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Strategic positioning study of the “Canned Food” branch

FOREWORD

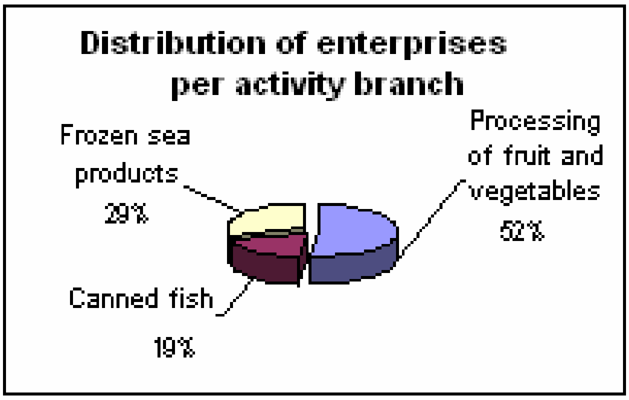
The canned food branch holds a major position in the agribusiness sector. Indeed, it contributes in:

- valorising a significant part of the agricultural production;
- ensuring regular supply of the local market with such basic products as tomato purée (Double Concentrate) and chilly sauce (harissa);
- developing exports in matter of food products, in general, and tomato purée and frozen sea products, in particular.

The study has focused on the industry branches of canned fruits and vegetables, semi-canned olives, capers and artichoke, canned fish and frozen sea products.

NATIONAL SITUATION

The branch comprises 118 industrial plants, employing over 10 people and distributed over the following activities:



Source API/GICA

The value of the production of the branch was of 410 MTND in 2003, which accounts for about 7% of the production of the IAA (agribusiness industries) sector, while the value added of the branch reported about 61 MTND, that 6% of that of the whole sector.

Evolution of the main productions of the “Canned Food” branch

Unit : 1000

Product	2000	2001	2002	2003
Tomato purée	127	75	98	106
Chilly sauce (harissa)	13.4	12.6	17.3	20.4
Canned vegetables	0.5	0.6	0.5	0.5
Canned fruits	4.2	3.3	3.9	5.3
Semi-canned	8.2	5.6	7.3	7.8
Canned tuna and	6.4	9	7.9	10.4
Frozen sea products	10.4	11.2	12.2	11.1
Total	170.1	117.3	147.1	161.5

Source : GICA

In terms of jobs, the branch employs 11 000 persons. However, the activity of the branch is marked by a dominant seasonal aspect and, therefore, by a very high number of part-time jobs.

On the whole, the branch is characterised by a low use of the installed capacity (25%). This is due to the seasonal nature of the major productions, as well as to insufficient supply of certain basic products, such as sardines, fruits, sea products and certain vegetables.

Three per cent (3%) of the enterprises of the branch are ISO certified in Tunisia, as against 40% ISO certified in Europe. Besides, several Tunisian enterprises of the branch are in process of setting up a HACCP system.

As regards trade exchanges, the balance of the branch was largely a surplus balance in 2003, with exports of 121 MTND and imports of 10 MTND. The main exports are:

- frozen sea products: 75%
- Tomato purée: 9%
- Chilly sauce (Harissa): 11%.

Canned tuna, fruits and vegetables (peas and beans) are the major imported products.

INTERNATIONAL SITUATION

As a finished product, Tomato purée (double concentrate (DCT)) is less and less consumed in Europe: it accounts for less than 20% of the tomato derivatives displayed on the shelves. However, its consumption remains quite high in certain regions, such as North Africa, the Middle East and black Africa. Tomato purée (double concentrate (DCT) and/or triple concentrate (TCT)) is used mainly as a product intended for secondary processing.

The market of products developed based on tomato, such as sauces and Ketchup, is estimated as about 22% of the total tomato derivatives market.

Tunisia is a leader on the world market for chilly sauce (harissa); however, this product remains little known internationally. It is consumed particularly in European countries with a high concentration of Tunisian and/or Maghrebi nationals.

New brands of Harissa of European origin are beginning to emerge on the market.

The production of canned vegetables has stabilised in the past ten years, with a decreasing trend in the period 1999 – 2001; this stabilisation is likely to continue until well into 2006. The drop has been accompanied by a rise in frozen vegetables.

The European production of jam is markedly on the decrease, due not only to a high expansion of the grains market and to negative publicity related to sugar-based products.

As regards the semi-canned food segment, the main trends noted by the study are as follows:
• rising trend for olives (+ 18% in 2002/2003), following enhanced packaging;
• diversification of the products (almond stuffed olives, anchovy-paste stuffed olives, etc).

The sardines and anchovy market has been on a downward trend for the past decade. The canned sardines international trade is dominated by Morocco, following at a considerable distance by Portugal.

Tuna is a chief sea product in international trade. Over two thirds (2/3) of total catches are canned annually.

The canned tuna market has reported a yearly increase by 6% for the past ten years.

The cephalopods market has been on the increase at a rate of 3% per year for the past decade, while the shrimps market has been stable for the past 5 years.

The raw materials supply is dominated by developing countries (Asia, Latin America and Africa). The origin of the product is a significant factor of differentiation.

INTERNATIONAL COMPARISON

- The study presents 6 benchmarking tables related to the following segments: tomato purée, jam, table olives, sardines, tuna and frozen sea products:
- since 2001/2002, European food processors pay only 45 euros/t of industrial tomato, while the farmers receive a EEC allowance of 34.5 euros. The Tunisian food processor pays the farmer the real price of the tomato product, that is 71 euros;
- the quantitative non availability of fruits in Tunisia is a major obstacle hampering any potential penetration of foreign markets. A similar situation prevails in Morocco. The European reference countries are all almost self-sufficient, except, to a lesser extent, France and Italy;
- The Tunisian producer price of table olives is 24% higher than European prices; this is particularly due to the high cost of raw materials. The Tunisian ratio between the exported part of table olives and local consumption is negligible, while it is as high as 75% for Spain and 295% for Morocco;
- Tunisia's fishery potential is relatively small by comparison with that of Morocco, for instance. In qualitative terms, the "Mediterranean" sardine is less known than the "Atlantic" sardine. In terms of price, Morocco has had for several years now both low and stable prices at 250 euros/t, while the price in Tunisia is as high as 475 euros/ton;
- Red tuna is highly prized for its gustatory qualities when fresh. The canned product is also highly prized by certain consumers, of whom Tunisians and Italians;
- The prices of raw materials of frozen sea products are quite high (7800 euros/t in Tunisia, as against 4370 euros/ton in Morocco and 5250 euros/ton in Italy).

ACTIONS TO UNDERTAKE

In order to develop this branch, the study proposed a proactive scenario (2004 – 2013) which rests on developing the activity for exports:

- diversification of export markets,
- development of new products for export,
- stepping up trade efforts on traditional markets to conquer new market shares.

The total cost of the action plan proposed for the branch amounts to 10 MTND. This plan comprises two components:

❑ **On the material level (7,3 MTND)**
The major part of this budget is dedicated to upgrading plant infrastructure and improving the products storage conditions.

❑ **On the immaterial level (2,4 MTND)**
This component comprises 20 actions related to the various links of the chain (agricultural, industrial, commercial, organisational and institutional).

SETTING UP ENTERPRISES AND BUILDING PARTNERSHIPS

The study has allowed the identification of three project files to be promoted.