

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:**

US origin dairy imports to Algeria continue to decline and went down sharply in the first term of 2010. Boosting dairy domestic production still remains a priority for government of Algeria.

## **Executive Summary:**

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. The programs established by the Ministry of Agriculture may provide good opportunities for U.S. exporters of dairy cattle, genetics and artificial insemination materials provided certification is agreed upon

In CY2009, dairy import value decreased to \$859 million on reduced world market prices from 1.2 billion dollars in CY2008.

Proximity and good freight rates from Europe have always made trade with EU countries more advantageous and easier. The lack of agreement on health certification and strong competition from the EU and New Zealand are cutting into U.S. market share. U.S. origin dairy product imports fell from \$69 million in 2008 to \$25 million in 2009.

The measures enacted by the government of Algeria in 2009 to promote domestic production and control imports are ongoing. The Ministry of Agriculture still requires a sanitary permit issued by the veterinary services after inspection of the importer's storage facilities prior to issuing the permit and allowing the imported products entry into the country.

## **Commodities:**

Select

## **Production:**

Intensification and improvement of dairy production to reduce reliance on imports remains one of the main priorities of the Algerian government in line with the new agricultural renewal strategy. 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. 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 look for partnerships in developing integrated dairy complexes.

In line with this development strategy, incentives are provided to improve fresh milk production available to the local dairy processing industry in order to reduce expensive milk powder imports on which the latter relies for 80 percent of its requirements. The Ministry of Agriculture pays about 12 AD/L (\$0.16/L) incentive premiums to milk producers, 5 AD/L (\$0.07/L) to milk collectors and 2 to 4 AD/L (\$0.06/L) to dairy processors. With a government policy of having fixed (controlled) prices for pasteurized fluid milk, the private sector processors which plays a dominant role in the Algerian dairy sector are mainly focused on producing other more profitable processed dairy products rather than milk

(yogurt, cheese, butter, dairy desserts and fermented milk). These incentives are expected to increase the amount of fresh milk collected and help produce pasteurized milk locally to reinforce the state-owned group Giplait that still remains the leader in pasteurized reconstituted milk market as reconstituted milk had always provided a major source of milk used in Algeria.

As reported previously (AG9010), 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 12 percent of the milk production is commercially collected for the dairy processing industry. This production level, however, still remains short of the total amount needed to satisfy domestic consumption, which is estimated to be 3.2 million MT annually.

### **Consumption:**

With the expansion of the processing sector in recent years, there are about 120 dairy plants operating in different regions across the country. They are diversifying dairy production and making Algerian consumption of milk and dairy products the highest in the North African region, with per capita consumption estimated at 110 liters per year.

Most of the milk consumed in Algeria is reconstituted in blends of imported non-fat dry milk and anhydrous milk fat. These are pasteurized and packaged in one-liter plastic bags with a 24 hour shelf-life and sold at controlled prices. Some private processors continue to produce UHT milk packed in tetra-pack boxes at higher prices. Whole milk powder is also used in most processed dairy products, and non-fat dry milk in ice cream industry.

### **Trade:**

Algeria's total dairy product imports were valued at 1.2 billion dollar in CY2008. In CY2009 import value decreased to \$859 million on reduced world market prices. However, dairy products still accounted for 15 percent of all CY2009 food imports behind cereals, which still make Algeria one of the larger dairy importers in the region.

Proximity and good freight rates from Europe have always made trade with EU countries more advantageous and easier. The absence of agreed health certification as well as a lack of a strong U.S presence in this market is continuing to impact negatively on U.S. origin market share. U.S. market share reached 16 percent of total non fat dry milk imports in CY2009 behind France. U.S. origin dairy product imports fell from \$69 million in 2008 to \$25 million in 2009.

From January through July CY2010, US origin dairy product reached only \$2 million, while in the same period in 2009; imports were estimated at \$5 million. (Source: Bico Reports).

**Table 1: WMP and NFDM Imports comparison in 2009 and 2010 (MT)**

	Jan-June CY 2009		Jan-June CY 2010	
	WMP	NFDM	WMP	NFDM
Argentina	15985	592	12574	263
Belgium	17609	6167	4234	12102
France	15184	14691	10266	18698
<b>U.S.</b>	-	5369	19	-
Great Britain	2276	656	3811	2024
Ireland	3585	300	3275	1401
New Zealand	50363	4384	31475	682
Malaysia	912	47	2512	-
Netherlands	5386	3150	2701	400
Poland	4266	7923	3400	4660
Switzerland	1000	2217	-	200
Australia	1771	1761	-	-
Brazil	4320	1000	2175	-
Denmark	3694	0	-	-
Ukraine	350	3370	200	650
Czech	625	200	-	-
Uruguay	75	1100	5280	1064
Germany	100	3331	2050	1521
India	0	-	-	610
Sweden	916	-	-	-
Indonesia	-	3727	-	-
Chile	-	-	1900	-
Others	-	-	657	228
<b>TOTAL</b>	128418	59985	86530	44503

Source: Algeria Official trade Data

Algeria's imports of both non fat dry milk and whole milk powder declined from January to June CY 2010, compared to the same period in CY 2009. Some of the decline can be accounted for by increased prices compared to the year before but, as mentioned above, the new agricultural development strategy encouraging domestic milk production has started to show an impact on these milk powder imports.

Imported NFDM in Algeria is mostly used blended with anhydrous milk fat to produce pasteurized milk. It is also used in the ice cream industry. Consumption dropped due to the month long fast of Ramadan which occurred in the summer time this year. France still dominates the market for NFDM with 25 percent market share followed by U.S with 16 percent.

Whole milk powder is still mostly imported from New Zealand (36 percent market share), followed by Argentina (14.5 percent) and France (12 percent). Usually U.S. product doesn't share the market for WMP, but Algeria Customs data show imports of 19MT from the U.S in the first term of CY2010.

**Table 2: Cheese and Butter Imports comparison in 2008 and 2009 (MT)**

	January-June CY 2009		January-June CY 2010	
	Cheese	Butter	Cheese	Butter
Ireland	3466	566	4773	20
New Zealand	2965	1192	1057	2118
Netherlands	2753	489	3473	125
France	473	44	494	1008
Germany	404		218	25
Australia	160	200	140	260
Austria	239		308	
Argentina	120	1336	50	321
Poland	147		488	
Denmark	19		30	25
<b>U.S.</b>			0	18
Italy	14		3	
Belgium		184		
Great Britain	20		175	79
Spain		23		
Uruguay	48	100		625
Others	45	75	33	89
<b>TOTAL</b>	<b>10873</b>	<b>4209</b>	<b>11242</b>	<b>4713</b>

Source: Algeria Official trade Data

Imports of cheese and butter are more or less stable as the domestic processing industry has expanded over the past several years. In CY2009, 71 percent of the imported cheese was cheese for processing destined to the processing industry. Total AMF imports accounted for 49 percent of the imported butter in the same period.

New Zealand market share reached 45 percent of the butter imports from January to June CY2010, followed by France with 21 percent and Uruguay with 13 percent. Ireland's share of the cheese import market reached 42 percent, followed by Netherlands with 31 percent and New Zealand with 9 percent.

### **Policy:**

In 2009, the government of Algeria enacted measures to promote domestic production and control imports. The Ministry of Agriculture now requires a sanitary permit issued by the veterinary services after inspection of the importer's storage facilities prior to issuing the permit and allowing the imported products entry into the country.

A letter of credit is also required as the only mean for payment for the imported goods by Algerian banks. Phytosanitary certificates for all imported food products, along with the quality control and conformity certificate, as well as, the certificate of origin are also required by the importers' bank prior to the importation and clearing of the goods. These certificates are issued by officials in the exporting country.

### **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.

### **Production, Supply and Demand Data Statistics:**

Dairy, Milk, Nonfat Dry Algeria	2008			2009			2010		
	Market Year Begin: Jan 2008			Market Year Begin: Jan 2009			Market Year Begin: Jan 2010		
	U S D A  O f f i c i a l	Old Post	New Post	U S D A  O f f i c i a l	Old Post	New Post	U S D A  O f f i c i a l	Old Post	New Post
Beginning Stocks	8	8	8	14		14	19		20
Production	0	0	0	0		0	0		0
Other Imports	90	91	90	91		92	85		87
Total Imports	90	91	90	91		92	85		87

Total Supply	98	99	98	105		106	104		107
Other Exports	0	0	0	0		0	0		0
Total Exports	0	0	0	0		0	0		0
Human Dom. Consumption	84	84	84	86		86	88		85
Other Use, Losses	0	0	0	0		0	0		
Total Dom. Consumption	84	84	84	86		86	88		85
Total Use	84	84	84	86		86	88		85

Ending Stocks	14	15	14	19		20	16		22
Total Distribution	98	99	98	105		106	104		107
CY Imp. from U.S.	0	14	22	0		15	0		0
CY Exp. to U.S.	0	0		0			0		
TS = T D			0			0			0
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k Po wd er Al ger ia									
	Market Year Begin: Jan 2008			Market Year Begin: Jan 2009			Market Year Begin: Jan 2010		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
Be gin nin g St oc ks	9	9	9	2		2	10		30
Pr od uct ion	0	0	0	0		0	0		0
Ot her Im por ts	153	179	153	180		200	170		170
Tot al Im por ts	153	179	153	180		200	170		170
Tot al Su ppl y	162	188	162	182		202	180		200
Ot	0	0	0	0		0	0		0

her Exports									
Total Exports	0	0	0	0		0	0		0
Human Dom. Consumption	160	180	160	172		172	171		172
Other Use, Losses	0	0	0	0		0	0		0
Total Dom. Consumption	160	180	160	172		172	171		172
Total Use	160	180	160	172		172	171		172
Ending Stocks	2	8	2	10		30	9		28

Total Distribution	162	188	162	182		202	180		200
CY Imp. from U.S.	0	0		0			0		
CY Exp. to U.S.	0	0		0			0		
TS = TD			0			0			0
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