



## **Submission No 13**

### **Inquiry into Australia's Trade and Investment Relations with North Africa (Algeria, Egypt, Libya, Morocco, and Tunisia)**

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*Date: 9 August 2005*

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Secretary  
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**Subject: North African Trade - Algeria – Not For Circulation or Reproduction.**

**Fayman International** - as a company we have been involved with direct and indirect trade with the Algerian Market since The company's inception, in September 2003. On a personal level I have been involved with this market since 1999.

Whilst the market has great potential, there are some inherent trading problems and what I can only describe as dangerous export requirements from a trade perspective in regards to labelling and clearance.

The banking system is also of concern, as documents are released to buyers prior to their banks transferring the funds to the Algerian Central bank for payment to the seller. It is quite a strange arrangement where by the bank only transfer's payment once the importer has been given the "all clear" that the good can be imported into the country.

Initially our focus was trading thru 3<sup>rd</sup> countries such as United Kingdom, Germany and France to the Algerian Market. As our margins decreased we made the decision to look at a direct approach to the market. In doing this we made the decision that we needed to appoint an "agent/consultant" to look after our interest and guide us on local requirements.

This has been to our advantage in gaining a better understanding of this market and its practices, although as yet do not fully understand how the internal trade or traders operate.

One of the biggest challenges facing the Algerian market is the inconsistency in trade. As an example Between May and December of last year we shipped abt 2500 mt of Australian Mutton and Lamb to Algeria. In that period For the 3 months ending August we shipped abt 1000 mt, to accommodate the Ramadan sales period.

This year in that same period we will export only 25% of that volume. We have not lost any customers infact we have gained customers. It is just the nature of the market. It really is a stop'n'start market, that takes a great deal of energy to manage and maintain. As a company we have looked at investing in facility and offices in Algeria as away of controlling our own destiny in that market - however the inconsistent nature of the market meant that we could not budget and there fore unable to justify the expense.

The main problem area's are

- 1- **Labelling requirements** – exporter must apply a label to each carton end panel providing details of the Algerian Importer, product description, Halal, expiration period. Now if the original importer fails to take delivery - the Algerian Authorities will not allow another importer to import the same goods with the original importers label on the carton. So as an exporter we are forced to re-export to another country. A more applicable and fairer system would be port mark system such as we use for the United States and Canada. It provides the ability to track the cargo within Algeria.
- 2- **Banking / Payments** – currently the importer can collect the documents for the bank by making a deposit with the bank equivalent to the invoice value. On which the bank will release the documents to the importer. The bank will only transfer the funds to the Algerian central bank for conversion to foreign currency and transfer ONLY when the importer returns to the bank with a signed clearance for export certificate. If the cargo is refused import entry the bank will not transfer the funds to the supplier. Instead the exporter is told the cargo is rejected and to pick up the goods.

- 3- **Rejection** – Algerian Customs test each cargo for coli-forms and bacterial count and radiation, it takes 10 days for the goods to be cleared – the importer sustains additional demurrage and storage costs because of this testing regime. There is a complete lack of understanding as to how Australia Exports. There is complete distrust of the AQIS system due to the lack of knowledge of the Algerian Vets on Australia's systems. This mistrust has been brought about not because of Australian exporters but mainly due to scrupulous European Traders – prepared to forge Australian Documents and export non Australian Meat to Algeria, and also Australian exporters supplying inferior product to that which has been ordered. – Non radiation certificates which is a requirement indicates the lack of knowledge Algeria has about Australia.
- 4- **Importing of Australian Sheep and Beef Offal's** – currently the importation of Offal's is prohibited in Algeria, only local offal's are consumed and available. According to our agent the Algerian government does not believe that offal's can be imported without degradation during transit. – Offal to Algeria is a huge market potential from Australia if the Algerians can be convinced the Australian Systems can be trusted.

In general the Algerian Market is still very immature. The market ebbs and flows – for every importer that disappears 2 new companies reappear.

There is an inability of credit insurance companies to cover this trade in Algeria due to the high business mortality rate. Companies like Fayman International carry the burden to develop these markets

There are a lack of facilities and infrastructure and total lack of network within the trade. On my recent trip this year it was impossible to locate new business unless you had a local guide who new who was who. There are numerous news papers Mostly containing content that pertaining to local suburbia issues.

Algeria predominantly consume more beef than mutton and Lamb – and Brazil is the major supplier of that beef to the market In my own experience I have not exported Australian Beef to Algeria since 1999/2000. That was due to outbreak of FMD in South America and BSE issues in Europe.

#### To summarise

- **Labels – total lack of flexibility if importer is incapable of executing the contract**
- **AQIS – lack of understand of Australia's export procedures – leading to rejection of cargo and payment issues**
- **Banking system**
- **Opportunity to develop Australian Sheep and Beef Offal trade through education of Algerian Veterinary Officials**

I hope that this brief detail is of assistance.

Best Regards

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