

# Algerian Markets May Be for You

By Nabila Hales

Recent adjustments in Algeria's customs duties and taxes could be the key to expanding accessibility for U.S. agricultural exports—bulk and other ingredient products now, and consumer products in the future.

Agriculture represents 12 percent of the gross domestic product of this second largest African country and provides a livelihood for 22 percent of its 30-million population. Nevertheless, Algeria still imports 75 percent of its food, or \$2.5 billion per year, more than any other African country. Demand for imported products is expected to improve as the economy strengthens.

## Know the Constraints

To fully grasp the ins and outs of its import market, U.S. exporters need to understand Algeria's current economic condition. Petroleum dollars still drive the economy, with 90 percent of the country's export earnings coming from the energy sector.

### Best High-Value Prospects

- Pulses (lentils, peas, chickpeas, beans)
- Dried fruits (prunes, raisins)
- Nuts (almonds, peanuts, pistachios)
- Canned fruits (tropical)
- Canned corn
- Confectioneries
- Honey
- Whiskey and beer
- Cereal derivatives
- Skim milk powder
- Condiments



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Algeria has moved to a largely market-oriented economy, thanks to the foresight of leaders who understand the need for reforming outdated policies and diversifying the economy. The International Monetary Fund lent its support to a far-reaching macroeconomic reform plan that began in April 1994. Algeria completed a four-year structural adjustment program in May 1998 that included comprehensive fiscal and monetary reforms, as well as major social programs.

However, other than joint ventures with parastatals (state-owned companies), long-term financing for large-scale projects is still limited. While the banking sector has six state-owned banks, six private sector domestic banks and nine foreign banks, most monetary transactions are strictly cash-based. Banking services do not go far beyond retail services and small-scale trade financing.

Overall economic growth is still constrained by this lack of modern financial

services, a 30-percent unemployment rate and outdated telecommunications systems. A reform initiative effective July 2001 is tackling financial services and communications issues.

The government has taken steps to revitalize small- and medium-sized agribusinesses that are competitive. Local private investments have risen sharply, with the result that the private sector owns and manages 80 percent of the agricultural industry.

## What's Cooking?

Since the economy was liberalized in 1997, private importers have surfaced, and consumers have become more accustomed to seeing imported products and semi-processed products in little stores and small private supermarkets. Consumers can find both bulk and packaged products, local and imported, though imports are a little expensive for households with small or moderate incomes.

## U.S. SUPPLIERS CAN HELP FULFILL DEMAND FOR RAW MATERIALS IN THE MILLING AND DAIRY INDUSTRIES.

### Business Notes for Algeria

- Codex Alimentarius standards apply. U.S. grades and standards are being introduced in grain and pulse regulations.
- Some products such as dairy require sanitary certificates to clear customs.
- Imported goods are subject to customs duties (5-40 percent), value-added taxes (7-17 percent), and local taxes.
- New economic reforms are reducing old taxes for high-value products. In 2002, the maximum rate will be 30 percent.
- Metric measurements apply.
- Arabic is the country's official language, so Arabic labeling and promotional materials are the most effective. French promotional materials edge out English versions, since French remains the most prevalent second language.
- Most importers are located in the bigger cities and import through the main ports of Algiers, Oran, Bejaia and Jijel.

Doubtless, the limiting factor for consumer-oriented imports has been the combination of low incomes and high prices. Since privatization, imported products are sold without state subsidies and carry higher prices. (Like many developing countries, Algeria provided consumer subsidies rather than producer subsidies to keep food prices low.) Coming adjustments in customs duties and taxes will allow more affluent consumers to purchase some luxury goods at lower prices.

For the most part, Algerians continue traditional cooking habits, but changes are occurring in the cities where young households tend to adopt the Western lifestyle. Since 60 percent of the population is urban, the trend toward convenience foods will become significant.

For now, an unusual convenience food market has developed. Affluent, time-strapped consumers often buy their home

cooking directly from housewives who need to supplement family income.

### Gaining Market Entry

Since most consumers are unable to afford high-value items, suppliers should look to the food processing and hotel, restaurant and institutional (HRI) sectors for market entry.

With the country's processing sector improving, many food processors can offer products with lower prices by importing raw materials and processing them locally. U.S. suppliers help fulfill the demand for raw materials for quality-conscious processors, particularly in the milling and dairy industries. Some larger processors prefer to import their raw materials directly rather than buy them locally from importers, if import conditions allow.

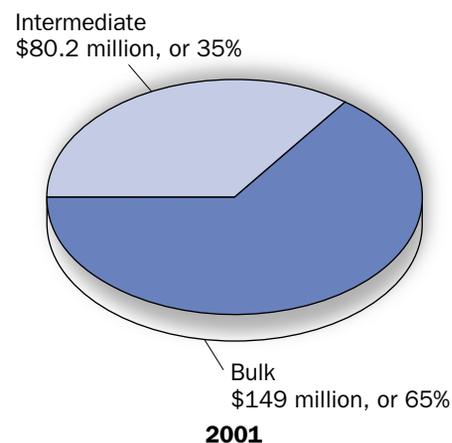
At this time, five upscale hotels and ethnic restaurants in Algiers buy most of their products locally. U.S. suppliers interested in this market should work with distributors that supply the hotels and restaurants.

Algeria is also looking for partners to improve its seafood and fishing sector. Fresh seafood, sold mostly in local markets, is very expensive and out of reach of many households. Supermarkets tend to carry canned tuna (mostly imported), as well as frozen fish and seafood. Some private canners are beginning operations and need raw materials.

Algerians are fascinated with American culture and fast food because of movies and TV. Some have made inquiries about opening fast food franchises in the country.

Recently, private businesses bought some buildings throughout Algeria once occupied by the state-run supermarkets that

### U.S. Bulk Products Opening Door to Algeria



were closed in 1996. Plans are underway to reopen them as private chains. These chains might be receptive to U.S. consumer-oriented products.

The FAS Office of Agricultural Affairs at the U.S. Embassy in Algiers provides trade servicing and information about the Algerian market. Free services include market briefings, market tours, lists of importers, setting up agendas and meetings, hotel reservations and in some cases providing translation and transportation. ■

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For details, see FAS Report AG1007. To find it on the Web, start at [www.fas.usda.gov](http://www.fas.usda.gov), select **Attaché Reports** and follow the prompts.

