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Strategic positioning study of the Milk and Milk derivatives branch

FOREWORD

For a long time Tunisia was one of the rare countries of the world to have developed its dairy goods sector based on the reconstitution of imported powdered milk. Milk transformation units were public state enterprises and fresh milk was not processed industrially.

The spectacular turning point began in the 1990s with the launching of the production of sterilized milk from fresh milk processed and packaged in PEHD bottles.

Currently the milk branch in Tunisia is required to face a new challenge fundamentally qualitative in nature.

NATIONAL SITUATION

There are 37 enterprises in the « milk and derivatives » branch, whose activity is broken down as shown in the following chart:

Activity	Number of enterprises
Milk centers	10
Yogurt making	7
Cheese making	20
Total	37

The added-value of the branch is around 15%.

Investment in the branch during the IXth Economic Development Plan totaled 173 million dinars contra 76 million dinars during the VIII Plan, for an increase of 13%.

Within the framework of the National Modernization Program, 13 enterprises have been approved for the program by the Piloting Committee (COFIL) for a total investment amount of 76 million dinars.

In the implementation of the national quality program, 3 enterprises of the branch have been certified ISO 9002 Version 94.

SITUATION OF PRODUCTION

The production of fresh milk is one billion liters per annum, achieved by 150 000 breeders with a total of 484 000 cows (211 000 pure bred and 273 000 mixed bred).

Average productivity of the livestock is inferior to 2 200 liters per animal and per lactation.

The following table shows the percentage share in volume (equivalent to a liter of milk) of each of the family of products of the milk channel:

Product family	Volume in %
Powdered	4%
Cheeses	8%
Yogurt and other fresh products	13%
Drinking milk	75%

SITUATION OF PROCESSING

The channel in Tunisia is composed of a formal sector (milk collection and industrial processing) estimated at 55% of total production and an informal sector (self-consumption and artisan production) estimated at 45% of total production.

The channel has quality industrial tools.

Moreover, the Tunisian government supports the milk channel, in part through subvention (subsidies for refrigeration of milk, subsidy for UHT milk stocks, subsidies for semi-cream milk) and in part through price controls on certain prices (minimum producer price, sales price of semi-cream milk).

SITUATION OF DISTRIBUTION

Distribution remains largely artisan and plagued by the problems inherent at the level of cold storage. Sterilization of milk has been a stop gap response to this problem.

INTERNATIONAL SITUATION

Industrial processing in Europe is fundamentally the activity of large industrial groups, private or cooperatives, having specialized plants with a capacity of several hundred tons per day. The restructuring of the European industrial sector was achieved several years ago.

According to the country of the European Union delivery to creameries is around 90% to 95% of total production.

The average price for milk varies according to the countries of the European Union from between 0.26 to 0.35 euros.

The quality of milk is known at the level of each producer in the European Union, no matter the size of the producer. The milk is systematically analysed a minimum of two times per month for its composition and sanitary quality. Payment for the milk is effected systematically according to the quality and the composition and low or mediocre milk has all but disappeared in European milk channels. In Tunisia and in Turkey, the payment for quality milk does not exist.

The consumption index in Europe varies from between 200 to 500 liters per person per annum, with the highest consumption noted for the countries of Northern Europe and the lowest consumption in the countries of Southern Europe. The consumption index in Tunisia is around 100 liters (equivalent) per person per annum.

INTERNATIONAL COMPARISON

The analysis of the Benchmarking table, referenced to five countries: India, Morocco, Turkey, Poland and Portugal, demonstrates that:

- On the level of industrial processing, Tunisia has a strong position that is comparable to the higher performing countries of the reference group, notably Poland and Portugal;
- The weak link in the channel in Tunisia is upstream and in particular the link between the producer and the manufacturing plant;
- In terms of the quality of milk, with the exception of Turkey, all the other countries have a better quality than Tunisia;

- Of the five countries referenced, Tunisia is the country where the State is dominant in the sector, if not omnipresent;
- In contrast to Tunisia, subventions are rarely accorded at the level of price but rather at the level of productivity investment, whether it is for breeders, collection centers or processing plants;
- When the organizations established at the level of primary production are compared, it is noted that the performing countries are dependant upon cooperative organizations.

ACTIONS TO BE UNDERTAKEN

***Improvement in the quality of milk:**

- The set up, at all levels, of a control system that prohibits the industrial utilization of milk that is watered down or adulterated;
- The establishment of a payment differential for the level of quality of all milk for industrial use;
- the establishment of contractual accords with milk producers and milk collect centers for all milk for industrial use.

***Restructuring of the cheese making sector:**

- Attribute subsidies to processing plants engaged in the modernization program ;
- Reduce taxes on materials, equipment and services relative to the modernization of plants and to the upgrading of the sector;
- Exoneration of VAT on ripened cheeses during the upgrading phase of the channel.

ENTERPRISE CREATION AND PARTNERSHIP

The study has resulted in the identification of 3 action files and one project to promote, in addition to identifying 7 potential partners.