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Grain and Feed

Annual

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Report Highlights:

Morocco's wheat and barley production is expected to be the highest since 1996, provided more rain comes during late March/April period. Traditional suppliers of wheat to Morocco have lost significant market share because of price competitive Eastern European wheat. Morocco is negotiating a free trade agreement with the U.S. and the grain sector is politically the most sensitive.

Includes PSD changes: Yes

Includes Trade Matrix: Yes

Annual Report

Rabat [MO1], MO

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Production

Morocco's grain production (wheat and barley) is forecast at 7.0 MMT, its highest level since 1996, provided adequate weather conditions, especially rainfall, occurs during late March/early April. This year, a larger planted area and anticipated higher yields should result in larger wheat and barley production. The abundant and early rainfall during the planting season encouraged more farmers to plant and provided adequate conditions for emergence and early development of wheat and barley. The more recent rain (late February) has helped the crops significantly, especially in the northern and central parts of the country. Grain yields in the southern parts of the country are expected to have been dampened by the unusual cold weather conditions in January and are likely to go down significantly if there is no rainfall during the following weeks.

The following table provides historical data and AgAtt forecast for 2003 for wheat and barley:

Year of Harvest	1998	1999	2000	2001	2002		Average 5 Years	Forecast 2003 ^(a)
Planted Area (1,000 hectares)								
Durum wheat (1)	1127	1078	1079	977	882		1028	1100
Bread wheat (2)	1960	1614	1823	1724	1745		1773	1800
Total wheat (1)+(2)	3087	2692	2902	2701	2626		2801	2900
Barley	2426	2070	2251	2126	2002		2175	2150
Total Planted	5513	4761	5153	4827	4629		4976	5050
Production (1,000 MT)								
Durum Wheat (1)	1544	800	427	1039	1032		968	1400
Bread Wheat (2)	2834	1354	953	2278	2325		1949	2700
Total Wheat (1)+(2)	4378	2154	1381	3316	3357		2917	4100
Barley	1970	1474	467	1155	1669		1347	2900
Total Production	6348	3628	1848	4472	5026		4264	7000

Source: Ministry of Agriculture. (a) AgAtt forecast.

Social Importance of Grain Production in Morocco

Morocco is in the process of negotiating a free trade agreement with the U.S., and the grain sector is expected to be one of the most politically sensitive sectors because it is highly protected and allows, through high internal prices, large revenue transfers to millions of farmers in rural areas. Over 45 percent of the Moroccan population (30 million) still live in rural areas. There are approximately 1.5 million farmers in Morocco, of which over 70 percent have less than 5 hectares and over 55 percent less than 3 hectares. Farmers with over 50 hectares account for less than 4 percent of the total number of farmers. Regardless of the farm size, grain production generally accounts for nearly 70 percent of the planted area for many regions, has always been the major source of income and is one of the very few alternatives available to farmers.

Support Prices for Production

Support prices for durum wheat, barley and corn have been abolished in Morocco since the early 90's. The internal prices for these grains are kept high because of the high duties. For bread wheat, the GOM has also been encouraging production by guaranteeing a minimum price of 2,500dh/MT for standard quality wheat to farmers when they deliver their wheat to licensed GOM agents.

Domestic Grain Marketing through Official Channels

Nearly half of the domestic bread wheat is marketed through agents (private traders, cooperatives, and flour mills) licensed by the Government Cereals Office (ONICL). The table below provides data on the estimated share of domestic grain production that is marketed through ONICL licensed agents (% of total crop production):

Period: June-May	98/99	99/00	00/01	01/02	02/03 (6months)
Bread Wheat	38.2	59.9	42.3	48.2	40.0
Durum Wheat	1.2	1.7	2.3	1.6	1.3
Barley	0.4	0.6	1.3	1.6	0.6
Corn	13.4	26.3	2.9	6.9	1.0

Source: ONICL

The large share of bread wheat being marketed through the official channels is due mostly to the option that the licensed agents have to sell the bread wheat at the GOM preset price (2588dh/MT for a standard wheat). Typically, the traders and the cooperatives buy their bread wheat from farmers at 2500 dh/MT and can sell it to flour mills to make subsidized flour at 2588dh/MT. The licensed agents receive from ONICL a premium for storing the wheat (20dh/MT/2weeks). In 2001/2002, the licensed grain traders accounted for 55 percent of the bread wheat purchases. Licensed grain cooperatives and private wheat mills accounted equally for the remaining.

Flour Retail Subsidy

The GOM continues to subsidize 1.0 MMT of bread wheat flour to theoretically make it accessible to low income population. This represents about one fifth of local flour consumption in Morocco. For the subsidized flour, the GOM controls the price, the milling costs, the millers margins and pre-sets the wheat extraction rate. Also, the GOM supports the cost of transportation of both the subsidized flour and of the wheat used to make it. Wheat millers pay 2,588 dirhams per metric ton (dh/MT) for the standard wheat they receive to make subsidized flour and sell the subsidized standard flour (80 percent extraction rate) at 1,820 dh/MT. The GOM pays to the flour mills the difference between the actual cost (estimated at 3,250dh/MT) and 1,820dh/MT. Thus, for each metric ton of subsidized flour, the GOM disburses 3,250-1,820 dirhams/MT or 1,430dirhams. The GOM preset retail price for subsidized flour is 2,000 dh/MT. (Exchange rate \$1=10 dirhams). Total GOM outlays for this subsidy are roughly equivalent to outlays for the sugar subsidy. With the elimination of the vegetable oil subsidy on November 1, 2000 (see MO1003), these two are the only remaining GOM consumer subsidies for food products.

For the non-subsidized wheat flour, the prices, margins, and extraction rates are not set by the GOM. Non subsidized wheat flour is sold currently (ex-mill price) between 3,200dh/MT and 3,600dh/MT.

Trade

Imports of wheat and barley are expected to be down starting June 2003 due to the anticipated good wheat and barley crop this year. Barley imports are expected to be down significantly as a result of the large improvement in pasture conditions and the anticipated large feed supply (roughage).

In MY 2001/02 and 2002/03, Eastern European countries have displaced traditional suppliers of bread wheat to Morocco including the U.S. The table below shows the change in market share of Morocco's traditional suppliers of bread wheat. France is expected to regain some market share because of the COFACE program especially for purchases done through ONICL (1000 MT, bread wheat only):

Bread Wheat	MY 00/01	MY 01/02	MY 02/03 Jul.- Oct.
France	1,408	466	115
Germany	228	403	29
Ukraine	.	518	128
U.S.	350	152	.
Russia	.	232	207
Canada	213	147	.
Australia	10	91	93
Argentina	101	56	.
Romania	.	132	.
Bulgaria	85	26	.
Sweden	52	36	20
Great Britain	84	11	7
Croatia	.	50	11
Others	56	68	50
Total Bread Wheat	2,588	2,388	661

Source: Official Trade Data

Since trade liberalization in 1996, grain imports have been largely handled by the private sector and there are no government restrictions on this trade. However, ONICL still regularly tenders for bread wheat used to make subsidized flour and exceptionally for barley to avoid shortage during severe drought years. In MY 2001/2002, ONICL accounted for one fourth (468,000 MT) of the bread wheat imports into Morocco and did not get involved in barley imports.

As with domestic wheat, bread wheat imported through ONICL to make subsidized flour is sold to flour mills at a fixed price 2,588 dh/MT. ONICL issues tenders but the actual imports are carried out by importers. The importers submit bids to ONICL knowing that the wheat will enter the mill at GOM fixed price of 2,588 dh/MT. Depending whether the final cost of wheat is lower or higher than the GOM preset price, the importer pays the difference to ONICL or receives payments from ONICL. In practice, the importer bids on the how much he is offering to pay to ONICL or, if the final cost of the wheat delivered to the mill will exceed the GOM preset price, how much he is requesting ONICL to pay.

Import Duties and Taxes

Morocco continues to apply a variable duty for bread wheat, durum wheat, and corn. Under this system, there is a flat customs duty (ad valorem) and an additional duty. The additional duty applies when the declared price is lower than a GOM preset threshold price. The additional duty is applied to the difference between the declared price and the GOM preset threshold price. The table below provides data on customs duties and threshold price for bread wheat, durum and corn. For more detail please refer to MO8019.

	Flat Ad valorem	Threshold Price (dirhams/MT)	Additional Duty	Value Added Tax (VAT)
Durum Wheat	21.0%	2,700	93.0%	0%
Bread Wheat	33.5%	2,000	103.5%	0%
Barley	30.0%	na	na	0 % if for food 7 % if for mixed feed 20% if for local distribution
Corn	17.5%	1,464	57.0%	7%

Source: Customs Office (Current exchange rate \$1= 10.00 dirhams)

There is no value added tax on imported wheat. Imported barley is subject to various levels of VAT depending on its claimed final use. When barley is for human consumption, it is subject to 0 percent VAT. When it is aimed to be used directly by feed manufacturers the VAT is 7 percent. When barley is imported to be sold as feed in the local market a 20 percent VAT is imposed. In practice, however, because of the difficulties to control the final use of barley, most of the imported barley ends up being declared for human use and paying no VAT.

The new system was established to stabilize internal prices of wheat and resulted in higher duties being paid for cheap wheat. In theory, the new system should have encouraged importers to pay a premium for U.S. wheat since they would have ended-up at about the same price (all duties paid) as if they had imported cheaper wheat from other origins. On the other hand, this system allows importers of small boats to remain competitive and thus reduces the chances of bringing wheat from the U.S. According to importers, this system has not played any major role in reducing the U.S. share in this market for wheat.

Special Import Regimes and Re-export of Wheat Flour

Some Moroccan flour mills continue to import bread wheat, mill it, and re-export it, mostly to Libya and West-African countries. Wheat imported under this regime (Temporary Admission, or TA) totaled 214,102 MT in 2001/02 and will likely reach similar levels during MY 02/03 in order to use the extra-capacity of the flour mills in Morocco. This wheat is under strict control of Customs to ensure that it does not go into the local market. Products imported under the TA regime, including wheat, are exempted from customs duties and taxes.

NOTE: Export of wheat flour are reported on the PS&D in a wheat equivalent basis using a 80 % extraction rate (1MT of wheat = 0.80MT of flour).

PSD Table						
Country	Morocco					
Commodity	Wheat				(1000 HA)(1000 MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		07/2001		07/2002		07/2003
Area Harvested	2701	2701	2600	2626	0	2900
Beginning Stocks	1350	1281	1616	1247	1616	754
Production	3316	3316	3300	3357	0	4100
TOTAL Mkt. Yr. Imports	3150	2909	3000	2500	0	2300
Jul-Jun Imports	3150	2909	3000	2500	0	2300
Jul-Jun Import U.S.	152	158	0	60	0	100
TOTAL SUPPLY	7816	7506	7916	7104	1616	7154
TOTAL Mkt. Yr. Exports	100	153	100	150	0	150
Jul-Jun Exports	100	153	100	150	0	150
Feed Dom. Consumption	200	0	200	0	0	0
TOTAL Dom. Consumption	6100	6106	6200	6200	0	6200
Ending Stocks	1616	1247	1616	754	0	804
TOTAL DISTRIBUTION	7816	7506	7916	7104	0	7154

Import Trade Matrix, Morocco, Wheat			
Time period	MY Jul.-Jun.	Units:	MT
Imports for:	2000		2001
U.S.	369086	U.S.	157975
France	1416454	Canada	639508
Canada	850823	Ukraine	518429
Germany	233139	France	466256
Argentina	101139	Germany	402699
Bulgaria	84601	Russia	231620
Great Britain	83879	Romania	132383
Sweden	52215	Australia	110500
Turkey	41255	Argentina	55850
Australia	37850	Croatia	50153
Switzerland	16325	Sweden	35901
Total for Others	2917680		2643299
Others not Listed	12943		107857
Grand Total	3299709		2909131

Export Trade Matrix			
Country	Morocco		
Commodity	Wheat		
Time period	MY Jul./June	Units:	MT
Exports for:	2000		2001
U.S.		U.S.	
Others		Others	
Libya	81187	Libya	114361
Burkina Faso	11060	Gambia	10982
Gambia	6488	Burkina Faso	8621
Guinea	4668	Liberia	6575
Liberia	3990	Mali	5399
Mali	1100	Guinea	3172
		Guinea Bissau	2770
		Madagascar	828
		Angola	287
		Senegal	131
Total for Others	108493		153126
Others not Listed	402		49
Grand Total	108895		153175

PSD Table						
Country	Morocco					
Commodity	Barley				(1000 HA)(1000 MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		07/2001		07/2002		07/2003
Area Harvested	2126	2126	2000	2002	0	2150
Beginning Stocks	47	212	142	212	142	160
Production	1155	1155	1600	1669	0	2900
TOTAL Mkt. Yr. Imports	690	813	400	400	0	200
Oct-Sep Imports	689	749	500	500	0	200
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	1892	2180	2142	2281	142	3260
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0
Oct-Sep Exports	0	0	0	0	0	0
Feed Dom. Consumption	1300	1300	1400	1400	0	1400
TOTAL Dom. Consumption	1750	1968	2000	2121	0	2100
Ending Stocks	142	212	142	160	0	1160
TOTAL DISTRIBUTION	1892	2180	2142	2281	0	3260

Import Trade Matrix, Morocco, Barley			
Time period	MY Jul./Jun	Units:	MT
Imports for:	2000		2001
U.S.	15513	U.S.	0
Canada	232248	Canada	190484
Switzerland	140267	Belgium	176972
Belgium	52498	Bulgaria	116656
Netherlands	52500	Germany	97413
Italy	52036	Finland	81119
Bulgaria	39696	Great Britain	55502
Finland	28592	Hungary	24555
Ireland	19621	Russia	15177
Germany	13178	Romania	8000
Turkey	9870	Sweden	7586
Total for Others	640506		773464
Others not Listed	49367		39399
Grand Total	705386		812863