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Morocco

Oilseeds and Products

Annual

2006

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Report Highlights:
The FTA between Morocco and the United States was implemented on January 1, 2006 and significantly reduces customs duties for soybean meal and soybeans. Imports of U.S. soybean meal are expected to increase in spite of the Avian Influenza outbreaks in Europe and Africa that has already dampened consumption of poultry meat by Moroccans.

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

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Executive Summary

Morocco's oilseeds production continue to be limited to less than 35,000 MT of sunflowerseed of which an estimated 15,000 MT is sold directly for food market (snack food) and does not reach the crushers. There are virtually no soybeans or rapeseeds produced and increase of local production is unlikely because of the high cost and the lack of incentives to farmers.

There are currently two crushers in Morocco: Lesieur in Casablanca with an estimated capacity of 1,000 MT per day and the recently open (2003) GBH in Meknes (1,000 MT per day). Both crushers are private and process soybeans.

There has been virtually no use of rapeseeds and products in Morocco in recent years. Thus most of the discussion in this report is devoted to soybeans and products.

Imports of Soybeans

Change in Duties on Soybeans (other than imported by the crushers)

In order to conform with its obligations under the WTO Agreement and the US-Morocco FTA, Morocco changed, on January 2, 2006, its mechanism to compute the duty on soybeans that are not imported directly by the crusher and started imposing a flat 44 percent duty. Before this date, soybeans that were not directly imported by the crushers were subject to 22.5 percent duty plus, if the price is less than the GOM threshold price of 2900 dirhams/MT (about $305), an additional duty of 100 percent levied against the difference between the threshold price and the actual customs value (C&F and port charges).

Soybeans that are imported directly by the crushers continue to be subject to a flat 2.5 percent making it feasible only for the crushers to import soybeans. Under the U.S.-Morocco FTA, U.S. soybeans imported directly by the crushers are totally exonerated since January 1, 2006. Duties on U.S. soybeans that are not imported by the crusher are down 50 percent (of the base rate at the signing i.e. 22.5%) the first year and will be completely phased out by equal annual installments over a 5-year period. This opens the prospects of use of soybeans directly by small processors (especially feed manufacturers) to produce full-fat soybeans and increase the energy content of the rations.

Historically, imports of soybeans by Morocco tend to occur primarily from Latin America (Brazil, Paraguay) during March-October period and from the United States during the September-March period. Although the decrease in duties for soybeans imported by the crusher under the U.S.-Morocco Free Trade Agreement (FTA) is not significant (from 2.5 percent to 0 percent), the significant decrease of customs duties on U.S. soybean meal (from 25 percent to 12.5 percent this year and duty free in 5 years) is likely to drive prices of meal down in Morocco and boost the local demand. Thus, in the short term, soybeans imports are not expected to increase significantly because some of the increase in demand for soybean meal will likely be fulfilled by direct imports of meals. Also, the negative impact that outbreaks of Avian Influenza in Europe on poultry consumption in Morocco, if it lasts, will continue to dampen the demand for soybean meal. In the long run however, the global demand for soybean meal should increase and, provided local crushers reduce their margin significantly, the demand for imported soybeans should follow. The potential use of soybean meal by species other than poultry (15.5 million sheep and 2.5 million cattle) is virtually untapped.

Today, the two crushers continue to buy soybeans on a C&F basis, in full boats (20,000-30,000 MT) after consulting with local representatives of international trading companies. Both crushers have minimum specification (US#2) with particular emphasis on protein (minimum 35.5 percent) and moisture (max 12 percent). The two crushers strive to capture market share by guaranteeing minimum 44 percent protein to their customers and in fact, practically, they are supplying 46 percent protein to make sure they meet the minimum requirement. Both crushers recognize the ability of United States to supply consistent quality soybeans compared to their competitors, and both excluded Canada and Argentina as a source for soybeans because of the inconsistent quality and low protein level in the soybeans, but they view Paraguay as a new player in this market.

The mechanism to compute duties on rapeseed not imported directly by the crusher has been abolished. Since, January 2, 2006, Morocco imposes a flat 66 percent duty on rapeseed that is not imported by crushers.

Impact of Avian Influenza outbreaks in Europe

The outbreak of Avian Influenza in Europe has been reported by the media and has hit the poultry sector hard starting the end of 2005. Poultry prices have been down significantly during the last few months of 2005 and poultry producers, feed producers, and eventually crushers have felt the weakening of the demand. Since soybean meal is used mostly by the poultry sector, there is a concern that the 2006 soybean use might be negatively impacted by the AI especially if outbreaks become closer to Morocco.

The Feed Industry

There are some 40 identified feed mills in Morocco with an estimated total capacity of 4.0 MMT. According to AFAC (the Feed Manufacturers Association), total mixed feed in 2005 has increased by over 12 percent to 1.8 MMT. Sources indicated that some 400,000 MT were produced in farms. Currently, virtually all the mixed feed production (over 95 percent) is devoted to poultry. The ruminant mixed feed market is still untapped in spite of the existence of a relatively large number of small, market oriented dairy farms and feedlots.

More recently, turkey production has boomed and is still increasing dramatically each year. During 2005, turkey production at 35,000 MT has doubled compared to the year before and the consumption of turkey meat is likely to continue to displace both those of chicken and red meat.

The table below provides data on the performance of the Moroccan poultry sector during the last four years:

Calendar Year	2002	2003	2004	2005
Poultry Meat Broilers/Culled hens (1000 MT)	250	260	275	300
Turkey Meat (1000 MT)	10.5	12	17.5	35
Egg Production (billion)	2.5	2.2	2.5	2.5
Feed Production (Million Metric Tons)	1.5	1.5	1.6	1.8
Per Capita Poultry Meat Consumption (Kg)	10.7	10.9	11.3	12.7
Per Capita Egg Consumption (number)	114	102	110	108

Farm Prices - Poultry (dirhams / Kilogram)	12.30	12.30	11.20	9.64
Farm Prices - Turkey (dirhams / Kilogram)	15.00	14.80	14.50	13.54
Farm Prices - Table Eggs (Dirhams per Unit)	0.56	0.60	0.50	0.55
Indicative Exchange Rate (dirhams/$)	10.97	9.54	8.87	9.00

Source: FISA – Poultry and Feed Federation

Soybean Meal

In recent years, the demand for soybean meal has been met mostly by the soybean meal produced from imported beans. During 2004/05, indications are that Morocco did not import soybean meal at all because of the high duties (25 percent). The opening of the second crusher in 2003, stimulated competition and resulted in a better and more regular quality being offered locally by both crushers, which weakened the prospects for imports of meal. Use of 48 percent protein meal is still very limited but the crushers can, and do produce it, if it can prevent the end-users from resorting to imports.

Thanks to the FTA, customs duties on soybean meal are reduced by half the first year (from 25 to 12.5 percent) thus paving the road for imports of meal and providing an alternative to end-users to purchasing meal locally. Prices of the locally sold meal are likely to be pulled down over the next five years in parallel with the gradual phasing out of import duties on U.S. soybean meal. Imports are expected to grow even faster when the preference for U.S. corn (another major U.S. commodity benefiting from the FTA) becomes significant over the next five years. Increased imports of meal might displace somehow import of soybeans by the crusher unless they succeed in cutting their costs. More importantly, cheaper soybean meal is likely to trigger the so-far untapped demand by the ruminant sector but also result in lower priced poultry products being offered to Moroccans, which in turn should boost the demand for poultry, and poultry feed ingredients. Finally, the FTA excluded any chance of other third countries competing in Moroccan soybean meal market.

Vegetable Oil

Soybean oil accounts today for most of the consumption of vegetable oil in Morocco and the market growth has reached its plateau. Palm oil has gained significant market share in the smaller segment of vegetable oil used by processors (margarine, biscuits, etc.) which is estimated at some (35,000-40,000 MT). Rapeseed oil, at the current world price level, is unlikely to recapture any significant market share in Morocco. Local production of olive oil continues to fluctuate heavily from year to year and unless the crop is exceptionally good, it should not impact heavily on total consumption of vegetable oil.

The liberalization of the marketing of vegetable oil on November 2000 resulted in a stiff competition between refineries that invested heavily to improve their packaging and diversify their supply to capture new market shares and segments. The relatively wide range of brands and types of oil available today in Morocco reflects the strong competition among refineries to lead and capture various market segments. Competition between refineries reached its peak this year when the two largest refineries entered into a dispute that was widely reported in the Moroccan press. Another refinery closed down in Meknes presumably because it lost significant market share.

With the exception of some sunflower oil (estimated at 5-8 percent of the market) sold as “Sunflower Oil”, most of the vegetable oil has been marketed in the past in Morocco as “Table

Oil". Today, generally the brand is more decisive than the type of oil sold for the average Moroccan consumer. The stricter labeling legislation that is currently being implemented forces the refineries to identify the type of oil sold. The large refineries are not giving up on the traditional "Table Oil" brands that account for most of the sales but are developing new brands to fill up the niches based on type of oil (soybeans versus sunflower), added supplements (Omega 3 fatty Acid, Vitamins, etc.), use of oil (frying oil) and other marketing criteria (such as cholesterol free). Soybean oil is expected to remain the major type of vegetable oil marketed in Morocco because of its price.

Imports are typically carried out by local representatives of international trading houses upon request of the refineries. Morocco imports mostly crude, degummed vegetable oil. While most of the imports are made on C&F basis, the refineries indicated their intention to start buying on an FOB basis and then contract for the freight to cut down on their purchasing costs.

Under the FTA, U.S. crude vegetable oil enters Morocco duty free. Refined crude oils (currently at 25 percent ad valorem) (Including soybean oil) will be reduced over a 10-year period. In the short and medium term, no significant impact on the pattern of trade is expected from this FTA for vegetable oil.

PSD Table

Country	**Morocco**						
Commodity	**Oilseed, Soybean**				(1000 HA)(1000 MT)		
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [	Estimate[NA	Official [	Estimate[NA	Official [	Estimate[New]	
Market Year Begin		10/2004		10/2005		10/2006	MM/YYYY
Area Planted	0	0	0	0	0	0	(1000 HA)
Area Harvested	0	0	0	0	0	0	(1000 HA)
Beginning Stocks	35	20	35	20	35	20	(1000 MT)
Production	0	0	0	0	0	0	(1000 MT)
MY Imports	440	499	420	450	0	500	(1000 MT)
MY Imp. from U.S.	0	193	0	200	0	250	(1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	475	519	455	470	35	520	(1000 MT)
MY Exports	0	0	0	0	0	0	(1000 MT)
MY Exp. to the EC	0	0	0	0	0	0	(1000 MT)
Crush Dom. Consumptior	440	499	420	450	0	500	(1000 MT)
Food Use Dom. Consump	0	0	0	0	0	0	(1000 MT)
Feed,Seed,Waste Dm.Cr	0	0	0	0	0	0	(1000 MT)
TOTAL Dom. Consumpti	440	499	420	450	0	500	(1000 MT)
Ending Stocks	35	20	35	20	0	20	(1000 MT)
TOTAL DISTRIBUTION	475	519	455	470	0	520	(1000 MT)
Calendar Year Imports	0	390	0	450	0	500	(1000 MT)
Calendar Yr Imp. U.S.	0	126	0	160	0	260	(1000 MT)
Calendar Year Exports	0	0	0	0	0	0	(1000 MT)
Calndr Yr Exp. to U.S.	0	0	0	0	0	0	(1000 MT)

Import Trade Matrix, Morocco Commodity: Oilseed, soybean			
Time Period	Oct/Sep	Units:	MT
Imports for:	2003		2004
U.S.	124092	U.S.	192700
Others		Others	
Paraguay	160798	Paraguay	137925
Brazil	152946	Brazil	117953
		Uruguay	50212
Total for Others	313744		306090
Others not Listed			
Grand Total	437836		498790

PSD Table

Country Morocco
Commodity Meal, Soybean

(1000 MT)(PERCENT)

	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [	Estimate[N	USDA Official [	Estimate[N	USDA Official [	Estimate[New]	
Market Year Begin		10/2004		10/2005		10/2006	MM/YYYY
Crush	440	499	420	450	0	500	(1000 MT)
Extr. Rate, 999.9999	0.790909	0.791583	0.790476	0.788889	0	0.8	(PERCENT
Beginning Stocks	35	2	28	2	13	2	(1000 MT)
Production	348	395	332	355	0	400	(1000 MT)
MY Imports	0	0	10	80	0	80	(1000 MT)
MY Imp. from U.S.	0	0	0	60	0	80	(1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	383	397	370	437	13	482	(1000 MT)
MY Exports	0	0	0	0	0	0	(1000 MT)
MY Exp. to the EC	0	0	0	0	0	0	(1000 MT)
Industrial Dom. Consum	0	0	0	0	0	0	(1000 MT)
Food Use Dom. Consump	0	0	0	0	0	0	(1000 MT)
Feed Waste Dom. Consu	355	395	357	435	0	480	(1000 MT)
TOTAL Dom. Consumpti	355	395	357	435	0	480	(1000 MT)
Ending Stocks	28	2	13	2	0	2	(1000 MT)
TOTAL DISTRIBUTION	383	397	370	437	0	482	(1000 MT)
Calendar Year Imports	31	31	0	18	0	80	(1000 MT)
Calendar Yr Imp. U.S.	0	0	0	0	0	80	(1000 MT)
Calendar Year Exports	0	0	0	0	0	0	(1000 MT)
Calndr Yr Exp. to U.S.	0	0	0	0	0	0	(1000 MT)

Import Trade Matrix, Morocco Commodity: Meal, Soybean			
Time Period	Oct/Sep	Units:	MT
Imports for:	2003		2004
U.S.	0	U.S.	0
Others		Others	
Brazil	31285		0
Argentina	4967		0
Total for Others	36252		0
Others not Listed			
Grand Total	36252		0

PSD Table

Country	**Morocco**						
Commodity	**Oil, Soybean**				(1000 MT)(PERCENT)		
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [	Estimate[N	USDA Official [	Estimate[N	USDA Official [	Estimate[New]	
Market Year Begin		10/2004		10/2005		10/2006	MM/YYYY
Crush	440	499	420	450	0	500	(1000 MT)
Extr. Rate, 999.9999	0.179545	0.180361	0.178571	0.177778	0	0.18	(PERCENT
Beginning Stocks	39	8	12	8	20	8	(1000 MT)
Production	79	90	75	80	0	90	(1000 MT)
MY Imports	310	318	364	330	0	330	(1000 MT)
MY Imp. from U.S.	0	7	0	6	0	6	(1000 MT)
MY Imp. from the EC	0	53	0	50	0	50	(1000 MT)
TOTAL SUPPLY	428	416	451	418	20	428	(1000 MT)
MY Exports	0	0	0	0	0	0	(1000 MT)
MY Exp. to the EC	0	0	0	0	0	0	(1000 MT)
Industrial Dom. Consum	0	0	0	0	0	0	(1000 MT)
Food Use Dom. Consump	416	408	431	410	0	420	(1000 MT)
Feed Waste Dom. Consu	0	0	0	0	0	0	(1000 MT)
TOTAL Dom. Consumpti	416	408	431	410	0	420	(1000 MT)
Ending Stocks	12	8	20	8	0	8	(1000 MT)
TOTAL DISTRIBUTION	428	416	451	418	0	428	(1000 MT)
Calendar Year Imports	0	344	0	300	0	330	(1000 MT)
Calendar Yr Imp. U.S.	0	22	0	0	0	20	(1000 MT)
Calendar Year Exports	0	0	0	0	0	0	(1000 MT)
Calndr Yr Exp. to U.S.	0	0	0	0	0	0	(1000 MT)

Import Trade Matrix, Morocco Commodity: Oil, Soybean			
Time Period	Oct/Sep	Units:	MT
Imports for:	2003		2004
U.S.	15499	U.S.	6502
Others		Others	
Argentina	165366	Argentina	174140
Brazil	83516	Brazil	84549
Germany	31333	Germany	17205
Spain	21985	Belgium	16459
Netherlands	10047	Spain	7200
Belgium	5100	Netherlands	6000
Portugal	4300	Portugal	2996
		France	2994
		Switzerland	
Total for Others	321647		311543
Others not Listed			
Grand Total	337146		318045

PSD Table

Country	Morocco						
Commodity	Oilseed, Rapeseed			(1000 HA)(1000 MT)			
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [	Estimate[NDA	Official [	Estimate[NDA	Official [	Estimate[New]	
Market Year Begin		10/2004		10/2005		10/2006	MM/YYYY
Area Planted	1	0	0	0	0	0	(1000 HA)
Area Harvested	1	0	1	0	0	0	(1000 HA)
Beginning Stocks	0	0	0	0	0	0	(1000 MT)
Production	1	0	1	0	0	0	(1000 MT)
MY Imports	0	0	0	0	0	0	(1000 MT)
MY Imp. from U.S.	0	0	0	0	0	0	(1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	1	0	1	0	0	0	(1000 MT)
MY Exports	0	0	0	0	0	0	(1000 MT)
MY Exp. to the EC	0	0	0	0	0	0	(1000 MT)
Crush Dom. Consumption	0	0	0	0	0	0	(1000 MT)
Food Use Dom. Consump	0	0	0	0	0	0	(1000 MT)
Feed,Seed,Waste Dm.Cr	1	0	1	0	0	0	(1000 MT)
TOTAL Dom. Consumpti	1	0	1	0	0	0	(1000 MT)
Ending Stocks	0	0	0	0	0	0	(1000 MT)
TOTAL DISTRIBUTION	1	0	1	0	0	0	(1000 MT)
Calendar Year Imports	0	3	0	3	0	0	(1000 MT)
Calendar Yr Imp. U.S.	0	0	0	0	0	0	(1000 MT)
Calendar Year Exports	0	0	0	0	0	0	(1000 MT)
Calndr Yr Exp. to U.S.	0	0	0	0	0	0	(1000 MT)

PSD Table

Country Morocco

Commodity Meal, Rapeseed

(1000 MT)(PERCENT)

	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [	Estimate[NDA	Official [	Estimate[NDA	Official [	Estimate[New]	
Market Year Begin		01/2004		01/2004		01/2004	MM/YYYY
Crush	0	0	0	0	0	0	(1000 MT)
Extr. Rate, 999.9999	0	0	0	0	0	0	(PERCENT
Beginning Stocks	0	0	0	0	0	0	(1000 MT)
Production	0	0	0	0	0	0	(1000 MT)
MY Imports	0	0	0	0	0	0	(1000 MT)
MY Imp. from U.S.	0	0	0	0	0	0	(1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	0	0	0	0	0	0	(1000 MT)
MY Exports	0	0	0	0	0	0	(1000 MT)
MY Exp. to the EC	0	0	0	0	0	0	(1000 MT)
Industrial Dom. Consum	0	0	0	0	0	0	(1000 MT)
Food Use Dom. Consum	0	0	0	0	0	0	(1000 MT)
Feed Waste Dom. Consu	0	0	0	0	0	0	(1000 MT)
TOTAL Dom. Consumpti	0	0	0	0	0	0	(1000 MT)
Ending Stocks	0	0	0	0	0	0	(1000 MT)
TOTAL DISTRIBUTION	0	0	0	0	0	0	(1000 MT)
Calendar Year Imports	0	0	0	0	0	0	(1000 MT)
Calendar Yr Imp. U.S.	0	0	0	0	0	0	(1000 MT)
Calendar Year Exports	0	0	0	0	0	0	(1000 MT)
Calndr Yr Exp. to U.S.	0	0	0	0	0	0	(1000 MT)

PSD Table

Country Morocco

Commodity Oil, Rapeseed

(1000 MT)(PERCENT)

	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [	Estimate[N	USDA Official [	Estimate[N	USDA Official [	Estimate[New]	
Market Year Begin		10/2004		10/2005		10/2006	MM/YYYY
Crush	0	0	0	0	0	0	(1000 MT)
Extr. Rate, 999.9999	0	0	0	0	0	0	(PERCENT
Beginning Stocks	0	0	0	0	0	0	(1000 MT)
Production	0	0	0	0	0	0	(1000 MT)
MY Imports	3	3	1	3	0	0	(1000 MT)
MY Imp. from U.S.	0	0	0	0	0	0	(1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	3	3	1	3	0	0	(1000 MT)
MY Exports	0	0	0	0	0	0	(1000 MT)
MY Exp. to the EC	0	0	0	0	0	0	(1000 MT)
Industrial Dom. Consum	0	0	0	0	0	0	(1000 MT)
Food Use Dom. Consump	3	3	1	3	0	0	(1000 MT)
Feed Waste Dom. Consu	0	0	0	0	0	0	(1000 MT)
TOTAL Dom. Consumpti	3	3	1	3	0	0	(1000 MT)
Ending Stocks	0	0	0	0	0	0	(1000 MT)
TOTAL DISTRIBUTION	3	3	1	3	0	0	(1000 MT)
Calendar Year Imports	3	3	1	3	0	0	(1000 MT)
Calendar Yr Imp. U.S.	0	0	0	0	0	0	(1000 MT)
Calendar Year Exports	0	0	0	0	0	0	(1000 MT)
Calndr Yr Exp. to U.S.	0	0	0	0	0	0	(1000 MT)