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Morocco

Retail Foods

Morocco 2014 Retail Foods Report

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Report Highlights:

In the last few years, Morocco's food distribution system has seen significant changes with the expansion of retail food outlets and the opening of new supermarket stores. Today, six supermarket chains, held by four operators, are present in Morocco. The group SNI, owner of Marjane Holding group, operates 38 Marjane hypermarkets and 47 ACIMA supermarkets. Label Vie group has a federation of 60 stores, including 5 Carrefour hypermarkets, 45 Carrefour Market supermarkets, and 10

Atacadao retail stores.

The Turkish deep-discounter BIM operates 120 stores. Aswak Essalem, owned by Ynna Holding group, operates 13 stores. These supermarket chains are planning to expand operations throughout the country, including opening more outlets in smaller cities and smaller markets. Local importers, however, continue to play the main role in introducing, distributing and promoting imported food products in Morocco.

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Post:
Rabat

Executive Summary:

Morocco's food distribution system continues to develop, as the Moroccan economy becomes increasingly open. The arrival of western style food distribution outlets has changed the purchasing habits of a wide base of urban consumers throughout the country. However, due to their proximity and convenience, traditional small grocery stores still control about 85 percent of Moroccan retail food sector and will continue to play a major role in most parts of large cities, and particularly in rural areas and small towns where more than 50 percent of the population lives. The rapid growth of large retail food outlets in Morocco has caused the owners of these small food retailers to voice their concern about the lack of Moroccan regulations to manage the expansion and zoning issues of the large supermarkets.

The concentration of high-income population in Casablanca, Rabat, and Marrakech was behind the early advent of large supermarkets in these cities. The axis Casablanca-Rabat counts for about 50 percent of the total number of the modern supermarkets. Large supermarkets have opened in virtually all major Moroccan cities (including Agadir, Tangiers, Fes, Meknes, Tetouan, and Mohamedia) and more are being opened in even middle size cities (such as Beni Mellal, Khouribga and Oujda) and in lower income areas of major cities thus providing alternatives to traditional buying habits of relatively low income groups. Marjane is the leader on the Moroccan distribution market in front of the Carrefour Market and Aswak Assalam, its principal competitors.

With an estimated population of over 4.2 million people, Casablanca, the economic capital of Morocco, is the largest city and the largest concentration of high-income consumers. Rabat, the capital city of Morocco, has about 1.2 million people with a large number of government employees, foreign missions, and international organizations that can be targeted with modern distribution chains. Marrakech is, by far, the leading destination for tourists. It has been growing extraordinarily fast because many high-income Moroccans and Europeans consider it as the choice destination for holidays and, more recently, for retirement.

Moroccan modern distribution chains were heavily targeted by European multinationals, mostly French. They brought knowledge in supermarket management that Moroccan investors lacked. Most of the existing chains have, or had, at least some European participation. Some are increasingly consolidating purchases (food and non-food) in centralized purchasing departments in Europe while others are exporting their products to Morocco under their private label which prevents them from benefiting from the preferences secured under the United States-Morocco Free Trade Agreement that requires the products to be of U.S. origin.

Food importers based in Morocco, however, will continue to play the major role in distributing and promoting imported products in Morocco in the medium term. They have their own sales agents and distribution fleet and are in direct contact with large supermarkets, wholesalers, and in many cases with large grocery stores as well. Some importers are involved in imports of a wide range of products with no particular loyalty to a specific product, brand or origin. Others are working exclusively to develop markets for specific labels or even for their own private label. As these importers tend to promote their products more heavily, they work more regularly with the supermarket chains and may require more involvement from the exporter in terms of pushing the product in the market.

Major Categories of Supermarkets

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

- Large modern retail and wholesale supermarket chains.
- Small supermarkets, convenience supermarkets, large self-service grocery stores and deep-discounters.
- Mom & Pop stores.

Imported high value food products typically do not reach the open-air markets that exist mostly in rural areas where the lower income segment of the population lives.

Trends in Distribution Channels

The food distribution market has rapidly developed since the 1990s. It represents 13 percent of the Moroccan GDP. Morocco counts approximately 200 stores (superior to 980 ft²) and 17 hypermarkets. In fact the sector went from 15 stores in 2000 to more than 224 in 2012, with an objective of 600 in 2020. This evolution is reflected by a 15 percent share in the national consumption. The remaining 85 percent of the national consumption is covered by the traditional market, made up of retailers, street vendors, wholesalers and semi-wholesalers. The experts and industrials anticipate that the large-scale distribution will represent 30 percent of the national consumption in 2025, depending in particular on the demography, the growth of the urbanization rate, and the evolution of the consumers' purchasing behaviors. Six supermarket chains are presented on the Moroccan market today, and are held by four operators. The group SNI (National Investment Company), holder of Marjane and ACIMA, the leader as it holds 65 percent of the market share thanks to the supermarket chain Marjane. Hypermarkets recently developed in the cities of Casablanca, Rabat, Marrakech, and in some other big cities, and they represent at present around 10 % of the food retail sales.

Marketing experts and food distributors estimate that the modern food distribution channels accounts for nearly 20 percent of total retail food sales in Morocco. According to a study by the Nielsen marketing company, the large-scale distribution outlets control about 13 percent of the food retail sales in Morocco. Although small "mom & pop" shops will continue to play a major role in the food distribution in the medium term, the number of supermarkets is likely to continue to grow in the cities because of:

- Purchasing power of the average Moroccan consumer rose steadily by roughly 4 percent each year over the past decade.
- A growing base of western-minded consumers, especially in urban areas.
- The aggressive promotions, appealing prices and discounts on a wide range of products enticing lower-income consumers
- A growing middle-class where both parents are working and less time is available for shopping for food so that food purchases tend to be more grouped.
- The increasing acceptance by the Moroccan consumer of processed and packaged products.

- Many products traditionally sold in bulk are now readily available in various packages.
- The increasing perception among the Moroccan consumers that food sold in the modern supermarkets chains are safer and that imported products offer a wider range of products generally of higher quality.

Morocco's food distribution network witnessed significant changes with the expansion of a number of retail food outlets and opening of new ones. These included the partnership franchise arrangement between the French multinational Carrefour with the Moroccan supermarket chain Label Vie to create the new chain "Carrefour Markets" in 2011. Label Vie (Carrefour, Carrefour Market and Atacadao), the direct competitor to the local SNI (National Investment Company owner of Marjane Holding) in the large-scale distribution, holds 30 percent of the present market share and plans to invest 500 million DH. In 2012, Carrefour, decided to introduce its Brazilian cash and carry supermarket subsidiary Atacadao to Morocco. Atacadao positions halfway between hypermarket and discount with reduced offer of products, a positioning very competitive price in austere stores. Its particularity lies in the fact that it targets, at the same time, the consumers with low purchasing power and professional (in particular the retailers). The supermarket chain Atacadao is well to become the first competitor of wholesalers everywhere in Morocco. In 2012, four Metro's supermarkets were converted to Atacadao and the remaining four would be converted in 2013. At present, the Label Vie group owns 60 federated stores: 5 hypermarkets Carrefour, 45 Carrefour Market supermarkets, and 10 Atacadao retail outlets. Through its partnership with Carrefour, Label Vie will have the exclusive right to distribute the Carrefour brand-name products throughout the Moroccan market for 15 years.

In 2012, the deep-discount food outlets continued gaining ground in Morocco, with the number of the Turkish deep-discounter BIM stores. Arrived in Morocco in 2009, BIM is considered the first competitor to the retail and the leader of the hypermarket with 50 percent of market share. Today the number of BIM stores is estimated at 120 based essentially in Casablanca. BIM projects to extend its coverage area to the southern Morocco by opening its second distribution platform by 2013, and raising the number of outlets to 450 by 2016. The British discounter Costcutter made its entry to Morocco in late 2011.

These developments should help strengthen the presence of foreign food retailers in Morocco, especially after the withdrawal of Auchan and Géant hypermarkets and Franprix supermarkets from the country several years ago.

Trends in Services Offered by Retailers

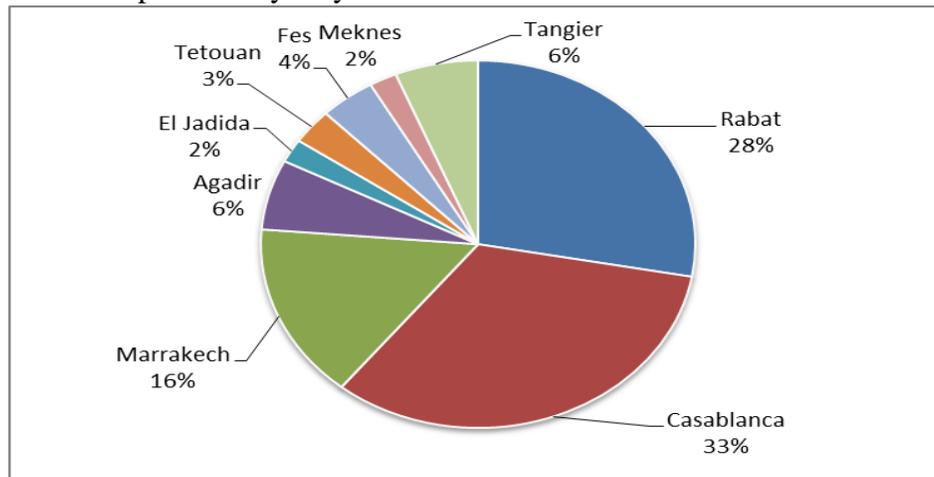
Large supermarkets in Morocco tend to be located in small malls that include a large number of European and U.S. franchises for fast food, textiles, shoes, quick car repairs, banks, and car services. The number of adjacent shops varies from 10 to 25 and is meant primarily to attract a large number of

visitors. Large supermarkets that started a couple of years ago to allocate some space for ready-to-eat food, which is becoming a familiar trend in Moroccan supermarkets and reflects the increasing habit of eating outside for a certain segment of the Moroccan consumers. In many cities, the lack of adequate entertainment and amusement sites draws many Moroccan families to visit supermarkets to roam around where they often end-up buying or at least are exposed to new products.

In an effort to attract the lower income segment of the population, large supermarket chains developed their own generic brand that supposedly is the most cost-effective to the consumer. The generic brands are being used for food and non-food products and some imported products are also being offered under the label “Most Economic”.

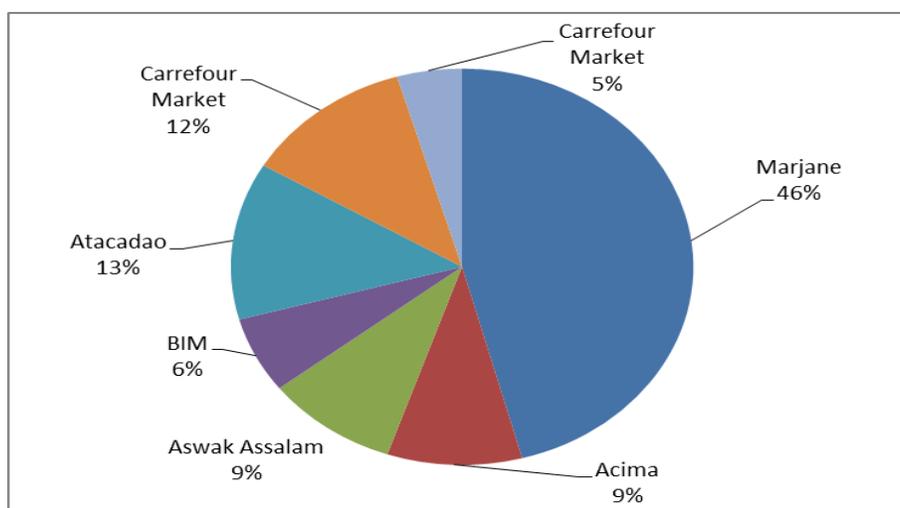
In spite of the remarkable increase in use of Internet by the Moroccan communities, internet sales of food products are almost non-existent in Morocco. Currently, there are virtually no offers made on a regular basis by food companies and payment procedures via Internet are not yet developed. This trend could change in the coming future with 10 million internet users in Morocco, with almost 3 million subscribers with internet providers and the rest have access to internet through Cyber Cafés. In 2012 Morocco’s social media users (Facebook) were estimated to about 5 million, which represent 15 percent of the population, and an opportunity for targeted marketing via internet.

Figure1: Retail Outlets repartition by City



Source: Ministry of Commerce and Industry, Agricultural Affairs Office, Rabat

Figure2: Retail Outlets Market shares



Source: Ministry of Commerce and Industry, Agricultural Affaires Office, Rabat/ Statistic data 06/30/2014

Table 1: Number and Type of Retail Outlets in Morocco

Type of Store	Estimated Number*	Identified Supermarket Locations
Large Supermarkets (Including Independent) 12-32 registers, over 500 parking spots, Over 40,000 ft ²	55	Casablanca-9, Rabat 5, Sale-2, Marrakech 6, Agadir-4, Fes-3, Tanger-5, Meknes 2, Mohamedia 2, Kenitra-2, Tetouan-1, Temara 1, Safi 1, Oujda-3, Saidia-1, Essaouira 1, Nador 1, Khouribga 1, Beni Mellal 1, Kelaat Es-Sraghna-1, Al Hoceima-1, Fkih Ben Saleh-1, Taza-1.
Small Supermarket & Convenience Stores: 1. Small Supermarket & Convenience Stores (> 3 registers, >12,000 ft ²) 2. Small Self-Service Grocery Stores (2 registers, > 1000 ft ²)	85 210	Casablanca-20, Rabat-9, Marrakech 7 Agadir-6, etc. Casablanca-80, Marrakech-15, Rabat-11, Agadir-7, Meknes-6, etc.
Mom & Pop Stores 1. 1000 ft ² 2. 226 – 1000 ft ² 3. Less than 226 ft ² 4. Small convenience Gas-Marts	550 5,000 285,000 33	Estimated 15,000 in Casablanca Marrakech, Casablanca, Agadir, and Rabat.

Source: Importers, Ministry of Commerce and Industry, Agricultural Affaires Office, Rabat

*The total number of small supermarkets and small stores has to be taken with care as reliable statistics are not available.

Table 2: Advantages and Challenges of the Moroccan Market

Advantages	Challenges
33 million Moroccans, 10-15 percent of which can afford to buy imported products.	45 percent in rural areas. Limited purchasing power in small cities and rural areas
Morocco and the U.S. signed a free trade agreement that provides preferential access to many U.S. food products, especially on the medium and long term.	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.
Growing perception that supermarkets offer safer and cheaper products. Increased acceptance of packaged products.	Multinational chains procure some food products through their home office and in many cases under a private label.

SECTION II: ROAD MAP FOR MARKET ENTRY

A1. Large Retail and Wholesale Supermarkets

Leading supermarket retailers in Morocco, Marjane, Carrefour and Aswak Essalam, continued to expand in 2012. In 2012, unofficial market share estimates of these supermarket based on covered area, were at 52, 33, and 10 percent respectively. In 2011, the market shares of these supermarket chains were estimated at 65, 28 and 8 percent, respectively. In 2012, a higher number of new stores compared to the competition drive the increase of Carrefour market share. This group has stores of a minimum of 40,000 ft² (up to 75,000 ft²), having between 12 and 34 registers, and over 250 employees. The supermarket space usually encompasses several 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. Typically, these supermarkets are not in walking distance, which is likely to restrain the consumer base to medium-high class consumers. These supermarkets offer both food and non-food items. The number of different food items is often over 12,000 and is believed to generally account for 40-50 percent of the total sales. The large distribution in Morocco still represents only 12 to 13 percent of the retail market that is far behind certain countries, but with an annual revenue (16 billion DH) growth at a rate of 9 percent, an objective of 30 percent of the retail market in 2020, fixed by the Rawaj plan, remains realistic. This growth depends on the change of the Moroccans' consumption habits and the development of the urbanization. It is these two factors that encourage the big supermarket chains (Label Vie, Marjane, ACIMA and Asswak Assalam) to multiply their openings. After the big metropolises, they are aiming now to conquest the small and average cities such as Taza, Beni-Mellal, Fquih BenSalah, Al Houceima, Kalaat Sraghna or Larache.

The race to openings of new retail outlets by these supermarket chains is, in the opinion of professionals, justified because of the Moroccans demand for specific, more and more diverse, and good quality products. These demands are offered by the large-scale distribution that has the necessary logistics, the preservation, and marketing. A study of the average basket in the large-scale distribution reveals that generally sales depend first of all on staple commodities (flour, oil and sugar). Fruits, vegetables, and dairy products come next. Meat and fish complete the shopping list. The average bill is at 100 to 110 DH in hypermarkets. In the Cash and Carry the range is from 500 to 700 DH. This high bill is due to the fact that these stores address mainly to professional customers.

The Moroccan consumers remain very attentive to price. This explains why a big part still leans to the traditional channel. Nevertheless, professionals of the large-scale distribution assure that their prices are sometimes lower than those in grocer's shops with their power of negotiation that allows them to economize.

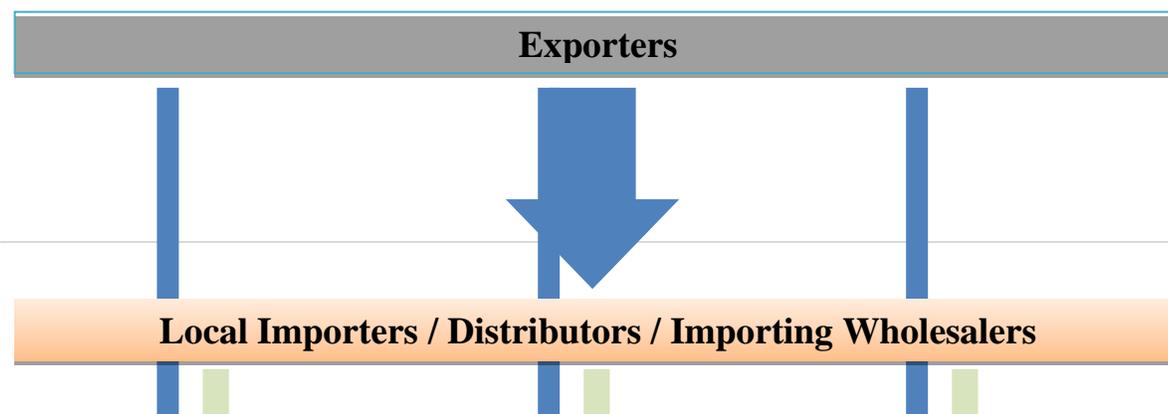
If the modern food distribution has accompanied the change and the evolution of the Moroccans' consumer habits, it has also contributed to the development of several sectors, such as frozen products that did not exist on the Moroccan market 10 or 15 years ago.

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 and are able to deliver in relatively small volumes.
- They carry out promotional activities regularly in these stores.
- They supply smaller supermarkets as well.
- Supermarkets might only work with well-established importers or in some case do import directly European label.

Figure 3: Modern distribution channel for Large Retailers



Source: Agricultural Attaché Office, Rabat

Local importers will still supply a large share of imported food products to the large supermarket chains in Morocco. Purchases (from local producers and from importers) by these large supermarket chains are typically handled by their headquarters in Casablanca. Since Marjane Chain and ACIMA convenience stores belong to the same company Marjane Holding which is owned by the National Investment Company (Société National d'Investissement SNI) and carry many products in common, food procurement (except produce and meat) is handled by the central office in Casablanca.

Supermarkets in this category are aggressive in promoting their products. They publish monthly brochures and occasional flyers where the importers promote their products. Also, these supermarkets, especially Marjane, advertise regularly on the radio for available sales and discounts to attract customers. The Marjane chain has been very aggressive in promotion over the past few years, as they have been organizing heavy radio advertising campaigns that claim cheaper prices, quality products and services after sale for the nonfood products. They have also been promoting the winner “FAIZ” card that provides interest-free delayed payments to consumers.

In 2010, important developments occurred in the Moroccan supermarket landscape that included the entry of the French multinational supermarket Carrefour into a partnership with the Moroccan supermarket chain Label Vie Company. In addition, Label Vie acquired the Moroccan subsidiary of the German “Metro Cash and Carry” chain, under a new company HLV that was jointly established between Label Vie and Carrefour. In 2012, the Label Vie –Carrefour venture continued shaping the Moroccan retail sector by introducing the Atacadao chain. The eighth Metro cash and carry stores will be converted into Atacadao brand name. These changes should help strengthen the presence of foreign

food retail companies in Morocco, especially after the withdrawal of Auchan and Géant hypermarkets and Franprix supermarkets from the Moroccan market four years ago.

Company Profiles

Table 3: Morocco's Large Retailers

Retailer Name	Ownership	*Estim. Turnover (\$Mil.)	Number of outlets	Locations and Number of stores	Purchasing Agent type
<i>Marjane</i>	The group SNI, owner of Marjane Holding group	\$1,000	38	Casablanca-5, Rabat-2, Sale-1, Marrakech-2, Meknes-1, Agadir-1, Tanger-2, Fes-2, Mohamedia-1, Safi-1, Kenitra-1 Tetouan-1, Oujda-1. Saidia-1, Nador-1, Khouribga-1, Beni mellal-1, Kelaat Es-Sraghna-1, <u>Al Hoceima-1</u> , <u>Fkih Ben Saleh-1</u> , <u>Taza-1</u> .	Buys from limited number of local importers / distributors. (Same buying platform as for small convenience stores chain, <i>ACIMA</i>).
<i>Atacadao</i> (formerly <i>METRO</i> wholesale Cash and Carry)	Managed by HLV SAS of which 95% Moroccan (Label Vie SA) and 5% belongs to Carrefour	\$300-350	10	Casablanca-2, Rabat-1, Fes-1, Agadir-1 Marrakech-1, Oujda-1, Tanger 1	Buys from local importers and/or imports directly under own private labels.
<i>Carrefour hypermarchés</i>	Managed by HLV SAS of which 95% Moroccan (Label Vie SA) and 5% belongs to Carrefour	\$66-90	5	Marrakech-1, Sale 1.	Buys from local importers and/or imports directly under own private labels.
<i>Aswak Essalam</i> (No alcoholic beverages or pork sold)	Ynna holding 100 Moroccan	\$150-200	15	Rabat-2, Mohammedia-1 Marrakech-2, Kenitra-1, Temara-1, Agadir-2, Tanger-2, Oujda-1, Casablanca-2, Essaouira 1	Buys from local importers / distributors. Plans to open 2 new supermarkets each year

Source: Agricultural Affairs Office, Ministry of Commerce and Industry/* Estimation. Turnover

The supermarket stores Marjane first opened in Morocco in the early 1990's and were launched by Morocco's largest consortium of private companies, the National Investment Company (Société

National d'Investissement SNI). These supermarkets are very modern and are comparable to ones in the U.S. They are usually located in relatively remote areas and thus are visited by higher-income consumers who are also the major buyers of imported food products. Marjane employs about 8,800 people and serves annually over 55 million customers at its 85 stores each year. Competing on the same segment with Marjane chain is Aswak Essalam supermarket chain. These are smaller supermarkets but comparable to Marjane stores in their concept as they also carry food and non-food and are considerably larger than other supermarkets in Morocco. Aswak Essalam does not carry alcoholic beverages or pork products in order to be perceived by the public as more tradition-preserving genuine Moroccan supermarkets. In 2013, Marjane also removed alcohol from the shelves of all its hypermarkets.

The Department of Trade and Industry has developed the Vision 2020 Rawaj Plan for Retail Sector Development and Trade Distribution. The Rawaj Plan revolves around four main axes:

- The large and medium distribution
- The independent commerce
- Trade Network and the franchise
- Public spaces merchants under the responsibility of municipalities (wholesale markets, slaughterhouses and fish markets).

The Marjane Holding group that has 38 Marjane hypermarkets, 47 Acima and 10 Electroplanet retail outlets displayed over the main cities of Morocco, will strengthen its market share that is at present at 60 percent as in its 2012-2014 action plan it registered the opening of 40 new stores as well as shopping malls. The estimated investment is at 4.8 billion DH. Aswak Essalem from the group Ynna Holding holds only 8 percent of the market share. The group has not reached the critical size (only 12 stores) yet it allows it to obtain the best conditions with suppliers.

A2. Small Retail Supermarkets, Convenience Stores, Large Grocery Stores

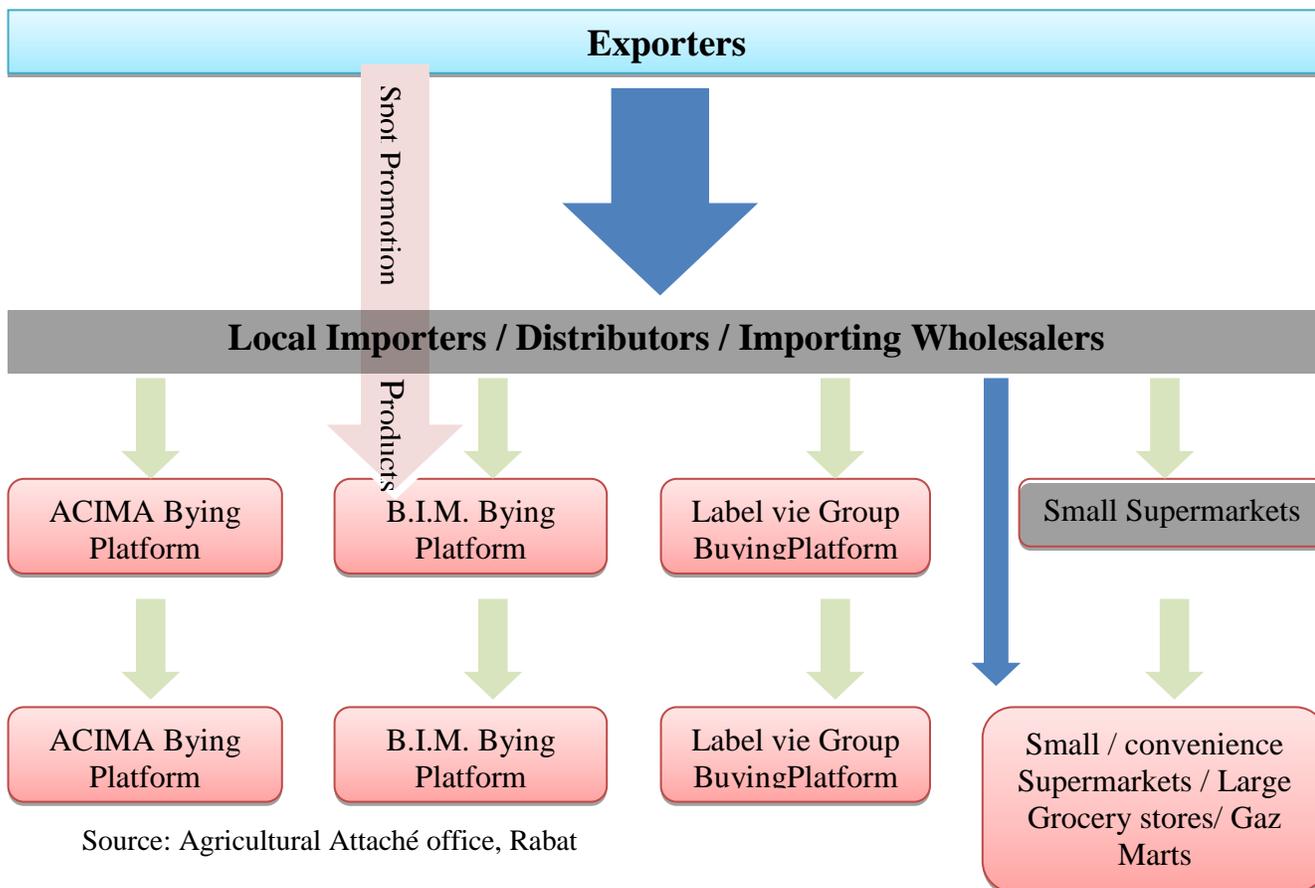
Entry Strategy

Typically, supermarkets in this category don't get involved in direct imports because of the small volume involved. The supermarkets belonging to the largest chains ACIMA and Carrefour Market (Ex Label Vie) buy through their purchasing boards. Thus, importers will still play a major role to introduce new products to these convenience outlets 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 that can deliver relatively small volumes.
- They carry out promotional activities regularly in these stores.
- These supermarkets work often with a relatively small number of suppliers that carry known brands that sell well.

Markets Structure

Figure 4: Modern distribution channel for Small Retailers



Source: Agricultural Attaché office, Rabat

U.S. exporters will find it very difficult to sell directly to these supermarkets because of the small volume involved. Supermarkets, or their buying board for the existing chains, buy imported goods directly from importers. For the convenience store chain ACIMA, food purchases are combined with those of Marjane (see large supermarket chains section). On the other hand, some importers devote full time sale agent(s) to deal with specific supermarkets. 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 financing to supermarkets. Typically the importer’s agents deliver the imported products to the supermarkets in small vans (panel trucks) or trucks.

Table 4: Morocco’s Small Retailers

Retailer Name	Ownership	Estimated Turnover (\$Millions)	Estimated Number Outlets	Locations	Purchasing Agent type
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Small Supermarket Chain (ACIMA) (6 registers, typically > 20000 ft ²)	100 % local since August 2007. Same Owner as Marjane Supermarkets	\$250-300	33	Casablanca-12, Rabat-3, Marrakech-2, Fes-1, Safi, 1, Tanger 3, Khouribga-1, Beni Mellal-1, El Jadida-1, Temara-1, Berrechid-1, etc	Buying Board. Buys from Importers. Also through combined imports with Marjane Chain
Small Supermarket Chain (Carrefour Markets) (> 3 registers, >25000 ft ²)	95 % Locally owned by Label Vie SA and 5% owned by Carrefour	\$250-300	40	Casablanca-13, Rabat-7, Marrakech-1, Fes-1, Mekness-2, Khemissat-1, Agadir-1, El Jadida-1, Settat 1 Mohamedia 2. Kenitra 2, Temara 1, Safi 1 Sale-1...	Buying Board. Buys from Importers. Import Also through combined imports with Carrefour
Small Supermarket (> 3 registers, >25000 ft ²)	Local – private	\$50-100	25	Casablanca 15, Rabat-7, Agadir-3	Buys from Importers, and wholesalers
Large grocery stores (Self-service, > 1 register, < 2000 ft ²)	Local -private	\$100-150	200	Casablanca 75, Marrakech-15, Rabat-15, Agadir 10, etc.	Buys from Importers and Wholesalers
BIM Hard discount franchise First shops in 2009	A Turkish Franchisee. (Groupe Birlesik Magazal A.S)	\$15-20	109	Casablanca, Rabat, sale and plans to cover other regions.	Through its first centralized purchasing platform; project a second opening

Source: Importers, Ministry of Commerce and Industry, Agricultural Affairs Office, Rabat.

The first 2 groups (small supermarkets) are much smaller than Marjane but have a minimum of 20,000 ft² 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. They are located in, or 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 in store promotion activities.

ACIMA convenience supermarket chain opened 35 supermarkets over the past ten years. Thanks to the strong financial capability of the owning companies, it is expected to open 5 new supermarkets every year. In fact, ACIMA and the largest supermarket chain in Morocco Marjane belong to the largest consortium in Morocco Société National d'Investissement (SNI). These large convenience stores are meant to attract urban consumers from the traditional mom & pop shops and open-air market where they would typically go. ACIMA as a convenience store offers a much larger percentage of food products including fresh fruits and vegetables. It is estimated that ACIMA supermarkets carry over 5,000 items.

The Carrefour Market (Ex- Label Vie) carries some 4000-5000 food items (40 percent of the total number of products carried). Currently, they continue to buy mostly through importers but do get involved directly in imports of the private label (Leader Price) products and of some specialty products (some alcoholic beverages).

The deep-discount food outlets have been gaining ground recently in Morocco, with the Turkish deep-discounter BIM continuing to grow reaching today 120 outlets, and the arrival of new-comers such as the British group Costcutter. Costcutter opened its first stores in Marrakech in late 2011 and intends to open 15 additional stores by 2015. The Label Vie group also intends to get into the deep-discount market segment through its Atacadao stores.

Gas Marts

This category includes mostly gas-marts of 500 to 3,300 ft² 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, especially snack food, non-alcoholic drinks, and confectionary.

Table 5: Gaz Mart Retailer's chain in Morocco

Retailer Name	Estimated number of Outlets	Location	Purchasing Agent
Afriquia Mini-Brahim	20	Casablanca, Marrakech,	Buys from

(Managed by Maroshop)		Agadir, Meknes, Settat, and highways.	Importers And distributors.
Mobile Gas Stations On the Run / Mobile Mart	14	Casablanca, Rabat, Marrakech, highway	Buys from Importers and distributors.
Shell Gas Stations (Select Shop)	19	Casablanca and highways	Buys from Importers and distributors.

Source: Agricultural Affairs Office

No official data is available from the Moroccan Ministry of Commerce and Industry.

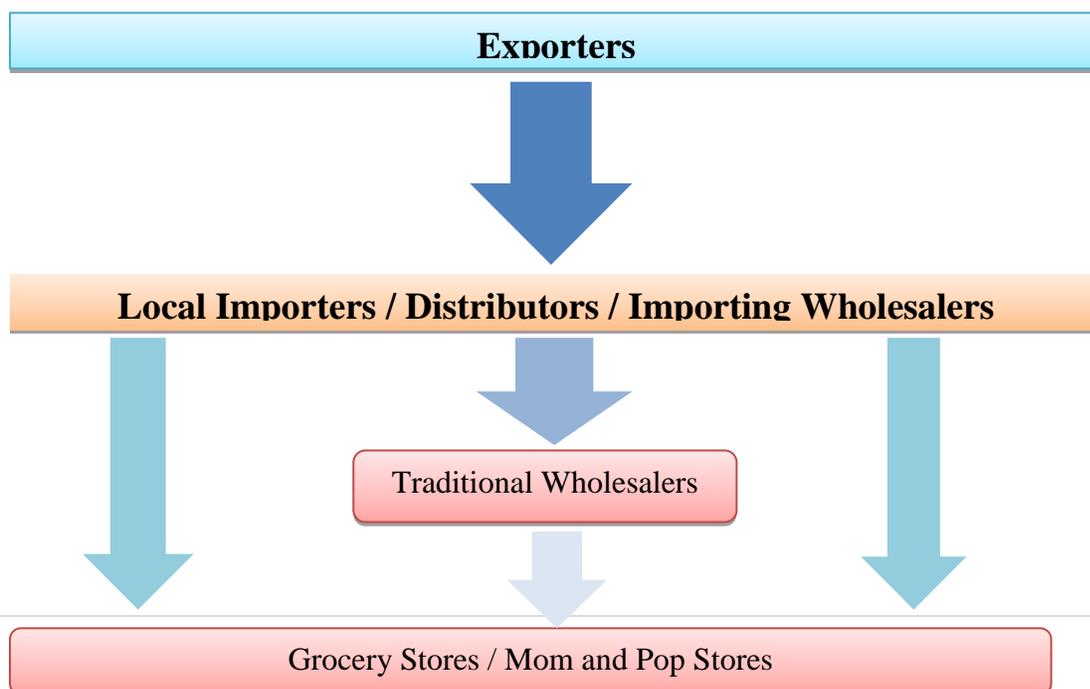
A3. Traditional Markets - "Mom & Pop" Small Independent Grocery Stores

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

Figure 4: Traditional distribution channel



Source: Agricultural Attaché 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 ft² (estimated 40,000 stores) to 1,000 ft² (500 stores). These shops have limited financial resources and are typically managed by one person. The consumer cannot help 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

The Morocco-US free trade agreement (FTA) that entered into force in January 2006 and that provides U.S. exporters with new opportunities of exporting high value and consumer-oriented products in the medium and long term. With an average duty on consumer-oriented products of about 50 percent and the phase out of duties under the FTA is scheduled over 10 years, the cuts in duties and U.S. competitiveness should become more significant as time passes.

In previous years, Moroccan imports of high value products from the U.S. have grown due to a weaker dollar compared to the Euro and more competitive U.S. prices. The most significant increase came from dairy products used as ingredients by the food industry (butter, skim milk powder, dairy ingredients, whey, and cheeses) or to be resized and repackaged locally for retail sale (butter). Also, thanks to the FTA, the newly introduced U.S. apples contributed significantly to increase of U.S. share of high value products in this market.

However, Moroccan imports of U.S. consumer-oriented products directly from the United States are rather marginal as noticed when visiting Moroccan supermarkets or retail shops. The main reason for this small share is the geographical distance and the absence of a regular direct shipping line between Morocco and the U.S. In practice, the long shipping time (up to 45 days because transit by Europe is necessary) exclude all short-life products from being exported to Morocco. This situation, however,

may improve in the coming years with the opening in 2009 of a direct shipping line between the Moroccan port of Tanger-Med and the port of Norfolk, VA in the U.S. East Coast.

Moroccan consumers (and importers) are more familiar with European (French and Spanish) products and lifestyle. Middle and high income classes in Morocco would tend to watch more regularly French and Spanish TV channels in the Northern part of the country. European exporters regularly visit Morocco and offer their products to importers and distributors. Most of the key Moroccan importers also regularly visit food trade shows such as SIAL (Paris), ANUGA (Germany), ALIMENTARIA (Spain) and Dubai Food Shows where they meet with European and Asian producers and 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 mostly sold in supermarkets and grocery stores located in higher income neighborhoods. It is estimated that only about 10-15 percent of the population 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 and diversity of imported products put on the supermarket shelves every day.

Table 6: 2014 Morocco Imports by product category

Product Category	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Total Imports from all origins (Millions of dollars) Dairy \$283 million - Butter \$152 - Milk Powder \$23.3 - Cheese \$65.5 - Whey & milk product \$79.5 - Other \$10.5	1. EU 38% 2. New Zealand 25% 3. U.S. 23% 4. Argentina 3% 5. Uruguay 3% 6. Australia 1% 7. Others 7%	Price competitive. Importers more exposed to other suppliers. Some major suppliers have their representative/agent in Morocco. U.S. products developed good quality reputation. The weak dollar and U.S. competitive prices boosted imports from the U.S. in 2011 to more than \$50 million	Very seasonal production. Morocco is a net importer of butter and skimmed milk powder for production of milk derivatives (yoghurts). Virtually no cheese production (except for spread cheese) in spite of the high local demand.
Processed Fruit \$32.8 - Orange Juice \$16.1	The juice suppliers Egypt 18% France 16% Spain 14%	Price competitiveness. (Egypt has a Free Trade Agreement with Morocco).	With the exception of citrus juice, there is no significant production of other juices. Extensive smuggling activity trough

<ul style="list-style-type: none"> - Lemon Juice \$1.6 - Pears Juice \$ 1.1 - Apple juice \$ 1 - Ananas juice \$ 0.9 - Other Juices \$2.3 - Jam/Jelly \$4.5 - Other Fruits Preparations \$4.9 	<ul style="list-style-type: none"> Other EU 1% Argentina 12% Brazil 9% China 4% Others 26% 		<p>the two Spanish enclaves in the North of Morocco.</p>
<p>Meat & Poultry : \$24.1</p> <ul style="list-style-type: none"> - Beef Carcass(Military) \$15.1 - Ground Beef (45-150g) \$5.8 - MDM \$2.4 - Pork Meat \$0.3 - Other meat \$0.5 	<p>Carcasses From Argentina / Australia</p> <p>Ground Beef mostly from Argentina / Spain and France.</p> <ul style="list-style-type: none"> Argentina 39% France 25% Australia 19% Uruguay 9% Brazil 4% Others 4% 	<p>Price competitive. (Argentina). Currently Beef carcasses are imported only for the Military. Lack of knowledge of US meat supply.</p>	<p>Virtually undeveloped meat processing industry in Morocco.</p>

Product Category Total Imports from all origins (Million of Dollars)	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
<p>Beverages \$77.7</p> <ul style="list-style-type: none"> - Whisky & Vodka \$39.31 - Wine \$15.56 - Soft Drinks, 	<p>EU Share: 91%</p> <p>US Share: 1%</p> <p>Others 8%</p>	<p>Well established brands. Competitors are represented/ have agents in Morocco.</p> <p>Most hard liquors come</p>	<p>Some local production (mostly wine and beer). Morocco population is 99% Muslims. Consumption is tolerated.</p>

Carbonated \$14.5 - Beer \$3.7 - Gin \$1.2 - Mineral Water/Sparkling \$1.7 - Others \$0.8		in duty free under the US-Morocco FTA.	
Dried Fruits and Nuts \$ 14.25 - Dried Raisins \$3.49 - Almonds, Shelled \$3.38 - Walnuts \$ 2.45 - Pistachios \$ 2.1 - Cashews \$1.2 - Dried Apricots \$0.9 - Other Dried Fruits \$0.5	U.S. Share: \$7.8 million Stiff competition from India, Turkey, China, Iran.	Cashew and Pistachios are duty free under the Morocco-US FTA.	Extensive smuggling activity through the two Spanish enclaves in the North of Morocco.
Processed Vegetables \$52 - Processed Tomatoes \$ 13.17 - Preserved Vegetables not frozen \$18.4 - Frozen Vegetables \$13.9 - Onion & Similar, Fresh \$1.3 - Canned Corn \$4.85		Major European brands are represented locally by local importers. Price competitiveness for canned corn from Thailand.	Most of the consumption is canned mushroom, sweet corn, asparagus, palm, and pulses. Except for the traditional canned peas, and tomato paste, other products are basically not produced by local manufacturers
Seafood \$141 - Crustaceans : \$105.5 - Fish, Cured, Smoked: \$ 12.2 - Fish Fillets, Meat: \$11.5 - Mollusks: \$14 - Fish, Frozen, Whole: \$12.1 - Fish, Whole Fr/Ch: \$8.3 - Live Fish: \$0.5	Netherland: 43% Other EU: 25% Argentina: 10% China: 9% Others 13%	Most seafood can come into Morocco duty free under the FTA. Great potential for US products.	Moroccans are mostly used to purchasing fresh fish (not frozen). Traditional distribution channels not suited for frozen fish. Moroccan consumer is familiar with few fish species.
Fresh Fruit \$108.7	EU has a duty free	US has a tariff rate quota	No significant production for

- Dates \$81.5 - Banana \$13.1 - Apples & Pears \$13.4 - Fresh Raisins \$0.5	Quota for apples. Competition from :Tunisia (Dates); Ghana, Costa Rica,(Banana); Italy, Spain & France (Apples)	under the FTA open from February to May Exports consists mostly of Red Delicious Apples. Expected to grow.	Red Delicious. No regular quality.
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Source: Agricultural Affairs Office, Moroccan Customs Data (Office des Changes 2014)
Exchange Rate (\$/dh) Dec 30, 2014: 9.00622

SECTION IV: BEST PRODUCT PROSPECTS

Products present in the market that have good sales potential:

- Canned Fruit and Vegetables
 - Health and diet products (not organic)
 - Confectionary
 - Dried Fruits and Nuts (Almonds, Pistachios, Dried Prunes and Raisins, walnuts)
 - Pop Corn
 - Non Salted Butter / dairy products
 - Breakfast Cereals / Biscuits, crackers / Flour Mixes
 - Pulses (lentils / Chickpeas / Green beans/ white beans)
 - Sauces including hot, Asian, BBQ, Salad dressings
 - Snack Foods, including diet snacks
 - Pet Food
 - Wine

A. Products Not Present in Significant quantities but which have good sales potential:

- Pistachios / Pecan Seeds Preferential Access under FTA
 - Garlic Preferential Access under FTA
 - Mushrooms Preferential Access under FTA
 - Soy Sauce Preferential Access under FTA
 - Spaghetti Preferential Access under FTA
 - Poultry Meat Tariff Rate Quota under FTA
 - Seafood Preferential Access under FTA

B. Products Not Present because they Face Significant Barriers

- Meat Customs duties

- Cheese Customs duties
 - Rice Customs 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>):