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## Morocco

### Grain and Feed

### Annual

### 2005

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**Report Highlights:**

Morocco wheat and barley production is forecast to be down compared to last year because of a smaller anticipated area and lower yields. The cold and dry weather during January and first half of February affected yields negatively and resulted in losses of many fields, especially in the south and central-south parts of Morocco.

The FTA is expected to give the US a new competitive edge for its wheat in the Moroccan market that will allow the US suppliers to increase market share at the expense of other exporters.

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

**Table of Contents**

**Executive Summary** ..... **3**  
**Production** ..... **3**  
**Consumption**..... **4**  
**Trade**..... **5**  
**USA-Morocco FTA** ..... **6**  
    Wheat TRQ ..... 6  
    Durum Wheat - US TRQ ..... 7  
    Wheat products TRQ ..... 7  
    Implementation of the TRQ..... 8  
**EU-Morocco FTA** ..... **8**  
**Stocks** ..... **8**

## Executive Summary

### Production

The area planted to fall grains (wheat, durum wheat and barley) is expected to drop significantly compared to last year's unusually high level and is expected to be even the lowest in five years. The lack of sufficient and timely rainfall during the planting season (October-December) in the central-south and southern parts of the country caused many farmers to give-up on plantings. In other parts of Morocco, the rainfall was adequate during the planting season, which encouraged farmers to plant relatively early this year.

Since the end of December, the weather has been drier than normal and exceptionally cold this year, which caused significant slow down in plant growth and development and has caused definite losses of many fields, especially those that were planted late. The early-planted fields show good tillering but the plants are shorter and less developed. However, yields of fields that withstand the unfavorable conditions so far are expected to recover significantly with the current rains (end of February).

Sources from the Ministry of Agriculture indicated that some 1.6 million hectare have been severely affected by the weather conditions of which some 600,000 hectares can be considered definitely lost and are located mostly in the southern parts of the country.

Based on combined reduced planted area and anticipated generally lower yields for wheat and barley, AgOffice forecast total wheat production in 2005 at 3.8 MMT and barley at 1.3 MT. Accuracy of this forecast will depend on the evolution of weather during the critical months of March, and April.

The table below provides data on area and production for the last 5 years and the forecast for the 2005 harvest.

Year of Harvest	2000	2001	2002	2003	2004		5 Years Average	2005* Forecast
<b>PLANTED AREA (1000 hectares)</b>								
Total Wheat	2,901.6	2,700.6	2,626.4	2,988.9	3,063.7		2,856.2	2,900
<i>Durum Wheat</i>	1,079.1	976.7	881.7	1,092.9	1,110.5		1,028.2	1,000
<i>Wheat</i>	1,822.5	1,723.9	1,744.7	1,896.0	1,953.2		1,828.1	1,900
Barley	2,250.9	2,126.0	2,002.4	2,266.5	2,324.1		2,194.0	2,000
<b>Total Planted</b>	<b>5,152.5</b>	<b>4,826.6</b>	<b>4,628.8</b>	<b>5,255.4</b>	<b>5,387.8</b>		<b>5,050.2</b>	<b>4,900</b>
<b>PRODUCTION (1000 MT)</b>								
Total Wheat	1,380.7	3,316.4	3,356.7	5,146.8	5,539.9		3,748.1	3,800
<i>Durum Wheat</i>	427.4	1,038.8	1,031.5	1,766.2	2,024.8		1,257.7	1,300
<i>Wheat</i>	953.3	2,277.6	2,325.2	3,380.6	3,515.1		2,490.4	2,500
Barley	466.8	1,155.2	1,669.0	2,620.4	2,760.4		1,734.4	1,300
<b>Total Production</b>	<b>1,847.5</b>	<b>4,471.6</b>	<b>5,025.7</b>	<b>7,767.2</b>	<b>8,300.3</b>		<b>5,482.5</b>	<b>5,100</b>

Source: Ministry of Agriculture official estimates

\*AgAtt Office Forecast

## Consumption

Imports and marketing of grain is generally free in Morocco with the exception of the wheat that is used to make subsidized flour. Farmers do have the option to sell their wheat production to GOM licensed traders (grain merchants, cooperatives, and mills) at a GOM-preset price (2500 dh/MT) or sell it in the free market. Prices of other grains (including durum wheat and barley) are freely negotiated in the market.

The wheat accounts for most of the grain that goes through the government channels in spite of the yearly variations caused by the size of the harvest. The table below provides data on grain marketing through official ONICL licensed agents (1000 MT):

MY Beg Year	1999	2000	2001	2002	2003	2004
Wheat	788.4	363.8	1,050.4	930.6	1,438.3	1,722.1
Durum Wheat	9.5	7.5	14.4	13.9	22.7	17.5
Barley	8.1	0.4	18.8	10.3	13.1	7.4
Corn	14.1	1.4	3.4	3.1	4.9	1.6
<b>Total</b>	<b>820.1</b>	<b>373.1</b>	<b>1,087.0</b>	<b>957.9</b>	<b>1,479.0</b>	<b>1,748.6</b>

Source: ONICL

Grain merchants accounted for 58 percent of the bread wheat marketed through official channels while cooperatives and mills accounted equally for the remaining.

The table below provides indicative prices for wheat, durum and barley in local free grain markets (dh/MT):

	2003 Harvest		2004 Harvest	
	Min	Max	Min	Max
Wheat	2,450	2,700	2,250	2,900
Durum Wheat	2,550	2,600	2,550	3,700
Barley	1,600	2,750	2,000	3,180

Source: ONICL

Indicative Exchange rate (\$1 = 8.7 dirhams)

The GOM continues to subsidize about 1 MMT of wheat flour presumably to make flour available to the low-income population. Marketing of the wheat to make subsidized flour is subject to heavy government control at all levels. This wheat (whether local or imported through ONICL tenders) enters flourmills at the same price of 2,588 dh/MT for the standard quality. ONICL licensed traders purchase the local wheat for subsidized flour from farmers at 2,500 dirhams/MT and the imported wheat from importers at 2534 dh/MT. Local grain traders are required to clean and bag the local wheat if necessary to meet the quality required by the mills to make subsidized flour. Finally, grain collectors get a storage fee of 20 dh / MT / 15 days from the government as an incentive to store wheat.

There is still a significant share of wheat and durum consumed in Morocco that is processed by thousands of small artisanal mills spread throughout the country, especially in the rural areas. While the growth of the artisanal milling sector is not as great as in the industrial sector, there are indications that the share of wheat that they are processing is increasing

compared to durum and barley suggesting a larger consumption of wheat in the rural areas and in traditional urban areas compared to the past.

The industrial wheat and barley milling sector consists of some 177 mills of which 111 are flour mills. The remaining are semolina and barley processors. The total wheat processing capacity is estimated at about 6.0 MMT but is used only at 53 percent capacity. The table below provides data on wheat processing by large industrial mills. Processing of durum wheat has increased significantly over the last decade and accounts for the more regular demand for higher, more consistent quality durum wheat that has been most likely fulfilled by imports (1,000 MT):

Marketing Year	Wheat				Durum Wheat	
	Import	Local	Total	Growth Over Previous Year	Total	Growth Over Previous Year
1990-91	1,714.3	639.4	2,353.7	na	88.1	na
1991-92	1,450.3	802.6	2,252.9	-4.3%	109.0	23.7%
1992-93	2,415.5	225.2	2,640.7	17.2%	194.2	78.2%
1993-94	2,423.3	308.8	2,732.1	3.5%	289.4	49.0%
1994-95	779.9	1,574.7	2,354.6	-13.8%	212.2	-26.7%
1995-96	2,578.2	198.0	2,776.2	17.9%	362.4	70.8%
1996-97	1,142.6	1,404.7	2,547.3	-8.2%	373.4	3.0%
1997-98	2,087.6	763.4	2,851.0	11.9%	472.1	26.4%
1998-99	1,955.0	996.7	2,951.7	3.5%	479.8	1.6%
1999-00	2,341.4	717.1	3,058.5	3.6%	504.7	5.2%
2000-01	2,821.4	408.3	3,229.7	5.6%	589.4	16.8%
2001-02	2,311.8	990.5	3,302.3	2.2%	546.0	-7.4%
2002-03	2,232.1	1,006.6	3,238.7	-1.9%	545.9	0.0%
2003-04	na	na	3,250.9	0.4%	566.9	3.8%
Average Growth	-	-	-	2.9%		18.8%

Source: ONICL

## Trade

Morocco will continue to import wheat even during the bumper years to fulfill the increasing needs of the populations. Imports of grains are free and handled by the private sector but the Cereal Office (ONICL) continue to tender for about one fourth of the wheat imported in Morocco to ensure adequate supply of the wheat used to make subsidized flour.

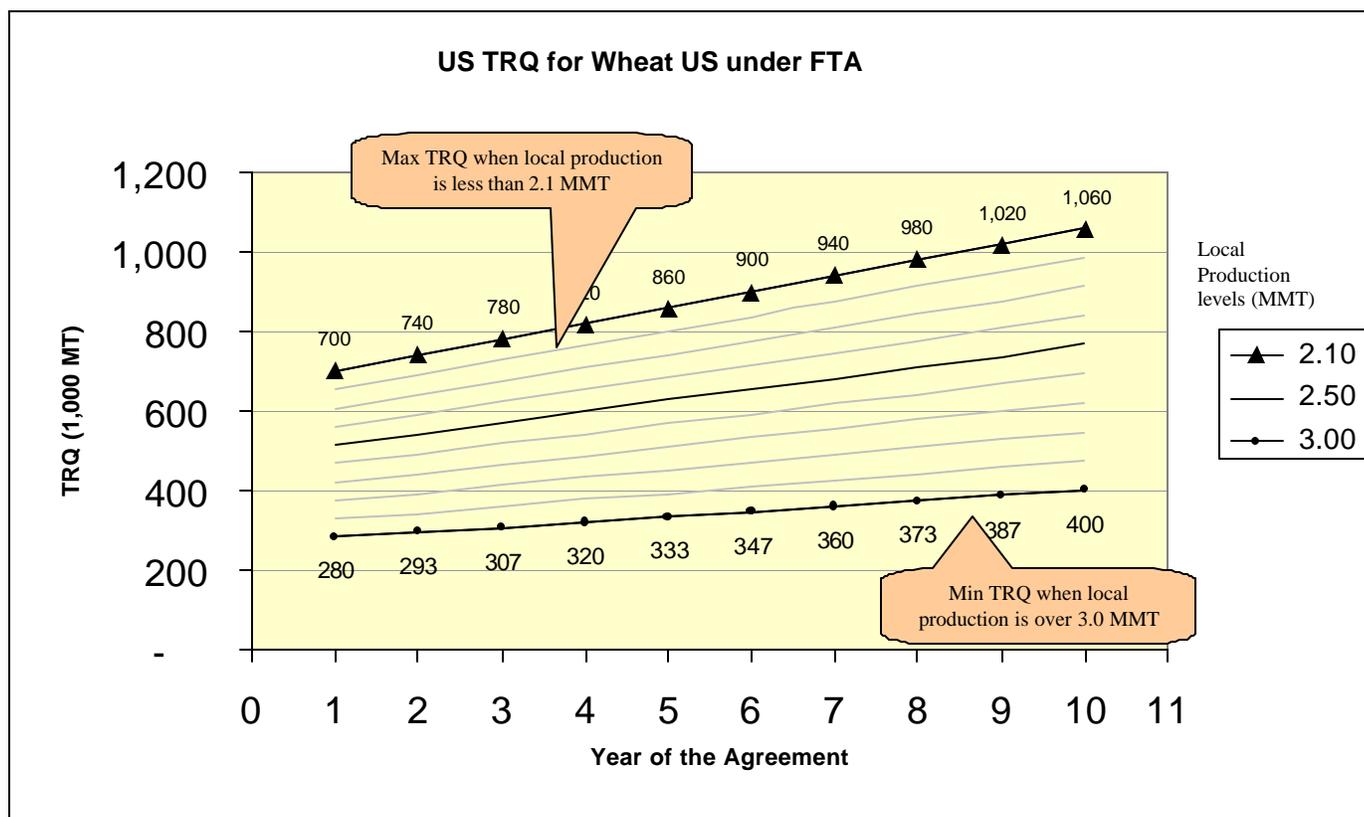
The competition on the Moroccan market comes from all countries but the stiffest competitor remains the EU (France) because of similar terms under EU FTA and its proximity to Morocco. The EU has a tariff rate quota with Morocco for wheat, durum and barley. The durum quota is relatively small but the wheat quota is significant and was implemented in October 2004. As of today, Morocco has purchased 215.7 TMT of wheat (53 percent of the TRQ open through May), 5.0 TMT of durum wheat (full TRQ) and 50,0 TMT of barley (50 percent of TRQ open through March 31<sup>st</sup>).

**USA-Morocco FTA**

The US was able to secure tariff rate quotas for wheat, durum wheat, and wheat products. Under the US-Morocco FTA, the TRQ for wheat will allow the US to improve its market share significantly at the expenses of other suppliers, such as Australia and Canada.

**Wheat TRQ**

The TRQ for wheat will depend on Morocco’s local production. Initially, the TRQ will vary from a minimum TRQ of 280,000 MT if production is over 3.0 MMT to a maximum TRQ of 700,000 MT if production is less than 2.1 MMT. The TRQ will increase proportionally when production is between 2.1 MMT and 3.0 MMT. The minimum and maximum TRQs will increase each year over the next ten years to match the current EU quotas limits, which are 400,000 MT and 1,060,000 MT. The TRQ is not available during June and July (with possible extension through august). The Over quota tariff is the MFN rate and the FTA has a preference clause that will guarantee the same favorable treatment that Morocco might provide to other trade partners in the future.



For example, if this year’s production is be 2.5 MMT of wheat, the expected TRQ for the first year of the implementation of the agreement would be about 500,000 MT.

Under the FTA, the US was granted a 38 percent reduction of the base duty (135 percent). In order to maintain its preferential access when the base duty varies, the reduction granted to the US is increased by 0.275 for each point of decrease of the MFN rate.

The table below provides a simulation in the change of base duty for wheat and the corresponding US preferential duty:

Prevailing Duty <sup>(i)</sup> (a)	Difference With 1.35 (Or 135%) (b)	Apply 0.275 factor (c ) = 0.275x (b)	New Reduction In Duty (d) = 38% + (c )	Preferential Duty (a) - (d)
45%	0.900	0.2475	62.75%	16.76%
50%	0.850	0.2338	61.38%	19.31%
60%	0.750	0.2063	58.63%	24.83%
70%	0.650	0.1788	55.88%	30.89%
90%	0.450	0.1238	50.38	44.66%
100% <sup>(ii)</sup>	0.350	0.0963	47.63%	52.38%
110%	0.250	0.0688	44.88%	60.64%
120%	0.150	0.0413	42.13%	69.45%
130%	0.050	0.0138	39.38%	78.81%
135% <sup>(iii)</sup>	-	-	38.00%	83.70%

- (i) The base duty is applied to the part of the price equal to the threshold price (2,500 dh/MT). The part of the price above the threshold price is subject to 2.5% ad valorem. (Indicative exchange rate (\$1=8.7 dh).
- (ii) Base duty applied by Morocco since June 10, 2004.
- (iii) Base duty on which the base 38 percent reduction is applied.

### Durum Wheat - US TRQ

The US has secured a quota of 250,000 MT of durum wheat that will increase by 10,000 MT annually. This quota does not depend on local production but is not to be used during the harvest time in Morocco (June and July) unless Morocco resort to imports from other countries during this period.

Durum wheat imported as part of the TRQ will be subject to a preferential duty that is 25 percent below the MFN rate during the first five years following the implementation of the agreement (currently the base duty for durum wheat is 95%, see MO4009 for more details). Thereafter, the in-quota tariff will gradually reduced to zero by January 1 of year 10 following the implementation of the FTA. The over-quota tariff for US wheat will be the MFN rate unless Morocco provides a preference to other trading partners in which case the US would have at least the same preference.

The EU TRQ for durum wheat as agreed upon during the last protocol agreement (December 2003) is 5,000 MT and will be subject to a reduction of 25 percent reduction in the prevailing duty.

### Wheat products TRQ

A TRQ of 1,500 MT of wheat products has been made available to US exporters. The preferential treatment is the same as for wheat.

Morocco imports each year some 5,200 MT of wheat products (pasta) from Italy and Spain that have relatively well-established brands especially in modern distribution channels.

### Implementation of the TRQ

The TRQ for wheat and durum will be managed by the ONICL and the procedure that will be implemented will likely be similar to the one that has been implemented for the EU TRQs.

### EU-Morocco FTA

The table below summarizes the TRQ granted by Morocco to the EU for wheat, and barley as a result of the last round of negotiations in December 2004.

Harm. code	Category Description	2003 Prevailing Customs Duties	Quota 1,000 MT	Quota Period	Reduction In duties	Preferential Duty	Comments (b)
100110000	Durum Wheat (a)	75.0%	5	Dec. 1 - Mar. 31	25.0%	56.30%	No change in TRQ
10019099	Common Wheat (b)	135.0%	400 To 1,060	Excl. Jun.-July Possibly Aug.	38.0%	83.70%	Depends on production
10030090	Barley Excluding Seeds And Malting	35.0%	100	Dec. 1 - Mar. 31	20.0%	28.00%	No change in TRQ
10030090	Malting Barley	35.0%	10		100.0%	0.00%	Increases 2,000 MT/year Until 2007

- (a) The base rate is applied to the part of the price equal to the threshold price (2,500 dh/MT). The part of the price above the threshold price is subject to 2.5% ad valorem. (Indicative exchange rate (\$1=8.7 dirhams).
- (b) Like for the US, the quota for wheat depends on Morocco's wheat production with no scheduled increase for the minimum and maximum applied TRQ.
- (c) Next round of negotiations with the EU on expanding the free trade agreement is scheduled 2007.

### Export

Local industrial mills continue to bring in wheat, mill it, and re-export it which provide the local mills with a good opportunity to use the excess of capacity. More Moroccan mills are re-exporting to sub-Saharan African countries because competition in the Libyan market is getting stiffer. Export figures have been reconverted to wheat (80 extraction rate) to be re-included in the PSD. The wheat brought for this purpose is exempted from duties and taxes and is subject to strict control from the customs office that ensures that all finished products is effectively re-exported.

### Stocks

Stocks are carried by the GOM licensed collectors but the on farms stocks are also believed to be significant and are difficult to assess. The table below provides data on GOM carried

stocks that were held by licensed collectors or at port facilities as of February 2005 (1000 MT).

	GOM Channeled Non Durum	Private Non Durum	Durum	Barley	Corn	Total
Merchants	491.9	69.4	33.9	23.3	27.0	645.5
Cooperatives	167.5	13.4	1.7	8.5	9.5	200.6
Millers	20.5	194.7	56.2	15.2	74.7	361.3
Ports	-	76.5	59.0	18.8	35.9	190.2
Total	679.9	354.0	150.8	65.8	147.1	1,397.6

Source: ONICL

## PSD Table

Country Commodity	Morocco		(1000 HA)(1000 MT)				UOM
	2003	Revised	2004	Estimate	2005	Forecast	
Market Year Begin	USDA Official	[Estimate [A	Official [Estimate [A	Official [Estimate [A	Official [Estimate [New]		MM/YYYY
	07/2003		07/2004		07/2005		
Area Harvested	2989	2989	3064	3064	0	2900	(1000 HA)
Beginning Stocks	1143	1235	2231	2312	2881	3152	(1000 MT)
Production	5147	5147	5500	5540	0	3800	(1000 MT)
TOTAL Mkt. Yr. Imports	2414	2575	2200	2200	0	2300	(1000 MT)
Jul-Jun Imports	2414	2575	2200	2200	0	2300	(1000 MT)
Jul-Jun Import U.S.	402	491	0	80	0	800	(1000 MT)
TOTAL SUPPLY	8704	8957	9931	10052	2881	9252	(1000 MT)
TOTAL Mkt. Yr. Exports	73	45	150	100	0	100	(1000 MT)
Jul-Jun Exports	73	45	150	100	0	100	(1000 MT)
Feed Dom. Consumption	200	0	200	100	0	100	(1000 MT)
TOTAL Dom. Consumption	6400	6600	6900	6800	0	6800	(1000 MT)
Ending Stocks	2231	2312	2881	3152	0	2352	(1000 MT)
TOTAL DISTRIBUTION	8704	8957	9931	10052	0	9252	(1000 MT)

## Import Trade Matrix

Country Morocco  
Commodity Wheat

Time Period	MY Jul/Jun	Units:	MT
Imports for:	2002		2003
U.S.	44053	U.S.	491109
Others		Others	
France	896843	France	644370
Russia	705202	Canada	580954
Canada	366771	Brazil	358226
Ukraine	347878	Argentina	296883
Germany	285132	Australia	79718
Australia	97190	Paraguay	40243
Denmark	60722	Germany	36967
Mexico	53798	Sweden	29006
Great Britain	48902	Russia	13683
Spain	21882	Lithuania	3651
Total for Others	2884320		2083701
Others not Listed	77784		0
Grand Total	3006157		2574810

## Export Trade Matrix

Country Morocco

Commodity Wheat

Time Period MY Jul/Jur Units: MT  
 Exports for: 2002 2003  
 U.S. 0 U.S. 0

Others		Others	
Libya	117300	Burkina Fasso	11700
Burkina Fasso	12700	Gambia	7800
Liberia	11000	Liberia	6300
Niger	8800	Angola	3800
Gambia	8500	Benin	2900
Benin	5900	Mali	2800
Mali	5600	Niger	2500
Angola	3300	Switzerland	2400
Guinea-Bissau	1500	Congo	1300
Sierra Leone	1100	Sierra Leone	1200
Total for Others	175700		42700
Others not Listed	500		2400
Grand Total	176200		45100

**Country** Morocco  
**Commodity** Barley

(1000 HA)(1000 MT)

Market Year Begin	2003 Revised		2004 Estimate		2005 Forecast		UOM
	USDA Official [Estimate [DA Official [	Estimate [DA Official [	Estimate [DA Official [	Estimate [New]	Estimate [New]	Estimate [New]	
	07/2003		07/2004		07/2005		MM/YYYY
Area Harvested	2267	2267	2324	2324	0	2000	(1000 HA)
Beginning Stocks	225	253	645	610	1005	1170	(1000 MT)
Production	2620	2620	2760	2760	0	1300	(1000 MT)
TOTAL Mkt. Yr. Imports	100	137	100	300	0	600	(1000 MT)
Oct-Sep Imports	150	198	100	200	0	600	(1000 MT)
Oct-Sep Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	2945	3010	3505	3670	1005	3070	(1000 MT)
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0	(1000 MT)
Oct-Sep Exports	0	0	0	0	0	0	(1000 MT)
Feed Dom. Consumption	1400	1400	1500	1500	0	1400	(1000 MT)
TOTAL Dom. Consumpti	2300	2400	2500	2500	0	2400	(1000 MT)
Ending Stocks	645	610	1005	1170	0	670	(1000 MT)
TOTAL DISTRIBUTION	2945	3010	3505	3670	0	3070	(1000 MT)

## Import Trade Matrix

**Country** Morocco  
**Commodity** Barley

Time Period	MY Jul/Jur	Units:	MT
Imports for:	2002		2003
U.S.	0	U.S.	0
Others		Others	
Ukraine	150310	Russia	45174
Russia	119817	France	31892
France	77815	Ukraine	16592
Finland	24442	Sweden	9807
Kazakhstan	7880	Netherlands	9212
Germany	5670	Great Britain	9091
		Kazakhstan	5568
		Lithuania	5320
		Germany	4241
Total for Others	385934		136897
Others not Listed			
Grand Total	385934		136897