

# Bi-weekly Bulletin

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## NORTH AFRICA: DURUM

The North African countries of Algeria, Morocco, Tunisia, and Libya account for over 40% of world durum wheat trade. This year, Morocco and eastern Algeria have experienced even drier conditions than in 1999 when production was well below normal, due to drought. Events in North Africa are of particular interest to Canada because Algeria is the largest market for Canadian durum wheat and Canada's exports normally account for almost 60% of the world's total durum trade. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for imports of durum wheat in North Africa.

### BACKGROUND

#### Durum Production

Durum production is best suited to regions with a relatively dry climate, preferably with hot days and cool nights. Under these conditions the grain develops a very hard vitreous kernel which is desirable for cooking purposes. Not surprisingly, traditional production and consumption of durum products developed in the hot, dry Mediterranean regions of North Africa, southern Europe, Turkey, and Syria. Durum wheat is a staple in these regions and, in North Africa, it is consumed primarily as couscous, a traditional durum-semolina based dish, and as bread.

#### NORTH AFRICA

Since gaining independence from France (Morocco and Tunisia in 1956, and Algeria in 1962) these former colonies have maintained an economic relationship with France and, to a lesser extent, other countries in the European Union (EU). This is evident in the trading agreements with the EU. In an attempt to further improve their standard of living, these North African countries to varying degrees have been privatizing their state-run enterprises.

**ALGERIA** has a land mass about 238 million hectares (mln ha), however, only 3% of the land is arable. About 8% of its total arable land, or 0.6 mln ha, is under irrigation. Soil erosion from overgrazing and other poor farming practices further limit Algeria's ability to feed its population of over 31 million people.

Algeria's population is only slightly higher than that of Morocco, but it is by far the most important market for durum wheat, accounting for more than 65% of North

Africa's total durum imports during the past ten years. The ten-year average for durum production in Algeria is 1.1 million tonnes (Mt), versus average consumption for the same period of 2.7 Mt.

Algeria has the highest unemployment rate and the lowest economic growth rate of the three former French colonies. It was once considered one of the most centrally-planned economies in the Arab world but has since adopted a more market-driven

approach. Recognizing its lack of diversity and vulnerability due to a heavy dependency on oil and gas revenues, Algeria's government is encouraging foreign and domestic investment outside the energy sector.

Algeria's efforts are ultimately aimed at reducing high unemployment levels and improving living standards for its residents. In 1998, Algeria's unemployment rate was about 30% and

### NORTH AFRICA : DURUM PRODUCTION, CONSUMPTION <sup>1/</sup>, AND IMPORTS <sup>2/</sup>

	1991 -1995 <sup>3/</sup>	1996 -1997	1997 -1998	1998 -1999	1999 -2000f	2000 -2001f
	.....thousand tonnes.....					
<b>ALGERIA</b>						
Production	1,110	1,600	500	1,500	900	700
Consumption	2,662	3,358	3,158	3,400	2,900	2,800
Imports	1,552	1,758	2,658	1,900	2,000	2,100
<b>MOROCCO</b>						
Production	1,255	2,270	882	1,500	800	500
Consumption	1,452	2,623	1,402	2,000	1,270	1,100
Imports	197	353	520	500	470	600
<b>TUNISIA</b>						
Production	958	1,623	700	1,100	1,200	800
Consumption	1,163	1,746	1,251	1,350	1,600	1,250
Imports	205	123	551	250	400	450
<b>LIBYA</b>						
Production	112	100	100	100	100	100
Consumption	338	347	317	250	350	350
Imports	226	247	217	150	250	250
<b>NORTH AFRICA</b>						
Production	3,434	5,593	2,182	4,200	3,000	2,100
Consumption	5,615	8,074	6,128	7,000	6,120	5,500
Imports	2,181	2,481	3,946	2,800	3,120	3,400

<sup>1/</sup> includes stock change, <sup>2/</sup> includes semolina, <sup>3/</sup> five year average

f: forecast, IGC, June 2000

Source: IGC



its per capita Gross Domestic Product (GDP), which is a measure of purchasing power, was estimated at US\$4,600.

The EU provides about 57% of Algeria's imports and absorbs about 64% of its exports. France is the EU's major trader with Algeria, providing about 22% of Algeria's imports and taking in over 16% of Algeria's exports.

For 1999, trade between Canada and Algeria was nearly \$1.1 billion, which is 4 times more than with Morocco and 13 times more than with Tunisia.

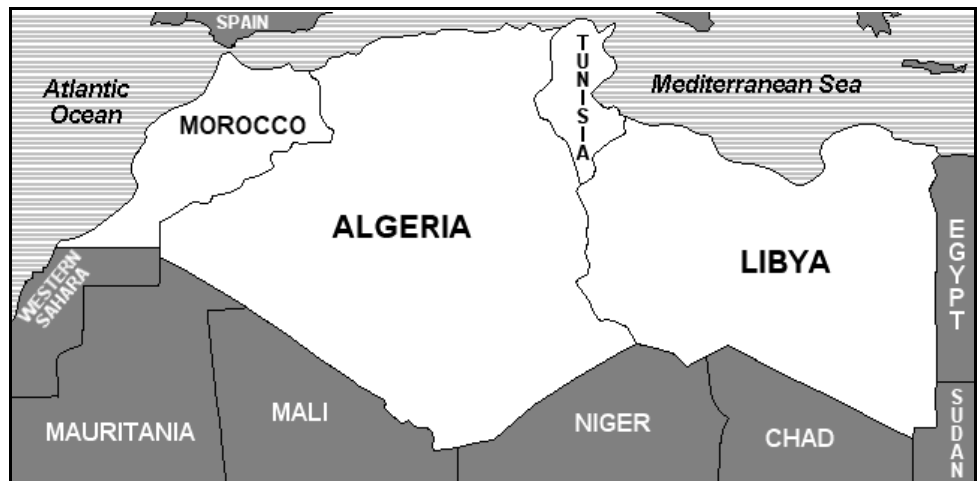
Relations between Canada and Algeria are considered to be excellent, helped to some extent by a common language (French) and Canada's willingness to share its technology. This is particularly important given that Algeria's low level of mechanization contributes to its inability to meet its domestic food requirements.

Canada's commitment to maintaining good relations with Algeria has been demonstrated by various trade missions and programs in the past few years. For instance, Canada's open lines of credit to Algeria were increased to \$111 million in 1997, versus \$9 million for all of Africa in 1996 and are now \$170 million. The Canadian International Development Agency's (CIDA) cooperative programs in Algeria, such as the Private Sector Development Fund, have also helped relations between the two countries.

Prior authorization by the Ministry of Trade is required for certain so-called "mass consumption" products. The exporter has to provide the necessary documents demonstrating compliance with applicable hygiene and phytosanitary requirements as well as certificates of origin. To regulate the market, the Ministry of Trade regularly asks importers to declare their planned imports of mass consumption products such as cereals and wheat derivatives (semolina and flour.)

**MOROCCO** has a land mass of about 44 mln ha, of which 21% is arable. The climate can be categorized as Mediterranean, although hotter and drier conditions exist in the interior regions. Over 13% of the arable land, or about 1.3 mln ha, is irrigated, but land degradation due to overgrazing and poor farming practices on marginal lands continues to limit the country's ability to feed its population of some 30 million people.

Morocco's economy is based to a large extent on a non-energy resource sector,



primarily that of phosphate production. As such, it has not been subjected to the fluctuations in oil and gas prices that many of the energy producing countries experienced during the past two decades. Nevertheless, it has had to face some of the problems typical of developing countries such as having to curtail government spending, reducing constraints on private activity and foreign trade, and keeping inflation under control.

Since the early 1980s, Morocco has achieved some of its economic objectives with the support of the International Monetary Fund, the World Bank, and the Paris Club creditors. Some longer-term challenges for Morocco include servicing the external debt, preparing for freer trade with the EU, and improving living standards and job prospects for its residents, especially the younger members of its population. In 1998, Morocco's unemployment rate was about 20% and per capita GDP was estimated at US\$3,200.

As a potential market for durum wheat, Morocco's comparative advantage over Algeria is that, despite a significantly lower GDP, its real growth rate is twice that of Algeria. This economic growth is particularly evident given that in the past ten years Morocco's imports of durum increased from virtually nothing to 470,000 tonnes (t) in 1999-2000. The ten-year average for durum production in Morocco is 1.4 Mt, versus average consumption for the same period of 1.7 Mt.

**TUNISIA** has an area of about 15 mln ha and about 20% of its land is arable. Over 12%, or 0.4 mln ha, of that arable land is under irrigation. Similar to some of the other North African countries, Tunisia's agricultural land continues to be exposed to the destructive effects of deforestation, overgrazing and soil degradation. All of these factors contribute to a continued reliance on imports to feed its population of 10 million people. The ten-year average for durum production in Tunisia is 0.9 Mt,

versus average consumption for the same period of 1.2 Mt.

Tunisia benefits from a diverse economy that includes agriculture, mining, energy, tourism and manufacturing sectors. Over the past decade, decreased governmental control of economic activities, combined with a simplified tax structure and a more prudent approach to debt management, have contributed to an increase in annual growth in its GDP. In 1998, Tunisia's per capita GDP was US\$5,200.

Increased tourism and trade have contributed to much of Tunisia's economic growth. In addition, a 1998 agreement with the EU has gradually removed trade barriers and has helped solidify a relationship between the two parties, thus enhancing Tunisia's economic prospects. Future plans for stimulating economic growth include more privatization, increased foreign investment, and improved government efficiency.

**LIBYA** has a land area of about 176 mln ha, however, only 1% of that land is suitable for cultivation. Of the 1.8 mln ha of arable land, more than 25% is under irrigation and this has added some stability to Libya's crop production. Still, with its relatively harsh climate and generally poor soil conditions, Libya has to import about 75% of its food requirements. The ten-year average for durum production in Libya is 0.1 Mt, versus average consumption for the same period of 0.3 Mt.

Libya's socialist-oriented economy depends heavily on oil revenues, making up virtually all of the country's export earnings and contributing one-third of its GDP. Although Libya's per capita GDP, which registered US\$6,700 in 1998, is one of the highest in Africa, little of the income derived from oil sales flows to the lower echelons of its society. Import restrictions and inefficient resource allocation further

contribute to periodic shortages of basic goods and foodstuffs for some of its residents, particularly those 30% who are unemployed.

## SITUATION

### World

World durum production for 1999-2000 is estimated at 32.5 Mt by the International Grains Council (IGC) compared to 36.7 Mt in 1998-1999. For 1999-2000, production was about 1 Mt lower than durum utilization, with stocks held by the three major exporters of durum (Canada, the EU, and the US)

falling by 1.1 Mt to 3.1 Mt, versus the ten-year average of 4.2 Mt. World trade in durum is estimated at 6.5 Mt, up from 6.3 Mt in 1998-1999.

### North Africa

Imports of durum wheat by North Africa over the past decade have fluctuated between a low of 1.4 Mt in 1992-1993 to a high of 3.9 Mt in 1997-1998. The record high imports coincided with reduced durum production due to extremely dry growing conditions in North Africa and southern Europe. Although production and world supplies recovered during the following year, parts of North Africa experienced

drought conditions again in 1999-2000. Weather conditions continue to play an important role in this important durum market.

Durum consumption figures for North Africa are not particularly reliable, specifically those for Morocco which suggest that per capita durum consumption is on the decline. This is due to a lack of data on durum stocks, which have likely declined during years of low production.

North Africa imported less durum than it produced over the last ten years. However, 1999-2000 imports have exceeded domestic production due to extremely dry weather. Morocco was hit particularly hard by drought in 1999-2000.

For 1999-2000, North Africa's durum imports are expected to increase by 11%, to 3.1 Mt, of which Canada's share is expected to be about 65%, or 2.0 Mt.

### Algeria

Durum production decreased to 0.9 Mt in 1999-2000 from 1.5 Mt in 1998-1999 due to extremely low drought-related yields. As a result, imports of durum are expected to increase to 2.0 Mt in 1999-2000 from 1.9 Mt in 1998-1999. Canadian exports of durum to Algeria are estimated at 1.5 Mt for 1999-2000, similar to 1998-1999.

Currently, over 40% of Algeria's total wheat imports are durum wheat. During the 1990s, durum (including semolina) imports varied considerably from a low of 1.0 Mt in 1992-1993 to 2.7 Mt in 1997-1998.

Of the four North African countries, Algeria is the only country that imports semolina in any significant amount. Algeria's semolina imports, largely from the EU, have decreased from a relative high of 1.4 Mt in 1992-1993 to a low of 116,000 t in 1995-1996, and have averaged just over 150,000 t since then. The decrease is attributed to increased milling capacity in Algeria.

### Morocco

Durum production is estimated at 0.8 Mt in 1999-2000, down considerably from 1.5 Mt in 1998-1999. As in Algeria, this decrease in production is due to low drought-related yields. For 1999-2000, total durum imports are expected to be relatively unchanged at 0.5 Mt, however, exports of Canadian durum to Morocco are expected to rise by about 20% to 0.4 Mt.

Currently, durum imports account for about 17% of Morocco's total wheat imports. During the past decade, its durum imports have ranged between a low of 43,000 t in 1991-1992 to a high of 520,000 t in 1997-1998. Morocco's semolina imports are negligible.

### Tunisia

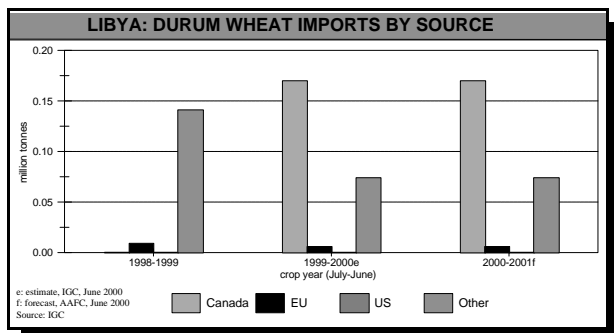
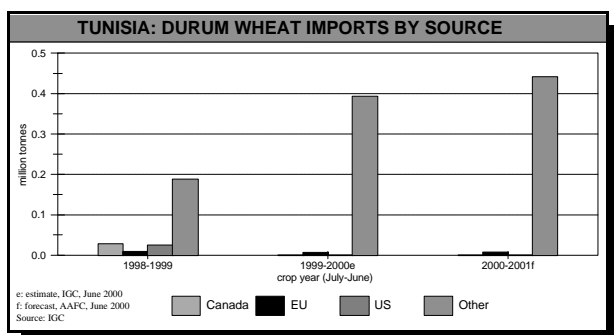
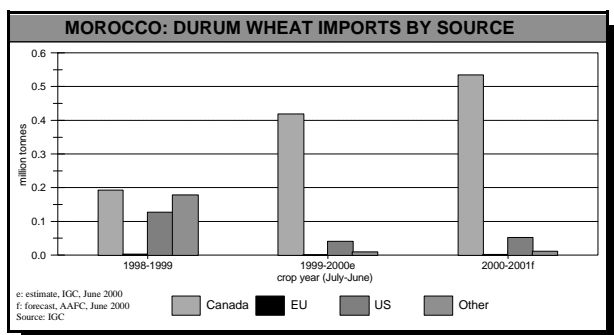
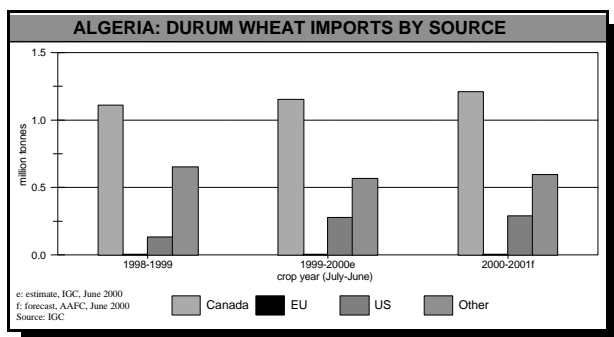
Durum production is estimated to have increased slightly to 1.2 Mt in 1999-2000 from 1.1 Mt in 1998-1999. Imports, however, are expected to rise by 60%, to 0.4 Mt.

Durum imports are about one-quarter of Tunisia's total wheat imports. However, because Tunisia has focussed on purchasing lower quality, lower priced durum from Turkey during the 1999-2000 period, Canada, with its higher quality durum, is not expected to share in that trade, with exports falling to zero, from 27,500 t in 1998-1999.

### Libya

Durum production, constrained by the amount of irrigated land available for cereal production, has remained flat at about 0.1 Mt throughout the past decade.

Durum imports, which represent about 15% of total wheat imports, are forecast to increase to 250,000 t, from 150,000 t in 1998-1999. Canada's share of Libya's durum imports is expected to be 170,000 t versus zero in 1998-1999. For the past few years, there have virtually been no imports of semolina by Libya.



## Durum Prices

From August 1, 1999 to May 26, 2000 the US export price for No. 3 Hard Amber Durum (HAD) free on board (FOB) St. Lawrence has averaged US\$152 per tonne (t), virtually identical to that for the 1998-1999 Canadian August-July crop year. During this same period, the premium of 3 HAD over Dark Northern Spring wheat 14% protein (DNS 14) has averaged US\$10/t, versus US\$5/t for 1998-1999.

The 1999-2000 Canadian Wheat Board (CWB) June Pool Return Outlook (PRO) for No. 1 Canada Western Amber Durum (CWAD) is \$205/t in-store St. Lawrence or Vancouver (I/S SL/VC), slightly higher than the 1998-1999 final realized price of \$201/t.

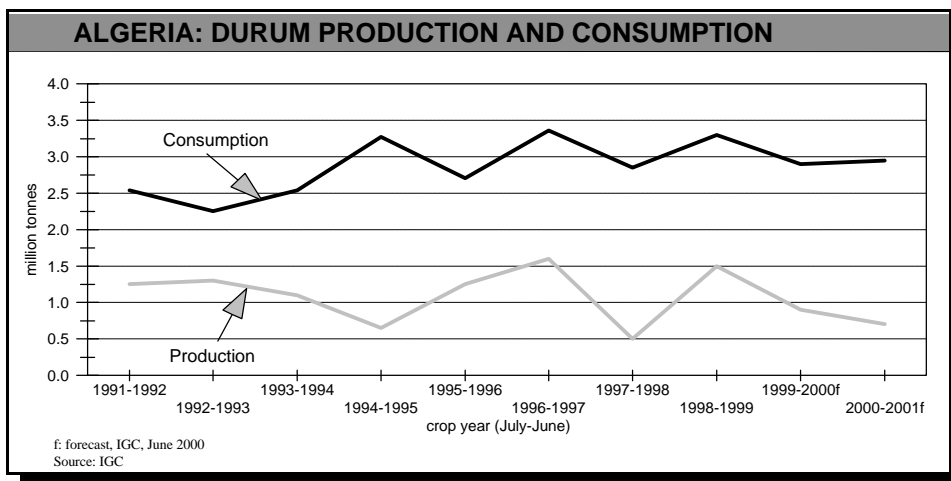
## OUTLOOK FOR 2000-2001

### World

World durum **production** is forecast by the IGC to increase by about 4% to 33.7 Mt, slightly above the five-year average. In the EU, production is forecast to increase by 14%, to 8.3 Mt. Durum seeded area is forecast to increase by about 3%, with increases expected in Spain (3.3%), Italy (1.6%), and France (1.5%). In **Canada**, production is forecast by AAFC to rise by 21% from the unusually low 1999-2000 level, to 5.1 Mt, indicating that exportable supplies of durum will increase. **Carry-out stocks** in the three major exporting countries are forecast to increase to 3.6 Mt from the 1999-2000 level of 3.1 Mt. World **trade** in durum is forecast to increase by 0.4 Mt to 6.9 Mt for 2000-2001, largely due to increased imports by North Africa.

### North Africa

With persistent drought conditions in parts of North Africa, durum production is forecast to decrease to only 2.1 Mt, 0.9 Mt below 1999-2000. Although Canada's prospects for increased exports of durum wheat to North Africa



are good, Canada is expected to face strong competition from other durum producing countries such as the US, Mexico, Australia, Turkey, and Syria.

**Algerian** production is forecast to decrease by 0.2 Mt, to 0.7 Mt, causing imports to increase by 0.1 Mt, to 2.1 Mt. Of those imports, Canada's share is forecast by AAFC at 1.5 Mt, which is about a 7% increase over the previous year.

**Moroccan** production is forecast to decrease by 0.3 Mt, to 0.5 Mt, resulting in an increase in imports by over 0.1 Mt, to 0.6 Mt. Canada's share of those imports is forecast by AAFC at 0.5 Mt, up from 0.4 Mt in 1999-2000.

In **Tunisia**, durum production is forecast to decrease to 0.8 Mt, from 1.2 Mt in 1999-2000. As a result, imports are forecast to rise by 13% to 0.45 Mt. Although Canada exported virtually no durum to Tunisia in 1999-2000, it is expected to regain some of the market share lost to exporters of lower quality durum such as Turkey. Canadian durum exports to Tunisia for 2000-2001 are forecast by AAFC at 25,000 t.

For **Libya**, the forecast for durum production is 0.1 Mt, the same as 1999-2000, due to the limited irrigated land available for cereal production. As a result,

imports are forecast at the previous year's level of 0.25 Mt, of which about 0.2 Mt will likely be imported from Canada, similar to the previous year.

### Durum Prices

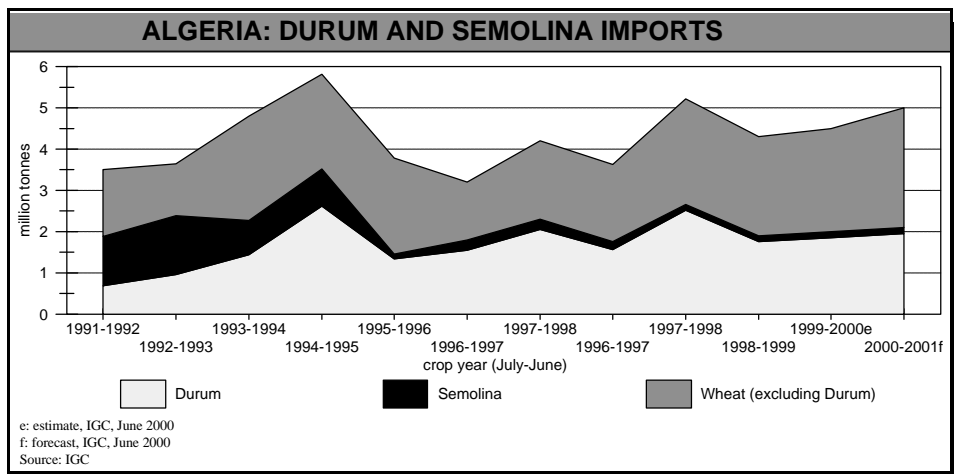
Based on current market information, including projections for a significant increase in Canadian durum production, the CWB's June PRO for No. 1 CWAD is \$180-210/t. The mid-point for the 2000-2001 PRO is \$10/t lower than estimated for 1999-2000.

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