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Morocco

Sugar

Annual

2003

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Report Highlights:

Sugar production is expected to be up slightly because of the large increase in the area planted to sugar beet and the anticipated high sugar beet yields this year.

Sugar continues to be subsidized at the retail level and Morocco still imports about half of its sugar consumption every year.

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

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Production

Sugar Beet

Sugar beet production is expected to increase as a result of generally higher yields but also because of the increase in one of the major producing areas. In this area planting was limited last year because of the shortage in irrigation water. The abundant rainfall this year is expected to boost sugar beet yields and cut down significantly on the cost of irrigation for farmers. In the northern producing areas a total of about 1,900 hectares were lost because of flooding. Production of sugar beet is mostly irrigated except in the North where, in addition to the irrigated area, about 3500 ha depend solely on rainfall.

Sugar Cane

The area planted to sugar cane continues to show a decreasing trend since it is economically less appealing to farmers. The drought experienced over the last few years forced farmers to provide more frequent irrigation, thus increasing significantly their costs of production. Last year, the sugar cane processors in the Gharb increased the support price by about 20 dirhams per metric tons (dh/MT) as an attempt to make the crop more appealing to farmers. However, the price increase is not enough to make the crop attractive, and is unlikely to have any significant impact on the planted area unless rainfall comes regularly for several years in a row which would help to make the crop more profitable.

Farmer Prices

The price is set by negotiations between farmers' organizations and sugar beet and cane processing plants (mostly GOM owned). The table below provides data on current support prices to farmers (dh/MT):

Area (Major City)	Sugar Beet	Sugar Cane
Average Farmers Support Price	325	240*
Additional Bonus		
- Doukkala (South-West)	0	na
- Gharb (North-West)	45	0
- Loukkos (North-West)	45	40
- Tadlda (Center)	25	na
- Moulouya (North-East)	55	na

Note: * increased from 220dh/MT, effective last year.

Exchange Rates (dh/\$): 10.0000

Source: Ministry of Agriculture

Consumption

Nearly half of Morocco's sugar consumption is in the form of sugar cones. These cones are commonly used in rural areas where nearly half of the Moroccan population lives. Granulated sugar accounts for about 40 percent of the total, while large and small cubes combined account for 13 percent.

The government continues to subsidize consumption at the retail level, resulting in artificially low consumer prices. The GOM sets consumer prices and wholesaler and retailer margins, resulting in a uniform price for refined sugar throughout the country. The GOM pays the sugar refineries a subsidy of 2,000 dirhams/MT (about \$200/MT) for refined sugar regardless of the type of sugar (granulated, cubes or cones) produced. This retail food subsidy costs the GOM an estimated \$200 million each year. Partly because of this subsidy, Morocco has one of the highest per capita consumption rates of sugar in the world (over 31 kilograms).

The private sugar refinery COSUMAR accounts for nearly 70 percent of Morocco's sugar market and produces over 90 percent of the sugar cubes consumed in Morocco.

Trade

The private refinery COSUMAR accounts for most of the imports of sugar in Morocco. Sugar imports consist virtually all of raw sugar to be refined locally. A very small quantity of refined sugar is imported directly at a high cost for sale in upscale supermarkets in major cities.

There has been no change in customs duties since October 5th, 1998 when the GOM adopted a new way to compute the duties and taxes on imported sugar. Under the new system, the GOM sets a threshold price for sugar. In addition to the base duty, there is an additional duty to which the imported sugar is subject when the C&F price is less than the threshold price. The GOM applies the additional duties to the difference between the threshold price and the C&F price and results in a significant increase in duties.

Harmonized Code	17011100	17011200	17019110	17019120	17019991	17019992
Label	Raw Sugar		Sugar with Colorant or Flavoring		Other Sugar	
Type	Cane	Beet	Granulated	Cube/Loaf	Granulated	Cube/Loaf
NEW SYSTEM (Oct.98)						
Import duty (<i>ad valorem</i>)	35.00%	35.00%	42.00%	47.00%	42.00%	47.00%
Parafiscal Tax	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%
Additional Duty (a)	123.00%	123.00%	124.00%	129.00%	124.00%	129.00%
Threshold Price (dirhams/MT)	3500.00	3500.00	4050.00	4450.00	4050.00	4450.00

Source: Official Bulletin 4627, October 5, 1998.

Exch.Rate (dh/\$):10.000

NOTE: a) The additional duty is applied to the difference between threshold price and the declared C&F price. All duties and taxes are calculated on the C&F price plus the port charges.

Policy

While sugar imports have been liberalized since 1996, sugar prices at the retail level are still fixed by the GOM

at an artificially low level. Sugar refineries, especially private ones, have been complaining about the reluctance of the GOM to liberalize retail prices of sugar. Presumably this would allow the refineries to compete for quality and pass on the fluctuations in world prices of sugar to the consumer. However, the GOM is sensitive to any increase in consumer price for social reasons.

Privatization of Beet and Cane Processing Plants

There are 13 sugar beet and sugar cane processing plants in Morocco, of which the 2 private plants process about one third of the sugar beet in Morocco and belong to the same consortium that owns the major sugar refinery (COSUMAR). The privatization of the sugar beet and cane processing mills has been impeded primarily because of the low return of these mills, the excessive number of employees, and the lack of political willingness to make strategic and socially sensitive changes. The GOM has merged some companies in order to improve their productivity and made them more appealing to potential buyers, but the GOM has announced no final agenda for privatization. However, it seems that four plants (SUTA, SURAC, SUCRAFOR, and SUNABEL) are the best candidates for privatization.

Sugar Crops are major pole of development in Morocco

The comparative advantage of growing sugar in Morocco has been subject to criticism by numerous economic studies, and the wisdom of devoting scarce water resources to sugar crops has been questioned by many outside analysts. However, sugar crops have helped farmers to learn to intensify their farming and boosted economic and social development activities in El Jadida, Beni Mellal, Kenitra, and to a lesser extent Larach and Berkane. Every year, during a period of 8 months, sugar crops provide 90 to 100 days of work per hectares planted, for a population that is mostly illiterate and has no or very few job alternatives. This amounts to an estimated 8 million days of work. This is equivalent to 42,000 people working for 8 months, but number of actual workers is much greater, since many of the jobs are occasional and for shorter periods. In fact, because of its impact on the local economy, during years of water shortages, the GOM gives priority in its allocation plans to sugar crops compared to other less labor intensive and less integrated crops.

PSD Table						
Country	Morocco					
Commodity	Sugar Beets				(1000 HA)(1000 MT)	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		05/2001		05/2002		05/2003
Area Planted	58	58	0	60	0	65
Area Harvested	58	57	0	59	0	63
Production	3000	3106	0	2986	0	3100
TOTAL SUPPLY	3000	3106	0	2986	0	3100
Utilization for Sugar	3000	3106	0	2986	0	3100
Utilizatn for Alcohol	0	0	0	0	0	0
TOTAL UTILIZATION	3000	3106	0	2986	0	3100

PSD Table						
Country	Morocco					
Commodity	Sugar Cane for Centrifugal				(1000 HA)(1000 MT)	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		01/2001		01/2002		01/2003
Area Planted	21	18	18	14	0	14
Area Harvested	18	16	17	13	0	13
Production	1321	1321	1000	939	0	955
TOTAL SUPPLY	1321	1321	1000	939	0	955
Utilization for Sugar	1321	1321	1000	939	0	955
Utilizatn for Alcohol	0	0	0	0	0	0
TOTAL UTILIZATION	1321	1321	1000	939	0	955

PSD Table						
Country	Morocco					
Commodity	Centrifugal Sugar				(1000 MT)	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		01/2001		01/2002		01/2003
Beginning Stocks	288	288	247	247	249	238
Beet Sugar Production	390	390	400	390	0	400
Cane Sugar Production	140	140	100	100	0	100
TOTAL Sugar Production	530	530	500	490	0	500
Raw Imports	477	507	550	508	0	520
Refined Imp.(Raw Val)	2	2	2	3	0	2
TOTAL Imports	479	509	552	511	0	522
TOTAL SUPPLY	1297	1327	1299	1248	249	1260
Raw Exports	0	0	0	0	0	0
Refined Exp.(Raw Val)	0	0	0	0	0	0
TOTAL EXPORTS	0	0	0	0	0	0
Human Dom. Consumption	1050	1080	1050	1010	0	1030
Other Disappearance	0	0	0	0	0	0
Total Disappearance	1050	1080	1050	1010	0	1030
Ending Stocks	247	247	249	238	0	230
TOTAL DISTRIBUTION	1297	1327	1299	1248	0	1260

Import Trade Matrix, Morocco, Centrifugal Sugar			
Time period	Calndr Year	Units:	Metric Tons
Imports for:	2001		2002
U.S.	0	U.S.	0
Others		Others	
Brazil	507040	Brazil	483161
France	2000	South Afric.Rep	25000
		France	3103
		Belgium	159
Total for Others	509040		511423
Others not Listed			
Grand Total	509040		511423