

THE AGRO-FOOD INDUSTRIES

The agro-food industries are growing rapidly in the SEMC. Whether measured by value of production, added value of enterprises, the number of establishments or wages in the sector, these industries have been booming for three decades, with manifest dynamism in Morocco and Tunisia. For their part, the Mediterranean countries of the European Union have posted lower growth rates in the agro-food industries (AFI) which experienced a considerable boom from the 1960s, especially in France and Italy, due to the considerable increase in agricultural products. It is in terms of jobs, especially, that this sector has levelled out in the European Mediterranean countries. Despite this, this sector, now at the consolidation phase, is structured very differently from the SEMC. The AFI sector in Europe is modern and well-endowed with resources and large enterprises. Some of them are true industrial flagships with a strong international dimension.

AFI IN THE SEMC: WHAT DO THEY LOOK LIKE?

There are many factors holding back the AFI in the SEMC. Firstly, note the proportion of the first transformation sector including raw materials, in production of animal foods, processing of crops, sugar refining, transformation of cereals, production of vegetable oils and the dairy industry with the production of butter and powder. The second transformation using already transformed raw materials, on the other hand, is penalized by the level of purchasing power in the SEMC which limits outlets for products with a higher added value.

In the SEMC, the encouraging growth of production in the AFI does little to conceal a fragmented structure of the sector where there is a lack of medium-sized units. The cornerstone of healthy competition, enterprises with

between 10 and 250 employees are largely absent in most of the SEMC. Despite upgrading policies applied in almost all the Mediterranean countries, the predominance of micro-enterprises persists, except in Turkey and Morocco where their share is less than 60% of the agro-food industry. Of course, they do help to guarantee food security for the low-income strata of society for which they mean less costly products and jobs at the same time. However, as they are not very profitable and lack resources of their own necessary to innovate, micro-enterprises gain little benefit from public investment policies and are increasingly sidelined. In the small large enterprise sector, the public sector AFI is still large, despite privatisation. It continues to play an active investment role in agriculture or food transformation. It still has a strong presence in large agro-industrial combines in Algeria, Egypt, Jordan and Turkey, especially in the tobacco industry, sugar refineries, pressing of oleaginous plants and extraction of fats. This situation was the rule until recently in the countries of Southern Europe, where the State played an industrial investment role alongside private capital, especially in the tobacco sector. Also with a major presence alongside the State, conglomerates, usually family-owned, such as ONA (Omnium Nord-Africain) in Morocco, Ghabbour and Orascom in Egypt, Sabanci in Turkey, Cevital in Algeria, have invested in the agro-food industry, sometimes in association with major international groups (notably in Egypt and Turkey).

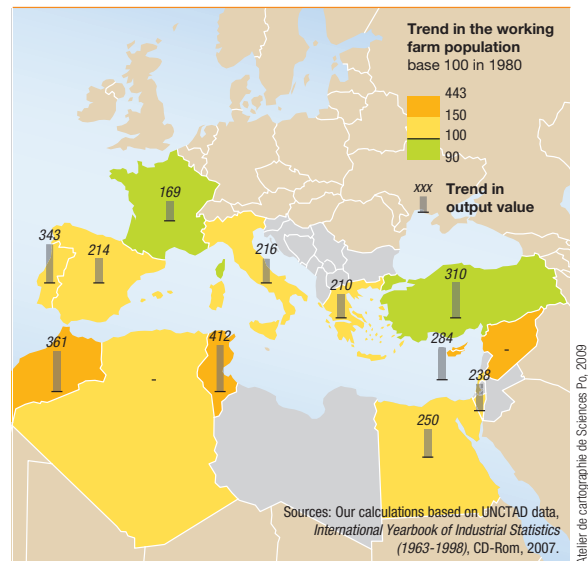
SLOW AND CIRCUMSCRIBED INTERNATIONALISATION

The fragmented and dispersed structure of the industry explains to some extent the low level of foreign investment for the largest multinational agro-industrial firms in the region. Concerned at the risks and uncertainties related to

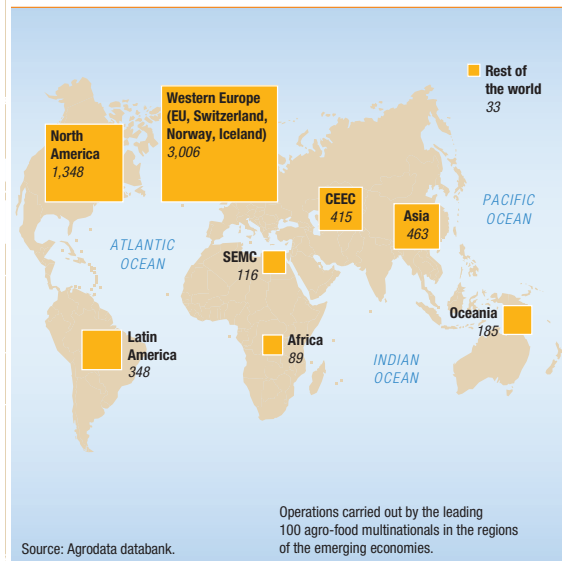
their investments in the host countries, these multinationals prefer to invest in existing structures rather than create subsidiaries from scratch and to target their capital on regions of the world where the presence of mega conurbations and the level of consumption provide more attractive markets for their transformed products.

Between 1987 and 2006, Turkey, Israel and Egypt attracted the most FDI from the top 100 multinational agro-industrial firms. Outside the top 100, in recent years Algeria and Morocco have aroused the interest of many European investors, especially French. The brassica sector, dairy industry and transformation of cereals, more directed towards the domestic market, are the most attractive sectors. However, the transformation of fruit, vegetables and even olive oil, which are more export-oriented, are also of interest to European investors. For their part, local enterprises would do well to develop strategies for linking up with European countries, especially with a view to exports. By integrating brands of multinational agro-tertiary firms such as Carrefour, the agro-food branches of industrial conglomerates in the SEMC can thus export their products to European Union markets by circumventing certain non-tariff barriers. ■

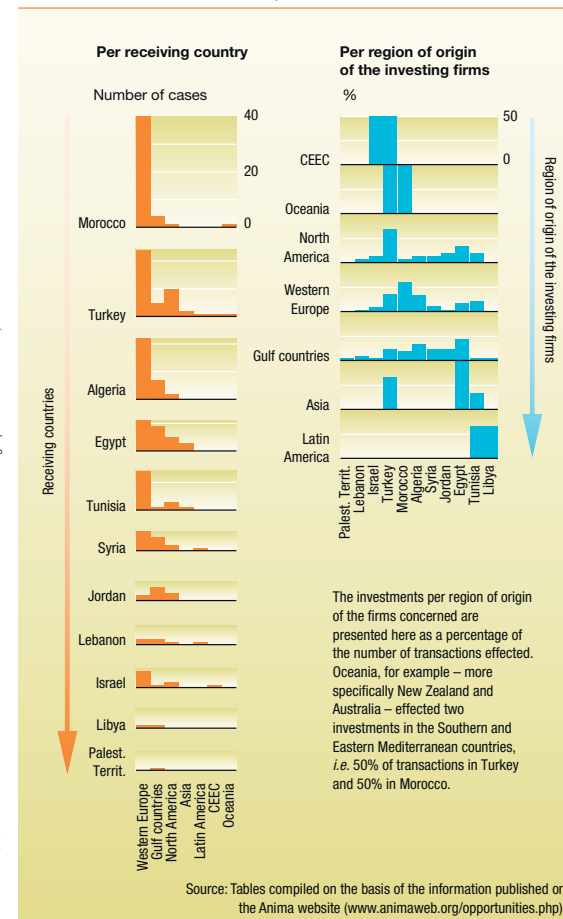
TRENDS IN THE AGRO-FOOD INDUSTRY, 2005



MERGERS, TAKEOVERS AND PARTNERSHIPS, 1987-2006



INVESTMENTS AND AGRO-FOOD INDUSTRIES, 2003-2009



THE FABRIC OF THE AGRO-FOOD INDUSTRY IN THE SOUTHERN AND EASTERN COUNTRIES, 2007

