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Morocco

Grain and Feed

Update - Tariff Change for Wheat and Durum 2005

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Report Highlights:

Morocco increased its import duties on wheat and durum. Duties on durum wheat imported during June-July period were set at prohibitive level to prevent imports during these months. Since the FTA is not likely to come into effect before January 2006, the recent increase in wheat duties will greatly benefit the EU, which will enjoy preferential duty rates on a 1.0 million metric ton quota.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Rabat [MO1]
[MO]

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Morocco increased its customs tariffs for wheat and raised its duty on durum to a prohibitive level during June and July to prevent imports. The Government might decide to lower the duty on wheat during the fall when Morocco starts importing regularly to compensate for the low production this year.

Since the FTA is not likely to enter into force before January 2006, the EU will enjoy preferential access for a maximum TRQ of 1.0 MMT during August 2005-May 2006 Marketing Year. EU TRQ depends on Morocco's production and will be at its maximum during the next marketing year. The EU wheat will enter Morocco at a preferential rate of 64.98 percent ad valorem compared to the new rate of 115 percent applied to other suppliers including the United States (see table below).

Increase in Durum tariff during June-July

The Moroccan government changed its tariffs for bread wheat and durum wheat and created new harmonized category to break up the durum wheat imported into two categories:

- Durum wheat imported during June 1 - July 31.
- Durum wheat imported during August 1 – May 31.

The new base duty for durum wheat imported during June and July is prohibitive and is clearly meant to prevent imports of durum wheat during this period.

Under the US-Morocco FTA, there is a TRQ for 250,000 MT of durum wheat scheduled to increase gradually by 10,000 MT a year. The TRQ is not to be used during the period of June-July of each year (during Moroccan harvest time), except when Morocco imports durum wheat from other origins. If Morocco imports wheat from any other trading partner during these two months, then, provided the quantity does not exceed the 250,000 MT quota (in year 1 of the FTA), the US durum is subject to the preferential rate agreed upon in the FTA (reduced to 75 percent of the base rate during the first four years, then a complete phase out of duties by year 10 of the agreement).

By increasing significantly the duty on durum wheat entering Morocco during June and July, the government eliminates the chance of imports of durum during these months which would have paved the way for US durum to be imported during the June-July period at preferential rate within the maximum allocated quota for each year (Annex IV, Note 9-b-1 of the US-Morocco FTA).

When the FTA comes into effect, the Cereal Office (ONICL) will be issuing tenders for U.S. durum wheat to be imported at the preferential rate. Thus, in the short term, ONICL has control on the arrival dates of the US wheat imported at preferential rates. In the long term however, if for one reason or another, the TRQ allocation by auction is dropped in favor of the first come –first serve system, the government will have no control on the date of delivery and could import US durum wheat at preferential rates during Moroccan harvest time. Currently, Morocco has no farmers support price for durum wheat and local industrials tend to prefer using better and more consistent quality, and likely more cost effective imported durum. The local durum wheat marketing issue will be more acute during bumper crop years.

For non-durum wheat, the United States will not benefit from the preferential rate during June and July regardless of whether imports from other countries occur or not and thus disturbance of the local market by relatively cheap imports during June and July is not likely. In addition, non-durum wheat tends to be marketed more effectively through the official channels because of the minimum support price guaranteed to farmers.

The table below provides a comparison of the old and new tariffs for wheat and durum:

Harmonized Code	Commodity	Old Base Rate* % ad valorem	New Base Rate % ad valorem	Effective Date
10011090	Durum Wheat	95		June 2004
1001109010	Durum Wheat, Other, From June 1 to July 31		170	1-Jul-05
1001109090	Durum Wheat, Other, From Aug.1 to May 31		95	1-Jul-05
10019090	Other Wheat	100		June 2004
1001909010	Other Wheat, "soft=non durum" wheat		115	13-Jun-05
1001909090	Other Wheat		115	13-Jun-05

Source: Decree 2-05-958 (Official Bulletin 5325 June 13, 05)

Note: * the base duty is applied to part of the price less or equal to 1,000 dh /MT. Part of the price above 1,000 dh /MT is subject to 2.5% (Indicative exchange rate 9.0 dh/MT)

Wheat (other than durum)

The base duty for non-durum wheat has been increased from 100 to 115 percent but the government could lower it back down during the fall when Morocco starts importing wheat heavily to fulfill the local demand.

Since the FTA with the United States is not implemented, the increase of duty for wheat makes the US suppliers less competitive compared to the EU to supply the Moroccan wheat market through January 2006 (new target date for US FTA implementation). The EU has a quota of 1.0 MMT to fill by May 2006. If the US FTA is implemented in January 2006, there will be only 5 months left (January-May, before the next Moroccan crop comes into the market) to fill the quotas (0.7 MMT of wheat and .25 MMT of Durum).

Under the FTA, the United States, like the EU, has a 38 percent reduction of the base duty prevailing during the negotiations (135% ad valorem) and in order to maintain its preferential access when the base duty varies, the reduction granted to the United States is increased by 0.275 for each point of decrease of the base duty. The table below provides data on the new preferential duty for non-durum wheat if the FTA had been implemented.

Prevailing Duty	Difference With 0.135 (Or 135%)	Apply 0.275 factor	New Reduction In Duty	Preferential Duty
(a)	(b)	(c) = 0.275x(b)	(d) = 38% + (c)	(a) - (d)
80.0%	0.550	0.151	53.13%	37.50%
90.0%	0.450	0.124	50.38%	44.66%
100.0%*	0.350	0.096	47.63%	52.38%
110.0%	0.250	0.069	44.88%	60.64%
115.0%**	0.200	0.055	43.50%	64.98%
120.0%	0.150	0.041	42.13%	69.45%
130.0%	0.050	0.014	39.38%	78.81%
135.0%***	0.000	0.000	38.00%	83.70%
140.0%	-0.050	-0.014	36.63%	88.73%
145.0%	-0.100	-0.028	35.25%	93.89%

Source: AgAtt Office based on data from EU and US agreements

(*) Base rate applied by Morocco since June 2004

(**) New Base rate applied by Morocco since June 13, 2005

(***) Base duty on which the base 38 percent reduction is applied.