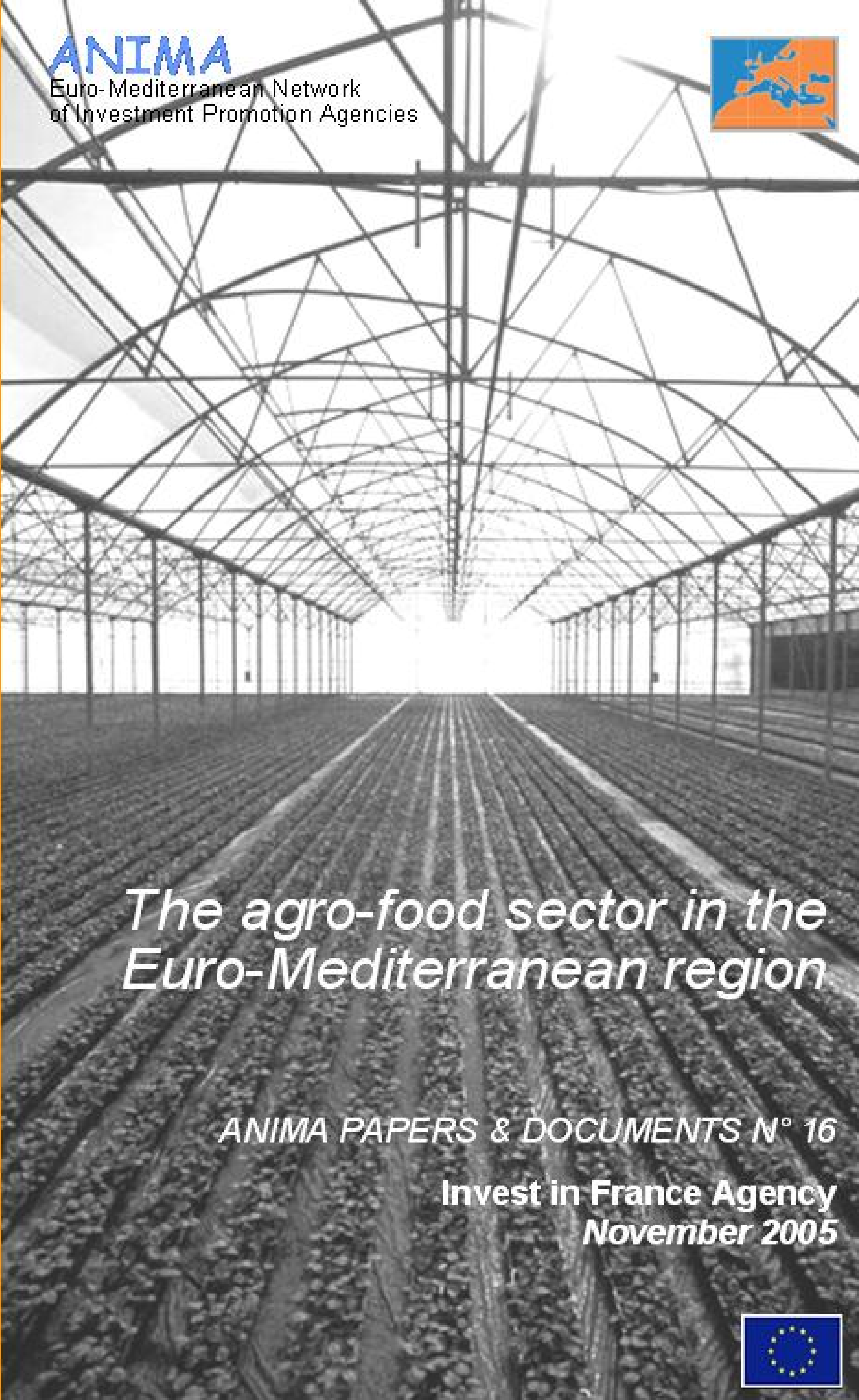
ANIMA Invest in the Mediterranean

ANIMA
Euro-Mediterranean Network
of Investment Promotion Agencies



The agro-food sector in the Euro-Mediterranean region

ANIMA PAPERS & DOCUMENTS N° 16

Invest in France Agency
November 2005

The agro-food sector in the Euro-Mediterranean

Papers and documents
ANIMA n° 16
Novembre 2005

Collectif effort
directed by Fabrice Hatem

Références

This document has been produced within the context of a mission entrusted by the European Commission to the Invest in France Agency (Agence Française pour les Investissements Internationaux (AFII)), assisted by the ICE (Italy) and the DI (Morocco), to develop a EuroMediterranean Network of Investment Promotion Agencies in the Mediterranean (« ANIMA »). The contract No.: ME8/B7-4100/IB/99/0304.

ISBN: 2-915719-20-9

Auteurs

This document is the fruit of a collective effort to which have collaborated Sandra Cohen, Imen Mkhinini, Marjorie Senez and Anne-Claire Vu. The book has been coordinated by Fabrice Hatem, assisted by Bénédict de Saint-Laurent (final editing and design of recommendations). Several people and organisations provided precious information namely Selma Tozanli, the AFII (Benoît Tarche), the DGPTE (Marc Dubues) and the MEDA IPAs.

Acronymes

- AFI: Agro-Food Industries
- MEDA: group of 10 partner countries of the European Union: Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Palestinian Authority, Syria, Tunisia, Turkey, plus Cyprus and Malta, which became members of the Union in 2004
- MIPO: Mediterranean Investment Project Observatory

Contents

Summary

Any analysis of the current situation agro-food (AFI) industries in the MEDA countries leads to a contrasted diagnosis. Certain weaknesses are a cause for concern: production which represents hardly 1. 5 % of the world total, to feed nearly 4 % of its population; a trade deficit which increases regularly, and which in 2003 came close to 10 billion dollars; a particularly shocking imbalance for oil seeds and cereals especially, basic elements for the poor populations of these regions; a rather strong food independence for certain countries, such as Egypt and Algeria; a very poor market share in « downstream » goods – which provide a better return – of the sector (processed products), despite the important potential of MEDA…

As for the long term perspectives, they remain a continuing cause for concern, with demographic growth increasing needs while the environment is being degraded (growing shortages of water, desertification of land and sea). A threat to ecology and food clearly highlighted by the work of the «Blue Plan for the Mediterranean», a UNO programme based at Sophia Antipolis, the consequences of which in terms of social and political instability could be very serious.

Guaranteeing the autonomy in food of these countries and better exploiting the agro-food industry (AFI) potential of the region therefore constitute a major human and political challenges. Nevertheless, certain facts stand out as being relatively encouraging. Firstly, two countries, Turkey and Morocco, are already net exporters, making a large contribution to the positive balance of the region in three segments: fruit and vegetables, bottled or canned goods and meat and fish. Other countries, overall in deficit, make significant surpluses in certain segments, such as Israel for fruit and vegetables and Tunisia for animal foodstuffs.

As for the potential, it is considerable: 23 million hectares (c. 57m. acres) of irrigated arable land in Turkey; a real dynamism in the

agro-food sector in Morocco, which alone represents one third of the country's industrial production and one fifth of its exports. In the other countries, more limited but nevertheless real opportunities exist. One example? The production of dried fruits and vegetables (asparagus, dates), flowers or aromatic plants in Jordan, including certain regions in the West, once suitably irrigated, offer a real agricultural potential. And was not Numidia (the current Tunisia and Eastern Algeria) in olden times nicknamed the «grain store» of the Roman Empire?

A favourable evolution has already been observed over the past 20 or so years. Certain countries like Turkey or to a lesser extent Morocco, give the example with the gradual building of a real agro-food sector. The progressive liberalisation of regulations, the dynamism of the local market, the improvement in the technical and industrial environment explains this progress.

There remain the handicaps, which are: drought, low level agricultural productivity, unbalanced quality of the tools of industrial production, non-standardised products, weakness in the logistics chain and the packaging industry, atomisation of the offer, shortage of financing means, isolation of certain agricultural areas linked to the mediocrity of the infrastructures. So as to face up to these challenges, a policy of modernisation and promotion of the small producers may play an appropriate role by exploiting the traditional products for which a demand exists on the markets in the North: artisanal production of olive oil, cheese, organic farming… but this alone will not suffice. Companies with a real industrial dimension must also be encouraged, and in fact a private local capitalism is starting to appear in countries the likes of Turkey, Israel, Egypt and Morocco, which alone represent almost three quarters of the agro-food production in the region.

The need to call upon foreign investments would however appear equally as necessary. In fact, only the large multinationals have the financial, technical and industrial means large enough to face up to this challenge: feed 320 million people in 20 years. Efforts must therefore be made to attract them.

On this level, the results are so far limited: the top 100 food industry multinationals today only have 160 subsidiaries in the countries south of the Mediterranean, compared with more than 2,000 in Western Europe and 400 in Eastern Europe: modest figures which have furthermore progressed more slowly than in Asia or in the CEEC countries over the past few years.

The assets are, however, equally numerous: the size and the dynamism of the market, the specificities of the local dietary regimes, the availability of an abundant labour force in the rural or peripheral urban areas represent particularly powerful incentives for relocations in the area. Firms such as Sara Lee, Unilever, Pepsico, Procter and Gamble, Nestlé, have already developed active strategies in the region. The privatisation programmes under way or already carried out (Régie marocaine des tabacs, Brasseries du Maroc…), the liberalisation of investment rules, in particular for the acquisition of arable land (Morocco, Turkey), may entice foreign firms, many of which are already present in Morocco, Turkey and Israel.

In this domain, as in others, the competition from other developing regions (Asia and the East European countries notably) is very much alive. So as to improve their attractiveness vis à vis the multinationals, the MEDA countries may be able to orient their action, in co-operation with their partners from the North, around four central themes: the gradual creation of a Euro-Mediterranean trading and co-operation space; the modernisation of the local business environment and the upgrading of the enterprises; an inventory and the exploitation of the local agro-food potential for export and for domestic needs; finally, the implementation of a promotion-prospecting policy based upon the exploitation of the Mediterranean potential in its entirety.

The present study focuses on the activities of food processing, only incidentally touching upon the upstream (agriculture) and downstream (distribution) domains of the sector. After having analysed the overall trends of the world market, and the strategies of the players, a detailed presentation will be made, in a second part, of the problem of the attractiveness of the MEDA countries for these activities, concluding with a certain number of recommendations and proposals for action to improve this situation. Given the close links which exist between the two shores of the Mediterranean, this analysis will be set within the wider context of a large Pan-Euro-Mediterranean region which also incorporates the countries of Eastern and Western Europe (figure 1).

Figure 1. Area taken into account in the study (Europe of 15, new members and candidates from the East, MEDA area countries)

1. Organisation and evolution of the agro-food sector in the world

Once the main features of the agro-food sector have been presented and some indications given of the size and dynamics of the market, an analysis will be made of the current main trends in the commercial, technical, regulatory domains, then the strategies of the firms concerned, especially in terms of internationalisation. At each stage, an attempt will be made to highlight the specific stakes for the countries of the MEDA region.

The structure of the agro-food industry

An approach in terms of value-chain

The agro-food value chain may be defined as the range of activities associated with the processing of agricultural products into food products, as well as all other activities which provide edible goods, with the exclusion of the activities of processing agricultural products into non-food products.

According to this definition, the agro-food value chain covers an extremely vast domain, from farm production to distribution to the final consumer (figure 2). More precisely, it is possible to distinguish the following participants:

- Suppliers of raw materials, of operations or semi-products to be included in the final foodstuff. This is essentially the agricultural sector, which is not to be analysed as such in this study.
- Industrial firms which will process and eventually transform these raw products into edible products. It is they which constitute the agro-food « segment », a central link in the « sector » of the same name, and which is the subject of the present study.
- Transport companies, logistics experts and distributors which convey and sell these products to the final consumer.
- Other connected activities: training centres, equipment, packaging, services to enterprises (logistics, information technology, technical

centres, training, communication), whose part in the inputs of the sector is increasing gradually, even if the raw materials still represent the main items purchased by industrial firms.

Later in this study, it will be seen that the problem for the development of the agro-food sector in the MEDA countries is organically linked to the remainder of the value chain. In particular, the modernisation of the agricultural domain (and, to a lesser extent, of packaging and logistics) which in these countries represent indispensable conditions for the take-off of food processing activities proper.

Figure 2. The agro-food value chain (Source: M. Berchet and D. Coué)

The overall features of the market

According to the estimations of the CIHEAM (2004), the world production of the agro-food industries[1] represented 2,400 billion US dollars in 1998 (figure 3). It is the leading world industry, alone representing one quarter of manufacturing activity, nearly 4 % of GDP of the planet and employing in total 22 million people.

1. Processed food products, excluding direct agricultural products and non-food products deriving from agriculture.

Figure 3. The agro-food industries in the world in 1998. Source: CIHEAM

	Production		Added value		Jobs	
	G US $	%	G US $	%	Millions	%
North America	584	24,5%	251	29,7%	1,82	8%
Latin America	168	7%	67	7,9%	1,78	7,8%
Europe	982	41,2%	313	37%	7,04	30,8%
Asia	564	23,7%	187	22,1%	10,9	47,7%
Africa	46	1,9%	14	1,7%	1,07	4,7%
Oceania	39	1,6%	14	1,7%	0,24	1,1%
World Total	2383	100%	846	100%	22,84	100%
Mediterranean	328	13,8%	84	9,9%	1,81	7,9%
MEDA	41,3	1,7%	9,8	1,2%	0,67	2,9%

Its activities may be segmented into a dozen products (figure 4) :

Figure 4. A segmentation of the AFI market

Industry	Content
Meat industry	Meat for butchery, poultry, meat-based products
Fish industry	Conservation, freezing, deep-freezing, drying, smoking, storage, preparation of products (cooked fish, filleting, caviar…), ready-prepared dishes
Fruit and veg. industry	Processing and conservation of potatoes, vegetables, fruit, fruit juice.
Dairy industry	Milk (fresh, pasteurised, UHT…) and fresh products (cream, yoghourts, cream desserts). Butter, cheese, other milk products (dried milk, concentrated milk, lactose, lactoserum, casein, ice creams and sorbets)
Cereals industry	Milling, semolina, blanched or processed rice, puffed, grilled cereals, etc. Starch-based products (starches, feculent, glucose syrup, tapioca…).
Beverage industry	Natural brandy, spirits, fermented alcohols, champagnisation, vinification, cider-making, malt production, table waters (spring and mineral), alcohol free refreshing drinks (sodas, colas, tonics, fruit syrups)
Animal foods	Foods for farm animals and pets
The fats industry	Raw vegetable and animal oils and fats (sunflower, rape, olive, oilseeds, oilcake…). Refined oils and fats. Margarine and products for spreading
Other AFIs	Fresh bakery and pastries, biscuits, long life pastries, sugar industry, chocolate, confectionery, pasta, transformation of tea and coffee; condiments and seasoning (vinegar, sauces, mustard, mayonnaise, packed spices, ketchup..) food adapted for children (homogenised preparations, milk for babies,…) dietary and slimming products …

The European markets

The developed countries alone represent more than 70 % of the market and world production. However, the growth in demand is slow, with consumers increasingly aware of the questions of diet, food safety and health and an increasing demand for personalised products with higher added value.

Demand in the European Union may be evaluated (including new member countries from Eastern Europe) at around 800 billion euros in 2002, for 450 million consumers. At that time, the households in the European Union spent around 13 % of their income on food products and beverages, a percentage dropping gradually and correlated negatively with the level of per capita income. Between 1990 and 2002, this part has in fact passed from 16. 1% to 14% in France, from 12. 4% to 9. 7% in the United Kingdom…

With the increase in size, two types of markets coexist in Europe: 1) in the countries of the ex-EU-15, mature markets with low growth, evolving towards a demand for products with higher added value (prepared dishes, health foods, frozen foods, refreshing drinks; 2) in the 10 new member States, markets in the process of « catching up », with very strong growth, where the households devote an average of 22% of their expenses on food against 12% in the countries of the EU-15. Four industries (other AFIs, meat, drinks and dairy industry) alone represent nearly 80 % of the total production of the AFIs of the European Union (figure 5).

Figure 5. Spread of the activity of the AFIs in the European Union by product (EU of 15, 2000). Source: Eurostat, SBS

Industry	Production (%)	Added value (%)
Meat	20%	17%
Fish	2%	2%
Fruits and vegetables	6%	6%
Dairy industry	15%	10%
Cereal industry	4%	3%
Beverage industry	16%	19%
Animal foods	6%	4%
Oilseeds	4%	2%
Other AFIs	27%	37%

The markets of the MEDA countries

Demand is, however, growing much more rapidly in developing countries under the joint effect of demographic growth and the progression of per capita income. This is particularly the case in the MEDA countries.

Representing a total population of 237. 1 million inhabitants, the MEDA countries offer a wide market which is developing rapidly. According to the estimations of the CIHEAM, demand for food products in the region may practically double between 2000 and 2015 (Figure 6), passing from around 250 billion dollars in 2000 to nearly 500 billion in 2015.

On the contrary to the European case, the major part of food consumption in the MEDA countries is linked to the purchase of non-processed agricultural products. The market of agro-food products proper therefore only represents today a fraction of the previous total, that is around 50 billion dollars. However, the evolution of habits of consumption, with a diminishing share of basic products or staple foods (milk, bread, vegetables, cereals) and an increasing demand for more processed or manufactured products (canned goods, ready-prepared dishes…)[2] offers particularly favourable perspectives of development for the agro-food markets in the region.

The situations are, however, very variable depending on the case, the MEDA countries being classifiable into three groups with very different perspectives (cf. also figure 6):

The first group, made up of the rich countries (Israel,…) can be characterised by the stagnation of demand in volume and in value as a result of the slow demographic progression and a gradual decline of the share of food expenses in household budgets.

The second group brings together the intermediate countries or those in transition towards a market economy (Lebanon, Malta, plus Libya) that is 12 million people whose GDP per capita is to be found

2. This reflects the wider socio-economic evolution: urbanisation, development of work for women, rise in the urban middle classes…

between 3,000 and 10,000 $/p. a. These countries are experiencing strong growth in their agro-food markets, with food continuing to represent one of the basic priorities of the population. According to the estimations of the CIHEAM, the agro-food markets should double in 15 years in these countries.

The third group brings together the majority of the countries of the region, characterised by a still relatively low per capita income and strong demographic growth (Algeria, Egypt, Jordan, Morocco, Syria, Tunisia and Turkey, that is more than 200 million inhabitants with less than 3,000 $ GDP per capita per annum). During the years to come they will feature very steady growth in food needs (plus than doubling between now and 2015), which the existing agricultural and industrial structures will have difficulty in contending with (the case of Turkey and Morocco excepted).

Figure 6[3]: Evolution of demand for food in the Mediterranean (source: CIHEAM)

Group of countries	Population in % of the area		Food expenses in % of the area		Evolution of food demand
	2000	2015	2000	2015	2000-2015
Low income (≤ 3000 US $ per capita)	53%	59%	27%	35%	+98 %
Average income (from 3000 to 10000 US$)	3%	3%	2%	2%	+92 %
High income (≥ à 10000 US$)	44%	39%	71%	62%	+ 35 %
Total Mediterranean Market (17 cos.)	416 millions	478 millions	794 GUS$	1215 GUS$	+ 53 %

Increasingly demanding regulations

The formation and the extension of the European Union has translated into a movement for regulatory harmonisation by the formation of an integrated market of food products in Europe. This movement has been accompanied by a reinforcement of standards

3. This figure includes data concerning the countries to the north of the Mediterranean (Spain, Italy, France, Greece), the essential part of the countries referred to as « high income ». The MEDA countries, with the exception of Israel, are classified as countries with average and low income.

in terms of the of product quality, food safety and environmental and consumer protection. The main current developments concern more especially the composition of products, hygiene, safety and the environmental compliance of the industrial installations and the distribution networks, guarantees concerning conservation, hygiene and freshness of products, procedures for marketing authorisation, traceability of products, rules concerning consumer information (labelling, advertising), control and authorisation procedures and eventual sanctions. The logic of the association agreements with the MEDA countries is to extend this movement towards the countries of the Mediterranean area. However, this movement is still only in its infancy and the MEDA countries remain characterised both by, more or less marked, residual barriers to international trade depending on the country, as well as by overall less demanding and certainly less well applied regulations in the field of safety, environmental protection and food quality. However, the enterprises turned towards exporting, which should necessarily respect the standards in force in European countries, play a driving role in the modernisation of local industries. The generalisation of these practices represents a considerable challenge for local enterprises, particularly the SMEs which should accelerate their modernisation programmes if they wish to face up to the foreign competition on their markets and develop their exports towards developed countries, especially the European Union.

Technological evolution and innovation

The agro-food industry is currently exposed to an important wave of innovations which concern particularly the following points:

- « Product » innovation: the development of enriched or improved foods insofar as their dietary or health features are concerned (health foods); new types of conditioning or packaging; research into new tastes and/or return towards authenticity: improvement in the practicality of products (ready-prepared dishes...);

- « Process » innovation: implementation of processes which respect the new environmental or safety standards, automation, improvement of the logistics chain…

This effort involves a significant reinforcement of the R&D expenditure element of physical investments. As a result of this phenomenon, the AFIs gradually lose their status of an industry light in labour and approach those activities which are more intensive in knowledge, capital and skilled labour. This evolution may represent a sizeable challenge for the MEDA country industries, often originating from almost craft sectors, employing a still scarcely trained labour force and where the research and innovation culture is hardly present.

The offer and strategies of the players

Overall description on a world level

The concentration of the world agro-food industry is only average as compared to other sectors. Indeed, very large diversified and/or integrated multinationals (figure 7) cohabit with very large numbers of SMEs specialising in niche products and/or products aimed at the local market.

Figure 7. The large AFI enterprises in the world (source: CAFI)

Name	Sales in billions of euros	Numbers of employees ('000s)	Main production
Nestlé	54. 5	253	Multi-products
Kraft Foods Inc.	27. 7	109	Dairy products, snacks
Archer Daniels Midland	27. 5	26	Cereal products
Unilever	26. 2	234	Multi-products
Pepsico	24. 1	61	Beverages
Cargrill	N. A	98	Multi-products
Tyson Foods	21. 8	N. A	Meat
Coca Cola Company	17. 9	38	Beverages
ConAgra Foods	17. 7	63	Meat
Anheuser Busch	14. 6	23	Beverages

The strategies implemented by the large companies from the developed countries to face up to these challenges are oriented around the following axes (see also Annex 2):

The enterprises are confronted with a very rapid evolution in their competitive context: the opening of national markets to foreign competition and investments, displacement of the demand towards emerging countries, the need to introduce strategies of differentiation on the saturated markets of the developed countries, a concomitant increase in the R&D and marketing budgets, a concentration of the distribution and the aggressive strategies of the distributors attempting to modify to their advantage share of margins, growing regulatory constraints, the appearance of new competitors from the emerging countries where they benefit from domestic markets which are still more or less protected (China, for example).

- Internationalisation with particular emphasis on rapid growth markets in the emerging countries (greenfields, acquisitions, partnerships).
- Positioning on new and/or high added value products in the developed countries and high growth, fast moving consumer goods on the emerging markets.
- Search for market growth through the acquisition of competitor and/or complementary companies in key segments, which implies a concentration movement. Simultaneously, the firms may hive off segments considered as non-strategic and develop sub-contracting in the framework of externalisation strategies which aim at a recentering of activities around core professions.
- Creation of global brands so as to increase consumer loyalty, while adapting to the specificities of local demand.
- Rationalisation of activities on mature markets; internal restructuring, research into improved productivity, externalisation, etc.

The European offer

Europe benefits from a strong agricultural base, a regulatory environment and a very demanding and competitive domestic market, a high quality technical and logistics environment and a long industrial tradition in the agro-food domain. It is the leading world exporter and the main centre of international trade.

The annual turnover of the AFIs in the European Union amounted to around 800 billion euros in 2003, an average annual progression of 2.5 % over the past 5 years. This activity constitutes the number one industrial sector of the continent, with 13. 6 % of industrial turnover (EU-15) in 2002 according to the CAFI. It employed at this date 4. 1 million people, 61% of whom in small and medium sized enterprises. Despite this SME domination, the multinationals of European origin take their place among the main world group (figure 8). As will seen below, they also represent the main foreign investors in the MEDA countries.

Figure 8. The main European enterprises (source: CIAA)

Name	Sales in billions of euros	Numbers of employees ('000s)	Main production
Nestlé	54. 5	253	Multi-products
Unilever	26. 2	234	Multi-products
Diageo	13. 7	32	Alcoholic beverages
Danone	13. 1	89	Multi-products
Cadbury Schweppes	9. 4	N. A	Beverages, snacks
Heineken	9. 3	61	Beer
Parmalat	7. 6	NA	Beverages, others
Scottish& Newcastle	7. 3	16	Alcoholic beverages
Associated British Foods	7. 1	35	Sugar
InBev	7	38	Beer

Four countries - France, Germany, United Kingdom and Spain alone account for more than 80% of the added value created. In France, for example, agro-foods represent the leading national industry in turnover terms and the number two spot in employment terms.

2. The agro-food industry in the MEDA region

The AFIs constitute one of the most prominent industrial sectors in the Mediterranean region, representing, depending on the country, from 3 % to 4 % of the GDP. There are, however handicapped by a large number of weaknesses: the narrowness of the agricultural base (drought, low productivity, insufficient investment effort), slow pace of modernisation of the processing sector, dependence on outside agencies in terms of equipment and packaging, breakdowns in the logistics systems… This situation results in a trade deficit which is particularly worrying as the gradual liberalisation of external trade (especially with Europe) is likely in the years to come to expose the local industrial and agricultural producers to a growing competition which they are not all together ready to face.

The national situations are nevertheless very varied. Firstly by the size of the activities concerned, since four countries (Turkey, Israel, Egypt, Morocco) alone represent 75 % of the MEDA region's agro-food production[4]. Secondly, by the degree of modernisation and competitiveness, since alongside countries which have already started to develop a real industrial sector and hence take advantage of the opportunities offered by the European market, such as Turkey, and to a lesser extent Morocco, we find countries which are much less advanced in the modernisation process.

As for the flow of foreign investments, they are still limited, with blockages linked mainly to deficiencies in the business environment, the narrowness of the local industrial base and the fragmentation of the markets, and problems of land. So as to increase their attractiveness, the MEDA countries do, however, possess a certain number of assets (dynamic domestic market, export potential of certain segments) which may be better exploited.

4. Processed products for use as food, as opposed to raw agricultural products.

Limited industrial development, external trade in deficit

Limited industrial development

General background information

The AFI sector (excluding agriculture) represented a turnover of around 41 billion euros in the MEDA countries in 2001, that is less than 2 % of the world total.

It is nevertheless an important sector of activity for each of these countries – often the leading industrial sector, as in Morocco – employing overall nearly 700,000 people (figure 8). Four countries (Turkey, Israel, Egypt, Morocco) represent three quarters of the regional production.

The sector has shown a relative dynamism over recent years, fed by the rapid growth of the domestic market and by the progression of exports destined particularly for Western Europe consecutive to the opening of these markets in the context of association agreements.

Figure 8. The agro-food industries the Mediterranean countries in 2001 (Source: CIHEAM)

	Production		Added value		Employment	
	G US $	%	G US $	%	'000s	%
Turkey	13	31.4%	3.4	34.7%	136	20.4%
Israel	7	16.9%	1.8	18.4%	50	7.5%
Egypt	6	14.5%	1.2	12.2%	200	29.9%
Morocco	4.6	11.1%	0.95	9.7%	92	13.8%
Tunisia	3.1	7.5%	0.5	5.1%	34	5.1%
Algeria	3	7.3%	0.8	8.2%	90	13.5%
Syria	1.8	4.4%	0.4	4.1%	24	3.6%
Lebanon	1.5	3.6%	0.35	3.6%	15	2.2%
Cyprus	0.55	1.3%	0.2	2%	8	1.2%
Jordan	0.55	1.3%	0.12	1.2%	16	2.4%
Malta	0.24	0.6%	0.07	0.7%	3	0.4%
Total	41.3	100%	9.8	100.0%	668	100.0%

Source, CIHEAM, 2004.

The size of the AFI sector (3 % to 4 % of GDP depending on country) nevertheless remains well below that of the agricultural sector (between 12 % and 15 % of GDP depending on the country with the exception of Israel, cf. figure 9).

Figure 9. Agriculture in the MEDA countries in 2001
(Sources CIHEAM and DREE)

Country	% GDP	% Jobs
Algeria	10.2%	24%
Cyprus	4.7%	7.0%
Egypt	16.6%	33%
Israel	1.6%	2.8%
Jordan	4.0 %	20.0%
Lebanon	11.9%	3.0%
Malta	2.2%	1%
Morocco	13.8%	35%
Palestine	ND	ND
Syria	31% (2003)	35 (2003) %
Tunisia	12.7%	24%
Turkey	13.5%	45 %

Source, CIHEAM, 2004.

Considered, just as is agriculture, as a strategic activity for the national economy, the AFI sector has for a long while been the subject of very marked public intervention: customs protection, subsidies, existence of a large important public sector. However, the adherence of the majority of the countries of the region to agreements with the WTO, the signature of association agreements with the European Union have resulted in recent years in a liberalisation movement and an opening up to trade: the gradual dismantling of customs protection and subsidies for local production, increased opening up to investments, privatisations… the movement does, however, remain incomplete: particularly clear in the two countries whose agro-food sector is the most dynamic (Turkey and Morocco), it remains much more limited in others, such as Syria or Egypt (cf. infra, national monographs).

Figure 10. Measure of the backwardness of MEDA countries vis à vis Europe

A CIHEAM (2004) study provides a comparison between the performances of the agro-food industries of the MEDA countries and those of Southern Europe from a synthetic index of performance which integrates the productivity of the work, the rate of added value, the productive capacity and the growth in added value[5] (figure 11).

There is a large difference between the MEDA countries and the developed Mediterranean countries: 3 to 1 on average. The only MEDA country which produces performances better than the average of the Northern countries is Israel. These differences are essentially attributable to work productivity which for example varies from 1 to 10 between Egypt and Italy. Among the explanatory factors for these differences, can be mentioned: the outdated industrial tool, the hardly evolved processes, the low level qualifications of the labour force, the absence of the associated sectors (agriculture, equipment maintenance, packaging industry, research and training, logistics, etc.).

Figure 11. The performances of the AFIs in the Mediterranean countries (source: CIHEAM)

Rank	Country	Work productivity Y/W	Rate of added value AV/Y	Productive capacity (Y/pop.)	Dynamism (95-98 change in the rate of AV	Score
1	France	267	28	2026	-1	5. 1
2	Italy	333	22	1564	3	4. 7
	EU Med.	250	26	1616	-26	4. 4
3	Spain	210	28	1528	37	4. 2
4	Israel	140	26	1159	11	3. 2
	All. Med	181	26	793	-23	3
5	Cyprus	69	36	702	11	2. 7
6	Greece	122	30	566	1	2. 6
7	Portugal	109	16	948	-10	2. 4
8	Malta	80	29	615	8	2. 4
9	Lebanon	100	23	429	5	2
10	Turkey	96	26	195	-14	1. 8
11	Tunisia	91	16	328	-8	1 5
	MEDA	62	24	175	-7	1. 5
12	Syria	75	22	111	11	1. 4
13	Algeria	33	27	99	-15	1. 4
14	Morocco	50	21	154	5	1. 3
15	Jordan	34	22	112	16	1. 2
16	Egypt	30	20	88	3	1. 1

Y: production – W: work – AV: added value

5. Each indicator is compared with the average of the Mediterranean countries. The index is built from the sum of the ratios obtained.

The sector is characterised in the majority of the MEDA countries by a very marked dual structure, with on the one hand a very large number of small-sized enterprises, with a very traditional mode of operation and selling on the local market and on the other hand, some big companies which are either publicly-owned groups (often in the process of privatisation, cf. infra), or private enterprises frequently deriving from these privatisations, with at the same time a still limited presence of subsidiaries of multinational companies (cf. infra). It may, however, be observed that in certain countries there is the beginning of a concentration of the offer around national champions such as the Poulina group in Tunisia.

Strengths and weaknesses, opportunities and threats

The AFI sector suffers in the MEDA countries from a wide range of handicaps both internal and those linked to its technical and industrial environment:

- Among the internal handicaps, can be cited: the still very artisanal character of certain activities (atomisation of the offer, out of date equipment…); weak competitiveness of the public capital enterprises, sometimes still protected by monopoly situations; the overall weakness of the investment and research effort which results in the slow modernisation of the sector; an insufficiently trained labour force; problems of quality and product standardisation as well as the frequent absence of European certification, preventing exports to countries of the Union.

- The AFIs moreover suffer from weaknesses affecting the connected sectors: poor development of the sectors of packaging and industrial equipment; deficiency in the logistics chain resulting in high costs, delays and loss of products; but above all, weaknesses in the agricultural sector, linked to the fragmentation of the operating units, the out of date equipment, the low labour productivity and of course unfavourable climatic conditions. Cereal production, sugar production, and even the production of red meat, in particular, remain well below local needs. For example, Egypt only provides 70 % of its cereal needs, 87 % of its needs in milk, 93 % of its needs in meat, 78 % of its needs in sugar. This situation compromises the development of a local food processing industry.

- Finally, the general business environment is at times hardly favourable. As an example, the absence of an integrated market in the countries south of the Mediterranean represents a handicap for the development of local manufacturers who find it difficult to widen their outlets beyond the national market alone or neighbouring countries. This situation is also unfavourable to the development of foreign investments, discouraged by the fragmentation of the MEDA markets[6].

These handicaps are especially worrying as the gradual opening up of the agricultural and food markets of the MEDA countries runs the risk of exposing the food enterprises to foreign competition (and agricultural operations) which are often badly prepared.

A modernisation movement of the sector may, however, be observed especially on the following points:

- Institutional reforms (liberalisation of the markets, privatisations). Morocco has in recent years carried out large privatisations (tobacco, beverages…) and is in the process of liberalising certain markets, such as that of sugar. The sheer size of the process is, however, variable depending on the country. Thus, in Algeria, Egypt, Jordan, Syria and in Turkey public capital, often in the majority, remains present in certain agro-food industry complexes in the sugar, oil and tobacco sectors[7]. The main privatisations currently underway concern Algerian industry, followed by Turkey (meat, salt, tobacco, sugar) and Tunisia (milk) (see the ANIMA study « the programmes in the MEDA countries », www. privatisation animaweb. org/study. php).

- The appearance of large size private enterprises, often (but not always) deriving from the takeover of public assets: Cevital in Algeria,

6. The maintenance of administered and/or subsidised pricing systems for certain products also harms the efficacious operation of the markets. Elsewhere, the Common Agricultural Policy has negative consequences on the development of local agriculture by restraining its possibilities of exporting and by exposing the local producers to the competition of subsidised community products.

7. There is a debate on the desirable rhythm liberalisation and the commercial opening up of the MEDA countries. According to certain experts, too rapid a reform risks having very negative economic and social consequences, by causing the brutal disappearance of a very large number of farm holdings and small industrial enterprises incapable of facing up to foreign competition (Lipchitz, 2004).

Poulina in Tunisia, the ONA group in Morocco, Lakah, Orascom and Ghabbour in Egypt, Koç Holding and Sabanci Holding in Turkey. These groups are generally highly diversified (metallurgy industry, construction, services) and accompany the emergence of the agro-food products by investing in specialist subsidiaries. They above all often intervene with foreign partners who are leaders on their own markets and who provide the technical and marketing competence. This type of partnership is for example frequent in the ultra-fresh milk, bottled water (Danone or Nestlé) or even non-alcoholic beverage industries (Coca Cola).

• The growing, but still limited, presence of multinationals (direct installations or partnerships). The 100 major multinational agrofood companies had 160 subsidiaries in the region in 2003 (Tozanli, 2004).

• A modernisation effort by the local SMEs, often encouraged by public programmes publics (Tunisia, Morocco..): modernisation of equipment, training of personnel, improvement in product quality, obtaining of European certification…

Sectors of activity

The relatively better developed sectors are those of fruits and vegetables, olive oil and canned goods, which present an overall positive external trade balance (cf. infra). On the contrary, those activities linked to the processing of cereals, sugar, the production of fat products (apart from olive oil) as well as the production of red meat are not in a position to satisfy the needs of the MEDA market, with a consequent trade deficit for these products.

An external trade deficit

Overall analysis

Since 1960 there has been sustained growth in international trade in agro-food products, linked to the liberalisation of trade, the progression of the markets, the specialisation of national sectors. This progression, has, however, been slightly less rapid than that of the trade in goods as a whole.

The main flows concern cereals, meat, sugar and dairy products. In 2002, the trade in agro-food products amounted to 468 billion dollars, that is 7.2 % of total trade in goods. The European Union constitutes the main exporter, with more than 40 % of total exports[8], followed by the United States (11 %) (figure 12).

In this context, the external trade of the MEDA countries has been characterised over the past 30 years both by a sustained progression and by a growing trade deficit. The amount of imports has multiplied by more than 10 times between 1970 and 2003, against only by 5 for exports (figure 13).

Figure 12. The main exporting countries of agro-food products in 2002 (Source: OMC)

Exports			Imports		
Country	G US $	%	Country	G US $	%
United States	53.1	11.3%	Intra EU	140.4	30%
Extra-EU	52.5	11.2%	Extra-EU	63.2	13.5%
Intra EU	140.4	30%	U. S.	55.2	11.8%
Canada	18.7	4%	Japan	44.7	9.6%
Brazil	16.6	3.5%	Canada	13.3	2.8%
China	16.2	3.5%	Mexico	10.3	2.2%
Australia	13.3	2.8%	China	9.9	2.1%
Argentina	11.7	2.5%	Korea	8.9	1.9%
Thailand	10	2.1%	Brazil	3.4	0.7%
Mexico	8	1.7%	Australia	3.3	0.7%
India	6.5	1.4%	India	3.3	0.7%
Others	121	25.9%	Others	112.1	24%
World	468	100%	World	468	100%
MEDA	9.1	1.9%	MEDA	17.6	3.8%

Figure 13. Evolution of external trade of MEDA countries between 1970 and 2003 (GUS $). Source: Chelem base

	1970	1975	1980	1985	1990	1995	2000	2001	2002	2003
Exports	2. 2	3. 3	5. 6	5. 6	7. 8	10. 3	8. 8	9. 3	9. 3	11. 7
Imports	1. 5	5. 7	10. 2	10. 3	13. 5	19. 2	17. 4	16. 4	18. 0	20. 1

8. Including trade internal to the Union, which represents 30 % of world trade.

Balance	0. 7	-2. 4	-4. 6	-4. 7	-5. 7	-8. 9	-8. 6	-7. 1	-8. 7	-8. 4

The share of food products in the external trade of the MEDA countries has a tendency to retract, as much as concerns exports (from 13.8 % in 1980 to 8.0 % in 2003), as imports (from 17.7 % in 1980 to 10.5 % in 2003) (figure 14).

Figure 14. Agro-food products in external trade of the MEDA countries (Source: Chelem base)

(Billions of dollars)	1980	1990	2003
Total exports	40.7	61.5	146.9
Agro-food exports	5.6	7.8	11.7
%	13.8%	12.7%	8.0%
Total imports	57.1	87.5	191.6
Agro-food imports	10.1	13.5	20.1
%	17.7%	15.4	10.5%

With around 4 % of world imports and 2 % of world exports, these countries only occupy a modest place in international commerce (figure 12).

The geographical orientation of commercial flows

Europe is the leading trading partner of the MEDA countries in terms of exports (figure 16). Imports from the MEDA countries are more diversified, with a large presence of the « other regions » (figure 15).

Certain countries such as Egypt, Turkey and Israel also import large quantities of products from the United States. Finally, attention should be paid to the low level of intra-zone trade.

Figure 15: Imports from the MEDA countries by region in 2003 (Source: Chelem base)

(%)	USA	EU	MEDA	Other	Total
Turkey	20.9%	28.1%	3.8%	47.2%	100%
Israel	21.6%	41.3%	5.3%	31.7%	100%
Malta. Cyprus	3.2%	73.5%	5.7%	17.6%	100%
Algeria	7.0%	42.7%	4.6%	45.7%	100%

Morocco	8.8%	40.3%	3.1%	47.8%	100%
Tunisia	8.6%	43.5%	5.5%	42.5%	100%
Egypt	28.6%	19.6%	3.5%	48.3%	100%
Middle East ex. OPEC	10.2%	30.2%	8.1%	51.5%	100%
MEDA	15.6%	35.0%	4.9%	44.5%	100%

Figure 16. Exports from the MEDA countries by region in 2003 (Source: Chelem base)

(%)	USA	EU	MEDA	Other	Total
Turkey	5.8%	44.4%	6.2%	43.7%	100%
Israel	12.7%	64.3%	1.8%	21.2%	100%
Malta. Cyprus	1.2%	48.5%	20.1%	30.2%	100%
Algeria	0.6%	70.8%	9.0%	19.6%	100%
Morocco	3.7%	69.6%	2.9%	23.7%	100%
Tunisia	0.9%	53.9%	3.4%	41.8%	100%
Egypt	4.0%	32.8%	16.9%	46.2%	100%
Middle East ex. OPEC	4.6%	26.3%	33.8%	35.4%	100%
MEDA	5.5%	49.8%	8.5%	36.2%	100%

National specificities

Two countries – Turkey and Morocco – alone account for nearly two thirds of the region's exports (figure 17), with the agro-food sector alone accounting for a high percentage of their total exports (figure 19).

Figure 17. Evolution of exports per country (MUS$). Source: Chelem base

Exporter	1970	1980	1990	2003	% MEDA in 2003
Turkey	487. 6	1872. 1	3202. 5	5216. 4	44,4%
Israel	198. 7	863. 7	1321. 7	1254. 1	10,7%
Cyprus, Malta	58. 3	215. 7	273	332. 4	2,8%
Algeria	226. 9	128	100. 1	66. 8	0,6%
Morocco	308. 1	871	1448	2341. 6	19,9%
Tunisia	62. 4	276. 7	389	574. 6	4,9%
Egypt	538. 4	688	536. 5	1034	8,8%
ME non OPEC	304. 8	722. 8	508. 1	923. 8	7,9%
Total	2185. 2	5638	7778. 9	11743. 7	100,0%

Figure 18. Evolution of imports per country (MUS$). Source: Chelem base

	1970	1980	1990	2003	% MEDA in 2003
Turkey	84	315. 3	2161. 8	4007. 3	19,9%
Israel	207. 8	812. 9	1157. 7	1969. 2	9,8%
Cyprus, Malta	97	549. 2	913. 5	1219. 6	6,1%
Algeria	188. 9	2141. 2	24479	2891. 7	14,4%
Morocco	164. 9	930. 1	891. 1	1734. 1	8,6%
Tunisia	87. 1	572. 1	631. 4	985. 9	4,9%
Egypt	309. 4	2698. 8	2995. 7	3501. 3	17,4%
ME non OPEC	326. 9	2136. 6	2342. 2	3813. 7	19,0%
Total	1466	10156. 2	13541. 3	20122. 8	100,0%

Four countries or regions – Egypt, Middle-East ex. OPEC, Turkey and Algeria – alone absorb 70 % of the region's imports (figure 18). The weight of agro-food imports in trade is particularly high for Egypt, the Middle East, OPEC and Algeria (figure 20).

Figure 19. Share of agro-food products in the exports of MEDA countries in 2003 (Source: Chelem base)

Country	Share agro-food in the total
Turkey	11.3%
Israel	4.0%
Cyprus. Malta	9.2%
Algeria	0.3%
Morocco	24.3%
Tunisia	6.8%
Egypt	12.5%
Middle East ex. OPEC	6.7%
Total	8.0%
World	8.8%
MEDA/World	1.9%

In total, only two countries (Morocco and Turkey) possessed a surplus balance in 2002.

The others are in deficit, with a particularly strong dependence for Algeria (low level of exports), Egypt, the Syria/Lebanon/Jordan group, and, relative to the size of the country for Cyprus and Malta (figure 21).

Figure 20. Share of agro-food products in MEDA country imports in 2003 (Source: Chelem base)

Country	Share of agro-food in the total
Turkey	6.2%
Israel	6.5%
Others in S. Europe	6.6%
Algeria	21.0%
Morocco	12.4%
Tunisia	9.7%
Egypt	20.3%
Middle East non OPEC	16.6%
Total	10.5%
World	8.8%
MEDA/world	3.2%

Figure 21. Trade balance of the MEDA in 2002 (MUS$). Source: Chelem base

Country	1970	1980	1990	2003
Turkey	403. 6	1556. 8	1040. 7	1209. 1
Israel	-9. 1	50. 8	164	-715. 1
Cyprus, Malta	-38. 7	-333. 5	-640. 5	-887. 2
Algeria	38	-2013. 2	-2347. 8	-2824. 9
Morocco	143. 2	-59. 1	556. 9	607. 5
Tunisia	-24. 7	-295. 4	-242. 4	-411. 3
Egypt	229	-2010. 8	-2459. 2	-2467. 3
ME non OPEC	-22. 1	-1413. 8	-1834. 1	-2889. 9
Total	719. 2	-4518. 2	-5762. 4	-8379. 1

A historical analysis (figure 21) shows the gradual worsening of the Algerian, Egyptian and Machrek countries' deficits, linked to a rapid progression in imports which contrasts with the poor dynamism (and even regression in absolute values in the case of Algeria) of exports. Turkey and Morocco, already in surplus at the beginning of the period, have subsequently maintained their positions thanks to a balanced flow of imports and exports.

Analysis by products

An analysis by product shows strong overall surpluses on categories 2 and 8 (Turkey and Morocco especially, despite a large deficit from the Machrek and Algeria).

Figure 22. Imports per product and country in 2003 (MUS$)[9]*.*
Source: Chelem base

Importer	1	2	3	4	5	6	7	8	9	10	11	12
Turkey	580. 9	788. 3	1551	23. 6	463. 1	42. 2	2. 2	171. 2	86. 8	173. 6	39. 5	85
Israel	319. 8	327. 6	193. 6	95. 8	79. 2	196	31. 4	248. 5	226. 6	60. 4	115	75.
Cyprus, Malta	92. 2	99. 4	69	86. 7	128. 7	106,5	61. 6	164. 3	77. 5	67. 6	174	92
Algeria	922. 5	410. 1	230. 4	17. 3	708. 2	102,2	10. 1	148. 3	219. 5	99. 5	22. 2	1 5
Morocco	483. 3	303. 4	320. 7	17. 6	272. 5	63. 6	12. 6	39. 6	130. 9	47. 3	34	8. 3
Tunisia	301. 1	94. 3	158. 5	5. 1	185. 2	27. 9	2. 4	29. 9	85. 3	69	14	13. 3
Egypt	1260. 7	497. 2	444. 6	18. 4	477. 9	202. 4	43. 8	57. 5	134. 1	274. 9	17. 7	72. 2
ME non OPEC	649. 9	672. 5	311. 5	106. 7	622. 4	224. 2	99. 1	238. 4	459. 6	149. 8	96. 1	183. 5
Total MEDA	4610. 4	3192. 8	3279. 3	371. 2	2937. 2	965	263. 2	1097. 7	1420. 3	942. 1	513	530. 6

Categories 4, 6, 7 and 11 are balanced overall, with the Turkish and Moroccan surpluses being counterbalanced by the deficits observed for other countries. Categories 1 and 5, and to a lesser extent 9 and 10 and 12, do however show large overall deficits, which can be put down especially to Algeria, Egypt and the Machrek. Category 3 is also rather much in deficit as a result of Turkey (figures 22 to 25).

Figure 23. Exports by country and product in 2003(MUS$).
Source: Chelem Base

Exporter	1	2	3	4	5	6	7	8	9	10	11	12
Turkey	60. 4	2271. 1	483. 4	335. 8	357. 8	146. 2	45. 2	8. 2	409. 1	15. 2	145. 9	74. 4
Israel	0. 1	487. 1	290. 3	29. 9	12. 2	21. 9	23. 5	232. 5	60. 8	2. 3	93. 1	0. 3
Cyprus, Malta	2. 6	146. 4	10. 1	5. 3	33. 4	28	1. 4	43. 5	2. 7	3. 4	28	27. 6
Algeria	0	20. 4	6. 7	0. 4	8. 6	14. 5	0. 4	0. 5	7. 9	0. 1	7. 3	0
Morocco	0. 1	853. 8	102. 3	32. 5	62. 1	657	370. 7	205. 9	6. 8	23. 3	27	0. 2
Tunisia	10. 7	104. 5	20. 7	39. 2	158. 8	117. 2	2. 8	29. 3	11. 9	27	30. 6	22
Egypt	140. 4	336. 1	355. 1	9. 7	24. 9	8. 2	0. 9	72. 9	47. 6	14. 7	20. 9	2. 5
ME non OPEC	170. 1	162. 9	348. 7	5. 2	76. 9	75. 5	7	35. 3	10. 6	14. 9	16	0. 7
Total MEDA	384. 4	4382. 3	1617. 3	458	734. 7	1068. 5	451. 9	1491. 9	557. 4	100. 9	368. 8	127. 7

9. Nomenclature: 1: Cereals; 2: Other agricultural products; 3: Non-edible agricultural products; 4: Cereal products; 5: Fats; 6: Meat and fish; 7: Animal conserves; 8: Vegetable conserves; 9: Sugar; 10: Animal foods; 11: Beverages; 12: Manufactured tobacco products.

Figure 24. Trade balance by country and product in 2003 (MUS$). Source: Chelem Base

Country	1	2	3	4	5	6	7	8	9	10	11	12
Turkey	-520. 5	1482. 8	-1067. 6	312. 2	-105. 3	104	43	700. 8	322. 3	-158. 4	106. 4	-10. 4
Israel	-319. 7	159. 5	96. 7	-65. 9	-67	-174. 1	-7. 9	-16	-165. 8	-58. 1	-22	-74. 8
Cyprus, Malta	-89. 6	47	-58. 9	-81. 4	-95. 3	-78. 5	-60. 2	-120. 8	-74. 8	-64. 2	-146. 3	-64. 3
Algeria	-922.. 5	-389. 7	-223. 7	-16. 9	-699. 6	-87. 7	-9. 7	-147. 8	-211. 6	-99. 4	-14. 9	-1. 5
Morocco	-483. 2	550. 4	-218. 4	14. 9	-210. 4	593. 4	358. 1	166. 3	-124. 1	-24	-7. 3	-8. 1
Tunisia	-290. 4	10. 2	-137. 8	34. 1	-26. 4	89. 3	0. 4	-0. 6	-73. 4	-42	16. 6	8. 7
Egypt	-1120. 3	-161. 1	-89. 5	-8. 7	-453	-194. 2	-42. 9	15. 4	-86. 5	-260. 2	3. 2	-69. 7
ME non OPEC	-479. 8	-509. 6	37. 2	-101. 5	-545. 5	-148. 7	-92. 1	-203. 1	-449	-134. 9	-80. 1	-182. 8
Total MEDA	-4226	1189. 5	-1662	86. 8	-2202. 5	103. 5	188. 7	394. 2	-862. 9	-841. 2	-144. 4	-402. 9

Figure 25. Strengths and weaknesses in external trade by country

Country	Strengths	Weaknesses
Algeria		Leading importer of the region. In deficit for all products (cereals, fats…).
Malta, Cyprus		Strong dependence (cereals, beverages…).
Egypt	-Balanced trade in beverages.	- One of the main importers of the MEDA region (especially cereals).
Israel	- Surplus on other agricultural products and non-edible agricultural products.	- Dependence especially for cereals, meat and fish, sugar.
Morocco	- Large exporter of meat and fish, other agricultural products. Trade surplus.	- Heavy imports of cereals.
Machrek	- Surplus on non-edible agricultural products.	- Deficit on all the other products (cereals, other agricultural products, fats, sugar…).
Tunisia	Trade surplus on meat and fish, cereal products, canned vegetables and beverages. Balanced trade for other agricultural products, canned animal foods, tobacco.	- Heavy dependence on cereals.
Turkey	- 1st exporter in the region (other agricultural products, canned vegetables). Trade surplus.	- Large importer of non-edible agricultural products.

These specificities in terms of external trade reflect the high level heterogeneity of national situations, as will be seen below.

The situation by country

Algeria

The local AFI industry currently constitutes one of the driving forces of Algerian growth, especially in the sectors of cereals, dairy products, canned goods, fats and beverages. Algeria has not, however, succeeded until now to ensure its self-sufficiency in food. With a large trade deficit in the AFIs, it is the leading African importer of foodstuffs. As for the total production of the sector, it is modest: 3 billion dollars in 2001, that is hardly 7 % of the MEDA total. Agriculture, which employs one quarter of the working population, has suffered from the nationalisations of the post-colonial period and remains fairly dependent on the hazards of the climate. The country is currently undertaking a comprehensive programme of reforms (privatisations, reduction of the role of the State). Opportunities exist in Algeria for foreign investors, linked both to the dynamism of the market, the possibilities for agriculture and fishing, and the manifold weaknesses in the agro-food sector which will make sizeable investments necessary in years to come at every level (packaging, transformation, logistics, distribution…). The authorities are seeking to promote the initiatives of the SMEs and to attract foreign investments. Among the recent installations can be cited those of the French company Castel et Lesaffre.

Cyprus

The balance of the agro-food trade is in deficit, since the local specialities are insufficiently developed to ensure the self-sufficiency of the country as a result essentially of a weakness of the agricultural base. The production of the AFI sector is well below 1 billion dollars. Cypriot agriculture represents around 4% of the national GDP, and employs 7 % of the population, a figure in constant decline. An unfavourable natural environment as well as the gradual opening up to international competition would explain this regression despite a policy of government support (from customs duties…). Entry into the European Union will in time result in an acceleration of the restructuring of the sector linked to the dismantling of protection.

Egypt

General background information

In 1700, the AFIs employed 117,000 people in Egypt in 1,700 enterprises, for a production of around 6 billion dollars, that is 14.

5% of the MEDA total. Despite a large presence of the public sector, the share of the private sector in the AFIs is in progress.

Sectors of activity

The main sectors of activity are the industry of pasta and biscuits (19,400 employees), fats (13,900 employees), the other agro-industries (41,300 employees), the dairy segment (9,300 employees) and the cereal sector (8,900 employees). On the other hand, the meat and sea food segments remain relatively underdeveloped (respectively 4,800 and 2,400 employees). Among the companies present in the white meat segment are Koki, which supplies the Egyptian market and exports to the Middle East.

External trade

Egypt is heavily dependent on agro-food imports and the balance of external trade has a large deficit. Fruits and vegetables (oranges, potatoes, onions) constitute the main export accounts.

Connected sectors

In 2004, Egyptian agriculture employed 30 % of all labour and represented 16. 5 % of GDP PIB and 14 % of goods exports. The sector has a dual structure, with on the one hand the small traditional operations in the Nile Valley and Delta and on the other hand the large public and private operations installed on the new lands. Despite the rarity of arable land (a useful agricultural surface area estimated at 3. 8 million hectares), it is currently undergoing relatively rapid development (land improvement policy). It needs, however, to be restructured (concentration of the small operations) and modernised (mechanisation…) so as to ensure its competitiveness in the face of foreign competition which will reinforce the gradual disappearance of customs protection and subsidies. Cereals and rice are the main crops, with equally important cotton and sugar production. The breeding sector is still organised in a very artisanal manner, with a livestock population of 15 million head (of which one half are goats), a relatively modest figure for a country of its size. The poultry sector, with 600,000 tonnes produced in 2002, plays a key role however in Egyptian agriculture. The fish sector, despite relatively rapid development, only covers three quarters of domestic needs. Egypt is a relatively large producer of fertilisers (especially nitrates: 10 million tonnes in 2003), a significant part of which is exported, since local demand remains relatively low. On the other hand, the production of agricultural equipment is poor, with imports representing nearly 90 % of the market, and a local production aiming essentially towards assemblage. The logistics sector still remains deficient (cold chain). It is for example estimated that 30 % of the production of tomatoes is lost as a result of problems of conservation and transport).

Foreign presence and investment opportunities

A good number of foreign enterprises are already installed in Egypt, attracted especially by the size if the market and the need to produce on site given the customs protection. According to the statistics of the GAFI, in 2003 there were 321 foreign subsidiaries in the AFIs representing more than 50 % of the issued capital of the companies in the sector. This presence would be particularly important in the fats sector, the other agro-food industries, the dairy sector and proportionately to fairly modest local activities, water and beverages.

Among the recently installed foreign enterprises, may be cited Danone Mashreq, a JV created in 2002 between Danone (51%) and the Egyptian Rasheid (49%) which produces biscuits and chocolate-based products. Other companies, the likes of Kraft Foods, Eastern Company, Patchi, have recently made investments in the country.

According to the GAFI, investment opportunities exist in the following domains: production of sugar from beet, olive oil and sunflower oil, the slaughter and processing of meat, the production fruit juices, fresh fruit and vegetables and canned goods, dried vegetables (onion, garlic), milk-based products.

Israel

General background information

With a turnover of 8.1 billion dollars in 2002, the AFIs represent 17 % of Israeli industrial production (3rd sector after household goods and electronics) and employ 52,000 people, that is 15 % of the industrial labour force. There find themselves in second place among the MEDA countries behind Turkey. Among the big Israeli AFI enterprises are to be found:

• Tnuva, which comes in 16th position among the country's companies with a turnover of 1. 3 billion dollars and 6,000 employees, covers 70 % of Israel's dairy needs, 20% of its fish consumption, 40% of its chicken consumption, 20% of its frozen meat and 45% of its consumption of fruit and vegetables and eggs.

• Strauss, which is considered as the leader in terms of innovation. It had a turnover of 700 million dollars in 2002 for 6,300 employees. It comprises four large units: 1) Strauss Fresh Food (« dairy products » division with a 20% participation Danone and 50% of Yotvata Dairies; «salads» division; 2) Strauss Ice Cream Ltd (with a majority participation of 51% from Unilever); 3) Elite Israel (chocolate, coffee, savoury snacks with a 50% holding from Frito-Lay, a division of Pepsico Foods International); 4) Elite International.

• Osem, which is the number three enterprise in the sector, with a turnover of 480 million dollars in 2002. It is both producer and distributor. Held to the tune of 50% by the Nestlé group, à 12% by the Proper family and quoted on the Stock Exchange for 25%, it has 12 plants and 5 distribution centres. It distributes Maggi soups, as well as Nestlé products (coffee, cereals, chocolates). It has also positioned itself in frozen foods by taking a 51% stake in the company Tivall and in March 2003 acquired the pet food activity of the company Unilever Israel. Elsewhere, Osem is very active in export and has 2 subsidiaries, one in the United States and the other in the United Kingdom. Its exports represent 11.5% of its turnover.

Sectors of activity

Fruit and vegetables, fruit juices as well as dairy products are the most well developed of its activities. On the contrary, those activities linked to the processing of cereals remain relatively absent in the country.

External trade

Israeli external agro-food commerce, half of which is carried out with Europe and for 14 % with the United States (exports), is in deficit. Exports (1.3 billion dollars in 2003) hardly represent half the imports (2 billion). Cereals, meat and fish, as well as sugar, are the main import accounts. Vegetables and flowers are the main exports.

Connected sectors

Agriculture only represents 1. 6 % of Israeli GDP and 2. 8 % of the working population, a proportion which is gradually receding. It does however employ a significantly higher proportion of the working population. Fruit and vegetable production dominates. Animal rearing is dominated by the avian segment. Israeli agriculture is very modern (world record for the production of milk by milk cows).

Israel imports the major part of its agricultural and agro-food equipment. Foreign companies control for example 70 % of this latter market, that is worth almost 200 million dollars.

The distribution networks are modern, with a large share taken by the supermarket chains.

Foreign presence and investment opportunities

Several large foreign multinationals are present in Israel, among which are to be found: Nestlé (Osem) Unilever (Israel Edible Product and Strauss), Danone (Strauss Elite), Pepsico (Elite Food) and Heinz (Remedia).

Malta

The Maltese archipelago is only in a position to cover 27% of food needs. Agriculture only represents in fact 3% of the GDP and only provides 3% of the jobs (especially due to the arid climate, the erosion of the soil and the division of the land). This activity nevertheless plays a very important social and environmental role (upkeep of the rural world, shaping of the landscape) in a country where the tourist activity provides more than 30% of the GDP. As for the AFIs, their production is negligible: less than 300 million dollars in 2001. Even part of the grapes which are required for wine production need to be imported… Confronted with unfavourable conditions, Maltese agriculture has only been able to develop in a protectionist environment: entry duties referred as « levies » were applied to imported products with an equivalent local production local. These taxes were dismantled in their entirety on 1st May 2004, but the Commission granted its support to compensate for the operating losses which resulted from the application of community rules. In time, Malta's membership of the EU may be able to ensure that the country is able to create a more efficient agricultural sector but at the cost of a difficult restructuring.

Lebanon

General background information

With production of 1. 5 billion dollars in 2002, that is 26 % of industry as whole, the AFIs are one of the main industrial sectors in the country. They employ 23 % of the manufacturing labour force and provide 11 % of industrial exports. They are for the most part small enterprises: 94 % have fewer than 20 staff. The sector suffers from the weakness of Lebanese agriculture (despite the existence of a few specialist niche products) and insufficient modernisation.

Sectoral elements

The bakery-pastry segment, composed essentially of micro-enterprises, represents half the sector's production, followed by non-alcoholic beverages and mineral water (16 %) canning/processing of fruit and vegetables (7 %).

External trade

External commerce is in deficit. The main exports are conserves in vinegar, dried vegetables and beverages, especially intended for the Gulf States and the Unites States.

Connected sectors

Agriculture, representing around 12 % of the GDP, suffers from insufficient modernisation and the fragmentation of operating units, as well as problems of drought. The agricultural and food equipment industry is relatively little developed in Lebanon.

Foreign presence and investment opportunities

Among the foreign enterprises present in Lebanon may be mentioned: Yoplait, Candia, Nestlé, Nay, Heineken (via the acquisition of Almaza and Laziza), Cadbury Adams, as well as Saudi firms present in the dairy sector (Taanayel, Bonjus, Maraai). These firms are at the source of a large share of exports. Among foreign investments in the past two years, may be cited the Iranian company Zamzam Cola. In the niches where business opportunities exist, may be mentioned organic products, dairy products, mineral water, olive-based products, wine, fruit preserves and honey, flowers, the catering sector and fast food.

Jordan

General background information

The agro-food industry had a turnover of less than 1 billion dollars of production in 2001. It nevertheless represented (in 2000) 17% of the enterprises of the industrial sector, 19% of employed people and 21 % of industrial production. It is composed in its majority of very small enterprises of fewer than 10 people.

Figure 26. Number of enterprises and production by sector in Jordan in 2000. Source: DREE

	No. enterprises	Production (Mill. US $)
Meat and derived products	27	63
Fruits and vegetables	19	21
Oils	96	108
Dairy products	582	76
Animal foods	8	44
Bakery	1809	133
Production of other food products	383	56
Mineral water and non- alcoholic beverages	31	121
Tobacco	6	260

Despite the weakness of the Jordanian agricultural base, this sector has experience relatively recent development, with a strong progression of enterprises created in the 1990s, thus marking the passing from the craft era to that of industrialisation. Without an industrial past, it is heavily dependent on foreign technology and know-how and suffers from an important lack in the domain of R&D.

Sectoral analysis

The main sectors of activity are bakery, the production of beverages and fats.

External trade

Jordanian trade is heavily in deficit for most products, with fruit and dried vegetables being one of the rare exceptions. Exports to a large extent have as their destination the markets of the Machrek and the Persian Gulf. The development of exports of fresh fruit and vegetables to Europe is starting to be observed. Although the Jordanian commercial regime is undergoing full liberalisation, there still exist some quantitative restrictions to the importing of certain manufactured and agricultural products (e. g.: tomatoes, fresh milk, mineral water, table salt).

Connected sectors

The share of agriculture in the Jordanian GDP, which reached 70 % in the 1970s, has suffered a continual decline to fall to less than 4 % in 2002. It is handicapped other than its relatively outdated nature, by the serious shortage of water from which the country suffers. It does, however still employ 20 % of the population. The level of production for most products is low. For example, the country only produces 25 % of its needs in cereals. The gradual dismantling of customs protection, by increasing the pressure of foreign competition, will make important structural changes necessary.

Jordan is almost entirely dependent on foreign companies in terms of agricultural and agro-food equipment.

The modern forms of distribution are beginning to develop in the large towns of the country (Amman..). The trade in certain products still remains, however, A State monopoly: sugar, wheat, flour, rice, powdered milk, frozen chicken, lentils, olive oil…

Foreign presence and investment opportunities

Jordan offers business opportunities to foreign investors especially in the following domains: centres of conditioning (cold rooms, packaging); tomato concentrate and juice; potato crisps and mashed potato; conditioning of dates, asparagus, canning plants (strawberries, peas, beans, etc.); high added value agricultural products (medicinal and aromatic plants); biological agriculture; olive-based products; flowers and ornamental plants; glasshouse horticulture; development of irrigation systems; production of animal feed from agricultural sub-products; use of date sub-products for the manufacture of boxes, mats, etc.

Palestine

The external trade of the Palestinian territories is very much in deficit in the agro-food domain. The main exports concern fruit, vegetables and flowers, as well as olives and their derivatives (olive oil).

The distribution networks comprise retail trade and supermarkets, which represent nearly 60 % of the retail sales of foods. The chains of Super-Sol Ltd (140 shops) Blue Square Ltd (170 shops) and Club Market Ltd (160 shops) are the three main distributors.

Morocco

General background information

The agro-food industries, with 33 % of total manufacturing production (5. 7 billion euros in 2003, a quarter of which for export), are by far the leading manufacturing sector, ahead of textiles or chemicals. They employ 96,000 people in more than 1,904 enterprises. Their rapid rise (around 4 % per annum over the past 10 years) is linked to that of Moroccan agriculture, to the growth of local demand, to the dynamism of exports made possible especially by the opening up of the European market, and the structural reforms aimed at modernising the sector (privatisations, selling of State agricultural land to local and foreign investors, opening up to competition and to foreign enterprises).

Figure 27.Basic data on the Moroccan AFIs
(Source: Direction des investissements du Maroc, DREE)

Billions of euros	2003
No. of establishments	1904
Employees ('000s)	96. 0
Production	5. 7
Exports	0. 96
Added value	1. 9

Production supplies both the local market (basic products such as sugar and oil) and export (fresh and processed products such as canned vegetables or fish).

The essential part of the industrial fabric remains composed of SMEs. Representing 95 % of the enterprises, these firms only provide, however, 45 % of industrial production against 55 % for the 50 largest. The latter belong either to national groups (Ona, Dyana Holding, Holmarcom) or to foreign firms (cf. infra).

The sector, despite its dynamism linked among others to strong State determination, remains characterised by a certain number of fragile features: subsistence of poorly competitive sectors (informal sector) sheltered from customs protection or subsidies, problem of the out of date installations and process control, uneven quality of products and problems with respect for standards, breakdown in the supplies of agricultural products (producers preferring to export directly towards the more rewarding European market) high transport costs, problems of the qualification of the labour force, narrowness of the local market… These difficulties are all the more worrying since Moroccan industry will find itself in years to come confronted with growing competition from foreign enterprises as the customs barriers are dismantled.

Sectors of activity

Among the main sectors of activity, may be cited fruit and vegetables, fats, sugar and its derivatives, the processing of cereals, canned vegetable and animal products (particularly fish), beverages alcoholic or not, food for cattle, and various industries.

Connected activities

The Moroccan agriculture represents, depending on the years, from 14 % to 20 % of GDP and employs 46 % of the working population. It is a dual sector, where the majority of operating units are very small, but with the presence also of large operations turned towards export. The sector is confronted on the one hand with climatic problems (drought), an on the other hand with insufficient modernisation which results in low productivity. The end of the tariff barriers will probably result in large scale restructuring (the disappearance of small marginal operations, concentration, the abandoning of certain cultures, modernisation of operations).

The modernisation effort in the sector, as well as the current programme of the sale of State agricultural land (142 agro-food units to be created with an investment of 450 million euros) creates a large market for agricultural material (tractors, harvesters, irrigation systems, glasshouse culture, etc.).. Local production, dominated by three companies (Atmar, Hassouni and Comicom) only controls a small part of the market and the essential part of the material is imported (Massey Fergusson, New Holland, etc.).

The rise in power of the supermarket chains constitutes both a challenge (by facilitating the distribution of foreign products) and a new opportunity of access to the local market for the Moroccan AFIs (whose production is intended for 83 % for the local market).

External trade

The trade balance is slightly in surplus, especially for meat and fish and fruit and vegetables. Trade is mainly with Europe (more than two thirds of exports), with which the association agreement which came into effect in March 2000 provides for the creation of a free trade area for the year 2010. Exports (1 billion euros) represent 20 % of the total volume of industrial exports.

Foreign presence and investment prospects

The AFIs attract an important share of foreign investment in Morocco (12 % in 2001), especially in canned vegetables, the transformation of cereals, fats, the dairy industry, fast food, as well as retail distribution (the development of modern forms of distribution such super and hypermarkets).

The 137 foreign enterprises present in the country make 29 % of the turnover and the production of the sector, 42 % of investments, 40 % of exports and 28 % of employment. Especially present are Nestlé, Danone (dairy processing centre), Bel cheeses (dairy products), Altadis, Coca-Cola, Cobega, Pepsi Cola and Virgin Cola (sodas), Castel (wine products), Lesieur Cristal, Savola (oils), Lesafre (yeast) Bam's, Cadbury Schweppes, Clark Gum Company (Confectionery/ chocolate) Kraft Food, Best food (food processing), Amora, Vanelli, Bongrain (canned goods).

Among the major installations in recent years, may be mentioned the acquisition of the Brasseries du Maroc by the French group Castel, the acquisition of the Régie des Tabacs by the Franco-Spanish group Altadis and the acquisition of the local subsidiary of Coca-Cola by Cobega (Spain). Investments were also made in 2003-2004 by Cobega, Southern Fried Chicken, Savola, Boutaris, Indumix, Gill Gomez, Penas, Murgaca…

The variety of agricultural production, the progression of demand for food products and the modification of consumer habits to the advantage of processed products, the existence of specific tax and financial advantages provided for by the investment charter, constitute important factors of attraction for foreign investors, especially in activities such as the transformation of cereals, dairy products, carbonated drinks, the dairy industry, organic products, medicinal plants. Opportunities for niche markets are there to be exploited, for example, in the domains of dehydrated products, frozen foods, canned goods and olive oil, argan oil, the transformation of seaweeds, foie gras, organic agriculture, industrial bakery. The liberalisation of new sectors such as sugar between now and 2007 will open supplementary opportunities to the private sector.

Finally, should be noted the existence of an important programme of the leasing of agricultural land. The first stage of this programme of nearly 100,000 hectares (250 000 acres) concerns 54,000 hectares

(135,000 acres) and is intended to be used for the creation of 1,432 agro-industrial complexes for an investment of 450 million euros. It is already 80 % accomplished, with the sale of 44 000 ha (110,000 acres) to private investors 14 % of whom are foreigners. A second stage, which should start before the end of 2005, will concern 40,000 ha (100,000 acres), with as priority sector, the production of certified plants and seeds).

Syria

General background information

The Syrian agro-food GDP represented 400 million euros in 2001, that is 35% of the manufacturing GDP. Placed under the total monopoly of the State until 1991, the Syrian agro-food industry was for a long time characterised by poor investments. However, in the course of recent years there has been a strong progression in the private sector share, which today represents more than three quarters of all production against less than 30 % in 1994.

The production from the 22 public plants covers the whole of the agro-food sector (dairy products, canned fruits and vegetables, oils, biscuits, tobacco…). They are placed under the supervision of the Organisme Général des Industries Agro-alimentaires (GOFI). Elsewhere, the Syrian State maintains a monopoly over some staple products (sugar, wheat, mineral water…). The low level of investments and the age of the equipment is harmful to the quality of the products. There currently exist some modernisation projects (e. g.: an increase in the storage capacity for cereals).

More dynamic, the private sector is making a large contribution to the modernisation of local AFI industry, with the appearance on the market of new good quality products, produced on modern equipment (aromatised milk and yoghourt, carbonated drinks, fruit juices, frozen foods…).

Sectoral analysis

Those sectors currently undergoing the most far-reaching changes are the following:

Fruit and vegetables. Syria is having difficulty as concerns the compliance of its products with international standards in the areas of calibration and packaging. There exist several projects for the development of a large capacity storage and calibration unit for fruit and vegetables.

Dairy products. Confronted with the problem of the quality of milk, the private enterprises invest by equipping the farms with refrigeration tanks and by favouring the acquisition of refrigerated vehicles. Elsewhere, they are investing currently in lines of flavoured milk and yoghourt production to respond to the growth of the market. The main private enterprises are Nestlé, Syro-Saudi company for Agricultural Investments, and the Modern Milk and Juices Company.

Carbonated drinks and fruit juices. Absent from the Syrian market until 1991, these products today are experiencing strong growth. The enterprises in the sector seek to win over customers by improving the quality of the products and the packaging. Up for special mention are: Salsabil, Mandarin, Ugarit (carbonated drinks), Modern Fruit Juice, Al Walid and Fresh Mountain for fruit juices.

Sugar. There is an important project for the construction of a sugar refinery, in the amount of 180 million euros, bringing together Syrian, Kuwaiti and Brazilian investors. With a production capacity of one million tonnes per annum, this plant will bring to an end the Syrian State monopoly which manages the 6 Syrian sugar refineries.

External trade

External trade is in deficit. Imports represent 608 million euros (sugar, rice, bananas), against only 395 million for exports (fruit and vegetables, olives and their derivatives).

Connected sectors

Syrian agriculture still employs 35 % of the working population, but only contributes 31 % to the GDP. Suffering from insufficient modernisation and problems of water resources, it does not allow the country to provide for its self sufficiency in food. Large efforts have been made during recent years in terms of irrigation (especially cotton) and to improve the quality of products (milk..). Large investments have also been made in the sector of equipment and packaging.

Foreign presence and investment opportunities

Foreign presence still remains relatively limited. Among recent investments, can be mentioned those of Bel cheeses and Altadis or the olive oil manufacturer Espagnol Aceites in JV with the Saudi group Bin Laden.

Tunisia

General background information

Representing 3 % of Tunisian GDP, the agro-food industry is among the main industrial sectors, with textiles, machinery, electronics and chemicals. With 140 million euros invested in 2003, it is positioned in first place of manufacturing industries in terms of investment. There are some 827 enterprises of more than 10 staff which employ nearly 68,000 employees. Its production was around 3 billion dollars in 2001. Since the middle of the 1990s, it has undergone rapid modernisation so as to satisfy the expectations of the local consumer and resist the competition from imported products. Since 1996, 255 agro-food projects have been approved in the framework of the national industrial modernisation programme (PMN), for an overall total investment of 640 million Tunisian Dirhams (960 million €). A privatisation programme is underway. It should also be noted that a number of large private conglomerates have appeared such as Poulina (see box in figure 28). The total liberalisation of the Tunisian market, between now and 2008, will, however, place an increased heavy pressure on the local manufacturers and above all on the agricultural operations, in the past protected by customs barriers. They must prepare themselves to face up to this competition and develop their own activities abroad. In particular, access to the market of the European Union assumes the certification of Tunisian sites to Union standards. In this context, the main handicaps of Tunisia stem from the weakness of marketing and commercial skills and the rarity of good agricultural technicians as well as the problem of yield (fight against diseases), the advanced age of the equipment, the absence of European certification of products, the deficiencies of the packaging sector (e. g.: quality of the inks) and the logistics chain (cold chain, air-conditioned transport equipment...), the weakness of the market accessible to Tunisian manufacturers (which does not enable them to bring into play sufficient scale economies), the absence of international distribution networks to exploit Tunisian products abroad.

Sectors of activity

Processing of cereals. Basic food of the Tunisian population, bread is produced in nearly 3,000 bakeries with craft industry equipment. The production of biscuits, relatively limited, is dominated by Sotubi (in JV with Danone). Dairy products. The 300 million litres of milk are produced by 11 milk processing centres which have a fragile financial situation. The production of yoghourts (800 million pots) is undertaken by 7 enterprises, in which Delice Danone is the leader. Cheese (14,000 tonnes) is made by twenty or so industrial units (belonging especially to firms the likes of Sotudel, IAT, Sovia, Souani, Sotulaitfrom, Scandi) to which should be added the numerous craft enterprises. The manufacturing of ice cream is made by Gipa, Nestlé and Miko. Sugar and confectionery, chocolate. Having abandoned the cultivation of beetroot in 2001, Tunisia since imports the totality of the sugar consumed (public import monopoly), which is in part packaged in the country. There are 33 industrial confectionery-chocolate producing units with a total capacity 50,000 tons, whose production is intended for the local market, with relatively aged installations and problems of product quality. Water and beverages. There exist fifteen or so mineral water production plants and a similar number for carbonated drinks, dominated by the SFBT group under licence from Coca Cola and Cadbury Schweppes. The manufacture of fruit juice remains modest. Finally, the country produces 300,000 hectolitres of wine, 70,000 of which are exported. Canned goods. This activity, carried out in thirty or so industrial units, is dominated by the production of tomato concentrate and harissa. Fats. Olive oil represents a major activity, Tunisia occupying the 3rd place among world exporters and is the 4th producer in the world. Fish products. There are around fifty manufacturing/ conservation plants for frozen products. Meat products. The Poulina group has a dominant position in the production of white meat, which represents 50 % of all meats. The red meat sector is much more disparate (200 slaughter houses

External trade

It remains slightly in deficit despite small surpluses such as canned vegetables and above all olive oil. The main exports concern olive oil (1/2 of the exports of the sector), wine, canned food products (tomato concentrate), frozen foods. The flows are 80 % oriented towards the European market. The remainder is destined for the Arab and African markets (especially Libya). Imports are concentrated on a reduced number of products: cereals (half of imports), vegetable oils, sugar.

Figure 28. The Poulina Group

The group represents 50 % of the turkey production and 14 % of the chicken and egg-laying market in Tunisia. It sells meat packaged raw or cooked as well as ready prepared dishes. The evolution of modes of food consumption and distribution in Tunisia favours the development of its activities. For example, the progressive banning of the sales of live chickens in urban areas should encourage the development of the industrial avian sector.

In the beginning specialising solely in the processing of chicken meat, Poulina was faced with the deficiencies of the rest of the sector. It therefore developed internally new activities (breeding, processing, logistics and distribution) which today make it a totally vertically integrated group.

It has also developed activities in the dairy sector (the GIPA company), potatoes (Flocondor), agricultural equipment for poultry breeding (Avigal), refrigerators, automobile equipment (exhaust systems, tubes, bottles of gas, ceramics as floor coverings, cardboard packaging for food products and for the construction industry, wooden door panels, the assembly of computers (NEC brand), tourism (tourist village at Hammamet south); Poulina also has a central kitchen which supplies its refectories and those of other collectivities. The group is preparing for the European certification of its abattoirs and its plants, less for exporting (for its products are not very competitive on the European market) than to have access to foreign tourism in Tunisia. It is seeking to develop into added value products (ready-prepared dishes) and above all is seeking for European partners.

Tunisia also imports packaging products (PET granules, high quality glass, metal cans…).

Connected sectors

Tunisia has to contend with poor agricultural resources, affected by a residual drought. Nearly half of the arable land is devoted to cereal production. The country is still heavily dependent on foreign countries in sectors such as packaging and industrial equipment. The Tunisian government is encouraging the use of locally produced glass bottles.

Foreign presence and investment opportunities

The Tunisian government is making efforts to attract foreign investors at every level of the sector. For example, it is encouraging, through a series of fiscal incentives, partnerships with local firms to modernise agricultural operations (companies which exploit farm holdings). Among recent investments, may be mentioned those of Castel. Among the sectors offering investment opportunities, may be mentioned aquaculture, cereals, ostrich meat, olive oil, essential oils for perfumes and medicinal plants, fresh cut flowers, the tomato segment (production and plants producing concentrate), dates, packaging, fresh fruit and vegetables, cereals, mineral water, sea foods (e. g.: anchovies), etc. Important opportunities also exist on the market in the domain of industrial equipment to satisfy the country's modernisation needs (bakery, dairy industry, packaging, canneries, sea foods, etc.).

Turkey

General background information

The Turkish agro-food sector today represents one of the main industrial sectors of the country (16 % of manufactured production). It is today the main producer and the main exporter of the MEDA countries. It has developed rapidly during recent years as a result of the conjunction of several favourable factors: powerful agriculture despite the current agricultural crisis (cf. infra), a market of 70 million consumers undergoing rapid growth (especially for transformed products as a result of the changes in eating habits), the impact of structural reforms (privatisations, opening up of the market), the modernisation efforts of local manufacturers to face up to growing foreign competition, the development of retail distribution. A supplementary effort in quality (product standardisation, hygiene..), innovation (R&D) and restructuring/modernisation of the agricultural sector (regrouping the land, mechanisation) is still necessary.

The main domains of activity

Fruit and vegetables. With 32 million tonnes in 2003, Turkey is one of the main world producers (1st place for hazelnuts, figs, cherries, quinces, apricots…). Tomatoes, water melons and melons, potatoes and grapes represent nearly 80 % of the production. The processing of fruit and vegetables is a young and very dynamic sector (especially tomato-based products).

Beverages. While the consumption and the production of wine remains relatively low the importance of that of grapes, beer is higher and there is a start of the development of a fruit juice industry around firms like Coca-Cola (Cappy), Tamek, Pinar and MIS.

Dairy industry. Despite an important milk production (10.5 million tonnes per annum), the dairy industry remains underdeveloped and in great majority a craft industry confronted with problems of hygiene and respect for the cold chain. The market leaders are Akgida, Sütas, Pinar (licensing contract with Yoplait) and Danone (Tikvesli brand).

Cereals. Big producer cereals (30. 7 million tonnes in 2003), Turkey produced 500,000 tonnes of pasta in 2003, 15 % of which were exported. The companies Nuh'un Ankara, Filiz-Barilla, Piyalle, Pasta Villa and Selva control 70 % of the market. The biscuit industry, dominated by the firms Ulker and Eti, has undergone rapid development and modernisation (500,000 tonnes produced in 2003). The high volume of flour production (capacity: 36 million tonnes per annum) supplies a particularly vast bread market.

Meat. Despite a bovine livestock population of 10. 4 million heads, the production of red meat is in continual decline (300,000 tonnes in

2003). The poultry industry, relatively recent, is on the other hand developing, with 800,000 tonnes produced in 2003 (it risks suffering from the epidemic of bird flu at the end of 2005). Generally, the sector remains disorganised and suffers from its out of date equipment and the lack of hygiene (deficiencies in the cold chain).

Oil products. A great consumer of fats, Turkey is dependent on the outside despite a production of more than 500,000 tonnes of vegetable oil and 1. 9 million tonnes of oil seeds. Its olive oil production (200,000 tonnes, 4th producer in the world) is on the contrary widely exported.

External trade

Turkey imports essentially cereals, fats and meat. Its exports concern above all fruit and vegetables raw and processed, as well as cereals and feculent. There still exist customs barriers on the importation of farm products and food products (depending upon the percentage of farm products they contain). External trade is in surplus, but with a declining trend in farm trade, in part compensated by the growth in the exports of processed products.

Connected sectors

Agriculture constitutes the fundamental sector of the Turkish economy: 40 % of the working population and 12.6 % of the GDP, with 23 million ha (c. 57. 5 million acres) or arable land. This share is, however, on the decline, since it reached 35 % in 1970. It is rapidly being restructured so as to face up to new challenges linked to the gradual opening up of the Turkish market, and its activity has been on the decline for the past 3 years as a result of the conjunction of several factors: the rise in the costs of inputs, reduction in the agricultural surface area, natural disasters.

A big producer of fruit and vegetables and cereals, Turkish agriculture is however confronted with problems of yield linked to a still limited level of mechanisation and the division of the holdings. The breeding sector is in difficulty (reduction of the bovine livestock population) as a result of the traditional character of the operations and the lack of organisation of the downstream sector (especially the meat industry) and the absence of European approval for the exportation of poultry products. The potential of sea foods, currently modest (600,000 tonnes per annum), is however, significant (aquaculture under development), on the condition that the necessary modernisation is carried out.

The agricultural machinery industry is relatively well developed, especially for the Uzel tractors (under licence from Massey Ferguson), Türk Traktör (under licence from New Holland) with an external trade surplus (+ 0. 2 billion dollars in 2003). The prospects for the market are good as a result of the necessary modernisation of the farm sector, especially in Anatolia (motorisation, irrigation still relatively underdeveloped: 4. 9 million ha (c. 12. 2m. acres) against 8. 5 ha (c. 21. 2m. acres) irrigable. On the other hand, the fertiliser industry is relatively underdeveloped and Turkey is very dependent in this domain on imports, especially from Europe.

Retail distribution is undergoing rapid development (Migros Turc, Tansas, Carrefour), facilitating the access of processed food products to consumers in urban areas.

Foreign presence investment opportunities

The market prospects, the local agricultural potential and the will to overcome the protectionist barriers will encourage foreign investors to set up in this country. Nearly 170 foreign firms are currently installed in Turkey, especially in the domain of processed fruit and vegetables (Frigo-Mak, Apeks, Merko, Kerevitas, Penguen). May also be cited Danone for the dairy sector (Tikveslo brand in JV with Sabanci) or Hero (Switzerland) for children's foods.

Among the investments over the past two years, were those of Comet, Haribo, Imperial Tobacco, Fine Food, MFC, Unilever, Barilla, Starbucks…

3. Recommendations: how to develop the attractiveness of the MEDA countries for international investments?

Even if the development of the endogenous offer should be considered as a priority, the complementary contribution of foreign firms would appear necessary at several levels: contribution of financial capacities, of managerial competence, industrial and technical know-how, access to foreign markets, exploitation of local potential, dynamisation of the market and the absorption of the informal sector. These foreign firms have not, however, for the moment made the MEDA countries a priority and their investments, whilst in progression, remain limited. The improvement in the attractiveness of the MEDA countries in the agro-food domain passes through a series of initiatives of a general and sectoral type, touching both the improvement to be made to the local offer and the policies of promotion/prospecting to be implemented.

Assets, handicaps and opportunities for international investments

Foreign firms in the MEDA countries

Still limited foreign presence

The dynamism and the specificities of the local market (eating habits linked to religion), the existence of non-negligible agricultural resources, the opportunities offered by the privatisations and concessions may make significant incentives for setting up in the region. The movement is, however, hampered by the deficiencies in the business environment, the fragmentation of the local market and the resistance of the informal economy. For this reason, agro-food multinationals, have generally not given high priority to the MEDA region (cf. also annex 2). With 160 subsidiaries listed in 2003, the presence of the 100 major world agrofood companies in the area is much lower, for example, that that observed in Eastern Europe, where there has been massive progress in recent years (Tozanli, 2004). Certain big companies, like Sara Lee, PepsiCo, Nestlé, Unilever and Procter & Gamble, do, however, already have a large number of subsidiaries in the region (figure 29). There is also a start being made of the installation of medium-sized enterprises certain of which, such as Cobega or Haribo, have implemented an active development strategy in the region (annex 2).

Figure 29. The 15 leading multinational firms present in MEDA countries. Source: Tozanli, 2004

N°	Multinationals	Country of origin	No of subsidiaries
1	Sara Lee Corp.	USA	20
2	Nestlé	Switzerland	19
3	Unilever	Netherlands/UK	18
4	Pepsico	USA	15
5	Procter & Gamble	USA	14
6	Danone	France	9
7	Kraft Foods	USA	8
8	General Mills	USA	5
9	Heineken	Netherlands	5
10	Cadbury Schweppes	U. K.	4
11	Sodiaal	France	4
12	Cargill Inc.	USA	3
13	Mars Inc.	USA	3
14	Fonterra Coop. Group	Australia	3
15	Mc Cormick & Co.	USA	2

Recent evolutions

Analysis by region of destination

An analysis of AFII and ANIMA data for the period 2003-2004 shows that the MEDA countries still remain an area relatively marginal for international investment projects on the Euro-Mediterranean space, well behind Western Europe (France, Spain, United Kingdom, Germany, especially) and even Eastern Europe (Hungary, Poland, Czech Republic…) and despite the good performances of Turkey and Morocco (figures 30 and 31).

Figure 30. Projects per year and regions of destination. Source: AFII/ANIMA

Region	Number of projects				Employment	
	2003	2004	Total	%	Total	%
E. Europe	35	37	72	22.1%	2 413	22.2%
W. Europe	109	100	209	64.1%	7 277	66.8%
MEDA	17	28	45	13.8%	1 200	11.0%
Total	161	165	326	100.0%	10 890	100.0%

Figure 31. Projects per annum and country of destination. Source: AFII/ANIMA

Country	Number of projects	Employment created
France	41	1 246
Spain	36	621
United Kingdom	29	1450
Germany	21	692
Poland	17	1 218
Romania	16	250
Turkey	14	150
Portugal	13	750
Belgium	12	400
Bulgaria	12	315
Hungary	11	530
Switzerland	11	258
Czech Republic	11	120
Netherlands	10	400
Morocco	10	0
Ireland	8	769
Sweden	7	486
Italy	6	0
Austria	5	158
Lithuania	4	0
Egypt	4	0
Denmark	3	20
Greece	3	0
Algeria	3	1 050
Israel	3	0

Syria	3	0
Tunisia	3	0
Cyprus	2	0
Jordan	2	0
Estonia	1	0
Iceland	1	7
Norway	1	0
Slovakia	1	0
Slovenia	1	0
Lebanon	1	0
Total	326	10 890

Analysis by region of origin

Over the whole of the Euro-Mediterranean region, the investments of European origin occupy a dominant place (66 % of the projects and 68 % of the jobs created in 2003-2004).

The United States remains, however, the leading country of origin with 54 projects.

For the projects with solely the MEDA countries as destination, the share of the United States firms is a little lower, whereas that of Southern European ones (France, Spain...) is higher. It should also be noted that there is a presence of some projects originating in the Gulf States and a few projects of Turkish origin (figures 32 to 36).

Figure 32: Projects 2003-2004 by region of origin and destination. Source: AFII/ANIMA

Region	E. Europe	W. Europe	MEDA	Total
Africa	0.0%	1.0%	0.0%	0.6%
North America	9.7%	19.6%	15.6%	16.9%
Latin America	0.0%	3.3%	0.0%	2.1%
Asia	1.4%	10.5%	0.0%	7.1%
Others	1.4%	1.0%	0.0%	0.9%
Europe	80.6%	61.2%	62.2%	65.6%
MENA	6.9%	2.9%	20.0%	6.1%
Oceania	0.0%	0.5%	2.2%	0.6%
Total	100.0%	100.0%	100.0%	100.0%

Figure 33. Employment created in 2003-2004 by region of origin and destination. Source: AFII/ANIMA

Region	E. Europe	W. Europe	MEDA	Total	%
Africa	0	33	0	33	0.3%
North America	730	1843	ND	2 573	23.6%
Latin America	0	170	0	170	1.6%
Asia	ND	436	0	436	4.0%
Others	ND	90	0	90	0.8%
Europe	1 483	4 705	1200	7 388	67.8%
MENA	200	0	0	200	1.8%
Oceania	0	ND	ND	0	0.0%
Total	2 413	7 277	1200	10 890	100.0%

Figure 34. Projects 2003-2004 by country of origin and region of destination Source: AFII/ANIMA

Country	E. Europe	W. Europe	MEDA	Total
United States	7	40	7	54
France	8	15	6	29
United Kingdom	6	14	5	25
Spain	4	14	5	23
Germany	6	13	2	21
Switzerland	4	15	2	21
Italy	2	12	3	17
Netherlands	3	14	0	17
Greece	9	3	2	14
Denmark	3	10	0	13
Japan	1	9	0	10
Turkey	3	4	2	9
Belgium	1	7	0	8
Malaysia	0	6	0	6
Austria	1	3	1	5
Saudi Arabia	1	0	3	4
Russia	2	1	1	4
Others	1	2	0	3
Finland	3	0	0	3
India	0	3	0	3
Mexico	0	3	0	3
Czech Republic	2	1	0	3
Australia	0	1	1	2
Iran	0	0	2	2
Others	5	19	3	27
Total	72	209	45	326

Figure 35. Jobs created by country of origin and region of destination (10 leading investors). Source: AFII/ANIMA

Country	E. Europe	W. Europe	MEDA	Total
United States	730	1,773	ND	2,503
France	ND	304	1,050	1,354
Switzerland	50	1260	ND	1,310
United States	ND	890	150	1,040
Germany	520	242	ND	762
Italy	250	350	ND	600
Denmark	0	494	ND	494
Netherlands	0	427	0	427
Ireland	0	400	ND	400
Czech Republic	250	8	ND	258
Poland	250		0	250
Japan	ND	240	0	240
Saudi Arabia	200		ND	200
Others	163	889	ND	1,052
Total	2,413	7,277	1,200	10,890

Figure 36. Distribution of MEDA projects by region of origin and country of destination. Source: ANIMA/MIPO

Origin/Destination	North America	Europe	Middle East and North Africa	Oceania	Total
Algeria	0	3	0	0	3
Cyprus	0	1	1	0	2
Egypt	2	0	2	0	4
Israel	0	3	0	0	3
Jordan	1	0	1	0	2
Lebanon	0	0	1	0	1
Morocco	0	8	2	0	10
Syria	1	1	1	0	3
Tunisia	1	2	0	0	3
Turkey	2	10	1	1	14
Total	7	28	9	1	45

A cross-referenced analysis by country of origin and destination shows a predilection of southern European firms (France, Spanish especially) for the Maghreb and of northern European and American ones (Germany, Austria, United States) for Turkey.

Figure 37. Number of MEDA projects by country of origin and destination. Source: ANIMA/MIPO

Destin./Origin	Alg.	Cyp.	Eg.	Isr.	Jord.	Leb.	Mor	Syr	Tun	Turk	Total
Germ.	0	0	0	0	0	0	0	0	0	2	2
Sa. Ar.	0	0	0	0	0	0	2	1	0	0	3
Austr.	0	0	0	0	0	0	0	0	0	1	1
Austra	0	0	0	0	0	0	0	0	0	1	1
Spain	0	0	0	0	0	0	5	0	0	0	5
US	0	0	2	0	1	0	0	1	1	2	7
France	3	0	0	0	0	0	0	1	2	0	6
Greece	0	1	0	0	0	0	0	0	0	1	2
Iran	0	0	0	0	0	1		0	0	1	2
Italy	0	0	0	0	0	0	1	0	0	2	3
Jord.	0	0	1	0	0	0	0	0	0	0	1
Leban.	0	0	1	0	0	0	0	0	0	0	1
Pol	0	0	0	1	0	0	0	0	0	0	1
UK	0	0	0	0	0	0	2	0	0	3	5
Russia	0	0	0	0	0	0	0	0	0	1	1
CH	0	0	0	2	0	0	0	0	0	0	2
Turk	0	1	0	0	1	0	0	0	0	0	2
Total	3	2	4	3	2	1	10	3	3	14	45

Some common assets and handicaps

Today there is a growing interest from multinational agro-food firms for a location in the MEDA countries. The prospect of the creation of a great Euro-Mediterranean free trade area between now and 2010 in the framework of the Barcelona process, the dynamism of the local market, the improvement in the statutory framework and the progression of the reforms, the existence of an important agricultural and food tradition, the presence of an abundant and flexible labour force and constitute in this respect real assets.

Furthermore there exist investment opportunities linked to the implementation of the privatisations and the existence of « niches » on which the production of the Mediterranean countries have a potential of competitiveness, on the condition that they create flagship brands and conceive products with high added value: organic culture, medicinal and aromatic plants and fresh fruit and vegetables, and typical Mediterranean products (olives and olive oil…). Elsewhere, access to the local market often necessitates a site in situ, for different reasons: fresh products with a short keeping life (dairy products..), products with high transport costs compared with the added value (carbonated drinks), products closely linked to local culture (religious rules concerning eating practices), products taxed or restricted upon importation…

The MEDA countries also have important needs at every stage of the sector: packaging, optimisation of the logistics, modernisation of the distribution, production equipment, services to enterprises especially in terms of trackability and food safety. Beyond the short term handicaps which they involve, these needs may also be considered as much an incentive to investment for foreign manufacturers wishing to develop their activity in these domains. For example, there is a non-negligible movement of foreign installations in retail distribution and the fast food chains: Carrefour, McDonald's, KFC… The exploitation of this potential of attractiveness nevertheless assumes the implementation of a series of measures of a general and a sectoral sort, covering both the improvement of the local offer and the policies of promotion/prospecting.

Recommendations

The foreign enterprises may participate in the formation of agro-food segments which are both competitive in exports and capable of answering the fundamental needs of the local populations. For that it is necessary to offer them a propitious business environment for the launching of profitable projects, which exploit the local agricultural and industrial potential. The actions to be undertaken in this sense are oriented around four axes:

- the gradual creation of a space for Euro-Mediterranean trade and cooperation;
- the modernisation of local business environments and the upgrading of the enterprises ;

• the identification of the local agricultural and industrial potential, for export and for the satisfaction of domestic needs;

• the implementation of a policy of promotion-prospecting aimed at the exploitation of the overall Mediterranean potential.

Create real regional market functioning according to clean rules

The development of agro-food trade between the MEDA countries and their neighbours is currently hampered by a whole series of obstacles of a technical and regulatory type, whereas the domestic markets still remain often very regulated. This situation handicaps the development of the sector, by dissuading manufacturers to implement large scale investment projects whose profitability is burdened by the weakness of the possibility of exporting.

It complicates the technical functioning of the transnational networks of production based of the international trade of semi-products. It is therefore desirable to gradually instil a space of healthy and more open competition, organising it in gradual stages and offering to small local producers threatened by these evolutions increased opportunities of adaptation:

• Acceleration of the reciprocal opening of the markets between the countries of the South. The tariff barriers (customs duties) and non-tariff - (quotas, customs formalities, evasion of sanitary rules as means of protecting markets) considerably slow the development of agro-food trade between the MEDA countries themselves. The multiple commercial agreements recently concluded (the Agadir process, the Turkish-Moroccan free trade agreement), which concern essentially industrial products, still have uncertain consequences in the agro-food domain. The high number, the numerous and complex reservations that they contain depending on the products, the disproportionate advance of their processes of implementation depending on the texts and the countries and the eventual inconsistencies between certain of them, sketch out an extremely complex, even scrambled, legal framework which does not encourage enterprises to commit themselves in the countries concerned to projects intended to be exported to the other countries in the region.

• Reflection on the scope of the association agreements with the European Union. These are for the moment highly focused on the trade in industrial products. A widening of their content in the domain of services and the agro-food sector could prove desirable. The consequences of the European Common Agricultural Policy (CAP) on the possibilities of exportation and the development of the South-Mediterranean agro-food segments should in the context of this reflection be the subject of an attentive examination.

• Pursuit of the liberalisation of domestic markets, as much to the north of the Mediterranean as to the South. Many of these markets in fact remain heavily regulated: public monopolies of the production or the commercialisation of certain agricultural products, subsidised prices on purchasing from the producer or selling to the consumer. These systems are at the origin of a wide range of malfunctions of the market harmful to the development of the agro-food sector.

• Acceleration of regulatory and technical harmonisation The heterogeneity of health and technical regulations constitutes a major obstacle to the development of international trade within the region. It is therefore desirable to move forwards towards a gradual harmonisation, which will, however, only be able to take the form of a simple transposition of the community rules, sometimes unsuited to the local social, cultural and technical realities of the MEDA countries.

• Facilitate the adaptation of the producers and consumers to previous evolutions. The latter may in fact destabilise the most vulnerable producers, but at the same time, the consumers with low incomes and highly dependent on a few basic products, currently subsidised, for their food consumption. This assumes favouring the gradual approach and the implementation of accompanying methods aimed at the most exposed categories (cf. infra).

Improve the local business environment

So as to profit effectively from the liberalisation of the markets, the agro-food enterprises of the MEDA countries should be able to take advantage of a regulatory, technical and industrial environment, which enables them to face up the competition from the enterprises from the North with equal weapons.

The active modernisation of the local business environments should therefore be sought, so as to favour as much the development of an endogenous offer as the attractiveness of the countries concerned for the international firms. Among the particularly sensitive points, could be specially mentioned:

• The improvement of the technical and industrial environment especially in the domain of the transport infrastructures and logistics (for exporting and the accessibility of the badly serviced regions of the MEDA countries), packaging and food distribution.

• The widening of the access of local SMEs to credit. As things currently stand the difficulties of access to credit of the small entrepreneurs and farm operators constitute one of the most serious obstacles to the development of an endogenous industrial fabric, well rooted in the local societies and economies. This difficulty affects the agro-food sector badly, where the potential role of the local SMEs is decisive. The introduction of systems of loans aided and/or guaranteed, with eventually the support of the European Union may in this respect play a decisive role in the development of the sector.

• The support for the technical and commercial modernisation of local enterprises. The often dilapidated nature of the equipment, the lack of training of the labour force, the absence of standardisation of the products, the deficiencies in terms of quality, the weakness of commercial competence have an overall unfavourable impact, despite their being unequal between the products and the countries, on the capacity of the local enterprises to face up to international competition. An increased modernisation effort should be implemented in all these domains, especially so as to enable the MEDA enterprises to obtain the European certifications necessary to export. The foreign players may play an active role in this domain at different levels: multilateral and bilateral public aid for the programmes of general interest: support from professional organisations in the Northern countries to assist in the technical modernisation and training (e. g.: industrial accompaniment organised by the ADECI); installation and partnerships with private foreign enterprises (e. g.: development of sourcing of the European retail distribution industry to supply the European markets with local products: partnerships with local agricultural operations to improve farm productivity and the management of their holdings; partnerships between packaging companies from the North and producers from the South for the conditioning and the exploitation of local products…)

• The improvement of the administrative and regulatory environment. Greater efficiency and transparency of administrative systems, increased legal security, the simplification of regulations and formalities, to permit an increase in the competitiveness of local enterprises as well as the attractiveness of the countries concerned for international investments. The subsidiaries of foreign enterprises already installed may play an important role in this domain, backed by the local investment promotion agencies, to orient the reforming action of the authorities.

• The pursuit of the process of structural reforms. Following their independence, a good number of MEDA countries turned towards a policy for the collectivisation of agriculture and the development of an agro-food industry with public capital. In other cases, the ownership of the land remained very unequally distributed, with the coexistence of very large holdings with sometimes deficient management and with micro-holdings in the incapacity of facing up to the competition of the industrial agriculture from the North. An in-depth reform of the sectors structure, combining the privatisation of the public agro- food industries which have not proved to be efficient, and a land reform which opens up new possibilities both to medium-sized local operators as well as to large private and especially foreign companies, is no doubt indispensable to create the structural conditions for the sector to function efficaciously. Tunisia and Morocco (especially with its policy of opening up the exploitation of the land to foreign companies) have already committed themselves to this process. A very large potential is also opening up to countries such as Algeria and Syria.

• The constitution of centres of competence for one profession or another by trying to bring together the training (schools, professional centres), research, studies and knowledge of markets, logistics and distribution in a given place («cluster» or «valley»). As an example mention can be made of the agro-food science park at Bizerte (Tunisia...) the aim of which is to specialise in ready-prepared dishes based on fish and organic agriculture.

Identify and exploit local potential

The MEDA countries have an enormous potential in the agro-food domain, linked to the nature of their soil and their climate, their cultural and culinary traditions the existence of an already significant artisanal and industrial base. A systematic inventory of these assets should be undertaken so as to be able to identify those among them which offer the best opportunities for development bearing in mind the world market trends, the local needs to be satisfied and the amplitude of the margins of progression which remains under-exploited. Among the domains concerned, may be mentioned particularly, distinguishing those activities rather destined for export from those oriented towards the local market:

• Activities destined rather for export: 1) out of season crops, facilitated by a favourable climate (e. g.: fresh fruit and vegetables in Morocco and Turkey); 2) local products or those with a strong Mediterranean connotation (e. g.: oil and products based on olives, tomatoes, pastries and oriental cuisine…); 3) fruit, mushroom and dry or dried vegetables; 4) high added value products which provide more scope for exploiting the local raw materials (e. g.: ready-prepared dishes and frozen foods based on local products and recipes…); 5) collective catering (especially for the supply of sites of tourist accommodation, the supply of meal-tray to airline companies…) ; 6) organic agriculture. The development of these different segments assumes a large effort in terms of quality, certification, commercialisation (with more particularly the creation of brands which enable a capitalisation of the existence of products which already have a wide reputation in Mediterranean countries).

• Activities destined rather for the local market. The reinforcement of a local offer capable of satisfying the domestic needs of the MEDA countries is particularly necessary, so as to limit the effects of dependence and avoid too brutal a transposition of the models of imported consumption. Among the domains where the local potential may be able to be better exploited to satisfy the needs of the population may be mentioned: mineral waters, short life cycle products (e. g.: dairy products segment), the modernisation and improvement of the cold chain process, aquaculture and fish farming, the bio-energy sector (for those countries deprived of oil resources). Opportunities also exist in industrial bakery, the slaughter and processing of red meat and food distribution (these last three activities are, however, sensitive on the social level).

Launch promotion/prospecting actions

In all the previous domains, the intervention of foreign companies may prove to be profitable, to provide capital, technical know-how, competence and the necessary commercial networks. Joint actions may be envisaged by the promotion agencies of the MEDA countries in this goal, especially in two main domains:

Market analysis and transfer of experience

- Creation of an international working party charged with identifying the sectors which offer market and investment potential; establishment of a list of potential partners from the European Union (clients, investors, professional associations).
- Creation of a regular information forum on questions relative to the sector (analysis of the markets, benchmarking, experience sharing, analysis of «success stories», training in marketing and sales techniques, etc.).

Promotion/prospecting actions

- Organisation of promotional events (open days, trade shows, seminars, etc.) with enterprises from the European Union, members of governments, support institutions, specialist consultants and the media. Perhaps open days or workshops devoted to MEDA could be organised in one trade show or another rather than eventually creating a forum. A « Euro-Mediterranean Agro-Food Rendez-Vous » could even be envisaged to draw attention to the potential of the region, especially in the domain of «rural products».
- Prospecting actions to identify concrete investment projects or partnerships. These actions could target either products or the domestic market of the MEDA countries which seem particular fruitful, through the exploitation of local resources and know-how for export (cf. previous paragraph).
- Regular participation in the main agro-food forums in the region: SIAL (France), Anuga (Germany), Agritech (Israel)…

These actions will have even more effect and efficiency where the MEDA countries to learn to cooperate with each other, share their experiences and their know-how, create an integrated market and propose to investors a common vision of the opportunities offered in the Mediterranean.

Annexes

Annex 1. Bibliographical indications

- CIHEAM, 2004, « Agriculture, fishery, food and sustainable rural development in the Mediterranean region", annual report 2004
- de Saint-Laurent B. and Apothéloz C. 2004, « Investir dans la région MEDA, pourquoi, comment ? (Invest in the MEDA region, why, how?)» Notes et études ANIMA n°12, May
- de Saint-Laurent B. et Sztejnhorn I. 2005, « Direct Foreign Investment (FDI) in the MEDA region in 2004 », Notes et études ANIMA n°6, May
- Elroy I., 2004, "Israel's food industry", presentation at SIAL, 21 Oct.
- IDAL, 2004, " Agrobusiness in Lebanon", presentation at SIAL, 21 Oct.
- GAFI, 2004 "Investment environment and opportunities in Egypt", presentation at SIAL, 21 Oct.
- Lipchitz A., 2004, « La libéralisation agricole en zone euroméditerranée: la nécessité d'une approche progressive (The liberalisation of agriculture in the EuroMediterraneran area: the necessity of a gradual approach)», dossier, Direction de la prévision, Ministère de l'économie, des finances et de l'industrie, mai
- French Economic Mission to Cyprus, 2003, « Le secteur agricole à Chypre », Fiche de synthèse DREE, June
- French Economic Mission to Egypt, 2004, « Panorama de l'agriculture en Egypte », fiche de synthèse DREE, 8 avril
- French Economic Mission to Egypt, 2004, « le machinisme agricole en Egypte », Fiche de synthèse DREE, March
- French Economic Mission to Israel, 2003, « L'agriculture en Israël », fiche de synthèse DREE, 3 March
- French Economic Mission to Israel, 2003, « Les grands groupes agro-alimentaires et de distribution en Israël », fiche de synthèse DREE, 24 September
- French Economic Mission to Jordan, 2002, "L'agriculture jordanienne", fiche de synthèse DREE, 12 November

- French Economic Mission to Jordan, 2004, "L'agriculture jordanienne", fiche de synthèse, 7 March
- French Economic Mission to Lebanon, 2003, « Le marché des équipements pour l'industrie agro-alimentaire au Liban », Fiche de synthèse DREE, 26 February
- French Economic Mission to Morocco, 2002, « L'agriculture au Maroc », Fiche de synthèse DREE, 24 October
- French Economic Mission to Morocco, 2004, « Les industries agro-alimentaires au Maroc », Fiche de synthèse DREE, 13 August
- French Economic Mission to Morocco, 2003, « Le marché du matériel agricole au Maroc », Fiche de synthèse DREE, 27 October
- French Economic Mission to Morocco, 2003, « Le marché des équipements agro-alimentaires au Maroc », fiche de synthèse DREE, 21 August
- French Economic Mission to Morocco, 2004 « Libéralisation des filières alimentaires de base au Morocco », fiche de synthèse DREE, 16 juin
- French Economic Mission to Syria, 2002, "L'industrie agro-alimentaire syrienne », fiche de synthèse DREE, 3 October
- French Economic Mission to Syria, 2003, "Le marché de l'emballage en Syrie », fiche de synthèse DREE, 15 July
- French Economic Mission to Syria, 2004, "L'agriculture en Syrie », fiche de synthèse DREE, 13 April
- French Economic Mission to Turkey, 2004, « L'industrie agro-alimentaire en Turquie », Fiche de synthèse DREE, 20 August
- French Economic Mission to Turkey, 2005, « Panorama de l'agriculture turque », Fiche de synthèse DREE, February
- French Economic Mission to Tunisia, 2004, « les produits alimentaires transformés en Tunisie », 27 August
- Sahar A. Hijazi S. A, 2004, "Jordan's Agri-food Snapshot", presentation at SIAL, 21 October
- Turkish Under-Secrétariat of the Treasury, "Turkey: food industry and foreign direct investment", presentation at SIAL, 21 Oct.
- Tazi H., 2004, "Agribusiness in Morocco", presentation at SIAL, 21 October
- Tozanli S., 2004, « Investments opportunities in the Mediterranean region », presentation at SIAL, 21 Oct.

• Tozanli S., 2004, "The place of the Mediterranean countries in the foreign investments of the top 100 food processing multinational enterprises", presentation at SIAL, 21 Oct.

Annex 2. The place of the MEDA countries in the internationalisation strategies of some agro-food groups

Danone

Born of the merger of BSN and Gervais Danone, Danone is one of the leading agro-food groups in the world. Specialising in dairy products, it is also present in biscuits, cereal products and beverages. In 2003 it had a turnover of 13 billion euros, 60 % of which through 4 brands: Evian, Lu, Danone and Wahaha. While 68 % of its sales are made in Europe, the share of the rest of the world, and especially Asia is increasing rapidly (respectively 32 % and 15 % of the total) as a result of a policy of positioning on the emerging markets, with a focus on certain key countries. In the MEDA region, the group's subsidiaries occupy hold positions in Saudi Arabia, Morocco, Tunisia, Algeria and Israel. The main brands present in these countries are: Danone Bimo, Al Safi, Djurdjura, Sotubi.

Nestlé

Leading food group in the world with 2 % of the sector's turnover, Nestlé had a turnover in 2003 of 88 billion Swiss francs ($ c. 70 bn) 253,000 staff and 511 plants. It is present in dairy products, as well as chocolates and confectionery, instant beverages, culinary products, ice cream, water. It has also widened its interests to include cosmetics, pharmacy and domestic pet products. Its products are manufactured in more than 80 countries and sold throughout the whole world. Among the group's main brands are to be found: Perrier, Nestlé, Findus, Buitoni, Nescafé, etc. Its 15 main national markets made up 79% of total sales in 2003. While the MEDA countries still remain relatively absent from its strategy, Nestlé already has, however, some twenty subsidiaries there.

Haribo

Haribo is an agro-food group of German origin created in 1920 (from HAns RIegel BOnn). From 1997, this family business chose to diversify geographically outside Europe towards Africa. The nature of the sites for this group depends on the economic reality and the socio-cultural and religious particularities of the country (e. g.: using poultry gelatine instead of pig gelatine in Muslim countries and Israel).

Morocco. Through crossed stakes, Haribo has opted for the exclusive distribution of its brand through a series of points of sale in Rabat, Casablanca and Marrakech. The products presented on the Moroccan market take into consideration the low purchasing power of the local population

Algeria. The purchasing power in Algeria is too modest to opt for exclusive distribution. It is also difficult to count upon the retail distribution network which is still hardly developed.

Tunisia. Haribo has over the years built an increasingly dense distribution network through the large supermarket chains (Carrefour, Champion..).

Libya. The opening of Libyan economy has enabled Haribo to open a site but the market is still very small in size.

Egypt. Despite the weakness of local purchasing power, the Haribo brand has developed rapidly on the Egyptian market (distribution especially through the Carrefour network).

Israel. The products distributed in Israel are manufactured in Spain and locally. The country offers a high level of purchasing power.

Lebanon. The customers in Beirut has high purchasing power. The launching of films for children and sponsoring operations provide opportunities to make the Haribo brand known.

Syria. There is hardly any contact with this country.

Turkey. Close both to Eastern Europe and the Arab markets, with a lower labour cost than in West European plants, Turkey offers both an interesting production base and an relatively vast and dynamic market.

The saturation of the European markets and increasingly acute competition makes it necessary to exercise strict control over costs and prices and involves pressure on margins. Production also needs to be adapted to the specificities of the local markets (simpler and cheaper products in Africa and the Middle East…). This region, where the foreign firms have as yet little invested, offers interesting as a result of the fact that there is less here competition than elsewhere. The MEDA countries are, however, more interesting as an area of production for the local market than for re-exporting. While Haribo has relocated from Europe towards this area, the competition from Asia for delocations is increasingly strong.

Cobega

Concessionaire of Coca-Cola, specialising in carbonated drinks and mineral water, the firm employs 6,500 people, 4,300 of which in Africa. It is present in 13 countries (Southern Europe, Africa). It possesses 23 plants, 14 of which in Africa. It has a turnover of one billion euros through the production and sale of 20 million bottles.

Faced with the saturation of the European market, and a concentration movement which threatens the survival of a large number of enterprises, Africa and the MEDA region represent an opportunity for development often forgotten by European firms.

For that it is, however, necessary to adapt the product to the local market - even if it is a world brand -, and also to find a simplified product and modes of distribution so as to obtain low costs and sell large volumes very cheaply. Manufacturing on site means being able to take advantage of the low labour costs to supply the local market in good conditions of competitively in terms of price. This challenge is not an easy one to take up, but will provide feedback which can be exploited on the markets of developed countries. It is this way that a «business model» is obtained based on the North/South complementarity (Techniques and finances versus dynamic market and cheap labour). Cobega has good margins in these countries and is particularly satisfied with its Moroccan experience.

Annex 3. Main foreign investment projects

Agro-food projects in the MEDA countries between January 2003 and September 2005 (Source: MIPO-ANIMA Project)

Year	Destin.	Origin	Firm	Project	Jobs	FDI (€m)
2003	Algeria	France	Castel	Creation of a beer production plant at Oued Tlelat		
2003	Egypt	Greece	Chipita International	(Pre-project) Leader of Greek agro-food ready to create joint ventures		4. 7
2003	Egypt	Jordan	Egypt Int'al Tobacco & Cigarettes Co	Signing of an agreement with Eastern Company for the production of cigarettes		
2003	Egypt	US	Kraft Foods	Kraft Foods sets up in Egypt		100. 6
2003	Israel	CH	Nestle	New pre-cooked frozen foods plant		
2003	Jordan	US	Philip Morris	Opening of a Malboro cigarettes production plant		
2003	Morocco	Saudi Arabia	Savola	Opening of a vegetable oil production plant		10. 7
2003	Morocco	Spain	Murgaca	Installation of a pilot plant for processing lamb meat at Casablanca		22
2003	Morocco	Spain	Gill Gomez	Canning company opens new production unit		
2003	Morocco	Spain	Penas	The Penas conserveries set up in North Africa		
2003	Morocco	France	Altadis	(Pre-project) Altadis makes an offer for Spanish tobacco company		
2003	Morocco	Spain	Cobega	Cobega pays 73 million US$ for a 3rd bottling plant in Morocco		
2003	Morocco	Spain	Indumix	Creation of an office for nutritional expertise for milk cow breeders, then construction of a plant		
2003	Morocco	Italy	Mediterranean Fruit Company	Opening of a Moroccan fruit production marketing bureau towards the European market		
2003	Morocco	Saudi Arabia	Unknown (FCMG only)	(Pre-project) Production unit for carbonated drinks, products and oils	360	23. 9
2003	Syria	Saudi Arabia	Olive oil company	Construction of an olive oil plant		
2003	Turkey	Russia	Kornet	Installation of a plant to produce champagne and wine at Kilis		
2003	Turkey	UK	Imperial Tobacco	4th world tobacco producer prepares to open a new production unit		

2003	Turkey	Germany	Haribo	Construction of a new candy plant		
2003	Turkey	Australia	Amcor White Cap	Construction of a new agro-food plant at Dudullu to replace that of Istanbul		
2003	Turkey	Others	Unknown	(Pre-project) Privatisation of the Tekel Turkish tobacco company		
2003	Turkey	Germany	Mayr-Melnhof Graphia	Creation of a cigarette packing plant at Izmir		
2004	Algeria	France	Lesaffre	Opening of a yeast production plant in Algeria	100	20
2004	Algeria	France	Rolland	Partnership agreement with the Algerian family business Grand Lotus for the production in Algeria of the ice cream « Flipi »	m	6. 9
2004	Algeria	UK	SABMiller	The brewer SABMiller takes a stake in the activities developed in the past 2 years by Castel		
2004	Algeria	France	Castel	The French group has built soda production plant and bought an Algerian beverages group	750	100. 0
2004	Others	US	Coca Cola	(Pre-project) The enterprise is making investments to increase its regional production		
2004	Cyprus	Greece	Boutaris	The Greek wine producer is extending his activity by opening a production unit on the island		
2004	Cyprus	Turkey	Unknown	A new abattoir in compliance to European sanitary standards has just been commissioned		
2004	Egypt	US	Ball Corporation	(Pre-project) Construction of a can factory at Cairo		
2004	Egypt	Lebanon	Patchi	(Pre-project) The Lebanese chocolate manufacturer plans to open plant in Egypt		
2004	Israel	CH	Nestlé	The enterprise is preparing to invest 22. 2 million $US to create a food plant in Southern Israel		
2004	Israel	Poland	Profi SA	The food manufacturer, Profi SA intends to open new plants in Israel and in Russia		
2004	Jordan	Turkey	Meysan	The instant foods manufacturer had opened a plant in Amman		2
2004	Lebanon	Iran	Zamzam Cola Company	Opening of a beverage factory in the Bekaa valley for the Lebanese and Middle East markets		
2004	Morocco	Saudi Arabia	Savola	The edible oil enterprise has started the construction of a plant in Morocco		4. 1
2004	Morocco	UK	SABMiller	SABMiller is to invest 21 M $US in a holding owned by several brewers		
2004	Morocco	Norway	Unknown	(Pre-project) The Norwegian authorities are to promote investments in the fisheries in the Western Sahara		
2004	Morocco	UK	Southern Fried Chicken	The franchise company has decided to conquer the fast-food market by opening 2 restaurants		

Annex 3. main foreign investment projects

2004	Morocco	France	Altadis	(Pre-project) Altadis is preparing to buy 20% of the remaining shares of the Moroccan State in the State tobacco company		
2004	Syria	France	Altadis	The cigarette manufacturer has signed protocol agreement to produce Gauloises Blondes cigarettes		
2004	Syria	US	BAT	Agreement with the organisation Général du Tabac (GOT) to manufacture its brands locally		
2004	Tunisia	US	Crown Holdings	(Pre-project) Construction of a can factory		
2004	Tunisia	France	Castel	Contract of concession for production of Heineken beer at Tunis		2. 5
2004	Tunisia	France	Bel	The start of production of its melted cheese plant planned for the first half of 2005		
2004	Turkey	Greece	Fine Food	The Greek company Fine Food is to build a plant at Biga in north-west Turkey		
2004	Turkey	France	Roullier	(Pre- project) The group is envisaging for 2004 installations in Turkey, China and West Africa		
2004	Turkey	Italy	MFC	The fruit and vegetable producer is opening an office in Turkey		
2004	Turkey	UK	Unilever	The group is investing in a 3rd tea production plant in Turkey		6
2004	Turkey	US	Bunge Ltd	The agro-food group inaugurates its port in Turkey to reinforce its position on the Turkish market		
2004	Turkey	UK	Imperial Tobacco	The enterprise starts construction of a plant to be operational between now and end 2004	150	
2004	Turkey	Italy	Barilla	Freshcake, subsidiary of Ulker and Barilla, builds a new plant		
2004	Turkey	US	Starbucks	The coffee merchant Starbucks opens 2 stores in Ankara		
2004	Turkey	Iran	Zamzam Cola	The Iranien Zamzam Cola arrives on the market		
2004	Turkey	Austria	Mayr-Melnhof Graphia	Mayr-Melnhof Graphia is to invest 48 million euros in a cigarette packaging plant		48. 2
2005	Israel	N'lands	Heineken	Heineken takes 40% of Tempo Beer Industries, Israeli leader in beer which possesses 50% market share		11. 6
2005	Egypt	Others	Unknown	A consortium of companies has acquired 55 % of the capital of Bisco Misr, the public biscuit manufacturer for 21 million euros		21. 0
2005	Syria	Portugal	Alcides Branco	The enterprise has inaugurated a production unit in Syria		
2005	Jordan	France	Isigny	Isigny enters the capital of Nutridar to the tune of 45% to market children's milk		

2005	Algeria	France	Latal	Five French transport companies have created a ltd company in Oran, the company LATAL, for the Algerian market		
2005	Tunisia	France	Lesieur	Lesieur Cristal, subsidiary of the ONA group and Lesieur, has just taken 34% of Raffinerie africaine		
2005	Egypt	CH	Hero	Hero has taken over the Franco-Egyptian company for the agro-food industries (Vitrac)		
2005	Morocco	France	Banchereau	Association with Lesieur Cristal to create a Halal cold meat plant in the Nouasseur science park	50	
2005	Morocco	France	Silver Food	Silver Food is to build a fish processing factory in the Settat region for 19 million euros		19. 0
2005	Algeria	UAE	Unknown	Creation of a joint venture, the STAEM, with the national tobacco and match company		
2005	Morocco	Spain	Unknown	The harvesters of shellfish from the Canaries are to invest 7 million euros in the construction of a plant		7. 0
2005	Morocco	Saudi Arabia	Savola	The company is increasing its production capacity in the Berrechid factory by 30% with a million euros		1. 0
2005	Algeria	CH	Nestlé	The water subsidiary of the Swiss Nestlé has created a company at Taberkachent, in partnership with the carbonated drinks group of the Zahaf brothers	300	
2005	Syria	France	Altadis	Creation of a new tobacco production plant at Lattaquié where production will start end 2005		
2005	Lebanon	Denmark	Arla food	Creation of a joint venture to distribute its products where local production will be multiplied by 2 in the next 5 years		
2005	Morocco	N'lands	Heiploeg Shellfish International	Aquaculture: opening of a giant egg farm in the Bay of Dakhla for 10 million euros		10. 0
2005	Algeria	Belgium	Unibra	Unibra is to invest €15 million in the construction of a new brewery which should be operational during 2006		
2005	Morocco	Others	Unknown	Opening of one of the largest flour mills in the country by Middle Eastern investors		7. 0
2005	Egypt	Italy	Unknown	New Italian project in the agricultural and tourist sector at Marsa Matrouh		
2005	Lebanon	Cuba	Habanos SA	Creation of a joint venture with the Zeidan group to market its cigars in Africa, S. Europe and Asia		
2005	Morocco	France	Lesieur	Creaion at Aïn Harrouda of a vegetable oil refining unit for 6 million euros		6. 0
2005	Syria	Germany	Kingship	Joint venture with a Syrian entrepreneur to create the first private brewery		16. 0

2005	Algeria	France	Danone	Recent implantation of a depot of Danone Algeria in the East of the country		
2005	Jordan	Spain	Borges	The group has started the building of an olive oil plant in Jordan with local partners		
2005	Lebanon	Syria	Tabourian Group	Acquisition of Sannine Mineral Water for 11. 5 $US		9. 0
2005	Morocco	France	Silver Food	Silver Food is building its first fish cannery, to open in 2006, in the Casablanca region	600	28. 0
2005	Turkey	Austria	Rauch	The Austrian fruit juice brand enters the Turkish market		20
2005	Turkey	CH	Nestle	Nestlé opens a depot and distribution centre at Gebze, Northern Turkey		
2005	Cyprus	N'lands	Heineken	Heineken buys the brewer Ivan Taranov for 560 million $US		448. 0
2005	Morocco	France	Bel	The group is investing 2. 6 million euros in a new company in Tangiers		2. 6