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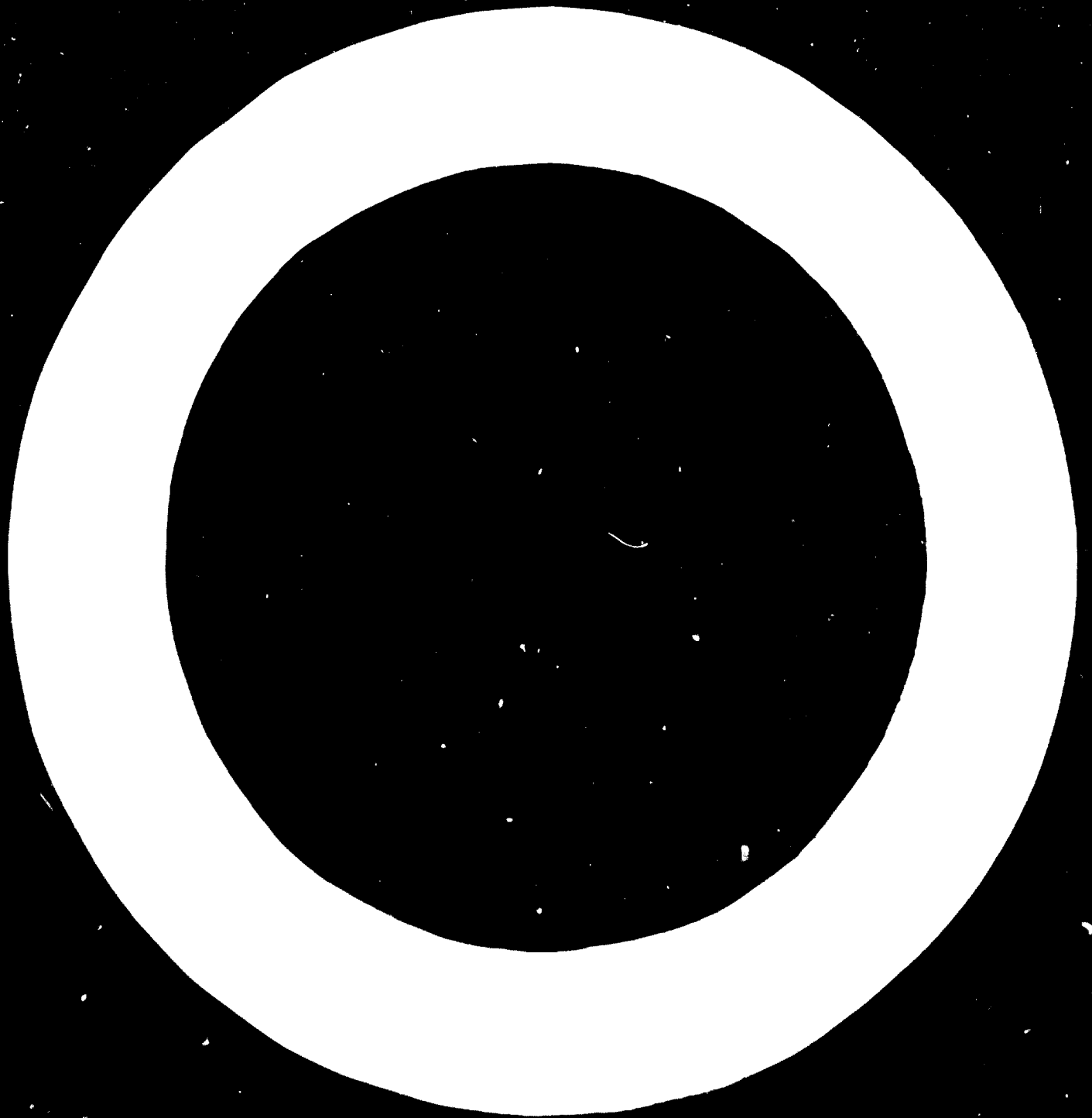
Tunis, 28 - 30 May 1969

NOTE ON THE TUNISIAN AGRICULTURAL
AND FOOD PROCESSING INDUSTRY^{1/}

presented by

the Government of Tunisia

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NOTE

1. The purpose of the Tunisian Industrial Investment Conference is to set up direct business contacts between foreign investors and Tunisian businesses or promoters of Tunisian projects, aimed at the achievement of concrete results in each sector of Tunisian industry.

2. The primary object of making these contacts in the agricultural and food processing sector is to explore opportunities for collaboration between members of the existing Tunisian industry on the one hand and foreign manufacturers on the other, with the benefit of their experience, their technology and their knowledge of the international market. This collaboration may take a number of different forms; ranging from progress towards the integration of the entire agricultural and food processing industry in Tunisia through the setting up of new projects to development of sub-contracting of custom-made goods or the creation by foreign enterprise of exclusively export-oriented production facilities.

3. The only purpose of this note is to provide a little background information on the existing industry, so as to give to foreign participants an outline of the principal data affecting the sector, which may be of help to them in setting the stage for their conversations with their Tunisian opposite numbers.

INTRODUCTION

1. Agriculture is the most important single economic sector in Tunisia, accounting for about a quarter of Gross Domestic Product. Industrial activity in the country is largely based on agricultural products and two-thirds of exports originate in agriculture and their processing industries.
2. According to the Tunisian classification within the Development Plan, 1969-72, food industries are the largest single industrial sector. It also includes items such as wine, meat, and olive oil which are not usually counted as industrial products. This indicates, however, that the major Plan targets are understood to be processing industries based on the local agricultural production.
3. The main processing industries are cereal flour, noodles and tobacco, sugar, canned foods, wine, edible oils and fish in terms of value of output. The value added for the whole sector increased by 5% per year from 1960 to 1964. During the period 1965 to 1967 the growth has been around 3% per annum and gained momentum in the years thereafter and is now at a rate of 5% a year.
4. The growth target for this sector is 6.5% per annum. Tunisia's recent association with the European Common Market and the possibilities of an increasing trade between the Maghreb countries have to be taken into account. Due to population growth, local consumption is growing steadily and recent increases in export were due to favourable trade agreements with European, African and Eastern countries. New investments are foreseen in the sector of agricultural and food processing.
5. In 1968 the World Bank recommended that: priority should be given to the development of industries to process fruits, vegetables and juices for export, with particular reference to the nearby European

market. The effort to develop fruit and vegetable processing should be centred on bringing in major foreign firms in these industries. They would contribute advanced technology, quality control methods, skilled managers and technicians, intimate knowledge of marketing, and command of distribution channels.

Processing of Fruits and Vegetables

6. Tunisia has developed in the past a great number of small-scale canneries for fruit and vegetables and other small-scale plants for the drying of vegetables and the extraction of orange and lemon juice. In addition, Tunisia has very good possibilities to expand the production of raw materials and to supply the nearby markets of Europe and some neighbouring African countries.
7. The following table indicates the production of fruit and vegetables during the period 1965-66-67 and indicates the Plan objectives for the year 1972.

Conserves	Production (Annual average) 1965-66-67	Production 1972	Consumption 1972	Exports 1972
Fruits	8,200 T	13,000 T	1,000 T	12,000 T
Tomatoes	13,300	20,000	9,000	11,000
Harissa	4,200	4,000	2,000	2,000
Artichokes	1,400	1,200	200	1,000
Peas	3,000	6,000	2,000	4,000
Olives	1,600	5,000	1,000	4,000
Others	600	2,000	1,000	1,000

8. It should be noted that the reclamation of new fertile lands with potential irrigation has been very seriously activated. There are areas which lent themselves very well to modern agro-industrial development and to the establishment of an integrated consistent food industry. In order to satisfy the growing needs of the

country and to improve the basis for better export markets, the Tunisian Government would support the investment in such an industry. The official Plan of investment provides the following figures for the period 1969-72:

<u>Branch of Industry</u>	<u>Amount of Investment</u>
Fruit and Vegetable Canning	400,000 DT
Fruit and Vegetable Drying	200,000 DT
Olive Oil Processing	1,400,000 DT
Total	2,000,000 DT

Conservation and Storage of Resistant Commodities

9. The development of agricultural production, which will considerably increase during the Plan period, and the extension of rich crops requiring effective protection, present a storage and preservation problem for agricultural produce in their original and their transformed state.
10. The most important aspects of storage are bound up with the weather resistance of products; some products keep if they are merely isolated from the external environment; others must be kept in refrigeration if their qualities are not to deteriorate. Thus, the increase in the volume of production, increasing exports and imports, explains the urgent need for storage facilities and heavy investment. According to the Tunisian Investment Plan 1969/72, several storage facilities for grains will be constructed and allowances have been made in the order of 900,000 Dinars. New silos will be built at Goulette (1.6 million Dinars) and others will be reconstructed (400,000 Dinars). The total investment in grain storage is estimated to amount approximately to 2 million Dinars.
11. In 1971, the present capacity of silos and warehouses for cereals will be inadequate. The storage of dry fodder sets a similar problem.

It is stated, for example, that a security reserve for extreme high production and for market regularization has to be built up. The "annual utilization peaks" of storage facilities are said to be a matter of repeated concern to the authorities.

Storage of Perishables

12. An existing cold chain for the protection and preservation of perishable commodities like fruit, vegetables, meat, milk and fish will continuously be extended. The organization of a cold chain extended from the place of production to the place of consumption offers investment opportunities at different stages of the production and marketing process. The investment Plan foresees 550,000 DT for the storage of 18,000 T edible oils in the period 1969/70, and an investment of 735,000 DT for the quick processing and sterilization of milk and an additional amount of 1.4 million Dinars for the storage, cleaning and processing of olive oil and its derivatives. The estimated total investment amounts to 2.75 million Dinars. The protection afforded may vary, according to the product, from cooling to complete refrigeration. The specific types of installations require substantial investments and the operation and maintenance offer a series of investment opportunities. It is an essential part of the increasing marketing of agricultural produce locally and abroad.

Food and Beverage Industry

13. The food and beverage industry is an indispensable complement to investment activities in Tunisia's agricultural industry. It was only a few years ago that the country started to settle down to the task in this area, and more particularly, to the food industry. While maintaining or developing these activities, an additional investment promotion programme will enlarge the range of production,

which was the following as of 1967:

Branch of Industry	Number of firms	Capital in thousands of Dinars	Employees	Production	
				Quantity	Value in Dinars
Milk and Cheese processing	6	299	341	115,174 Hl	1,380,000
Edible Oils and Fats	45	1,776	1,715	28,606 tons	3,046,000
Beer	11	1,307	466	230,214 Hl	2,494,000
Mineral water and Juices	33	581	395	140,114 Hl	1,195,000
Chocolate and Candies	13	181	257	3,585 tons	1,423,000
Vinegar and Spices	7	40	75	5,210 Hl	237,000
Various other Food Industries	16	200	136	1,760 Hl	1,734,000

14. These statistical data indicate that there is an investment opportunity in the milk and cheese processing industry and in the production of spices of all kinds. The figures provided for "Various other Food Industries" are comparably low and it may be worthwhile for a potential investor to investigate in more detail in which particular food or beverage industry he could invest. An investment activity is welcomed in Tunisia if it creates an outlet for a fully-expanding agricultural production, if it improves sales possibilities at home and abroad, and if it diversifies the production.
15. An example for a promising venture is the growing and processing of tomatoes. The existing tomato canning factories also deal with pimentos, peas, artichokes, apricots, etc.

Tomato Production in Tunisia

Year	Plantation in hectares	Fresh tomatoes received for industrial processing (kg.)	Industrial output (kg.)
1955	130	1,300,000	212,000
1956	430	4,336,880	710,174
1957	590	6,459,869	1,022,145
1958	1,450	19,089,441	3,112,431
1959	2,148	19,592,335	3,108,680
1960	3,033	29,438,151	4,632,482
1961	3,915	25,343,895	4,248,825
1962	4,255	55,930,814	9,381,712
1963	4,762	45,548,453	7,815,962
1964	6,000	62,332,335	10,388,227
1965	7,500	79,327,453	13,035,000
1966	10,000	100,000,000	17,000,000
1967	10,000	60,815,000	10,632,000

At the present time there are 22 tomato canning factories in Tunisia, mostly relatively small- or medium-sized. Local consumption is limited, but there is ample scope for marketing these products in Tunisia. The surplus is at the moment sent abroad to France, Switzerland, Germany and some African countries. Since the quality of the concentrated puree, as well as of the finished products, could be improved, an investment to modernise the method of work and the re-organization of methods and equipment is recommended. The statistical data indicate that the facilities were not sufficiently equipped to process the 1967 harvest. The Tunisian administration is in the course of following a new plan of re-grouping and other appropriate measures which should improve tomato processing operations.

Sugar Industry

16. The Government of Tunisia is aware of the importance of the beet sugar industry, specially in view of the fact that there may be chances to market the products in the European Common Market. Studies have been undertaken to determine the present technological and economic level of the existing sugar industry and sugar refineries and to outline on the basis of a market analysis a programme of development.
17. The latter would include the reconstruction of the existing sugar industry, the establishment of new capacities on agro-industrial bases and all investments for the establishment of modern beet sugar production, specifying the requirements for buildings and equipment, as well as the required investments for the distribution and export of the final product.
18. Tunisia produces either directly from sugar beet or refining imported raw sugar approximately 60,000 tons of sugar. The consumption of about 12 kg. per capita is far from satisfying the growing needs of this important commodity. The local production is mostly based on refining imported sugar for which hard currency has to be paid and which limits the increase of consumption of sugar in Tunisia. There are three refineries in the country which employ only 515 workers. The capital invested in 1967 was 453,000 Dinars. It is planned to double the investment until 1972. The Société Tunisienne de Sucre plans to increase their sugar processing operations.
19. At the same time many efforts have been made to provide more fertile soil by reclamation of lands and irrigation. Thus, the basis could be created for an up-to-date, large-scale production of cheap sugar beet, serving as a raw material for the sugar mills. The review of the present situation of the sugar industry should give a basis of the sound development and a profitable investment in this sector, in close co-operation with relevant governmental authorities and the sugar industry itself.

Wine Industry

20. Tunisia produces about 1 million hectolitres of wine for the domestic market and for export. The existing wine industry is based on small-scale farm production in small- or average-sized vineyards and on fermentation of the grapes in small private cellars, where also all the typification work, improvement of quality, and bottling for export is undertaken. In the following table, some figures on the annual average production of wines and spirits are provided, on which the projections for 1972 are based.

Wines and Spirits	Production (annual average) 1965-66-67	Production 1972 (planned)	Consumption 1972	Export 1972
Wines and Mistelles	1,300,000 Hl	1,200,000 Hl	250,000 Hl	700,000 Hl
Boukha	1,500	2,000	1,700	300
Liqueurs	1,200	2,000	2,000	-

21. Tunisia on the other hand has vast possibilities to develop an up-to-date agro-industrial wine production using new, reclaimed, fertile soils for the large-scale wine grape production, integrating it into modern wine processing in huge temperature-controlled bio-engineering capacities.

22. The aim of the Government of Tunisia is to invest capital in co-operation with Tunisian and foreign private partners, to develop a modern wine industry, both by reconstruction of the existing and the establishment of new capacities. The plan targets are as follows:

	DT
Enlargement of cellars	1,238,000
Equipment	100,000
Enlargement of wine stores	280,000
Bottling	36,000
Distillery	1,000,000
Equipment for champagne production	100,000
Equipment for grape juice production	50,000
Rolling stock	70,000
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Total investment:	2,874,000 Dinars
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23. It should be pointed out that there are other investment opportunities. There is, for example, the possibility of considering a long-range programme of development for the production of beer, yeast, vinegar and other similar fermentation products and by-products with the aim of satisfying the growing needs of the home markets or for the exports to nearby African countries.

Flour Milling Industry

24. Tunisia is improving and reconstructing the milling industry and the industry using flour as the most important raw material and the most important plants producing noodles, biscuits, cous-cous, and other flour products. The use of grain as staple food and the processing of flour to various kinds of final products, of which the inland consumption is very high indeed, are very old and important factors of the food industry of Tunisia.
25. The milling of wheat and other grains is divided up among thousands of small mills not counted in the statistics provided below. The yield and the final products are said to be below yields and quality achieved in more advanced countries.

Flour Milling Industry

Branch of Industry	Number of firms	Capital (Dinars)	Employees	Production	
				Quantity (Tons)	Value (Dinars)
A. <u>Flour mills</u>	18	792,000	1,420	<u>318,500</u>	21,665
Flour				171,600	
Semolina				146,900	
B. <u>Pastry production</u>	23	326,000	492	<u>40,320</u>	3,529
Pastries				35,670	
Couscous				4,650	
C. <u>Biscuit manufacturing</u>	8	65,000	292	<u>1,571</u>	645
Wafers				241	
Biscuits				1,293	
Others				37	

26. A programme is considered to concentrate, to integrate and to reconstruct the whole milling industry, together with the production of bread, biscuits, cous-cous, noodles, etc. A general policy is being outlined on the basis of technological and economic criteria adapted to the tradition and socio-economic possibilities of the country. For the period 1969-72, the following investments are planned:

	DT
Storage capacity	2,900,000
Preparation of grains	300,000
Milling operations	600,000
Modernization of bakery	360,000
Biscuit production	100,000
Production of baking powder	200,000
	<hr/>
Total investment:	4,460,000 Dinars
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CONCLUSION

27. The Four Year Plan 1969-72 of the Tunisian Government emphasizes the need for direct private investments in the country. The report to the National Planning Board provides a detailed balance of payments projection which indicates that: "the direct private investments will increase approximately 60% between 1968 and 1972; the supplier credit, however, will diminish 33% in the same period, as well as the public credits by about 1%, in favour of direct private investment."
28. Apart from the agricultural and processing industry, other sectors not mentioned above are being improved considerably, mainly the tourist industry, mining and the development of oil fields. This increases the per capita income of the population and the local demand for industrial products. Another factor to be taken into consideration when evaluating this demand is that Tunisia is no longer dependent on one market only. Tunisia's application for associate membership of the E.E.C. has succeeded recently. Plans to co-ordinate the development of certain sectors of the economies of the Maghreb countries (which include Algeria, Morocco, Tunisia and Libya) are considered within the Permanent Advisory Committee established in Tunis.
29. The evaluation of the prospects of Tunisian industry recognises a number of investment opportunities in this sector. Tunisia's keen desire for development has been manifested since long. The contacts organized on the spot between private investors and Tunisian promoters of this sector will give an occasion to discuss specific proposals for direct investments in industry.





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