DEVELOPMENT OF AGRICULTURAL EXPORTS

IN TUNISIA

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GLOSSARY

APIA: Agence de promotion des produits agricoles

CEPEX: Centre de promotion des exportations

FOPRODEX: Fond de promotion des exportations

GIAF: Groupement interprofessionnel des agrumes et fruits

GICA: Groupement interprofessionnel des conserves alimentaires

GID: Groupement interprofessionnel des dattes

GIL: Groupement interprofessionnel des légumes

ONH: Office nationale de l'huile

ONV: Office nationale de la vigne

OTD: Office des terres domaniales

SODEPRIN: Société de développement des primeursm de Nebhana

STIL: Société Tunisienne des industries laitières

UCVT: Union des coopératives viticoles de Tunisie

EXECUTIVE SUMMARY

1. Objectives and Scope

The report is one of a series of studies in support of the GOT/IBRD Agricultural Sector Program Loan of September 1986. It is the first part of a two-phase research effort to help promote exports of agricultural products from Tunisia.

Its role is to identify the contraints on agricultural exports, asess the measures being taken to relieve them and point to the scope for further action. Its proposals would be the subject of detailed follow-up studies in Phase II.

2. Creating a Climate for Export Initiatives

Measures taken by the Government of Tunisia to encourage export initiatives include adjustment of the exchange rate for the Dinar, provision of export finance on favorable terms, exemption of export-earned income from direct taxation, removal of export taxes and licensing requirements, rebate of duties on materials imported for the preparation and packaging of export products, simplification of port procedures, and subsidies for the promotion and transport of new export lines.

Procedural delays in the allocation of credit, payment of rebates and the lengthy paper work involved are still constraints to taking advantage of export opportunities. Most exporters, however, see a major improvement in the export climate since 1984.

3. Export Subsidies

Establishment of arrangements for export subsidies through the Fond de promotion des exportations (FOPRODEX) has been an important step forward. They have been successful in stimulating test marketing and market diversification. After a period of repeat shipments, it would be opportune to consider certain realignments of the transport and promotion subsidies provided by (FOPRODEX). Available funds could be concentrated on supporting those lines which offer

substantial and enduring prospects. They could help exporters withstand temporary set-backs: e.g.,

- cover the cost of empty space on a plane when complementary loads failed to materialize; or
- keep up continuity of deliveries through a temporary drop in prices.

4. Promotion

Funds for the promotion of agricultural exports have been made available through FOPRODEX on a matching basis with contributions by exporters. Campaigns for the promotion of sales fo Maltaise oranges, dates and wines have been initiated.

The results forthcoming from more intensive promotion of products which could establish a market niche where they would not have to face subsidized competition, (e.g. olive oil, wine, and dates in the USA and Canada), or currently command a premium price because of a specific consumer preference, (e.g. Maltaise oranges and fresh Deglet-Nour dates in France), merit investigation in depth. Such research would cover direction, scale, timing and cost of promotion, and ways of financing it on a continuing basis.

5. Overall Marketing Strategy

The EEC protective barrier of quotas, reference prices and import duties, is a continuing constraint on access to the 'natural' market for many Tunisia products. A logical response would be to:

(a) Maximize earnings from EEC markets by filling quotas with high quality produce, graded and packed to match competitors' standards, and timed to capture the highest prices;

(b) Apply similar standards in developing other high-income consumer markets, such as in North America and the Middle East; and

(c) Endeavor to move other available export supplies through government to government and barter agreements with East European and other countries with restricted foreign exchange regimes.

6. Flexibility in Export Structures with Scope for Joint Ventures

Abandonment of the monopoly of the Société Tunisienne des industries laitières (STIL) over the export of dates was the occasion for a remarkable expansion of date handling and packing facilities in Tunisia and of exports with high value-added. Olive oil and wine marketing have continued under state monopolies because of the political implications of the olive crop and lack of qualified domestic entrepreneurs. The existing quality of Tunisian olive oil exports point to the need for a closer integration from grower to a joint venture refinery with effective price incentives for quality. Similarly, participation by some European distributors in the production and bottling of high-quality wine could help Tunisia fill its EEC quota. The National Boards or 'Offices' would then shift to market stabilization roles. Review in depth of the potential benefits from such changes is recommended.

7. Coordinated Management of Export Efforts

Several important export lines are handled by 15 to 20 independent small enterprises selling through commission agents. This practice has its disadvantages:

- uncertainty regarding arrival time, state of maturity, and presentation hamper systematic distribution in the importing country;
- management of timing and quantities offered on particular markets to optimize total earnings is difficult;
- promotion by small exporters with their own brands is expensive; in consequence it is not undertaken.

There has been a shift of opinion away from monopoly export organizations. For instance, the Office du commerce extérieur monopoly in Morocco was not found advantageous for off-season fruits and vegetables. Nevertheless, a tighter grouping of export efforts is needed for some products. Maltaise oranges and out-of-season fresh vegetables going to France are obvious candidates. Strong exporters' unions with a representative committee to manage sales policy and promotion would be one approach. Models could be the citrus exporters' union of

Spain and the association which manages exports of winter tomatoes to the USA from seven packing stations in Northern Mexico. Several exporters contacted were not averse to such arrangements. They had already participated in joint sales of oranges to Yugoslavia through the Groupement interprofessionel de fruits et légumes (GIAF).

8. Follow-up action

Two levels of follow-up activities are recommended:

- in-depth studies on the issues and proposals set out above; and
- provision of specific assistance in:

  (a) research on the U.S. market for Tunisian olive oil, dates and a line of gourmet products including oil, wine, Thibarine (date liqueur), stuffed dates, almond products, flavored table olives, and capers; and

  (b) training tours for Tunisian specialists in the marketing of these products.

1.0. INTRODUCTION

This report is one of a series of studies being undertaken by the Ministry of Agriculture's Directorate of Planning, Statistics and Economics (D/PSAE) in support of the GOT/IBRD Agricultural Sector Adjustment Program loan which was finalized in September 1986.

This study is the first part of a two-phase research effort to help promote exports of agricultural commodities from Tunisia. It reviews past experience in the agricultural export sector and identifies commodities offering substantial scope for increased foreign exchange earnings. Phase II will develop detailed export marketing strategies for these commodities.

The report presents the findings of a two-person technical assistance team provided under USAID Agricultural Policy Analysis Project (APAP) in June 1987. On his way to Tunis, the team leader, Mr. John Abbott, obtained an up-to-date briefing from FAO on the market situation and prospects for Tunisian export produce. He also made a two-day visit to Paris to consult Claude Falgon. [2] Advantage was also taken of the opportunity to contact at the Rungis (Paris) wholesale market importers of Tunisian produce and COLEACP, the organization funded by the EEC to monitor the prices obtained for imports from third world countries.

In Tunisia the study team was provided all facilities for its work by the Ministry of Agriculture, and the Ministry of Agricultural Products and Food Production. Particular appreciation is expressed of the kind assistance of Messr. Mohsen Boujebel and Badr Ben Ammar of the D/PSAE.

The main published sources of information on agriculturally-based export marketing from Tunisia brought to the attention of the study team are listed in Annex A. The numbered references in the report are to this Annex. In addition the team was afforded access to detailed reports prepared for the International Monetary Fund and the World Bank and to relevant papers lodged with the USAID Mission. Recent commodity market studies by FAO were also drawn upon. Valuable information on current experience, trends and problems was obtained through

interviews with representatives of institutions and with private traders involved in agricultural exports. A list of persons contacted is provided as Annex B.

To provide separately an overall account of the existing marketing situation in Tunisia, follow this with a summary of the proposals made by various consultants in recent years, and then make proposals for improvement accompanied by a detailed justification would result in a lengthy non-articulated document. Instead, this material has been integrated around major issues and export commodities. The approach taken in this report has been to review constraints to the export of agricultural products, note the measures underway to relieve them and to promote export marketing initiative, and make suggestions for further action.

Positions taken by other consultants are indicated as appropriate. The proposals for follow-up action are presented on the basis of previous consultant studies, FAO and other advisory materials, the experience of competing exporting countries of the Mediterrancan Basin, and comments and suggestion made available directly to the study team. It is hoped that this will constitute a clear and efficient base for proceeding with the second phase.

Very mixed views on the propsects for expanding agriculturally-based exports from Tunisia are to be found even among those most closely concerned. EEC protectionism is seen as a particularly regative factor keeping Tunisian produce out of the markets where it has a natural advantage. Here it is not a matter of absorbing high import duties through increased efficiency, but the prospect that should this happen the barriers will be raised again and made more complex.

The steadily rising consumption demand of the domestic population is another major constraint. Buyers for local markets now take up early vegetables that once would have been left for export. It is more profitable for growers to plant Clemetine orange trees for domestic consumption than Maltaise to serve a consumer preference in France. Even the Deglet-Nour date may be declining in availability for exports in a few years time. This trend leads to the conclusion in some quarters that the future of exports in Tunisian lives with industry and that exports based on agriculture will be mainly products of high

value for luxury markets or of particular appeal to tourists. Alternatively, the government will have to resort to pricing and other administrative measures of the kind employed in Eastern Europe to set aside for export produce needed to earn foreign exchange.

The political and religious climate of the region also has an influence. After Europe, Libya has often been the main export market for Tunisian produce. Now it is uncertain. Risk factors may also be holding back the conclusion of joint venture agreements in Tunisia with enterprises that could open the way to advantageous export markets.

The following chapter reviews government policies and facilities for agricultural export promotion. Export prospects and constraints for individual products offering substantial scope for increased foreign exchange earnings are examined in subsequent sections.

2.0. GOVERNMENT POLICIES AND FACILITIES FOR EXPORT PROMOTION

Governments can do much to promote agricultural exports by creating a favorable economic climate and by assuring specific measures of assistance. This contribution can take three main forms:

- Orientation and supplementation of official institutions to maintain effective support;
- provision of financial incentives and assistance to independent enterprise initiatives; and
- elimination of obstacles to exporting.

All three of these approaches are now being employed in Tunisia. The following review is based on recent studies such as that by SOGREAH [9], a report of a governemnt meeting with exporters and on direct contact with the institutions concerned and with exporters using their services.

2.1. INSTITUTIONAL SUPPORT

The Centre de promotion des exportations (CEPEX) was established in 1973 under the Ministry of National Economy. Its functions are to

- study export markets and provide information on them to potential exporters;
- establish contacts between exporters and potential importers;
- promote Tunisian products at trade shows and fairs; and
- advise the government on trade policies, simplification of export procedures and other relevant issues.

This body is concerned with the whole range of exports. It has two professionals who specialize in agricultural products. They are supported, however, by divisions with functional responsibilities, (e.g., organization of participation in trade fairs.) Contacts in potential importing countries are through Tunisia's embassies. Until 1984 CEPEX was not considered very effective; today exporters are still pressing that the embassies should be more responsive to their needs.

In 1985 CEPEX was assigned management of the Fond de promotion des exportations (FOPRODEX). This fund received the proceeds of a levy on certain imports. In 1985 it also received one million Dinars from the World Bank. One and a half million Dinars were budgetted for 1986. These funds could be used to:

- subsidize the transport costs of sales to new markets or of new products to traditional markets; and
- cover half the cost of exporters' expenses incurred in looking for sales at new markets.

Requests for allocations from this fund are received by CEPEX, examined weekly by a commission and sent to the Ministry of Commerce for a final decision.

This fund appears to provide substantial help to exporters. Some said that they had made export contracts that would not have been profitable without the transport subsidy.

In 1987 exporters have been pressing the government for additional funding to FOPRODEX. However, the time for a policy review is approaching. Rather than continue to support dispersed export lines that could not otherwise be profitable, the resources of FOPRODEX may best be concentrated on:

- lines that offer substantial and enduring prospects; and
- helping exporters survive temporary difficulties, (e.g., failure to find a return load for an air cargo consignment, or a short run adverse price situation.)

Groupements Interprofessionels: These bodies have been established under the Ministry of Agriculture to assist the production and marketing of specific sets of agricultural products. They are directed by committees including producers, traders and government representatives. They are funded by taxes of 0.5 to 1.0 percent on the value of produce going through wholesale markets plus additional funds from the government.

The Groupement interprofessionel des agrumes et fruits (GIAF) was established in 1971. Its 130 staff members undertake:

- production research and extension, disease control, and provision of seedlings; and
- market research, and coordination of export campaigns.

GIF advises on possible government price intervention to stabilize domestic markets for fruit. It maintains a representative at the wholesale import market at Marseille who checks the performance of commission agents handling Tunisian fruit. In 1985, it made a bulk order of 1 million cartons for use by citrus exporters.

The Groupement interprofessionnel des légumes (GIL) was established in 1973 with a staff of 50. It has similar responsibilities for vegetables. It helps stabilize domestic markets that are sharply seasonal, by announcing guide prices or making small purchases (e.g., 340 tons of potatoes in 1985) to support producer prices. It has furnished sorting and packing equipment and packing materials to producers' cooperatives. Drawing on a revolving fund it can purchase produce and undertake export trials.

The Groupement interprofessionnel des dattes (GID) has a similar responsibility for dates. It is headquartered in Tozeur (with offices in Tunis and Marseille). It focusses on:

- regeneration of plantations;

- maintenance of date quality; and
- coordination of assembly and marketing of dates including establishing a base price to producers, and requiring all exporters to sell for a fixed price.

Like the other 'Groupements' it has a directing committee of four representatives of producers, three of traders, one each of the Ministries of Agriculture, National Economy and Finance. The chairman is a producer. The manager is from the government service. Levies on dates sold contribute 100,000 dinars, or 40%, of GID's budget. The balance is provided by the government.

The Groupement interprofessionnel des conserves alimentaires (GICA) was established in 1983 to

- provide technical and market advice to processing enterprises;
- maintain its own laboratory for quality analyses;
- monitor observance of laws and regulations affecting the industry; and
- represent the interests of processors to the government regarding availability of packing materials, control measures, etc.

A reservation of private traders, particularly, regarding all these 'groupements' is that they are seen as policing agencies for the government as well as technical assistance and promotional bodies for the profession.

Fully representative of exporters' interests is the Fédération des exportateurs (FEDEX). This body was set up in 1985 under the umbrella of the Union Tunisienze de l'industrie, du commerce et de l'artisanat (UTICA). FEDEX, with a professional staff of two provides:

- information and training to private exporters; and
- a concerted voice to the government on policies, laws and procedures.

FEDEX has organized a short practical seminar for exporters with talks by those who have been successful. Its limitation for agricultural exports is that it is

concerned with the whole range of exports. The chairman is from the textile industry.

The great advantage of the 'groupement interprofessionnel' approach is that assistance to production and marketing is closely integrated on a commodity basis. In many other countries technical assistance to producers comes from an extension service that is primarily production oriented; assistance to marketing is separate or lacking. These organizations provide a continuing marketing advisory service. GIAF and GID maintain representatives on the wholesale import market in France. Nevertheless, there is still a feeling among exporters that, with the collaboration of CEPEX, more could be done in effective market intelligence. The SOGREAH consultants[9] also doubt that these bodies are the ones best placed to push groups of independent exporters into concerted promotion and marketing operations where this would be advantageous. The outcome of such an initiative on their part is likely to be too comprehensive and therefore unwieldy. Better possibilities are a joint initiative by some members of FEDEX with its backing, or one sparked by an offer of assistance from an external source.

2.2. FINANCIAL INCENTIVES AND ASSISTANCE

Export finance: - export finance is available for up to 80 percent of the value of an exporter's purchases for exports at a rate of 6 percent in contrast to a normal market rate of around 14 percent. This reduced rate is obtainable from the exporter's commercial bank which can rediscount the loan at 4 percent. The procedure is complicated, e.g. the need to put in a detailed dossier as a basis for approval. An exporter may have to buy packing materials a year in advance to be sure they are available when needed. Cash to pay producers may be required at very short notice if he is to catch a favorable export price. The consultants of SOGREAH[9] propose the establishment of a specialized export bank. For exporters of agricultural products dispatching a series of consignments during the season a continuing line of credit based on acceptable collateral and their operations in previous years would be most convenient. This is best arranged by the bank where they have an ongoing account.

Export credit insurance: a new company COTUNACE with commercial bank and insurance company participation was set up in 1984. It can insure an exporter against non-payment for his products for commercial, political and catastrophic reasons at rates of 0.5 to 0.9 percent, according to the risk foreseen.

This service is directly relevant to agricultural exports. Many Tunisian exporters use commission agents in Marseille to be sure of payment, when they might be able to obtain a better price by direct sale to a distributor in another location.

Export trading companies were freed under a 1984 law of customs duties on materials imported for re-export and received other fiscal privileges including a 50% rebate on income tax and exemption from the tax on chiffres d'affaires (turnover tax). The number of such companies is being expanded.

Their main complaint is that confinement to export operations is uneconomic. They are obliged to forego opportunities to do import business that would help meet their overhead costs and so permit them to operate on a lower margin.

2.3. ELIMINATION OF OBSTACLES TO EXPORTS

Devaluation of the Tunisian dinar by some 22 percent against West-European currencies has been a major step in making various potential export products competitive again in cases where production cost had been too high.

Export licences are no longer required for most exports. However, the Central Bank still requires the use of a formula to ensure repatriation of foreign exchange to Tunisia.

Imports of materials needed for exports have been liberalized. Foreign exchange is available for imports of packaging materials and other supplies needed for exports but not, apparently, for major purchases of new equipment, (e.g., bottling facilities for wine.) Duties charged when imported are rebated when re-export takes place. The procedure is, however, criticized as long and cumbersome.

port procedures have been streamlined and specific levies reduced. An ad valorem tax of 2.1 percent in force in 1984 has been reduced to a fixed tax of .030 dinars per ton. The turnover tax was reduced by 20 percent in 1986 and has now been lifted entirely for export products. The tax on agricultural products of 1 percent by value has been suppressed for exports. From January 1986 any export transaction could be effected with a single document (titre unique) instead of the several that had been required previously.

3.0 COMMODITIES OFFERING SCOPE FOR INCREASED FOREIGN EXCHANGE EARNINGS: PROSPECTS AND CONSTRAINTS

3.1. OLIVE OIL

Traditionally olive oil has been the main agriculturally-based exports of Tunisia. The quantities exported in recent years have ranged from 46,000 to 76,000 tons. The foreign exchange earnings from the 44,000 tons exported in 1986 were about 54 million dinars. Most of these exports have been crude oil for further refining in Europe, particularly in Italy (80%). Quantities varying sharply (2,000 to 20,000 tons annually) have been exported to Libya. The USSR has in the past imported up to 7,000 tons of oil per year, primarily for use in canning fish. Other smaller markets are in Jordan, Syria, and elsewhere in the Near East, and in the USA. (See Tables 3.1-1 and 3.1-2)

Recent estimates of the costs incurred between a rural oil press in Tunisia and the EEC market are set out in Table 3.1-3.

The prevailing view of olive oil export prospects is pessimistic. The maximum quantity that can be exported to the Common Market countries has now been set at 46,000 tons. Furthermore, the pricing policy being pursued in the Common Market is perceived as likely to generate substantial surpluses to consumption there. Olive oil was already in surplus before the accession of Spain, a large low cost producer and exporter. Prices to producers are likely to be maintained, by subsidies, at levels remunerative to growers in Italy. This is expected to stimulate additional output from Spain. While consumption is also subsidized in

TABLE 3.1-1

OLIVE OIL AND OLIVES, PRODUCTION AND EXPORTS: 1976/77 - 1985/86

Years	Production of olives	Production of oil	Total oil exports	Value of exports
	Tons thousands		Dinars millions	
1976/77	435	90	60	26
1977/78	627	130	72	36
1978/79	404	85	83	46
1979/80	410	85	49	25
1980/81	692	145	71	50
1981/82	408	85	62	56
1982/83	294	58	36	26
1983/84	691	143	79	57
1984/85	575	118	46	44
1985/86	552	114	44	54

Source: Adapted from [5], and Ministry of Agriculture data.

TABLE 3.1-2

OLIVE OIL, EXPORTS BY DESTINATION: 1976/77 - 1982/83

Years*	ITALY	France	Libya	Other Arab Countries	U.S.A.	USSR	Total
	..... Tons						
1976/77	43,009	9,699	2,480	2	955	3,100	60,443
1977/78	39,933	7,987	18,193	1,025	1,300	2,500	72,324
1978/79	66,911	8,787	2,953	136	670	3,000	83,089
1979/80	30,281	8,284	2,458	5,846	1,200	550	48,620
1980/81	42,633	11,639	12,003	2,329	1,200	600	70,632
1981/82	21,310	8,813	19,837	3,616	1,400	1,500	62,147
1982/83	23,494	7,726	3,146	417	1,200	0	36,100

* Data for 1983/84 - 1985/1986 were requested from the Office nationale de l'huile but could not be obtained.

Source: Adapted from [5]

TABLE 3.1-3

OLIVE OIL, MARKETING COSTS: RURAL PRESS TO EEC MARKET

	Dinars per ton
EEC price	1,119
Access cost	23
Price FOB port	1,096
Export Costs	**Dinars per kg**
Packing	.045
Sale	.018
Handling	.022
Financing	.019
Taxes	.023
Agent's fee	.018
Assembly Costs	
Purchasing	.005
Transport	.005
Financing	.025
Management	.012
Intervention	.023
Margins	.015
Total export and assembly	.230

Source: Ministry of Agriculture

the EEC, it is unlikely to expand sufficiently to absorb the additional supply. The resulting surpluses are likely to be exported with a subsidy, thus competing at low prices on third country markets with oil from Tunisia.

Four options seem to be open to the Tunisian olive oil industry in the face of these export market constraints:

1. Raise the productivity of olive growers and processors so that they can accept lower unit prices;
2. Raise the proportions of higher quality oil in the total amount for which export markets can be found;
3. Develop new markets where feasible, preferably with a higher value added in Tunisia, and a focus on countries resistant to dumping by the EEC; and
4. Absorption of larger quantities of olive oil on the domestic market in Tunisia.

Raising grower productivity

Lower olive production costs would contribute to the competitiveness of Tunisian oil. Olive trees are grown in Tunisia with considerable variation above and below the average yield of 800 kgs per hectare.

Yields vary sharply from year to year in reflection of climatic and related conditions. A crop of less than 300,000 tons 1982/83 was followed by one of nearly 700,000 tons. While these seasonal fluctuations are likely to continue, yields can be raised in many areas by rehabilitation of existing stands.

Raising oil yields and productivity

Improved oil yields from pressing and better quality oil would strengthen the position of Tunisian oil in competitive markets. The average yield of oil from olives in Tunisia of 20% is low compared with some other countries. The traditional oil presses prevailing in the Sousse, Mahdia and Monastir governorates are characteristically low in performance. The installation of new 'super press' and attendant handling facilities in the 'traditional' areas of the Sahel is being encouraged through credit at reduced interest charges from

the Agricultural Development Bank. These presses, already in wide use in the northern growing areas, are expected to contribute to an improvement in oil quality which has declined on the average since 1980 reflecting higher acidity rates together with poor harvesting and plant maintenance practices. Many oil presses have no facilities for performing quality analysis.

Quality differences show up in the prices averaged for olive oil exports from the following countries over the years 1979-85:

Tunisia	$1311 per ton	
Turkey	$1359 per ton	
Spain	$1470 per ton	(Pre-accession to the EEC)
Greece	$1491 per ton	(Pre-accession to the EEC)
Portugal	$2083 per ton	(Pre-accession to the EEC)

Oil quality is judged by the percentage of fatty (oléique) acid and taste factors. Quality grades used in Tunisia include:

Super and Extra	up to 0.7% fatty acid
Fine	up to 1.5% fatty acid
Bouchable	up to 3.0% fatty acid
Lampante	over 3.0% faccy acid.

The proportions of total oil output in Tunisia falling into these grades over the years 1980/81 to 1984/85 were:

Super	12%	
Extra	11%	39.6%
Fine	16.6%	
Bouchable	32.4%	
Lampante	28%	

These proportions are a significant step down from those of the previous five years when the top grades Super, Extra and Fine together amounted to 46.8% of the total, with Bouchable 29.3% and Lampante 24.9%, respectively. The Office nationale de l'huile (ONH) has a policy of paying premiums for oil quality: apparently these premiums alone have not been effective in reversing this downward trend.

The higher qualities of oil have been sold mostly to France, Libya, the Middle East, and the USA. Lampante grade is imported by Italy and the USSR. Ability to offer more high quality oil would certainly strengthen Tunisia's position in competitive markets outside the EEC. There is a possibility that the present EEC quota is partly conditioned by the interest of some Italian firms in profiting from importing lower quality Tunisian oil for further refining and re-packing in Italy. Verification is needed as to whether raising the quality of oil supplied to the EEC countries would have the consequence of a reduction in the quota.

Development of new markets

The ONH is giving particular attention to the USA and the Middle East. Lack of direct shipping lines from Tunis is a handicap. Supplies have been transshipped via Barcelona. For the USA, oil is shipped to Genoa, refined there and put into consumer-sized cans. These carry the brand name 'Pope' of the Boston-based American firm with which the ONH has this agreement. A half-liter bottle would be used for supplies to an additional U.S. distributor based in Houston, Texas. This bottle will be imported from France. The can used currently - fabricated in Tunisia - may be suitable for the Libyan market; for the USA it looks dated. The ONH is confident that with adequate promotion the market in the USA can be expanded considerably. Assistance with in-depth market research and training tours for staff would be appreciated.

In the Middle-East market, Tunisia has the advantage that it is part of the Arab world. Its sales position in Jordan is well established, for example. The substantial market in Libya - nearly 20,000 tons delivered in 1981/82 - is conveniently near, but uncertain. In Saudi Arabia there has been competition from Spain.

Expanded domestic consumption

Sale of more Tunisian olive oil on the domestic market would replace imported seed oil and so contribute to an improved foreign exchange balance. With an EEC quota of 46,000 tons and other export markets that cannot be expected to take regularly much more than 15,000 tons, substantial stocks will be carried over

from good years. This brings up the domestic market as an outlet of last resort.

Currently soy and rapeseed (colza) oil are imported because they are much cheaper. Use of a larger proportion of domestic olive oil in the mix would bring some savings on foreign exchange. It would have, however, important implications for prices. The ratio of domestic to export prices for olive oil is 1:4. Absorption of increasing quantities of olive oil in the domestic market would involve higher prices to consumers, lower prices to olive oil suppliers and, to cushion the impact of these changes, further subsidization.

The role of the Office nationale de l'huile

The present organization of olive oil processing and marketing in Tunisia may itself be a constraint on increasing earnings from exports. While the ONH claims not to have a monopoly, all exports proceed through it. The sequence of events in the marketing of dates may be significant also for olive oil. The monopoly assigned to the Société Tunisienne des industries laitières (STIL) over the export of dates - the second major agricultural export product of Tunisia - coincided with the phase when dates were exported in bulk for processing and repacking by French importers in Marseille. The value added at that stage of marketing accrued to those importers. When this monopoly was relaxed a range of enterprises, including STIL, rapidly developed packing facilities in Tunisia. They offered to distributors in France and elsewhere a packed and branded product, including fresh dates on the branch, that was not done before. Foreign exchange earnings benefited substantially in consequence.

Agreement on an EEC quota of 46,000 tons and recognition of the need to compete intensively on alternative markets is a logical cue for a review of the role of ONH. Ways must be opened for a range of initiatives to make the best of this market situation. Such initiatives can include:

- foreign investment participation in joint ventures to set up oil refining and marketing facilities in Tunisia, with employment and other direct benefits;

- integration of refining operations through local olive presses back to olive growers to provide direct incentives for

improvements in quality and regularity in supply; and

- allowing Tunisian oil processors to develop new outlets under their own or importers/distributors' brands.

It is recommended that an independent study in depth be made of the advantages and disadvantages of the present arrangements, and of alternative roles for ONH including:

- Organization of government to government sales;
- responsibility for purchasing at a guaranteed minimum price excess supplies in years of high yields and holding these in store for release when opportune; and
- management of supplies to be released on the domestic market.

3.2. DATES

Ninety eight percent of the 18,000 hectares planted in dates in Tunisia are concentrated in the Tozeur and Kebili governorates. There are two main varieties of dates. The "ordinary" or "common", and the high-quality Deglet Nour which has represented on average more than 85 percent of total exports. Deglet-Nour has been increasingly important since 1976, when the government initiated a program to replace the lower-quality varieties. Deglet-Nour represents approximately 50 percent of the number of trees, and considerable areas are being developed for new plantations. The new plantations provide 75 percent of Deglet-Nour production; however, only 15 percent of date palms are less than 15 years old, and only one-third of total production originates from new plantations.

Total production has been increasing very slowly (Table 3.2-1); more rapid increases from the new plantations are being offset by slower increases from senescent plantations. Deglet-Nour production has been increasing more rapidly, and has accounted for an increasing proportion of total production. This proportion was 55.5 percent in 1979/80, 60.7 percent in 1983/84, and 64.8 percent in 1985/86; it is expected that it will reach 69 percent in 1990 and 85 percent by the end of the century.

TABLE 3.2-1

DATES, PRODUCTION: 1974/75 - 1985/86

Year*	Deglet-Nour	Common	Total
	.....Metric tons	thousands.....	
1974/75	16.3	26.3	42.6
1975/76	15.2	20.6	35.8
1976/77	18.6	23.4	42.0
1977/78	16.5	16.7	33.2
1978/79	19.2	26.1	45.3
1979/80	1.50	12.0	27.0
1980/81	20.0	26.8	46.8
1981/82	25.0	20.0	45.0
1982/83	30.0	15.0	45.0
1983/84	34.5	22.0	56.5
1984/85	33.0	19.5	52.5
1985/86	35.5	18.5	54.0

*The date year is from November through October the next year.

Source: Groupement interprofessionnel des dattes

TABLE 3.2-2

DATES, PERCENTAGE OF TOTAL PRODUCTION EXPORTED: 1976/77 - 1985/86

Year	Deglet-Nour	Common	Total
	.....Percent exported.....		
1976/77	37.4	.07	16.9
1977/78	33.7	.12	17.5
1978/79	29.0	.17	13.5
1979/80	49.1	6.4	30.1
1980/81	54.4	8.8	28.3
1981/82	42.2	5.5	25.9
1982/83	25.2	8.7	19.8
1983/84	35.9	11.5	26.7
1984/85	25.5	15.4	21.8
1985/86	37.6	16.3	30.3

Source: Calculations based on data provided by the Groupement interprofessionnel des dattes.

TABLE 3.2-3

DATES, EXPORTS: 1976/77 - 1986/87

Exports (Metric Tons)

Year	Deglet-Nour	Common	Total	% Deglet Nour/Commom
1976/77	6,958	180	7,118	97.7
1977/78	5,565	209	5,772	99.8
1978/79	5,568	494	6,062	91.8
1979/80	7,370	776	8,146	90.4
1980/81	10,885	2,360	13,245	82.2
1981/82	10,565	1,110	11,675	90.5
1982/83	7,581	1,316	8,897	85.2
1983/84	12,401	2,547	14,948	82.9
1984/85	8,422	3,016	11,438	73.6
1985/86	13,368	3,025	16,393	81.5
1986/87*	11,591	3,076	14,667	79.9

*From 10/1/86 to 5/31/87

Source: Groupement interprofessionnel des dattes; and Team calculations.

TABLE 3.2-4

DATES, PRICES AND EARNINGS
FROM DEGLET-NOUR: 1974/75 - 1985/86

Year	Producer Floor Price*	Consumer Ceiling Price*	Average Export Deglet-Nour	FOB Tunis Price Common	Earnings from Deglet-Nour
	.....Dinars/metric ton.....				Dinars million
1974/75	200-250	300-380	438	252	7.139
1975/76	230-280	320-400	446	251	6.779
1976/77	250-320	340-420	498	283	9.262
1977/78	270-340	360-420	501	301	8.266
1978/79	270-340	360-440	642	297	12.326
1979/80	280-360	360-440	681	320	10.215
1980/81	320-420	440-550	990	520	19.800
1981/82	385-485	500-610	950	540	23.750
1982/83	470-580	600-720	1,245	575	37.350
1983/84	550-650	Free	1,150	575	39.675
1984/85	650-750	Free	1,380	705	45.540
1985/86	720-820	Free	1,650	800	58.575

*Lowest price for loose dates, and highest price for dates on branches.

Source: Groupement interprofessionnel des dattes; and Team calculations.

TABLE 3.2-5

DATES, EXPORTS BY DESTINATION: 1985/86 - 1986/87

Main Destination	1985/86		1986/87*	
	Quantity	Value	Quantity	Value
	.....Percent.....			
France	59.22	58.46	50.09	51.66
Italy	15.66	17.23	17.67	19.20
Spain	5.16	3.89	7.12	4.87
Switzerland	4.22	3.16	2.06	2.49
England	3.98	5.06	3.98	4.73
USA	2.74	1.50	5.38	2.34

*From 10/1/86 to 5/31/87

Source: Calculations from data provided by the Groupement interprofessionnel des dattes.

Even though total Tunisian production represents only 4 percent of world date production, Tunisian Deglet-Nour represents 25 percent of world production for this variety.

During the last five years, exports have been, on average, 25 percent of total production, and one-third of Deglet-Nour production (Table 3.2-2). Although total exports have tended to increase, they have fluctuated widely from one year to the next (Table 3.2-3). More important, while Deglet-Nour export prices increased on average by 15 percent per annum during the last five years, total earnings from Deglet-Nour exports increased only by 4.7 percent over the same period.

Most dates for the export market are purchased locally from growers through intermediary traders. Until recently, most exports were unpackaged fresh dates packaged by importers in Marseille, France. Today, the bulk of the packaging and vapor treatment is done in-country.

Most dates are exported to France and to a much lesser degree, Italy and Spain (Table 3.2-6). An increasingly important market for vapor-treated, packaged dates exists in other European countries and the Middle East. In 1981/82 and 1986/87, respectively 38 percent and 49 percent of such dates went to countries other than France.

The structural shift towards locally-packaged dates has not only allowed Tunisian exporters to diversify their markets, but it has also enabled them to increase the proportion of high-value dates in their transactions. This shift is reflected in the increasing number of local treatment and packaging units. These jumped from a total of four in 1982 to more than seventeen in 1986. In fact, a treatment and refrigeration unit is, today, a prerequisite for obtaining an export licence.

Of Tunisia's agricultural products, export prospects remain most favorable for dates for a number of reasons:

1. EEC enlargement will not negatively affect Tunisian exports since Spain and Portugal do not produce dates. Exports will even benefit

from better access to Spanish markets. Spain has been a small market buying between 150 to 1500 tons annually; however, its share of Tunisian exports has increased to reach 5 percent and 7 percent in the last two years. More important, most sales to Spain are made without French intermediaries, and the country is a conduit for sales to Latin America.

2. Tunisian Deglet Nour dates are recognized in France and in an increasing number of other European and Middle-Eastern countries as a high-quality product. The unit value of exports has been both attractive and increasing. Prices will probably rise faster because of the increased added value due to the development of Tunisia's treatment and packaging capacity.

3. The only other exporters of the Deglet-Nour variety are the United States and Algeria. Tunisian export prices are 50 percent higher than Algerian prices. Algerian production and control of the marketing channels are still recovering from the 1970's policy bias against the private sector, and the industrialization efforts which were undertaken at the expense of the agricultural sector. Tunisian dates enjoy a lower premium over Californian dates because American Deglet-Nour dates, though less tasty, are better treated, handled and packaged. Nevertheless, the proximity to European and Middle- Eastern markets gives Tunisia an undeniable advantage. Equally important, the development of the domestic treatment and packaging capacity will allow Tunisia to compete more effectively with American exporters.

Efforts have been made to penetrate new markets, to apply stricter quality controls, better handling practices and treatment techniques, to manufacture or import packaging material of superior quality and design, and to undertake some promotion. Tunisian exporters must, however, go further in these directions to maximize potential foreign exchange earnings.

1. It is important for exporters to be reliable in supplying dates during the 40 to 50 days of highest demand in Europe, when local wholesalers stock for consumer demand that peaks in the first two

weeks of December prior to Christmas and end-of-year festivities. This task is particularly demanding since it requires mobilization of substantial working capital. In effect, the principal harvesting season for dates is in November and December and, as a consequence, exports during September and October have to be from the previous season's harvest. Demand for dates also peaks prior to the month of Ramadan when distributors prepare for consumer demand in the new Gulf-State markets as well as among the Moslem communities in Europe. This second peak requires a well-organized strategy because exporters have to face during this period their sharpest competition from the domestic market.

2. The high number of date exporters (17 in 1987 for a total of less than 80,000 tons exported), most of whom are relatively small-scale exporters, has made the undertaking of meaningful promotion campaigns more difficult. A timid promotion attempt (50,000 French Francs) was made by the Groupement interprofessionnel des dattes in 1987 and an outlay of 1,500,000 francs is planned for 1988, mostly for use at point of sale. These initial efforts should be monitored and evaluated and, where successful, expanded. Promotion expansion should concentrate on presenting Tunisian Deglet-Nour dates as a fresh, unprocessed product, and under a single Tunisian label with the name of the export company only in small letters.

3. Tunisian Deglet Nour dates have by their nature a moisture content above the international standard of 26 percent. Following a Tunisian intervention, 30 percent is allowed for Tunisian dates in the EEC countries. Greater efforts are needed to control insect infestation: the present EEC tolerance of 5% evidence of insects is likely to be lowered to 3% as in the USA.

4. Domestic refrigerated storage capacity has increased considerably. Nevertheless, available capacity is estimated at one-quarter to one-third of cold storage requirements. Sufficient cold storage capacity is essential for any successful date producing and exporting industry, and is even more fundamental in the Tunisian

situation because, as explained earlier, sales are made over a period of at least six months after harvest, and peak sales are, of necessity, made from previous season's harvest.

5. Most exported dates are now packaged in Tunisia, up from only 35 percent six years ago. The structural shift towards smaller packages that are more adapted to European and North-American consumer tastes should be continued and further developed. Packages are either imported or manufactured locally. Although package material and design are in many cases of high quality, the domestically-manufactured packages do not yet meet modern date-marketing standards.

The relatively favorable market prospects outlined above suggest that the government's efforts to increase high-value date production through new plantations and replacement plantings should be continued and even become a major priority for the perennial fruit subsector. These efforts should, however, be accompanied by an export strategy that is better adapted to current marketing conditions.

3.3. FRUITS AND NUTS

3.3.1 ORANGES

Citrus is grown in the Nabeul, Tunis and Bizerte governorates; more than 80 percent of citrus plantations are in the Cap Bon region. Principal varieties are the Maltaise, Clementine and Mandarine oranges, and lemon. The Maltaise variety, a tasty, juicy, blood orange of high quality, is by far the most important in terms of both production (more than one-half of total) and exports (more than 99 percent of exported citrus in the last six years); climatic and soil characteristics make Tunisia the premium production zone in the world for this variety. However, owing to a sharp increase in clementine prices in the domestic market in the late 1970's and early 1980's, farmers tended to favor this variety in new plantations and replacement plantings.

As Table 3.3-1 indicates, production has been erratic. Growth rates averaged 3.8 percent but have ranged between a 37 percent increase and a 25 percent decrease between 1977 and 1987. It is, however, important to note that the recent arrival of irrigation water under the Cap Bon Irrigation Rehabilitation Scheme in collaboration with the Northern Water Master Plan (Plan directeur des eaux du nord) has tended to both boost and stabilize production levels.

Maltaise oranges have accounted for the bulk of total citrus exports since the 1970's, and constituted almost the sole export in the 1980's (Table 3.3.1-1).

As can be seen in Table 3.3.1-2, France, with 80-90 percent of market share until 1984/85, is the main importer. In the last two years this proportion fell to 68 then 60 percent. Market diversification has been achieved either through barter deals with East-European countries or through freight subsidies to encourage penetration into new North-European markets.

Tunisian exports accounted on average for approximately 0.5 percent of world exports in the 1980's. However, the Tunisian market position is stronger than this figure suggests because Tunisian Maltaise oranges benefit, by their flavor, taste and high juice content, from a specialized demand in France, the main importer of this product.

Demand for oranges in the EEC and other developed countries has leveled off in recent years. This trend does not appear likely to be reversed because of the high consumption levels already attained. These conditions together with the EEC enlargement will exert downward pressure on prices; however, this situation is unlikely to have significant adverse consequences on Tunisian exports for two reasons. First, projection estimates show that the enlarged EEC will still be a net citrus importer for some time to come; second, the maltaise orange variety, because of its unique characteristics, does not have any immediate competitors so long as consumer preference for it continues.

After a rapid increase in the 1970's and early 1980's, per capita orange consumption in Tunisia, according to a FAO projection, is not expected to exceed its present levels. Annual growth rates in total demand are also expected to decline from 4.4 between 1970-1980 to 2.8 between 1980-1990, to yet lower levels

TABLE 3.3.1-1

CITRUS, PRODUCTION AND EXPORTS: 1974/75 - 1986/87

Year*	Production		Exports	
	Total	Maltaises	Total	Maltaises
	..... Metric tons thousands			
1974/75	131.3	75.5	23.3	20.8
1975/76	161.8	85.9	28.1	26.0
1976/77	160.0	72.4	31.0	28.8
1977/78	219.7	120.1	52.8	46.9
1978/79	183.2	106.1	33.0	30.2
1979/80	160.0	87.7	31.0	30.2
1980/81	220.6	136.0	26.7	26.3
1981/82	165.0	88.5	18.1	18.0
1982/83	137.9	76.7	14.9	14.8
1983/84	220.0	128.7	31.6	31.4
1984/85	196.3	115.0	41.0	40.7
1985/86	252.0	NA	44.5	44.3
1986/87	250.0	NA	51.9	51.4

*Citrus year is from December through April the next year.

Source: Groupement interprofessionnel des agrumes et fruits.

TABLE 3.3.1-2

CITRUS, EXPORTS BY DESTINATION: 1984/85 - 1986/87

Main Destination	Year		
	1984/85	1985/86	1986/87*
	..... Metric tons		
France	35,335	30,224	31,102
Yugoslavia	-	5,903	10,000
Hungary	-	1,000	2,000
Bulgaria	-	-	500
Belgium	323	1,314	728
Holland	1,292	2,785	4,119
Sweden	20	142	393
Saudi Arabia	1,008	14	-
Qatar	-	375	-
Germany (FR)	679	22	661
Austria	-	137	90
Czchecoslovakia	-	2,667	224
England	-	64	54

*From 10/1/86 to 4/27/87

Source: Groupement interprofessionnel des agrumes et fruits and Team calculations.

by the end of the century. At the same time, the Cap Bon Irrigation rehabilitation Scheme has resulted in substantial production increases. Nevertheless, production growth rates are not expected to rise significantly given the age distribution of trees and the planting schedule. Furthermore, owing to the recent planting patterns mentioned earlier, production increases will be generated mainly from the increase in clementine production. Given the additional argument that clementine and Maltaise oranges are close substitutes in the domestic market, it is an open question whether net surpluses of Maltaise oranges resulting from these supply and demand conditions will increase at a faster rate; it is, however, reasonable to hypothesize that this rate will be only moderate.

This is a fundamental issue for Tunisian citrus export expansion because - as explained earlier - if citrus exports are to be expanded or even maintained, Tunisia's export strategy would have to remain concentrated on Maltaise oranges.

To expand exports, specific attention is needed to marketing organization, market coverage, and export packing and handling.

Export transactions are currently made via commission agents on the European wholesale markets. A move away from this tradition to long-term contracts with major foreign importers on the basis of pre-negotiated target prices would strengthen the links between importers and exporters and maintain a stronger market position. This is the view of Falgon[2] and also of this technical assistance team.

This strategy also calls for a reliable shipping schedule (the current schedule is made erratic by insufficient cargo space and infrequent sailings), and a steady yearly supply (exports have fluctuated between a 47 percent decrease and a 41 percent increase).

The current dispersion of sales efforts may also be an obstacle to an efficient promotion plan. There are today 18 citrus exporters in Tunisia, many of whom are small-scale operators. The use of a single brand, and the establishment of a committee to plan and coordinate each annual export campaign would greatly

help in citrus exports.

Distribution of Maltaise oranges does not cover at present more than one-fourth to one-third of the French territory (only the three major cities of Paris, Lyon and Marseille are adequately covered). Average sales in France would, according to Tunisian traders, increase substantially if other markets with the same preference to the product were sought throughout the country.

Systematic promotion of sales of Maltaise oranges is beginning only now with a budget of 150,000 dinars for the first year (20 percent contributed by exporters intensive and 8 percent by GIAF and the government). Intensive promotion in France will probably have a higher pay-off than subsidies to North-European and other destinations. There is no preference in these markets for Maltaise oranges.

While their intrinsic quality is recognized, Maltaise oranges often present themselves poorly on consumer markets. Harvesting procedures and growing conditions have in some years adverse effects on product size and appearance. Tunisian exporters have moved to the use of cartons in line with international practice; however, the model adopted appears fragile and does not give sufficient ventilation. Stronger carton walls and larger ventilation holes would ensure safer handling and, therefore, reduced retail marketing costs with beneficial effects on product demand.
In sum, tunisia's citrus export strategy should focus on the Maltaise orange variety. FAO and other studies suggest that, in the face of the present interational competition, significant market penetration in Northern Europe is improbable. East European outlets serve for the smaller sizes unwanted in France. With better grading and packaging and intensive promotion at the beginning of each season earnings from the French market could be increased.

3.3.2 ALMONDS

The 1980's new plantings and replacements have led to significant increases in almond production in Tunisia (500 percent since 1970 and 45 percent since 1982). Due to a gradual adoption of more intensive techniques, average yields

TABLE 3.3.2-1

ALMONDS, PRODUCTION AND EXPORTS: 1982 - 1987

Year	Production	Exports
	.....Metric tons thousands.....	
1982	28.4	0.4
1983	37.6	1.2
1984	41.6	2.6
1985	51.7	0.7
1986	42.0	7.6
1987	51.0	NA

NA = not available

Source: Groupement interprofessionnel des agrumes et fruits

which were one-half of those realized in other countries as recently as the early 1980's, have also been steadily increasing. The present age distribution of trees is balanced; consequently, if recent efficiency gains and planting patterns are maintained, production levels would more than double by the end of the century.

Most almonds are sold fresh on the domestic market. Exports are almost entirely dried, shelled and unshelled almonds. Average exports jumped from 350 tons in the last decade to 1300 tons between 1982 - 1985. Last year, exports greatly exceeded the levels of the previous six years. This was exceptional (Table 3.3.2-1): adverse weather conditions, particularly in the U.S. and Italy, resulted in 1986 in a severely reduced crop and exceptionally high world market prices.

Despite the high income elasticity of demand, average yearly domestic consumption has, in recent years, increased at a slightly lower rate than production. Production is expected to increase faster than consumption in the future.

Overall international imports expanded at an annual rate of 5.3 percent between 1965 - 1980 and 6.7 percent between 1980 - 1985. It remains to be seen how far the growth in consumption has been set back by last year's exceptionally high prices. It is believed, however, that international trade will continue to expand.

The important North African market for Tunisian almonds (Libya and Algeria) is highly volatile. The enlarged EEC remains a net almond importer. Tunisia could by its proximity capture a larger share of this market, particularly, if preferential access could be obtained to compensate for the detrimental measures that have been taken against olive oil and wine imports.

A more ambitious program to encourage new planting and raise yields is recommended. For exports to increase significantly, replacement plantings and new fields should shift from lower-quality local varieties to almond trees that are better adapted to market conditions. Improved crop management should reduce the proportion of sub-standard almonds suitable only for bakery-related

products, and relieve the shortage of high-quality almonds available for exports.

A continuing problem is that the Tunisian almond is subject to the effects of water shortages and heat, and the proportion of the crop matching US standards of size and uniformity in appearance is small.

Tunisian almonds are considered in some quarters to have more flavor. The scope for promotion on this basis could be investigated.

Pistachio nuts are in increasing demand on world market. However, unless large-scale new planting under favorable production conditions is feasible, Tunisian supplies of pistachios seem unlikely to match the quality and price of those available from other countries (e.g., Turkey and Iran).

3.3.3 APRICOTS

Total production and exports for recent years are shown in Table 3.3.3-1. After falling back during the early 1980s production is now rising again. Low returns to growers resulted in orchards being neglected. There were also disease problems. Currently there is a program to plant new varieties, particularly in the south where an early yielding apricot should have fruit for marketing in the first two weeks of May. Irrigation is essential.

The export market for Tunisian apricots has been in Europe during the two-week period 15 to 30 May. However, early production from Spain is now coming into the shops in Europe during the last week of May. Access to the early apricot variety should enable Tunisia to take advantage of the period of high prices before the Spanish apricots arrive. This is a market that needs careful management. Enquiries at Rungis (Paris) elicited the comment that some of this year's supply from Tunisia had been picked too soon and lacked flavor. Access to refrigerated transport should permit early varieties to be picked with a little more maturity yet still reach European markets without becoming over-ripe. The packaging used was considered satisfactory. To maintain this market it is important that it be served consistently in terms of quantity, quality and

TABLE 3.3.3-1

APRICOT, PRODUCTION AND EXPORTS: 1980-1987

	Production	Exports	Exports as percent of production
	Metric tons		Percent
1980	26,000	3,514	14
1981	21,400	2,077	9
1982	17,600	1,195	7
1983	20,150	1,435	7
1984	19,100	812	5
1985	19,500	524	3
1986	17,400	700	5
1987	22,000	926	4

Source: Groupement interprofessionnel des agrumes et fruits.

presentation.

Markets in Saudi Arabia and the Gulf states are thought to offer considerable scope for expansion. However, transport must be by air. Cargo space on regular flights is limited and the freight charge takes 25-30 percent of the price realized. The Société de développement des primeurs de Nebhana (SODEPRIN) is experimenting with chartered planes but return loads are difficult to find.

3.4. WINE

24,000 hectares or 75 percent of the vineyards in Tunisia produce table grapes. Of these approximately 15,000 hectares or 60 percent are 15 years old and provide peak yields. Replacement of aging vineyards started in 1976 at a rate of 3 percent. Of the total area planted to vines 10 percent is in private hands, 60 percent is managed by cooperatives of small growers, and 30 percent by the state.

Wine production dropped from highs reaching 1.5 million hectoliters (hl)* per annum in the 1960's to an average of 600,000 hl in the past 7 years (Table 3.4-1), but is expected to increase substantially by the end of the century when vineyard replacement is nearly complete. Vineyard improvement will also result in a higher proportion of better quality wine.

Consumption by tourists makes up a significant part of the domestic market. Average domestic per capita consumption is low, but is expected to rise. This increase is, however, unlikely to be as significant as Falgon[2] predicted (123 percent between 1980-1995) unless taxes on wine (now 240 percent of wholesale price) are reduced. Religious attitudes to wine are a continuing constraint.

Exports averaged in recent years 350,000 hl or 60 percent of total production (Table 3.4-2). Exportable surplus is expected to increase considerably by the mid- and late- 1990's, to reach approximately three times its current level.

Wine exports to the EEC, Tunisia's traditional market, were drastically modified

TABLE 3.4-1

WINE, PRODUCTION: 1979 - 1986

Year	Production (hl thousands)
1979	635
1980	618
1981	548
1982	513
1983	576
1984	680
1985	567
1986	402

Source: Office nationale de la vigne

TABLE 3.4-2

WINE, TOTAL EXPORTS - IN BULK AND IN BOTTLE:

1983/1984 - 1986/1987

Year*	Bulk		Bottle		Total
	hl thousands	D millions	hl thousands	D million	hl thousands
1983/84	181	3.053	3.5	174.486	184.5
1984/85	394	4.824	3.5	243.185	397.5
1985/86	489	6.089	7.0	515.843	496.0
1986/87**	195	4.294	7.5	670.428	202.5

*From 1/9 to 31/8 the next year

**From 1/9/86 to 15/6/87

Source: Adapted from data provided by the Office nationale de la vigne

TABLE 3.4-3

WINE, EXPORTS IN BULK BY MAIN DESTINATION: 1983/84-1986/87

Main Destination	Year*							
	1983/84		1984/85		1985/86		1986/87**	
	hl	D	hl	D	hl	D	hl	D
	.....Thousands.....							
EEC								
Germany (FR)	124.3	1904	64.6	1175	62	1732	43.3	1453
France	20.3	291	37.3	650	72.8	1369	12.9	366
Belgium	2.6	37	39.9	1180	2.5	42	24.1	1123
Switzerland	3.9	72	5.9	108	5	83	6	114
Eastern Europe								
Germany (RD)	-	-	12	145	12.2	142	18.9	301
Poland	-	-	-	-	20.2	241	-	-
West Africa	29	206	232.9	1548	293.5	2325	88.5	892

*From 1/9 to 31/8 the next year

**From 1/9/86 to 15/6/87

Source: Adapted from data provided by the Office nationale de la vigne

TABLE 3.4-4

WINE, EXPORTS IN BOTTLE BY MAIN DESTINATION: 1983/84 - 1986/87

Main Destination	Year*			
	1983/84	1984/85	1985/86	1986/87**
	.....hl.....			
EEC				
France	3248	3024	4349	5147
Germany (FR)	-	75	248	256
Denmark	82	140	508	229
Switzerland	-	222	364	84
England	-	-	90	6
Northern Europe				
Norway	-	-	99	-
Sweden	-	-	18	-
North America				
Canada	-	5	-	121

*From 1/9 to 31/8 the next year

**From 1/9/86 to 15/6/87

Source: Adapted from data provided by the Office nationale de la vigne

when structural surpluses became the main feature of the community's wine sector in 1980. Accession of Spain and Portugal in 1986 exacerbated the difficulties.

Vin de coupage or blending wine is no longer allowed into the EEC. Higher quality wines or vins d'origines are subject to a quota of 160,000 hl for bulk wine and 50,000 hl for bottled wine. Additional quantities are permitted but only after partial or full customs duties are paid.

The quotas are subject to the reference price. This minimum price below which wine cannot be imported has been gradually increasing and is now double that of EEC wines of the same category.

The decline of exports to the EEC as a result of these constraints have forced the Office national de la vigne (ONV) to explore other market possibilities (Tables 3.4-3 and 3.4-4). More than 230,000 hl were shipped to West Africa in 1984/85. Access to retail outlets there was obtained via a French transnational distributor. However, prices have to match those of subsidized EEC wine so the returns have been low. Only 30 percent of total receipts were realized in West Africa for 60 percent of total exports. Even less unfavorable results are obtained in 1986/1987. Direct sales to Cameroon have been attempted but difficulties were faced in organizing low-cost transport. A project to set up a joint company in Cameroon to distribute Tunisian wine is under consideration. East-European markets, particularly in East Germany and Poland are other important potential outlets but only within a barter arrangement.

Negotiations to sell 100,000 hl of sweet wine and grape juice to a German merchant are underway; however, in the absence of any market representation or promotion, actual market penetration in Northern Europe has been insignificant (117 hl in total in 1985/86 and none this year). Hardly better results were realized in North America (only 1000 cases or 121 hl were shipped to Canada and no attempts have been made in the U.S.).

Penetration of these markets is handicapped by inadequate wine-making and bottling capacity. The same constraints explain in part Tunisia's inability to fulfil or even come close to the EEC quota on Tunisian bottled wine.

The following measures to strengthen Tunisian wine exports are suggested:

1. Revenue maximization from EEC markets should be sought by filling the quota for wine in bulk with higher quality wines and by intensifying promotion of bottled wine where market prospects are favorable. Under an agreement foreseeing an outlay on promotion, the French firm Pitton has placed bottled Tunisian wine in 400 supermarkets in France. Intensive promotion of high-quality wine under appealing brand labels should pay off in Northern European countries where there is no domestic production and there is a touristic interest in Tunisia.

2. The possibilities offered by the particularly open Canadian and US markets should be further explored.

3. The shift to higher-quality wine production should be pursued more vigorously. Joint ventures with foreign distributors prepared to collaborate in the development and management of wine lines suitable to their markets may be a helpful step to achieving this objective. Given the shortage of foreign exchange to purchase major equipment, joint ventures including the provision of wine-making and bottling capacity could be encouraged.

4. The constraint on export diversification constituted by the monopoly of the Office national de la vigne should be assessed, and the scope for alternative arrangements explored.

3.5. FRESH VEGETABLES

Vegetables are grown on some 100,000 hectares, nearly half the area of irrigated land in Tunisia. The Country's mild winter favors production of fresh vegetables for sale in Europe when local supplies are unavailable there. Additionally, some 1,000 hectares are protected by plastic tunnels and glasshouses. Transport to Europe is convenient and inexpensive compared with

air freight from Kenya and Senegal, for example. Seasonal labor costs about 4 dinars per day in Tunisia as against an official rate in Central Italy of 25 dinars per day.

The windows open for fresh vegetable imports through the EEC protective barriers are indicated in Table 3.5-1. They are the periods when import duties are low. Currently Tunisia makes only modest use of these opportunities. Estimates of total vegetable production are presented in Table 3.5-2. Exports for recent years are set out in Table 3.5-3. The total for 1987 of 5000 tons is a very small part of the vegetable supply; most of it was potatoes. Yet the 4,000 to 5,000 tons of early potatoes exported annually come nowhere near the 15,000 tons that would be allowed in the EEC countries duty free.

Marketing costs for potatoes from a Tunisian farm to Marseille are shown in Table 3.5-4.

Earnings from exports of fresh vegetables (estimated at 2.5 million dinars) have increased over the last two years. The 1987 figure reflects higher prices in Europe due to frosts and the lower exchange rate for the Dinar. Export quantities decreased because of cold and rain in Tunisia and competition from domestic consumption.

The factors holding back a more effective response to the market opportunities seem to be the following:

1. The growers from whom supplies must come are inadequately prepared;

2. Early produce is now taken up increasingly by the domestic market;

3. Integrated production/export marketing organization is lacking.

Most vegetable production units are small. It is a line of farming considered best suited to family labor. There are cooperative groupings, but the task of orienting large numbers of small independent farmers to the strict discipline required for competitive export marketing is difficult.

TABLE 3.5-1

FRESH VEGETABLES, PERIODS OF EXPORTS TO EEC COUNTRIES FAVORED BY LOW IMPORT DUTIES

Product	Period	Import Duty
Zucchini	12-01 through 2-28	6.4%
	3-01 through 11-30	16.0%
Peppers	1-01 through 12-31	5.4%
Eggplant	12-01 through 4-30	6.4%
	5-01 through 11-30	16.0%
Green beans	10-01 through 10-31	13.0%
	11-01 through 4-30	5.2%
	5-01 through 6-30	13.0%
	7-01 through 10-01	17.0%
Tomatoes	11-01 through 11-14	11.0%
	11-15 through 4-30	4.4%
	5-01 through 5-14	11.0%
	5-15 through 10-31	18.0%
Cucumbers	11-01 through 5-15	16.0%
	5-16 through 10-31	20.0%
Potatoes	11-01 through 5-15	up to 15,000 tons duty free
Melons	11-01 through 5-31	5.5%
	6-01 through 10-31	11.0%
Artichokes	10-01 through 12-31	9.1%(1)
	1-01 through 9-30	13.0%

(1) The first 5,000 tons shipped between 12-01 and 5-31 are duty free; this period is extended through 6-30 if on 3-31 less than 3,500 tons have been shipped.

Source: Société de développement des primeurs de Nebhana (SODEPRIN)

TABLE 3.5-2

FRESH VEGETABLES, PRODUCTION: 1983-86

	1983	1984	1985	1986
	(Metric tons thousands)			
Potatoes	150	135	150	160
Tomatoes	360	430	420	418
Peppers	130	120	140	150
Melons	320	300	320	340
Onions	85	100	110	105
Artichokes	12	11	11	12
Others	245	235	280	292
Total	1,302	1,331	1,431	1,477

Source: Groupement interprofessionnel des légumes

TABLE 3.5-3

FRESH VEGETABLES, EXPORTS BY QANTITY AND VALUE: 1983-87

	1983	1984	1985	1986	1987*
	Metric tons				
Potatoes	2,791	3,913	3,947	5,314	4,580
Tomatoes	604	500	346	427	249
Artichokes	-	-	4	7	-
Carrots	-	-	262	-	-
Green beans	102	89	108	49	67
Onions	-	78	-	-	
Peas	130	37	76	-	
Others	9	4	172	224	137
Total	3,636	4,621	4,915	6,021	5,033
	Dinars millions				
Total value	1.1	1.4	1.5	2.5	2.5

*Projections

Source: Groupement interprofessionnel des légumes

TABLE 3.5-4

POTATO MARKETING COSTS: FARM TO MARSEILLE 1986

	Dinars per metric ton
Price CIF Marseille	350.000
Commission	21.000
Freight	14.700
Unloading	14.300
Fees etc.	19.000
Price FOB port	281.000
Port charges	
Loading	5.500
Transit	4.000
Fees, taxes	2.940
Transport market to port	5.950
Tansport farm to market	3.500
Total farm to port	21.890

Source: Ministry of Agriculture

With the domestic alternative outlet easily accessible, specific ties to export production seem necessary. Contracts are needed that reduce market risks, provide finance, inputs, and technical assistance on favorable terms and carry a commitment to deliver specific quantities and qualities at pre-established dates.

Establishment of a vegetable marketing organization that would command supplies through such contracts and sell directly to importers in Europe with prices and quantities negotiated in advance, has been recommended for some time. It was featured in the 1983 study by C. Falgon for the World Bank[2]. A regular supply would be offered to importers that would enable them to build up continuing distribution channels for Tunisian produce. The prices obtained might not exceed those of the 'coups' sometimes obtained now through well timed shipments on commission, but the quantities marketed would be much larger and the risks greatly reduced.

Similar recommendations were made by M. Bou, FAO/World Bank marketing consultant [10], in the preparation of the Nebhana irrigation project. He proposed establishment of an Office de commercialisation with a monopoly of sales by vegetable producers benefiting from the irrigation waters. He envisaged exports expanding to the point that boats would be chartered for loading at Monastir.

The establishment of the company Société de développement des primeurs de Nebhana (SODEPRIN) was a follow-up to these recommendations. Financed by development banks, it was a private sector company with 50 individual farmers and 5 cooperatives among its shareholders. In its first operating year it exported 1,500 tons of potatoes, tomatoes with some green beans and other produce. While it undertook to buy from growers all they offered, they did not hold to their contracts. The supplies available to it subsequently declined to the point that its main source was 300 km away from Monastir where sorting, packing, handling and refrigeration facilities with a capacity of 15,000 tons have been set up. To help cover its overheads SODEPRIN took up shipment of apricots, pomegranates, melons and other fruits by air to the Middle East. Here its ability to grade and pack to EEC standards gave it a competitive advantage over supplies from Turkey, for example.

A major handicap for SODEPRIN was lack of control over its producer suppliers. Inputs obtained through credit came from another source, the Office de mise en valeur (Irrigation Development Office) associated with the irrigation project. Growers' commitments to repay the credit were in cash to the Office not in produce delivered to the marketing organisation. With local traders always ready to buy their produce for the domestic market, growers were under no pressure to sell to SODEPRIN.

To initiate a system of integrated production and marketing permitting a stronger conditionality, the following proposition is put forward for consideration:

1. The Office des terres domaniales (State Domain Land Agency) is managing substantial areas of irrigated land suitable for vegetable production. These lands are under government control. Blocks of this land could be offered for lease to enterprises that would use them to grow vegetables for export under specialized management.

2. Conditions of the lease would be that the leaseholder exports - after an initial period of preparation - fresh vegetables (or fruit) of a specific annual value that would be negotiated.

3. The enterprises assigned leases might include some joint ventures with European importers or firms with special experience of intensive vegetable production.

4. The leaseholders would all be committed to using agreed quality and packing standards, packaging, and a single Tunisian label (with the name of the enterprise in smaller letters). Shipment times, quantities and qualities would be subject to management by an exporters' committee to which each leaseholder would nominate a member. This committee would also undertake joint promotion campaigns.

5. For these enterprises, production on government-owned land would constitute the core of their export operation. They would be able to build on to it by drawing supplies from other producers and

cooperatives. Preferably this would be within the framework of a contract in which they received seed, other inputs and technical guidance on favorable terms and in return committed themselves to regular supplies of exportable quality.

3.6. PROCESSED FRUITS AND VEGETABLES

This is a very competitive area of export marketing. There are no seasonal niches for processed fruits and vegetables because they are continuously available. Supplies can be drawn from a wide range of sources because deterioration in transport is not a factor. These products can be exported therefore only to countries where there is an advantage in terms of consumer preference or in price. Protective barriers must then be taken into account.

Total exports of processed fruits and vegetables averaged about 8,000 tons over the years 1975 to 1984. They declined in the early 1980s to 4,000 tons from peaks of 13,000 tons in 1978-79. In 1985, they totalled 3,624 tons: they have risen since as devaluation of the dinar made them more price competitive. In Table 3.6-1 quantities and values of the main items exported in 1986 and 1987 are compared. This comparison provides an up-to-date indication of the export situation. Tomato concentrate and hot pepper paste (harissa) are the big export items. Canned apricots, formerly much more important, and olives are the only others of any size.

Main export destinations are shown in Table 3.6-2. France is by far the most important European outlet. Tunisian products are familiar there, with a positive preference on the part of its North-African residents. Imports of tomato concentrate, however, are subject to an annual quota of 1,800 tons and a duty of 18 percent. The other major market, Algeria, is uncertain.

The production base is ample for processing on the present scale. Over the range of processed fruits and vegetables exports now amount to 20 percent of total output as against 30 percent a decade ago. However, the competition to be faced makes expansion of exports very difficult. The main constraints to this expansion are:

TABLE 3.6-1

PROCESSED FRUITS AND VEGETABLES, EXPORTS BY QUANTITY AND VALUE:

to 15 June 1986 and 1987

	1986		1987	
	Tons	Dinars thousands	Tons	Dinars thousands
Tomato concentrate	3,000	1,910	4,548	2,735
Harissa	874	1,239	904	1,514
Other vegetable conserves	20	32	9	12
Apricots	-	-	244	128
Orange juice	13	3	26	7
Lemon juice	3	1	10	3
Jams	1	1	-	-
Olives	260	286	176	200
Capers	39	87	24	46
Peppers	19	27	24	6
Beldi lemons	3	8	7	16
Bitter orange	-	-	3	2
Pickles	6	4	8	5
TOTAL	4,247	3,598	5,963	4,674

TABLE 3.6-2

PROCESSED FRUITS AND VEGETABLES, EXPORTS BY MAIN COUNTRY OF DESTINATION: 1982-1985

Product	Country	1982	1983	1984	1985
		.....Tons.....			
Vegetable conserves	France	1813	1700	1,659	1,473
	Belgium	49	84	75	66
	Switzerland	-	18	-	10
	Algeria	-	-	5,383	1,105
Fruit conserves	France	2,625	2,584	1,973	626
	Jordan	-	-	60	19
Semi conserves olives, capers etc.	France	451	520	596	319
	Spain	94	137	59	-

- Processing costs are high in Tunisia: there has been protection against competition from imports; production runs are short; and containers are expensive.

- Quality can be variable. A can of apricots opened at random contained pieces from fruit that was not ripe.

- Containers are unattractive and subject to rusting.

Serious efforts to overcome these handicaps will be needed if existing markets are to be maintained. A strategy to establish new outlets would probably best be focussed on preparing unique near-luxury products that would appeal to high-income consumers in North America, Northern Europe, Saudi Arabia and the Gulf. This could become an integrated line for promotion through gourmet supermarkets and as seasonal gifts. Market research for such a line including olives with various flavors, staffed dates, almond products, and Thibarine (a date liqueur) is recommended. Assistance would be welcome in facilitating research studies - possibly in California - on the selection of varieties of tomatos for processing able to withstand summer heat.

An excellent orange juice is available for consumption at hotels in Tunisia. Its cost, however, makes it uncompetitive on external markets even after devaluation of the dinar. Establishment in Tunisia, by a major international distribution for example, of a juice processing unit that could break into world markets is inhibited by the limited production base.

ANNEX A

LIST OF DOCUMENTS CONSULTED

[1] Conseil Oléicole International. Feuille d'Information, May 1987.

[2] Falgon, Claude. " The Effects of Enlargement of the EC on the Tunisian Fruits and Vegetables." In Horticultural Trade of the Expanded Community: Implications for Mediterranean Countries. A World Bank symposian ed. by Malcolm D. Bale. Washington, D.C.: World Bank, Oct. 1986.

[3] FAO, Committee on Commodity Problems. Citrus Fruit: Supply, Demand and Trade Projections. CCP: CI 86/2, August 1986.

[4] Institut des études quantitatives. Parts de marché des pays concurrents dans les exportations de l'Huile d'olive, des vins et des oranges durant la periode 79-85. Tunis, undated.

[5] République Tunisienne, Banque nationale de développement agricole. Opportunites de Financement dans le Secteur Oléicole en Tunisie. Projet FAO/TCP/TUN/6653. March 1987.

[6] _____. Budget économique 1987. Dec. 1986.

[7] _____, Journal official. Loi n° 84-20 du 9 Mai 1984, fixant le régime applicable aux Sociétés d'exportation.

[8] _____, Ministère de l'agriculture, Agence de promotion des investissements agricoles. Loi 82-67 du 6 Août 1982 portant encouragement aux investissements dans les secteurs de l'agriculture et de la pêche, et décrets d'application.

[9] _____, Ministère de l'agriculture, Direction de la planification des statistiques et des analyses économiques (With the cooperation of

SOGREAH - Ingenieurs Conseils, Grenoble, France). Etude commercialisation et transformation des products agricoles. 4 Vol., Jan. 1987.

[10] M. Bou. Rapport sur les aspects de commercialisation du project Nebhana. Subsequently incorporated in OMIVAN. Strategies, organisation et structures d'exportation des produits de contre-saison. CECOS, Tunis, 1981.

ANNEX B

LIST OF PERSONS CONTACTED

Commodity marketing agencies:

Groupement interprofessionnel des agrumes et fruits, GIAF: Mr. Mounir Azib.

Groupement interprofessionnel des conserves alimentaires, GICA: Mr. Harrabi.

Groupement interprofessionnel des dattes, GID: Mr. Belaifa.

Groupemnent interprofessionel des légumes, GIL: Mr M'hedhebi.

Office national de l'huile, ONH: Mr. Khaled Ben Méjid.

Office national de la vigne, ONV: Mr. Mohamed Eltaief; Mr. Ahmed Douagi.

Union des coopératives viticoles de Tunisie, UCVT: Mr. Mohamed Moulay; Mr. Habib Letaief; Mr. Mohamed Hlioui.

Other Agencies:

Office des terres domaniales, OTD: Mr. Lamine Ben Nasr and department chiefs

Export Trading Companies:

Afrique Export: Mr. Bechir Khalfallah.
Boujebel: Mr. Bechir Boujebel.
International Trading Company: Mr. Moncef Robbana.

SCAAM: Mr. Faycal Skouri.

Société du commerce international de Tunisie: Mr. Moncef Belaid.

Société izdihar: Mr Letaief.

Société Tunisienne des industries laitières, STIL: Mr. Snoussi.

Universal Export: Mr. Moncef Mbarek.

Export Promotion Institutions:

Agence de promotion des investissements agricoles, APIA: Mr. Mounir Hedri.

Banque centrale de Tunisie: Mr. Taoufik Ben Meftah.

Centre de promotion des exportations, CEPEX: Mr. Ali El Falah

ANNEX C

TERMS OF REFERENCE FOR PRESENT STUDY

Background:

The Government of Tunisia (GOT) is currently involved in an effort to restructure the agricultural sector of their economy. A major part of this effort focuses on increasing the competitiveness of agricultural exports which are threatened by the entry of Spain and Greece into the European Economic Community. The World Bank and AID are assisting the GOT in a research program which will lead to viable agricultural export strategies.

Scope of Work:

The Agricultural Policy Analysis Project (APAP - ST/AGR) will assist USAID/Tunisia by providing a two-person team to examine the following aspects of the Tunisian agricultural export situation:

1. The team will produce an overview of the current state of the agricultural export sector, especially for olive oil, winter vegetables, dates, nuts and wine.

2. The team will review past studies of the export sector to determine the value of export promotion institutions such as CEPEX, FEDEX, the Offices of Oil, Wine and Fish.

3. The team will evaluate the usefulness of past studies and how their recommendations have been implemented.

4. The team will examine policy options related to the removal of export constraints such as joint ventures, financial incentives and refunds of customs duties.

5. The team will identify those commodities which have the greatest potential for export promotion and those which face the least constraints to increased exportation.

Level of Effort:

APAP will provide a senior agricultural economist specializing in agricultural marketing and exports of agricultural Commodities for the Mediterranean basin. The senior economist will act as team leader. A junior agricultural economist will work under the supervision of the team leader. Both team members will be fluent in French (at least FSI-3).

ANNEX D

SUGGESTED OUTLINE SCOPE OF WORK FOR FOLLOW-UP RESEARCH
(PHASE II)

1. Specific market studies in depth covering:

   (a) Quality requirements in the product in relation to consumer preferences: e.g.,

   - size, uniformity, degree of ripeness and appearance for fruits and vegetables; and

   - acidity limits and taste for oil and wine.

   (b) Competition to be faced and barriers to entry:

   Implications for timing of deliveries and selection of qualities offered.

   (c) Promotion:

   Strategies to maximize impact at a reasonable cost.

   (d) Marketing organization and sales methods: e.g.,

   - concentration of sales of perishables to a panel of importers serving different European cities;

   - timing of deliveries to maximize overall returns; and

   - joint ventures to integrate production in Tunisia with marketing in importing countries for oil, wine, and off-season fruits and vegetables.

2. Product and market coverage (by order of importance)

(a) Oil: Europe and North America
(b) Wine: North America and Northern Europe
(c) Dates: Europe and North America
(d) Maltaise oranges: France
(e) Out-of-season fresh vegetables and fruit: Europe
(d) Gourmet line of processed products: North America and Northern Europe.

3. Consultants required

Marketing economist(s) familiar with North African, preferably Tunisian conditions working in collaboration with specialists in the distribution in North America and Europe of the products concerned.