



ALGERIA

Agri-Food Country Profile

Statistical Overview

July 2004

Forward

This information piece is provided to update the statistical information of existing documents on Algeria. Due to recent economic developments an update was deemed necessary.

Economy

The Algerian economy has a positive record in comparison to its African counterparts, yet the key to continued growth will be political stability coupled with focused economic planning. The government is currently focusing its attention on economic modernization and international relations, with specific goals of reducing unemployment and diversifying a petroleum-based economy.

In 2001, the Algerian government launched an economic recovery platform that supported a drive towards economic growth and stability. The US\$7 billion dollar program focused on revitalizing agricultural production, stepping up public water, improving transport and infrastructure, improving living standards and promoting local development.

Additional reforms seek to integrate Algeria into the world economy, freeing the country from its dependence on the hydrocarbon industry, and enabling private enterprise to access the energy and mining opportunities within the country. The path towards liberalization of the economy has already shown positive impacts. In 2003 economic reforms, as well as reforms to investment regulations attracted US\$2.3 billion of foreign direct investment (FDI), the second largest destination for FDI in the African continent.

Current Situation

The Algerian economy has grown steadily in the last few years, with growth rates of 4% in 2002

and 7% in 2003. This growth is a result of strong performance in the oil and gas industry and regular increases in hydrocarbon and agri-food production.

Despite drawing in a lot of revenue for the economy, the oil sector does not contribute positively to the unemployment problem. This has resulted in Algeria placing great emphasis on decreasing large scale unemployment estimated at 29% in 2003. This number may reach as high as 50% for the under 30's age group. With 60-70% of the population under the age of 30, the government has recognized the need for decisive action to alter the countries employment numbers. The economic recovery platform seeks to initiate labour intensive housing, road and water projects that will employ the growing jobless youth.

Economic Indicators	
GDP	US\$61 billion (2003) US\$71 billion (2004)
GDP Growth	7% (2003) 6.2% (2004)
GDP per capita	US\$1,890 (2003) US\$2,110(2004)
GDP by Sector	
Agriculture	10%
Industry	57%
Services	33%

The hydrocarbons sector is the backbone of the economy, accounting for 60% of budget revenues, 30% of GDP and 97% of all exports. This sector's performance has lead to a balanced budget situation, a positive balance of payments situation and steadily growing foreign exchange reserves at US\$32 billion in 2003. Despite its positive

contributions to the economy, the Algerian government wishes to establish more economic diversification and direct investment outside of the energy sector. Diversification would lessen the country's dependence on the success of a single sector.

The rate of GDP growth has been consistently increasing from 2.4% in 2000 to 7% in 2003. Real GDP and per capita GDP have also steadily grown with real GDP reaching US\$62 billion in 2003, up nearly 20% from 2000. GDP per capita rose to a record high of US\$1,890 in 2003.

Focused economic planning is one component to overall growth in Algeria, however, political stability is necessary to maintain an environment capable of growth. The government generally relies on the army to maintain stability, but with the recent re-election of the first non military President, Abdelaziz Bouteflika with 85% of the popular vote, stability is expected to be maintained via other methods over the next two year period. This non military leadership, supported by a majority of the population indicates that militants are a politically depleted force. However, this stand against Islamist insurgency has not completely hindered their efforts, as they have since launched daring attacks on security forces. Mr. Bouteflika is expected to focus on initiating a national resolution seeking peace between remaining militant Islamists and Kabilyia's Berber population.

Forecast

Economic reform is expected to continue but at a slower pace. There will be little pressure from a financial angle for reform, since the Algerian government projects record hydrocarbon sales in 2004. Past reforms were required due to strong levels of expenditure and weaker earnings from oil and gas output. Real GDP growth is expected to remain high at 6.2% in 2004 due to oil and gas industry output, with GDP growth rate projections extending into 2005 at 7.5%. GDP is projected to reach a high of US\$71 billion in 2004, a strong US\$10 billion dollar jump from

2003 totals. Similarly, GDP per capita is expected to rise to US\$2,110 in 2004.

Overall export earnings are predicted to reach US\$32 billion in 2004, a direct result of record high oil prices. This will send the account surplus up to US\$13 billion or 18% of GDP. The surplus is expected to lessen in 2005 as oil prices level off, but will still remain significant at nearly 14% of GDP. Algeria has accumulated a cushion of deposits in the central bank substantial enough to cover budgetary and balance of payments financing needs for over two years following any kind of downturn in oil prices.

Consumer Market

It is difficult to assess the potential for western consumer goods in Algeria, as the Algerian consumer market has not yet been exposed to Western style marketing techniques. However, changes in the tendencies of younger households are being noticed.

The desire to adopt western lifestyles is making its way into the large scale younger community. As the number of working women increases, the demand for ready-made processed products is also increasing. Traditional cooking habits are not forgotten, but variations on diets and food preparation are slowly being adopted.

As a traditional society, Algerians require traditional methods of product exposure. While consumers are more familiar with seeing imported products, the combination of low incomes and high consumer prices for these goods has made success difficult. A positive for the import sector can be seen through the rise in private importers since the economic liberalization that took place in 1997.

Demographics 2003	
Total Population	32 million
Growth Rate	1.28%
Age Breakdown	
0-14 yrs	30%
15-64 yrs	65.5%
65 yrs and over	4.5%
Life Expectancy	
Total	73 yrs
Male	71 yrs
Female	74 yrs

Algerians have a diet rich in meat and dairy products. Mutton and lamb dominate Algerian consumption, closely followed by beef. Veal, horse and rabbit are also eaten, but in small quantities. Pork is not marketed in Algeria as it is prohibited by Islam. Among the white meats Algerians generally consume chicken, and to a lesser degree turkey. Grain legumes continue to be a staple of the Algerian diet. Algerians are also extensive milk consumers, their needs are estimated at 3 billion liters a year, two thirds of which is imported.

Population Main Cities	
Algiers	1.7 million
Oran	800,000
Constantine	600,000
Annaba	450,000

While this market is difficult, opportunities exist within the local food processing industry to provide raw and semi-processed goods. The number of food processors is growing, and they are demanding quality raw materials. Key processing sectors are dairy and milling. Many processors prefer to import directly as opposed to buying from a local importer. Canadian exporters can play a role in directly supplying these processors. Similarly, the tourist niche also exists. Five upscale hotels (Sheraton, Hilton, El Aurassi, El-Djazair, Sofitel and Mercure) concentrated in Algiers generally work with local distributors due to the smaller volume of goods demanded. Canadian exporters of consumer-oriented products

should work with local distributors to penetrate this specific market.

The following products are in demand by Algeria and of particular interest to Canadian exporters: durum wheat, soft wheat, barley, grain legumes, malt, potatoes, butter, powdered whole and skim milk, evaporated milk, mixed feed for animals and canola oil.

Other product prospects in Algeria are: pulses (lentils, peas, chickpeas, beans), dried fruits and nuts, canned fruits and corn, confectionaries, honey, whiskey and beer, cereal derivatives and sauces.

Agriculture

Agriculture represents approximately 12% of Algeria's total GDP, and provides a livelihood to 22% of the Algerian population. Approximately 3% of Algeria's total area is useful agriculture land. Algeria will never be self-sufficient in food production, and imports generally account for 75% of total food needs. Decreasing this total with improved national production methods is a longstanding ambition for the government. For the time being weather fluctuations have the biggest impact on national agricultural production yields from year to year.

Algeria's agricultural sector recorded growth of 24% in production and 17% in value over the 2002-2003 season. Agricultural exports jumped from US\$50 million to US\$200 million from the past year. Key Algerian exports are dates, wine and potatoes. Agricultural success is dependent on rainfall and therefore the sector can often suffer in times of drought.

The agriculture sector is growing in importance and size in Algeria. The Algerian government is seeking to advance the sector through improved agricultural production techniques, a move designed to lessen their dependence on imports. The government continues to bolster the sector with \$400 million in credit, farm debt rescheduling, sectoral restructuring and new

development programs. This ongoing process will call for technical assistance and farm equipment not available in Algeria - these are prospects that would benefit from Canadian involvement and expertise.

Within agriculture, the cereals sector is greatly affected by problems with efficiency and outdated technology. Durum wheat takes up 43% of the country's agricultural production area, followed by soft wheat at 19%. Despite these numbers Algeria still must import massive quantities of wheat to fulfill demand. However, government programs have already begun to influence its performance. Despite low levels of mechanization, the under-use of chemicals and a poor crop rotation system, an increase in cereal production in the 2002-2003 season was reported. This increase was supported by good rainfall, a national program for intensifying cereal culture as well as technical support of operations provided by the National Agriculture Development Plan. Harvests of durum wheat, wheat, barley and oats all increased. Despite the great seasonal results, cereal imports were required to supplement approximately one third of national cereal requirements.

Trade

Algeria reported a trade surplus of US\$10.8 billion in 2003. Exports totaled US\$23.8 billion, up over 26% from 2002, while imports increased by over 8%, to US\$13 billion. Hydrocarbons continued to lead exports, at US\$23 billion, an increase of 28% over 2002 totals. Petroleum, natural gas and petroleum products dominate Algeria's exports at 97% of the whole market.

Industrial capital goods led imports at US\$4.2 billion, followed by semi-finished products at US\$2.3 billion, food at US\$2.2 billion, consumer goods at US\$1.4 billion, raw materials at US\$489 million and finally agricultural equipment at US\$107 million. Algeria's main trading partners remain the countries of the European Union, with trade totaling US\$21.8 billion.

In 2003, leading suppliers to Algeria were France at US\$2.04 billion, Italy at US\$1.04 billion, the US at US\$1.02 billion, Germany at US\$793 million and Spain at US\$523 million, Canada accounted for approximately US\$200 million of Algeria's imports.

Trade Agreements

Algeria has established a number of trade agreements which are growing in strength. Most important of these is the Arab Maghreb Union. Nations party to this agreement include Algeria, Tunisia, Morocco, Libya and Mauritania. This alliance is a political, economic and strategic bond in favor of Algerian foreign policy objectives. The nations who belong to this agreement have historically maintained highly integrated interests. The agreement calls for regional co-operation to protect Maghreb exports and North African migrant workers from a powerful European community. This agreement forms of union and an establishment of an economic community.

Bilateral investment agreements are in place between Algeria and France, Italy, Belgium and Spain. Negotiations continue with Canada, Russia, Portugal and India. Most of these agreements contain provisions against double taxation.

Algeria has maintained lasting ties with France. The relationship is conditioned by historical and cultural ties especially through immigration. Some three million North Africans live in France and French is a primary language in Algeria.

Market Access

Recent government initiatives in all areas of business are attempting to facilitate easy access to the Algerian market. The former regime of customs duties has been replaced by a new regime under the law of finance for 2004. The move is part of an effort to bring foreign trade regulations into conformity with WTO standards. With these standards comes the requirement of import licensing, a licensing regime was intended to be

established the first quarter of 2003.

Importation was previously monopolized by the state, but has just been liberalized. With the help of the IMF and the World Bank, Algeria has been moving toward a market economy and has been trying to encourage private initiatives. This ambitious campaign towards privatization and modernization has opened up opportunities in many sectors. Canada's market access priorities for 2004 are to support Algeria's accession to the WTO. Canadian market access efforts in 2003 resulted in the Canadian Food Inspection Agency negotiating a certificate for the export of dairy products and bovine semen. This year Canada hopes to negotiate a certificate for live cattle.

Algerian organizations tend to deal only with foreign partners who have managed to gain their confidence through personal visits, careful follow up, and the ability to honor commitments. It is often necessary to have previous international experience and to spend large amounts on market development, but the contracts are substantial in terms of length.

Algeria provides great incentive to invest within the country. Companies established in Algeria that export 100% of production are exempt from taxes and companies exporting 50% of production are exempt from 50% of taxes. Offerings of reduced customs duties, reduction in social security contributions for Algerian employers from 24.5% to 7%, a three-year exemption from the value added tax on goods and services acquired locally or imported, and exemption on property taxes are all in place to attract FDI. This attraction has been successful with Algeria second only to South Africa in FDI generation on the African continent.

Canada - Algeria Trade and Investment

Algerians take a favourable view of Canada's international policies, including those toward the developing world. There is a mutual desire between the two governments to intensify

relations. Canada's technology and the ability of Canadian firms to work in French are advantages within the market. In recent years, several Canadian groups have embarked on missions to help improve and modernize the agricultural sector. Canada also provides financial assistance through open lines of credit.

The Canadian International Development Agency (CIDA) provides financial assistance and counseling to Canadian firms seeking to initiate business activity in Algeria. Algeria holds the second position in Africa and the Middle East for level of contributions under the program, a strong indication of bilateral interest and support.

Total merchandise trade between Canada and Algeria was valued at \$2.75 billion dollars in 2003 up over 25% from 2002 totals. Canada exported \$350 million, while imports from Algeria were valued at \$2.4 billion. This resulted in a negative trade balance of -\$2.05 billion.

Imports from Algeria were dominated by oil and gas industry output at 97%, petroleum refinery output accounted for 2% of total imports while fruit, wine, vegetable and nut imports made up the small remaining portion of imports. Imports increased nearly 40% from 2002 totals, this increase is explained by the over \$660 million dollar increase in oil and gas imports from Algeria.

Exports to Algeria were dominated by wheat accounting for 58% of the market. The exported wheat carried a market value of \$204 million dollars, a value that decreased by \$117 million from 2002. This indicated a better than average wheat production year in Algeria, resulting in less need to import. Dried peas and beans accounted for 10% of the export market, while material handling equipment represented 8.5% and paper mill output accounted for 5% of total exports to Algeria.

Algeria - Canada Bilateral Trade 2003

Algeria Total	US\$36.8 billion
Exports	US\$23.8 billion
Imports	US\$13 billion
Trade Balance	US\$10.8 billion
Total Canadian	\$2.75 billion
Exports to Algeria	\$350 million
Imports from Algeria	\$2.4 billion
Trade Balance	-\$2.05 billion
Canadian Agricultural	\$244 million
Exports to Algeria	\$242.3 million
Imports from Algeria	\$1.7 million
Trade Balance	\$240.6 million

Two-way agricultural trade was valued at \$244 million in 2003. Canada's exports were valued at \$242.3 million, and imports from Algeria were valued at \$1.7 million resulting in a positive trade balance of \$240.6 million.

Wheat exports accounted for 84.2% or \$204 million of Canada's agricultural exports to Algeria in 2003. This commodity has always dominated exports, but in 2003 exports dropped due to higher wheat production in Algeria fulfilling a greater portion of demand through national production. Lentils represented 12.6% of the export market, while chickpeas, milk powder and sunflower seeds each represented less than 1% of the total agricultural export market.

Canada imported \$955,000 worth of dates from Algeria, \$632,000 worth of grape wines and \$37,000 worth of both tobacco and olive oil.

Bulk exports decreased from 2002 to 2003, a result of the decrease in wheat exports. Bulk total exports in 2002 were valued at \$323 million, which decreased to \$206 million in 2003. Intermediate goods remained close to 2002 totals, amounting to \$35.7 million in 2003. Exports of consumer goods dropped dramatically from \$2.3 million in 2002 down to only \$63,685 in 2003.

For more information on Algeria

Canadian Trade Commissioner Service - Market Information on Algeria:

<http://www.infoexport.gc.ca>

The Month in Algeria:

<http://www.infoexport.gc.ca>

Agri-Food Trade Service At a Glance Fact Sheet:

http://ats.agr.ca/stats/algeria_e.htm

Statistics Algeria - National Office of Statistics:

<http://www.ons.dz/>

Algeria Interface:

<http://www.algeria-interface.com/>

Algerian Ministry of Foreign Affairs:

<http://www.mae.dz/>