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Morocco

Sugar

Annual

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Report Highlights:
Morocco's sugar production is expected to increase slightly as a result of the anticipated increase in sugar beet output. While sugar beet production may still increase in the future, production of cane is currently limited by the processing capacity. The GOM continues to set the retail prices and heavily subsidize the sugar at the retail level.

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

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Executive Summary

Morocco's sugar production is expected to increase slightly as a result of an anticipated increase in sugar beet output. While in the near future sugar beet production might increase back to more normal levels, sugar cane production will be limited by the cane processing capacity.

Unlike for the vegetable oil sector where retail prices have been recently completely liberalized and the retail subsidy phased out, Morocco still subsidizes heavily the sugar at the retail level. The liberalization of the vegetable oil sector is a clear indication that the GOM is willing to take out the heavy burden of the food subsidies if the liberalization does not imply an abrupt increase in retail prices for this staple commodity.

Production

Sugar Beet

Sugar beet production is expected to increase moderately because of the increase in planted area which is still slightly lower than the five year average. Farmers appeared to be more confident in planting sugar beet this year after last year's relatively good results. Also, the early and abundant rainfall during the planting season boosted planting in rainfed areas. Finally, the significant rainfall in the Northern part of Morocco (where most rainfed fields are located) should result in virtually all sugar beet fields being harvested this year.

Sugar Cane

Sugar cane production remains higher than the average of the last 5 years (0.9 MMT). However, The area planted to sugar cane is not likely to increase in the future because of the limited cane crushing capacity. For the second year in a row, cane mills have been running at 25 percent above the existing nominal capacity and have tried over the last few years to extend the processing season by encouraging farmers to harvest the canes earlier (as early as October compared to December normally). However, harvest of cane before December implies that farmers would have to postpone the harvest from one year to the fall of the following year which is not too appealing to farmers.

All sugar cane is irrigated and is produced in the Gharb (vicinity of Kenitra) and Loukkos (vicinity of Larach).

Farmers Support Prices

Although officially there are no support prices for beet and cane, minimum prices for beet and cane are negotiated between processing plants and farmers organizations. The price for sugar cane is 220 dirhams per metric ton ($20.66/MT). Producers in the Loukkos get an additional $3.76/MT of sugar cane as an incentive to grow cane. Sugar beet price are currently at 320dh/MT ($30/MT). Sugar beet producers in the Gharb and Loukkos get an additional $4.23/MT and producers in the Moulouya (vicinity of Berkane) get an additional $5.63/MT.

Consumption

Nearly half of Morocco's sugar production consists of 1 kilogram sugar cones. These cones are commonly used in rural areas where nearly half of the Moroccan population lives. Granulated sugar accounts for about 40 percent of the total sugar consumed in Morocco while large and small cubes account for 13 percent.

The GOM continues to subsidize consumption at the retail level, resulting in artificially low consumer prices. Also, the GOM sets consumer prices and wholesaler and retailer margins which results in a uniform price for refined sugar throughout the country. The GOM pays the sugar refineries a subsidy of 2,000 dirhams/MT ($188/MT) for refined sugar they put on the market regardless of the type of sugar (granulated, cubes, or cones) produced. The subsidy is believed to have resulted in Morocco having one of the highest per capita rates consumption of sugar in the world (over 30 kilograms).

The private sugar company refinery COSUMAR accounts for 70 percent of Morocco's sugar market and produces over 90 percent of the sugar cubes consumed in Morocco.

Trade

Sugar imports consist mostly of raw sugar to be refined locally. Over the last few years, there have been some imports of consumer-ready refined sugar but these are not expected to displace imports of raw sugar in any significant way. Raw sugar imports are made mostly by the private refinery COSUMAR.

During the past few years, Morocco started importing refined sugar to fulfill the local demand and compensate for the shortage caused by the workers'strikes at COSUMAR. Imports of refined sugar continued over last year and were mostly from France and Germany. Imported refined sugar (small cubes) is better packaged and is perceived as having a whiter color but it is sold at about 11dh/Kg which is nearly double the price of locally produced sugar and therefore is not accessible to the average Moroccan consumer.

Policy

While sugar imports have been liberalized since 1996, sugar prices at the retail level are still fixed by the GOM at an artificially low level. Sugar refineries have been complaining about the reluctance of the GOM to liberalize retail prices of sugar. Presumably this would allow the refineries to compete for quality and pass on the fluctuations in world prices of sugar to the consumer. On November 2000, the GOM completely liberalized the heavily subsidized vegetable oil sector and dropped the retail subsidy on vegetable oil. While the GOM has a clear policy to liberalize its economy and phase out the heavy burden of all food subsidies, it is reluctant to make any change that would cause an abrupt change in the retail prices and might result in social unrest.

Privatization of Beet and Cane Processing Plants

The privatization of the sugar beet and cane processing mills has been facing serious difficulties because these mills have been making no profits for several years and some have had excessive number of employees. Over the last three years, sugar beet and cane processing companies have merged and formed three major groups in order to optimize the use of companies' resources and cut down their production costs:

- SUNABEL Group, includes 4 beet producers in the area of Gharb and Loukkos.
- SURAC Group, includes 3 sugar cane processing companies in the Gharb and Loukkos
- SUTA Group, includes 3 sugar beet processing companies in Beni Mellal area.

The GOM has merged some companies in order to improve their productivity and make them more appealing to potential buyers. Currently, the GOM has announced no final agenda for privatization. However, it seems that four plants (SUTA, SURAC, CUCRAFOR, and SUNABEL) are the best candidates for privatization.

PSD Table						
Country	Morocco					
Commodity	**Sugar Beets**			(1000 HA)(1000 MT)		
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		05/1999		05/2000		05/2001
Area Planted	64	64	54	54	0	58
Area Harvested	61	61	50	53	0	58
Production	3223	3223	2900	2824	0	3000
TOTAL SUPPLY	3223	3223	2900	2824	0	3000
Utilization for Sugar	3223	3223	2900	2824	0	3000
Utilizatn for Alcohol	0	0	0	0	0	0
TOTAL UTILIZATION	3223	3223	2900	2824	0	3000

PSD Table						
Country	Morocco					
Commodity	**Sugar Cane for Centrifugal**				(1000 HA)(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Area Planted	22	22	22	22	0	21
Area Harvested	17	17	18	18	0	18
Production	1372	1373	1200	1200	0	1320
TOTAL SUPPLY	1372	1373	1200	1200	0	1320
Utilization for Sugar	1372	1373	1200	1200	0	1320
Utilizatn for Alcohol	0	0	0	0	0	0
TOTAL UTILIZATION	1372	1373	1200	1200	0	1320

PSD Table						
Country	Morocco					
Commodity	Centrifugal Sugar				(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Beginning Stocks	258	258	225	223	175	243
Beet Sugar Production	374	374	360	378	0	400
Cane Sugar Production	126	126	115	145	0	145
TOTAL Sugar Production	500	500	475	523	0	545
Raw Imports	450	457	460	492	0	450
Refined Imp.(Raw Val)	7	8	5	5	0	5
TOTAL Imports	457	465	465	497	0	455
TOTAL SUPPLY	1215	1223	1165	1243	175	1243
Raw Exports	0	0	0	0	0	0
Refined Exp.(Raw Val)	0	0	0	0	0	0
TOTAL EXPORTS	0	0	0	0	0	0
Human Dom. Consumption	990	1000	990	1000	0	1000
Feed Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	990	1000	990	1000	0	1000
Ending Stocks	225	223	175	243	0	243
TOTAL DISTRIBUTION	1215	1223	1165	1243	0	1243

Import Trade Matrix, Morocco			
Commodity	**Centrifugal Sugar**		
Time period	CY 1999	Units: Metric Tons, Raw	
Imports for:	2000		2001
Others		Others	
Brazil	297300		
South Afr.Rep.	80000		
Thailand	25000		
Columbia	21000		
Guatemala	20000		
El Salvador	14000		
France	7780		
Total for Others	465080		0
Others not Listed	520		
Grand Total	465600		0