

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:

CY 2012 powdered milk imports through July indicate a somewhat slower pace of imports than in CY 2011. Algeria has started to import U.S. dairy products following the adoption of the new U.S. sanitary certificate.

Executive Summary:

Algeria is one of the world's largest powdered milk importers and relies heavily on imported powdered milk for its growing needs.

Increasing dairy production is an important government priority. The Ministry of Agriculture has established several programs to expand herd size and productivity by expanding artificial insemination, embryo transfer, and pastures, to import pregnant heifers and dairy cattle and to establish better quality control in the dairy sector. These programs may provide good opportunities for U.S. exporters of dairy cattle and genetics once a new certificate is negotiated.

The government recently suspended import duties and value-added taxes on cattle feed and co-products, including corn, DDGS, and corn gluten feed (CGF) as well as soybean meal to help moderate input costs and curb inflation on prices of animal products, particularly meat and poultry. Increasing feed demand may also provide a good opportunity for U.S. exports.

CY 2012 powdered milk imports through July indicate a somewhat slower pace of imports than in CY2011. Algeria has started to import U.S. dairy products following the adoption of the new U.S. sanitary certificate. During the first seven months of CY 2012 (Jan-Jul), Algeria imported 252 MT of non-fat dry milk, 94 MT of butter, and 69 MT of cheese from U.S. suppliers.

Although U.S. suppliers face stiff competition from the EU and New Zealand, Algeria has good market potential for U.S. dairy products, especially with the adoption of the new U.S. sanitary certificate. In February 2012, an Algerian dairy trade mission visited the United States to meet U.S. suppliers and to learn about U.S. products and quality. U.S. exporters and their market development associations need to become more engaged in the Algerian market in order to increase U.S. exports and improve the reputation of the United States as a reliable supplier of high quality products in Algeria's large and growing market.

Commodities:

Select

Production:

Ministry of Agriculture evaluation statements report that production increased from 2.9 million MT in 2010/2011 to 3.08 million MT in the current 2011/2012 agricultural campaign. Cows provide about 70 percent of fresh milk production, with the remaining 30 percent from sheep, goats, and camels. Collection of milk for industry use has also increased from 15 to 22 percent, (688 million liters were collected in 2012 vs. 510 million liters in 2011). Only these amounts are processed commercially and the remainder is consumed on-farm or sold in rural markets. Despite these efforts to increase production, the latter still remains short of the need and supplies a small percentage of domestic requirements. 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. As a result, Algeria still relies on imports for its growing needs.

Increasing production, and particularly dairy production, is an important government priority. However, despite the success of the Agricultural Development Program (PNDA) in increasing milk production over the past ten years, constraints still remain, including the need for improved genetics and animal husbandry practices, better feed and nutrition, and the development of a modern cold chain and milk collection system.

Consumption:

Algeria is the largest dairy consumer in the Maghreb. Dairy products are a staple and supply an estimated 60 percent of the animal protein in the Algerian diet. The government currently estimates consumption at about 5 million metric tons or about 110 liters or milk and 6 kilograms of dairy products per capita. According to the Studies Center, dairy and dairy products expenditures represent about 14 percent of total household food expenditures.

The milk processing industry is comprised of a mix of public and private processors. Because milk is a staple, the government controls the price of milk by importing and then reselling milk powder at highly subsidized prices. The state-owned group, Giplait, dominates the reconstituted pasteurized milk market with about a 60-percent share. Private dairy processors, who also may import on their own accounts or buy domestic fluid milk, focus on producing more profitable processed dairy products, including yogurt, cheese, butter, sour milk, and dairy desserts, whose prices are not controlled (since they may not be manufactured from subsidized milk powder).

Several types of milk are available. Reconstituted pasteurized milk, produced from subsidized milk powder—using either a blend of non-fat dry milk and anhydrous milk fat or whole milk powder—is the major type of milk available. It has a 24-hour shelf life and is sold in one-liter bags at the government controlled, subsidized price of Algerian Dinar 25 per liter (\$1 = 79 AD). The price was last revised in February 2001 and represents only about one-third of the actual cost of the product. Fresh domestic milk and locally-produced UHT milk in tetra-packs are available at much higher prices. Imported whole milk powder is also available for consumer sales.

The consumption of other dairy products has increased in recent years with increased consumers' purchasing power and the increased availability of locally-produced products (manufactured mostly from imported powdered milk). Sources estimate yogurt and cheese consumption at 640,000 metric tons and 37,000 metric tons, respectively.

Trade:

Algeria is one of the world's largest powdered milk importers. The government maintains a mostly untargeted social safety net by subsidizing various consumer goods, including energy and staple food items. Significant oil revenues and large foreign exchange reserves should allow the government to maintain or even increase these subsidies as needed. The government agency, ONIL (the National Inter Profession Office for Milk), is funded as part of the government's food price stabilization policy and buys about 80 percent of Algeria's powdered milk imports for both public and private sector processors. Thus, imports are more a function of the government's social safety net policy than price, population growth, domestic milk production, and private sector demand. As a result, expenditures tend to fluctuate more than import volumes, which show a slightly upward trend.

CY2012 powdered milk imports through July indicate a somewhat slower pace of imports than in CY2011. Algeria's powdered milk imports have averaged about 280,000 metric tons, valued at about \$900 million over the past 5 years. Dairy products account for about 18 percent of all food imports, which are estimated at \$5.8 billion. Algeria has started to import U.S. dairy products following the adoption of the new U.S. sanitary certificate. During the first seven months of CY 2012 (Jan-Jul), Algeria imported 252 MT of non-fat dry milk, 94 MT of butter, and 69 MT of cheese from U.S. suppliers.

**Algeria Imports of Milk powder
(January-July CY2012 in MT)**

	NFDM	WMP	TOTAL
New Zealand	18	49087	49105
France	30351	11130	41481
Argentina	533	26953	27986
Belgium	11618	1618	13236
Poland	9871	7060	16931
Germany	6884	2277	9161
Ireland	310	4782	5092
Netherlands	100	4421	4521
Great Britain	2150	1695	3845
Uruguay	-	1900	1900
Indonesia	-	1102	1102
Denmark	384	124	508
Switzerland	333	400	733
Ukraine	500	-	500
Australia	-	489	489
U.S.	252	-	252
Malaysia	-	100	100
Sweden	96	-	96
Others	52	41	93
Total	63452	113179	176631

Source: Algeria Official trade data

Policy:

Domestic Milk Production: Increasing agricultural production is an important government priority and the development of the dairy sector to reduce reliance on imports remains a priority. The Ministry of Agriculture has established several programs to expand herd size and productivity by expanding artificial insemination, embryo transfer, and pastures, to import pregnant heifers and dairy cattle and to establish better quality control in the dairy sector by 2014. Reportedly, the government has imported a total of 60,000 pregnant heifers in the last four years. These programs may provide good opportunities for U.S. exporters of dairy cattle and genetics once a new certificate is negotiated. The Ministry also pays premiums to domestic milk producers and recently suspended import duties and value-added taxes on cattle feed and co-

products, including corn, DDGS, and corn gluten feed (CGF) as well as soybean meal to help moderate input costs and curb inflation on prices of animal products, particularly meat and poultry.

Domestic Processors: The domestic industry consists of about 120 dairy processing facilities, of which 15 are owned by the public sector company, Giplait. Giplait dominates the reconstituted pasteurized fluid milk market, while the private processors dominate production of other dairy products. In 2011, ONIL began providing premium to private processors to collect and utilize domestic milk. A number of private dairies reportedly have begun to participate and domestic milk collection has increased from 390 million liters in 2010 to 510 million liters in 2011 and 688 million in 2012. The government also encourages local dairy processors to seek investments to develop integrated dairy operations.

Marketing:

While U.S. suppliers face stiff competition from EU and New Zealand, Algeria has good market potential for U.S. dairy products, especially with the adoption of the new U.S. sanitary certificate. EU dairy suppliers enjoy preferential tariffs as part of the EU's Association Agreement with Algeria as well as historic ties and geographical proximity. Even so, many Algerian buyers have expressed interest in dealing directly with US exporters. However, U.S. exporters and their market development associations need to become more engaged in the Algerian market in order to increase U.S. exports and improve the reputation of the United States as a reliable supplier of high quality products in Algeria's large and growing market.

Since the adoption of the new sanitary certificate, there has been increased interest by both Algerian importers and U.S. suppliers to restart trade. In February 2012, an Algerian dairy trade mission visited to the United States to meet U.S. suppliers and to learn about U.S. products and quality. U.S. exporters interested in the Algerian market should consider regional trade events or visits to the region to market U.S. dairy products. This should provide them good opportunities to meet selected quality buyers in order to better acquaint them with U.S. dairy products.

Production, Supply and Demand Data Statistics:

Dairy, Milk, Nonfat Dry Algeria	2010		2011		2012		
	Market Year Begin: Jan 2010		Market Year Begin: Jan 2011		Market Year Begin: Jan 2012		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Beginning Stocks	21	21	22	21	35	34	(1000 MT)
Production	0	0	0	0	0	0	(1000 MT)
Other Imports	98	97	125	125	105	108	(1000 MT)
Total Imports	98	97	125	125	105	108	(1000 MT)
Total Supply	119	118	147	146	140	142	(1000 MT)
Other Exports	0	0	0	0	0	0	(1000 MT)
Total Exports	0	0	0	0	0	0	(1000 MT)
Human Dom. Consumption	97	97	112	112	115	112	(1000 MT)
Other Use, Losses	0	0	0	0	0	0	(1000 MT)
Total Dom. Consumption	97	97	112	112	115	112	(1000 MT)
Total Use	97	97	112	112	115	112	(1000 MT)

Ending Stocks	22	21	35	34	25	30	MT) (1000 MT)
Total Distribution	119	118	147	146	140	142	(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	0	(1000 MT)
TS=TD		0		0		0	MT)
Comments							
AGR Number	AG1209						
Comments To Post							

Dairy, Dry Whole Milk Powder Algeria	2010		2011		2012		
	Market Year Begin: Jan 2010		Market Year Begin: Jan 2011		Market Year Begin: Jan 2012		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Beginning Stocks	30	30	15	15	28	29	(1000 MT)
Production	0	0	0	0	0	0	(1000 MT)
Other Imports	167	167	203	204	180	200	(1000 MT)
Total Imports	167	167	203	204	180	200	(1000 MT)
Total Supply	197	197	218	219	208	229	(1000 MT)
Other Exports	0	0	0	0	0	0	(1000 MT)
Total Exports	0	0	0	0	0	0	(1000 MT)
Human Dom. Consumption	182	182	190	190	193	193	(1000 MT)
Other Use, Losses	0	0	0	0	0	0	(1000 MT)
Total Dom. Consumption	182	182	190	190	193	193	(1000 MT)
Total Use	182	182	190	190	193	193	(1000 MT)
Ending Stocks	15	15	28	29	15	36	(1000 MT)
Total Distribution	197	197	218	219	208	229	(1000 MT)

CY Imp. from U.S.	0	0	0		0	
CY. Exp. to U.S.	0		0		0	
TS=TD		0		0		0
Comments						
AGR Number	AG1209					

(1000
MT)
(1000
MT)

Comments To Post