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Date: 2/24/2017
GAIN Report Number: TS1701

Tunisia

Oilseeds and Products Annual

2017 Oilseeds and Products Annual

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Report Highlights:
Post forecasts MY 2017/18 olive oil production and exports at 240,000 MT and 180,000 MT, respectively, reflecting improved weather conditions in comparison to 2016/17. The 2017/18 forecast for soybean imports is raised in comparison to 2016/17 to 640,000 MT, reflecting new soybean processing capacity, and in turn, forecast imports for soybean meal and oil are reduced year-on-year.

Executive Summary:

Olive Oil

Olive oil production in MY 2017/18 is forecast at 240,000 MT following much improved weather conditions which have led to good vegetative growth observed in the olive orchards so far this winter. As a direct result, Post forecasts MY 2017/18 exports to reach 180,000 MT.

Estimates for MY 2016/17 remain unchanged.

Soybean Complex

Soybean imports are forecast at 640,000 MT in MY 2017/18 in response to two market events:

1. the expansion of Tunisia's current lone crushing facility, which will add a capacity of 200 MT/day to the existing 2,000 MT/day
2. the market entry of Tunisia's largest feed producer into soybean extrusion in order to supply a co-located feed mill

These events will strongly impact demand for imported soybean meal – forecast at 155,000 MT – as feed demand continues to grow only slowly as a result of strong controls limiting growth to poultry production. Increased crush will also lead to slightly lower import demand for soybean oil in MY 2017/18 – forecast at 130,000 MT – as consumer demand remains largely limited by the local economy.

Estimates for MY 2016/17 are revised slightly, increasing crush from 525,000 to 550,000 MT. Total imports are revised higher from 525,000 to 600,000 MT but lowered for the United States from 275,000 to 270,000 MT. Soybean meal imports are lowered from 200,000 to 170,000 MT while soybean oil imports are lowered from 140,000 to 135,000 MT.

Multi-year adjustments were also made in the soybean balance sheet to reflect ending stocks as well as soybean meal extraction rates, which were lowered for all years to accommodate production levels of soybean hulls.

Commodities:

Oilseed, Soybean

Oil, Olive

Area Harvested:

Apart from olives, Tunisia's oilseed production remains insignificant despite the Ministry of Agriculture's efforts to encourage farmers to grow rapeseed and sunflower crops in order to diversify oilseed production. Tunisia has about 86 million olive trees planted over 1.8 million hectares, which represent one-third of total arable land, making the olive crop the main domestic source of edible oils. Olive area is likely to increase in the coming years as Tunisia aggressively attempts to attract additional investment into the sector.

Production:

For the MY 2016/17 olive crop, harvest began in mid-November and was completed by late January 2017. Production is estimated at 500,000 MT and was again greatly impacted by drought and heat damage during the olive filling period.

MY 2017/18 olive production is forecast at 1,200,000 MT, presuming a continued return to normal weather conditions.

Consumption:

Tunisia currently has one soybean crushing facility – Carthage Grain. Having undergone expansion in 2017, its capacity of 2,000 MT/day will increase to 2,200 MT/day in March. For MY 2017/18, total soybean crush at Carthage Grain is forecast at 590,000 MT, up from an estimated 550,000 MT in MY 2016/17.

A new soybean extruding facility owned by Poulina Group, Tunisia's largest feed and poultry producer, is coming online in MY 2016/17 with a total capacity of 24 MT/hour and which will be used to produce solely Full Fat Soybean (FFSB) during the first couple years of operation but may be later switched over to also produce Extruded Pressed Soybean Meal (EPSM) and soybean oil. The new soybean extruding facility is estimated to process 35,000 MT of soybeans in MY 2016/17 and then 45,000 MT for MY 2017/18.

Trade:

Post revises MY 2016/17 soybean imports higher to 600,000 MT and forecasts imports in MY 2017/18 at 640,000 MT, reflecting increased demand from the local processing sector to fill new capacity.

Policy:

The Tunisian olive sector has not yet gained complete autonomy, despite abolishing the monopoly of the Office National des Huiles (ONH-the state-run edible oils board) in 2004. In the last few years there has been a notable increase in the role of the speculators in the olive oil market. These speculators are neither farmers nor crushers nor exporters, and they buy olives on the trees by proposing cash directly to farmers or land owners well before the start of the crushing season in an attempt to dictate prices once the season begins. It is believed that the abolition of the state reference prices, as well as the absence of a formal price discovery mechanism, such as an olive exchange, have contributed to the wide fluctuations in olive prices. The mill-gate prices for olive oil usually reflect prices of green olives during the harvest season.

Commodities:

Meal, Soybean

Production:

Increases to capacity in MY 2016/17 should allow Carthage Grain to produce about 400,000 MT of soybean meal, a touch up from 398,000 MT in MY 2015/16 with a further increase to 430,000 MT in MY2017/18 as it operates a full year at the higher capacity. Increased production will continue to displace soybean meal imports from Latin America.

Note: Post has reduced the extraction rate for soybean meal from .78 to .73, which Post accounts for with soybean hulls representing six percent of processed soybean volumes and which we estimate will reach 36,000 MT in 2016/17 and 38,000 MT in 2017/18. It is worth noting that soybeans hulls have recently gained strong acceptance in feed rations, replacing wheat bran, for which domestic supplies have become unreliable. Import duties on soybean hulls were also recently removed.

Consumption:

Tunisian consumption of soybean meal for MY 2016/17 is estimated at 540,000 MT and forecast at 570,000 MT in MY 2017/18. Soybean meal consumption is mainly driven by the poultry sector, where market sources indicate 70 percent of soybean meal is used for broiler, turkey, and egg production.

Total animal feed production in MY 2016/17 is estimated at 2,300,000 MT, up slightly from 2,200,000 MT in 2015/16. Feed production is also projected to grow slightly in MY 2017/18 to 2,400,000 MT. This slight increase marks slowing growth opportunities in the poultry industry as the government has put controls back in place to limit production following liberalization of the quota breeding system in 2012. Reportedly, the return of government intervention into the poultry industry is aimed at increasing profitability within the sector.

Trade:

For MY 2016/17, soybean meal imports are estimated at 170,000 MT and are forecast at 155,000 MT in MY 2017/18. Imports are expected to fall as domestic production capacity increases faster than consumption demand.

Commodities:

Oil, Olive

Oil, Soybean

Oil, Rapeseed

Production:

Olive oil is the principal edible oil produced in Tunisia and MY 2017/18 production is forecast at 240,000 MT, reflecting a significantly improved olive harvest. The bulk of the olive harvest is processed into various grades of oil by 1,750 olive mills scattered throughout the production area. Mill-gate prices for olive oil reflect prices of green olives during the harvest season.

Soybean oil production in MY 2017/18 is forecast at 120,000 MT while the 2016/17 estimate is revised higher to 110,000 MT, reflecting higher crush.

Rapeseed oil production is in the early stages of development with production forecast at 3,000 MT in MY 2017/18, up from an estimated production of 300 MT in MY 2016/17. Carthage Grain has begun experimenting with contracting production by providing the needed inputs to framers in addition to a technical support. The target is to triple planted area to 4,000 HA in the next few years.

Consumption:
Olive oil consumption in MY 2017/18 is held steady at 35,000 MT. Regardless of the size of the domestic crop, olive oil remains relatively expensive for a large segment of Tunisian households as consumer purchasing power remains weak with little signs of improvement over the next year. Olive oil tends to be consumed mostly as salad dressing, whereas imported vegetable oils are used mainly in every-day cooking. The average domestic price for Tunisian olive oil is $3.40 per liter and driven largely by supply and demand forces in the EU market. Prices are subsidized by the government to ensure their affordability on the retail market.

Trade:
In MY 2017/18, Tunisian olive oil exports are projected to increase to 180,000 MT. In MY 2015/2016, the United States was the second largest export destination after Italy and before Spain for Tunisia's olive oil. Most of Tunisia's olive oil exports are sold in bulk, with 14 percent of the exported quantity sold in bottles in MY 2015/16. The share of bottled olive oil exports continues to grow and remains a priority within the government, and as the share grows, export destinations should diversify.

In MY 2016/17, total Tunisian edible oil imports are estimated at 240,000 MT, up from 187,000 MT in MY 2015/16 and imports for MY 2017/18 are forecast to decrease at 200,000 MT, dominated by soybean oil. Palm oil imports satisfy most of the remaining domestic market demand with sunflower, palm kernel, and coconut oil making a small contribution. Corn oil imports are also economically significant; however, the vast majority of corn oil is re-exported to Libya after local refining. That said, the situation in Libya has severely disrupted such activity.

Policy:
The Tunisian government continues its policy concerning edible oils to help achieve six main objectives:

1. To increase annual average production of olive oil from 180,000 MT to 250,000 MT by 2020 through (1) an aging olive tree renewal plan, which represents 20 percent of olive trees and (2) plans for a new plantation in northwest Tunisia.
2. To increase olive trees yields from a low average of 0.15 MT of olive oil per hectare to no less than 0.2 MT per hectare through improvement of olive tree cultivation techniques and a national olive disease protection program

3. To mitigate the large disparity of olive oil production during drought years (almost 2/5 years), the government targets increasing irrigated area of olive trees from 39,000 HA to 98,000 HA in the next few years, which would increase olive oil production from irrigated orchards to 100,000 MT.
4. To promote olive oil exports, given its importance as a major source of the country's hard currency earnings, and specifically, to target the share of bottled olive oil reaching 25% in 2018.
5. To fulfill the vast majority of domestic demand for imported vegetable oils at the lowest cost possible, transition their import from the state-run National Oil Board (ONH) to local refiners via a refining quota system.
6. To continue subsidizing vegetable oil purchased by ONH in order to maintain a relatively low market price at the retail level. Through the Compensation Fund (Caisse Generale de Compensation), the government would write off losses incurred by ONH resulting from them selling at prices below purchase costs.

To maintain affordable prices of edible oils for consumers, the government has maintained the reduction and removal of taxes and VAT on a list of edible oils (palm, soybean, corn, and sunflower) (Decree 2014-002 of 14 January 2014).

Products	Custom Duties %	Value Added Taxes
Peanut Oil - Raw	0	0
Peanut Oil - Refined	10	0
Palm Oil - Raw	0	0
Palm Oil - Refined	10	0
Sunflower Oil – Raw	0	0
Sunflower Oil - Refined	10	0
Rapeseed Oil - Raw	0	0
Rapeseed Oil - Refined	10	0
Corn Oil - Raw	0	0
Corn Oil - Refined	10	0
Soybean Oil – Raw	0	0
Soybean Oil - Refined	10	0

Tunisia's policy concerning oilseeds and meal has two main components:

1. To diversify oilseed meal imports using a price-driven approach (rapeseed and sunflower).
2. To compensate shortages in production of oilseed crops through the development of domestic production of rapeseed, sunflower, and leguminous plants.

Production, Supply and Demand Data Statistics:

PSD Soybeans

Oilseed, Soybean	2015/2016		2016/2017		2017/2018	
Market Begin Year	Oct 2015		Oct 2016		Oct 2017	
Tunisia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post

Area Planted	0	0	0	0	0	0
Area Harvested	0	0	0	0	0	0
Beginning Stocks	0	0	0	15	0	30
Production	0	0	0	0	0	0
MY Imports	546	546	525	600	0	640
MY Imp. from U.S.	386	386	275	270	0	290
MY Imp. from EU	0	0	0	0	0	0
Total Supply	546	546	525	615	0	670
MY Exports	0	0	0	0	0	0
MY Exp. to EU	0	0	0	0	0	0
Crush	546	531	525	550	0	590
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	0	0	0	35	0	45
Total Dom. Cons.	546	531	525	585	0	635
Ending Stocks	0	15	0	30	0	35
Total Distribution	546	546	525	615	0	670
						(1000 HA) ,(1000 MT)

PSD Soybean Meal

Meal, Soybean	**2015/2016**		**2016/2017**		**2017/2018**	
Market Begin Year	**Oct 2015**		**Oct 2016**		**Oct 2017**	
Tunisia	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Crush	546	531	525	550	0	590
Extr. Rate, 999.9999	0.7839	0.7495	0.7848	0.7273	0	0.7288
Beginning Stocks	25	25	80	50	0	65
Production	428	398	412	400	0	430
MY Imports	229	229	200	170	0	155
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	682	652	692	620	0	650
MY Exports	12	12	15	15	0	0
MY Exp. to EU	0	0	0	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	590	590	625	540	0	570
Total Dom. Cons.	590	590	625	540	0	570
Ending Stocks	80	50	52	65	0	80
Total Distribution	682	652	692	620	0	650
						(1000 MT) ,(PERCENT)

PSD Soybean oil

Oil, Soybean	**2015/2016**		**2016/2017**		**2017/2018**	
Market Begin Year	**Oct 2015**		**Oct 2016**		**Oct 2017**	
Tunisia	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**

Crush	546	531	525	550	0	590
Extr. Rate, 999.9999	0.1886	0.194	0.1886	0.2	0	0.2034
Beginning Stocks	15	15	13	13	0	9
Production	103	103	99	110	0	120
MY Imports	124	124	140	135	0	130
MY Imp. from U.S.	23	23	20	0	0	0
MY Imp. from EU	6	6	30	0	0	0
Total Supply	242	242	252	258	0	259
MY Exports	9	9	9	9	0	5
MY Exp. to EU	0	0	0	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	220	220	230	240	0	250
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	220	220	230	240	0	250
Ending Stocks	13	13	13	9	0	4
Total Distribution	242	242	252	258	0	259
(1000 MT) ,(PERCENT)						

PSD Rapeseed oil

Oil, Rapeseed	**2015/2016**		**2016/2017**		**2017/2018**	
Market Begin Year	**Oct 2015**		**Oct 2016**		**Oct 2017**	
Tunisia	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Crush	0	0	0	0	0	9
Extr. Rate, 999.9999	0	0	0	0	0	0.3333
Beginning Stocks	2	2	1	1	0	0
Production	0	0	0	0	0	3
MY Imports	2	0	3	0	0	1
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	4	2	4	1	0	4
MY Exports	0	0	0	0	0	0
MY Exp. to EU	0	0	0	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	3	1	3	1	0	4
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	3	1	3	0	0	4
Ending Stocks	1	1	1	0	0	0
Total Distribution	4	2	4	1	0	4
(1000 MT) ,(PERCENT)						

PSD Olive Oil

Oil, Olive	**2015/2016**		**2016/2017**		**2017/2018**	
Market Begin Year	**Nov 2015**		**Nov 2016**		**Nov 2017**	
Tunisia	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Planted	1800	1800	1800	1818	0	1818
Area Harvested	0	0	0	0	0	0
Trees	84000	84000	84000	86000	0	86000

Beginning Stocks	57	57	34	34	0	31
Production	140	140	100	100	0	240
MY Imports	2	2	2	2	0	2
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	199	199	136	136	0	273
MY Exports	130	130	70	70	0	180
MY Exp. to EU	95	95	60	50	0	125
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	35	35	35	35	0	35
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	35	35	35	35	0	40
Ending Stocks	34	34	31	31	0	58
Total Distribution	199	199	136	136	0	273
(1000 HA) ,(1000 TREES) ,(1000 MT)						