

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Algeria

Grain and Feed Annual

Feed Falls from Favor

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Report Highlights:

Prospects for Algeria's wheat and barley crop remain mostly average despite multiple bouts with dryness throughout the year and with the next 30 days being a critical period. At the same time, multiple new policies have or are soon to take effect and will impact the import and consumption of feed grains while impacts to wheat are likely to be minimal.

Executive Summary

Following delayed plantings in some areas, nearly every region in Algeria received rain December through February 2017, which replenished soil moisture and mitigated early season dryness. At this stage, Post expects an average crop while conditions in late April and early May remain critical.

As a result of fiscal pressures caused by depressed oil prices, the Government of Algeria (GOA) continues to implement new measures to control imports.

- Algeria has announced plans to implement the import licensing system for all non-essential products except basic products such as semolina, wheat, oil, sugar, milk and medicines, which would be automatically renewed to prevent market shortages, however, the effective start date remains uncertain. Wheat and wheat products are considered essential while barley and other feed grains will be impacted.
- Effective January 1, 2017, Algeria's new Finance Law increased the value added tax (VAT) on a number of products. Wheat remains VAT-exempt, while the VAT rate on wheat products, barley, and other feed grains will increase from 7 to 9 percent.
- Barley trade was also partially liberalized by eliminating the preset price that feed mills could purchase barley from the Algerian Office of Cereals (OAIC), which was previously set at Algerian Dinar (AD) 15,000/MT (\$1=AD109). Meanwhile, OAIC will maintain the farm-gate price of AD 25,000/MT for producers.

Wheat

Post forecasts Algerian wheat production for MY 2017/18 at 2.7 MMT on 2.1 million hectares. Imports are forecast at 8.0 MMT, including 60,000 MT from the United States. Post forecasts consumption to be held constant while Algeria still attempts to build strategic stock reserves.

Post leaves all 2016/17 wheat estimates unchanged, including production of 2.0 MMT and imports of 8.2 MMT.

Barley

Post forecasts Algerian barley production for MY 2017/18 at 1.3 MMT on 1.0 million hectares.

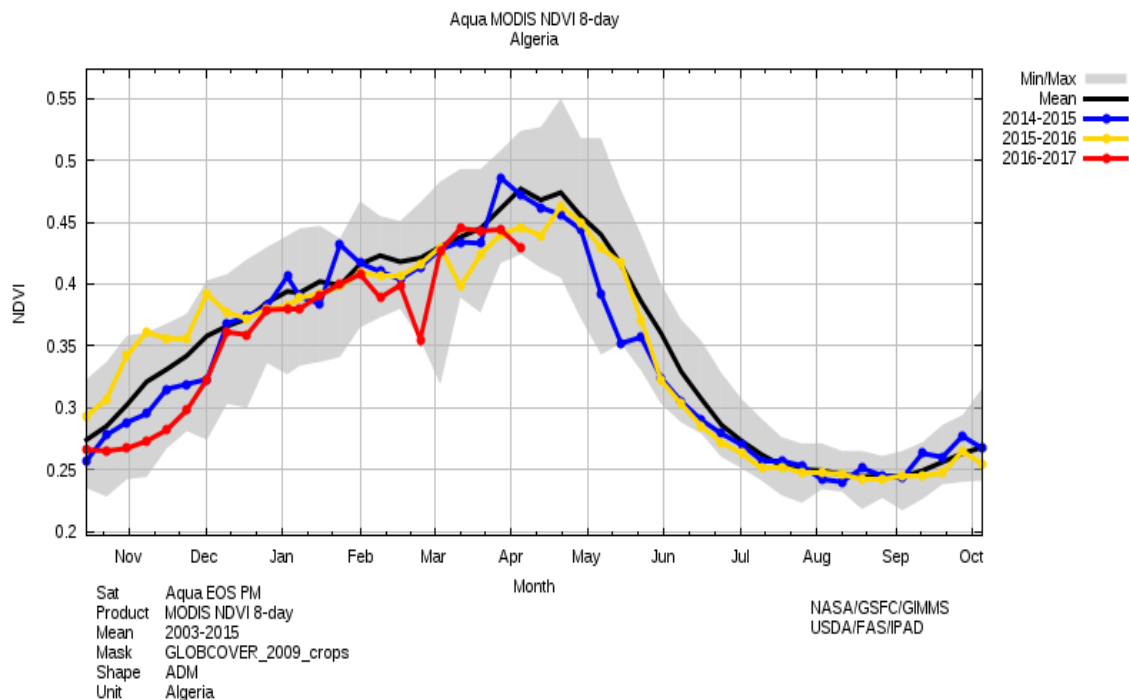
Post leaves all 2016/17 barley estimates unchanged, including production of 1.0 MMT and imports of 900,000 MT.

Production

According to Algeria's Ministry of Agriculture (MOA), 3.5 million hectares were seeded to wheat and barley for MY 2017/18, including 45% to durum wheat, 37% to barley, and 15% to bread wheat. Durum and barley production are favored over bread wheat for climatic reasons. This year, the Algerian Office of Cereals (OAIC) acquired land in various regions, particularly in the south, to begin irrigated durum wheat production. Barley is cultivated along the coastal plain and mountains, generally on marginal land with annual rainfall of about 20 inches.

Hot and dry conditions in October and November depleted soil moisture and delayed winter plantings in some regions in Algeria. However, since then, nearly every region received rain and snow by early 2017 to replenish soil moisture and mitigate early season dryness (see chart below). Nevertheless, bouts of dryness have continued to come and go. A return to good crop conditions will be critical for the remaining month of April and early May.

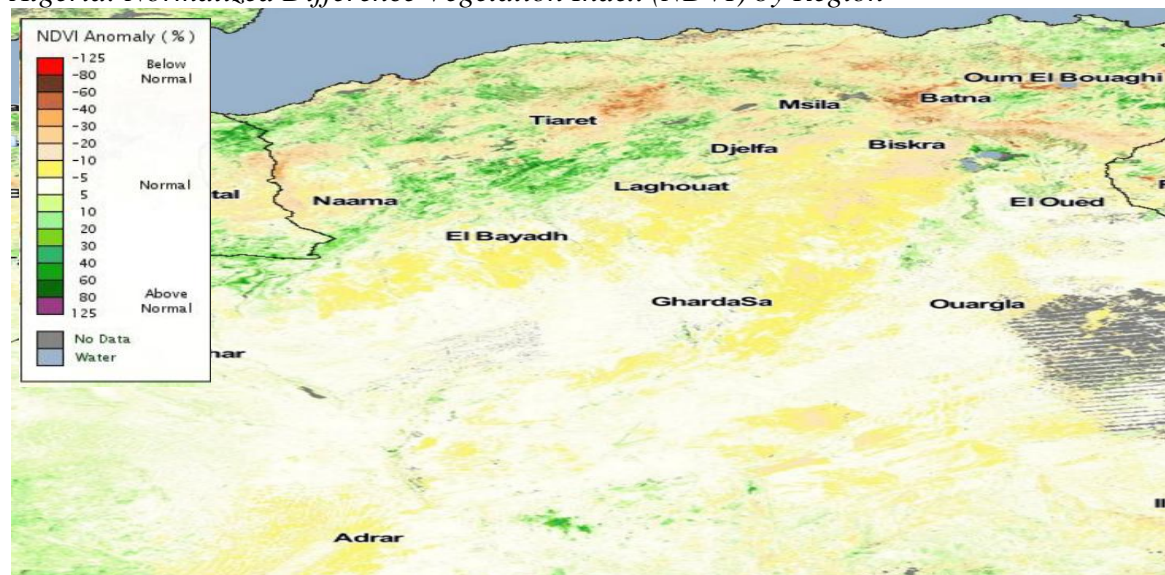
Algeria: Normalized Difference Vegetation Index (NDVI) over Time



Source: NASA/GSFC/GIMMS – USDA/FAS/OGA

The vegetation index below shows the poorest pockets of vegetation lie in the central and eastern regions of the country.

Algeria: Normalized Difference Vegetation Index (NDVI) by Region



Source: NASA/GSFC/GIMMS – USDA/FAS/OGA

As of April 08, 2017, MOA bulletins indicated the following stages of crop development which are more or less at the same growth stage as last year:

- Wheat
 - Swelling to starting heading in the coastline and sub-coastline center
 - Starting heading in the eastern region of the coastline center
 - End bolting to starting heading in the western coastline and sub-coastline
 - Early bolting in the center high plateaus, late tillering in eastern high plateaus and bolting to swelling in the western high plateaus.
- Barley and Oats
 - Heading in the three regions on the coastline and sub-coastline
 - Bolting to swelling in the center and eastern high plateaus and end of bolting in western high plateaus.

Algeria Cereal Production (Million MT)

Source: Ministry

2000-08 Avg	2009	2010	2011	2012	2013	2014	2015	2016
2.97	6.12	4.56	4.25	5.13	4.91	3.04	4.0	3.3

of Agriculture

Consumption

According to Ministry of Agriculture, cereal consumption has more than doubled in the past 50 years to 285 kg per capita. The level of wheat supplied to mills is still 70 percent of the mills capacities, for both durum and bread wheat. Milling capacity is projected to remain more or less stagnant with 430 mills operational in Algeria. There has been no new investment in the sector in recent years.

Wheat

Wheat is the major staple food and accounts for about 75 percent of the calories consumed.

Post forecasts wheat consumption flat at 10.25 MMT in 2017/18. Wheat remains unaffected by recent changes to VAT, import licensing, and subsidy programs.

Barley

Barley is consumed mainly as grain in animal feed by sheep, cattle, and camels, with small amounts consumed as green fodder, and minor amounts used for traditional foods. Barley's use as a feed remains highly dependent on pasture conditions – in general, better pastures result in lower barley demand. Algeria's breweries consume small amounts of barley, generally imported from Europe.

Post forecasts barley consumption to fall in 2017/18 to 1.9 MMT. A higher VAT on barley (as well as other feed grains) as well as the liberalization of barley's market price at the consumption level should negatively impact demand. See **Policy** below for details.

Trade

Cereals represented 34 percent of the Algeria's total food import bill in CY2016 and as always were the top food import. According to Algerian Customs reports, total wheat imports represented 65 percent of the cereals imported in CY2016 and were valued at \$1.79 billion compared to the previous year valued at \$2.39 billion. Durum imports were valued at \$549.5 million compared to last year (\$783.5 million).

Algeria's tactics to reduce imports will likely have the effect of slowing import growth. See **Policy** below for details. Thus far in MY2016/17, imports have increased for durum while decreasing for barley, corn, soybean meal, rice, and pulses and slightly for bread wheat.

Aside from price competitiveness, European suppliers have better shipping flexibility vis-à-vis the United States. France remains the major wheat supplier to Algeria for bread wheat and Canada and Mexico for durum.

Wheat

Post forecasts wheat imports in 2017/18 will fall to 8.0 MMT in response to flat consumption demand. Bread wheat will continue to occupy the vast majority of Algeria's wheat imports as it focuses on self-sufficiency in durum production. Bread wheat usually represents 75 to 80 percent of the total wheat imported while durum imports represent 20 to 22 percent.

Post's 2016/17 estimate remains unchanged at 8.2 MMT.

Table: Algeria Common Wheat Imports by Origin (MT)

	MY14/15 (Jul/Jun)	MY15/16 (Jul/Jun)	YTD MY15/16 (Jul/Oct)	YTD MY16/17 (Jul/Oct)
World	6,109,883	6,505,614	2,238,578	2,161,263
France	3,688,334	4,797,636	1,446,342	920,434
Germany	1,193,737	61,855	55,255	327,988
Poland	397,965	165,996	165,996	258,408
Latvia	0	432,504	152,774	120,404
Ukraine	19,071	106,280	106,280	98,614
Lithuania	0	232,426	114,933	93,995
Sweden	378,906	314,087	86,887	87,686
Russia	0	0	0	62,519
United Kingdom	204,258	175,510	0	60,000
United States	0	0	0	56,842
Czech Republic	194,612	0	0	30,175
Estonia	0	161,545	78,589	27,350
Bulgaria	0	0	0	10,800
Moldova	0	0	0	6,048
Romania	0	31,500	31,500	0
Switzerland	0	26,250	0	0
Uruguay	32,999	0	0	0

Source: Official Algerian Trade Data

Table: Algeria Durum Wheat Imports by Origin (MT)

	MY14/15 (Jul/Jun)	MY15/16 (Jul/Jun)	YTD MY15/16 (Jul/Oct)	YTD MY16/17 (Jul/Oct)
World	1,907,471	1,653,547	304,454	735,559
Mexico	659,848	430,699	113,923	421,436
Canada	906,346	965,919	111,944	245,473
Ukraine	0	0	0	27,500
France	122,331	150,770	30,996	20,900
United States	134,468	106,137	47,592	20,250
India	31,100	0	0	0
Spain	52,518	0	0	0

Source: Official Algerian Trade Data

Barley

Algeria's barley imports are heavily influenced by weather — better weather not only means higher local barley production but also lower consumption vis-à-vis better pasture conditions, both of which decrease import demand.

Post forecasts barley imports in 2017/18 will fall to 600,000 MT. Post's 2016/17 estimate remains unchanged at 900,000 MT.

Table: Algeria Barley Imports by Origin (MT)

	MY14/15 (Jul/Jun)	MY15/16 (Jul/Jun)	YTD MY15/16 (Jul/Oct)	YTD MY16/17 (Jul/Oct)
World	886,192	859,760	255,752	252,050
Ukraine	70,163	151,274	109,367	108,477
Russia	166,942	122,489	66,324	62,456
Finland	30,842	28,350	0	31,500
Romania	79,475	58,418	46,420	21,500
Hungary	0	10,148	10,148	13,523
France	208,237	211,896	0	8,098
Moldova	0	0	0	6,495
United Kingdom	163,557	266,289	12,597	0
Argentina	41,003	10,895	10,895	0
Bulgaria	40,464	0	0	0
Estonia	28,350	0	0	0
Lithuania	28,350	0	0	0
Poland	28,797	0	0	0

Source: Official Algerian Trade Data

Corn

Algerian corn demand stems from Algeria's dairy and beef sectors, which the government still places a priority on developing. Algeria maintains preference for certain qualitative aspects and specifications of Argentine corn over U.S. corn. Corn imports are primarily carried out by the private sector (90 percent) while the remainder is covered by Algeria's Feed Grain Agency (ONAB).

Table: Algeria Corn Imports by Origin (MT)

	MY14/15 (Jul/Jun)	MY15/16 (Jul/Jun)	YTD MY15/16 (Jul/Oct)	YTD MY16/17 (Jul/Oct)
World	4,459,076	4,269,498	1,472,984	1,591,977
Argentina	3,601,789	2,511,300	1,080,725	948,636
Brazil	259,670	1,128,925	259,612	179,338
United States	180,495	243,896	58,379	436,265
Ukraine	181,376	109,600	0	27,500
France	88,188	84	24	70
Russia	27,552	57,323	0	0
Romania	12,596	36,950	0	0
Paraguay	0	11,892	74,099	0
Bulgaria	35,443	10,497	0	0
Yugoslavia	71,778	7,562	0	0

Source: Official Algerian Trade Data

DDGS

Algeria's poultry and livestock producers experimented with DDGS in 2013 and 2014, but the 30 percent duty and the recent increase in VAT discourages further use of the product.

Table: Algeria DDGS Imports by Origin (MT)

	CY13	CY14	CY15	CY16
World	1,100	5,228	38	1
United States	1,100	5,202	0	0

Source: Official Algerian Trade Data

Soybean Meal

Demand for soybean meal comes mainly from Algeria's poultry feed industry. However, imports decreased in CY2015 and CY2016 due to recent measures to reduce total imports. As reported previously, aside from price, Algeria has preference for certain Argentine qualitative aspects and specifications.

Table: Algeria Soybean Meal Imports by Origin (1,000 MT)

	CY13	CY14	CY15	CY16
World	1,243	1,432	1,421	1,330
Argentina	1,182	1,286	1,266	1,276
United States	14	11	31	27

Source: Official Algerian Trade Data

Rice

Evolving consumer demand led to increased rice imports over the period 2006-13; however, Post believes recent declines are a result of government measures to reduce total imports.

Table: Algeria Rice Imports by Origin (MT)

	CY13	CY14	CY15	CY16
World	119,085	117,312	113,859	110,547
India	39,704	41,600	46,083	49,000
Thailand	1,598	29,290	18,190	24,344
Vietnam	67,996	26,975	30,130	14,046
Pakistan	1,481	7,099	7,033	8,845
Tajikistan	1,000	6,044	8,333	5,935
Argentina	-	-	1,999	4,000
Spain	2,186	1,261	1,521	2,858
Uruguay	4,107	4,080	0	500
United States	7	0	3	0

Source: Official Algerian Trade Data

Pulses

Algeria's imported pulses are mostly beans, lentils, chickpeas, and beans for seeding. U.S origin exports consist mainly of chickpeas, lentils, beans, and peas.

Table: Algeria Pulse Imports by Origin (MT)

	CY13	CY14	CY15	CY16
World	264,125	192,120	228,294	195,898
Canada	90,341	72,212	95,417	59,882
Argentina	33,014	7,361	26,066	47,800
Mexico	21,078	23,431	21,240	28,423
India	76,619	29,352	29,094	20,169
Egypt	14,279	32,144	38,446	16,168
Russia	4,095	3,680	2,685	6,460
United States	7,618	10,640	4,798	5,122
Turkey	1,832	3,532	2,210	2,583
Spain	0	0	1,289	1,011
Kyrgyzstan	0	2,380	0	977
China	4,856	759	198	365
France	1,419	1,372	2,005	160
New Zealand	2,062	1,330	1,425	37

Source: Official Algerian Trade Data

Stocks

In recent years, OAIC tendered the construction of 39 silos (30 steel and 9 reinforced concrete) for durum, bread wheat, and barley to increase storage capacity from more than 5 MMT to add 0.82 MMT of capacity in 2012 with plans to add an additional 0.84 MMT by 2019.

Policy

According to Algeria's 2015-2019 strategy, the country targets to increase annual grain production via yield improvement to 7.0 MMT and ultimately become self-sufficient in durum by 2019. Ten percent of Algeria's arable land is irrigated while the targets hope to reach 2.0 million hectares by 2019. MOA subsidizes 50 percent of the irrigation equipment cost and supports greater use of fertilizers and certified seeds, increased specialized mechanization (e.g., tractors, planters, and harvesters and combines harvesters) as well as improved storage facilities by building new silos. The strategy also renewed interest in domestic corn production, where it is now produced in some southern provinces and average yields range from 1.3 to 8.0 MT/Ha; however, a number of technical constraints persist.

In order to curb the impact of lower crude oil prices on the Algerian economy, given that 97% of Algeria's earnings are generated by oil exports, in 2015, the GOA introduced an import and export licensing system (Journal Officiel No 66 of December 9, 2015) starting with agricultural commodities and goods originating from the European Union. In 2017, a Ministry of Commerce press release announced that import licensing would be extended to all "non-essential" products except basic products such as semolina, wheat, oil, sugar, milk and medicines, which would be automatically renewed to prevent market shortages. According to the press release, the changes were meant to control supply

levels while supporting domestic production. The effective starting date for the application of the new measures remains unknown for the time being.

Effective January 1, 2017, the new Finance Law increased VAT rates on concerned goods from 7 to 9 percent (for barley, oats, corn, rice, sorghum, malt, starch, gluten, pasta, couscous, 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>>.

The barley domestic resale price subsidy in place since 2008 was also 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 the barley will now be sold at market value.

Marketing

FAS Cooperators, including U.S. Wheat Associates (based in Casablanca, Morocco), the U.S. Grains Council (based in Tunis, Tunisia), and the U.S. Soybean Export Council have active market development programs to educate Algerian millers, importers, feed manufacturers, and poultry and dairy cattle farmers on the quality and reliability of U.S. commodities. are currently engaged in various in Algeria. These activities, which include technical workshops, seminars, trade missions, and technical exchange programs in the United States, are needed to open the Algerian market to the benefits of increased trade with the United States.

Production, Supply & Distribution

Wheat	2015/2016		2016/2017		2017/2018	
Market Begin Year	Jul 2015		Jul 2016		Jul 2017	
Algeria	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2100	2100	1300	1300	0	2100
Beginning Stocks	3768	3768	4357	4357	0	4292
Production	2700	2700	2000	2000	0	2700
MY Imports	8153	8153	8200	8200	0	8000
TY Imports	8153	8153	8200	8200	0	8000
TY Imp. from U.S.	69	69	0	0	0	60
Total Supply	14621	14621	14557	14557	0	14992
MY Exports	14	14	15	15	0	0
TY Exports	14	14	15	15	0	0
Feed and Residual	50	50	50	50	0	50
FSI Consumption	10200	10200	10200	10200	0	10200
Total Consumption	10250	10250	10250	10250	0	10250
Ending Stocks	4357	4357	4292	4292	0	4742
Total Distribution	14621	14621	14557	14557	0	14992
(1000 HA) ,(1000 MT)						

Barley	2015/2016		2016/2017		2017/2018	
Market Begin Year	Jul 2015		Jul 2016		Jul 2017	
Algeria	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1000	1000	900	900	0	1000
Beginning Stocks	1304	1304	1290	1290	0	1140
Production	1300	1300	1000	1000	0	1300
MY Imports	836	836	900	900	0	600
TY Imports	864	864	900	900	0	600
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	3440	3440	3190	3190	0	3040
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	1800	1800	1700	1700	0	1600
FSI Consumption	350	350	350	350	0	300
Total Consumption	2150	2150	2050	2050	0	1900
Ending Stocks	1290	1290	1140	1140	0	1140
Total Distribution	3440	3440	3190	3190	0	3040
(1000 HA) ,(1000 MT)						

