USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 3/13/2008

GAIN Report Number: MO8002

Morocco

Grain and Feed

Annual

2008

Approved by:
Michael J. FAY
U.S. Embassy, Rabat, Morocco

Prepared by:
Aziz ABDELALI

Report Highlights:
Provided rainfall is adequate during next few weeks, Morocco should have a good cereal crop, but even then, will need to import wheat to meet local demand. The country has been hard hit by the increase in world food prices, especially wheat, and the government strives to maintain bread prices at their current level by eliminating import duties and fixing wheat and flour prices well below international levels.

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

Table of Contents

Executive Summary

Production

Provided additional rainfall is recorded during last half of March and first half of April, Morocco is heading toward a good wheat and barley crop this year primarily because of expected higher yields. In spite of coming relatively late, the abundant rainfall in November encouraged many farmers to seed their fields, and the more recent rainfall (early February) raised expectations for yields in many wheat areas. The total planted area increased compared to last year primarily because of higher bread wheat plantings but is still slightly below the 5 year average.

The area planted to grain each year depends heavily on the rainfall received during the planting seasons. Many farmers wait for the first rains, or its signs, before engaging in plantings. The government has a minimum support price for non-durum wheat (2500 dh/MT). The area planted to durum for which there is no support price is low again this year probably because of low returns from last year. The increase in world prices of wheat did not seemingly have any significant impact on small farmers decision for planting as they rarely receive timely signals from the world market because the government, through the Office of Cereals (ONICL) and its licensed agents, act as a buffer to withdraw/provide grains of the market and to import when necessary. ($1US is about 7.50 dh)

As of mid-march, assuming adequate rain during the spring, AgAtt forecast local wheat crop at about 4.7 MMT. This production estimate could move up or down depending on the rainfall recorded during next few weeks.

	2005	**2006**	**2007**	**2008 Forecast***
PLANTED AREA (1000 HA)				
Durum Wheat (1)	*1059*	*1069*	*843*	*885*
Soft Wheat (2)	*1907*	*2038*	*1729*	*1925*
Total Wheat (1)+(2)	2966	3107	2572	2810
Barley	2180	2189	1993	2063
Total Planted Wheat and Barley	5146	5295	4565	4872
PRODUCTION (1000 MT)				
Durum Wheat (1)	*941*	*2096*	*514*	*1500*
Soft Wheat (2)	*2102*	*4231*	*1069*	*3200*
Total Wheat (1)+(2)	3043	6327	1583	4700
Barley	1102	2535	763	2300
Total Production Wheat and Barley	4145	8862	2345	7000

Source: Ministry of Agriculture. (*) AgAtt Forecast.

Consumption

The increase in world grain prices resulted in many drastic actions being taken by the government:

For feed grains, the government phased out import duties on barley, corn and other non-grain feed ingredient including DDGS, sugar beet pulp, wheat bran and screening. Poultry producers successfully lobbied early in the year before the government to phase out and corn duties to be able to maintain poultry meat prices down. The dry conditions last year led to inadequate pasture condition and feed supply and forced the government to phase out the duties to keep feed costs down and allow farmers to safeguard their flocks. Duties were originally zeroed out through 2007, but this was extended through May 31, 2008.

Wheat is a staple food in Morocco and is viewed by the government as a politically and socially sensitive commodity. Since the beginning of 2007, the consumer has experienced an increase in prices of many staple foods (vegetable oil, butter, milk, etc.). The government first attempt to pass on the increase of world wheat prices to the consumer in the fall coincided with the holy month of Ramadan (household food expenses increase), the beginning of the school year (school expenses), and beginning of election campaign. The increase in bread prices was heavily criticized by the local press and triggered unrest in one town in the Middle Atlas, Sefrou. Immediately, the government backed down and devised a mechanism by which bread wheat prices would be maintained at their low level and the government treasury would support the difference between local and international prices. Since then, the government has taken several other measures to ensure no increase in bread prices occurs:

- On June 29, 2007, duties were lowered from 60 to 30 percent for bread wheat and from 95 percent to 55 percent for durum wheat. This resulted in the US preferential tariff for bread wheat at 9.9 percent and, oddly, in US preferential tariff for durum wheat at 56.2 percent was higher than the out of quota tariff.

- In August 2007, and shortly after a tender for wheat to be purchased under the US and the EU quotas, the government abolished the premium to be paid by winning importers and accepted all offers that were made by bidders during the tendering process to ensure adequate wheat supply in the market.

- On September 18, 2007 the government phased out import duties for durum wheat and bread wheat until May 31, 2008.

- On September 27, 2007 the government established a new import procedure by which basically all non-durum wheat entering Morocco is subsidized to ensure that bread prices remain low. In the past, about 1 MMT of wheat flour (non-durum), called the *“National Flour”*, was subsidized to presumably make flour available to the low-income population. Marketing of the wheat to make the subsidized flour was subject to heavy government control at all levels. The wheat for the subsidized flour, whether local or imported through the Cereal Office, entered flour mills at the same price of 2,588 dh/MT.

  Under the current system, the government has tightened its control on wheat prices to ensure that millers make wheat flour available (at ex mill and unpackaged price of at 3,500 dirham/MT) to avoid bread price change. The Cereal Office sets up detailed planning for wheat delivery by region according to the demand and requires that the wheat is delivered to flour mills at the following prices:
  - For the *National Flour* Wheat, the wheat must be delivered at 2,588 dh/MT (unchanged from before).
  - For the “Free” flour wheat, the wheat must be delivered at 2,500 dh/MT.

Wheat suppliers (ONICL licensed grain collectors and distributors, cooperatives, importers, etc.) make offers of prices to supply individual lots and ONICL select the lowest bid. Since the preset prices are typically lower than the actual cost taking into account the world prices, the government Subsidy Fund supports the difference. As of today, while the government has successfully maintained the price of bread at its current level, the system costs the government an estimated $50 million each month and has resulted in ONICL tender participants, especially importers and flour millers, being put increasingly under financial pressure because of the government delay in disbursing the subsidy.

Taking into account the sensitivity of the wheat, and the likelihood that world wheat prices will not decline significantly to disturb marketing of the local wheat crop during harvest time, it is likely that import duties on wheat will remain zero after May 31, 2008 in order to keep bread prices low.

Trade

Under the current import system importers procure wheat freely on the world market and compete on the subsidy to be paid by the government when they deliver the non-durum wheat to specified mills at a fixed price. Although in theory importers can import wheat and deliver it to mills outside of the ONICL system, they will not be able to compete because they won't have access to the subsidy. Before this system was in place, ONICL use to control marketing and distribution of only about a 1.2 MMT of the *"National Flour".*

During the second year of the FTA, 2007. wheat imports from the United States have increased considerably due to an increase in value but also because of a sharp increase in the quantities shipped to Morocco. Currently, with import duties at zero, the United States and the EU have lost their preferential access to the Moroccan wheat market and the quotas for wheat became irrelevant.

PSD Table									
Country	Morocco								
Commodity	Wheat						(1000 HA)(1000 MT)(MT/HA)		
	2006	Revised		2007	Estimate		2008	Forecast	
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		07/2006	07/2006		07/2007	07/2007		07/2008	07/2008
Area Harvested	3107	3107	3107	2571	2571	2572	0	0	2810
Beginning Stocks	1892	1892	1892	2737	2419	2811	1037	369	954
Production	6327	6327	6327	1500	1500	1583	0	0	4700
MY Imports	1801	1500	1875	4000	3500	3800	0	0	2300
TY Imports	1801	1500	1875	4000	3500	3800	0	0	2300
TY Imp. from U.S.	432	0	448	0	800	1000	0	0	600
Total Supply	10020	9719	10094	8237	7419	8194	1037	369	7954
MY Exports	133	100	133	50	100	140	0	0	100
TY Exports	133	100	133	50	100	140	0	0	100
Feed Consumption	150	200	150	50	50	0	0	0	0
FSI Consumption	7000	7000	7000	7100	6900	7100	0	0	7100
Total Consumption	7150	7200	7150	7150	6950	7100	0	0	7100
Ending Stocks	2737	2419	2811	1037	369	954	0	0	754
Total Distribution	10020	9719	10094	8237	7419	8194	0	0	7954
Yield	2.036369	2.036369	2.036369	0.583431	0.583431	0.615474	0	0	1.672598

Import Trade Matrix			
Country	Morocco		
Commodi	Wheat		
Time Period	MY Jul/Jur	Units:	MT
Imports for:	2006		**2007**
U.S.	104143	U.S.	448273
Others		Others	
France	882717	France	520,050
Canada	508308	Canada	507,933
Ukraine	360146	Kazaghistan	164,376
Russia	291886	Poland	90,066
Germany	149700	Germany	64,852
Sweden	49542	Sweden	34,339
Ukraine	19810	Russa	28,302
		Netherlands	7,080
		Great Britain	5,250
		Hungary	4,821
Total for Others	2262109		1427070
Others not List	4		
Grand Total	2366256		1875343

PSD Table									
Country	Morocco								
Commodity	Barley						(1000 HA)(1000 MT)(MT/HA)		
	2006	Revised		2007	Estimate		2008	Forecast	
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		07/2006	07/2006		07/2007	07/2007		07/2008	07/2008
Area Harvested	2189	2189	2189	1993	1993	1993	0	0	2063
Beginning Stocks	331	331	331	766	766	672	106	106	35
Production	2535	2535	2535	540	540	763	0	0	2300
MY Imports	400	400	306	900	900	400	0	0	300
TY Imports	400	400	306	900	900	400	0	0	300
TY Imp. from U.S.	16	0	0	0	0	10	0	0	20
Total Supply	3266	3266	3172	2206	2206	1835	106	106	2635
MY Exports	0	0	0	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0	0	0	0
Feed Consumption	1600	1600	1600	1500	1500	1200	0	0	1500
FSI Consumption	900	900	900	600	600	600	0	0	600
Total Consumption	2500	2500	2500	2100	2100	1800	0	0	2100
Ending Stocks	766	766	672	106	106	35	0	0	535
Total Distribution	3266	3266	3172	2206	2206	1835	0	0	2635
Yield	1.158063	1.158063	1.158063	0.270948	0.270948	0.38284	0	0	1.114881

Import Trade Matrix			
Country	Morocco		
Commodi	Barley		
Time Period	MY Jul/Jur	Units:	MT
Imports for:	2005		**2006**
U.S.	17927	U.S.	0
Others		Others	
France	284980	France	186791
Germany	131840	Ukraine	50447
Belgium	47469	Russia	19393
Ukraine	40601	Kazaghistan	17413
Russia	27298	Hungary	17124
Turkey	23204	Germany	11567
Romania	22911	Maldives	3033
Bulgaria	15420		
Maldives	14377		
Total for Others	608100		305768
Others not Listed			
Grand Total	626027		305768