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GAIN Report

Global Agricultural Information Network

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Morocco

Grain and Feed Update

2015 Grain and Feed Annual

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Report Highlights:

Post estimates total grain production at 11.5 million MT, including 5.6 million MT of common wheat, 2.4 million MT of durum wheat, and 3.5 million MT of barley. On April 9, 2015, the Government of Morocco (GOM) raised the custom duty on common wheat imports to 75 percent from 17.5 percent beginning May 1, 2015 until October 31, 2015 in order to protect the local harvest. For MY 2015/2016, post projects Morocco's wheat imports will total 2.8 million MT, about 33 percent lower than the quantities imported in MY 2014/2015. Common wheat imports are estimated at 2.3 million MT, durum wheat imports are forecast at 0.5 million MT, and barley imports are estimated at 0.3 million MT. The lower import forecast is supported by higher local surplus stocks.

Post:

Rabat

Executive Summary:

For MY 2015/2016, Morocco total grain planted area is estimated at 5.02 million HA, about 11 percent more than last year. Wheat planted area is estimated at 3.2 million HA, and barley planted area is estimated at 1.6 million HA. The abundant rain in January eliminated deficits in moisture that developed earlier at the beginning of the growing season, allowing satisfactory crop development in major production areas. Furthermore, indications are that farmers are planting more and more certified seeds along with certified fertilizer which result in higher yields.

Moroccan Ministry of Agriculture announced the official grain production forecast for the MY 2015/2016 at 11.5 million MT, which was 69 percent higher compared to production in the previous season. The common wheat production is estimated at 5.6 million MT, durum wheat estimated at 2.4 million MT, and barley forecasted at 3.5 million MT. The grain production is strongly correlated with rainfall and the use of certified seeds. The production was in line with the target set in the Green Morocco plan (GMP)

Morocco relies heavily on wheat imports from the international market to cover its consumption needs. Morocco's cereal imports in MY2015/2016 are forecast at 3.1 million MT, 20 percent down on MY 2014/2015, of which wheat imports estimated at 2.8 million MT and barley imports was estimated at 0.3 million MT. EU and Black Sea countries supply most of the common wheat, while Canada is the traditional supplier of durum wheat. Lower import forecast is supported by higher local surplus stocks. The Government of Morocco (GOM) raised the custom duty on common wheat imports to 75 percent from 17.5 percent from May 1, 2015 until October 31, 2015 to protect the local harvest.

Wheat consumption per capita in Morocco is estimated at 258 kg annually, which is among the highest in the world. In the past decade, consumption has been driven by rising population coupled with diversification of bread products, this is especially the case in major cities where the higher income population tends to concentrate. Total Moroccan wheat consumption is estimated at 8.7 million MT with about one third supplied by imports. Barley is consumed mostly as animal feed in Morocco, with total consumption roughly estimated at about 3 million MT per year. The Moroccan Government continues to subsidize more than one million MT of common wheat flour commonly known as national flour presumably to make flour available to the low-income consumers.

Production:

The MY 2015/2016 area planted to grain was accompanied by excellent rain in the production areas. Grain plantings completed under adequate conditions throughout the country. Morocco's total grain

planted area (common wheat, durum and barley) for MY 2015/2016 is estimated at 5.02 million HA, about 11 percent more than last year. Wheat planted area is estimated at 3.2 million HA, and 1.6 million HA of barley. Abundant rain in January eliminated deficits in moisture that developed earlier at the beginning of the growing season, allowing satisfactory crop development in major production areas. Furthermore, indications are that farmers are planting more and more certified seeds along with certified fertilizer which result in higher yields.

For MY 2015/2016, Moroccan Ministry of Agriculture announced the official grain production forecast at 11.5 million MT, which was 69 percent higher compared to production in the previous season, the common wheat production is estimated at 5.6 million MT, durum wheat estimated at 2.4 million MT, and barley forecasted at 3.5 million MT. The grain production is strongly correlated with rainfall and the use of certified seeds. The production was in line with the target set in the Green Morocco plan (GMP). The below table shows the breakdown of Morocco's grain production by marketing year.

Table 1: Morocco's grain production in million MT.

Marketing Year Crop	Durum Wheat	Common Wheat	Total. Wheat	Barley	Total Production
2009/2010	2.1	4.3	6.4	3.8	10.2
2010/2011	1.6	3.2	4.8	2.5	7.4
2011/2012	1.8	4.1	6.0	2.3	8.3
2012/2013	1.1	2.7	3.8	1.2	5.0
2013/2014	1.9	5.1	7.0	2.7	9.7
2014/2015	1.4	3.7	5.1	1.7	6.8
2015/2016	2.4	5.6	8.0	3.5	11.5

Source: Ministry of Agriculture data.

Government support for cereal production:

The Moroccan government encourages farmers to use certified seeds by providing 40 to 60 percent of the cost. Moroccan farmers are increasingly using certified seed, which currently represents almost 60% of total seed use. Certified seeds provided under this program are part of the Green Morocco plan (GMP) with a stated goal of reaching 280,000 MT by 2020. One of the main objectives of the GMP is to improve the use of certified seed and to secure its domestic market supply, 150 million dirhams was invested to upgrade the infrastructure and organization of the National Seeds Marketing Company (SONACOS), 120 million dirhams financed by the government and 30 million dirhams by SONACOS. Other measures to support grain production include subsidies for farm machinery purchases and irrigation equipment that range from 30 to 70 percent of the purchase cost and subsidization of soil testing to optimize fertilizer usage.

In May 6, 2015, the Moroccan Ministry of Agriculture signed a financing agreement with GCAM (Groupe Credit Agricole Bank) to finance Morocco's Agricultural Cooperatives for collecting cereal crop in 2015. This agreement is the establishment of the GCAM a specialized financing lines to cover the cost of purchase and storage of common wheat collected by national cooperatives.

Consumption:

Wheat

Wheat consumption per capita in Morocco is estimated at 258 kg annually, which is among the highest in the world. In the past decade, consumption has been driven by rising population coupled with diversification of bread products; this is especially the case in major cities where the higher income population tends to concentrate. Common (bread) wheat is a politically and socially sensitive commodity in Morocco. The government devised a mechanism by which bread wheat prices have been successfully maintained at low levels and the government treasury has supported the difference in costs. The Moroccan Government continues to subsidize more than one million MT of common wheat flour commonly known as “national flour” presumably to make flour available to the low-income consumers. The distribution of the subsidized flour is subject to heavy government control at all levels. The government has set up all processing parameters including the extraction rate, extraction margin, ex-mill prices, wholesale and retail prices. The wheat (whether local or imported through the national cereal office’s tenders) enters flour mills at the same price 2,800 DH/MT for the standard quality and the government supports the difference. The government, however, does not get involved in marketing and pricing of durum wheat in the local markets. There are about 154 common wheat industrial processing mills in Morocco with a capacity of about 10 million MT and about 34 specialized on durum wheat with a capacity of 1.16 million MT, and 12 specialized on barley with a capacity of about 0.3 million MT. In addition, there are literally thousands of traditional small family-run wheat processing mills located mostly in small towns and rural areas. The wheat mills capacity is generally underutilized which has opened an opportunity for the wheat millers to process wheat for exports, especially to African countries (see export section). U.S. wheat is viewed by many Moroccan millers as an “enhancer” of flour performances, and hence some quality oriented mills have been buying it.

Barley

Barley is consumed mostly as animal feed in Morocco, with total consumption roughly estimated at about 3 million tons per year. The consumption fluctuates heavily depending on pasture conditions. Sheep production is most dependent on pasture lands with farmers using barley grain as a secondary provision. Barley is also used in the feed processing sector for cattle and dairy production. In 2015, barley prices registered a downtrend compared to 2014. Feed barley prices in the local market were estimated at 2,590 dirham per MT (\$266), about 7 percent less than imported barley.

Trade:

Post estimates that total cereal imports for MY 2015/16 will reach 3.1 million MT with wheat imports at 2.8 million MT and barley imports at 0.3 million MT. To alleviate the impact of international prices on domestic market and to keep the price of common wheat around 2,800 dirhams per ton (\$287), the GOM raised the custom duty on common wheat imports to 75 percent from 17.5 percent starting May 1, 2015 until October 31, 2015 to protect the local harvest.

Wheat

Morocco has become one of the world’s major wheat importers in recent years. Morocco’s imports of common and durum wheat tend to fluctuate from year to year reflecting the swings in local production. Provided minimum specifications, Morocco remains a price oriented market and importers must compete with the cheaper origins

According to Moroccan official data, imports of wheat (common and durum) reached 3.9 million MT in MY 2014/2015. These imports include 3.33 million MT of common wheat and 0.57 durum wheat. The United States remained almost absent from the wheat market for the fourth year in a row.

Table 2: Morocco’s Common and Durum Wheat imports by Marketing Year in 1000 MT.

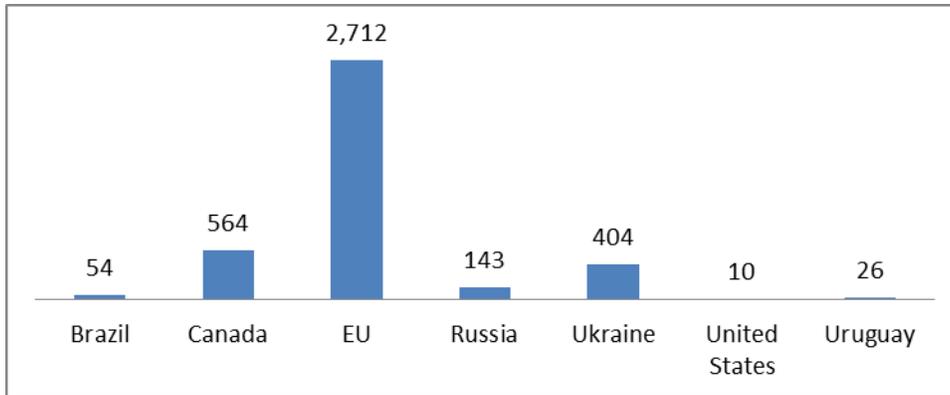
Marketing Year	MY 2009/2010	MY 2010/2011	MY 2011/2012	MY 2012/2013	MY 2013/2014	MY 2014/2015
Durum	544	755	660	649	701	577
Common	1,759	3,223	2,535	3,165	3,212	3,335
Total Wheat imports	2,303	3,978	3,195	3,814	3,913	3,912

Source: Official Moroccan Trade

Morocco’s durum wheat imports were supplied solely by Canada. In general, the EU wheat suppliers have a competitive edge over U.S. suppliers because of their proximity to the Moroccan market and their ability to export the small size shipments desired by the Moroccan buyers. In addition, the EU has larger wheat TRQs under the Morocco-EU free trade agreement. However, recently Black Sea suppliers have been gaining ground compared to EU competitors.

For MY 2015/16, Post projects Morocco’s wheat imports will total 2.8 million MT, about 33 percent lower than the quantities imported in MY 2014/15. Common wheat was estimated at 2.3 million MT, durum wheat was forecasted at 0.5 million MT, the lower import forecast is supported by a higher local surplus stock.

Figure 1: Morocco wheat import by country of origin for the MY 2014/2015* (in 1000MT)

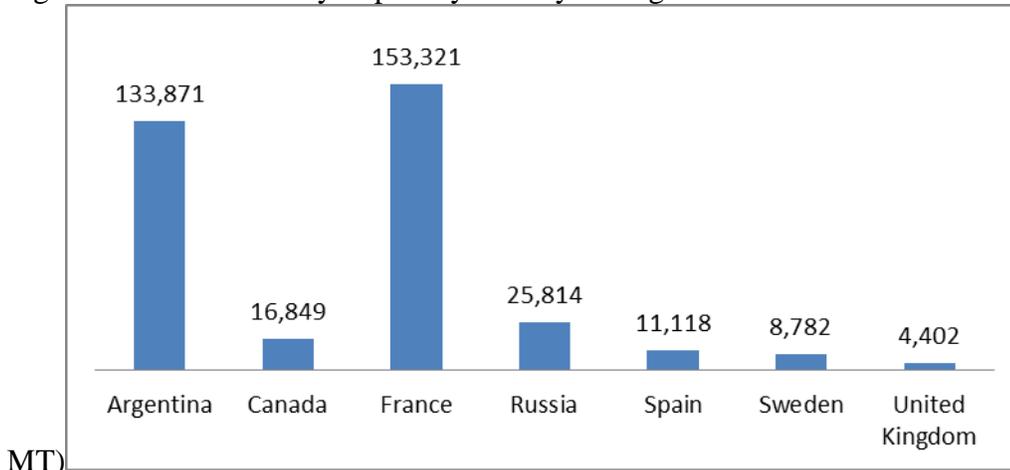


Source: Customs office/ * Latest available data.

Barley

Morocco's local barley production normally covers about 80 to 90 percent of its domestic demand with imports making up the rest. From June 2014 to February 2015 and according to Moroccan Office of Cereal and Pulses (ONICL), Morocco imported 235,624 MT, a decrease of 2.5 percent, compared to the same period in the previous year. France supplied about 88 percent of Morocco's barley imports for the mentioned period. For MY 2015/16, Post projects Morocco's barley imports will be at 300,000 MT, about 33 percent lower than the previous marketing year, the import forecast is supported by a higher local surplus stock.

Figure 1: Morocco barley import by country of origin for the MY 2014/2015* (in



MT)

Source: Customs office/ * Latest available data

Moroccan Flour Export:

Although Morocco is a net importer of wheat, it exports limited quantities of wheat flour to neighboring African countries. Morocco's wheat flour exports reflect the excess milling capacity in the industry; hence, millers have been able to process wheat cheaply for export destinations.

Table 4: Morocco's Wheat Flour Exports by Destination (in 1,000 MT)

Marketing Year	Quantity		
	2012/2013	2013/2014	2014/2015*
Guinea	30,804	27,257	22,230
Angola	11,920	18,55	69,60
Chad	10,95	5,00	5,00
Equatorial Guinea	0	0	0,1
Cote d Ivoire	0	0,46	0
Guinea-Bissau	0	0,23	0
Mali	0	0	0
Senegal	0,46	8,99	0
Sierra Leone	0	50	0
Spain	0,16	0	0
Total	43,881	30,631	29,700

Source: GTAS *Data until May 2015

Stocks:

Grain stocks held by farmers fluctuate significantly in Morocco, and they are very difficult to assess. Stocks held by agents licensed by ONICL, including grain merchants, cooperatives, processors and government managed port silos, are normally known. The stocks of cereals held by operators and reported to ONICL reached about 1.87 MMT at the end of January 2015, of which 1.23 MMT was common wheat.

Table 5: Morocco's Grain Stocks by Shareholder by the end of January 2015 (in 1,000 MT)

Commodity	Grain Merchants	Cooperatives	Millers & Processors	Port silos	Total
Common wheat	72	20	470	40	1,230
Durum wheat	50	-	50	70	170
Barley	50	-	10	50	110
Corn	70	-	-	180	340
Total	900	20	520	350	1,870

Source: Moroccan Cereal Office

Storage facilities and port handling

A large silo facility with a storage capacity of 42,000 MT and discharging capacity of 16,000 MT/day that was built by a private Moroccan investor in JorfLasfar port in 2008 is now fully operational. This facility contains two 400 MT/hour screw conveyors and a conveyor belt with a capacity of 800

MT/hour. The JorfLasfar port currently has the deepest berth (12 meters) of all grain docks in Morocco and is capable of handling grain ships with loads up to 40,000 MT. Another private sector silo with a storage capacity of 66,000 MT (operational capacity of 55,000 MT) was built by a Moroccan company in the port of Casablanca. This facility expanded the total capacity of the Casablanca Port to 110,000 MT.

Policy

Morocco imposes tariffs on wheat imports on a periodical basis in order to protect the local grain producers from foreign competition. The government usually intervenes when the supply and demand situation in the local market requires such intervention. With mounting pressure from rising wheat prices on the international markets, Morocco raised the custom duty on the common wheat imports to 75 percent from 17.5 percent from May 1, 2015 until October 31, 2015 to protect the local harvest. In addition, the government establishes an import subsidy scheme for a limited time each year, through which Moroccan wheat importers are reimbursed for the difference between a government set-price (2,800 dirham/MT, about \$337) and the wheat prices in the international market.

Tariff Rate Quota

Moroccan wheat imports are subject to two sets of tariff rate quotas (TRQs) established under two separate trade agreements, one is with the European Union and the other is under the United States-Morocco Free Trade Agreement (FTA). Under these agreements, the TRQs for common wheat depend on the size of the local wheat crop in any given year. The implementation of the FTA with the United States continues to face some difficulties due to the divergence between the United States and the Moroccan government in the interpretations of the agreement and the administrative procedures for implementing the TRQs.

U.S. Wheat Marketing Activities

The U.S. Wheat Associates Office in Casablanca continues to implement market development and promotional activities to expand U.S. wheat exports in Morocco and other North Africa markets. These activities include the support of a milling school that is managed by the Moroccan Miller Federation, as well as other market development and trade servicing programs targeted at wheat buyers in the region. The main focus of efforts has been in the promotion of soft wheat products and the use of high protein improver wheat, in addition to supporting key customers in the durum market.

Prices:

Cereal farmers in Morocco have the option to sell their common wheat production to government licensed traders (grain merchants, cooperatives, and mills) at a preset price (2,600 dirham/MT) or sell it in the free market. Prices of other grains (including durum wheat and barley) are freely negotiated in the market place. During the period June 2012 to mid-February 2015, common wheat prices in the local

markets averaged 2,631 dirham/MT. For the same period durum wheat prices averaged 3,167 dirham/MT, while barley prices averaged 2,559 dirham/MT.

Table 7: Grain Average Prices in Local Markets (Dh/MT)

Marketing Year	Common Wheat	Durum	Barley
2005/2006	2,590	2,950	2,490
2006/2007	2,490	2,910	2,110
2007/2008	3,190	3,830	3,230
2008/2009	2,720	3,440	2,740
2009/2010	2,450	2,750	1,750
2010/2011	2,560	2,890	2,220
2011/2012	2,620	3,200	3,090
2013/2014	2,550	3,250	2,810
2014/2015	2,510	3,280	2,590

Source: Morocco's Cereal Office (ONICL)* (Indicative exchange rate 2015 (1 USD = 9.73 dirham)

* Latest available data

**Production, Supply and Demand Data Statistics:
Wheat, Morocco (Areas in 1,000 HA and Quantities in 1,000 MT)**

<i>Wheat</i>	2013/2014		2014/2015		2015/2016	
<i>Market Begin Year</i>	Jun 2013		Jun 2014		Jun 2015	
<i>Morocco</i>	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	3,280	3,280	3,060	3,060	3,300	3,200

Beginning Stocks	2,472	2,472	4,185	4,185	4,235	4,235
Production	7,000	7,000	5,100	5,100	7,800	8,000
MY Imports	3,928	3,928	4,200	4,200	1,800	2,800
TY Imports	3,892	3,892	4,200	4,200	1,800	2,800
TY Imp. from U.S.	0	0	0	10	0	0
Total Supply	13,400	13,400	13,485	13,485	13,835	15,035
MY Exports	215	215	250	250	250	250
TY Exports	220	220	250	250	250	250
Feed and Residual	600	600	400	400	800	800
FSI Consumption	8,400	8,400	8,600	8,600	8,800	9,000
Total Consumption	9,000	9,000	9,000	9,000	9,600	9,800
Ending Stocks	4,185	4,185	4,235	4,235	3,985	4,985
Total Distribution	13,400	13,400	13,485	13,485	13,835	15,035
Yield	2.1341	2.1341	1.6667	1.6667	2.3636	2.5000

**Production, Supply and Demand Data Statistics:
Barley, Morocco (Areas in 1,000 HA and Quantities in 1,000 MT)**

<i>Barley</i>	2013/2014		2014/2015		2015/2016	
<i>Market Begin Year</i>	Jul 2013		Jul 2014		Jul 2015	
<i>Morocco</i>	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,690	1,690	1,440	1,440	1,800	1,600

Beginning Stocks	189	189	976	976	326	326
Production	2,700	2,700	1,700	1,700	3,200	3,500
MY Imports	387	387	450	450	200	300
TY Imports	471	471	500	500	200	300
TY Imp. from U.S.	27	27	0	0	0	0
Total Supply	3,276	3,276	3,126	3,126	3,726	4,126
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	1,500	1,500	1,800	1,800	2,000	2,000
FSI Consumption	800	800	1,000	1,000	1,000	1,000
Total Consumption	2,300	2,300	2,800	2,800	3,000	3,000
Ending Stocks	976	976	326	326	726	1,126
Total Distribution	3,276	3,276	3,126	3,126	3,726	4,126
Yield	1.5976	1.5976	1.1806	1.1806	1.7778	2.1875