

# TRANSPORT, LOGISTICS AND AGRO-FOOD DEVELOPMENT IN ALGERIA

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With a surface area of 2.38 million km<sup>2</sup> and a coastline of 1,200 km, Algeria is the vastest country of the Mediterranean even if it does not have the longest maritime border. These two parameters reveal the potentialities but also the challenges which characterize the logistics sector and the agribusiness infrastructures of this country.

Its economy is essentially based on hydrocarbons representing more than 50% of the GDP and 98% of income from exports. The strategic sectors including agriculture and the agro-food industry were ignored in development policies in the past. It is only during these last ten years that the decrease in food dependence is considered as a priority of the government.

However, local agricultural production still remains insufficient to meet the country's needs. In the absence of an efficient agriculture, Algeria strongly depends on agro-food imports, making it the largest importer of agro-food commodities in Africa. In 2012, the food bill reached 8.98 billion dollars i.e. 19% of the total value of imports (46.8 billion dollars<sup>1</sup>). Almost all the international trade of the country uses sea routes. The European Union is the main origin and destination of Algerian foreign trade with France as the major supplier and Italy the major customer.

The analysis of the characteristics of the agro-food industry including all sectors confirms that the main supply and consumption centres are situated in the North of the country, near the coast. In fact, harbour cities are these supply and consumption centres that represent less than 15% of the total surface area of the country and are home to 70% of the population concentrated especially in Algiers and its neighbourhood (ONS, 2008). This explains the country's disequilibrium in terms of distribution and logistics.

## The gates to Algeria

The routing of imports from various sources of supply scattered around the world (Europe, North and South America, Asia) requires the mobilisation of considerable logistic means. Yet the multiple inadequacies in infrastructures and means of transportation in Algeria make it one of the least attractive destinations of the Mediterranean.

### Suffering ports

Algerian ports are located in the North of the country, the only opening to the sea. There were only four commercial ports during the 1990s, and eleven in 2006, with the port of Algiers as main maritime platform concentrating a third of the country's international trade.

The politics of modernisation of harbour facilities is still criticised today. Built according to old standards, these ports were designed for small-sized ships because of their shallow depth. Moreover, the depth is reduced by the mudding phenomena that requires regular dredging operations. This obliges ship-owners who use Algerian ports to use small-sized cargo boats. Considered as non-economic, the latter engender important losses in income for the Algerian chargers who have to pay higher freight rates (Tadjine and Ahmed-Zaïd, 2012).

The connectivity index of regular sea transports of 2012, places Algeria far behind its Moroccan, Egyptian or Turkish neighbours (UNCTAD, 2012). The rankings developed by the World Bank for 2012 confirm these poor performances by attributing Algeria the 125<sup>th</sup> position out of 155 countries, far behind Tunisia, Morocco and Egypt which respectively occupy the 41<sup>st</sup>, 50<sup>th</sup> and 57<sup>th</sup> position (World Bank, 2012). Faced with these continuing multiple difficulties (obsolete infrastructure, slow and excessive bureaucracy and customs etc.), Algeria is the most expensive destination of the region. According to the Doing Business 2011 report of the World Bank, the average cost of an import container is of 858 dollars in Tunisia, 950 dollars in Morocco, and reaches up to 1,318 dollars in Algeria.

The constraints persist despite the efforts of the state that for example, has given the management of the ports of Algiers and Djen Djen in concession to the United Arab Emirates' DPW group (Dubai Ports World) since 2008. Despite the commitment of this Group to modernise the management system, the situation of the infrastructure in these two ports is far from having improved. The situation has even deteriorated. Boats are stranded for a period of up to seven days, with additional costs of an average of 7,000 dollars per day and per boat, while according to the Algerian foreign trade operators, this waiting time was previously of three days maximum.

### Maritime transport companies

Over the last fifteen years, foreign companies have almost exclusively served Algeria. Ship-owners such as CMA-CGM (France), the Mediterranean Shipping Company (Switzerland) or Maersk (Denmark) provide up to 95% of the maritime traffic to and from Algeria. Statistics from the customs department estimate the sea transport

invoice at an average of 25% of the total value of the country's imports. In 2011, Algeria paid about 12 billion dollars in charter fees for an imports value of 45 billion dollars.

Until the end of the 1990s, the Algerian Maritime Company (CNAN) ensured a large part of the services related to the maritime transportation of goods. Since then, it is in decline. At that time it employed about 10,000 persons while in 2003, it only employed about 1,000 persons. Out of the eighty ships owned by the group, only about fifteen remain. Besides, they often have equipment failures. The government has recently decided to revive the activity of this unique national ship-owner. The Council of State Holdings has thus endorsed a program to strengthen the company's fleet by planning the acquisition, for the period 2013-2016, of twelve ships meeting new standards, including six Corno type ships with a horizontal and vertical navigation of a capacity of 6,000 to 8,000 tonnes, four handy size bulk carrier ships of a capacity of 30,000 tonnes and two container ships of a capacity of 7,000 to 8,000 tonnes.

## Internal distribution logistics

After their arrival or before leaving the country, agro-food products follow various traffic corridors. Due to the country's vast geography, the connections between regions require long travelling times. Between the North, where the ports and the storage platforms for imported agro-food products are concentrated, and the extreme south of the country, the distance is of nearly 2,000 km. As a result, the supply of inland cities and the greater South requires important means of transportation, adapted in particular to fresh products such as vegetables, meat or dairy products. Due to the lack of a dense railroad network, road transport prevails. The current situation of both road and railroad networks reveal important gaps.

**Table 1 - Transport infrastructure**

| Type of infrastructure | Physical situation                                                            |
|------------------------|-------------------------------------------------------------------------------|
| Roads                  | 118,306 km (including national, departmental and rural roads)                 |
| Motorways              | 2,451 km (by the end of 2011)                                                 |
| Airports               | 35 of which 13 international                                                  |
| Railroad network       | 4,200 km in service and 6,300 km in progress (quinquennial program 2010-2014) |
| Ports                  | 40 ports of which 13 only are dedicated to commercial activities              |

Source: Algerian Ministry of transport.

## Predominance of road transport

Although it appears as being the densest of North Africa, the Algerian road network still requires modernisation and densification in order to allow a bigger flow of transport and open up all the regions of the hinterland. At the end of 2011, the length of the Algerian road network was estimated to 118,306 km including different road categories and 2,451 km of motorways (see Table 1). During these last five years, the development program for road infrastructure in Algeria has undertaken the elaboration of two large-scale projects: the east-west motorway and the Trans-Saharan route.

The east-west highway is of an important 1,216 km section whose realisation since 2009 has cost about 11 billion dollars. Connecting the city of Annaba (at the East) to the city of Tlemcen (at the West) and designed in 2 x 3 (two ways and three lanes for each), this megaproject allows the crossing of the northern part of Algeria in an estimated time of 10 hours and will significantly reduce the costs and delivery delays for processed foodstuffs.

The Algerian part of the Trans-Saharan route is the most achieved segment of a vast trans African project introduced in the 1970s in the framework of a UN program related to the establishment of trans African road networks that should extend across the countries of the Maghreb and Sahel (Algeria, Tunisia, Mali, Nigeria, Chad and Nigeria). Due to the lack of financial means and adequate equipment, the project was put to a halt during several years before its re-launch in the 2000s. Algeria is concerned by the construction of 2,800 km of road: 2,410 km have already been established on the Algiers-Tamanrasset border-line with Nigeria; there is only a section of 390 km left to be built. The cost of implementation of this project is estimated at 400 million dollars (Algerian Ministry of Transport).

## A developing railroad network

The railroad network extends over 4,200 km. Certain sections have recently been electrified. Still under the monopoly of the state, the sector is managed by the *Société nationale des transports ferroviaires* (SNTF)<sup>2</sup>. Unlike the centre and the south of the country, where the rail transportation is still non-existent, the north of the country benefits from the biggest railroads. The network is mainly made up of 299 km of electrified lines, 305 km of two ways and 1,085 km of narrow lanes.

The government policy for town and country planning gives priority to rail transportation, considered as a major vector for development and growth. The national program for the extension of railroads plans to build more than 6,000 km of railroad network in 2014 and to reach 10,000 km by 2017. The development of rail transportation of goods, with the launching of adequate trains (container railcars, railcars for transport of cereal, etc.) is an essential objective in the program for modernisation that has just been deployed by public authorities. New main railroads in progress will allow connections between the big regional poles such as Bordj Bou Arréridj-Khemis Miliana, Boumedfaa-Djelfa, Touggourt-Hassi Messaoud, Oued

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2 - National Railway Transport Company (translator's note).

Tlilat-Moroccan border, Relizane-Tiaret-Tissemsilt, Alger-Annaba, Alger-Sétif-Tizi Ouzou, Alger-Oran, Oran-Tlemcen, etc. The current railroad projects also include electrification of 1,000 km of railroads and the construction of 3,000 km of new railroads.

The development program of the transport sector including both road and railroad should cost about 38 billion dollars in all between 2010 and 2014<sup>3</sup>. As revealed by the above-presented topography of transport infrastructure, the recourse to road transport is almost exclusive for the distribution of agro-food products, and it has an impact on the quality of products, their cost price, or the security of supply. Compared to the populations of the north, the populations of the southern regions (Tamanrasset, Béchar, Tindouf, Ouargla, Illizi, etc.) pay their agro-food products up to 50% more. Convoys of agro-food products take up to five days to reach these regions which are from 1,000 to 2,000 km away from the North, where production and packaging companies for local products and unloading of imported products are concentrated.

## Constraints linked to agro-food distribution

Agro-food distribution faces at least three major constraints: the absence of specialised transport companies, the predominance of informality and the deficit in large-scale distribution. Remaining the most used means of transport, road transport reveals such failures in terms of organization and it does not contribute to the efficiency of the agro-food distribution. A big part of the transport market is indeed monopolized by unlicensed operators (informal) and the transportation of fresh products (refrigerated transport) is very poorly developed.

At the time when the economy was centralised, Algeria had a large state-owned road haulage company, the *Société nationale des transports routiers* (SNTR)<sup>4</sup>, which supplied the agro-food public offices in different regions. Due to the economic crisis that affected Algeria during the 1990s together with the majority of public companies the SNTR went bankrupt. The financial difficulties weakened its effectiveness. In recent years, the company has launched a new process by establishing, in 2007, about twenty logistics and transport centres throughout the whole territory, and formed a fleet of about 2,000 20-30 tonne trailer trucks.

In the absence of haulage companies capable of meeting needs, agro-food producers develop in-house distribution networks – these networks currently represent 40% of the agro-food transport market, which brings about an additional challenge for companies, especially SMEs. For these small and medium enterprises, transport involves the mobilisation of an important part of their financial means (CETMO, 2011). Nevertheless, these last ten years, goods transportation is increasingly developing within the framework of public initiatives to support new business start-ups and self-employers, the *Agence nationale de soutien à l'emploi de jeunes*<sup>5</sup> (ANSEJ) and the *Caisse nationale d'assurance chômage* (CNAC). However, this impetus, which

3 - Action program of the Ministry of Transport.

4 - National Road Transport Company (Translator's note).

5 - National Agency for the Support of Youth Unemployment (Translator's note).

particularly concerns<sup>6</sup> specialised transport, such as refrigerated transport, is far from taking place in a structured and organised framework. In 2011, the transportation of goods concentrates nearly one third of the projects financed within the framework of the above-mentioned support schemes (ONS, 2012).

### Box 1: The Anderson Logistique Group

Among the rare haulage companies created in line with the abolition of state monopoly and the opening of the Algerian economy to private investment, the Anderson Logistique Group gained important market shares in a few years in its field of intervention (road transport, storage, handling and distribution).

With a portfolio of 1,700 customers, 600 employees, 500 vehicles and 8,000 m<sup>3</sup> of storage capacity, the group is present in the 48 *wilayas* of the country. In 2009, the group transported more than 260,000 tonnes of goods across the whole Algerian territory, managed and stored approximately a million m<sup>3</sup> of different products.

In line with its innovation strategy, in 2013, the Anderson Group expanded its activity to freight, with the opening of freight centres across the whole territory. This system, which is common in several other countries, allows the companies to group transport and distribution of their products in various regions with reduced costs. The management of the Anderson Group aims at developing “this mean of transport to the industrial level and to companies enabling them to save more than 30% on their usual transport costs”.

The working method of the Anderson group relies on the continued availability of staff and fleet, and the organisation of container transport from harbour facilities and dry ports. To overcome the bureaucratic gaps, the group adopted a strategy to facilitate the access authorisations to ports and the organisation of convoys. By 2015, the group aims to create a park for logistic activities.

## Large-scale distribution

Large-scale distribution is an emerging sector in Algeria. The retail trade remains dominated by general food-stores and street hawkers (weekly markets or corner shops). The country has two supermarkets (Uno City, Cevital group, both in Algiers) and three hypermarkets, two of which are owned by the Cevital group (Uno in the region of Ain Defla and Uno Shopping Center in Bouira) and the Arcofina group owns the other one (Ardis in Algiers). Several other supermarkets are under construction, in particular within shopping malls (Ubifrance, 2012). Uno and Ardis aim at opening other hypermarkets across the country but these projects are being developed very slowly. Fresh products such as meat, vegetables and fruit remain either the privilege of specialised stores, or are sold on traditional markets or through informal circuits that are very vast in the case of this type of products.

<sup>6</sup> - National Insurance for Unemployment (Translator's note).

### Box 2: Agro-food logistics organization in the Cevital Group

Being the leading agro-food group in Algeria and third in Africa, the Cevital group monopolises more than 60% of the Algerian market in terms of sugar and vegetable oil, with the aim to start exporting commodities. The production capacities of the group are rapidly growing. Currently, the company produces about 210,000 tonnes of sugar per year, 3,6 million bottles of mineral water and fruity drinks per day and 80 tonnes of canned tomato and jams per day. The Group's agro-industrial units are in Bejaia. Located 250 km East of Algiers, the port of Bejaia has harbour silos of a total capacity of 182,000 tonnes and an unloading terminal of 2,000 tonnes per hour. It is the most important unloading terminal in the Mediterranean (Hafsi, 2011).

Cevital's development policy includes the implementation of a strengthened internal logistics network: upstream, the Group equipped itself with a maritime fleet ensuring the supply of raw materials (oil and unrefined sugars); downstream, it has established a vast network of transport, storage, large-scale and wholesale distribution, across the entire territory.

The logistics and distribution sector of the Group is organised in four subsidiaries:

- 1) Nolis: created in 2000, this subsidiary is in charge of sea transport. Thanks to three owned ships and to other chartered ones, the company ensures the transportation of imported raw materials of the Cevital group, in particular from Latin America.
- 2) Numidis: created in 2006, this subsidiary is specialised in large-scale distribution. It is planning to develop of a chain of supermarkets and hypermarkets under the Uno City and Uno brands.
- 3) Numilog: created in 2007, this subsidiary offers a global logistic solution including road transport, storage and inventory management, packaging, co-packing and labelling.
- 4) Sierra Cevital: created in 2011, this subsidiary is a joint-venture between the Cevital group and Sonae-Sierra, specialised in developing and managing shopping malls (market studies, feasibility, coordination of the establishment of shopping malls, optimisation of commercial mix, management of centres).

## Conclusion

As determining factors in the development of agribusiness, Algerian transport and logistic infrastructure should be re-structured. Indeed, important projects are underway (the modernization of harbour facilities, the development of railroad and road networks, etc.), but a global strategy able to guarantee, in the medium and long term, the complementarities between the various logistic sectors and an intraregional homogeneity, is still lacking.

The establishment of new agribusiness trends is also imperative through the generalisation of large-scale distribution, thus allowing supply availability and regularity, a necessary condition for the eradication of informal trade, speculation and fluctuation of prices.

Lastly, the removal of bureaucratic obstacles, in particular those related to international trade will contribute to the modernisation of the logistics sector. This will in turn make Algeria a more attractive destination and reduce transaction costs that penalize economic operators and consumers.

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