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Algeria

Dairy and Products Annual

Livestock And Genetics Still A Hopeful Market For U.S. Exports

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Report Highlights:

The development of the dairy sector remains a priority for the Government of Algeria.

While cheese is on the list of agricultural products subject to the import licensing regime, milk powder remains unaffected.

Executive Summary:

The development of the dairy sector with the goal to reduce imports remains a priority for the Government of Algeria (GoA) and its support for the sector continues.

The Ministry of Agriculture's (MoA) call for investment in dairy farm projects, production of pasture as well as the dairy processing sector, to increase the availability of fresh milk to meet the domestic demand persists. The state-owned Dairy Production Industrial Group (Giplait) (under the Ministry of Agriculture (MoA) has been called to get involved in the overall strategy to increase fresh milk production and invest in the sector to develop and improve pilot farms into modern farms. The goal is to move towards fully integrated dairy facilities that produce good quality fresh milk and pasture, as well as milk collection centers and heifer nurseries that produce locally-grown heifers under their new subsidiary "Agro Livestock".

Algerian farmers showed for the second time their keen interest in U.S. livestock and genetics as well as their interest in partnering with U.S. companies to establishing large-scale dairy farms during the [2017 SIPSA show \(agri-business and livestock trade exhibition\)](#) in Algiers. USLGE's participations in the show, 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.

Good opportunities still exist for the U.S. dairy industry to service the Algerian industry's needs and farmers' interest. The presence of U.S. cooperators (market development associations) expertise and know-how would assure a good share for US livestock and farm equipment in Algeria.

The Ministry of Agriculture, Rural Development and Fisheries has resumed the import of cattle after controlling the outbreaks of foot-and-mouth disease that happened in April 2017.

Algeria's total powdered milk imports averaged 319,000 MT valued at \$1.1 billion over the last seven years, which makes Algeria one of the largest importers of milk powder in the world.

Algeria's total dairy products imports represented 12 percent (\$985.11 million) of the total food imports (\$8.22 billion) in CY2016. The U.S. accounted for only 0.5 percent of the Algerian milk powder import market in 2016 due to higher prices than European suppliers.

Effective January 1, 2017, the Finance Law increased VAT rates on feed inputs from 7 to 9 percent (for barley, oats, corn, sorghum, soybean meal, DDGS, etc.) from 17 to 19 percent for several non-grain and feed products. In addition, barley will now be sold at market price as the domestic resale price subsidy in place since 2008 was removed.

In April 2017, the Ministry of Commerce published the first list of industrial and agricultural products subject to import licensing. The agricultural products immediately affected included [cheese](#) and feed; (barley, corn, soybean meal and vitamin mineral concentrate). Milk powder remains unaffected by these measures. The import licensing regime will continue for the majority of the products in 2018, with a tendering system for better transparency. However, feed grains: corn, barley, and soybean meal "will probably not be subject to import licensing" in 2018, due to the high demand from the feed and

livestock industry.

Commodities:

Select

Production:

Development of the dairy sector with a vision toward reducing imports by 2020 remains a priority for the Government of Algeria (GoA). As a part of the MoA's development strategy, the Ministry of Agriculture (MoA) has called for investment in dairy farms, production of pasture as well as the dairy processing sector, all with the goal of increasing the availability of fresh milk to meet the domestic demand. The MoA also wishes to convert excess milk into powder to reduce milk powder imports and export surplus milk to other markets.

The GoA's support for the sector remains. The GoA will still support fodder production to improve breeding performance and production as the dairy sector has always suffered from a deficit in fodder and feed production and supply because of climatic conditions, the need for improved genetics, as well as constraints in animal husbandry and nutrition management. In addition, as the Algerian Office of Cereals (OAIC) has been involved in the implementation of the pasture production, the state-owned Dairy Production Industrial Group (Giplait under the MoA) has been called to get involved in the overall strategy to increase fresh milk production and invest in the sector starting in CY2017. Giplait will in parallel to its main mission, develop and improve pilot farms into modern farms and integrated facilities to produce good quality fresh milk and pasture, as well as milk collection centers and heifer nurseries to produce locally-grown heifers under their new subsidiary "Agro Livestock". However, Giplait will preserve its regulatory role and continue to produce packaged pasteurized milk; Giplait produces 50 to 60 percent (1.8 billion liters) of the domestic markets needs of pasteurized fluid milk.

These programs provide opportunities for the U.S. dairy industry to service this market. The presence of U.S. cooperators (market development associations)'s expertise and know-how would assure a larger share for U.S. livestock and farm equipment in Algeria. During the [2017 SIPSA show \(agri-business and livestock trade exhibition\)](#) in Algiers, Algerian farmers showed for the second time their keen interest in U.S. livestock and genetics as well as interest in partnerships with U.S. companies to establish large-scale dairy farms. Farmers want to see more examples of joint ventures similar to the joint venture agreed on 2015 between an American and Algerian company. The U.S.'s strength as part of the joint venture is to provide advanced agricultural technologies, breeder cattle, and seeds needed to establish and operate an integrated 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. agribusiness. U.S. companies should target highly quality commodities, machinery, and equipment.

As reported previously, the U.S. Algeria joint venture project is located on approximately 7,000 hectares of land in Algeria's western region. The formed company's focus is on dairy cattle, housing,

health, nutrition, milking parlor design and herd management, as well as forage development, crop rotation and plant nutrition. In addition, the project will have 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, and hopes to import cattle from the U.S.

The Ministry of Agriculture, Rural Development and Fisheries has resumed the import of cattle after controlling the outbreaks of foot-and-mouth disease. Imports have been frozen since April 2017 after the outbreaks of "A" type of foot-and-mouth disease which affected fattening calves in several provinces. The veterinary services relaunched the importation of the bovine animals, particularly those destined for fattening. 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 and bovine genetics.

According to the MoA's National Chamber of Agriculture, domestic milk production has increased from 1.5MMT in 2009 to 3.7 MMT in 2015, an average annual increase of 23 percent. The number of dairy cows rose from 1,007,230 head in 2001 to 1,107,000 head in 2015. Collection of fresh milk continues to trend upward, reaching 945 million liters in 2015 compared to 158 million liters in 2009, according to industry contacts.

Effective January 1, 2017, the Finance Law increased VAT rates on feed from 7 to 9 percent (for barley, oats, corn, sorghum, soybean meal, DDGS, etc.) and 17 to 19 percent for several non-grain and feed products. Wheat remains VAT-exempt. The full list of products can be found at <http://www.joradp.dz/FTP/JO-FRANCAIS/2016/F2016077.pdf>.

In addition, barley will now be sold at market value as the domestic resale price subsidy in place since 2008 was removed. Previously, OAIC bought, stored, and marketed domestic barley by providing the producer a guaranteed support price of Algerian Dinar (AD) 25,000/MT (\$1=AD109) while offering the same barley to the domestic buyer (e.g., mills and livestock producers) at the set price of AD 15,000/MT. At the same time, OAIC would also import barley at world price levels and resell it at the same price as it marketed domestic barley – AD 15,000/MT. OAIC still offers the producer support price, but barley will be sold at market price.

Consumption:

Dairy is the second most consumed food product in Algeria after cereals, and is considered a staple along with cereals and potatoes.

The GoA estimates domestic dairy consumption at 5 MMT annually of which 3.7 MMT is domestic production (2015) and about 1.3 MMT comes from imported milk powder. Cow's milk represents 80% of the domestic production. Other milk production comes from sheep and goats. Camel dairy production is marginal. The diversification of dairy production has made Algeria's consumption of milk and dairy products the highest in North Africa with per capita consumption estimated at about 120 liters per year.

The milk consumed in Algeria was historically been reconstituted with 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 in 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.

Despite the expansion in the dairy sector, the new policy to reduce imports is expected to cause consumption to stabilize.

Trade:

Algeria’s total dairy products imports represented 12 percent (\$985.11 million) of the total food imports (\$8.22 billion) in CY2016. The U.S. accounted for only 0.5 percent of the milk powder market in 2016 due to higher prices than market competitors. Europe benefits from proximity and favorable freight rates, and the lack of a strong market competition. Algeria has traditionally traded with EU countries.

The table below shows that Algeria’s powdered milk imports averaged 319,000 MT valued at \$1.1 billion over the last seven years, thus making Algeria one of the largest importers of milk powder in the world .

**Algeria Milk powder Imports Seven-Year Comparison
In Million Dollars**

	ALL ORIGINS			US ORIGIN		
	NFDM	WMP	Total	NFDM	WMP	Total
CY2016	249	554	803	4	0.222	4.222
CY2015	331	670	1001	1	0	1
CY2014	745	1054	1799	100	0.788	100.788
CY2013	461	613	1074	106	0	106
CY2012	348	740	1088	19	0	19
CY2011	460	884	1344	0	0	0
CY 2010	308	591	899	5	0	5

Source: Algeria Official trade data

According to the Algerian Customs’ National Center for Information and Statistics (CNIS), the value of total dairy product imports decreased (15.83 percent) to \$985.11 million in CY2016, after reaching almost one billion in CY2015 and \$1.76 billion in CY2014. Algeria’s dairy imports reduced in value and volume. The value of imports reduced as a result of a decrease in international world prices. The price decrease saved Algeria more than half the cost compared to 2014 when import value reached \$1.76 billion. The volume of imports declined as a result of the Algerian Government’s desire to decrease overall import quantities.

Algerian milk powder imports Seven-Year Comparison in MT

	ALL ORIGINS			US ORIGIN		
	NFDM	WMP	Total	NFDM	WMP	Total
CY2016	119406	226415	345821	1805	95	1900
CY2015	135845	224971	360816	499	0	499
CY2014	167740	205725	373465	21925	157	22082
CY2013	119322	142979	262301	26941	0	26941
CY2012	110280	188025	298305	6986	0	6986
CY2011	125373	204472	329845	0	0	0
CY 2010	97492	167070	264562	1805	0	1805

Source: Algeria Official trade data

This trend might reverse this year, considering the most recent CNIS statistics showing an upturn in dairy product imports. Algeria's imports of dairy products increased 75 percent to \$545.25 million in the first 4 months of the CY2017 compared to the same period in CY2016 (\$311.85 million) due to international market price increases.

Algerian milk powder imports by Origin in MT in CY2016

	NFDM	WMP	TOTAL
New Zealand	19445	128240	147685
France	40848	15434	56282
Argentina	575	36637	37212
Belgium	10241	2394	12635
Poland	22959	4197	27156
Germany	6515	2044	8559
Ireland	1380	6216	7596
Netherlands	4600	6414	11014
Great Britain	3698	400	4098
U.S.	1806	95	1901
Uruguay	900	21759	22659
Australia	2016	-	2016

Switzerland	575	393	968
Ukraine	2075	98	2173
Spain	505	1861	2366
Turkey	793	-	793
Others	475	233	708
Total	119406	226415	345821

Source: Algeria Official trade data

Suppliers of dairy products to the Algerian market remain almost unchanged with (37.78%) originating from the EU. Most of the nonfat dry milk powder (76.47%) is imported from EU countries. France accounts for 34.20 percent, Poland, 19.22 percent and Belgium, 8.57 percent. The U.S. accounted for only 1.51 percent of the market.

Algeria imports whole milk powder from New Zealand (56.63 percent) followed by Argentina (6.18 percent), and Uruguay (9.61). Most of the cheese is imported from the Netherlands (37.39 percent), Ireland (27.57 percent), and New Zealand (11.59 percent).

Butterfat is also imported primarily from New Zealand (80.7 percent), Ireland (4.83 percent), and Uruguay (4 percent).

Policy:

In 2016, the Government of Algeria (GOA) introduced an import and export licensing system ([published in Journal Officiel No 66 in December 9, 2015](#)) with the goal of reducing imports to slow the loss of foreign reserves during the extended period of low crude oil prices. The licensing system started with agricultural commodities and goods originating from the European Union.

In March 2017, a Ministry of Commerce press release announced that import licensing would be extended to all “non-essential” products with exceptions made for basic products like semolina, wheat, vegetable oil, sugar, and milk. However, the actual starting date for the application of the new measures remained unknown until April 2017 when the Ministry of Commerce published the first list of industrial and agricultural products subject to import licensing. Included on the list was [cheese](#) and feed; (barley, corn, and soybean meal and vitamin mineral concentrate) (See [Algeria: Grain and Feed Update](#)). Milk powder remains unaffected by these measures.

The Ministry of Commerce confirmed recently the continuation of the import licensing regime for the majority of the products in 2018; however, the Ministry will use a tendering system for better transparency. The Ministry will publish the list of products subject to licenses in January 2018. However, the Ministry announced that feed grains (corn, barley, and soybean meal) "will probably not be subject to import licensing" in 2018, due to the high demand from the feed and livestock industry. Import licenses have been issued on a calendar-year basis with no indication of whether additional licenses may be issued. Information on Algeria’s import licenses and quotas can be found on the Ministry of Commerce website: <https://www.commerce.gov.dz/avis/collection/avis-douverture-de-licence-dimportation>.

Marketing:

The U.S. Livestock Genetics Export Incorporated (USLGE) sent an expert again this year to attend the [SIPSA Show \(agri-business and livestock exhibition in Algiers\)](#). The USLGE expert met with nearly 100 potential importers over the course of four-days. USLGE's participation in the SIPSA show 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.

The USLGE encouraged increased engagement in Algeria and is anxious to supply the Algerian market with U.S. livestock and bovine genetics.

Currently, U.S. and Algerian veterinary officials are negotiating a breeder cattle certificate to allow for export of U.S. dairy cattle to Algeria. Agreement on a U.S.-Algerian health certificate coupled with the Ministry of Agriculture's new strategy to develop dairy farms in Algeria, holds tremendous potential for U.S. dairy cattle and bovine genetics.

Production, Supply and Demand Data Statistics:

Dairy, Dry Whole Milk Powder	2015		2016		2017	
Market Begin Year	Jan 2015		Jan 2016		Jan 2017	
Algeria	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	33	33	43	43	45	47
Production	0	0	0	0	0	0
Other Imports	224	224	224	226	285	220
Total Imports	224	224	224	226	285	220
Total Supply	257	257	267	269	330	267
Other Exports	0	0	0	0	0	0
Total Exports	0	0	0	0	0	0
Human Dom. Consumption	214	214	222	222	280	230
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	214	214	222	222	280	230
Total Use	214	214	222	222	280	230
Ending Stocks	43	43	45	47	50	37

Total Distribution	257	257	267	269	330	267
(1000 MT)						

Dairy, Milk, Nonfat Dry	2015		2016		2017	
Market Begin Year	Jan 2015		Jan 2016		Jan 2017	
Algeria	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	59	59	59	59	38	38
Production	0	0	0	0	0	0
Other Imports	136	136	119	119	130	119
Total Imports	136	136	119	119	130	119
Total Supply	195	195	178	178	168	157
Other Exports	0	0	0	0	0	0
Total Exports	0	0	0	0	0	0
Human Dom. Consumption	136	136	140	140	145	145
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	136	136	140	140	145	145
Total Use	136	136	140	140	145	145
Ending Stocks	59	59	38	38	23	12
Total Distribution	195	195	178	178	168	157
(1000 MT)						

