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Tunisia

Grain and Feed Annual

A Strong but Fatigued 2017 Campaign

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Report Highlights:

Following a mostly favorable growing season which set Tunisia up for a possibly substantial 2017 harvest, the wheat and barley crops have recently come under prolonged stress while entering the most pivotal growing period in late April. Post forecasts MY 2017/18 wheat and barley production at 1.2 MMT and 500,000 MT, respectively, and wheat and barley imports at 2.0 MMT and 750,000 MT.

Executive Summary:

Post forecasts MY 2017/18 wheat production in Tunisia at 1.2 MMT and barley production at 500,000 MT.

- Ministry of Agriculture reported seeded area of wheat and barley for the MY 2017/18 crop at 724,000 HA for wheat and 666,000 HA for barley, an increase from 647,000 HA and 534,000 HA in MY 2016/17. Irrigated area expanded 3,000 HA. Increased area is supported by higher guaranteed farm-gate prices for wheat and barley as well as higher financial support for equipment, including irrigation.
- Grain and feed crops benefited from favorable conditions during the seeding period (mid-October to mid-December) and into the early growing season but became hampered in March by unfavorable temperatures and rainfall. Nevertheless, Post's observed development of Tunisia's wheat and barley crop remains favorable overall, including in typically marginal southern production areas. While rainfall has been sparse over the last month, potential grain output remains substantial as the crop enters a critical growing stage. Crop conditions in late April typically have the most influence in determining Tunisia's resulting yield.

Tunisia wheat consumption in MY 2017/18 is forecast at 2.975 million MMT, reflecting a trend average of roughly 1.8 percent. Barley consumption is forecast 50,000 MT higher than 2016/17, following reports of increased barley feeding vis-à-vis a year ago despite satellite imagery indications of favorable vegetative conditions for grazing.

To cover demand and in an effort to rebuild stocks, Post forecasts Tunisia's wheat imports in MY 2017/18 at 2.0 MMT while barley imports are forecast at 750,000 MT. Post also increases the MY 2016/17 estimate for wheat imports to 1.8 MMT in order to offset final production and reflect trade-to-date.

Finally, Post makes adjustments to the MY 2016/17 balance sheet to reflect official harvested area and production for wheat and barley.

Commodities:

Wheat

Barley

Area

According to the Ministry of Agriculture, Tunisia's MY 2017/18 planted area for wheat increased compared to MY 2016/17 from 647,000 HA to 724,000 HA, of which 617,000 HA is durum wheat and 107,000 HA is common wheat. The planted area for barley is 666,000 HA, up from 534,000 HA last year. Irrigated area of wheat and barley increased from 77,000 HA to 80,000 HA.

Tunisia: Wheat and Barley Area by Year

	MY 2012/13	MY 2013/14	MY 2014/15	MY 2015/16	MY 2016/17	MY 2017/18
Planted Area (1000 HA)						
Wheat, Planted	807	857	721	650	647	724
- Durum	678	708	596	540	536	617
- Common	129	149	125	110	111	107
Barley, Planted	658	661	542	526	534	666
Wheat and Barley, Planted	1,465	1,518	1,263	1,176	1,181	1,390
Harvested Area (1000 HA)						
Wheat, Harvested	754	516	696	546	550	621
- Durum	633	423	576	453	451	527
- Common	121	93	120	93	99	94
Barley, Harvested	585	231	540	379	380	375
Wheat and Barley, Harvested	1,339	747	1,236	925	930	996

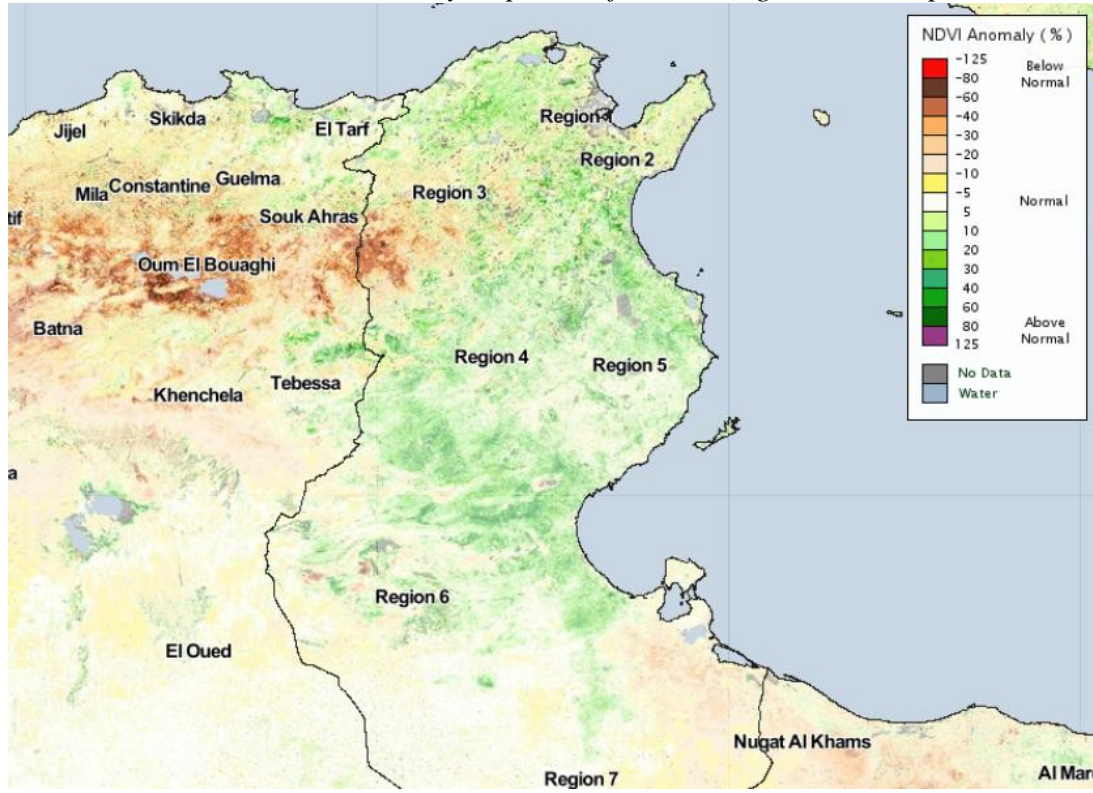
Source: Tunisian Ministry of Agriculture

Production

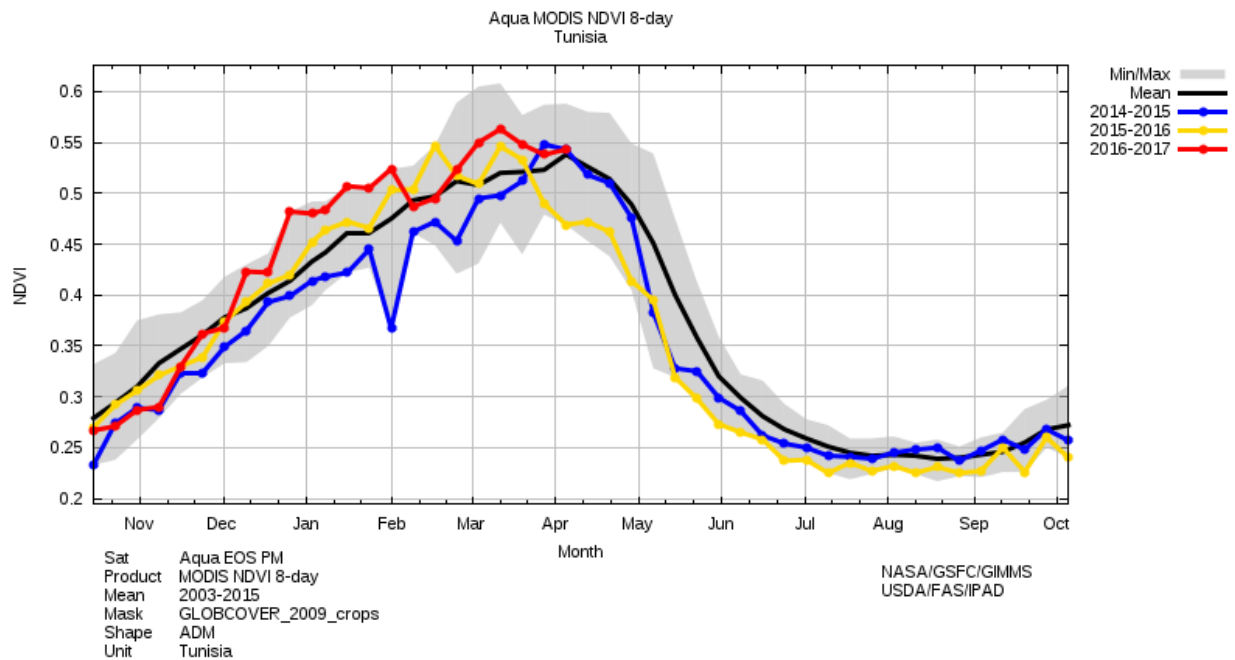
Post forecasts MY2017/18 wheat production at 1.2 MMT and barley production at 500,000 MT. Furthermore, Post forecasts durum wheat will account for about 85 percent of total wheat production. After promising weather conditions during the planting season (mid-October to mid-December), the wheat and barley crop began to suffer heat damage and drought since late February. Nevertheless, overall the crops still appear to be in good condition at present with good vegetation growth with no significant pest or disease issues. Some analysts believe that the production could increase by as much as 18 to 28 percent compared to last year, especially if the crops receive adequate rainfall during the critical period of March and April. Availability of seeds and fertilizers was reported as normal during seeding.

The below satellite imagery maps depict the vegetative development index (NDVI) for April and confirms the weather effects on crops as of April 2017.

Tunisia: MODIS NDVI Anomaly Departure from Average October-April, 2017



The below chart shows the season NDVI values (from the MODIS Aqua Satellite) compared to the average and previous years:



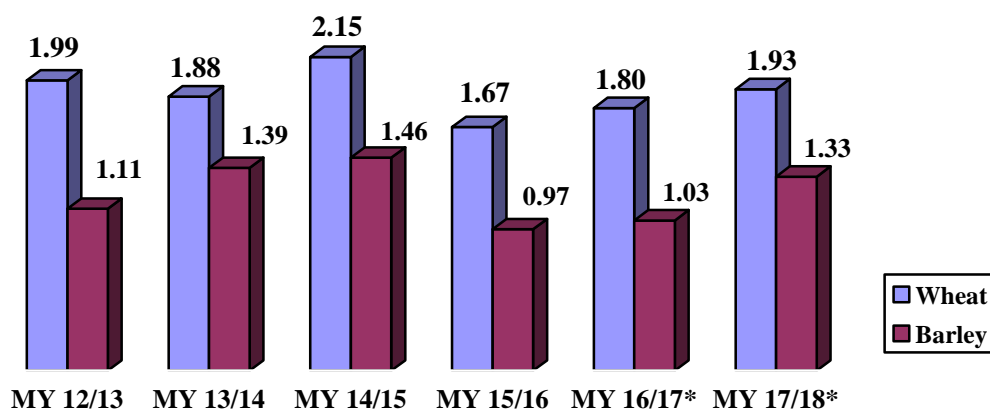
Following official Tunisian estimates, Post revised production downward in MY 2016/17 from 1.1 MMT to 990,000 MT for wheat and 400,000 MT to 390,000 MT for barley.

Tunisia: Wheat and Barley Production by Year

	MY 12/13	MY 13/14	MY 14/15	MY 15/16	MY 16/17	MY 17/18*
Wheat	1,500	970	1,510	912	990	1,200
- Durum	1,200	790	1,230	755	840	1,010
- Common	300	180	280	155	150	190
Barley	650	320	790	366	390	500

*Source: Tunisian Ministry of Agriculture; *FAS/Tunis forecast*

Tunisia: Wheat and Barley Yields by Year (MT/HA)



*Source: Official USDA estimates; *FAS/Tunis estimate and forecast*

Tunisia's official cereal production is reported by the state-run "Office des Cereales" (Cereal Board). In general, Tunisian production estimates are performed by the Ministry of Agriculture through an annual survey and in collaboration with the National Remote Sensing Center that provides estimates based on satellite imagery. Depending on the size of the crop in a given year, the quantity collected by the Cereal Board accounts for 40 to 60 percent of total wheat production and 10 to 40 percent of total barley production. Collection of local production has been privatized for both commodities yet the Cereal Board still has a monopoly on the sale of domestic wheat.

The government's goal is to reach an average annual production of 2.7 MMT for cereals, of which 1.5 MMT is durum wheat. These amounts are considered necessary in order to achieve self-sufficiency. To help reach this goal, the Government:

- Subsidizes irrigation water in an effort to increase the area dedicated to irrigated wheat from 80,000 HA to 120,000 HA
- Provides technical assistance to farmers on irrigated land, targeting a yield increase from 3.5 to 5.0 MT/HA
- Guarantees a set farm-gate price for wheat and a minimum price for barley to encourage local production. For MY2017/18, the Ministry of Agriculture increased the farm-gate prices as follows:

- 750 TD/MT for durum wheat (\$329/MT)
- 540 TD/MT for common wheat (\$236/MT)
- 480 TD/MT for barley (\$210/MT)
- Subsidizes the use of certified seeds by limiting prices as follows:
 - 25.4 TD/MT for durum wheat (\$10.7/MT)
 - 20.6 TD/MT for common wheat (\$9/MT)
 - 17.1 TD/MT for barley (\$7.5/MT)
- Effective April 2017, increased the subsidy for the cost of buying agricultural machinery from 25 to 50 percent and maintained the subsidy of 40 to 50 percent of the cost of irrigation equipment in order to promote private investment for cereals production.

Consumption

Wheat

Based on surveys prepared by the National Institute for Statistics and the National Institute for Consumption, Post calculates consumption of durum and common wheat has shifted over last decade from a 50:50 split to a 40:60 split in favor of common wheat.

Although Tunisia continues to support farm-gate prices to encourage wheat production, it also attempts to provide price support to consumers by subsidizing bread flour and controlling bread prices, which ultimately supports both the local population, which the United Nations estimates at 11.5 million, as well as the approximately 6.5 million tourists which the government projects will visit Tunisia in 2017. Many tourists will come from Algeria and Libya and have similar consumption habits.

A recent study concluded bread waste in Tunisia constituted 16 percent of food waste, valued at \$40 million annually.

Barley

Barley is consumed mainly in feedlots and as supplemental feed, especially when rangelands are stressed. Post estimates Tunisia's barley consumption at about 1.1 million MT per year. While pastures were less stressed for the first portion of the marketing year compared to a year ago, recent dryness in the rangeland has caused barley consumption to be accelerate over the last month beyond rates from a year ago.

Trade

Tunisia's Cereal Board maintains a monopoly on wheat and barley imports for the domestic market and typically offers tenders with broad quality specifications, which generally results in low-quality, price-sensitive wheat purchases. Private millers may import for processing and re-export.

Wheat

Tunisia relies on wheat imports, particularly common wheat, even in good production years.

Post forecasts imports to reach 2.0 MMT in MY 2017/18, in order to meet expanded consumption demand as well as return stocks to a normal level.

For MY 2016/17, Post increased its estimate for Tunisian wheat imports to 1.8 million MT to offset a smaller than expected production estimate.

Tunisia sources most of its imported wheat from the Ukraine, Italy, and Canada, while to a lesser extent from the United Kingdom, Romania, and Russia. Tunisia's wheat imports from the United States were 49,000 MT in MY 2015/16 with no sales recorded or forecast for 2016/17 or 2017/18.

Tunisia: Wheat Imports (1,000 MT)

	MY 12/13	MY 13/14	MY 14/15	MY 15/16	Jul 15 -Jan 16	Jul 16 - Jan 17
Official Exporter Data ¹	1,523	1,643	1,461	1,975		
- Durum	526	638	511	785		
- Common	997	1,005	950	1,190		
Official Importer Data ²	1,615	1,679	1,640	2,098	1,211	1,226
- Durum	583	617	597	877	500	482
- Common	1032	1062	1043	1221	712	744

Source: Global Trade Atlas¹; Tunisian National Institute of Statistics²

There has been a significant increase in re-exports of semolina and wheat flour from Tunisia to Libya, primarily through unofficial channels. Officially, exports of Tunisian wheat products require an export license unless the wheat used was imported under the temporary admission regime.

Barley

For MY 2017/18, barley imports are forecast to reach 750,000 MT, a 25 percent increase compared to MY 2016/17, based on smaller stocks at the end of MY 2016/17 and increased domestic demand. For MY 2016/17, Post holds its estimate of barley imports at 600,000 MT.

Tunisia: Barley Imports (1,000 MT)

	MY 12/13	MY 13/14	MY 14/15	MY 15/16	Jul 15 -Jan 16	Jul 16 - Jan 17
Official Exporter Data ¹	546	646	483	561		
Official Importer Data ²	520	674	513	558	315	423

Source: Global Trade Atlas¹; Tunisian National Institute of Statistics²

Production, Supply and Distribution (PSD) Statistics

Wheat Market Begin Year Tunisia	2015/2016		2016/2017		2017/2018	
	Jul 2015		Jul 2016		Jul 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	546	546	550	516	0	621
Beginning Stocks	781	781	743	743	0	593
Production	912	912	1100	990	0	1200
MY Imports	1975	1975	1700	1800	0	2000
TY Imports	1975	1975	1700	1800	0	2000
TY Imp. from U.S.	49	49	0	0	0	0
Total Supply	3668	3668	3543	3533	0	3793
MY Exports	25	25	15	15	0	20
TY Exports	25	25	15	15	0	20
Feed and Residual	25	25	25	25	0	25
FSI Consumption	2875	2875	2900	2900	0	2950
Total Consumption	2900	2900	2925	2925	0	2975
Ending Stocks	743	743	603	593	0	798
Total Distribution	3668	3668	3543	3533	0	3793
(1000 HA) ,(1000 MT)						

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