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Morocco

Retail Food Sector

Report

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Report Highlights:
Morocco's food distribution continues to modernize rapidly but small mom & pop stores still play a major role in food distribution throughout the country. Importers continue to be a crucial interface between exporters and the retail food distributors.

Includes PSD changes: No
Includes Trade Matrix: No
Annual Report
Rabat [MO1], MO

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SECTION 1. MARKET SUMMARY

The Moroccan retail food sector developed significantly over the past ten years, as modern and large supermarkets opened in major cities and have been increasingly changing the purchasing habits of a large base of consumers. Traditional small grocery stores, because of their proximity and convenience, will continue to play a major role in most parts of the large cities, but especially in rural areas where 45 percent of Moroccans live.

The advent of large supermarkets in large cities reflects the concentration of high income population in these cities. Currently, large supermarkets are concentrated in Casablanca, Rabat, Marrakech, Agadir, Tanger and Fes, but more will be opened in Oujda, and Meknes. Casablanca has an estimated population of 4.5 million and is considered as the economic capital of Morocco. Rabat has about 1 million people with a large number of employees of government, foreign missions, and international organization's. Agadir and Marrakech receive each year a large number of tourists including Moroccans. The city of Fes is in a strategic location to supply retailers in the center of Morocco.

Importers still play a major role in distributing and promoting imported products in Morocco. Typically, they have their own sales agents and distribution fleet and are in direct contact with large supermarkets, wholesalers, and in many cases with small grocery stores as well. Some importers are involved in imports of a wide range of products with no particular faith to a specific product, brand or origin. Other importers are working exclusively to develop markets for specific labels; because they tend to promote their products more heavily, they may require more involvement from the exporter willing to penetrate this market.

Large supermarket chains are likely to be more involved in direct imports of foods in the future. Some supermarket chains already consolidate some of their food (and non-food) imports through their home office. Others chains are expected to start importing for their own outlets but also for other distributors and supermarkets. In any case, the number of supermarkets in Morocco is likely to increase considerably in the near future as some supermarket chains owners expressed their intentions to increase the number of outlets and target specific niches.

Major Categories of supermarkets:

As far as imported products are concerned, the Moroccan retail food sector can be divided into four major categories:

- Large modern retail and wholesale supermarkets.
- Small supermarkets and large self-service grocery stores.
- Convenience (gas-mart) stores found only in gas stations.
- Mom & Pop Stores.

Imported products usually don't reach the open markets that exist mostly in rural areas where the lower income segment of the population lives.

Trend in distribution channels:

Although small mom& pop shops will continue to play a major role in the food distribution in the medium term, supermarkets are likely to continue to grow because of:

- A growing large base of western-minded consumers.
- A growing middle class where both parents are working and less time is available for shopping for food.
- The aggressive promotion, the appealing prices and discounts, and the wide range of products offered by large supermarkets are likely to enlarge the consumer base by attracting even lower-income consumers.
- The increasing acceptance by the Moroccan consumer of processed and packaged products. Many products traditionally sold in bulk are now readily purchased in packages.

Trend in services offered by retailers:

The largest supermarkets that opened recently allocated a relatively large space for ready-to-eat food, which is rather unusual in Moroccan supermarkets. Also, recently opened supermarkets have banks in their enclosure as well as some of the very successful European and US franchises for fast food, textiles, shoes, quick car repairs, gas stations, etc.

Internet sales of food products to consumers are not yet offered in Morocco.

Number and Type of Retail Outlets:

Type of Store	Estimated Number	Identified supermarket locations
Large Supermarkets stores (Including Independent) 12-32 registers	16	Casablanca-5, Rabat-4, Marrakech-2, Agadir-2, Fes-2, Tanger-1.
Small Supermarket: 1. Small Supermarket (> 3 registers, >3500ft^2)	40	Casablanca-18, Rabat-7, Agadir-4, etc.
2. Small Self-Service Grocery Stores (2 registers, > 1000ft^2)	170	Casablanca-70, Marrakech-15, Rabat-10, Agadir-7, Meknes-6, etc.
Convenience Stores (Gas-Marts)	20	Marrakech, Casablanca, Agadir, Rabat and high ways.

Mom & Pop Stores		
1. 1000 ft^2	500	
2. 226 - 1000ft^2	4,500	
3. Less than 226ft^2	40,000	Estimated 13,000 in Casablanca

Source: Importers, Agricultural Affaires Office, Rabat

Advantages	Challenges
31 million Moroccan 10 percent can repeatedly afford to buy imported products.	45 percent in rural areas. Limited purchasing power in small cities and rural areas.
Morocco is negotiating a free trade agreement with the US. US is likely to become competitive for many supermarket food products.	Currently, high duties on imported products.
Western-minded youth. Developing middle class. More women working outside the home.	Promotional activities very difficult in traditional outlets.
Most importers are in Casablanca.	Relatively small volume involved even in large supermarkets.
There are very progressive and marketing oriented importers.	Modern independent supermarkets require an entry fee for each new product.
Fast growth of modern distribution channels. More supermarkets are expected to open in the near future.	Proximity of Europe to Morocco: - Imports of small quantities are economically feasible. - EU is a traditional supplier. - EU suppliers are more aggressive in this market.
Growing perception that supermarkets offer safer and cheaper products.	The largest independent supermarket has an arrangement with the French Chain *Auchan* to supply a wide variety of food and non food products.

SECTION II. ROAD MAP FOR MARKET ENTRY

A1. Large Retail and Wholesale Supermarkets

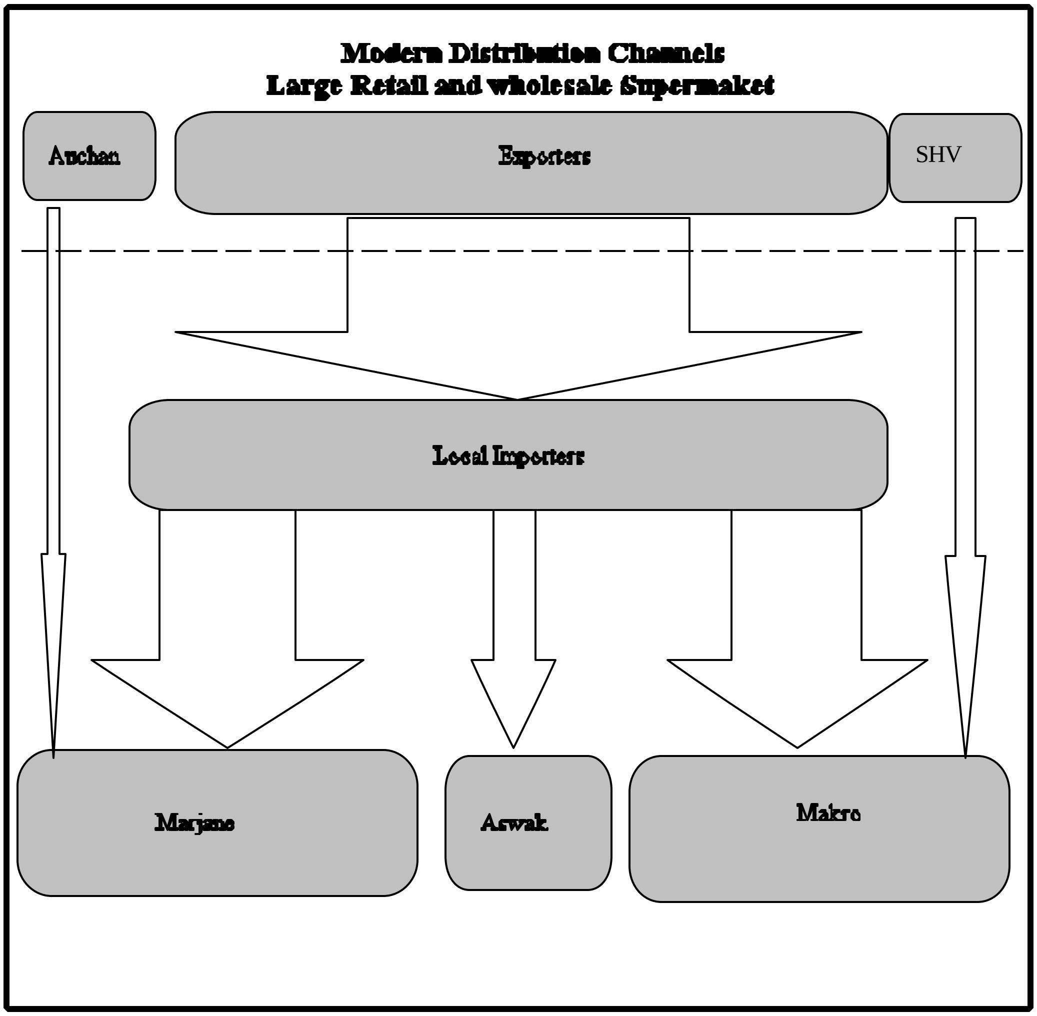
Included in this category are stores of a minimum of 40,000 ft^2 (up to 75,000ft^2), having between 12 and 34 registers, and over 250 employees. The supermarket ground usually has many private shops including pharmacists, fast-food chains, amusement centers, and in most cases gas stations. These stores have large parking lots that can fit up to 1,000 cars. These supermarkets are at not at walking distance which is likely to restrain the consumer base to medium-high class consumers.

Entry Strategy

The best way to introduce new products to these supermarkets is to go through local importers because :

- Many have long experience and direct relations with supermarkets. Thus, they are in much better position to negotiate space and promotional events.
- They have their own distribution fleet.
- They carry out promotional activities regularly in these stores.
- They supply smaller supermarkets as well. Introducing a product for sale only in these supermarkets is not likely to be economically feasible because of the relatively small volume involved.
- Supermarkets might only work with well established importers and might import only through their buying boards in Europe (*Makro*).

Market Structure



Source: Agricultural Affairs Office

Local importers are the major suppliers of imported food to large supermarkets in Morocco. Purchases by these supermarkets are normally concentrated in their headquarters in Casablanca (*Marjane* and *Makro*) and Rabat (*Aswak*).

On January 2001, the international supermarket chain, *Auchan*, took control of 49 percent of the local supermarket Chain *Marjane*. This agreement is expected to result in *Auchan* being more involved in managing *Marjane* stores but also in increased imports of food products through *Auchan* in France. Following its arrangement with *Auchan*, sources indicated that *Marjane* is likely to open a large number of outlets over the next five years.

The cash&Carry wholesale supermarket chain, *METRO (Formerly Makro)*, occasionally imports food products directly through their headquarter in Europe and sometimes use their own brands such as "norm" and "aro".

Company Profiles

Retailer Name	Ownership	Estim. Sales ($Mil.)	Nb of Outlets	Locations Nb of stores	Purchasing Agent type
Marjane	Local Multinational *Auchan*	50	8	Casablanca-2, Rabat-2, Marrakech-1, Agadir-1, Tanger-1, Fes-1	Through local importers. Occasionally through *Auchan* buying office.
Metro (formerly Makro) wholesale Cash and Carry	Dutch (SHV)	50	5	Casablanca-2, Rabat-1, Fes-1, Agadir-1	Through local importers. Occasionally imports directly through headquarter in Europe and under own labels.
Aswak Assalam	Local	30	2	Rabat-1, Marrakech-1	Local importers.

The retail independent store *Marjane* first opened in Morocco in the early 1990's and were launched by Morocco's largest consortium of private companies, ONA (Omnium Nord African). These supermarkets are very modern and are comparable to ones in the U.S. They are usually visited by high income consumers and thus are suitable for sale of imported food products. *Marjane* is expected to open a new supermarket in Tanger during next spring.

An additional supermarket store, *Aswak Assalam*, comparable to *Marjane* stores, opened in Rabat in 1998. The store has had great success and is a good outlet for imported products. It just opened one more outlet in Marrakech but is unlikely to displace *Marjane*.

The wholesale cash and carry independent, *Metro (formerly Makro)*, also started in the early 1990's, and today has 5 stores. It is a subsidiary of the German *Metro* chain. A membership card is required to purchase from these stores which are usually dedicated to large size and bulk sales.
Although *Makro* targets primarily retailers, today many individual consumers manage to have an access card and are buying on a regular basis from these stores, which started offering smaller bulk packaging.

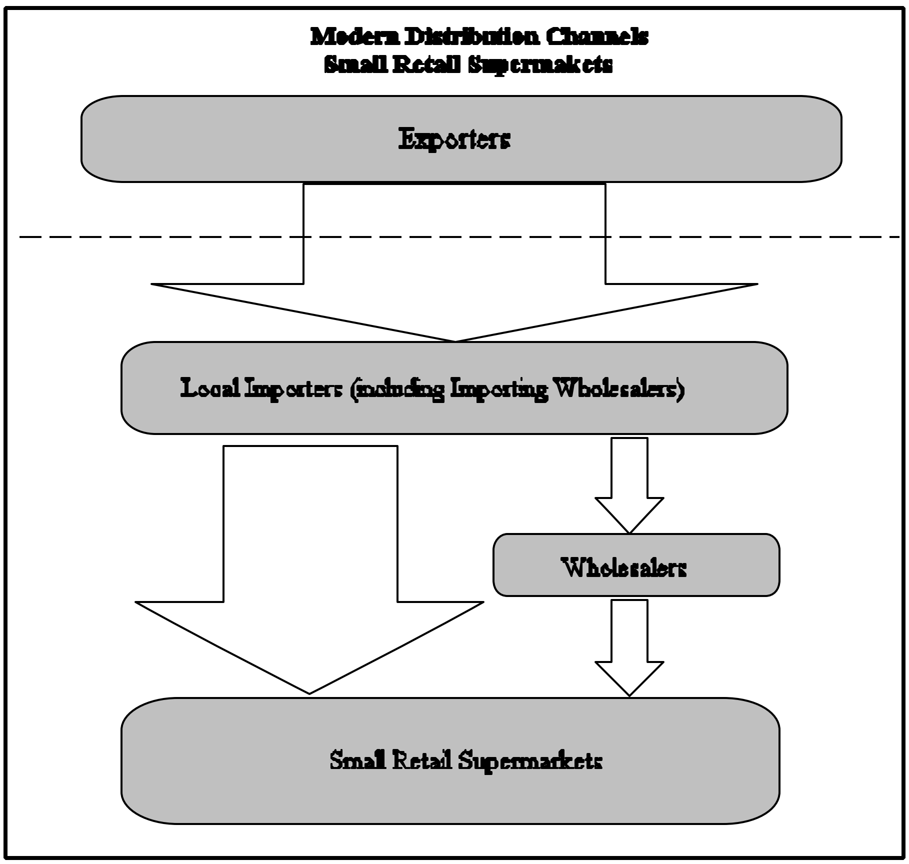
A2. Small Retail Supermarkets

Entry Strategy

Typically, supermarkets in this category don't get involved in direct imports because of the small volume involved. However, some supermarket that belong to the same group are expected to rely increasingly on a purchasing board to cut down their costs. Importers will still play a major role to introduce new products to these supermarkets because :

- Many have long experience in this market and have agents that work on a regular basis with these supermarkets and are in a better position to negotiate space and promotional events
- They have their own distribution fleet.
- They carry out promotional activities regularly in these stores.

Market Structure



Source: Agricultural Affairs Office, Rabat

U.S. exporters will find it very difficult to sell directly to these small supermarkets because of the small volume involved. Virtually all these supermarkets buy imported goods from importers. The importers have sales agents visit with supermarkets regularly to take orders and convey them to their main offices. Eventually, the importer's trucks and utility cars deliver the imported goods to the supermarkets.

In addition, the small self-service stores may also purchase from local wholesalers if the quantities involved are very small. Both importers and wholesalers provide credits to supermarkets. Typically the importer's agents deliver the imported products to the supermarkets in small vans (panel trucks) or trucks.

Last year, a local company that has owned 3 supermarkets in Rabat invested heavily in renovating its outlets and image and acquired the recently opened Dutch supermarket *Supersol-Superdiplo* (2 outlets). This chain is likely to become involved in imports through a buying board in the medium term.

Company Profiles

Retailer Name	**Owner-ship**	**Estim. Sales ($Mil.)**	**Nb of Outlets**	**Locations**	**Purchasing Agent type**
Small Supermarket (> 3 registers, >3500ft^2)	Local	3	25	Casablanca-14, Rabat-6, Agadir-3, etc.	Importers
Small Supermarket independent (*Acima*) (6 registers, > 3500ft^2)	Local	3	8	Casablanca, Rabat	Importers, Buying Board
Small Supermarket independent (*Label Vie*) (6 registers, > 3500ft^2)	Local	3	5	Casablanca, Rabat	Importers, Buying Board
Very Small Supermarket (self service, > 1 register, < 1000ft^2)	Local	0.2 - 1	180	Casablanca-68, Marrakech-13, Rabat-12, etc.	Importers Wholesalers

Source: Importers, Agricultural Affairs Office, Rabat

The first 3 groups (small supermarkets) are much smaller than *Marjane* but have a minimum of 3,500 ft^2 and 3 to 6 registers. These stores offer a wide variety of products including non- food items. The largest stores in this category sale also house appliances. Typically these supermarkets include butcher shops, sell frozen products and alcoholic beverages, and have relatively limited parking space.

Acima supermarket chain has opened 8 supermarkets over the past 3 years and is expected to open even more in the future. These supermarkets are owned by the ONA group (that owns *Marjane* chain) and is likely to become the leader in Morocco in this market segment because of the financial strength of ONA.

The first supermarket of this category opened in the early 1980's. These Supermarkets are located within walking distance to medium to high income neighborhoods. These supermarkets are appropriate outlets for imported products since they are frequented by medium-high income consumers and could be used to carry out promotional activities such as tasting, etc.

The very small supermarkets (self service) would be similar to small grocery stores in the US. They usually sell a much smaller number of items and brands and a smaller percentage of imported products.

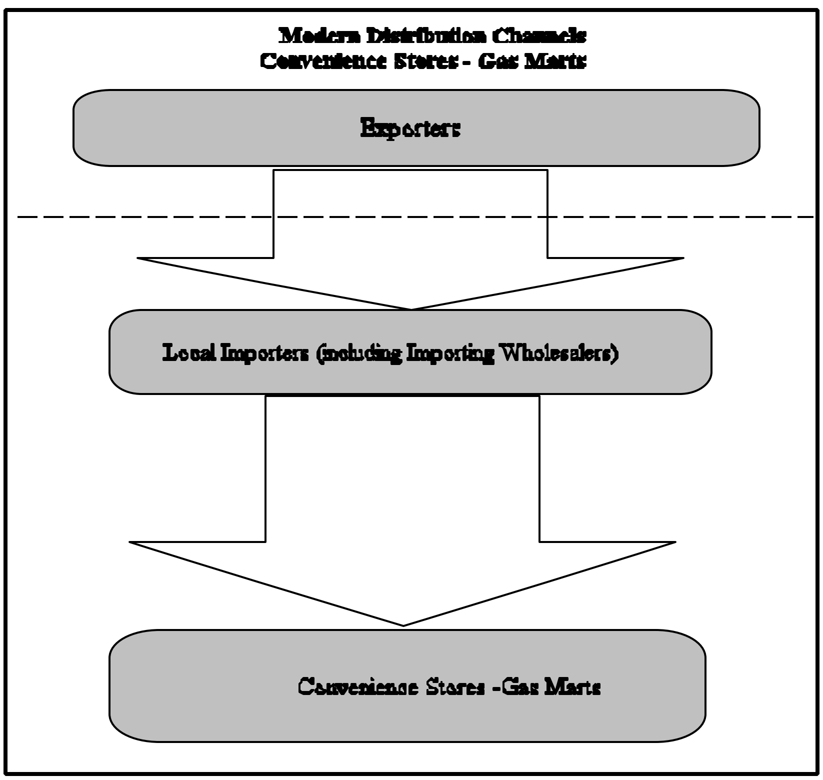
B. Convenience Stores, Retail and Wholesale Supermarkets

Entry Strategy

Stores in this category don't get involved in direct imports because of the small volume involved. The only way to introduce new products to these stores is to go through local importers because :

- Many have long experience in this market and have agents that work on a regular basis with these supermarkets.
- They have their own sale agents and distribution fleet.
- They carry out promotional activities regularly in these stores.
- Introducing a product for sale only in these convenience stores is not likely to be economically feasible because of the relatively small volume involved.

Market Structure



Source: Agricultural Affairs Office, Rabat.

Company Profiles

This category includes mostly gas-marts of 500 to 3,300 ft^2 with one electronic register and carrying mostly convenience food.

The first store of this category opened in early 1990's. More and more gas distributors are including this service in their best located (near exit of the major cities) gas stations. This segment is likely to continue to develop in the future. These stores are usually more expensive and carry a large number of imported convenience items.

Retailer Name	# of Outlets	Location	Purchasing Agent
Afriquia Gas Stations *Mini-Brahim*	12	Casablanca, Marrakech, Agadir, Meknes, highways	Importers
Mobile Gas Stations *On the Run / Mobile Mart*	4	Casablanca, Rabat, Marrakech	Importers
Shell Gas Stations	2	Casablanca, highway	Importers
Somepi Gas Stations	3	Highway	Importers

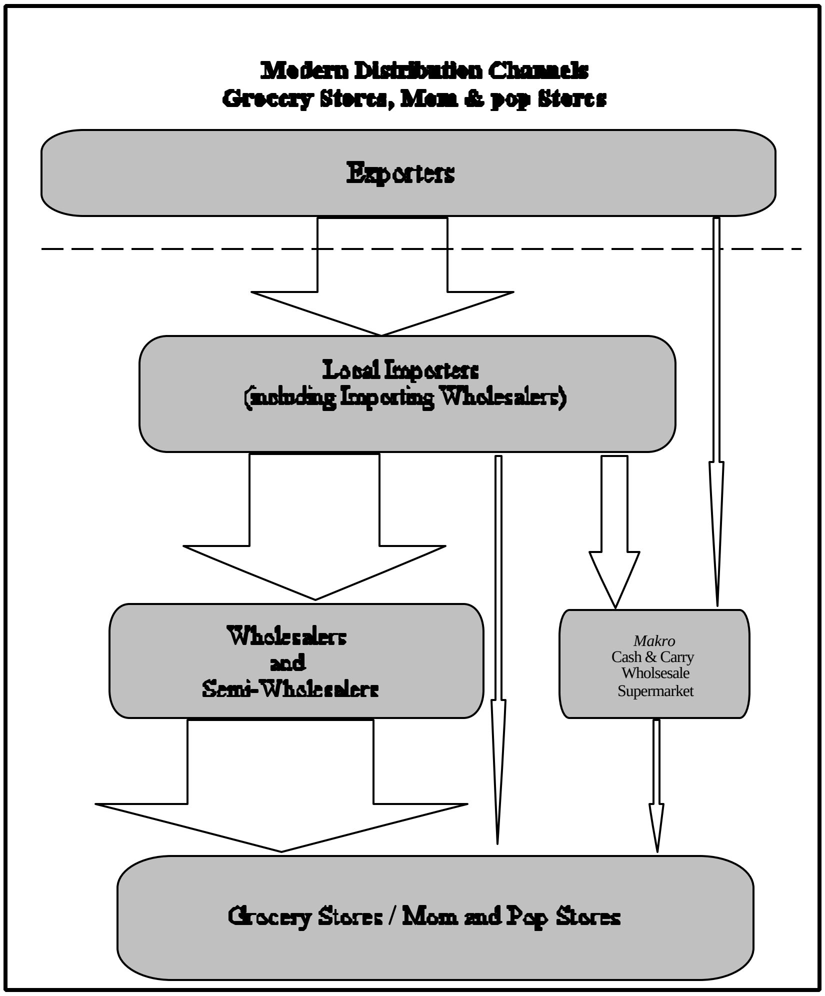
Source: Agricultural Affairs Office

C. Traditional Markets - "Mom & Pop" Small Independent Grocery Stores.

Entry Strategy

To reach these small mom & pop stores, imported products will have to go through importers and very likely wholesalers. The quantities involved are too small and imported food products are sold only in larger shops or in shops that are located in medium to high income neighborhoods.

Market Structure



Source: Agricultural Affairs Office, Rabat.

Company Profiles

This category includes an estimated 45,000 grocery stores that are not in the above categories. Their size varies from less than 226 ft^2 (estimated 40,000 stores) to 1,000 ft^2 (500 stores). This shops have limited financial resources and are typically managed by one person. The consumer cannot serve himself in this store because the goods are behind a counter. Therefore, the shop owner plays a major role in introducing new brands to the consumer.

These shops are literally packed with a wide range of convenience and relatively low price food and non food items. Depending on the location and size, some of these stores may have some imported products. Many of these stores in the cities have a refrigerator and a very small number have ice cream freezers. Convenience, proximity and credit to the final consumer are their strongest assets.

SECTION III. COMPETITION

Morocco will be signing a free trade agreement with the U.S. that should reduce the duties significantly on imported food products and open new opportunities for U.S. exporters.

Locally produced goods continue to account for the largest share of food products sold in local retail outlets. Imported consumer-oriented food products, because of their generally high price (high duties), are found mostly in supermarkets and grocery stores that are located in areas where people with higher income live. It is estimated that only about 10 percent of the population can afford to repeatedly buy imported products.

The local industry produces a relatively limited number of products that in many cases can hardly keep up with the high quality of the imported products put on the supermarket shelves every day.

Morocco imports each year about $170 million of high value products and the U.S. share has been less than three percent. Imports from the U.S. continue to be limited compared to Europe mainly because of the geographical distance between Morocco and the US, the absence of direct shipping lines, and the historical trade relations between Europe and Morocco. The long shipping time (up to 45 days because transit by Europe is necessary) excludes all short shelf life products from being exported to Morocco. Also, European exporters (particularly Spanish, German, France, and UK) have been very aggressive in penetrating this market.

SECTION IV. BEST PRODUCTS PROSPECTS

A Products present in te market which have good sales potential:

- Canned Fruit and Vegetables
- Sauces including hot, Asian, BBQ
- Salad dressings
- Confectionary
- Dried Fruits and Nuts
- Pop Corn
- Non Salted Butter
- Cereal Derivatives
- Pulses
- Biscuits, crackers
- Snack Foods, including diet snacks

B. Products Not Present in Significant Quantities but Which Have Good Sales Potential:

Cheese	High duties
Poultry Meat	High Duties
Flour mixes	High duties
Meat products	High duties

C. Products Not Present Because they Face Significant Barriers

Meat Cuts	High Duties, Hormone ban
Poultry meat	High duties

SECTION V. POST CONTACT AND FURTHER INFORMATION

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Reports that might be useful to U.S. exports of consumer-oriented food products to Morocco (can be found at website: http://www.fas.usda.gov):

Report	**Log Number**	**Date Issued**
Moroccan Food Standards & Regulations	MO2015	8/2/02
Exporter's Guide	MO2018	10/4/02
Trade Policy	MO2004	4/8/02
Promotion Opportunities	MO2017	10/4/02

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