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UNITED NATIONS ORGANIZATION FOR
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TUNISIA

INDUSTRIAL RESTRUCTURING IN THE AGRO-FOOD SECTOR

PROJECT US/TUN/88/224

NON CONFIDENTIAL FINAL REPORT

January 1994

INTRODUCTION

Within the framework of the Project denominated "Industrial restructuring in the agro-food sector" (Project US/TUN/88/224), AGORA' 2000, in co-operation with the BADIS bureau, has made a thorough diagnostic survey of the sub-sectors of food processing and semi-processing and cheese-making. As set out in the Project Action Plan, this survey has three main components:

1. Study of eight enterprises operating in the sub-sectors concerned and the drafting of a Rehabilitation Plan for each one.

2. Study of the EEC and Maghreb markets for the products in question.

3. Feasibility studies focused on two issues of particular relevance to the Tunisian agro-food industry, namely rationalization of the utilization of production waste and the problem of quality.

For detailed conclusions reference should be made to the twelve reports containing the results of the above-mentioned studies. The following is merely a non confidential summary, although it does contain also proposed solutions pertaining to the measures to be taken by the Government and other agents (farmers, credit system, organizing body, etc.) with a view to allowing or facilitating the rehabilitation of enterprises in the sector concerned and to improve their operating conditions and performance

While Chapter 1 provides an overview of the agro-food sector in general, Chapters 2, 3 4 and 5 focus on the four sub-sectors examined bythe study, namely tomato and sea food processing, cheese aking and table olives.

CHAPTER 1

THE AGRO-FOOD INDUSTRY IN GENERAL

1.1 PRELIMINARY REMARKS

The Tunisian economy experienced a high growth rate in the '70s (7.4% per year on an average). During the '80s the average rate dropped to 3.4%. The mean inflation rate dropped from 7.5% in 1980-89 to 6% in 1991. The estimated inflation rate for 1992 is 5%. The external debt rose from 40.3% of GDP in 1980 to 70.2% in 1987, dropping to 60.9% in 1991.

In 1987 the Tunisian government, with the approval of the International Monetary Fund and the World Bank, adopted a Structural Ajustment Plan (SAP) aimed at:

- reducing the size of the public sector;
- derestricting prices;
- encouraging a fairer distribution of wealth;
- developing foreign trade;
- diversifying exports;
- reducing the trade deficit (from 7.3% of GDP in 1986 to 2.1% in 1991).

The objectives of the policy implemented have not yet been attained and there are still substantial obstacles, particularly as far as distribution, consumer subsidies and restrictions on imports of competing products are concerned. Nevertheless, the Structural Adjustment Plan adopted is relatively flexible and has been designed to dampen the negative effects on the system.

The derestriction of credit adopted within the framework of the SAP has enhanced the effectiveness and efficiency of the banking system, although it did bring about a sudden decrease in support for public industrial sectors where the state is a shareholder or which in any case receive government support and facilitations.

In the government plans agriculture is considered a priority sector as regards the development of the Tunisian economy. The aims of government policy are:

- to restrict imports;
- increase foreign currency input;
- limit the migration of rural populations towards the large cities.

Arable land currently accounts for about 21% of the country and only about 46.2% is actually under cultivation. The main crops are: cereals, grapes, olives, fruit and vegetables, citrus fruit and dates.

The fishing sector, with an output of over 100,000 tonnes per year is of considerable importance as it affects employment (over 23,000 jobs), food self-sufficiency, as well as providing processing and export opportunities.

1.2 THE AGRO-FOOD INDUSTRY SECTOR

The agro-food industry that developed in the '70s and '80s reaped the dual benefit of the protectionist system and the centralized planning of investments, production targets and prices. This system actually did favour the development of investments, production and consumption at the local level, although in practice it was also responsible for weakening competitiveness and efficiency in this sector.

The development projections contained in the succession of five-year plans (FP) adopted by the Tunisian government have been used as a medium-term point of reference for operators, the market regulatory authorities and the credit system.

These trends have been discerned in the various sub-sectors of the agro-food industry and have considerable relevance to the processing of fish products and tomato processing. The production capacity of the sector has gradually increased and is now able to fully satisfy local domand for the main sub-sectors. Thanks to the protection system, the Tunisian agro-food industry has been comparatively unaffected by the international business cycle, whether of recession or expansion.

Furthermore, the agro-food industry, designed to satisfy local demand within a protected system, has followed a limited product policy (with regard to quality, diversification, conditioning, marketing, distribution, sales). This has also had negative effects on the promotion of potential export products.

These effects became particularly apparent during the 5th FP (1987-1991) in the tomato processing sub-sector. The plan's objectives and the operator's policy were based on a substantial upswing in the national demand during the previous five years as well as on the production outlet valve, i.e. the export premiums guaranteed by the government. On the supply side, these conditions produced a considerable volume of investment in new plant construction, an increase in production capacity (+80% over the relevant period) and in actual output (from 48,000 tonnes of DCT?? in 1986 to 85,000 tonnes in 1991).

Furthermore, in the period 1987-1991 an overall ceiling in national consumer demand was attained (about 55,000 tonnes of DCT??), accompanied by a break in the export flow (with peaks varying between about 13,000 tonnes in 1988 and 6,500 tonnes in 1990) and a gradual increase in stocks (about 30,000 tonnes at the end of 1992, i.e. 60% of annual national demand).

The main effects of the imbalance between increased supply (production capacity and actual output) and the demand trends were shifted onto the economic and financial system of the enterprises, thus causing an increase in the capital locked up in fixed investments and inventory, a consequent financial pressure and serious inroads into income due to interest paid and depreciation.

1.3 THE SECTOR VIS-A-VIS LIBERALIZATION

The gradual change in the Tunisian economic system from a policy of protection to one of liberalization within the framework of a the SAP coincided with a negative cycle in the agro-food industry sector. The latter was worsened by the structural deficiencies in the sector such the under-equipping of the production system, financial weakness, undercapitalization, the inefficiency of the enterprises and poor marketing.

The negative factors were added to the effects of the substantial increase in international supply due to the gradual price-competitive entry of new producer countries.

The gradual opening of the market heavily penalized the Tunisian agro-food industry system. The national market gradually opened up to imports of higher quality, more highly diversified and competitive products, while exports towards the free market, unsupported by premiums, were negatively affected by the poor quality of the marketing system. The contractual capacity of the Tunisian product was seen to be extremely feeble.

In 1992 serious difficulties at the institutional level arose because of the hesitancy and delays in the orientation and information in the sector at the critical stages of production and commercial planning characterizing the system; notable examples are the lack of determination of export premiums and uncertainty over the determination of the areas of cultivated land.

The projections of the 7th FP (1992-1996) indicated a gradual increase in DCT production (from 85,000 T/year to 100,000 T/yr), comparatively stable forecast for national market sales (from 55,000 T in 1992 to 60,000 T in 1996). These forecasts appear over-optimistic in the light of the need to run down stocks, the increased supply on the international market, the uncertainties over government intervention (export premiums and compensatory purchases), the deficiencies of the agro-food industry system on the free national and international market (diversification, quality, marketing).

1.4 SECTORAL DIAGNOSIS

The institutional framework within which the agro-food industry sector is expected to operate is rendered uncertain by the transition from a protected economic system to one characterized by freedom of domestic and international markets. The new government policy has not yet been defined homogeneously. On the one hand, the public administration actually continues to provide support to the sector, albeit intermittently and spasmodically for the 1992-1996 five-year plan based on over-optimistic reference objectives and, on the other, has suspended its support for production and international marketing.

The government has switched its role from decision-maker concerning output, prices, quantities and demand components to the simpler one of system regulator. The agricultural sector can no longer rely on certainty of prices and of production quantities for processing. The industrial sector is no longer in a position to plan its own output correctly.

The increase in production capacity and constantly declining plant utilization have reduced the overall level of effectiveness and efficiency. It is mainly those enterprises having recently invested in plant that encounter growing financial and economic difficulty. Paradoxically, it is the more innovative enterprises that are more seriously affected than less progressive enterprises not having made new investments. The result is a drop in quality and overall competitiveness of the system.

The credit system has evaluated the situation regarding the sector as negative owing to the worsening of the financial situation of the enterprises and the signs of government withdrawal. This raises problems of how to fund not only process and service innovation for the enterprise but also that of routine operation.

1.5 NEED FOR CONSOLIDATION AND RESTRUCTURING

In the present cycle, the Project diagnosis carried out inside the enterprises has detected the existence of numerous critical points for each enterprise at the product, process and services level. The economic and financial situation is a hindrance to possible corrective measures.

The management strategy that emerges is extremely conservative and inevitably leads to a weakening of the system. Numerous enterprises have actually already been ejected from the market.

In order to restore the system to equilibrium it is necessary to replan production, stock financing and to consolidate the short term debt.

When the sector is marginalized the enterprises with the strongest financial and management capacity must proceed to renew their product strategy and diversify (in a scenario of liberalization the local market will have more highly diversified and better quality products).

In parallel with this diversification and enhancement of quality, attention will have to be focused also on a true commercial and marketing policy, in the first instance aimed at the national market.

The action taken, if appropriate, should lead, at least in the short-medium term, to changes in and characterizations of the supply system: e.g. a reduction in the number of enterprises operating on the national market, a further differentiation in the level of efficiency and quality of the enterprises (between marginal enterprises for the local market and leader enterprises).

CHAPTER 2

STRATEGIC ASPECTS OF THE TOMATO SECTOR

2.1 PROBLEMS TO BE DEALT WITH AND RECOMMENDATIONS

2.1.1 PROBLEMS TO BE DEALT WITH

The tomato processing industry in Tunisia is currently showing signs of serious crisis which will necessitate the implementation of a complex programme of sectoral re-equilibration and of rehabilitation of the enterprise.

The main crisis factors that have been discerned at the diagnostic level within the framework of the Project are as follows:

- low level of enterprise effectiveness;
- serious financial pressures within the enterprises;
- production over-capacity;
- high inventory levels;
- uncertainty within the institutional framework;
- unfavourable international business cycle;
- product unsuitability;
- commercial inadaptiveness.

Development in the sector was previously made possible by the considerable expansion of domestic demand in the ten years 1975-1985. Development was encouraged by the system of protection against competition, but was achieved on the basis of undiversified and poor quality products.

The sectoral structure was found to be esssentially oligopolistic, with policy decisions concerning the sector being negotiated throughout the years between representatives of the producers and of the processors on the basis of critical indications (price, quantity and support) decided at the political level.

Planning ensured the system would be in equilibrium, while keeping the sector at a low level of productivity and effectiveness on both the agricultural plane (yield per hectare) and on the industrial plane (cost price).

The specific infrastructures, services supplied to the enterprise, preservation methods, product conditioning, marketing, sales and the distribution system are all in a precarious state.

During the period prior to the adoption of the Structural Ajustment Plan (SAP), government policy for the sector was aimed at encouraging the process of agricultural industrialization, increasing yields and the value added due to agricultural production, contributing to the demographic and social equilibrium of the rural areas and contributing to food self-sufficiency.

2.1.2 RECOMMENDATIONS

The industrial policy guidelines for the tomato sector to be laid down by the Tunisian government must ensure consistency with the decision to liberalize the market as well as safeguarding and maintaining the effectiveness of the production system.

The new overall aims of this policy may be summed up as follows:

- safeguarding and socioeconomic development of the rural environment (population, jobs, income, quality of life);
- safeguarding and rehabilitation of the productive structure of the sector;
- diversifying and enhancing the quality of the population's diet;
- contributing to the balance of payments (food self-sufficiency, replacement of imports, development of exports).

2.2 STRATEGIES

In view of the above mentioned objectives and taking into account the critical factors affecting the sector and the specific international business cycle, the proposed recommendations are intended to be used to produce a homogeneous and balanced plan of action for the agents in the production process (public authorities, farmers, industrial manufacturers, credit system).

2.2.1 INSTITUTIONAL STRATEGY

A radical application of government withdrawal from the agro-food industry sector could lead to the bankruptcy of the majority of enterprises operating in the sector. This would entail substantial loss of jobs in agriculture and industry, in production aimed at the domestic market, in investments, and in invested human and financial capital.

The programme of liberalizing the agro-food industry market must therefore have a medium term scope (with a three or five year plan negotiated by the partners from the public authorities, farmers, processing manufacturers and credit system).

Support measures during the transition of the system towards complete liberalization must include:

- certainty of references (prices, quantities, premiums);
- compensatory measures;
- revision of the five-year plan;
- funding of stockpiling and government purchase of lots earmarked for international compensatory transactions (for instance, with the CIS countries);
- a plan to phase out export premiums over a 3-5 year period;
- financing of product innovation.

In sum, the recommended measures should, over a period of three/five years lead to gradual and balanced government withdrawal from the tomato sector. These measures should include:

1. gradually decreasing acquisition of stocks by the public authorities to be used, for example, as compensation to be earmarked for some specific markets (eastern Europe, CIS markets, Middle East and North African market);

2. revision of the objectives of the five-year plan and the readjustment of aid within the new limits;

3. over a three year period laying down export premiums guaranteed for accurately defined and decreasing output quantities;

4. refinancing of enterprises aimed at production diversification, process innovation and boosting resources set aside for middle management training, sales and marketing.

2.2.2 INDUSTRIAL STRATEGY

The rehabilitation programme identified at the sectoral level must be converted into measures and actions to be undertaken (a) by the industrial sector and (b) by the enterprises themselves.

Specificially, the industrial sector must succeed in harmonizing its medium-term strategies with rehabilitation measures of the sort indicated in the diagnosis.

This operation presupposes a quantum leap in quality by the enterprises, which must submit to the institutional measures implemented by the government. In particular, with reference to the transition measures applied in order to ensure that each enterprise has a balanced transition towards liberalization, both the enterprises and the industrial system as a whole will have to introduce suitable specific measures, particularly as regards:

- production targets;
- product quality;
- diversification of product range and intermediate stocking;
- marketing;
- distribution.

2.2.3 AGRICULTURAL STRATEGY

In parallel with the institutional measures and those applied to the industrial sector, the agricultural sector will also have to adjust its stance so as to ensure the transition of the agro-food industry towards liberalization.

The main areas in which the co-operation of the agricultural sector will have to be obtained are:

- reduction of cultivated areas;
- introduction of more efficient varieties;
- increased yields and adoption of means of transport with limited damages caused by transport conditions;
- negotiation of compatible prices.

2.2.4 CREDIT STRATEGY

The sectoral rehabilitation plan applied to the agro-food industry aimed at consolidating and developing the sector within a framework of a market economy must be properly negotiated with the credit sector.

2.2.5 REPRESENTATION STRATEGY

During this phase the role of coordination and representation of the agro-food sector system by the Groupement des Industries des Conserves Alimentaires (GICA) is of great importance. In particular the latter shall be concerned with planning and monitoring activities decided upon by the four agents involved in the process: the institutions, the industrial sector, the agricultural sector and the credit sector.

2.3 PROPOSED DIRECT AND INDIRECT GOVERNMENT SUPPORT MEASURES TO FACILITATE THE ATTAINMENT OF THE OBJECTIVES OF ENTERPRISE REHABILITATION

During the period preceding liberalization and in particular within the framework of the 7th five-year plan ('87-'91), the Tunisian credit system lavishly financed the increase in production capacity in the sector on the basis of considerations not directly linked to the potential economic viability of the enterprise, but rather based on (a) forecasts emerging from the sectoral development plan as indicated in the five-year plan, (b) complementary public demand and (c) the export premium system.

The crisis of over-production that occurred in recent financial years and the serious decline in the financial situation of the enterprises led to a reversal of attitude in the credit system which then restricted the amount of financing to the strict minimum working capital required for the enterprise's activity. The global rehabilitation measures indicated herein must therefore be negotiated and agreed upon together with the credit system so that the latter can make a balanced assessment of the requirements for (a) the consolidation of the enterprises' short-term debt and (b) for financing the campaigns of enterprises having conformed satisfactorily to the prescribed institutional measures.

This position, which is justified by the current cycle in the sector, will nevertheless have to be carefully evaluated by the credit system since, if it were kept in place, it could lead to (a) a position of total deadlock in the sector, going even beyond the envisageable outcome of the present situation of crisis, (b) a rapid depletion of funds and (c) the loss of the capital invested.

CHAPTER 3

STRATEGIC ASPECTS OF THE FISH PRODUCT SECTOR

3.1 PROBLEMS TO BE DEALT WITH AND RECOMMENDATIONS

3.1.1 PROBLEMS TO BE DEALT WITH

The principal factors emerging from the sectoral diagnosis performed for fish processing in the course of the project, of use in establishing the scope of the sectoral strategy, are as follows:

- procurement of raw materials;
- technical-productive situation of the enterprise;
- quality control;
- market and products.

These factors are frequently referred to in the survey document.

The elements of politico-industrial strategy to be put in place by the government in favour of the sector can be summed up as follows:

a) free importation, without customs levies, which would allow (i) settlement of the situation of oligopoly enjoyed by local merchants, (ii) greater control to be exerted over production costs, (iii) the production range to be extended and (iv) more effective plant utilization.

b) encouragement by the government of the distribution of frozen products on the domestic market. This measure would allow (a) consumer awareness, (ii) the trade balance to be relieved of the burden of importing processed food and (iii) the production of products with high value added to be stimulated at the local level.

This is a "virtuous" process that, when completed, could allow (a) the enterprises to be gradually restructured, (b) suitable quality standards to be pursued, (c) the exportation of finished products to be exported in a suitable commercial and quality environment.

In sum, the present cycle in the Tunisian fish sector is characterized by some negative signs:

- lack of raw material;
- under-utilization of processing capacity;
- shortcomings in production and commercial mix.

During this transition phase, which should be aimed at safeguarding the production structure and pursuing the objective of currency equilibrium, the commitment recommended to the Tunisian government could represent a powerful enough 'flywheel' to attain the selected objectives.

3.1.2 RECOMMENDATIONS

The diagnosis and planning stages of the project aimed at rehabilitating a number of Tunisian fish processing enterprises have revealed several important critical problems, which could find coherent and definitive solution by means of government action.

The rehabilitation plan applied to the enterprises examined in the Project actually makes specific technological and structural recommendations for implementation by the enterprises. Nevertheless, the efficacy of this action is dependent upon the government adopting measures capable of making appreciable changes in the environment in which the enterprises operate: (a) upstream, with regard to the raw materials market, and (b) downstream, with regard to the finished product market.

It must be pointed out that these measures could also represent a factor in the promotion of foreign investment in the fishing sector, which is today penalized in its consolidation and development for capital and financial reasons.

The rather dismal prospects today facing the industrial fishing sector could be brightened considerably by providing, with government support, aid to the sub-sectors of frozen and canned fish.

3.1.3 FROZEN FISH

The proposed action is aimed at liberalizing the importation of raw materials by means of increasing customs levies also for the product intended for the national market. This measure is in harmony with the policy of general liberalization undertaken by the country and will allow:

- the serious problems of raw materials procurement on the local market to be overcome;
- the constraints due to the situation of oligopoly in the fishing/commercial sector, and which strongly affect the market, to be overcome;
- the supply aimed at the domestic market, and consequently for re-exportation, to be diversified and re-qualified;
- an increase in value added;
- plant utilization to be increased in both extension and intensity.

These measures will act (very effectively if the government gives its assistance) as an inducement to the distribution of frozen products on the domestic market through the large distribution enterprises operating on the local market. This will favour:

- the tendency of the large distribution enterprises to equip themselves with the necessary refrigeration segments;
- the diversification and re-qualification of production earmarked for the domestic market and consequently for re-exportation;
- increased plant utilization in terms of both extension and intensity;
- diversification of catering and enhancement of the quality of supply in tourist restaurant facilities.

3.1.4 CANNED FISH (TUNA AND SARDINES)

The liberalization of imports (attained by raising customs levies) of raw materials widely available on the international market at extremely competitive prices will allow:

- the elimination of the oligopolistic situation characterizing the fishing/commercial sector which means very high prices for local raw materials earmarked for processing, for which no procurement problems exist;
- greater competitivity on the world market owing to (a) the lower cost of importing raw materials at free prices and (b) advantageous local processing costs (labour and energy);
- enhanced competitivity on the domestic market and discouragement of non authorized imports;
- enhanced production capacity utilization in both extension and intensity.

It is also envisaged to step up the control over and banning of unauthorized imports of canned fish products of eastern origin in order further enhance the competitivity of local production.

The implementation of institutional promotional initiatives in favour of the domestic market would:

- encourage domestic consumption;
- increase productivity levels in the canning industry;
- reduce processing costs;
- improve export competitivity.

CHAPTER 4

STRATEGIC ASPECTS OF THE CHEESE SECTOR

4.1 PROBLEMS TO BE DEALT WITH AND RECOMMENDATIONS

4.1.1 PROBLEMS TO BE DEALT WITH

Although the study has been carried out on one single cheese-making enterprise, the detailed analysis of this sector and its environment brings us to the following observations:

- Irregular raw material supply, as far as both quantity (low lactation period) and quality are concerned;

- Inadequate quality standards and insufficient internal control on quality;

- Uneven quality of finished products;

- Financial constraints for enterprises, due to insufficient owner's equity and to prolonged maturing periods, especially for cooked cheese;

- Insufficient production capacity during high consumption periods (tourist season) that sometimes results in inadequate quality levels;

- Inadequate packaging and presentation levels.

Even if it is a young sector, during the last ten years it has undergone a remarkable development, especially due to tariff protection and import reduction.

However, the progressive opening of the Tunisian market towards foreign countries will necessarily mean that competition will start with foreign products, basically imported from european countries, which are good quality, well presented and have competitive prices (sometimes subsidized by producer countries).

4.1.2 RECOMMENDATIONS

As regards cheese-making, the industrial policy will have to ensure the survival and the future development of this infant industry.

The aims to be attained in this sector are:

- Diversification of outlets for stockbreeeders, as cheese-making is relatively well decentralized, as far as fresh milk production regions are concerned.

- Safeguard and rehabilitation of structures, being this sector a very good labour force utilizer.

- Enhanced food habits of the population, as cheese is a product containing a large quantity of proteins and its consumption per person is still low in Tunisia.

- Contribution to enhance the trade balance stability, as a more important good quality cheese production will allow to reduce resorting to imports.

4.2 STRATEGIES

4.2.1 INSTITUTIONAL STRATEGY

To date, the liberalization programme has been considering the interests of this sector by safeguarding the area both of occasionally imported quantities and of duties and taxes exigible on imported products.

The accompanying measures proposed at this level are listed here below and can be implemented in the framework of a five-year action plan:

- Control of compliance with all the Tunisian regulations for all imported products;
- Training for cheese-making specialized technicians;
- Training expenses in Tunisia or abroad, paid for executives mainly recruited for production unit management, in a framework to be defined.
- Advantageous conditions for the financing of investments aimed at modernization and acquisition of new technology.

4.2.2 INDUSTRIAL STRATEGY

The enterprise must accept the evidence that the protection obtained to date cannot be eternal and that it will be necessary to actively participate into the enhancement of its products and to the development of its activities.

The main actions to be undertaken for the attainment of this goal are the following ones:

- Enhanced production, in view of reducing costs and developing access to a larger range of consumers;
- Enhanced internal quality control;
- Regular production and market supply, allowing to develop customers' loyalty;
- Particular attention paid to presentation and design, that must be up to meet the final consumer's expectations.

4.2.3 AGRICULTURAL STRATEGY

Cheese is a very delicate product as far as raw material is concerned. The present project for the milk sector processing standards is below the levels required to produce high-quality cheese.

Therefore, an effort is necessary to ensure a better supervision of stockbreeders in order to:

- Appreciably enhance the collected milk;
- Ensure milk transportation by more appropriate means from farms to stocking or processing units.

4.2.4 CREDIT STRATEGY

High-quality cheese-making requires a maturing period that can exceed three months for some qualities. The present limited means of entrepreneurs do not enable to meet the market demand for quantity. In some cases maturing period is shortened, resulting in a fall in quality.

For this reason, this industry must also benefit from favourable financing conditions.

CHAPTER 5

STRATEGY ELEMENTS FOR THE SEMI-CANNED FOOD SECTOR: EDIBLE OLIVES

Edible olive is a fruit with high nutritional value, highly appreciated since the ancient times and today being involved in a spectacular worldwide boom, both at the production and at the consumption level.

With the 920,000 Tons of consumed product in 1992, this market could be a formidable opportunity for Tunisia, which has a tradition in olive production, provided that some conditions are respected.

These conditions, here below summarized, must be the main components around which a strategy will be articulated, based upon the development of edible olive exports.

The aim for year 2000, that is a production of 50,000 Tons, out of which 35,000 T for domestic consumption and 20,000 T for exports, can be reached, provided that the following conditions are respected:

1. Encourage edible olive cultivation, especially for those varieties demanded by the export market.

2. Enhance and modernize processing units.

3. Canvass of new markets.

4. Export promotion for some varieties of olives for oil production.

The following recommendations can be proposed in view of contributing to the realization of these conditions:

1. Continued encouragement of edible olive cultivation by:
   - setting up 2 additional nurseries: one in the North and the other in the Centre of the country;
   - giving farmers a set of rules for cultivation, size, upkeep and harvesting. Therefore, the action of agricultural development regional superintendents as well as of the Office National de l'Huile et de l'Institut de l'Olivier (Oil National Bureau and Olive Tree Institute) is vital for the development of cultivations;
   - continuing the research aimed at enhancing yields;
   - facilitating credit operations for farmers;
   - multiplying development programmes started and monitored by the Office de l'Huile (Oil Bureau);
   - demonstrating to farmers the advantages of this speculation.

2. Processing units enhancement and modernization:

- the installation of new production units should be encouraged, especially in those regions where they are lacking, namely North-West, Centre and the Gafsa region;
- it would be easier to advice the tomato canning units, to enhance edible oil production, as it has already been done by some other units;
- the existing units must modernize their equipments and upgrade in order to meet quality and sanitary standards;
- gradually introduce common factors in processing operations in view of uniforming working methods and reach a homogenous quality standards, thus permetting the actualization of the Tunisian product brand image;
- technical assistance, especially from Spain, should be required in order to introduce new production techniques.
- the current production capacity being 9,000 Tons, it will be necessary to triple it, so as to reach the goals that have been set.

3. New markets' canvassing action:
   - without abandoning the traditional markets that must be developed by more systematic actions, studies and researches must be started enabling the canvassing of new markets, such as the United States, the first world importer, as well as the Asian countries;
   - well-studied marketing actions should enable to successfully introduce the Tunisian varieties (Maski in particular);
   - Tunisian operators should take into consideration international prices, which are very competitive ones, and find solutions for the Tunisian products' relatively high prices;
   - commercial partnership systems should facilitate the introduction of Tunisian products in the new markets.

4. Export promotion for some varieties of olives for oil production and olive paste:
   - olives for oil production, consumed in Tunisia as edible olives should benefit from a special marketing action for their export promotion, as they produce two important advantages: on the one side their price is low, on the other side their production is abundant;
   - these varieties are mainly Beldi, Chemchali and Sahli;
   - olive paste can also be a very important market outlet for oil-olives; this product could be introduced into the Asian market.

Therefore it is a very ambitious programme, in line with the national strategy aiming at diversifying the activities concerned with oil production and at its larger participation into the effort for export.

This programme can be realized, provided that farmers, entrepreneurs and exporters coordinate their efforts and distribute their activity in the framework of clearly defined strategy and objectives.