

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Algeria

Dairy and Products Annual

Update

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Report Highlights:

The Government of Algeria (GOA) continues to push development in the dairy sector to reduce reliance on imports. With implementation of the 2015 Finance Act, direct state financial assistance becomes available to farmers.

Executive Summary:

The development of the dairy sector to reduce reliance on imports remains a priority and the GOA will continue to support the sector with state subsidies. The subsidies planned for the sector this year include direct financial assistance from the state to finance the import of dairy cows from 25 to 50 percent of the price of imported cattle.

As for inputs, in accordance with Algeria's 2015 Finance Act, VAT will be reduced to 7 percent for corn, soybean meal, DDGS, rice, bran, mineral & vitamin concentrates, and horses (Art23 of the 2015 Finance Act). An exemption from duties has been in effect for DDGS, soybean meal and other residues, mineral, and vitamin concentrates since September 1, 2014 with an expiration date of December 31, 2015 (Art44 of the 2015 Finance Act). As for feed inputs, import duties and VAT are applied to corn (5 percent and 7 percent), soybean meal (0 percent and 7percent), DDGS (0 percent and 7 percent).

Dairy products are the second most consumed food products in Algeria after cereals and are considered a staple along with cereals and potatoes. The GOA estimates domestic consumption at 5 MMT annually. Milk consumption is expected to remain stable as consumers' purchasing power continues to rise.

Algeria remains one of the largest importers of milk powder. Algeria's powdered milk imports averaged about 300 MMT valued at \$1.24 billion over the last five years. Dairy products represented 16 percent (\$1.7 billion) of total food imports (\$11 billion) in CY2014. U.S. exports were 6 percent of this market in 2014. The government dairy buying agency (ONIL) imports sufficient volumes when world prices decrease for milk powder to renew the stocks

Algeria has good market potential for U.S. dairy products and genetics. Currently, U.S. and Algerian veterinary officials are negotiating cattle breeder and bovine genetics certificates.

U.S. exporters and their market development associations are advised to become more aggressive in the Algerian market in order to increase U.S. exports.

Commodities:

Select

Production:

The development of the dairy sector to reduce reliance on imports remains a priority and the GOA will continue to support the sector with state subsidies. The subsidies planned for the sector this year include direct financial assistance from the state to finance the import of dairy cows from 25 to 50 percent of the price of imported cattle.

In accordance with the Finance Act 2015, the subsidies planned for the sector this year include direct financial assistance from the state to support imports of dairy cattle from 25 to 50% of the price of the imported cattle. The Finance Act 2015 also exempts customs duties and VAT for imported inputs to be used to modernize dairy farming equipment, including dairy cattle and milking equipment. This program provides good opportunities for the U.S. dairy industry to service these needs. USDA and the MoA have begun negotiating breeder cattle and bovine genetics export protocols to facilitate trade. Post continues to monitor and advocate for expeditious review of the protocols.

Despite the success of some development programs, Algeria still relies on imports for its growing needs. Even though fresh milk production continues an upward trend, and about 25,000 heads of cow have been imported annually since 2009, milk production is still far from the revised 5MMT annual domestic consumption need, Algeria relies on imports to meet the 1.5 MMT deficit. The need for improved genetics and a modern fresh milk collection system and pasture remains because of the constraints in animal husbandry and nutrition management that still need improvement.

According to MOA data, dairy production for 2014, reached 3.5 MMT compared to 3.4 MMT in 2013, and 3.1 MMT in 2012, 1.2 MMT in 2000. Estimates are that 70 percent of this fresh milk comes from cows, while the remaining 30 percent comes from sheep, goats and camels.

The collection of fresh milk continues to trend upward; in 2014, 900 million liters of fresh milk were collected, while 701 million liters were collected in CY2013 and 688 million liters in 2012. The MOA pays incentive premiums 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.

The private sector has typically played a major role in the production of processed dairy products (yogurt, cheese, butter, sour milk, and dairy desserts). As a consequence of the low fixed prices for pasteurized fluid milk (A.D 25/liter), (\$0.238/liter), the private sector produces the more profitable processed products. Giplait, a state-owned company remains the leader in the pasteurized reconstituted milk market with 60 percent of the market.

Consumption:

Dairy products are the second most consumed food product in Algeria after cereals, and are considered a staple along with cereals and potatoes. The GOA has estimated domestic consumption at 5 MMT annually.

With the expansion of the dairy processing sector in recent years, there are about 116 dairy plants operating in different regions across the country of which 15 are state-owned. The diversification of dairy production is making Algerian consumption of milk and dairy products the highest in the North African with per capita consumption estimated at 120 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 a subsidized price. 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 while non-fat dry milk used for ice cream production.

Trade:

Algeria remains one of the largest importers of milk powder. Dairy and derivatives imports annually costs to Algeria more than a billion dollars.

Algeria's powdered milk imports averaged about 300 million MT valued at \$1.24 billion over the last five years. Dairy products represented 16 percent (\$1.7 billion) of the total food imports (\$11 billion) in CY2014. U.S. exports were 6 percent of this market in 2014.

Algeria Milk powder Imports Five-Year Comparison in Million Dollars

| | ALL ORIGINS | | | US ORIGIN | | |
|----------------|-------------|------|-------|-----------|-------|---------|
| | NFDM | WMP | Total | NFDM | WMP | Total |
| 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 Algeria Press Service, Algeria imported \$696 million worth of milk powder in the first seven months of 2015, compared to the same period in 2014 (\$1.29 billion) a 46 percent decrease. Volumes imported during the first seven months of 2015, equaled 233,375 tons while compared to 251,842 tons during the same period in 2014, a 7.3 percent decrease. The government dairy buying agency (ONIL) imports sufficient volumes when world prices decrease for milk powder to replenish its supply.

Algerian milk powder imports Five-Year Comparison in MT

| | ALL ORIGINS | | | US ORIGIN | | |
|----------------|---------------|---------------|---------------|--------------|------------|--------------|
| | NFDM | WMP | Total | NFDM | WMP | Total |
| 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

Dairy imports sources remain almost unchanged. Most of the nonfat dry milk powder is imported from EU countries (France with 26 percent, Poland with 24 percent, the U.S. with 13 percent, and Belgium with 12 percent). Whole milk powder is imported from New Zealand (29 percent) followed by Argentina (26 percent), and France (10 percent). Most of the cheese is imported from the Netherlands (30

percent), Ireland (23 percent), New Zealand (15 percent) and U.S. (5 percent). Butterfat originates from New Zealand (82 percent), Brazil (6 percent), the U.S. (2 percent), and France (2 percent).

**Algerian CY2014 milk powder imports
by Origin in MT**

| | NFDM | WMP | TOTAL |
|----------------------|---------------|---------------|---------------|
| New Zealand | 2445 | 59306 | 61751 |
| France | 43916 | 19786 | 63702 |
| Argentina | 6497 | 54289 | 60786 |
| Belgium | 20169 | 11732 | 31901 |
| Poland | 39707 | 4242 | 43949 |
| Germany | 13093 | 4714 | 17807 |
| Ireland | 1725 | 14764 | 16489 |
| Netherlands | 2566 | 10239 | 12805 |
| Great Britain | 7240 | 4250 | 11490 |
| U.S. | 21925 | 157 | 22082 |
| Uruguay | - | 11529 | 11529 |
| India | 3307 | 175 | 3482 |
| Denmark | 48 | 424 | 472 |
| Switzerland | 289 | - | 289 |
| Ukraine | 950 | 250 | 1200 |
| Sweden | 102 | - | 102 |
| Indonesia | - | 273 | 273 |
| Spain | 2461 | 974 | 3435 |
| Brazil | | 6350 | 6350 |
| Others | 1300 | 2271 | 3571 |
| Total | 167740 | 205725 | 373465 |

Source: Algeria Official trade data

Proximity and good freight rates from Europe have always made trade with EU countries more advantageous. However, the absence of health certification as well as the lack of a strong U.S presence in the market impacted negatively U.S market share in previous years. With the reopening of the market in 2011, trade resumed and almost continues on an upward trend (see above tables).

Stocks:

Policy:

The GOA announced that the dairy industry will continue to receive subsidies as it remains a priority sector. The GOA's goal is to modernize the dairy industry and to increase cereal production.

In accordance with the Finance Act 2015, the assistance planned for the sector this year includes direct financial assistance from the state to support imports of dairy cattle from 25 to 50% of the price. The Finance Act 2015 also exempts imports of inputs to modernize the dairy sector including farming equipment, dairy cattle, and milking equipment from Customs duties and VAT.

As for inputs, in accordance with Algeria's 2015 Finance Act, VAT will be reduced to 7 percent for corn, soybean meal, DDGS, rice, bran, mineral & vitamin concentrates, and horses. The exemption from duties for DDGS, soybean meal, other residues, mineral, and vitamin concentrates remains in effect until December 31, 2015. As for feed inputs, import duties and VAT are applied to corn (5 percent and 7 percent), soybean meal (0 percent and 7 percent), DDGS (0 percent and 7 percent).

Marketing:

Algeria has good market potential for U.S. dairy products and genetics. U.S. and Algerian veterinary officials are currently negotiating cattle breeder and bovine genetics certificates. 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. U.S. marketing activities in this sector are minimal. U.S. exporters interested in the Algerian market should consider regional trade events or visits to Algeria in coordination with the Office of Agricultural Affairs to market U.S. products.

Production, Supply and Demand Data Statistics:

| Dairy, Dry Whole Milk Powder | 2013 | | 2014 | | 2015 | |
|------------------------------|---------------|----------|---------------|----------|---------------|----------|
| | Jan 2013 | | Jan 2014 | | Jan 2015 | |
| Market Begin Year | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Algeria | | | | | | |
| Beginning Stocks | 37 | 37 | 9 | 9 | 33 | 34 |
| Production | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Imports | 142 | 142 | 204 | 205 | 210 | 205 |
| Total Imports | 142 | 142 | 204 | 205 | 210 | 205 |
| Total Supply | 179 | 179 | 213 | 214 | 243 | 239 |
| Other Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| Human Dom. Consumption | 170 | 170 | 180 | 180 | 210 | 210 |
| Other Use, Losses | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Dom. Consumption | 170 | 170 | 180 | 180 | 210 | 210 |
| Total Use | 170 | 170 | 180 | 180 | 210 | 210 |
| Ending Stocks | 9 | 9 | 33 | 34 | 33 | 29 |
| Total Distribution | 179 | 179 | 213 | 214 | 243 | 239 |
| | | | | | | |
| (1000 MT) | | | | | | |

| Dairy, Milk, Nonfat Dry | 2013 | | 2014 | | 2015 | |
|--------------------------------|----------------------|-----------------|----------------------|-----------------|----------------------|-----------------|
| Market Begin Year | Jan 2013 | | Jan 2014 | | Jan 2015 | |
| Algeria | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Beginning Stocks | 40 | 40 | 34 | 34 | 67 | 67 |
| Production | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Imports | 119 | 119 | 168 | 168 | 125 | 125 |
| Total Imports | 119 | 119 | 168 | 168 | 125 | 125 |
| Total Supply | 159 | 159 | 202 | 202 | 192 | 192 |
| Other Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| Human Dom. Consumption | 125 | 125 | 135 | 135 | 130 | 130 |
| Other Use, Losses | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Dom. Consumption | 125 | 125 | 135 | 135 | 130 | 130 |
| Total Use | 125 | 125 | 135 | 135 | 130 | 130 |
| Ending Stocks | 34 | 34 | 67 | 67 | 62 | 62 |
| Total Distribution | 159 | 159 | 202 | 202 | 192 | 192 |
| | | | | | | |
| (1000 MT) | | | | | | |