

## Analyses

### Diversity of the agrifood industry in the Mediterranean

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The different types of agrifood company are very unequally distributed across the Mediterranean Region, as is the degree of entrepreneurial initiative they display. The socio-economic and cultural characteristics of consumer households and the role of public authorities in promoting the expansion of agricultural and industrial activity also vary considerably from one area to another. Moreover, the task of drawing international comparisons is made even more difficult by the scarcity and in some cases non-existence of qualitative data and long-term statistics on Mediterranean countries' agrifood sectors. We shall nevertheless attempt to identify points of convergence in a sector of strategic and fundamental importance for the life of society in this untypical part of the world.

### Microenterprises in the majority in the SEM countries

The agrifood industry tends to exhibit an atomised structure, notably in the South and East of the Mediterranean Basin, where the majority of firms employ fewer than 10 employees.

The importance of microenterprises in the agrifood landscape of the SEM countries is undeniable. These small concerns with fewer than 10 workers make up nearly half – in some cases more than half – the total number of companies in the region and employ more than a third of the AFI's total workforce. The large enterprises, on the other hand, represent less than 5% of the total number of agrifood companies but employ a very large proportion of the sector's workforce. The sector as a whole is a significant source of employment: statistics issued by UNIDO (United Nations Industrial Development Organization) show that it accounts for more than a fifth of the total workforce in manufacturing industry in the countries of North Africa and the Middle East, compared with just 10.2% in those to the North of the Mediterranean.

Comparison of the different parts of the agrifood industry reveals that the dairy, fruit and vegetable, and most notably processed goods industries are the ones that have expanded significantly over the past two decades of liberalisation, economic restructuring and globalisation. Production of cold non-alcoholic drinks (table water, soft drinks, fruit drinks, etc.) and fruit juice, together with the added value generated by them, has soared both in the North and in the South and East of the Mediterranean Region.

Also worth highlighting is the development of wine, beer, fruit juice and aperitif industries in the southern Mediterranean countries (Morocco, Tunisia and Egypt) in response to the strong tourism flows to these countries. This "external" demand is also impacting on internal demand and attracting more and more foreign capital.

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Table 1  
**Table 1: Preponderance of SMEs and microenterprises in the SEM countries**

Type of enterprise	Micro enterprises	SME	Large	Total
	(<10 employees)	10-249	250 +	
Turkey (2005)	58.0%	40.0%	2.0%	16,509
Morocco (2005)	47.7%	50.1%	2.2%	4,336
Tunisia (2006)	81.0%	18.0%	1.0%	5,500
Egypt* (1995)	90.7%	9.1%	0.2%	37,805

\* In Egypt SMEs are defined as companies employing between 10 and 499 workers and Large Enterprises as companies employing 500 workers or more.

## Arrival of new players

Throughout the twentieth century, the state has been an active dynamic player in the development and running of the agricultural and agrifood sectors in the great majority of Mediterranean Basin countries. Although moves to liberalise and privatise the sector in the eighties and nineties did much to change this state of affairs, the state is still active in the agrifood sector, most notably in the large agro-industrial complexes in Algeria, Egypt, Jordan and Turkey (producing tobacco, confectionary, and oil from oilseeds and fatty substances). Until recently this was still the normal situation in certain southern European countries (notably Spain and Italy), where the state was involved in industry alongside private capitalist concerns or the *régies* (state corporations which enjoyed real monopolies in the French and Spanish tobacco industries right up until 1999 when the multinational firm Altadis was formed).

In addition to the state-owned undertakings, there was also a rise in large national agro-industrial companies funded with private capital, often of family origin. This situation continues to prevail both to the North and to the South of the Mediterranean. Moreover, privatisations, which have continued apace since the beginning of the nineteen-nineties, are of greater benefit to the local private sector than to foreign private capital. Even in countries like Algeria or the Balkans, where the state replaced the private sector until the last decade, the transition economy is kindling the entrepreneurial spirit and industrial conglomerates have been developing very rapidly. Table 3 provides an initial outline of these conglomerates, which dominate the manufacturing and tertiary sectors of the Mediterranean countries.

In Spain, France and Italy several large multinational groups are following this tradition (Lactalis/Besnier, Bongrain, Ferrero, Montedison/Ferruzzi, Pernod Ricard, to name only the best known). In the South and East of the Mediterranean we might cite the Koç, Sabanci, Ülker and Yazıcı families in Turkey, the Haddab, Hashisha and Mabrouk families in Tunisia, and the Royal Family and Alj family in Morocco. This arrangement involves a form of management and governance different from that practised by agro-industrial groups in the English-speaking world, which are dependent on institutional investors<sup>1</sup>. In these regions therefore it is these families that have been responsible for setting up competitive enterprises and managing production and distribution chains and they are now market leaders in their countries. Most often, foreign agrifood capital penetrates the markets via partnerships formed with local conglomerates funded by family capital.

The strategy of the large local enterprises consists in exploiting the assets of a specific locality using their knowledge of its markets and distribution networks and their expertise in its cuisine, which they offer in exchange for capital from foreign enterprises. These partnerships also provide local enterprises with a means of finding new export markets. A good example is the partnership between Carrefour and the Sabanci group, one of Turkey's leading industrial complexes. In this situation, Carrefour's exports to the European Union comprised not only Sabanci products but also those of various other leading Turkish companies, thereby providing Turkish firms with an opportunity to penetrate the European markets.

<sup>1</sup> We should mention the large family firms in North America (Cargill, Mars, J.L. Simplot, McCain) and the United Kingdom (Weston which created various firms in Canada, the UK and Australia). But unlike the family firms in the Mediterranean countries, these enterprises make up an increasingly small proportion of the major firms that form the regional agrifood oligopolies.

## CIHEAM

Founded in 1962, CIHEAM is an intergovernmental organisation comprising thirteen member countries from the Mediterranean Basin.

CIHEAM is made up of a General Secretariat (Paris) and four Mediterranean Agronomic Institutes (Bari, Chania, Montpellier and Zaragoza).

In pursuing its three central missions (education, research and cooperation) CIHEAM has established itself as a reference in its fields of activity: Mediterranean agriculture, food and rural development.

At present, Mr Abdelaziz Mougou is President of CIHEAM and Mr Bertrand Hervieu is Secretary General.

Table 2  
**Examples of industrial conglomerates in countries to the South and East of the Mediterranean**

Name of group	Founder-CEO	Main sectors of activity	Subsidiaries
<b>Algeria</b>			
Cevital	Issaâd REBRAB	Metal construction, metallurgy-steel, pharmaceutical industry, daily printed press, banking, exclusive representative of IBM Algérie, Hyundai Algérie	Socomeg, Prolifor, Metal-Sider, Saidal, Liberté, Royal Bank
		vegetable oils, margarine, sugar, bottled water, pasta, semolina	Cevital
Hamiani Group	Réda HAMIANI	Sanitary ceramics, motor, margarine, biscuits, import of food products	Redman, Finair, Ciar, Magal, Biscotal
Blanky Group	El Hakem CHERFAOUI	Coffee, pulses, import and distribution of cereals, retail distribution, banking	Galeries algériennes, Blanky, Housing Bank
SIM Group (Semoulerie Industrielle de la Mitidja)	A. Taieb EZZRAIOUI	Negotiations on cereals and processing of cereals, bottled mineral waters, medical and surgical clinics, real estate	Trading blé, Enajuc Blida, New Energy Algérie, Ocrim, Promosim, Sauce Sim
Mehri Group	Djamel MEHRI	Agrifood, agriculture, hotel industry, telephone services, information technology	ABC Pepsi Cola Algeria, Tango Beer (sold to Heineken), Savola Oils
<b>Tunisia</b>			
Poulina Holding Group	Abdelwaheb BEN AYED	Agriculture, aviculture, poultry products, dairy industry, distribution, IT services, ceramics, steel, metallurgy, wood, electrical appliances, printing, tourism, services, motor industry, international negotiation	Société meunière de Tunisie, El Mazra Hatcheries, GIPA, Almes Cedria, Essanaoubern, Copav, Dealer, Ennajeh, Ferdaoues, Jinene, Oasis, Saba, Saouef, Selma, Sidi Othman, SNA, Sozam, Yessmine, Aster Informatique, GPL, IBP, MedOil Co. Med Invest, Romulus Voyages, Poulina Trading, Carthago Ceramic
Mabrouk Group	MABROUK family	Banking, motor industry, retail distribution, agrifood, IT services, real estate promotion, Mitsubishi agent	Sotubi, Monoprix, Touta, Géant, Tuntex, PlaNet Tunisie, Banque de Tunisie, Banque du Sud, BIAT, STIA
Mohsen Hachicha Group	Mohsen HACHICHA	Plastification, agrifood industries, electronics, information technology, chemical and pharmaceutical industry, electrical appliances, telecommunications, transport, boring and hydraulic equipment	Société meunière de Tunisie, Les Industries Alimentaires S.A (RANDA), Tunisie Farine, Boulangerie Viennoise Méditerranéenne, Widco Transport, Inoplast and Inoplast loisirs, Tunipen, Manufacture tunisienne de vernis, Sempa, Mixal, Imerys, Electrostar, Haier, Digital
Slama Frères Group	Ali SLAMA	Agrifood (olive oil, vegetable oils, butter, IFP for bakeries), real estate promotion, fitments, international trade, air conditioning and industrial refrigeration, distribution	ESF, GIAS, ZITA, MIB, GIMS, STAF, GEI
<b>Morocco</b>			
ONA – Omnium Nord Africain	M. Bassim JAI HOKIMI (CEO)	Mining, transport, tourism, phosphate fertilisers, cellulose, metal packaging, services and IT services and engineering, agrifood (dairy products, ice cream, sugar, semi-conserves of anchovies, cheeses, fatty substances, international negotiation), supermarket-hypermarket chains	Centrale Laitière, Pingouin, Cosumar, Marona, Marost, Fromagerie des Doukkala, Lesieur Cristal, Optorg, Cofarma
Sanam Group	ALJ family	Finance, agrifood, real estate promotion and distribution	Unimer, Monégasque, Taslif, Stokvis Nord Afrique, Kasbah Resort
Chaâbi Group	CHAABI family	Hotel trade, textiles, agrifood (bottled water), retail distribution, construction, consumer credit	Holding Ynna, Dimatit, Aswak Assalam, Ain Soltane, Super Cérame, Plastumar, Snep, Chaâbi Lil Iskaan, Travaux Maroc
Agouzzal Group	AGOUZZAL family	Agrifood (oil production, canning, mills), chemical industrie, tanneries	Chimicolor, Huileries de Meknes
Zniber Group	ZNIBER family	Agrifood alcoholic drinks, non-alcoholic drinks), leisure centres	Celleries de Meknès, Atlas Bottling, SNV
<b>Egypt</b>			
Orascom Group	SAWARIS family	Real estate, tourism, construction, technology and telecommunications	
Lakah Group	Ramy LAKAH	Medical equipment, services, construction, metallurgy-steel	
Ghabbour Group	Raouf GHABBOUR	Motor industry (partnerships with Scania, Volvo, Mitsubishi, Hyundai, Mazda)	
<b>Turkey</b>			
Koc Holding	KOC family	Motor industry, consumer durables, energy, logistics, telecommunications, finance, banking, private higher education, agrifood (canned fruit and vegetables, beef products, meat, pasta, dairy products, cheeses, integrated breeding project)	Arçelik, Beko, Tofas, Ford Otosan, Türk Traktör, Ram Export, Otokar, Yapı Kredi, KFS, Koç Finans, Düzey, Setur, KoçNet, Ark İnşaat, Tat A.S., Maret A.S., Pastavilla, SEK Süt Endüstrisi Kurumu, Harranova (GAP region)
Sabancı Holding	SABANCI family	Motor industry, textile industry, financial and banking sector, consumer durables, energy, cement, construction products, packaging, tourism, private university, agri-services (supermarket chains and discount stores), tobacco products	Carrefoursa, Diasa, Akbank, Ak Sigorta, Kordsa, Brisa, Toyotosa, Temsa, Akçansa, Cimsa, Enerjisa, Yunsu, Advansa, Exsa, Olmuksa, Philips, Tursa, Bimsa
Anadolu Grubu (Yazıcılar Holding)	YAZICI and OZILHAN families	Agrifood (beer, non-alcoholic drinks, olive oil), motor industry, finance, automated office supplies	Efes Biracılık, Toros Biracılık, Tarbes, EBI, Efes Invest, CCI, Ana Gıda, Celik Motor, Anadolu Motor, Adel, ABank, Anadolu Cetelem, Anadolu Elektronik
Ülker Grubu	ÜLKER family	Agrifood (biscuits, confectionary, non-alcoholic drinks, chocolate production, milk and dairy products), real estate promotion, information technology, non-durable consumer products, packaging, telecommunications, finance	Yıldız Holding, Ülker Bisküvi, Godiva, Pendik Nisasta, Akgıda, BOPP, Yıldız Bilişim Grubu, Polinas, Sağlam GYO, Türkiye Finans Katılım, Taç Yatırım

Source: Selma Tozanlı, information derived from various specialist reviews and company websites

## CIHEAM-FAO

Cooperation between CIHEAM and the FAO is to be enhanced under the terms of an agreement signed on 8 January 2009 in Rome.

The two organisations undertake to strengthen their partnership in the fields of traditional foodstuffs, protection of forests, modernisation of techniques used for irrigation and plant disease control, and quarantine measures. Their cooperation will also extend to other sectors, notably fisheries and aquaculture, animal production and phytogenetic resources.

Over the period 2009-2010, the two organisations have to launch research programmes, organise workshops and exchanges of scientists and students in order to promote high quality food and agriculture products from local mountainous areas, which often help to ensure the sustainability of these and other less favoured areas.

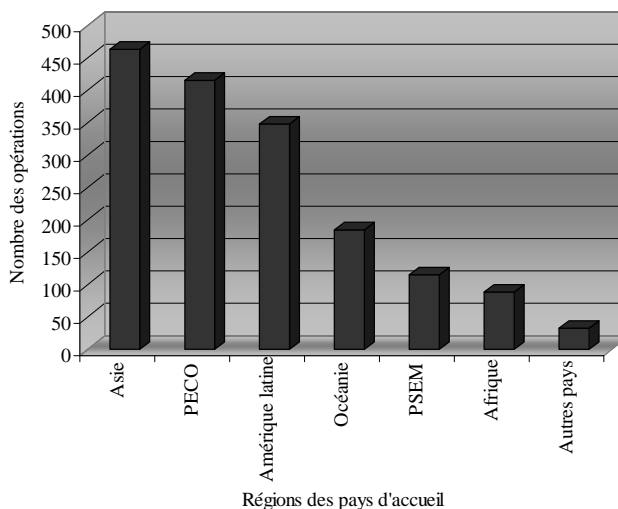
FAO-CIHEAM cooperation dates back to 1977.

## Foreign capital: fostering integration of the Mediterranean countries into the world economy

Analysis of direct investment by large agrifood companies based on figures provided by Agrodatab<sup>2</sup> is a good indicator of companies' strategy in countries in this zone. It must however be borne in mind that the investments recorded in the Agrodatab data base do not constitute all foreign direct investment (FDI) in the Mediterranean Basin and that by choosing to study the expansion of the largest companies abroad, we are bound to disregard some investment by fast-growing multinational PME's over the past few decades (UNCTAD, 1997). Nevertheless, the capital movements of the top 100 multinational agro-industrial firms provide interesting information given that sources of data used to evaluate foreign capital penetration in regional agrifood systems are few and far between if they exist at all.

Long-term observation (from 1 January 1987 to 31 December 2006) of restructuring operations, commonly known as Mergers and Acquisitions (M&A), highlight the fact that greenfield investment is increasingly giving way to new forms of foreign investment, notably mergers, acquisitions and strategic partnerships. Multinational companies, concerned with the risks and uncertainties associated with investing in the host country, are more and more inclined to invest in existing structures rather than set up subsidiaries from scratch or build production units in more unstable countries. A comparison with the other major regions in the world reveals that the Mediterranean Basin is not particularly attractive to multinational agrifood companies, unlike the Central and Eastern Europe (CEE) countries, South-East Asia and Latin America. Most of the operations are in the dairy, biscuit, non-alcoholic drinks and beer sectors and virtually all of them are designed to capture and maintain local market share through high intangible investment in advertising and promotion. Domestic demand is the real factor in attracting agro-industrial investors from the Triad countries (North America, Europe, Japan and South Korea).

Graph 1  
**Mergers, acquisitions and partnerships involving the top 100 multinational agro-industrial firms in emerging regions (1 January 1987 and 31 December 2006)**



Source: S. Tozanli, CIHEAM-MAIM, SupAgro Montpellier, UMR-MOISA, Agrodatab 2009

<sup>2</sup> Agrodatab is a database on the largest multinational agro-industrial groups worldwide, which was set up in 1972 at CIHEAM's Mediterranean Agronomic Institute in Montpellier. The data collected and processed provides material for periodical publications, in which the structures-strategies-performances of the top 100 multi-national agro-industrial groups are analysed, and for scientific articles by researchers at the UMR MOISA.

But this is a very mixed bag with significant differences between countries. The ability to attract foreign investment varies considerably from one country to another:

- ⇒ The Countries in the Balkans and the Black Sea area, following the example of the other Central and Eastern European countries, are establishing areas where foreign agrifood capital is actively sought. As soon as these liberalised markets opened at the beginning of the nineteen-nineties, investment by multinational agro-industrial firms grew exponentially (while remaining fairly modest in comparison with the amounts flowing into Poland, Hungary and the Czech Republic). But integration into the world of liberal economics has been unequal even in this area, where Romania alone accounted for an amount equivalent to 2.7% of investment stocks for the entire Mediterranean Basin. While most investment went into these countries' brewing industries, their basic foodstuffs industries and chocolate and confectionary sectors also attracted foreign capital.
- ⇒ Countries in the Middle East are another attractive destination for capital from the Triad. Turkey, Egypt and Israel stand out from the other countries in the region. Sub-sectors generating high added value, such as non-alcoholic drinks and certain food products (health and baby food, starch, spices and seasonings, coffee and tea, ready meals and snack foods), appear to be the target sectors for world class agrifood companies.
- ⇒ In the Maghreb region, investors first focused mainly on Morocco and Tunisia and more recently turned their attention to Algeria. French companies such as Danone, Fromagerie Bel and Lactalis are actively intervening in the region's dairy markets. They establish themselves in sectors with a high potential for development, like the dairy or cereal derivatives industries, and are supported by the public authorities. Lactalis and Fromagerie Bel have moved into Algeria but for the time being the Anglo-Dutch group Unilever is declining to enter into partnership with the private Algerian group Cevital.

Measures to privatise and liberalise the economy and upgrading policies applied by the governments of these countries have evidently failed to yield the expected results. Over the period 1987-2006, this group attracted barely 3% of all operations involving the largest multinational firms. United States firms, followed by those of France, are more active in the Mediterranean Region than those of other Triad countries. It is also worth highlighting the presence of Heineken, which has invested massively in the region since 2000.

### **New capital dynamic**

Another interesting feature to emerge from the analysis of partnerships between companies in the Mediterranean Region is the trend towards South-South alliances, which has continued to gather pace over the past few years. These new arrangement probably mark the end of the fairly recent tendency by southern countries to distance themselves from each other following centuries of trade in agricultural and food products. The fact is that local companies in the Mediterranean countries would very much like to export to countries in the North, but their strategy is hampered by import controls (application of quotas and health standards) that are nothing short of non-tariff barriers. It must be borne in mind that countries in the South are less demanding with respect to international standards, a factor that serves to accelerate trade between them. The analysis we have conducted of this type of investment shows that most of it is between countries linked by geographical and cultural proximity.

However, certain exceptions to the general trend need to be pointed out. The first concerns Omnium Nord Africain (ONA), which has invested in the Arab countries but has also acquired companies and established subsidiaries in France. Having acquired the Conserveries Monégasques at the beginning of the nineteen-nineties, the group set up nine subsidiaries specialising in fisheries and fish processing, two agrifood trading subsidiaries, and a holding subsidiary dealing with communications and business management abroad<sup>3</sup>. For its part, Delta Dairy, a former partner of the Danone Group, has been investing for some years in the Bulgarian and Romanian dairy sectors. Furthermore, a number of Greek SMEs are also very active in this part of the Mediterranean Region, both in the agrifood and the agricultural services sectors. The Tunisian group Poulina Holding has already invested in Algeria and Libya and also exports to other countries in the Mediterranean Basin.

<sup>3</sup> However, following the adoption of its strategy of focusing on core competencies, the Moroccan Group broke away from its "fish and sea products" division in 2007.

### MAI Chania

From 18 to 20 June  
2009 MAI Chania  
will be hosting the 4<sup>th</sup>  
seminar on the multiple  
impacts of climate  
change on coastal  
areas, focusing on  
hydrology,  
agricultural land and  
biodiversity.

This meeting is being  
held by the European  
scientific network  
EARSEL.

<http://www.earsel.org/SIG-CZ/4th-workshop/>

Sociocultural affinities, associated with the benefits derived from geographical proximity, have been the main factors influencing investment by Turkish companies in countries in the Black Sea/Central Asia area over the past decade. At the beginning of the nineties, the Turkish industrial complex Anadolu Grubu, acting through its subsidiary Efes, invested in the brewery sectors of Romania, Bulgaria and Russia, countries that would not normally be attractive to major multinational agro-industrial firms. Similarly, Coca-Cola, conscious of the risks associated with the markets in the Black Sea/Central Asia area, took advantage of the Turkish industrial group's linguistic, historical and sociocultural ties with the countries in the area to invest there. All of this investment was greenfield and involved the construction of new factories, in Romania, Bulgaria and Russia as in Turkmenistan, Kyrgyzstan, Kazakhstan and Azerbaijan. The group Ülker Holding, for its part, invested in Saudi Arabia, Kazakhstan, Uzbekistan, Ukraine and Algeria, before taking over the Belgian chocolate producer Godiva with its subsidiaries in North America. In Algeria, the Turkish group penetrated the local margarine and biscuit market through its partnership with the Hamiani group.

It must be remembered that the globalisation of the agrifood economy of the Mediterranean Basin is not solely due to the intervention of multinational firms from the Triad countries, but that companies from Mediterranean Arab countries have also maintained a moderately sustained level of activity in this arena. Until the nineties, capital from the Arabian peninsular tended to be directed towards the tertiary sector, but now more and more is being invested in industry, and more especially in agriculture and agrifood. Kuwaiti, Saudi or Jordanian companies, such as the Ajwa Group, Almarai Co., Samir Fahmy Group or Savola, are investing in Egypt (taking advantage of privatisation), Morocco, Algeria and Tunisia. There are strong affinities between these local players, united as they are by culture, language and history, which are compounded by the benefits of close geographical proximity. The latter is a real asset: not only does it considerably lower the cost of foreign operations, it also reduces political and economic risks, since investors are more familiar with the host countries.

There is no single way of integrating Mediterranean populations and societies into the global market and developing sociocultural globalisation. The process is only just beginning and we can expect integration into the global context, so strongly desired by some and bitterly decried by others, to come about in a great many different ways and thus offer companies a whole range of development strategies.

### Danone's strategy for expansion into Algeria

**Foued Cheriet**

Research assistant, doctoral student UMR MOISA, Sup Agro Montpellier

Danone, the fourteenth largest agrifood group in the world in terms of turnover (12.8 billion euros), international presence and staffing levels (more than 88,000 employees), strategically repositioned itself in 2007 by selling Lu biscuits to Kraft Food and acquiring Numico, a specialist baby food and clinical nutrition company. The group has been readjusting the scope of its activities in this way for the past ten years, during which it has sold off *Panzani* pasta, *Carambar* sweets and *Kronenbourg* beer. It has also been consolidating its international operations through numerous acquisitions and agreements on strategic alliances with national leaders.

In 2007, the Danone group was the world leader in Fresh Dairy Products (FDP), second in mineral water and baby food, and third in medical nutrition. The group's new strategic direction is reflected in its new slogan: "Leader in 100% healthy foods". The group has a portfolio of high profile brands, some of them marketed worldwide: Danone, Actimel, Activia, Essensis, Petit Gervais, Danonino, Tallefine and Vitalinea (dairy foods); Evian, Volvic, Aqua, Wahaha and Tallefiz (mineral water); Blédina, Bledichef, Galia, Nutricia and Milupa (baby nutrition); and Fortimel, Nutrini and Neocate (medical nutrition), and it is now focusing its strategy on this very promising market segment (39% of turnover in 2007). Its expanding geographical presence is the result of acquisitions and strategic alliances with local partners, which constitute the main thrust of Danone's global strategy.



## A group that continues to move ahead

In the Mediterranean Region, the group seems to have extended its international network using a standard *modus operandi*: the group sets up in a country by entering into a partnership with a local leader and then buys up the joint venture after five to seven years collaboration. In Turkey, the joint venture formed in 1997 between Danone and Sabanci ended in 2003 with Danone buying back shares from their common subsidiaries Tikvesli and Birtat (dairy products) and Hayat Su, Flora and Sasal (mineral water). At the same time the group bought Nestlé's milk and fresh dairy products operation in Turkey. In Egypt the group's subsidiary, Danone Dairy Egypt, bought Olait in 2005. In Greece, the group operated in partnership with Delta Group in the fresh dairy products sector from 1999 to 2006 before selling its shares in their joint venture, Delta Dairy, to the Greek partner and intervening directly in the market through its Greek subsidiary Danone SA.

In other countries, Danone is endeavouring to increase its control over joint ventures while continuing to collaborate with its partners. The latter include the Strauss-Elite group in Israel, the Centrale Laitière (dairy products) and Sotherma (mineral waters) in Morocco, the Sotubi group in Tunisia, and Fontuella (mineral water) in Spain. Given the changes in the group's strategic horizon and its desire to consolidate its position in certain industries, it has also sold its sales in joint ventures with local enterprises over the past twenty years, notably in the beer, pasta and sweet sectors. These strategic moves seem in line with the imperatives of its threefold management portfolio: operations, geographical expansion and partnership networks. Similarly, Danone's expansion process seeks to achieve inter-subsidiary complementarity and overall (or at least "multi-domestic") management of the main links of the value chain in the group's sector.

### Danone in Algeria: recourse to local partners and local leaders

Multinational agrifood companies are currently widespread to the North of the Mediterranean, both through autonomous production subsidiaries and through joint ventures with local partners, whereas countries to the South and East of the Mediterranean (SEM) only began to attract international agrifood investment at the beginning of the nineteen-nineties. For its part, Danone performed a pioneering role by setting up in virtually all the SEM countries. Although the global group established itself rather later in the Algerian market than in those of neighbouring Mediterranean countries, its expansion has really gathered pace over the past five years.

In 2006 it was present in these three key sectors through partnership agreements with local industrial groups. On 21 October 2001 it signed a partnership agreement with Djurdjura, a local private company and Algeria's leader in fresh dairy products. Danone held 51% of the capital while 49% remained with the owner of Djurdjura, the local group Batouche. The very first Danone yoghourts to be produced in Algeria were sold in August 2002. As a result of capacity investment in logistical and storage facilities and, more importantly, large-scale public relations and marketing operations (demand for fresh dairy products increased at a rate of 40% per year between 2002 and 2004), the enterprise practically doubled its turnover between 2003 and 2005, when it rose by 87%. In 2006 it increased by 30%, amounting to nearly 60 million euros with a staff of 600.

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## Paris Forum

For the past five years, the Paris Forum has brought leading figures and intellectuals to Unesco's headquarters for three days' discussion and debate on the Mediterranean Region.

The 2009 forum runs from 27 to 29 March and its theme is "Save the Mediterranean". It focuses on the challenges raised by sustainable, responsible development in the region.

One session, devoted specifically to agriculture and fisheries, will be held on the morning of 29 March.

CIHEAM, a partner in this year's forum, will be responsible for facilitating this particular workshop.

[www.forumdeparis.org/](http://www.forumdeparis.org/)

In 2006, Danone took three strategic measures in its three key areas of interest:

- It increased its holding in Danone Djurdjura Algeria to 95%.
- It acquired a local mineral water company, Tessala, from the Algad group.
- It signed a partnership agreement with its Tunisian partner Sotubi with a view to setting up a biscuit production plant in Algiers.

Danone's establishment in the region was accompanied by substantial increase in demand, notably for fresh dairy products. On the supply front, five strategic developments were observed:

- The emergence of a number of small-scale local producers offering a range of everyday products at competitive prices (Hodna in Msila and Palma Nova in the Constantine province).
- An increase in the capacity for innovation and launch of products by the former national leaders (Trèfle, Soummam).
- The arrival of other multinationals with a strong national presence, which are capable of competing with Danone in a range of product areas (Yoplait).
- The production of new products by certain multinationals designed to cater for specific growth areas (Candia and fruit-flavoured drinking milk).
- The arrival of multinationals in other areas, where there was a chance of penetrating the fresh products market (Nestlé and mineral waters).

Since 2007, following the implementation of Danone's global repositioning strategy involving the acquisition of Numico and the sale of Lu Biscuits to Kraft Food, the group has only been directly involved in Algeria's fresh dairy product and mineral water sectors through Danone-Djurdjura Algérie and Tessala respectively. However the group's nutritional lines are imported to the Algerian market or are made available through its commercial representatives (Bledina, Gallia, etc.).

In conclusion, three imponderables seem to maintain competitive pressure on the agrifood sector in Algeria: (i) the rapid expansion of large-scale retail and distribution (arrival of Carrefour and Blanky project); (ii) a possible slowdown in food demand and the behaviour of multinationals that are well established (Nestlé, Sodial) and indeed (iii) the arrival of new companies (Kraft Food).

## The agrifood sector in Spain: recent evolution and perspectives

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**Ricardo Migueláñez**

Editor-in-Chief, Eumedia, S.A.

The agrifood sector in Spain is very important both in quantitative and qualitative terms. From a quantitative perspective, it contributes more than 4% of the national GDP and it provides more than 1.2 million jobs, accounting for 6% of total employment. The qualitative importance of the sector is derived from its environmental dimension, as it relies to a great extent on a large proportion of extensive farming systems and their distribution, which is fundamental for achieving a territorial balance and for fixing the rural population. This paper aims at analysing the recent evolution of the agrifood complex, viewed as the combination of the production subsector and the agrifood industry. Finally, some of the main issues and challenges faced by the sector will be described.

### Recent evolution of the agrifood sector

The evolution of agricultural economic indicators in the current decade in Spain shows a gradual loss of importance relative to the economy as a whole, and greater capitalization of the sector. This analysis will be based on data presented in Table 1, where the main agricultural economic indicators in Spain and the EU-15 are compared for the 2000-2002 period (still under the previous CAP model) and for the 2005-2007 period (already under the reformed CAP), as well as on data from the first estimation of agricultural income of 2008.



There are certain issues that are especially worthy of mention:

- The contribution of the agricultural sector to the GDP in Spain decreased from 3.4% to 2.4% in 2005-07 and a further 2% in 2008, a decrease parallel to that experienced in the UE-15 (from 1.6% to 1.2% in 2005-07 and to 1.1% in 2008).
- In the same period, the agricultural income in Spain increased by 2.9% compared to 0.1% in the EU-15.
- The strong increase in the EU, and more so in Spain, of intermediate consumption (fertilizers, feeds), energy (mainly diesel) and depreciation illustrate the greater capitalization and intensification of agricultural activity over the decade. However, these increases, which are not offset by higher production levels, have resulted in a reduction of the gross added value of the sector and thus, lower weight in the economy.
- On the contrary, employment in the sector decreased in Spain at a much higher rate, enabling strong increases (7.4%) in productivity (agricultural income per AWU, annual work unit), compared to the slight reduction of 1.9% in the EU-15 as a whole.

In the year 2008, the price increase for agricultural products was not offset by a higher increase in the prices for the main production costs: fertilizers, diesel and feeds. As a result, the first estimation of the 2008 Agricultural Income shows a decrease, in nominal terms, of 4.9%. Taking into account the evolution of the GDP deflator and of the number of employed, the agricultural income per person employed, in real terms, may have decreased by 3.4% in Spain and by 4.3% in the EU. Nevertheless, the decrease of world prices for these production factors in the past months (for instance, the World Bank composite index of the world price for fertilizers decreased from 741 in the third quarter of 2008 to 450 in the fourth), may be interpreted as a sign of recovery of the Agricultural Income in the short and medium term, which may also be reflected in future estimations of 2008 values.

Table 1  
Evolution of the main agricultural economic indicators

	EUROPEAN UNION - 15				SPAIN			
	A. Average 00 to 02	B. Average 05 to 07		A. Average 00 to 02	B. Average 05 to 07		A. Average 00 to 02	B. Average 05 to 07
GDP billion €	9,090	10,934		11,910	701	981	39.9 %	1,098
Agricultural Sector Production (ASP)	288,784	285,135	-1.3 %	313,809	37,952	39,161	3.2 %	42,327
Intermediate consumption (IC)	144,993	157,751	8.8 %	188,383	13,968	16,083	15.1 %	20,590
Energy and lubricants	12,869	16,647	29.4 %	20,020	1,159	1,572	35.7 %	2,160
Gross Added Value (GAV)	143,791	127,384	-11.4 %	125,426	23,984	23,078	-3.8 %	21,737
Other subsidies	12,794	34,321	168.3 %	39,246	2,005	4,369	117.9 %	5,992
Other taxes	3,791	3,803	0.31 %	3,916	142	178	25.4 %	194
Depreciation	39,110	44,144	12.9 %	47,257	3,061	3,813	24.6 %	4,311
Agricultural Income (AI)			0.1 %	113,499	22,786	23,456	2.9 %	23,224
<b>STRUCTURAL DATA</b>								
Factor labour (thousand AWU)			-9.8 %	5,507	1,090	976	-10.4 %	896
UAA (utilized agricultural area) (thousand ha)			-1.7 %	124,117	26,158	24,855	-5.0 %	24,893
<b>BREAKDOWN OF AGRICULTURAL ECONOMIC INDICATORS</b>								
GAV/GDP			-26.4 %	1.1 %	3.4 %	2.4 %	-31.2 %	2.0 %
Agricultural income/ASP			1.3 %	36.2 %	60.0 %	59.9 %	-0.2 %	54.9 %
IC/ASP			10.2 %	60.0 %	36.8 %	41.1 %	11.6 %	48.6 %
En. & Lub./ASP			31.0 %	6.4 %	3.1 %	4.0 %	31.5 %	5.1 %
O. subsidies/AI			168.1 %	34.6 %	8.8 %	18.6 %	111.7 %	25.8 %
Depreciation/AI			12.8 %	41.6 %	13.4 %	16.3 %	21.0 %	18.6 %
<b>PRODUCTIVITY</b>								
GAV ÷ UAA (€/UAA)			-1.8 %	22,776	22,007	23,635	7.4 %	24,254
GAV ÷ ha (€/ha.UAA)			-9.9 %	1,011	917	928	1.3 %	873

Source: Ministry of the Environment and Rural and Marine Affairs (MARM), Analyses and Forward Studies Unit (UAP), Analyses and Forward Studies (AyP), Indicators Series 4, based on data from the Subdirectorate General for Statistics

## MAI Zaragoza

The TELERIEG project  
(on the use of remote  
sensing for monitoring  
irrigation practice  
in the SUDOE zone  
and making  
recommendations)  
will begin operations on  
1 April 2009.

This project, jointly  
funded by the South-  
West European  
territorial cooperation  
programme INTERREG  
IVB-SUDOE, involves  
nine partners from  
Spain, France, and  
Portugal.

The ultimate aim of the  
project is to protect the  
environment through  
efficient, rational use of  
water in agriculture and  
to improve ways of  
preventing and  
responding to natural  
threats. The project will  
use remote sensing and  
GIS instruments  
to develop a system for  
monitoring drought and  
making  
recommendations over  
vast areas.

MAI.Z will be a partner  
in the project with  
responsibility for  
knowledge-  
dissemination activities,  
including a specialised  
course designed to  
make the results of the  
project available to  
other Mediterranean  
countries.

A parallel analysis of the agrifood industry in Spain based on the data from the Industrial Production Index (IPI) (source: National Statistics Institute, INE) shows a cumulative growth of 12.4% in real terms (index 112.4 for the subsector of food, beverages and the tobacco industry, the base being 100 for the year 2000), a value which is higher than the 8.6% experienced by the Spanish industry as a whole.

In current terms, the net revenues generated by the agrifood industry in Spain (source: INE, Encuesta Industrial de Empresas) have risen from 65,270 million euro in 2000 to 90,590 million in 2006 (last year available). That is, a cumulative growth of 39%, very similar to that experienced by the Spanish industry as a whole, the sector accounting for 15.5%. Taking into account that during the 2006-2007 period the industrial sector contributed 13.5% to the GDP in Spain, the weight of the agrifood industry in the national economy may be around 2.1%. In terms of employment, the agrifood industry contributed less than half a million jobs in 2007, accounting for 2.5% of the working population in Spain. This positive evolution of the agroindustrial sector is mainly based on the restructuring of the sector and on the steady improvement of productivity per job and per industrial plant. Thus, for this 15-year period, 1993-2006, the existing data series of the Industrial Companies Survey shows that net revenues increased by 92% whereas the number of people employed increased by 2%. The previous figures are a first estimation of the importance the agrifood system in the Spanish economy. *The sum of the values of agriculture and the agrifood industry in the year 2007 represented 4.5% of the Spanish GDP and 6.8% of employment.*

Despite the above-mentioned efforts to restructure the sector, the Spanish agrifood companies are mainly characterised by their small size. These are small and medium-size enterprises, which need to grow in order to be able to compete both on national and international markets. Not only do private companies have to grow, but cooperatives too, and it is thus fundamental that they work together with other firms that share the same interests and needs. Thus, they may be able to share structures, allowing for some costs to be reduced, and could offer greater production volumes in trade negotiations, which in turn may give them the opportunity to obtain better prices.

Companies must overcome their fear of merging with other companies and join efforts in some aspects of their business, be it production or marketing, capitalizing on the competitive advantage of each, using common commercial networks of a larger number of products, or working together in promotion and communication activities, something very important at the present time.

### Foreign trade situation

Finally, the evolution of the agrifood sector is also reflected on that of foreign trade (Table 2). In structural terms, the trade balance of the agro food sector in Spain is the result of the unequal nature of the different subsectors: positive in the case of the agrifood sector and negative in the case of the fishery sector (with coverage rates around 50%). In aggregate terms, the agrifood sector improved its balance and reached a positive result of 1000 million euro in 2006. This positive evolution of the Spanish agrifood trade will have helped to mitigate the strong deterioration of the Spanish trade balance. In 2007 exports of the agrifood sector (22,691 million euros) accounted for 12.5% of Spain's total exports, whereas imports (19,452 million euros) only accounted for 6.9% of the total.

Nevertheless, after reaching the maximum in 2006, the balance dropped to 450 million euro in 2007 and it may have decreased to 250 million euros in 2008. This negative trend in the past financial year is mainly due to the increase in cereal and feed prices: only the sum of the balance for wheat, maize and soya bean may have decreased by 740 million euro in 2007 and by 670 million euro throughout the first ten months of 2008. As regards the agrifood industry, internationalization is one of the great growth opportunities. More and more companies are present in foreign markets and are attempting to explore new business opportunities, but this venture is not an easy task and it is difficult for them to act on their own. National and regional institutions are encouraging all kinds of trade actions, both in the EU and in non-member countries, and should continue in the same direction and innovate with new formulas.

## MAI Bari

On 26 February 2009, MAI Bari organised a joint conference on major trends and developments in the olive oil sector with the authorities of the Puglia region and the Slow Food movement.

Points explored by the conference included the sources of production, marketing and nutritive qualities of this typical Mediterranean product.

[www.iamb.it](http://www.iamb.it)

In this sense, international trade fairs play an important role and Spanish food companies should be present in order to penetrate new markets or be able to stay in existing ones. This presence should be activated and encouraged by different promotional activities from regional governments or from the central administration itself, especially when dealing with small- and medium-size industries. The outsourcing of some productions, like cereals, olive trees or fruits and vegetables in north African countries, is a fact and this trend will probably prevail in the short-term. For this reason food differentiation based on criteria of quality or origin, such as Designations of Origin, Protected Indications of Origin or Guaranteed Traditional Specialities, is practically the only competitive tool when competing with products from other countries. It is also important to widen the scope of activity of Spanish firms. There are already some examples in Spain of food companies who have purchased brands or foreign companies who are operating in other countries where they already have an important market share. In this way they have managed to enter into other market distribution chains, which may be interesting for the products they market. These are costly strategies requiring large investments, but for the time being there are success stories in many cases.

### Perspectives/challenges for the future

The recent evolution of the agrifood sector, the already existing long-term trends and the current economic crisis cast strong challenges for the Spanish agro food sector, among which the following are highlighted:

- The challenge to respond to new consumer needs as a result of the food crisis. New needs which, on many occasions, may result in prices with smaller margins for mass-consumption products, but which should not prevent the sector from realizing that there are important business niches in the market for higher quality differentiated products, or for organic produce, for instance.
- The need to find a balance between competitiveness and sustainability, in a context where there may be less subsidies, as a result of recent and upcoming changes in the CAP.
- The challenge to consolidate a positive foreign balance, despite greater freedom of trade brought about by globalization, which may increase dramatically as a consequence of the decrease in agricultural tariffs after an eventual closure of Doha Round negotiations.
- The need to further improve the efficiency of the marketing channels for agrifood products and in particular to increase the involvement of producers in the value chain, by means of raising the added value in the production stage.
- To increase the size of the agrifood companies and to improve marketing activities abroad through mergers, acquisitions, and purchase of brands and/or leader firms in the markets concerned.
- It is necessary to encourage communication strategies in Spanish agrifood companies. The production system is perfectly controlled and is exemplary worldwide, but sales, marketing and communication are very often deficient, and this situation should be improved.
- Spain has a wide range of agrifood products protected by differentiated quality seals, which in many cases are related to sustainable production systems, linked to the land and the environment. These products have prevailed and have to be adapted to the times and should be promoted both in Spain and abroad.

**For more statistics on Spain's agro-industrial centre see:**

[www.mapa.es/ministerio/pags/analisis\\_prospectiva/agrinfo\\_indicadores/Agrinfo\\_indicadores4.pdf](http://www.mapa.es/ministerio/pags/analisis_prospectiva/agrinfo_indicadores/Agrinfo_indicadores4.pdf)

## The agrifood industry (AFI): an essential driver of the French economy

**Marine Beslay**

Consultant (CIHEAM, General Secretariat)

The agrifood industry is now the leading industrial sector in France. With 10,624 companies, 410,000 workers and a turnover of 154 billion euros in 2007, it helps maintain France's international reputation and stands at the forefront of consumer demand. Agrifood companies play a key strategic role in the French economy.

### Structure of AFI in France

The sector encompasses a wide range of companies, including "large enterprises" with at least 20 employees or a turnover of more than 5 million euros. They are mostly firms that specialise in processing produce from arable farming, stock breeding and fisheries into food, drinks or animal feed (other than high-street pork butchers, bakers, confectioners or shops selling freshly baked products). The sector has a strong global presence and depends on highly productive agriculture and effective distribution networks. It processes 70% of all agricultural produce and works with road haulage, packaging and advertising companies. It is the main supplier of the retail and catering trades. As the 2007 edition of the French *Panorama de l'agriculture agro-alimentaires* observes, the sector relies on the interdependence of agriculture, industry and services.

Most of the companies in the agrifood sector are SMEs. Fifty-five per cent of them have fewer than 50 employees and in 2006 two thirds had fewer than 20 (or a turnover of less than 5 million euros). However, in 2007 the groups with more than 500 employees (141 French and 187 foreign) accounted for 71% of the overall workforce. The world's top 100 agrifood groups include a number of French companies, including Danone, Lactalis, Bongrain, Pernod Ricard and Terrena. A high proportion of the 360,000 employees of the 3,000 large companies work in Brittany and Pays de Loire (56,000 and 45,000 respectively). While the highest concentration of companies is found in the North and West, most of the very small ones (fewer than 10 employees) are established in the South. Spread across the entire country and sited close to areas of production, agrifood companies are essential players in rural development and the regional economy.

### The place of the agrifood industries in the French economic landscape

As the country's foremost industrial sector and second largest employer, the French agrifood industry is a dynamic, competitive part of the French agricultural economy. It is number one at European level and second only to the United States worldwide. In 2005 its share in national GDP was estimated to be 2%, almost half that of agriculture and food as a whole (4.2%, with agriculture accounting for the remaining 2.2%). Its weight in the economy is comparable to that of metallurgy or energy and is twice that of the motor industry. Agrifood companies generate 12% of French industry's added value.

In 2007 the turnover of the 3,000 large enterprises (20 employees or more) was estimated to be more than 138 billion euros, of which 26 billion was derived from direct sales abroad, representing an increase of 7.2%. This increase (2.6% at constant prices) was due to increased demand worldwide. According to a January 2009 edition of *Bimagri (Hors Série No 22)*, published by the Ministry of Agriculture and Fisheries, the situation was without precedent in the past ten years. The review noted that 75% of the turnover of different agrifood industries (AFIs) was divided between the meat industries (21%), the dairy industries (19%), the "miscellaneous foods" industries (18%) and the drinks industry (16%). The most important activity for the large firms was the processing and conservation of meat and the preparation of meat-based products, which involved 830 companies and about 108 thousand workers. Second most important was "miscellaneous foods", involving 490 large companies and nearly 66,000 workers, and third was the drinks industry, with 380 companies and some 36,170 workers. That year 6.5% of the turnover of the AFIs went to cooperative enterprises with more than 10 employees, 63.6% of whom worked in the drinks sector (mainly wine).

Foreign trade in agrifood products is of great benefit to the French economy. According to the *Panorama de l'agriculture agro-alimentaires* trade in agricultural and agrifood products has shown a surplus for decades, and since 1998 the amount has varied between 7 and 9 billion euros. Exports of products from agrifood companies were worth 28.7 billion in 2007, producing a trade balance of 6 billion, and in 2007 they rose to 33.4 billion. These exports are strategically important, since they account for 18% of the AFI's turnover. In 2005 France was the world leader in exports of agrifood products, ahead of the Netherlands, Germany and the United States. The main clients are EU countries, which absorb 73% of national sales. Outside the EU, the agrifood companies trade with the United States, Japan and Switzerland. Competition at community and world level has nevertheless become very keen, with the advent of new highly competitive exporting countries.

Wines and spirits are the most important export commodities (9.5 billion in 2007), followed by canned foods and groceries (6.5 billion), and then dairy products and sugar (4.7 billion). As to French imports, 73% are from ten countries within the EU, notably the Netherlands, Spain, Belgium and Germany. They consist mainly of canned foods (7.8 billion in 2007), fruit and vegetables (4.4 billion), and meat and livestock (3.8 billion). Imports of dairy products and coffee for their part showed an increase of 17% and 11.4% respectively on 2005 levels.

### Underlying strengths of the agrifood companies

Innovation is what keeps the agrifood industry competitive. Consumption patterns in France have been changing for twenty five years while at the same time the share of the household budget allocated to food has been steadily declining. The agrifood companies need to meet the new demands of consumers, who want healthier foods that are quick and easy to prepare and available at attractive prices, as is shown by the decline in demand for high-fat products, the increased demand for frozen or canned ready meals, and the success of discount stores. Investment is needed if this new demand is to be met: in 2005 the amount paid by large enterprises (those with more than 20 employees) was 3.6 billion euros. Some investment is used to replace equipment, improve safety and ensure compliance with European environmental standards, but most of it is on intangible goods: research and development, advertising (nearly 10 billion euros with commercial cooperation), training and software. The agrifood companies devote 7% of their turnover to innovation. Indeed, the statistics and forward planning department of the Ministry of Agriculture and fisheries estimates that between 2002 and 2004 innovative products or procedures were adopted by 75% of enterprises with more than 250 employees, 50% of those with between 50 and 250 employees, and 37% of those with fewer than 50 employees. Such innovation was widespread among industries producing fatty products (70%) but much less so among those producing meats (38%).

In 2005, in order to keep the companies' sights up and to raise the profile of the sector, the government launched the national partnership for the development of the agrifood industry (PNDIAA). This measure should enable the sector to maintain its position in Europe and the world while remedying its shortcomings. An interministerial delegation (the DIAA, supervised by the Ministries of Agriculture and Fisheries, Finance, Trade and Industry) facilitates and coordinates all public measures designed to develop the sector. Fifteen competitive clusters have been established, where industrialists and scientists will meet to discuss ways of improving the agrifood companies' performance. Priority is given to supporting innovation, investment, expansion and internationalisation of companies, meeting concerns over health and the environment, improving employment prospects making the sector more attractive, and finding ways of meeting future challenges.

Attractive and competitive, the agrifood sector has been able to adapt over the years by taking advantage of significant technological advances. It has also been helped long by the CAP reform of 1992, which provided for a reduction in agricultural prices compensated by direct uncoupled subsidies. As a result, the agrifood companies satisfy society's need for food at a reasonable cost while ensuring that producers are properly paid. Maintaining an active international presence, the sector remains competitive through investment and innovation which receives public support through the PNDIAA. The present context, however, does not give cause for complacency: in the third quarter of 2008, there has been a reduction in activity marked by a fall in household consumption and a slowdown in exports. Employment fell by 0.3% (equivalent to a thousand jobs), mainly in the meat and drink industries. Michel Clavé, Director of Agriculture and Agrifood at the Crédit Agricole sums up the challenge for the AFI: "with an upward trend in prices in the long term, the agrifood companies should ... provide food products that are capable of meeting the needs of consumers whose buying power is being eroded" (*Les IAA en France, chiffres clés 2007*).

## Interview

### **Doctor Falah Said Jabr**

Secretary General of the Arab Union of Agrifood Industries (UAIAA - [www.arabffi.org](http://www.arabffi.org))

Founded in 1951 under the auspices of the League of Arab States, the UAIAA is a professional organisation based in Damascus (Syria), which seeks to promote the agrifood sector through inter-arab partnerships and an approach based on education and scientific expertise.

### ***Q: Could you give some figures to illustrate the situation and prospects of the agrifood industries in the Arab world?***

Today we have more than 250,000 small and medium-sized enterprises specialising in agrifood. We have as many family enterprises, many of them located in small villages and rural areas. The number of people working in this sector is reckoned to be about two million. To be sure, the water used for agricultural purposes amounts to 90% of available resources but it is misused and becoming increasingly rare. Moreover, while food requirements in the Arab world are increasing by about 6%, agricultural yields are not increasing to a corresponding degree but only by about 1% a year. This means that the Arab world is still having to import 40 billion dollars' worth of food every year, which represents a high proportion of our requirements, particularly in terms of cereals. Every year we import 60 million tonnes of cereals, including 25 million tonnes of wheat. 60% of the ingredients used to make the one billion loaves made available to consumers are imported.

Today's Arab population is estimated to be 35 million. But of this number, twenty million earn barely more than a dollar a day and are constantly faced with malnutrition. To overcome this problem, the UAIAA recommends that these small agricultural and agrifood concerns receive aid to help increase yields in certain strategic sectors like milk, table olives, olive oil and beekeeping. We also propose that the Arab world build up a strategic reserve of cereals, enabling it to provide for populations for a period of six months when the situation becomes critical. Such an ambition could be realised in the framework of a partnership between nations, providing sovereign national funds, and outside players, which would enjoy the support of competent regional and international organisations.

### ***Q: In your opinion, which are the most important areas of the UAIAA's work in promoting the agrifood industries in the Arab world?***

Since the founding of the UAIAA, our main concern has always been to invest in human resources, as we have always been convinced that education offered one of the best ways of overcoming the obstacles facing the agro-industries and developing the sector. We have sought to provide education, notably for those in positions of responsibility, in order to create a new dynamic in the Arab world that would be conducive to good yields and improved quality. Having embarked upon this path, we have begun to organise joint Arab projects in our own fields of expertise, insisting that operators take account of the potential and constraints of the particular context and the needs of the populations. For several years we have also attached particular importance to standardisation, not only for exports but also for imports, bearing in mind that we continue to import large quantities of the agricultural or agrifood products we need and that they are a part of the normal diet of the Arab populations.

In order to overcome fraud, we therefore have to be particularly vigilant about standards where agrifood imports and exports are concerned. It should also be noted in this connection that we attach increasing importance to the pooling of experience and information with the regional or international organisations that operate in this field in one way or another. I would like to point out here that of all the issues we wish to tackle as a matter of urgency, those relating to GMOs and fisheries resources appear to be crucial. We still have no clearly defined position on GMOs and we lack the human resources that could help us gain a clearer understanding of the issues involved. As to our fisheries resources, a large proportion of them are overexploited, not to say pillaged by outside operators, as we can see from the Somali and Mauritanian cases.



### MAI Bari

Following several years of development, MAI Bari's distance learning operation is now being expanded.

Between April and October 2009, a course on technological innovations in the management of Mediterranean land and water resources will now be offered.

This course is aimed at professionals who wish to learn about integrated models for managing such rare resources as soil and water.

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### ***Q: Could you tell us about some of your initiatives to help train executives and thus help develop the agrifood industries in the Arab world?***

Since 1980 we have been publishing a specialist quarterly magazine, "the Arab Agrifood Industries Review". The authors address ways of developing the dynamic of Arab food industries that involve ongoing improvements in quality but avoid the channels used by fraudsters. The journal includes a dossier entitled "our food and our future", which is intended for families and the general public. It contains summary technical guides on various subjects, all of them related to the agrifood industries, including canning, packaging, table olives and vegetable oils (including olive oil), red meats, feed industries, food for children, and quality standards. In the eighties, in order to improve training and education and to further the acquisition of a scientific culture, we founded a University in Iraq, which specialised in food technologies. Unfortunately, as a result of subsequent events in that country, we were forced to put an end to the experiment. We have not abandoned the idea, however, and we are currently engaged in discussions with certain Arab countries (notably Jordan) with a view to setting up a university that would be a world pioneer in agrifood industries. In addition to its compulsory syllabus, we would like such a university to offer modules that would, for example, address food and other disciplines that have a direct or indirect bearing on the way we eat and cook, such as medicine, pharmacology and architecture. Until such time as this project is implemented, I would like to ask the media to devote more time and energy to issues surrounding food and food security, placing particular emphasis on the agrifood industries.

### ***Q: The Mediterranean Arab countries export fresh fruit and vegetables to the European Union. For some years now they have also been exporting agrifood products. How do you view this Euro-Mediterranean trade?***

My first remark has to do with the import duties levied on agrifood products from southern Mediterranean countries when they enter the markets of the European Union countries. We think that these duties are excessive, being in the region of 44% whereas the duties on fresh agricultural produce from the South of the Mediterranean are about 2%. My second remark concerns Europe's attitude towards us. The Europeans know very well that the battle over standards is an international one and therefore affects everybody. They are aware that we are making considerable efforts to meet the specifications imposed upon us in the framework of our agricultural and agrifood trade relations. But what we find unfair is that, whenever we invest in the equipment and laboratories needed to meet the standards required by the Europeans and succeed in complying with them, they proceed to impose new ones. This makes no sense. My third remark is that North and South are genuine partners and therefore dependent on each other. It must be borne in mind that we regard Europe as a serious customer and supplier with which we can negotiate. And that is precisely what we do with several institutions similar to our own in France, Italy and Spain. Just as we prefer to call upon the Europeans to meet a substantial proportion of our needs, so we would like them to recognise the enormous efforts we are making. In exporting high quality fresh fruit and vegetables to them, we are exporting – like it or not – a corresponding quantity of water, a resource that is becoming increasingly rare in the Mediterranean Region. Let us therefore try to be reasonable and develop our trade relations in a way that benefits both parties.

### ***Q: Which are the most promising niche markets for Arab agrifood industries?***

Leaving aside the question of industries that might benefit from the national, regional or international economic climate, I would like to highlight three points that agrifood producers should bear in mind when drawing up future projects, whether they are catering for the local or the international market. Above all it is necessary to make more rational use of water and soil. It is also important to favour niche markets that will yield economic benefits and give work to local populations; I am convinced that the agrifood sector is capable of taking on millions of workers in the future, but if we fail to take account of this social dimension we will not be able to make the agrifood industry a driving force behind our national economies. Lastly, I would emphasise the need, both for us and our European partners, to create more and more partnerships, based on a desire to serve our mutual interests, and to equip ourselves with the science, expertise and training needed to deal with the challenges that face us all. The latter include the challenge to the future of agriculture and hence to the agrifood industries posed by the effect of climate change.

**Interview by Hassane Tlili**

Journalist specialising in agricultural and environmental issues

## Inauguration of the new Campus at MAI Montpellier (CIHEAM-MAIM)

On Friday 23 January 2009, Abdelaziz Mougou, President of CIHEAM and Vincent Dollé, Director of MAI Montpellier, inaugurated the new Mediterranean Campus in the presence and under the high patronage of Michel Barnier, the French Minister of Agriculture and Fisheries, Amin Abaza, the Egyptian Minister of Agriculture, Georges Frêche, President of the Languedoc-Roussillon region, Hélène Mandroux, Mayor of Montpellier, Bertrand Hervieu, Secretary General of CIHEAM, members of CIHEAM's Governing Board, and many other important Euro-Mediterranean figures.



MAI Montpellier's new Mediterranean Campus was built with funding from the Languedoc-Roussillon region, the French Ministry of Foreign and European Affairs, and CIHEAM-MAIM. It was commissioned by MAIM and construction work began in 2005. The project has provided the Institute with a hall of residence comprising 98 fully equipped studio flats (including five for ambulant disabled people), a cafeteria, and a "Villa Mediterra", for the use of partners and visiting lecturers or researchers.

Built to the High Quality Environmental standard (HQE), this new accommodation facility is connected up to the existing buildings, which makes MAI Montpellier's Mediterranean campus fully accessible to ambulant disabled people.

For more information on this event: <http://www.iamm.fr/actu/agenda/inauguration.html#discours>

## Publication - *Mediterra 2009*

Entitled "**Rethinking rural development in the Mediterranean**", *Mediterra 2009* is the fruit of cooperation between CIHEAM and Blue Plan.

The report analyses new trends in Mediterranean rural life with a view to assessing progress in the implementation of sustainable development strategies and taking a fresh look at the policies being pursued in the rural environment.

Part of its strategic message is summed up in one simple but essential fact: in the Mediterranean Region, there can be no rural development without dynamic agriculture and there can be no agricultural development without vitality in the rural areas.

Divided into eleven thematic chapters, the report provides players and decision makers in the Mediterranean World with the essential keys to a proper understanding of agricultural and rural development.

*Mediterra 2009* will be published in English and French in April 2009. It will subsequently be published in Spanish, Italian and Arabic.



### Order *Mediterra 2009*

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## News in brief

### **Egyptian rice, first choice of Arab and Mediterranean consumers**

Egyptian rice is selling well and is the preferred choice of a great many Arab and Mediterranean consumers. This is the finding of a report on trade in rice in 2008 published by the Food and Agriculture Organization of the United Nations (FAO). It reveals that 29.9 million tonnes were exported worldwide last year, 1.1 million less than the estimates given in 2007. The authors of the report maintain that this shortfall is the result of a deliberate policy to limit exports pursued by a number of countries, including Egypt, who want to make sure they have enough rice to satisfy the needs of local populations and provide for any further upsurge in the price of agricultural raw materials. The report points out that rice prices in the international market rose by at least 20% in the course of 2007 but it recommends that producer countries not give way to panic since to do so would only make prices more volatile.

In any event, Egyptian rice is greatly appreciated by a large number of consumers, particularly the Syrians. Indeed, the report shows that more Egyptian rice was exported to Syria in 2008 than to any other country (19.3% of the total, compared with 14% to Libya, 7% to Jordan, 5% to Saudi Arabia and 4% to the United Arab Emirates). Egypt also exports large amounts to Turkey according to this report, which reckons that Egypt's yields are now among the best in the world. In conclusion it should be noted that Egypt is increasingly providing other African rice producing countries with the technical assistance they may require. The results achieved on this score are very encouraging.

### **Morocco's "Green Plan" goes regional with the upgrading of Casablanca's rural agricultural area**

As part of Morocco's "Green Plan", launched in April 2008, the Greater Casablanca region is the target of a regional agricultural plan intended to upgrade agriculture and promote the agrifood industry. According to the Moroccan Minister of Agriculture, the Casablanca region has considerable agricultural potential, which only needs to be developed. Under the Green Plan therefor it is expected that a budget of 2 billion dirhams (about 180 million euros) will be allocated to 35 projects designed to capitalise on the wealth of regional assets: 114,000 hectares of agricultural land, water, manpower, a favourable climate, abundant infrastructure, an effective distribution chain and numerous agrifood concerns.

The creation of a large-scale agrifood industry in the Casablanca region would help meet domestic demand and would also make Moroccan products more competitive in the international market. Moreover, the basic rationale of this regional plan is to fight poverty and it might well create 1.5 million jobs, thereby raising the incomes of about 3 million people in the rural environment. According to the Ministry of Agriculture, the implementation of regional agricultural projects represents an important stage in the introduction of the Green Plan, whose main goal is to upgrade Moroccan agriculture and further improve its competitiveness internationally.

### **The Carrefour group expands its operation in Turkey**

The town of Tekirdag, in the North-East of the country, now has a new shop: Carrefour has just opened its 22<sup>nd</sup> hypermarket in Turkey. The new branch has a sales area of 5000m<sup>2</sup> and employs 170 people. Established in Turkey since 1993, the Carrefour group intends to open more and more outlets and take advantage of the opportunities for expansion offered by the country: strong growth in GDP, rising household consumption and changes in dietary habits. As in Poland, Brazil and China, Carrefour is opening new shops at an ever faster pace and choosing to set up in emerging markets. Thanks to the joint venture, Carrefour SA, formed with the Sabanci Group (which has a 40% holding in its local subsidiary), the French group is now leader in large-scale retail and distribution in Turkey and the biggest French employer in the country (Carrefour SA has 470 shops and employs 7,500 people). In 2007 its turnover amounted to 1.3 billion euros and in 2008 Carrefour SA's investment in Turkey was 60 millions dollars.

#### **MAI Chania**

The European Association of Agricultural Economists (EAAE) is organising its 113th Seminar at MAI Chania from 3 to 6 September 2009.

This meeting will address the resilience of the European food industry in a changing world.

<http://eaae113.maic.h.gr/index.html>

## Mediterra 2008

### Terra prize

The Terra readers' prize is awarded every year in France to the best book on the relationship between man and nature, and more especially on the problems associated with the agriculture and food production worldwide.

On 25 February 2009, at the Paris International Agricultural Show, the Terra foundation awarded a special prize to CIHEAM's annual report *Mediterra 2008*.

*Mediterra 2008* provides prospective reports on trends in agriculture, food and rural affairs in the Mediterranean, placing the emphasis on the strategic importance of agriculture to the societies and economies of the region. It pleads for steady growth in solidarity in the field of Euro-Mediterranean agrifood.

## Publications

**Alex Evans** (ed.), *"The Feeding of the Nine Billion: Global Food Security for the 21st Century"*, Chatham House Report, Royal Institute of International Affairs, London (United Kingdom), 2009.

**Mostafa K. Tolba and Najib W. Saab** (ed), *"Arab Environment: Future Challenges"*, 2008 Report of the Arab Forum for Environment and Development, Beirut (Lebanon), 2008.

**Latifa Henia** (dir.), *"L'Atlas de l'eau en Tunisie"*, Faculté des Sciences Humaines et Sociales de Tunis (Tunisie), 2008.

**Ana Iglesias, Luis Garrote, Antonio Cancelliere, Francisco Cubillo, Donald A. Wilhite** (Eds.), *"Coping with Drought Risk in Agriculture and Water Supply Systems - Drought Management and Policy Development in the Mediterranean"*, Springer (Germany), 2009.

**FAO**, *"The State of Food Insecurity in the World 2008 - High food prices and food security: threats and opportunities"*, FAO, Roma (Italy), 2008.

**Frédéric Lemaître**, *"Demain, la faim !"*, Paris, Grasset, 2009.

**Miguel Robles, Maximo Torero, and Joachim von Braun**, *"When Speculation Matters"*, IFPRI Issue Brief No 57, 2009.

**Giorgio Venceslai** (ed.), *"Outlook dell'agroalimentare italiano"*, Annual Report 2008, ISMEA, Roma (Italy), 2008.

## Events

### 24-25 March 2009 – Amman (Jordan)

First Arab symposium on investment in agricultural and agrifood sectors, organised by the Arab Organization for Agricultural Development and others ([information](#))

### 28-30 April 2009 – Perpignan (France)

First Euro-Mediterranean Fruit & Vegetable International Business Trade Fair ([information](#))

### 9-10 May 2009 – Blida (Algeria)

First Maghrebin study days on animal epidemiology, organised by the Department of Veterinary Science of the University of Blida ([information](#))

### 14-16 May 2009 – Rabat (Morocco)

International Symposium AGDUMED 2009 on integrated management of soil and water for sustainable cropping systems in Mediterranean regions, organised by IAV Hassan II, INRA Maroc and FUSAGx ([information](#))

### 9-11 June 2009 – Paris (France)

International symposium at Unesco on "Localizing products: a sustainable approach for natural and cultural diversity in the South?" ([information](#))

### 25-26 June 2009 – Florence (Italy)

17th Annual Congress of the Società Italiana di Economia Agro-Alimentare on food quality and consumer health ([information](#))

### 25-26 June 2009 – Rabat (Morocco)

Seminar on food security and free trade, organised by the Moroccan Association of Agricultural Economics (AMAECO)

### 10-14 November 2009 – Sochi (Russia)

Ninth International Conference on the Mediterranean Coastal Environment M – Medcoast 2009 ([information](#)).

### 12-14 November 2009 – Agadir (Morocco)

International congress on the integration of sustainable agriculture and rural development in the context of climate change, the energy crisis and food insecurity ([information](#))

## CIHEAM Mediterranean Observatory

### Recent publications

#### CIHEAM Analytical Notes

- *The Union for the Mediterranean and the food crisis*, Guillaume Benoit, Mohammed Aït Kadi and Grigori Lazarev, No 42, November 2008.
- *Current Events in Mediterranean agriculture from November to December 2008*, CIHEAM (collectively), No 43, January 2009
- *Brazil and the Mediterranean area*, Sébastien Abis and Jessica Nardone, No 44, February 2009.

#### CIHEAM Briefing Notes

- *A new agricultural equation in the new geoeconomic context*, Jessica Nardone, No 54, January 2009.
- *The future of blue gold in the Mediterranean*, Marine Beslay, No 55, January 2009
- *Custom and protection of farmlands*, Anne-Marie Jouve and Claude Napoleone, No 56, February 2009.

#### NewMedit

- Summary of 04/2008 issue of the review, September 2008.

#### CIHEAM Watch Letter

- Watch Letter No 07, "Organic agriculture in the Mediterranean Region", autumn 2008.

#### Monographs

- Analyses of agriculture, agrifood, fisheries and rural development in the thirteen CIHEAM member countries, autumn 2008.

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## CIHEAM Mediterranean Observatory

An instrument for analysis and discussion  
of Mediterranean agriculture, rural affairs and food

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### The Watch Letter

Every quarter  
CIHEAM issues its  
Watch Letter in English  
and French.

The next issue will  
be published in  
June 2009  
and will address  
desertification in the  
Mediterranean Region.

To receive  
the Watch Letter,  
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