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## Morocco

### Grain and Feed Update

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**Approved By:**

Sarah Hanson, U.S. Embassy, Rabat

**Prepared By:**

Idriss El Honsali, U.S. Embassy, Rabat

**Report Highlights:**

Morocco's rainfall during the 2012/2013 season significantly improved compared to the previous season, which should accelerate early cereal seeding. Cumulative rainfalls from September 1 to October 2, 2012 totaled 39 mm, compared to 3.9 mm in the previous season. The Ministry of Agriculture projects total cereals area to remain at 5 million HA with no significant variation. The government intends to expand the availability of certified seeds by 36 percent and the area covered by crop insurance from 300,000 HA to 500,000 HA. Morocco's wheat imports in the 2012/2013 season are expected to reach 4.5 million MT, due to the smaller crop and the government's expanded import restitution scheme. With rising international wheat prices, the government suspended duties on wheat imports and established a billion DH (\$116 Million) import subsidy scheme from October 1 until December 31, 2012.

## Production:

The 2012/2013 season started under favorable conditions with significantly improved rainfall compared to the previous season. Cumulative rainfalls from September 1 to October 2, 2012 totaled 39 mm compared to 3.9 mm in the previous season and 10.5 mm in a normal year. The much-needed rain will help accelerate early cereal seeding of an expected 5 million HA.

Official estimates for Morocco's grain crop production in the 2011/2012 season was about 5.1 million MT, which was 40 percent lower compared to production in the previous season. It consisted of 2.74 million MT of soft wheat, 1.13 million MT of durum wheat and 1.2 million MT of barley. The grain planted area for the 2011/12 season was estimated at 5.04 million HA, about 2 percent lower than the area planted in the previous season. Wheat planted area was estimated at 3.142 million HA, of which 2.179 million HA was soft wheat and 0.963 million HA was durum wheat, while barley area was estimated at 1.893 million HA.

The table below shows the breakdown of grain production in the 2009-2012 harvest seasons.

### Production of Wheat and Barley (1,000 MT)

Harvest Year	Durum Wheat	Soft Wheat	Total Wheat	Barley	Total Production
2009	2,100	4,300	6,400	3,800	<b>10,200</b>
2010	1,640	3,247	4,887	2,570	<b>7,457</b>
2011	1,850	4,170	6,020	2,340	<b>8,360</b>
2012	1,130	2,740	3,870	1,200	<b>5,070</b>

Source: Ministry of Agriculture data

As indicated in the PS&D tables, Post estimates total grain production for the 2011/2012 crop at 3.4 million MT for wheat and 1.1 million MT for barley. Post's estimate takes into account the Moroccan private sector's assessment of production as compared to the Moroccan government's official estimate.

## Government support for cereal production

The Moroccan government has been encouraging farmers to use certified seeds by providing 40 to 60 percent of the cost. For the 2012/2013 season, the government intends to increase the availability of these certified seeds by 36 percent to 150,000 MT. The allocated budget to support certified seed use is estimated at 250 million DH (\$28 million). Other measures to support grain production include subsidies for farm machinery purchases and irrigation equipment that range from 30 to 70 of the purchase cost and subsidization of soil testing to optimize fertilizer usage.

The new crop insurance program, which exceeded its initial target of 300,000 HA in the previous season, is expected to cover 500,000 HA in the 2012/2013 season. The program aims to mitigate financial losses due to droughts, floods, hurricanes, sand storms, and hail. The Moroccan Government will subsidize about 50 to 90 percent of the farmers' insurance premium, depending on the size of the farm. The government intends to expand the area to one million HA by 2015.

**Trade:**

Morocco's wheat imports in MY 2012/2013 totaled 638,800 MT from June to mid-October, which included 381,000 MT of soft wheat and 257,800 MT of durum wheat. During the same period, Canada dominated Morocco's durum wheat market supplying 257,800 MT. Ukraine took the lead in Morocco's soft wheat market, with a 67 percent market share, while France and Russia supplied 14 percent equally. France should make a strong comeback in the soft wheat market for the remainder of this season. U.S. suppliers with a relatively higher wheat stocks may have a good opportunity to supply the Moroccan market. It should be noted that 95 percent of the imported soft wheat arrived during the first two weeks of October for MY2012/2013. This stands in contrast to zero imports during the same period the previous year due to the established import duties.

In June 2012, the arrival of 17,900 MT of soft wheat from Brazil was exceptional, since import duties were established at 17.5 percent. Import duties clearance was based on the loading date instead of the arrival dates.

Morocco's wheat imports in the 2012/2013 season are expected to reach 4.5 million MT, prompted by the smaller crop and the government incentives including import duties suspension and the import restitution scheme.

Morocco's wheat imports (soft and durum) in MY 2011/12 totaled 3.545 million MT, of which 2.895 million MT was soft wheat and 649,700 MT was durum wheat. These numbers represented a decline of 10 and 14 percent respectively when compared with imports in MY 2010/11. France continued to control the Moroccan soft wheat market, with a 49 percent market share, while Canada remained the leading supplier of durum wheat, with a 56 percent share of the market in MY 2011/2012. France's market share gain in the Moroccan durum wheat market came at the expense of Canada's exports.

From June to mid-October Morocco's barley imports in MY 2012/2013, totaled 83,200 MT, of which France and Ukraine supplied 78 and 15 percent respectively. From June to October in the previous season, Morocco's barley imports were estimated at 140,800 MT, of which 74 percent came from France and 18 percent came from the U.S.

Morocco's barley imports soared to 616,800 MT in 2011/2012, a huge increase compared to the 250,400 MT quantity imported in the previous season. The increase in barley imports was mostly due to a higher demand for feed barley and the implementation of a government subsidy scheme to help the Moroccan livestock farmers cope with the impact of the drought and the cold weather conditions that occurred during the 2011/2012 season. Morocco's barley imports in 2011/2012 have been dominated by French supplies (39 percent), followed by exports from Argentina (26 percent), Russia (10 percent), Ukraine (8percent) and the U.S. (4 percent).

**Policy:**

With mounting pressure from rising wheat prices on the international markets and tight local supplies,

Morocco suspended the 17.5 percent import duty for common soft wheat from October 1, 2012 until December 31, 2012.

Given the size of the Moroccan wheat crop in MY 2011/12, the tariff rate quotas (TRQs) for U.S. common wheat exports under the FTA were set at their minimum level of 360,000 MT for CY 2012. On August 13, 2012, Morocco's tender to import 300,000 MT of soft wheat from the U.S. under the TRQs was not successful. There was no participation from the Moroccan importers due to the soaring wheat prices on the international market and the lower wheat prices on the domestic market and an imminent suspension of import duties. The remaining 60,000 MT of U.S. quota will not be implemented during 2012.

The suspension of the import duties for durum wheat was extended from May 1 until December 31, 2012, hence rendering the U.S. durum wheat quota of 310,000 MT ineffective for the remainder of 2012. Given that Morocco's soft wheat production was officially estimated at 2.7 million MT during the 2011/12 season, the U.S. soft wheat TRQs for CY 2013 would be estimated at 548,592 MT. The U.S. soft wheat quota for CY 2013 is 52 percent higher compared to 2012. The durum wheat quota for CY 2013 is estimated at 320,000 MT.

From October 1, 2012 until December 31, 2012, the Moroccan government will implement a wheat import restitution scheme. The objective of the scheme is to alleviate the impact of rising wheat prices and ensure sufficient supplies in the Moroccan market. Through this subsidy scheme, Moroccan wheat importers are reimbursed for 85 percent of the difference between a government reference price (2600 dirham/MT, about \$292) and the wheat prices in the international market. This compares to 100 percent reimbursement under the previous scheme.

Import restitutions started with 595.6 DH/MT (\$67/MT) during the first half of October 2012. The cost of the regulation scheme during this period totaled 216 million DH (\$25 million), which represents 21 percent of the allocated budget. The allocated budget to support wheat imports from October 1<sup>st</sup> to December 31<sup>st</sup> is estimated at 1 billion DH (\$116 million). At this pace, Morocco's restitution scheme will be exhausted within two and a half months and will not be sufficient to stabilize wheat prices on the domestic market.

#### **Production, Supply and Demand Data Statistics:**

### Wheat, Morocco (Areas in 1,000 HA and Quantities in 1,000 MT)

Wheat Morocco	2010/2011			2011/2012			2012/2013		
	Market Year Begin: Jul 2010			Market Year Begin: Jul 2011			Market Year Begin: Jul 2012		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
Area Harvested(1000HA)	2,852	2,852	2,852	3,040	3,040	3,040	3,017	3,017	3,142
Beginning Stocks	1,544	1,544	1,544	1,959	2,046	2,046	2,259	2,206	2,351
Production	4,887	4,887	4,887	5,800	5,800	5,800	3,200	2,800	3,400
MY Imports	3,903	3,976	3,976	3,500	3,200	3,545	5,000	5,000	4,500
TY Imports	3,903	3,976	3,976	3,500	3,200	3,545	5,000	5,000	4,500
TY Imp. from U.S.	336	373	373	0	0	0	0	850	600
Total Supply	10,334	10,407	10,407	11,259	11,046	11,391	10,459	10,006	10,251
MY Exports	125	85	85	150	90	90	75	80	80
TY Exports	125	85	85	150	90	90	75	80	80
Feed and Residual	100	100	100	550	550	550	100	200	200
FSI Consumption	8,150	8,176	8,176	8,300	8,200	8,400	8,500	8,300	8,300
Total Consumption	8,250	8,276	8,276	8,850	8,750	8,950	8,600	8,500	8,500
Ending Stocks	1,959	2,046	2,046	2,259	2,206	2,351	1,784	1,426	1,671
Total Distribution	10,334	10,407	10,407	11,259	11,046	11,391	10,459	10,006	10,251
Yield (MT/HA)	2.	2.	1.7135	2.	2.	1.9079	1.	1.	1.0821

### Barley, Morocco (Areas in 1,000 HA and Quantities in 1,000 MT)

Barley Morocco	2010/2011			2011/2012			2012/2013		
	Market Year Begin: Jul 2010			Market Year Begin: Jul 2011			Market Year Begin: Jul 2012		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
Area Harvested(1000HA)	1,922	1,922	1,922	2,025	2,025	2,025	1,850	1,848	1,893
Beginning Stocks	1,270	1,270	1,270	984	1,090	1,090	724	840	947
Production	2,570	2,570	2,570	2,340	2,340	2,340	1,100	900	1,100
MY Imports	194	250	250	500	510	617	800	700	700
TY Imports	222	250	250	700	510	617	800	700	700
TY Imp. from U.S.	37	12	12	0	25	25	0	150	150
Total Supply	4,034	4,090	4,090	3,824	3,940	4,047	2,624	2,440	2,747
MY Exports	0	0	0	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0	0	0	0
Feed and Residual	2,000	1,950	1,950	2,100	2,100	2,100	1,400	1,400	1,400
FSI Consumption	1,050	1,050	1,050	1,000	1,000	1,000	700	700	700
Total Consumption	3,050	3,000	3,000	3,100	3,100	3,100	2,100	2,100	2,100
Ending Stocks	984	1,090	1,090	724	840	947	524	340	647
Total Distribution	4,034	4,090	4,090	3,824	3,940	4,047	2,624	2,440	2,747
Yield (MT/HA)	1.	1.	1.3371	1.	1.	1.1556	1.	0.	0.5811