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GAIN Report

Global Agricultural Information Network

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Required Report - public distribution

Date: 3/30/2016

GAIN Report Number: MO1602

Morocco

Grain and Feed Annual

2016 Annual Report

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Report Highlights:

For MY 2016/17, Post estimates cereal production at 4.7 million MT, about 58 percent lower than the record harvest in MY 2015/16. The drop in grain production is mainly due to unfavorably dry and hot conditions during crop establishment in most of the production regions, as well as a smaller planted area. With this year's drought, wheat imports are expected to start earlier in the year. Post estimates total cereal imports for MY 2016/17 will reach 4.6 million MT with wheat imports at 3.9 million MT and barley imports at 0.7 million MT.

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Executive Summary:

For MY2016/17, post estimates total grain production to be around 4.7 million MT, including 3.7 million MT of common and durum wheat and 1 million MT of barley. The fall in grain production is mainly due to unfavorably dry and hot conditions during crop establishment in many production areas, as well as a smaller planted area and lower anticipated yields. The area planted this year is around 3.2 million HA (47 percent soft wheat, 18 percent durum wheat, and 35 percent for barley).

Grain production continues to depend heavily on rainfall because most of the production is rainfed. Moroccan rainfall is known for its wide fluctuations and has recorded extreme variations in recent years with no clear trends. These fluctuations considerably impact forage and grain supplies and ultimately the Moroccan economy. On January 29, 2016, the Government of Morocco committed more than 5 billion Moroccan dirhams (USD \$520 million) to what they call an anti-drought plan, aimed at supporting the agriculture sector against the effects of late rains.

The stocks of cereals held by operators and reported to ONICL reached about 1.34 MMT at the first of January 2016, of which 1.23 MMT was common wheat. About 56 percent of Morocco's total stock was made up of local wheat as of January 2016. The 56 percent represents 760,000 MT of bread wheat, 105,000 MT of durum wheat, and the rest is corn (375,000 MT). This stock will cover domestic demand only through the end of March, and consequently imports will rise. With the dry conditions, importers anticipate the imports to be between 3.8 million MT and 4 million MT of bread wheat.

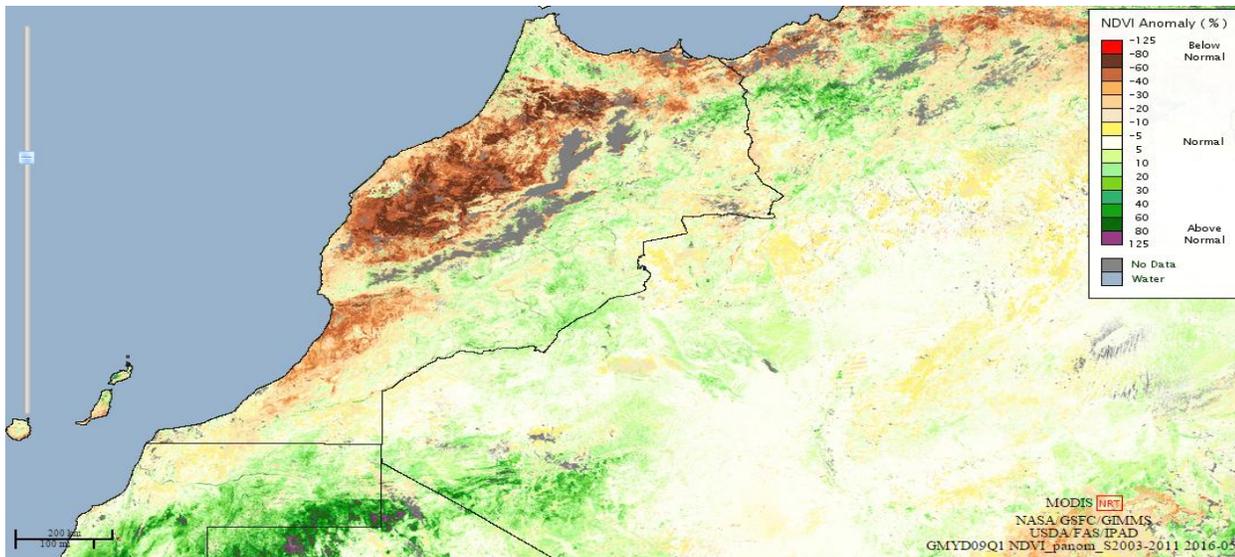
Morocco relies heavily on wheat imports to cover its consumption needs. Morocco's cereal imports in MY2016/2017 are forecast at 4.6 million MT, with wheat imports estimated at 3.9 million MT and barley imports estimated at 0.7 million MT. EU and Black Sea countries supply most of the common wheat, while Canada is the traditional supplier of durum wheat.

Production:

Post estimates cereal production at 4.7 million MT, about 58 percent lower than the record high harvest in MY 2015/16. The drop in grain production is mainly due to a period of unfavorably dry and hot conditions during crop establishment in many production areas, as well as a smaller planted area and lower anticipated yields.

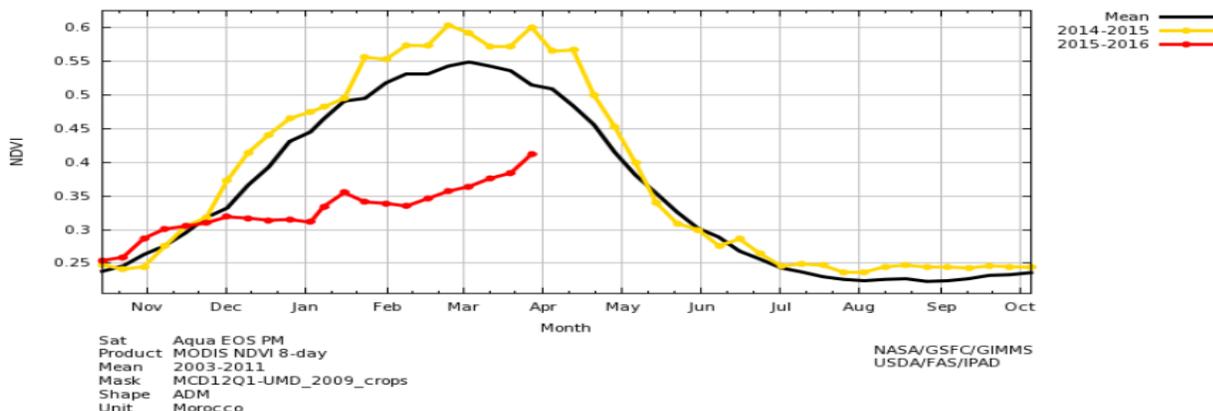
The below satellite imagery maps depict the vegetative development index (NDVI) for March and confirms the weather effects on crops as of March 2016.

Morocco: MODIS NDVI Anomaly Departure from Average October-March, 2016



Source: NASA/GSFC/GIMMS – USDA/FAS/OGA

Figure1: Shows the season NDVI values (from the MODIS Aqua satellite) Compared to Average and Last Year.



Source: NASA/GSFC/GIMMS – USDA/FAS/OGA

Sources indicate that 40 percent of the wheat and barley plantings were late this year and should result in much lower yields. Plant development has been negatively affected and, overall, the numbers of new

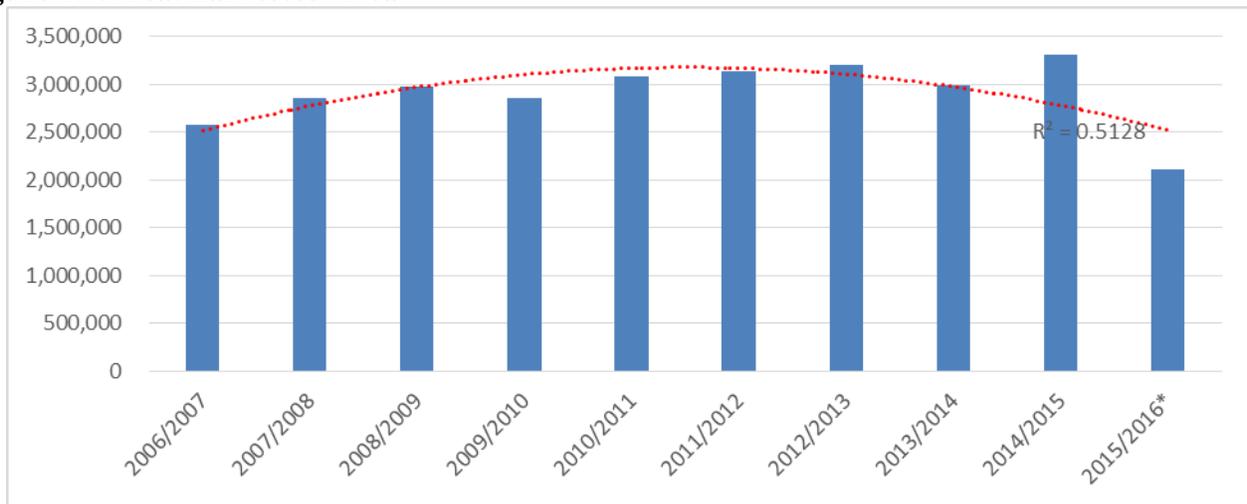
shoots per plant are low compared to last year.

Plantings:

Morocco's total grain planted area (common wheat, durum and barley) for MY 2016/2017 is estimated at 3.2 million HA, about 40 percent less than last year. Wheat planted area is estimated at 2.1 million HA, and 1.1 million HA of barley.

Moreover, the area planted to total wheat is expected to reach the lowest level in 15 years, and this follows last year's record year for bread wheat production.

Figure 2: Wheat harvested Area

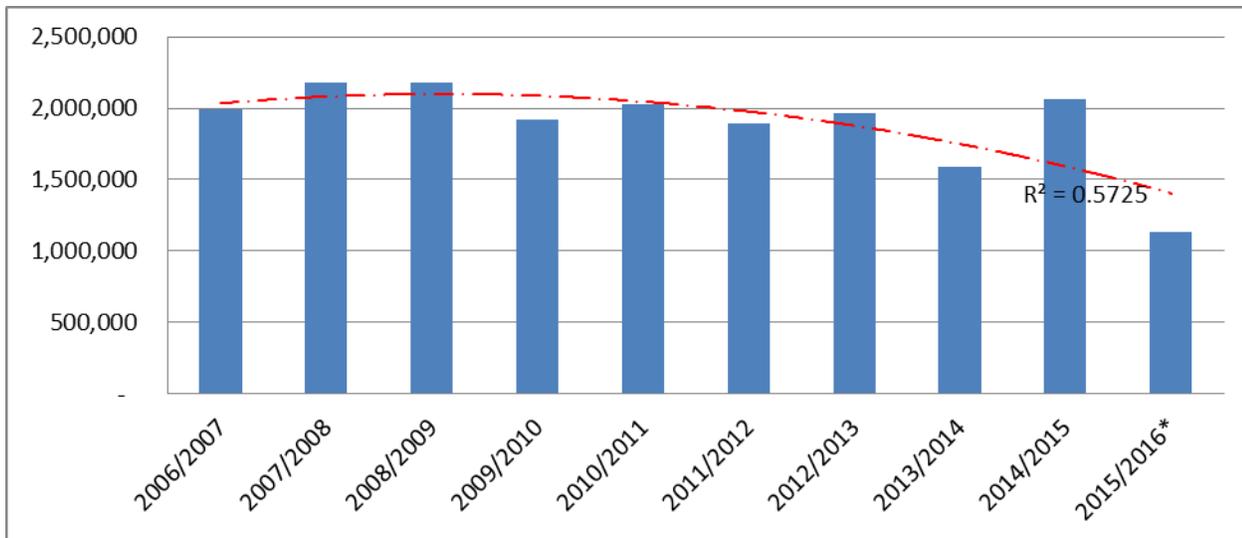


Source: Official Date from the Ministry of Agriculture

* Forecast by OAA/FAS/Rabat

The barley area is also down significantly as the delay in rainfall discouraged planting especially in the southern and south-central parts of the country.

Figure 3: Barley Harvested Area



Source: Official Date from the Ministry of Agriculture

* Forecast by OAA/FAS/Rabat

Table 1: Wheat and Barley Planted Area and Production

Year of Harvest	2012	2013	2014	2015 Final	2016* Forecast	% change 2015/2016
Planted area (Ha)						
Durum Wheat (1)	963,358	944,897	904,755	998,880	584,190	-0.42
Soft Wheat (2)	2,179,449	2,259,334	2,081,403	2,309,010	1,525,385	-0.34
Tot. Wheat (1)+(2)	3,142,807	3,204,231	2,986,158	3,307,890	2,109,575	-0.36
Barley	1,893,134	1,967,095	1,585,216	2,064,000	1,135,925	-0.45
Total area planted	5,035,941	5,171,326	4,571,374	5,371,890	3,245,500	-0.40
Production (MT)						
Durum Wheat (1)	1,134,878	1,897,234	1,410,178	2,406,741	993,123	-0.59
Soft Wheat (2)	2,743,091	5,036,749	3,705,706	5,658,155	2,745,693	-0.51
Tot. Wheat (1)+(2)	3,877,969	6,933,983	5,115,884	8,064,896	3,738,816	-0.54
Barley	1,201,388	2,722,622	1,638,086	3,393,781	1,017,684	-0.70
Total Production	5,079,357	9,656,604	6,753,970	11,458,677	4,756,500	-0.58

Source: Official Date from the Ministry of Agriculture

* Production forecast by FAS-Rabat Office

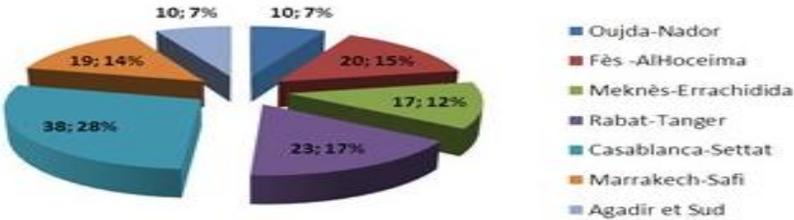
Consumption:

- **Wheat**

Wheat consumption per capita in Morocco is estimated at 173 kg annually, which is among the highest in the world (152 kg). The soft wheat represents, alone, 64 percent of the total consumption and the share of durum wheat is around 29 percent. 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 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 \$260/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 10.5 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.

Figure 4: Regional distribution of industrial mills



Source: ONICL, 2015.

- **Barley**

According to the Ministry of Agriculture, the barley for human consumption is becoming increasingly marginal, particularly in urban areas, and was estimated in 2014 around 11 kg per capita per year. 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. The current situation indicates that the supply of feed is likely to be limited in many areas of Morocco because of the poor development of plants this year. As a preventive measure to help maintaining the 19 million head of sheep, 3.03 million head of cattle, and 5.6 million head of goats go through the dry periods, the government of Morocco plans nearly \$600 million of measures to support farming, including assistance for small farmers, feed subsidies, and around (\$125.4 million) of insurance from the state-run Moroccan Agricultural Mutual Insurance (Mamda).

Trade:

Wheat and barley imports are expected to rise next year reflecting the expected small crop compared to last year. Post estimates that total cereal imports for MY 2016/17 will reach 4.6 million MT with wheat imports at 3.9 million MT and barley imports at 0.7 million MT. On December 23, 2015, the Government of Morocco (GOM) reduced the import duties for bread wheat from 50 percent to 30 percent to ensure adequate supplies for the domestic market and to maintain a reference price target at \$264/MT.

- **Wheat**

Morocco is one of the world's major wheat importers. 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 as of January 2016, imports of wheat (common and durum) reached about 833,952 MT, a decrease of 53 percent compared to the same period of previous year. The United States remained almost absent from the wheat market for the fourth year in a row. 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.

Table 2: Morocco's Wheat Imports by Country (in MT)

Partner Country	Unit	07/2015	08/2015	09/2015	10/2015	11/2015	12/2015	1/2016
World	T	16,400	137,756	91,689	138,451	329,006	120,650	489,115
France	T	-	59,900	38,444	31,500	142,861	20,850	213,466
Ukraine	T	16,400	57,863	26,100	32,254	116,378	26,000	56,900
Canada	T	-	19,993	27,145	46,658	42,060	73,800	70,482
Lithuania	T	-	-	-	-	27,499		
Spain	T	-	-	-	320	207		
Italy	T	-	-	-	100	-		
Germany	T	-	-	-	27,620	-		19,945
United Kingdom								4,199
Estonia								31,498
Russia								52,529
Argentina								30,340
United States	T	-	-	-	-	-	-	9,756
Total		16,400	137,756	91,689	138,452	329,005	120,650	489,115

Source of Data: Office des Changes/ Latest available data

- **Barley**

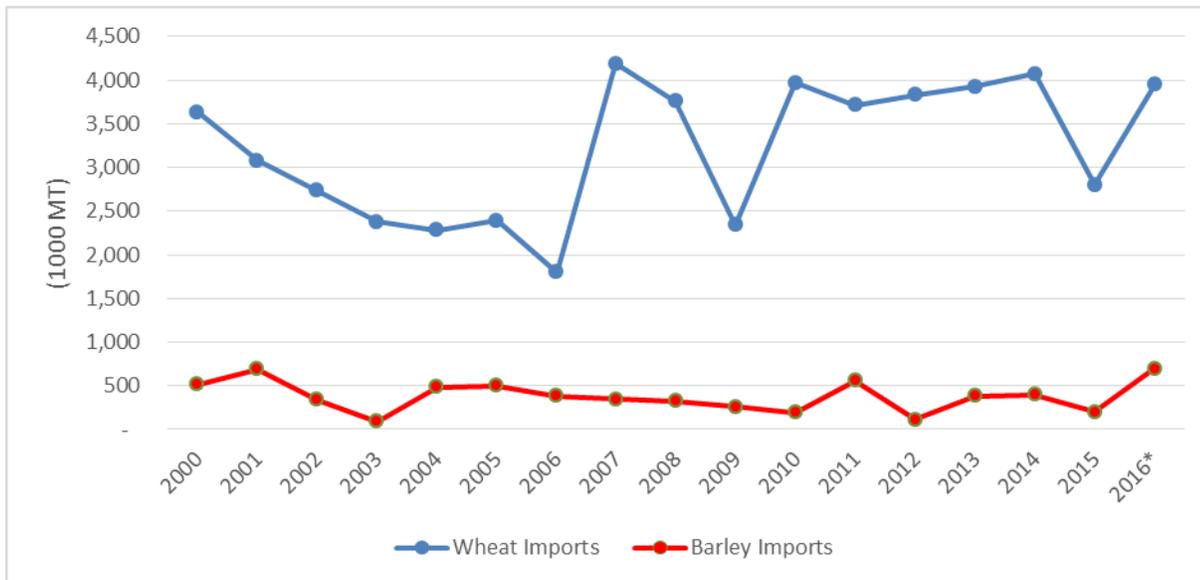
Barley imports for feed and for food is likely to increase significantly during the next marketing year especially if the weather conditions (rainfall) are not favorable during the 2016 fall which would negatively affect pasture conditions for feeding. According to Moroccan official data, imports of Barley have reached as of January 2016, about 158,086 MT, a decrease of 28 percent compared to the same period of previous year this fall is mainly due to a good crop production in 2015.

Table 3: Morocco's Barley Imports by Country (in MT)

Partner Country	Unit	Quantity							Total
		07/2015	08/2015	09/2015	10/2015	11/2015	12/2015	01/2016	
World	T	-	24,661	41,409	266	34,100	57,650	14,103	172,189
France	T	-	12,661	6,600	23	6,600	57,650	14,103	97,637
Argentina	T	-	-	7,699	-	-	-	-	7,699
Croatia	T	-	-	1	-	-	-	-	1
Finland	T	-	-	-	-	-	-	-	-
Germany	T	-	-	-	-	-	-	-	-
Italy	T	-	-	-	-	-	-	-	-
Russia	T	-	-	-	-	-	-	-	-
Spain	T	-	-	-	243	-	-	-	243
Sweden	T	-	-	-	-	27,500	-	-	27,500
Ukraine	T	-	12,000	13,288	-	-	-	-	25,288
United States	T	-	-	13,820	-	-	-	-	13,820

Source of Data: Office des Changes/ Latest available data

Figure 5: Morocco Wheat and Barley imports by Marketing Year from 2000 to 2016



Source: FAS-Rabat Office /* 2016 forecast.

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 MT)

Year To Date: January - December					
Partner Country	Unit	Quantity			% Change 2015/2014
		2013	2014	2015	
Total	T	153,054	160,144	86,998	- 45.68
Guinea	T	118,682	131,679	62,842	- 52.28
Angola	T	27,325	24,900	22,235	- 10.70
Gabon	T	-	-	800	0.00
Chad	T	3,717	1,125	500	- 55.56
Benin	T	-	325	250	- 23.08
Mauritania	T	-	-	153	0.00
Mali	T	-	-	100	∞
Tunisia	T	-	-	84	0.00
Togo	T	-	-	23	0.00
Equatorial Guinea	T	-	18	10	- 45.53
Guinea-Bissau	T	371	23	-	- 100.00
Niger	T	464	-	-	0.00
Senegal	T	1,322	1,724	-	- 100.00
Sierra Leone	T	-	50	-	- 100.00
Spain	T	129	-	-	0.00
Canada	T	-	3	-	- 100.00
Central African Republic	T	1,044	250	-	- 100.00
Cote d'Ivoire	T	-	46	-	- 100.00

Source: GTAS / Office des Changes

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. As of January 2016, the stocks of cereals held by operators and reported to ONICL reached about 1.34 million MT of which 1.23 million MT was common wheat. About 56 percent of Morocco's total stock was made up of local wheat. The 56 percent represents 760,000 MT of bread wheat, 105,000 MT of durum wheat, and the rest is corn (375,000 MT).

This stock will cover domestic demand only through the end of March, and consequently imports will rise. With the dry conditions, importers anticipate the imports to be between 3.8 million MT and 4 million MT of bread wheat.

Storage Facilities and Port Handling

A large silo facility with a storage capacity of 42,000 MT and discharging capacity of 16,000 MT per day that was built by a private Moroccan investor in JorfLasfar port in 2008 is now fully operational. This facility contains two 400 MT per 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. On December 23, 2015, the Government of Morocco (GOM) reduced the import duties for bread wheat from 50 percent to 30 percent to ensure adequate supplies for the domestic market and to maintain a reference price target at \$264/MT. In addition, the government established 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 and the wheat prices on the international market.

Measures to Encourage Marketing of Local Grains

At the beginning of every marketing year, the Moroccan Cereals Office (ONICL), on behalf of the Ministry of Agriculture, sets the regulations for the marketing of the prevailing crop. It is a Circular Note that explains and defines the overall system of grain marketing related to the new crop. This includes the setting of the reference selling price for national production. Among the process, the storage agencies collect the local wheat and store it in their warehouses with the benefit of a premium that the government pays for storage. The storage premium is computed every 15 days at the rate of about \$2.06/ton. The storage agencies continue to enjoy the reimbursement only for the period the wheat is collected. For MY2015/16 crop, the storage computation started June 15, 2015 and went through December 15, 2015. The storage premium is paid only for the wheat stored and declared to ONICL. In the event there is a tender for subsidized flour, the storage agency still benefits from the storage premium until the second 15 days following the tender results.

The Government System of Subsidy

The government system of subsidy has been in place for several years, and the government has been trying to reduce the quantity of the subsidized flour from 1 million MT to 750,000 tons this year with the flour going to the poorest areas. ONICL launches the tender for subsidized flour every other month throughout the year until the quota is filled. Before launching the tender, ONICL will establish a regional list allocating the quantity of flour that should be provided to each area within the region in need of flour. The list is determined after several meetings with the Highest Commissioners within the government, who would provide a poverty map, and other contributing parties who actually are the different government departments. Eligible bidders have to deposit a performance bond equivalent to \$5.08 per ton. Successful bidders have 90 days to execute the delivery. The flour tendered can be for either local crop or imported wheat, depending where the tender is launched.

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. On December 2015 ONICL launched the tender for U.S. preferential tariff quota on wheat, the tender called for imports of 360,000 MT of soft wheat and 315,000 MT of durum wheat. ONICL accepted an offer to import 9,800 MT of soft wheat from the United States of America.

U.S. Wheat Marketing Activities

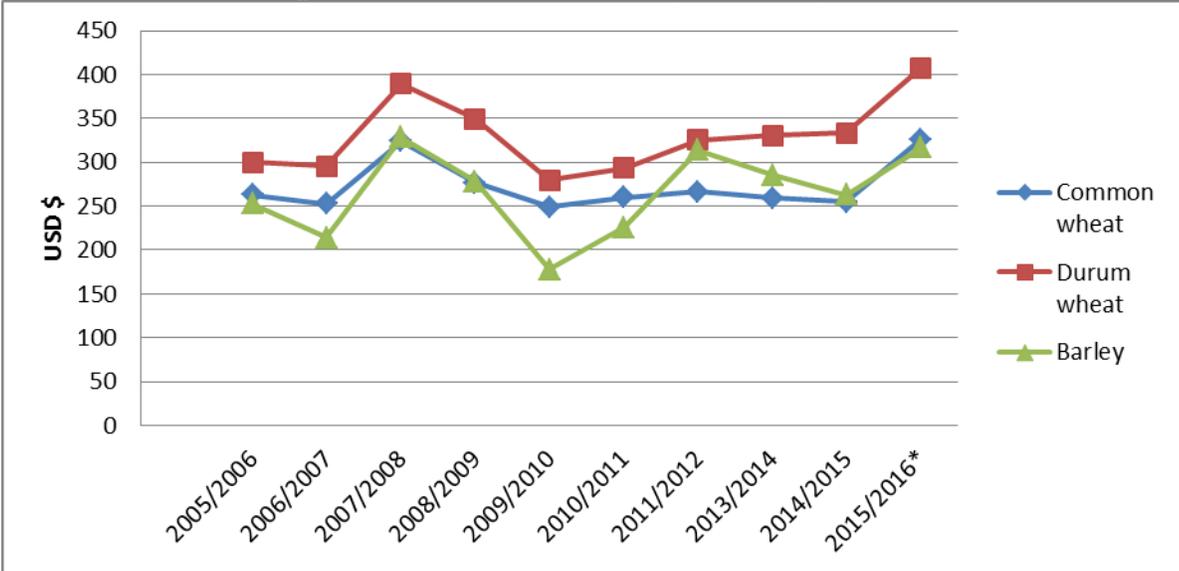
The U.S. Wheat Associates Office in Casablanca continues to implement market development and

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 (\$264/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 2016, common wheat prices in the local markets averaged \$273/MT. For the same period durum wheat prices averaged \$330/MT, while barley prices averaged \$266/MT.

Table 6: Grain Average Prices in Local Markets (\$USD/MT)



Source: Morocco's Ministry of Agriculture (Indicative exchange rate 3/9/2016 (1 USD = 9.84 dirham)
 * Latest available data

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

Wheat	2014/2015			2015/2016			2016/2017	
Market Begin Year	Jun-14			Jun-15			Jun-15	
Morocco	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	New Post
Area Harvested	3,060	3,060	3,060	3,200	3,200	3,200		2,109
Beginning Stocks	4,185	4,185	4,185	4,120	4,235	4,120		5,070
Production	5,100	5,100	5,100	8,000	8,000	8,000		3,738
MY Imports	4,073	4,200	4,073	2,800	2,800	3,000		3,900
TY Imports	4,073	4,200	4,073	2,800	-	3,000		3,900
TY Imp. from U.S.	10	10	10	-	-	9,8	-	10
Total Supply	13,358	13,485	13,358	14,920	15,035	15,129		12,718
MY Exports	238	250	238	250	250	250		250
TY Exports	224	250	222	250	250	250		250
Feed and Residual	400	400	400	800	800	800		800
FSI Consumption	8,600	8,600	8,600	9,000	9,000	9,000		9,000
Total Consumption	9,000	9,000	9,000	9,800	9,800	9,800		9,800
Ending Stocks	4,120	4,235	4,120	4,870	4,985	5,070		2,668
Total Distribution	13,358	13,485	13,358	14,920	15,035	15,129		12,718

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

Barley	2014/2015		2015/2016		2016/2017	
Market Begin Year	Jul-14		Jul-15		Jul-16	
Morocco	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,440	1,440	1,600	1,600		1,135
Beginning Stocks	976	976	376	376		1,076
Production	1,700	1,700	3,500	3,500		1,017
MY Imports	400	400	200	200		700
TY Imports	300	300	200	200		700
TY Imp. from U.S.	0	0	0	0		-
Total Supply	3,076	3,076	4,076	4,076		2,793
MY Exports	0	0	0	0		-
TY Exports	0	0	0	0		-
Feed and Residual	1,700	1,700	2,000	2,000		1,500
FSI Consumption	1,000	1,000	1,000	1,000		950
Total Consumption	2,700	2,700	3,000	3,000		2,450
Ending Stocks	376	376	1,076	1,076		343
Total Distribution	3,076	3,076	4,076	4,076		2,993

Post field travel observations confirm that many fields have not been planted and that, except in a few regions, the crops are not adequately developed.



Irrigated crops



Not irrigated



(March, 5th 2016)

