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Report Highlights:

Morocco's wheat and barley production is expected to be down significantly because of the lack of rainfall. This second consecutive drought is expected to result in higher grain imports next year.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Rabat [MO1], MO

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Executive Summary

In spite of the good start, Morocco's grain crop is severely reduced because of the lack of rainfall. AgAtt forecast the crop at less than half of an average crop.

Imports are expected to go up significantly to fulfill the local demand for wheat and barley especially since this year is the second consecutive drought Morocco is facing.

France announced a new 500,000 MT COFACE program that for the first time includes barley. GSM-103 continues to be less attractive to the private sector than it was before the import liberalization. It is critical that GSM-103 be announced and operational early during the fiscal year to compete with the available COFACE credit line for the government purchases. Finally, the strong dollar may dampen imports from the US in the short term.

Production

In spite of the larger area planted this year, Morocco's grain crop is expected to go down significantly because of dry conditions that prevailed after the planting period. AgAtt forecasts production of total wheat and barley at 1.6 MMT and 0.7 MMT respectively. The table below provides data on area and production for the last five years for the sake of comparison:

Crop Year	1995	1996	1997	1998	1999	5 Year Avg.	Forec. 2000	This year compared to	
								5Year Avg.	Last Year
Area Planted (1,000 hectares)									
- Durum Wheat	820	1249	972	1127	1078	1049	1100	4.8%	2.1%
- Bread Wheat	1148	1964	1521	1960	1614	1641	1800	9.7%	11.5%
- Barley	1579	2430	1996	2426	2070	2100	2300	9.5%	11.1%
Total Area	3546	5643	4489	5513	4761	4790	5200	8.6%	9.2%
Production (1,000 MT)									
- Durum Wheat	439	2270	882	1544	800	1187	600	-49.4%	-25.0%
- Bread Wheat	652	3646	1435	2834	1354	1984	1000	-49.6%	-26.1%
- Barley	608	3831	1324	1970	1474	1841	700	-62.0%	-52.5%
Total Prod.	1698	9747	3641	6348	3628	5012	2300	-54.1%	-36.6%
Yields (MT/Hectares)									
- Durum Wheat	0.53	1.82	0.91	1.37	0.74	1.07	0.55	-49.2%	-26.5%
- Bread Wheat	0.57	1.86	0.94	1.45	0.84	1.13	0.56	-50.9%	-33.8%
- Barley	0.38	1.58	0.66	0.81	0.71	0.83	0.30	-63.3%	-57.3%

Source: Ministry of Agriculture

(1) AgAtt Office Forecast.

Compared to last year, where the first significant rains were late and resulted in small area being planted to wheat and barley, this year's fall rains came much earlier and gave farmers plenty of time to seed wheat and barley fields. Up to December 1999, rains were relatively well spread providing excellent conditions for planting and emergence except for the unusually cold weather in December and January which hampered plant growth somewhat.

Since late December 1999, Morocco did not record any significant rainfall. At first, the lack of rain did not have a significant negative impact because of the cold weather that prevailed throughout the country. However, in late January, when temperatures started to increase and the plants needed water badly, the low moisture reserves in the fields and the dry weather conditions that prevailed during the January-March period impacted negatively on yields. AgAtt estimates that even if significant rainfall is recorded, yields are not likely to improve much because plants are already at an advanced stage of their maturity and many fields have already headed.

Support Prices for Fall Grains

The government announced early this year minimum support prices for bread wheat and barley. Similar to last year, farmers can sell their bread wheat to licensed GOM agents (cooperatives, private traders, and private flour mills) if they can't get a better price. Unlike last year, a support price of 1,500 dirhams/MT (\$150/MT) for barley has been explicitly announced by the government.

In the future the GOM is likely to continue to provide high support prices for bread primarily to ensure a minimum revenue to the large number of growers throughout the country. It is estimated that over 80 percent of farms in Morocco grow wheat. Also, it is important to know that over three quarters of farms have less than 13 acres and that 90 percent of the area planted to wheat and barley depends solely on rainfall.

The government announced early this year that it will subsidize certified planting seeds. A subsidy of 200 dirhams / MT is disbursed by the GOM to encourage farmers to use certified seeds. Currently, it is estimated that only 16 percent of farms use certified seeds. Most farmers save part of their crop to plant in the following year.

Consumption

Flour Retail subsidy

In addition to the wheat flour freely marketed in Morocco, the GOM continues to subsidize about 1.0 MMT of soft flour to presumably make it accessible to the low income population. Although there has been recently a lot of controversy as to whether the subsidized flour reaches the target population, the GOM is unlikely to phase out these subsidies abruptly to avoid social unrest.

Grain Purchases through Official Channels

The government Cereal Office (ONICL), through its licensed agents (traders, cooperatives, and flour mills), is involved in purchasing wheat, durum and barley from farmers. In spite of the wide variations from year to year in the percentage of the local crop that goes through the official channels, soft wheat has consistently accounted for most of the volume. Durum and barley have represented only a minor share. For the 1999/00 marketing year, 22.6 percent of the grain crop (barley and wheat) was purchased by ONICL and 96 percent of the grains purchased were bread wheat.

According to ONICL, average prices paid by the GOM licensed agents averaged 2,515 dirhams/MT (\$251.5/MT) for bread wheat, 2,870dh/MT (\$287/MT) for durum wheat, and 1,920 dh/MT (\$192/MT) for barley.

Trade

Since the liberalization in May 1996, grain imports have been largely handled by the private sector. However, the cereal office, ONICL, still tenders for wheat used to make subsidized flour and occasionally for barley. The table below provides data on government and private imports for the 1999 calendar year:

	ONICL	Private importers	Total
Bread Wheat	33.0%	67.0%	100.0%
Durum Wheat	.	100.0%	100.0%
Barley	39.5%	60.5%	100.0%

Source: ONICL.

The Cereal Office still plays a major role in ensuring that there are no shortages of grains in the local market. On the import side, ONICL, keeps track of supply because of the performance bond required from importers in order to import grains. For every grain import operation, the importer is required to deposit 100 dirhams/MT (\$10/MT) as a performance bond. This forces the importer to effectively deliver the imported grains during the period specified.

New Tariff System / Customs Duties

There has been no change in duties for grains recently. However, the current duty system (see MO8019) has been subject to many controversies especially from large importers because it does not force importers to compete on price. Under the new system, the GOM sets a threshold price. Imported grains are subject to a flat duty and, when the declared price (CIF and port charges) is lower than the threshold price, then a high additional duty is applied to the differential between the declared price and the threshold price.

This new duty system encourages importers to pay a premium for quality grains since there is no incentive to bring in low priced products, pay the additional duty, and end up with a low quality production costing about the same as the good quality product. In theory, the new tariff system should work in favor of the US to some extent since importers should be willing to pay a premium for higher and more consistent quality. However, the system also offsets the disadvantages of bringing in small shipments since the extra-costs per metric tons compared to large shipments increase the C&F price and thus reduce the additional duties paid on cheaper wheats.

COFACE/GSM-103

For FY 2000, the Ministry of Finance selected the government agricultural Bank, CNCA (Caisse Nationale du Credit Agricole) to manage the GSM-103 credit Program. The use of GSM-103 financing is expected to be limited again this year because of the relatively high price of US grains compared to other origins but also because the local bank does not fully pass on the advantages of the program to the importers and charges relatively high interest rates compared to other commercial financing available. Also the strengthening of the dollar compared to the dirhams is expected to dampen imports of grains from the US.

For the current marketing year, 1999/00 the cereal office has been the sole user of COFACE. No COFACE was used by the importers to finance their private imports.

The table below provides information on grain imports by type of financing (Calendar Year 1999, Thousands of Metric Tons):

	From US		From France		Other Origins	Total Imports
	GSM	Cash	COFACE	Cash	Cash	
Bread Wheat	120	150	450	590	934	2,244
Durum Wheat	.	91	.	3	363	457
Barley	.	.	.	315	368	683

Source: Cereal Office (ONICL)

Note: Data may differ from PSD because of different source

It is crucial that the GSM-103 program be in place and operational by October 1st of each year. The fall is normally a heavy purchasing period during which the Cereal Office issues many tenders. When COFACE is the only program available during this period, most of the purchases made by the Cereal Office are captured by France. Also, COFACE has the possibility to add to newly announced programs, the balance that has not been used in the previous program. Finally, unlike for GSM-103, COFACE covers the freight and importers are not required to open letter of credits.

This year, France announced a COFACE program for 500,000 MT. For the first time, COFACE will include barley in addition to wheat. The program should be operational within a few weeks.

Imports of wheat and barley are likely to increase significantly this year as Morocco is experiencing its second consecutive drought year. For each grain separately, imports may not reflect the decrease in production since typically many consumers will substitute one grain for the other and are more likely to consume more bread wheat.

Trade Matrix

The table below provides data on Moroccan imports by country of origin:

Marketing Year	Jul.98 / Jun.99	
	MT	\$1000
Barley		
- France	573,411	46,167
- Turkey	291,739	26,496
- Great Britain	63,591	6,033
- Spain	47,970	4,668
- Germany	41,984	3,740
- Netherlands	33,000	2,802
- Russia	17,149	1,354
- Ireland	4,698	391
Total Barley	1,073,541	91,650
Durum Wheat		
- Canada	334,785	65,152
- U.S.A	152,049	29,051
- Australia	5,250	1,013
- France	3,000	586
Total Durum	495,084	95,801
Bread Wheat (Non Durum)		
- France	1,081,226	125,709
- Ukraine	224,287	28,426
- Turkey	201,857	24,620
- Hungary	115,777	13,331
- Australia	81,077	12,558
- U.S.	75,285	10,915
- Bulgaria	94,448	10,323
- Canada	65,369	9,386
- Romania	76,109	9,295
- Czechoslovakia	56,508	8,238
- Others	167,656	20,886
Total Wheat (Non Durum)	2,239,601	273,688
Total Wheat	2,734,685	369,489

Exchange Rates (dh/\$): 9.5324

Stocks

Notes about PSD stock figures:

- 1) Stocks in PSD are meant to reflect stocks held by the government licensed agents as well as stock held by farmers which are believed to be significant but are very difficult to estimate.
- 2) Because official trade import data don't always reflect date of arrivals, imports of one year may show up in the following year's import figures. As it is the case of MY 98/99, Morocco had a relatively good

crop and imports of wheat were high. This inflated total supply had to be distributed between consumption and stocks (no exports). Thus, stock figures reflect a slight deviation from actual stock figures.

Marketing

Since the liberalization of imports in 1996, the US lost significant market share in the Moroccan wheat market. This is due primarily to the price of U.S. wheat compared to other origins but also to a more aggressive EU (France) subsidies. Although wheat millers are becoming more aware of the advantage of paying premiums to get a more consistent quality wheat, it will take many years to commit them to purchasing U.S. wheat.

The U.S. wheat industry should pursue encouraging millers to use U.S. wheat for blending purposes to improve the quality of the wheat purchased from other origins. Also, the US should continue educating the Moroccan millers and end-users about the specificity of each type of wheat and about the ability of the US to supply a consistent and wide range of wheat qualities.

On many occasion, local importers expressed interest in dealing directly with American grains and feed exporters. The US industry should encourage US trade missions to visit Morocco to establish direct ties with local traders.

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PSD Table						
Country	Morocco					
Commodity	Wheat				(1000 HA)(1000 MT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		07/1998		07/1999		07/2000
Area Harvested	3087	3087	2692	2692	0	2900
Beginning Stocks	1085	1085	1813	2398	1032	1602
Production	4378	4378	2119	2154	0	1600
TOTAL Mkt. Yr. Imports	2200	2735	3000	2900	0	3200
Jul-Jun Imports	2200	2735	3000	2900	0	3200
Jul-Jun Import U.S.	300	227	700	350	0	700
TOTAL SUPPLY	7663	8198	6932	7452	1032	6402
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0
Jul-Jun Exports	0	0	0	0	0	0
Feed Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	5850	5800	5900	5850	0	5900
Ending Stocks	1813	2398	1032	1602	0	502
TOTAL DISTRIBUTION	7663	8198	6932	7452	0	6402

Import Trade Matrix			
Country	Morocco		
Commodity	Wheat		
Time period	Jul.98/Jun.99	Units:	MT
Imports for:	1998		1999
U.S.	227334	U.S.	
Others		Others	
France	1084226		
Canada	400154		
Ukraine	224287		
Turkey	201857		
Hungary	115777		
Bulgaria	94448		
Australia	86327		
Romania	76109		
Czechoslovakia	56508		
Germany	51514		
Total for Others	2391207		0
Others not Listed	116144		
Grand Total	2734685		0

PSD Table						
Country	Morocco					
Commodity	Wheat, Durum				(1000 HA)(1000 MT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		07/1998		07/1999		07/2000
Area Harvested	1127	1127	1078	1078	0	1100
Beginning Stocks	622	622	616	1061	162	661
Production	1544	1544	746	800	0	600
TOTAL Mkt. Yr. Imports	300	495	700	400	0	600
Jul-Jun Imports	300	495	700	400	0	600
Jul-Jun Import U.S.	100	152	300	150	0	200
TOTAL SUPPLY	2466	2661	2062	2261	162	1861
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0
Jul-Jun Exports	0	0	0	0	0	0
Feed Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	1850	1600	1900	1600	0	1700
Ending Stocks	616	1061	162	661	0	161
TOTAL DISTRIBUTION	2466	2661	2062	2261	0	1861

Import Trade Matrix			
Country	Morocco		
Commodity	Wheat, Durum		
Time period	Jul98/Jun99	Units:	MT
Imports for:	1998		1999
U.S.	152049	U.S.	
Others		Others	
Canada	334785		
Australia	5250		
France	3000		
Total for Others	343035		0
Others not Listed			
Grand Total	495084		0

PSD Table						
Country	Morocco					
Commodity	Barley				(1000 HA)(1000 MT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		07/1998		07/1999		07/2000
Area Harvested	2426	2426	2070	2070	0	2300
Beginning Stocks	196	196	266	740	160	584
Production	1970	1970	1444	1444	0	700
TOTAL Mkt. Yr. Imports	900	1074	1000	900	0	1200
Oct-Sep Imports	900	1068	1000	900	0	1200
Oct-Sep Import U.S.	10	0	10	0	0	0
TOTAL SUPPLY	3066	3240	2710	3084	160	2484
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0
Oct-Sep Exports	0	0	0	0	0	0
Feed Dom. Consumption	1950	1500	1600	1500	0	1400
TOTAL Dom. Consumption	2800	2500	2550	2500	0	2384
Ending Stocks	266	740	160	584	0	100
TOTAL DISTRIBUTION	3066	3240	2710	3084	0	2484

Import Trade Matrix			
Country	Morocco		
Commodity	Barley		
Time period	Jul.98/Jun.99	Units:	MT
Imports for:	1998		1999
U.S.	0	U.S.	
Others		Others	
France	573411		
Turkey	291739		
Great Britain	63591		
Spain	47970		
Germany	41983		
Netherlands	33000		
Russia	17149		
Ireland	4698		
Total for Others	1073541		0
Others not Listed	0		
Grand Total	1073541		0