

Algeria's Food Industries Reality and Prospects

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Abstract: This research paper aims to highlight the reality of Algeria's food industry and its role in the national economy as one of the most important alternatives to economic diversification, and get out of dependency on the oil and gas industry, as well as its important role in ensuring the food security of the population.

But through our study of the impact of the food industry branch on some economic indicators, we noted the weak contribution of this branch to the national economy, and its inability to meet the increasing demands for food, due to the obstacles facing this branch of industry in Algeria. Despite efforts by the state to develop this sector, with various programs, it still faces major challenges, because of technological development and competition in the world food industry.

Keywords: Food industry ; Algerian economy; food industry institutions .

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Introduction:

Industry is the cornerstone in building the economic and political strength of nations, and therefore all countries seek to pay special attention to this sector because it represents a vital artery for their economies, Manufacturing is one of the most important pillars in all developing countries, both for escaping economic dependency and for providing an alternative source of income to non-renewable energy. Therefore, manufacturing is a key approach to addressing the challenge posed by reliance on a single, depletable resource: oil. The food industry in Algeria is considered one of the most important sectors in the national economy. It is one of the branches of the manufacturing sector, which has a significant and direct impact on increasing local production and the national product. Its great importance lies in the connection between two important sectors, namely the agricultural sector and the industrial sector, and it has an important role in its direct relationship with food production. Given the importance of this branch in the national economy, the researcher wanted to conduct an evaluative study of the food industries branch and its impact on economic growth in Algeria.

Research problem :

On this basis, the researcher poses the following main question:

What are the prospects and challenges of the food industry in Algeria ?

This problem leads us to pose the following sub questions :

- What is the importance of the food industry in the national economy ?
- What are the efforts made by the state to develop the food industry in Algeria ?

Research hypotheses :

To answer these questions, the following two hypotheses can be put forward:

- The importance of the food industry in the national economy lies in creating wealth for the country and contributing to providing food for the population.
- There are many plans to develop the industrial sector in Algeria, especially the food industry.

Research methodology:

To test these hypotheses, we relied on the descriptive analytical approach, as they are consistent with the nature of the subject. We relied on them to address concepts about the food industry, as well as to analyze the data and statistics obtained.

Goals Search :

- Analysis of the role and position of the food industry within the Algerian economic fabric ;
- We try to evaluate the economic impact of the food industry in Algeria and to identify the challenges facing this sector , ;
- Identify the most important factors that lead to the development of this branch within the national economy .

Research plan :

To answer the questions and test the validity of the hypotheses, the research was divided into three topics:

1st topic : Initial Concepts of the Food Industry

2nd topic : The Reality of the Food Industry in Algeria and the Obstacles It Faces

3rd topic : Mechanisms for Developing the Food Industry in Algeria

I. Basic concepts about food industries

The concept of the food industry has gained significant importance, with many studies focusing on this field emerging, especially with the industrial development witnessed worldwide.

I.1. Definition of food industry

There are many definitions that address the food industry, the most important of which are :

1st definition : The food industry is the science that is concerned with the manufacture of agricultural raw materials (animal and plant) and converting them into food products, with the possibility of preserving them from spoilage for use in seasons other than their seasons of appearance, or for consumption in places other than their places of production, while ensuring their suitability from the health and vital point of view. (Fawzi, (2013).p 135)

2nd definition : The food industry is also defined as the scientific application of technology in the field of food industry, where its outputs are used in manufacturing, preparing, preserving and marketing food products, and maintaining their quality, nutritional value and safety for the longest possible period.

There is also a comprehensive definition where the food industry is considered one of the branches of the agricultural industry. It is the processing industry that is primarily concerned with the activity of converting agricultural products to produce food and drink. Raw agricultural materials are used, and they are modified and converted in food factories, with the addition of time benefits (increasing their shelf life for the longest possible period), and spatial benefits using different methods of production (Haji, (2019).p65).

I. 2. The importance of the food industry

The food industry plays a significant role in the economic and social development of the national economy. Its importance is represented in the following (Mahdi, (2019).pp 123.124):

- Contributing to the provision of food products to consumers in the appropriate quantity and quality at the appropriate time;
- Converting perishable agricultural products and preserving them for longer periods, thus ensuring the provision of food to the population throughout the year, and utilizing those preserved through canning and drying during seasons of poor production, due to drought or crop damage;
- Achieving a balance between supply and demand in the food market and ensuring food security for the population.
- Maintaining stable food prices by selling surplus food during periods of scarcity.

I.3. Characteristics of the food industry

The food industry occupies a significant position within the manufacturing industries. It is characterized by many characteristics, the most important of which are the following:

- Its close connection to various technologies and industries, and while its most important inputs are agricultural raw materials, both plant and animal, this branch of industry is also concerned with transportation, storage, and preservation processes.
- The state intervenes in most food industries by subsidizing basic food products, especially those related to food security and maintaining citizens' health.
- Its direct connection to the agricultural sector, as it relies primarily on plant or animal raw materials to produce food commodities.
- The majority of its affiliated enterprises are processing enterprises, forming a long chain called the food chain (Umm Al-Khair Hamouda, (2019).p 187)

- The food industry market is characterized by intense competition,

II- The State of the Food Industry in Algeria and the Major Obstacles It Faces

The food industry has witnessed significant development since independence, particularly during the last decade, the period we will study.

II.1. The Historical Stages of the Food Industry in Algeria

1)The first stage (1962-1979) : The industrial sector that Algeria inherited after independence was in a miserable situation, especially the food industry branch, which was made up of small units located in the major cities where most of the colonists lived. It was mainly made up of wheat grinding units and olive presses. The first steps after independence were to put in place programs to advance this sector, and although they were simple, they were the beginning of the advancement of the sector (Haji, (2019).p 90).

2)The second stage (1980-1989) : This period witnessed development plans aimed at upgrading small and medium enterprises that do not require high technology, as well as their operational capacity. This period was also characterized by interest in the agricultural and irrigation sector. The food industry branch acquired the largest amount of investments during the first five-year plan compared to other industrial sectors, this is to meet the increasing demand for food commodities (Kina, (2013).p75).

3)The third stage (1990-1999) : This stage witnessed annual development plans and also witnessed an improvement in the level of grain production as well as opening the way for private companies to establish mills that contribute to providing semolina, which was witnessing an increasing demand for it, in addition to increasing the production of canned tomatoes and milk. Despite the increase in the production of food commodities, the import bill amounted to more than two billion dollars.

In a special study conducted by the National Agency for the Promotion and Support of Investment (LANDI) during the period

1994-2000 on the activity of small and medium enterprises, it was estimated that five activities represented 27.5% of the total, such as bakeries, 13.5%, mills, 12.8%, food packaging, 8.5%, and soft drinks, 7%.

It also indicates that the demographic structure and dynamics of the food industry sector in Algeria remain difficult to quantify, due to the weakness and insufficiency of statistics for this sector, although the relevant ministry made recommendations for improving and evaluating the information system during the national sessions on small and medium enterprises in Algeria during the period of January 14 and 15, 2004.

The number of food industry establishments in 2012 reached 16,058 establishments, an increase of 23% compared to 2008, when the number of establishments reached 13,060 establishments. According to the National Chamber of Crafts and Professions, a branch for food industries includes craft establishments, the number of which was estimated, according to the same report, at 26,000 establishments, regarding investment in small and medium enterprises in the food industry sector, the Investment Agency recorded in 2010 an investment of 19,872 million Algerian dinars declared in the agricultural sector. These figures decreased by 38% compared to 2009, according to the National Agency for Investment Development. 744 jobs were created, a decrease of 2% compared to 2009, the National Agency for the Support and Promotion of Youth recorded the establishment of 10,500 companies in the agricultural sector with an investment of 10,966 million dinars in 2009 (Abboud Zarqin, (2014).)p155).

II.2. requirement : The reality of the food industry in Algeria

The food industry is considered one of the largest branches of industry in Algeria, contributing between 50 and 55% of industrial output. This branch of industry is also distinguished by the private sector's dominance of its market compared to the public sector. It provides about 145,000 jobs, equivalent to about 40% of the workforce in the industrial sector.

The largest contribution of the food industry branch is the provision of basic food commodities to 54 million consumers, this contribution remains limited due to the continuous growth in imports. Algeria ranks first in Africa in milk imports and fifth internationally in wheat imports (Latrash G. , (2015).p 195).

The Algerian legislator has identified and regulated the branches of the food industry in Algeria, as shown in the following table:

Table (1): Food industry branches in Algeria

Activity branch	Activity code
Mills	401
Pasta and couscous	403
Bakery and sweets	411
Sweets and diet products	414
Sugars and their refining	421
Yeast industry	422
Mineral water and non-alcoholic beverage	429
Dairy	431
Butter	432
Cheese	433
Preserving vegetables and fruits	441
Fish pickling	442
meat cutting	445
confectionery manufacturing	451
chocolate manufacturing	452
spice industry	453
Roasting and grinding	454
animal feed industry	456
ice cream industry	461

The Source: nomenclature des activités de production. p8

1) The dairy and dairy products industry:

This sector has witnessed remarkable development in recent times, thanks to the state's support for private companies operating in this sector, through the importation of large numbers of dairy cows, as well as through support directed towards the establishment of institutions specialized in milk collection and processing. These efforts have contributed to the formation of more than 1,000 units across the country, in addition to 22 dairy and dairy products factories, with a production capacity estimated at 0.9 billion liters per year. The public sector remains the leading exporter, comprising 18 factories with an estimated (Haji, (2019).p101)

Despite all efforts, the import bill continues to increase. Algeria imported \$1.1 billion worth of milk powder in 2020, compared to \$1.5 billion in 2019¹.

2) Grain Industry :

Algeria is one of the largest grain-consuming countries in the world. Average human consumption is estimated at more than 200 kilograms of grain per person per year. This demand covers only 30 percent of domestic production on average. Grain production in Algeria amounts to approximately 5 million tons per year).

The institutions active in this branch are divided into two sections: the first section includes institutions that produce food pasta such as couscous and pasta, and they are distinguished by the development of their equipment. They export some of their products to African countries. The second section includes institutions specialized in basic products, and they are mainly represented by a group of bakers and craftsmen.

3) Water and Beverages:

This sector is considered one of the most widely consumed branches of the food industry. There are no fewer than 700 companies operating in this sector, and there are approximately 50 water producers in Algeria, of which 40 percent are mineral water and 60 percent are spring water. (Nasira Bakriti, (2018).p 37)

The market for this branch of the food industry has witnessed remarkable development in the last ten years, as it has become witnessing great competition between institutions in terms of quality and price. This branch has witnessed a decrease in the number of public complexes in contrast to the increase in private investment, whether local or foreign, which has reached a coverage rate of 95% of Beverage market, the number of units in the private sector in 2004 was 35 units for mineral water, 235 units for soft drink production, 44 units for juice production, and 800 units for the production of bottles of various types.

4) Oils, canned fruits and vegetables:

Olive oil production in Algeria has witnessed a remarkable development during the last twenty years after it was opened to the private sector. The market of this branch is known to be dominated by major producers such as: Cevital, Safia, Afia, and Labal. During the period (1995-2004), this branch recorded an average production rate of 320,000 tons annually. In turn, olive oil production is witnessing a continuous development as it has found a place in the European market. Despite all the investment opportunities in this sector and the efforts made, what can be concluded about the oils sector is the weakness of the public sector's production, as we record a private sector production capacity of 20,000 tons annually, compared to 187,000 tons annually during the period (1995-2003) for the private sector (Haji, (2019).). The canned fruit and vegetable ² sector is growing at a healthy pace. This is particularly evident in the production of tomato paste, which was previously imported. This activity relies heavily on agricultural production. However, business owners in this sector face a number of problems, primarily the difficulty of controlling raw material supplies and investing in agricultural production, such as Benamour, Ourel, or 3 Amiras, along with tomatoes and peppers. As we find a group of projects that have been established in new sectors such as the production of fruit compote, the production of pulp drinks, vegetables, and French fries..., this sector has made it necessary to require modern equipment and production methods, and therefore it is necessary to reconsider the support policies directed at this sector. (Nasira Bakriti, (2018).)

II.3. The number of establishments operating in the food industry

The industrial sector has witnessed remarkable development over the past decade, particularly in the food industry. There has been increasing interest in developing and establishing new establishments outside the public sector.

The following table shows the development in the number of small and medium-sized enterprises in the food industry for the period (2010-2021).

Table (2) : Evolution of the number of small and medium enterprises in the food industries sector for the period: (2010-2021)

Years	2010	2012	2014	2015	2017	2018	2019	2021
Number/.S.M.E	19270	20198	23075	24745	28616	30590	31997	34418

S.M.M : Small & Medium Entreprises

The source : Prepared by the student based on publications from the Ministry of Industry website: <https://www.industrie.gov.dz>

Statistics indicate that the number of small and medium-sized enterprises in the food industry has been steadily increasing since 2010, when their number was 19,270. This growth continued, reaching 30,590 in 2018. In 2021, the number of small and medium-sized enterprises reached 34,418, indicating an increased interest in investing in the food industry.

III . Prospects and Policies for Developing the Food Industry in Algeria

The global food industry market, in which Algeria resides, has witnessed significant competition due to the development of technology and modern inputs in the food industry.

III.1. Food Industry Development Policies

Developing the food industry requires the optimal use of local resources, taking into account the requirements of any food industry, which are: raw materials, modern technologies, labor, investment rate, and market conditions. (Qash, (2019).p 157)

-Raw materials for the food industry: The establishment of this branch of industry depends on the continuity of its supply with raw materials, and this requires the development of the agricultural sector.

-Technical and technological qualifications: Technical and technological development is considered one of the most important pillars of the food industry, so its success depends on the state's scientific and technical qualifications, and the skill of using that technology. Therefore, research in this field must continue until it is implemented.

-Human resources: One of the most important factors that contribute to the food industry branch is the workforce, especially the local workforce. Developing the food industry requires qualifying the workforce and appropriate cadres to use technologies directed to the sector, increasing the skills of specialists, educating engineers, and directing researchers in order to make optimal use of the sector.

-Encouraging investment: Developing and modernizing the food industry requires achieving a level of efficiency and modernization of capital. The economic and technological level of any country is what allows for the optimal distribution of capital to achieve social and economic goals.

-Studying the domestic and foreign market: The importance of studying the domestic market for the food industry lies in providing the necessary food for the population and studying future needs .

III.2. Prospects for the food industry in Algeria

The food industry, like other industrial sectors, will face major challenges in the future, due to Algeria's desire to join the World Trade Organization and the entry into force of the partnership agreement with the European Union. This challenge is represented by the fact that the country and its industry will enter the new international division without a clearly defined strategy, which, by virtue of its competitiveness and effectiveness, This may reduce the growth opportunities for the national industry in general, and the food industry in particular. (Umm Al-Khair Hamouda, (2019).p 187)

Therefore, it is necessary to develop the competitiveness of the food industry in Algeria to meet the challenges it faces. This can be achieved through: (Mahdi, (2019).pp 123. 124)

- Optimizing the use of modern and appropriate technologies to maintain and improve comparative advantage ;
- Providing the state with the essential enabling factors to improve the performance of markets and institutions operating in the food industry, including infrastructure support and a favorable trade policy ;
- Accelerating technological innovation, fostering entrepreneurship, and supporting laboratories to develop various scientific research in this field;
- Encouraging business growth through increased support for small and medium-sized enterprises (SMEs);
- Facilitating access for SMEs to regional and global markets and promoting international trade standards to maintain competitiveness

Among the efforts made by the state to develop the food industry and increase the competitiveness of the institutions operating in this sector is the establishment of the Technical Center for Food Industries (CTIAA), pursuant to Executive Decree No. 12-98 dated March 1, 2012. This center has many laboratories equipped with the latest advanced means and equipment that comply with international standards, Which will provide technical services for the benefit of institutions operating in the food industry and contribute to improving their competitive level (Boubaker, (November 25, 2018).)

III.3. Mechanisms for developing food industries in Algeria within the economic diversification program (2016-2030)

The new economic growth model, approved by the government in 2016, was embodied within the framework of the policy of diversifying the national economy and reforming it structurally, achieving a growth rate of 6.5% outside of hydrocarbons, and transforming into an emerging country during the next decade through correcting the structure of the national economy. The development of food industries is considered one of the most important indicators of the success of the policies adopted for the agricultural and industrial sectors and one of the most important factors stimulating investment in this sector, and represents food industries are the third industrial production of public institutions, despite the simple development of the industrial production index for this branch, which reached 30.7% in 2017, according to the annual report of the Bank of Algeria (Wassila Chekro, 2020 .p 237)

Based on the consideration that the process of diversifying the economy is subject to the process of structural transformation, which the economy is witnessing through the investment and production decisions made by businessmen considering that the process of economic diversification is a process of structural transformation that the economy witnesses through the investment and production decisions made by businessmen and governments in their quest to achieve returns from investments, this process requires the implementation of diverse policies that contribute to stimulating and directing investments towards sectors that allow by strengthening and accelerating structural transformation, and shifting the economy towards sectors that achieve greater economic growth and employment, the measures taken to develop the food industries sector within the framework of the economic diversification policy are a combination of measures taken to modernize the agricultural sector on the one hand, In order to achieve the objectives related to food security, diversification of exports, and acceleration of non-hydrocarbon exports, and on the other hand, expanding and developing the industrial sector within the framework of developing productive activities, and on this basis, it must aim to improve productivity. (Latrash G. , (2015).p193)

In addition to implementing a plan to develop 172,000 hectares of forested areas and combat the problem of erosion, the government has allocated 340,000 hectares of trees, including 100,000 fruit trees, to the irrigation program. The goal of the food industry development program is to enable Algeria to enter some new markets in African countries and develop the food, leather and wool industries, with the wealth our country has in this field. (Haji, (2019).p 130)

Conclusion:

Through this simple research paper, it can be said that the food industry in Algeria is witnessing intensive initiatives by the state to promote it, given its particular sensitivity to food security, as well as its status as one of the most important solutions to overcome food dependency on foreign sources. Investment in this sector has witnessed a steady increase over the past decade, thanks to the policy of supporting small and medium-sized industrial enterprises, in light of the policy aimed at diversifying the economy.

Despite the efforts made to develop the processing industries sector in Algeria, it remains below the desired level, which explains the increase in the percentage of food imports. Opening up to foreign markets and increasing competitiveness in this sector, which is witnessing continuous development, requires local institutions specializing in the food industry to respond to this challenge, and the state to exert greater efforts to promote this sector and implement the measures taken to develop the food industry within the framework of the economic diversification policy, by modernizing the agricultural sector, with the aim of Achieving goals related to food security, diversifying exports, and accelerating the pace of exports outside of hydrocarbons.

Results:

1) The food industry sector occupies an important position among other sectors, especially as it links the agricultural and industrial sectors.

- 2) The food industry sector is characterized by a rapid growth rate, as there have been numerous economic programs aimed at developing this sector of industry.
- 3) The private sector in the food industry contributes to job creation, especially in light of the state's support for small and medium-sized enterprises in particular.
- 4) The public sector in the food industry sector suffers from numerous problems that have affected its profitability and its contribution to the country's economic indicators.
- 5) There are numerous economic programs focusing on the food industry sector, given its great importance in ensuring food security for the population, especially in light of the increasing import bill for basic consumer goods.

Recommendations:

- 1) Qualify food industry institutions by developing their production systems and human resources to enhance their competitiveness in light of the intense competition in the food industry market.
- 2) Increase support for private investors to establish small and medium-sized enterprises in the food industry, and provide all legal facilities to enable them to operate.
- 3) Modernize the national banking system to provide financial and technical support to small and medium-sized enterprises and facilitate administrative procedures that hinder investment in this sector.
- 4) Open the way for foreign companies to invest in the food industry to benefit from foreign expertise, particularly modern technologies.

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