



*Algeria's efforts to promote exports outside the hydrocarbons
through developing food industries during the period 2017\ 2019*

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Abstract

Food industries are considered a strategic alternative that the Algerian government relies on to promote exports outside the hydrocarbon sector and eliminate food dependence on foreign countries. This is aimed at diversifying national income sources. However, despite the efforts made by the state through policies, programs, and incentives to boost the food industries sector, the country still incurs annual expenses and significant costs estimated in millions of dollars due to the substantial imports of essential food items, including grains, milk, oils, and meats.

Keyword: Food industries, non-hydrocarbon exports, food imports.

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INTRODUCTION

Exporting outside the hydrocarbon sector is a crucial and necessary strategic option for the Algerian state to diversify national income sources and move away from a rentier economy, especially after the economic crisis and the collapse of oil prices. It also aims to eliminate food dependence on foreign countries. Given the economic globalization and trade liberalization, the Algerian state is compelled to adapt to changes and developments to protect, develop, and diversify its economy.

Since the early 1990s, the Algerian government has implemented various policies, programs, and incentives to develop the food industries and encourage investments in this sector. However, these efforts have not proven effective in achieving the intended objectives, leading to significant annual expenses and costs amounting to millions of dollars due to the substantial imports of essential food items such as grains, milk, oils, and meats.

This study aims to address the key policies, programs, and incentives adopted by Algeria to promote the food industries and assess their impact. The research question is as follows: To what extent has Algeria been able to develop the food industries through its efforts to increase non-hydrocarbon exports?

To answer this question, the study is divided into four main axes:

- Nature of the food industries.
- Efforts made by Algeria to promote exports outside the hydrocarbon sector.
- Contribution of the food industries to non-hydrocarbon exports during the period (2017-2020).
- Development of small and medium-sized enterprises in the food industries during the period (2017-2019).
- Constraints facing the food industries in Algeria.

The objectives of the study are:

- Presenting various policies, programs, and supported entities aimed at increasing non-hydrocarbon exports.
- Analyzing the development of non-hydrocarbon exports in Algeria for the period 2017-2020.

- Presenting and analyzing the percentage of food industries' exports from the total non-hydrocarbon exports for the period 2017-2019.
- Presenting and analyzing the trade balances of the food industries for the period 2017-2019.

• **2. Concept of Food Industries:**

In this section, we will provide some definitions of the concept of food industries, their importance, objectives, and functions.

- **Definition of the Food Industry and Its Importance:**

There are several definitions of the food industry, including the definition provided by the Arab Organization for Industrial Development, which states that it is the industry responsible for providing food to citizens. It is fundamentally linked to agricultural production and encompasses a wide range of manufactured goods. Another definition characterizes it as "the sector that manufactures surplus plant and animal materials beyond fresh consumption, transforming them into another form of food products with the ability to preserve them for the longest possible period. This allows for their use in seasons outside their natural occurrence or consumption in locations other than their production areas, remaining suitable for use from a health and vitality perspective."

The importance of the food industries can be summarized as follows:

- Highlighting optimal conditions for food storage.
- Preserving raw materials when available until the time of processing.
- Providing sufficient food to feed the population.
- Harnessing technology to develop human food.
- Improving human health.
- Facilitating quick and easy access to human needs.
- Creating job opportunities and improving living standards.
- Increasing the nutritional value of affordable goods by adding minerals and vitamins.

Through these definitions, it can be concluded that the food industries represent the optimal and rational utilization of agricultural sector outputs, transforming them into

consumable goods. This not only meets economic and social development goals but also ensures the availability of diverse and nutritious food for the population.

- Objectives of the Food Industries:

The significance of the food industries can be summarized as follows:

Reducing the food import bill.

Transforming agricultural raw materials into high-value food products.

Utilizing crops that may not have a prevalent market at their ripening time.

Expanding production and the possibility of exports.

Supporting rural economies and assisting in population stability.

The food industries constitute the largest industrial sector in Algeria outside the hydrocarbon sector, representing 50% to 55% of the industrial gross domestic product. This sector is characterized by the dominance of the private sector in the ownership of production machinery, with its added value contributing 87% to this sector in 2014, compared to 12.6% for the public sector.

- Functions of the Food Industry:

The key functions of the food industry are as follows:

- Preservation Function:

This function involves preserving food and is closely linked to the previous function. It aims to maintain the nutritional quality of food, and packaging appears as a crucial stage in the preservation and safety process. Packaging works to ensure the delivery of food to the consumer under optimal conditions and terms.

- Nutritional Function:

Techniques of transformation maintain the natural nutritional elements of products and may enhance their nutritional value. Many products boast labels like "rich in vitamins." On the other hand, the transformation process aims to make food more digestible.

- Consideration of Purchasing Power:

The food industry strives to enable consumers to satisfy a greater portion of their needs. This is achieved not only by providing the required products but also by offering them at prices within the consumers' purchasing power, which can be accommodated by household budgets.

- Food Safety Function:

Consumer trust in the safety of food is vital for the food industry. Ensuring food safety is a fundamental key to building the mental image of a product. Food safety requires eliminating or reducing the growth of germs and addressing the risks associated with food poisoning.

- Convenience for Use Function:

With the increasing phenomenon of working women, singleness, and smaller families, there is a pressing need for ready-to-eat or quickly and easily prepared foods.

Through the aforementioned definitions, it can be concluded that the food industries constitute a branch of the transformative industries. They convert raw agricultural materials, both plant-based and animal-based, to meet human needs, preserving their nutritional value for as long as possible and facilitating their transportation from one place to another while remaining suitable for consumption over an extended period.

- Mechanisms for the development and promotion of the food industry and its encouragement in Algeria:

Algeria has prioritized the development of non-hydrocarbon exports and has mobilized all means to achieve this goal for over a decade. Public authorities have implemented a number of measures, procedures, and frameworks aimed at promoting domestic production in foreign markets. To this end, specialized bodies have been established to promote and develop non-hydrocarbon exports, which we present as follows:

- Entities for promoting the food industries in Algeria:

In this section, we address the most important entities provided by the Algerian state to enhance non-hydrocarbon exports.

- National Agency for the Promotion of External Exports (ALGEX):

Algerian authorities have made the development of non-hydrocarbon exports a priority and have utilized all means to achieve this goal for over a decade. They have implemented a number of measures, procedures, and frameworks aimed at promoting domestic production in foreign markets. These measures fall within the framework of a policy of expanding trade and global integration. For this purpose, the National Agency for the Promotion of External Exports (ALGEX) was established by Executive Decree No. 04-174 dated June 12, 2004. This agency is dedicated to

facilitating non-hydrocarbon exports and operates under the supervision of the Ministry of Trade. Its tasks include:

- Expanding commercial exchanges and international integration.
- Acting as an intermediary between state institutions and Algerian exporters.
- Formulating policies and general strategies to promote and develop exports outside the hydrocarbon sector.
- Algerian Company for Fairs and Exports (SAFEX):

The Algerian Company for Fairs and Exports, a historical and leading organizer of events, has played a leading role in organizing exhibitions and establishing specialized salons that contribute to the development of event-related professions. It has also contributed to promoting exports by organizing Algerian participation in various exhibitions and salons held abroad. Additionally, it accompanies the state's measures to encourage domestic production and non-hydrocarbon exports through the Algerian International Fair Directorate established in 1964, then the National Fair Directorate in 1971, which transformed into the Algerian Company for Fairs and Exports in 1990.

- Algerian Chamber of Commerce and Industry (CACI):

This chamber was established by Executive Decree No. 96-93 dated March 3, 1996. It represents, at the national level and within its regional circles, the general interests of trade, industry, and service sectors under the industrial and commercial authorities. It has legal personality and financial independence and is under the supervision of the Minister in charge of trade. Its main tasks include representing companies, revitalizing and supporting them, providing training, arbitration, mediation, and reconciliation.

- Special Fund for Export Promotion (FSPE):

The Special Fund for Export Promotion was established under the Finance Act for the year 1996. Its resources are allocated to provide financial support to exporters in activities related to the promotion and marketing of their products in foreign markets. State grants are also provided through the Special Fund for Export Promotion for the benefit of any resident company engaged in production or services, and for every trader registered regularly in the commercial register and active in the field of export. The amount of the available state grant is determined under the supervision of the Ministry of Trade, according to pre-defined proportions based on available resources.

- Algerian Export Credit Insurance Company (CAGEX):

The company was established on January 10, 1996, under Order No. 96-07 related to export credit insurance. It was approved by Decree No. 26-235 dated July 20, 1996, with a capital of 250 million Algerian dinars at its inception, which has now reached 450 million. Its tasks include guaranteeing export-oriented operations for its own account and for the account of the state (political risk for the state's account and commercial risk for its own account), ensuring the transfer of exports, providing advice and assistance to exporters, and providing them with economic and legal information.

- Privileges:

The promotion of non-hydrocarbon exports has seen several economic reforms, where the state has established legal frameworks and legislation to regulate non-hydrocarbon export operations by providing legal, regulatory, and tax facilitations.

- Legal and Regulatory Privileges:

To protect consumers and the national economy, the state sets standards to ensure oversight and has implemented the following facilitations for institutions to encourage investments, especially in the food industries:

- Since 2004, the registration process in the commercial registry has become straightforward.
- The movement of food products within the country, as well as prices, is subject to complete freedom.
- The state has provided significant facilitations for investment in this sector, financing 60%-70%.
- Through its banks, the state finances medium and small projects in the food industry by granting loans at reasonable interest rates, which in 2003 reached 6.5%, with a repayment period of up to 7 years.

For food exports and imports, the only restriction known is the customs tariff, which is 5% for semi-processed goods and 30% for fully processed ones. This condition is adopted to give the local industry its competitive advantage.

- Tax Privileges:

These include tax exemptions and customs facilitations.

Tax exemptions:

Tax exemptions are granted for export activities as follows:

- Revenues from sales, transportation costs, and intermediation related to goods or products intended for direct export are not included in the business number subject to professional activity tax.
- Companies' profits from export-oriented sales are permanently exempt from tax.
- VAT is exempted for sales related to goods exported from domestic sources, as well as for purchases of imported goods designated either for re-export in their original state or for use in manufacturing export-ready products.

Customs Facilitations:

These include:

- Providing tax, financial, and administrative incentives.
- Issuing Customs Transit Documents (TPD) for exports conducted by land routes.
- Activating the ATA Carnet for a validity period of 1 year, which is a simplified procedure for temporary export of samples and participation in exhibitions and salons abroad, issued by the Algerian Chamber of Commerce and Industry (CACI).
- Pre-declaration and provision of data before the arrival of goods.
- Remote customs payment and clearance through the dedicated website.
- Algerian Economic Diversification Policy:

Recently, Algeria has adopted a package of prominent economic policies, different from the broad lines of a new economic model it embarked on in June 2016. This model is based on a fresh approach to budget policy, covering the period 2016-2017, and aims to achieve a drastic change in its economic structure by the year 2030. Through this model, Algeria seeks to first overcome the economic crisis resulting from the collapse of oil prices in mid-2014, and then move away from absolute

dependence on the hydrocarbon sector towards a diversified and competitive economy. The model encompasses a series of profound structural reforms extending until 2030, including fiscal aspects, reform of the current subsidy system, and modernization of administration, to enable Algeria to transition to an emerging state within the next decade, through three growth stages:

Takeoff Stage (2016-2019): Focused on implementing this new development policy, characterized by gradual growth in value-added across various sectors towards targeted levels.

Transitional Stage (2020-2025): Aiming to rectify the national economy.

Stability or Convergence Stage (2026-2030): By the end of this stage, the economy will have exhausted its remedial capacities, and its various variables will be able to converge at an equilibrium point.

In terms of structural transformation of the economy, the new model aims to achieve several objectives during the period 2020-2030:

- Achieve an annual non-hydrocarbon growth rate of 6.5% and a significant increase in individual gross domestic product, expected to double by 2.3 times.
 - Increase the contribution of the manufacturing industry to gross domestic product from 5.3% in 2015 to 10% by 2030.
 - Modernize the agricultural sector to achieve food security goals and diversify exports.
 - Achieve the energy transition goal, allowing for a reduction in the annual growth rate of domestic energy consumption from 6% in 2015 to 3% annually by 2030, by evaluating energy at its actual value and economizing the extraction process from underground resources only as necessary for development.
 - Diversify exports to support financing for accelerated economic growth.
- **3. Contribution of the Algerian Food Industries to Exports and Imports During the Period (2017-2020)**

The food industries directly and significantly impact the value of Algeria's exports and imports. The financial table illustrates this:

Table 01: Percentage of Food Industries from Total Non-Hydrocarbon Exports During the Period (2017-2020)

THE YEARS	2017	2018	2019	2020
FOOD EXPORTS	350	373	408	437
TOTAL EXPORTS OUTSIDE OF FUEL	1367	2218	2068	1909
PERCENTAGE OF TOTAL EXPORTS	1.01	0.91	1.16	1.99
IMPORTS OF FOOD INDUSTRIES	7212.1	7385.2	6925.9	7722.9

Source: Bank of Algeria, Triennial Statistical Bulletin, December, Issue 52, 2020.

The table above shows that the percentage of food industries from total non-hydrocarbon exports is steadily increasing but remains very low compared to total non-hydrocarbon exports. In 2017, food exports were \$350 million out of a total of \$1367 million in non-hydrocarbon exports. In 2018, food exports were \$373 million out of a total of \$2218 million in non-hydrocarbon exports. In 2019, food exports amounted to \$408 million out of a total of \$2068 million in non-hydrocarbon exports. In 2020, food exports reached \$437 million out of a total of \$1909 million in non-hydrocarbon exports.

On the other hand, imports of food industries have been steadily increasing, with total non-hydrocarbon exports covering only about one-fifth (5/1) of food imports, with a slight increase or decrease in value over the years.

Despite the continuous increase in the percentage of food industry exports (1.01%, 0.91%, 1.16%, 1.99% from 2017 to 2020), it still falls far short of significantly boosting non-hydrocarbon exports and achieving self-sufficiency, keeping Algeria dependent on external sources over the years.

Table 02: Exports and Imports of Food Groups from 2017 to 2019

Values in million US dollars

THE YERS		2017	2018	2019
WHOLE GRAINS	Exports	0.1	0.0	0.0
	Imports	1788.7	1864.2	1478.0
TUBERS AND ROOTS	Exports	35	0.33	0.50
	Imports	94.2	80.7	57.9
LEGUMES	Exports	0.0	0.1	263.7
	Imports	111.2	259.3	321.5
THE GREENS	Exports	4.2	12.3	5.2
	Imports	20.8	46.2	0.1
WHOLESALE OF FRUITS	Exports	38.9	111.2	112.2
	Imports	96.1	72.2	0.7
DATES	Exports	52.2	110.3	111.7
	Imports	0.0	1.5	0.0
SUGAR	Exports	225.5	156.0	263.7
	Imports	1005.8	838.4	751.7
WHOLESALE OILS AND GREASES	Exports	13.5	16.0	2.0
	Imports	682.3	759.2	787.3
WHOLESALE MEAT	Exports	0.4	0.4	1.5
	Imports	188.8	187.0	201.7
DAIRY AND ITS PRODUCTS	Exports	0.4	2.3	3.6
	Imports	1215.5	1280.0	1094.9
EGGS	Exports	0.0	0.1	0.1
	Imports	0.4	2.0	2.0
FISH	Exports	9.5	35.8	30.2
	Imports	53.59	48.10	116.2

Source: Arab Organization for Agricultural Development, Annual Book of Arab Agricultural Statistics, Volume 40, Series 6, 7, 9. (2019)

Note: The category of grains includes wheat, flour, corn, rice, barley, and other grains and derivatives. Tubers include potatoes.

The table reveals that for the category of grains, exports were negligible in various years, while imports fluctuated in value. For example, Algeria imported \$1788.7 million worth of grains in 2017, which increased to \$1864.2 million in 2018 but decreased to \$1478.0 million in 2019.

Similarly, for pulses, exports were negligible or minimal compared to imports over the years. In 2017, the value of imports was \$111.2 million, increasing to \$259.3 million in 2018, and further to \$321.5 million in 2019.

Regarding vegetables, there was fluctuation in exports and imports. For instance, exports were valued at \$4.2 million in 2017, increasing to \$12.3 million in 2018 but decreasing to \$5.2 million in 2019. Conversely, imports were valued at \$20.8 million in 2017, \$46.2 million in 2018, and dropped significantly to \$0.1 million in 2019.

For fruits, exports increased from \$38.9 million in 2017 to \$112.2 million in 2019. Imports fluctuated, costing \$96.1 million in 2017, \$72.2 million in 2018, and finally \$0.7 million in 2019.

In conclusion, Algeria struggles to meet its food needs and remains externally dependent, especially in staple foods, despite reforms and policies. The food industry in Algeria is far from achieving self-sufficiency or meeting the essential daily food needs of its citizens.

- Development of Small and Medium Enterprises Active in the Food Industries During the Period (2017-2019)

The food industries are a fundamental element in the national economy due to their effective role in economic and social development. Additionally, it is considered a light and inexpensive industry. Therefore, most of the active enterprises in the food industries are small and medium-sized enterprises.

Table 03: Development of Private Small and Medium Enterprises Active in the Food Industries Between 2017-2018.

THE YERS	2017	2018	2019
NUMBER OF SMALL AND MEDIUM ENTERPRISES	1074503	1141863	1171945
NUMBER OF SMALL AND MEDIUM ENTERPRISES ACTIVE IN THE FOOD INDUSTRIES	28616	30590	31997

Source: Prepared by the author, based on Rahmani Yamina, Benyahia-Taibi Ghalia, "Private SMEs: A Lever for Economic Development in Algeria," *Journal of Economics and Management*, vol. 04, no. 01, University of Bordj Bou Arreridj, 2020, p. 22.

The table shows that the number of small and medium-sized enterprises is steadily increasing. In 2017, there were approximately 1,074,503 enterprises, which increased to 1,141,863 in 2018, and finally, in 2019, there were 1,171,945 enterprises. Similarly, the number of small and medium-sized enterprises active in the food industries is also steadily increasing. In 2017, there were 28,616 such enterprises, which increased to 30,590 in 2018, and in 2019, there were 31,997.

However, despite this increase, the number of small and medium-sized enterprises active in the food industries is very small compared to the total number of such enterprises. Therefore, this sector has not received the necessary attention compared to other sectors.

- Obstacles Facing the Food Industries in Algeria:

The food industries in Algeria face several obstacles, including:

- The expansion of urban construction and housing projects encroaching upon agricultural land, particularly in fertile highland regions. This has led to a significant portion, approximately 22%, of arable land being left unproductive, despite cultivated land occupying less than 20% of the total arable area.
- Weakness in the animal husbandry sector results in substantial government expenditure on importing powdered milk, which is a crucial and in-demand commodity. Mr. Azeddine Tamani, President of the National Joint Professional Council for the Dairy Sector, highlighted that Algeria requires two million dairy cows to meet its milk needs fully and stop importing this essential commodity. Currently, Algeria only has 908,000 dairy cows.
- Insufficient national and foreign investment due to various issues in the investment environment, including administrative bureaucracy, instability in investment regulations, as well as widespread nepotism, bribery, and administrative and financial corruption. Recent judicial revelations have exposed the extent of administrative and financial corruption prevalent in both local and central administrations.
- Inadequate support from diplomatic missions in assisting exporters, resolving

their issues, and overcoming obstacles encountered during export operations. Challenges include a lack of information about foreign markets, entry requirements, promoting their products abroad, and difficulties in receiving payments due to the absence of branches of national banks.

- Neglect of agriculture in desert and semi-desert areas, which could be utilized for cultivating grains, legumes, seeds, and oils, thereby reducing dependency on foreign sources.

4. CONCLUSION

Through this study, we have attempted to shed light on the efforts made and being made by the Algerian government to uplift the non-hydrocarbon industries in general and the food industries in particular. The latter suffers from significant weaknesses, with a very low percentage of total exports outside the hydrocarbon sector. This has cost the state exorbitant expenses amounting to millions of dollars to meet and provide for the basic needs and requirements of individuals, such as grains, milk, oils, and even meat. Despite reforms, policies, and development programs implemented in the agricultural sector (which is considered the foundation of the food industries), it remains subject to external dependency. The following are the most important findings we have reached in this study:

- Inability to liberate the national economy from external dependency due to the weakness of exports outside the hydrocarbon sector.
- Despite the privileges, policies, and facilitations provided by the Algerian government to support the food industries, their effectiveness has not been demonstrated.
- It is impossible to promote exports outside the hydrocarbon sector without building a strong economy and robust economic institutions. Despite the policies and privileges provided by the state to encourage small and medium enterprises to invest in the food industries, the proportion of these enterprises remains very low and weak.
- Activating the role of Algerian diplomacy abroad is necessary to remove all obstacles facing exporters during the export process.

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