milk made of blends of imported non-fat dry milk and anhydrous milk fat. This made Algeria one of the largest importers of milk powder in the world.

During the COVID-19 pandemic crisis, the government vowed to maintain the supply chain operational. Large businesses assured consumers of the availability and sufficient supply of dairy products. The Government Dairy Buying Agency (ONIL) indicated in April press reports that Algeria has sufficient stocks of milk powder until January 2021 to ensure no shortage or disruptions occur during the health crisis as well as Ramadan.

Consumption of skim milk powder and full fat milk powder remain relatively stable for the near future. However, with the government encouraging use of domestic fresh milk, the consumption trend might change in the future.

Trade

Dairy products have always ranked second at the top of the list of Algeria's food imports behind cereals. In CY2019, Algeria's total dairy product imports hit \$1.24 billion (15.43 percent) of the total food imports (\$8.07 billion).

In the first quarter of CY2020, Algerian Customs Statistics indicated Algeria's total dairy products imports reached \$363.96 million representing 18.80 percent of the total food imports (\$1.94 billion). The import value increased compared to the same period in CY2019, (\$339.15 million). The Algerian Customs statistics did not provide details on the volumes imported.

The Trade Data Monitor figures show that Algeria imported 232,734 metric tons (MT) of whole milk powder and 120,232 MT of skim milk powder from January to December 2019.

Algeria imported less milk powder in 2019 compared to 2018. In 2018, Algeria imported 271,508 metric tons (MT) of whole milk powder and 166,851 MT of skim milk powder. In addition to the increase in the world prices at the beginning of CY2020, the downward trend in imports is a direct response to Algeria's strategy to reduce imports and encourage domestic production.

**Table 1 : Global Exports of Milk Powder to Algeria
Calendar Year (CY) 2017 – 2019**

| Reporter | Unit | January - December (UOM1: T) | | | Market Share (%) | | | Change 2019/2018 | |
|------------------------------|------|---------------------------------|--------|--------|------------------|-------|-------|------------------|---------|
| | | 2017 | 2018 | 2019 | 2017 | 2018 | 2019 | Amount | Percent |
| _Total | T | 390607 | 437993 | 352966 | 100 | 100 | 100 | -85028 | -19.41 |
| EU 28 External Trade | T | 197093 | 169665 | 122448 | 50.46 | 38.74 | 34.69 | -47217 | -27.83 |
| New Zealand | T | 102152 | 97050 | 91419 | 26.15 | 22.16 | 25.90 | -5631 | -5.80 |
| Uruguay | T | 38483 | 72089 | 61423 | 9.85 | 16.46 | 17.40 | -10666 | -14.80 |
| Argentina | T | 23855 | 69212 | 50472 | 6.11 | 15.80 | 14.30 | -18740 | -27.08 |
| Malaysia | T | 3431 | 5148 | 9609 | 0.88 | 1.18 | 2.72 | 4460 | 86.63 |
| Canada | T | 13063 | 17483 | 9463 | 3.34 | 3.99 | 2.68 | -8020 | -45.87 |
| United States Consumption | T | 2211 | 2154 | 4382 | 0.57 | 0.49 | 1.24 | 2227 | 103.37 |
| Turkey | T | 1507 | 575 | 3125 | 0.39 | 0.13 | 0.89 | 2550 | 443.48 |
| Ukraine | T | 1975 | 200 | 400 | 0.51 | 0.05 | 0.11 | 200 | 100 |
| Switzerland | T | 360 | 725 | 225 | 0.09 | 0.17 | 0.06 | -500 | -68.96 |
| Australia | T | 5165 | 3191 | 0 | 1.32 | 0.73 | 0 | -3191 | -100 |
| Brazil | T | 1310 | 500 | 0 | 0.34 | 0.11 | 0 | -500 | -100 |

Source : Trade Data Monitor, LLC

In CY 2019, the overall origin of imports remained overall the same. Algeria imported whole milk powder mostly from New Zealand (39.28 percent) followed by Uruguay (23.60 percent) and Argentina (21.69 percent). EU origin accounted for only 9.34 percent.

Nonfat dry milk mostly originated from the EU (83.77 percent) followed by Canada (7.87 percent), Uruguay (5.41 percent) and Turkey (2.60 percent). The U.S. origin for whole milk powder market share rose from 0.04 percent in 2017 to 0.12 in 2018 to 1.88 percent in 2019, while skim milk powder market share decreased from 1.30 percent in 2017 to 0 percent in 2019. Industry reported that private processors are currently buying whole milk powder from the U.S., while ONIL has always purchased skim milk powder from the U.S.

In addition, if U.S. exporters can overcome the price competition posed by European exporters, they can increase their market share. Algeria has traditionally traded with EU countries. Europe benefits from proximity and favorable freight rates.

Despite the downward trend in imports in 2019 compared to 2018, and the strategy to reduce imports, Post forecasts the same import figures for MY2021 as MY2020. During the COVID-19 pandemic crisis, the government vows to maintain the supply chain operational. The Government Dairy Buying Agency (ONIL) will ensure no shortage or disruptions occur during the health crisis as well as Ramadan.

Stocks

The Government Dairy Buying Agency (ONIL) indicated in April press reports that Algeria has sufficient stocks of milk powder until January 2021. The GoA will always ensure sufficient stocks are available to avoid disruption in the supply chain.

Price Data

In the beginning of CY2020, milk powder world prices increased the first five months then decreased over the next quarters. In Europe, the nonfat dry milk powder started to increase from €2284 /Ton on January 06, 2020 to reach €2501/Ton on May 11, 2020. Whole milk powder experienced the same increase in the first five months. Whole milk powder price hit €3082 /Ton on May 4, 2020. On October 6, 2020, the price for nonfat dry milk was at €2121/Ton and whole milk powder at €2895/Ton. ([source: Web-agri](#))

Policy

A new [Executive Decree n° 20-153](#) of June 8, 2020 was published in the Journal official No 35 on June 14, 2020. This decree amends and supplements the [Executive Decree n° 01-50](#) published in the Journal Officiel No11 on February 12, 2011, that fixes the prices at the production and the different stages of the distribution of pasteurized partially skimmed (1.5 to 2% fat) milk packaged in sachets. This new decree prohibits the use of subsidized milk powder for the manufacture of pasteurized whole milk or other dairy products and dairy derivatives. In addition, the decree also prohibits the use of pasteurized milk packaged in sachets in cafes, restaurants and drinking establishments.

These new decrees are the most recent signs of the GoA's efforts to better manage subsidies. In line with the strategy to control spending to offset the drop in energy earnings following the decline in oil prices, the government has mentioned several times among other measures the will to better manage subsidies.

Otherwise, the [temporary additional safeguard duty \(Droit Additionnel Provisoire de Sauvegarde, \(DAPs\)\)](#), implemented in January 2019 and revised in April 2019 remains. Moreover, the Algerian Ministry of Commerce mentioned in the news in September that the list of products subject to the DAPs is being extended and will soon be published.

For background, the list of goods subject to the temporary additional safeguard duty and the corresponding rates were published in the [Journal Officiel No 06 of January 27, 2019](#) as part of the Ordinance of January 26, 2019. The list included 1,095 items, of which food items represent 60% of the list. Most of the food items on the list are processed and high value products. Milk and milk cream, buttermilk, yogurt, butter and other fats, cheeses and curds were included on the list. Later, on April 21, 2019, the government updated the list to temporarily exclude some food items from the DAPS including the following dairy products:

Table 2: Dairy Products Temporary Excluded from DAPs

| Categories | Previous DAPs Rate (%) | Tariff Code | Current change |
|--|-------------------------------|--------------------|-----------------------|
| Butter and other fats derived from milk, dairy spreads | 70 | 04.05.10.19.00 | excluded |
| | | 04.05.10.90.00 | |
| | | 04.05.20.00.00 | |

Source: FAS Algiers

Milk powder remains not included. In addition, wheat, barley, corn, soybeans and soybean meal as well as distiller's dried grains with solubles (DDGs), starch residues and preparations for animal feed remain unaffected by the current temporary additional safeguard duty.

The original full revised list in French with the current DAPs rate can be found at:

<https://www.joradp.dz/FTP/jo-francais/2019/F2019026.pdf>.

Opportunities for Foreign investments

The new 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](#), provided a revision of 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 shareholding participation.

However, October media reports indicate that Article 49 has been updated in the Draft FY2021 Finance Act. The new provision is meant to clarify that commercial companies comprising one or more foreign partners carrying out the activity of importing raw materials, products and goods for resale as they are, must comply with rule 51/49.

The government's strategic 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 with the goal of ensuring food security. The government encourages large-scale agricultural investments in the highlands and the "Sahara" (South of Algeria). In addition, the government promotes foreign direct investments and partnerships particularly in the field of cereals,

oilseeds, and sugar production as well as crushing and refinery projects that generate processing to support the processing industry. Such projects include supporting the development of storage capacities especially cold chain and packaging projects. U.S. industry can contribute to this development by providing advanced agricultural technologies, livestock, seeds needed to establish and operate integrated production models in Algeria.

Marketing

The Algerian market holds tremendous potential for U.S. livestock and genetics. The U.S. and Algerian veterinary officials have recently reached agreement on the health certificate to allow exports of U.S. embryos to Algeria. The market is now open and U.S. exporters of embryos interested in doing business in Algeria are welcome to contact our office for more information.

FAS Algiers regularly participates in the [SIPSA show \(agri-business and livestock trade exhibition\)](#) in Algiers in October as well as the international Food and Agribusiness Show, [SIAG](#) in Oran (the second largest city in Algeria) in March, promoting U.S. agricultural products.

FAS Algiers invites all U.S. exporters and Cooperators interested in doing business in the Algerian market to participate in these annual events.

Dairy, Dry Whole Milk Powder (Source: PSD Post)

| Dairy, Dry Whole Milk Powder | 2019 | | 2020 | | 2021 | |
|---|----------------------|-----------------|----------------------|-----------------|----------------------|-----------------|
| Market Year Begins | Jan 2019 | | Jan 2020 | | Jan 2021 | |
| Algeria | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Beginning Stocks (1000 MT) | 98 | 98 | 88 | 88 | 0 | 74 |
| Production (1000 MT) | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Imports (1000 MT) | 233 | 233 | 225 | 233 | 0 | 233 |
| Total Imports (1000 MT) | 233 | 233 | 225 | 233 | 0 | 233 |
| Total Supply (1000 MT) | 331 | 331 | 313 | 321 | 0 | 307 |
| Other Exports (1000 MT) | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Exports (1000 MT) | 0 | 0 | 0 | 0 | 0 | 0 |
| Human Dom. Consumption (1000 MT) | 243 | 243 | 260 | 247 | 0 | 250 |
| Other Use, Losses (1000 MT) | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Dom. Consumption (1000 MT) | 243 | 243 | 260 | 247 | 0 | 250 |
| Total Use (1000 MT) | 243 | 243 | 260 | 247 | 0 | 250 |
| Ending Stocks (1000 MT) | 88 | 88 | 53 | 74 | 0 | 57 |
| Total Distribution (1000 MT) | 331 | 331 | 313 | 321 | 0 | 307 |
| (1000 MT) | | | | | | |

Dairy, Milk, Nonfat Dry (Source: PSD Post):

| Dairy, Milk, Nonfat Dry | 2019 | | 2020 | | 2021 | |
|---|----------------------|-----------------|----------------------|-----------------|----------------------|-----------------|
| Market Year Begins | Jan 2019 | | Jan 2020 | | Jan 2021 | |
| Algeria | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Beginning Stocks (1000 MT) | 72 | 72 | 47 | 47 | 0 | 27 |
| Production (1000 MT) | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Imports (1000 MT) | 120 | 120 | 150 | 130 | 0 | 130 |
| Total Imports (1000 MT) | 120 | 120 | 150 | 130 | 0 | 130 |
| Total Supply (1000 MT) | 192 | 192 | 197 | 177 | 0 | 157 |
| Other Exports (1000 MT) | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Exports (1000 MT) | 0 | 0 | 0 | 0 | 0 | 0 |
| Human Dom. Consumption (1000 MT) | 145 | 145 | 155 | 150 | 0 | 145 |
| Other Use, Losses (1000 MT) | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Dom. Consumption (1000 MT) | 145 | 145 | 155 | 150 | 0 | 145 |
| Total Use (1000 MT) | 145 | 145 | 155 | 150 | 0 | 145 |
| Ending Stocks (1000 MT) | 47 | 47 | 42 | 27 | 0 | 12 |
| Total Distribution (1000 MT) | 192 | 192 | 197 | 177 | 0 | 157 |
| (1000 MT) | | | | | | |

Attachments:

No Attachments