

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Required Report - public distribution

Date: 7/25/2012

GAIN Report Number: MO 1209

Morocco

Grain and Feed Update

July 2012

Approved By:

Hassan F. Ahmed, U.S. Embassy, Rabat

Prepared By:

Idriss El Honsali, U.S. Embassy, Rabat

Report Highlights:

The official estimate of Morocco's cereal production in 2011/12 has been revised upwardly, from 4.8 million MT to 5.1 million MT. This total is about 40 percent lower than production level in the previous year and includes 2.74 million MT of soft wheat, 1.13 million MT of durum wheat and 1.2 million MT of barley. Morocco's total wheat imports in MY 2011/12 are estimated at 3.545 million MT, about 11 percent lower than the quantities imported in MY 2010/11. France continued to control the Moroccan soft wheat market, with 49 percent share of the market in MY 2011/12, while Canada remained the first supplier of durum wheat, with a 56 percent market share. Morocco's barley imports soared to 616,800 MT in 2011/12, due to higher demand for feed barley prompted by a government subsidy program to help livestock farmers cope with the impact of the drought and severe weather on the grazing pastures conditions this season.

Production:

The harvest of the 2011/12 grain crops in Morocco was completed in mid July. The Ministry of Agriculture revised up its previous estimate for total cereal production that was made in May, from 4.8 million MT to 5.1 million MT. This production level, which is considered overly optimistic by many grain experts, represents a decline of about 40 percent compared to production in the previous year. It consists 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 also revised up, from 4.86 million HA to 5.04 million HA, about 2 percent lower than area planted in the previous season. Wheat planted area is estimated at 3.142 million HA, of which 2.179 million HA soft wheat and 0.963 million HA durum wheat, while area planted with barley 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	10,200
2010	1,640	3,247	4,887	2,570	7,457
2011	1,850	4,170	6,020	2,340	8,360
2012	1,130	2,740	3,870	1,200	5,070

Source: Ministry of Agriculture data

It should be noted that Post estimates of total grain production for the 2011/2012 crop have been revised upward in the PS&D tables, from 2.8 million MT to 3.4 million MT for wheat, and from 900,000 MT to 1.1 million MT for barley. These estimates reflect more realistic assessment of private sector grain analysts of Morocco's grain production this year, compared with the optimistic estimates issued by the government.

The 2011/12 crop experienced unfavorable weather conditions, including a prolonged drought situation that delayed seed planting, unusual very cold spells during the December-January period, and a very hot weather during the month of June. However, favorable weather conditions that prevailed during February and March helped mitigate some of the negative impact of the drought on the crops. Though total grain production was significantly lower than last year, it is reported that the overall crop quality is very good, with a very good average specific weight (81 kg/HL) and a small percentage of impurities. As of the end of June, the quantity of wheat collected from farmers by the National Office of Cereal (ONICL) is estimated at 0.98 million MT, about 36 percent of the total production.

Trade:

Morocco's wheat imports (soft and durum) in MY 2011/12 totaled 3.545 million MT, about 11 percent lower than the quantities imported in MY 2010/11. Wheat imports in the previous season were higher due to a smaller local crop as well as to the Moroccan government's implementation of an import restitution scheme to support wheat import prices. It is reported that the cost of the import restitution for soft wheat is estimated at 1.3 billion MDH (\$ 160 million). Morocco's wheat imports in MY 2011/2012 consisted of 2.895 MT of soft wheat and 649,700 MT of durum wheat, which 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.

There were no U.S. wheat exports to Morocco in MY 2011/2012, compared to total exports of 406,700 MT in the previous season, about 13 percent market share. The absence of U.S. wheat exports was mostly due to the un-filling of the tariff rate quotas (TRQs) for U.S. wheat exports under the U.S.-Morocco Free Trade Agreement (FTA) that were rendered ineffective because of Morocco's suspension of wheat import duties from November 2011 until June 2012. Given that Morocco's soft wheat production of the 2011/12 crop is officially estimated at 2.7 million MT, under the terms of FTA the new TRQs for U.S. soft wheat in CY 2013 will be estimated at 548,592 MT, about 52 percent higher than the 360,000 MT TRQs in CY 2012. With the upward revision of wheat production of the 2011/12 harvest, it is projected that Morocco's wheat imports in MY 2012/13 would be lower than previously estimated. We have revised down Post estimate of total imports in the PS&D table by 500,000 MT, to 4.5 million MT, to reflect the increase in wheat production estimate.

Table 1: Morocco's Common and Durum Wheat Imports by Country of Origin (in MT)

Marketing Year	2008/2009	2009/2010	2010/2011	2011/2012
Wheat Import/Origin	MT	MT	MT	MT
Common wheat import	3,138,153	1,633,524	3,222,005	2,895,700
U.S.A	19,597	331,308	406,708	-
France	1,995,560	1,148,160	2,023,915	1,429,500
Argentina	22,000	-	298,300	576,300
Uruguay	-	-	-	538,800
Russia	112,202	-	-	153,100
Ukraine	115,911	-	-	91,100
U.K	74,300	41,710	44,906	24,900
Lithuania	259,731	22,000	6,760	17,400
Canada	5,147	-	-	12,600
Germany	277,745	34,887	134,386	-
Sweden	9,702	17,159	51,010	-
Latvia	164,809	21,997	-	-
Poland	21,232	-	38,298	-
Durum wheat Import	564,914	546,806	753,827	649,700
U.S.A	-	72,967	-	-
Canada	518,910	473,839	577,833	365,100
France	7,050	-	123,622	187,400
Argentina	-	-	8,600	97,200
Australia	15,016	-	43,772	-
Greece	23,939	-	-	-
Total wheat Import	3,703,067	2,180,330	3,975,832	3,545,400

Source: Official Moroccan Trade Date.

In general, the EU wheat exporters have a competitive edge over the 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. It should be noted that in 2011/2012 the TRQs for wheat imports from both the U.S. and the EU under their respective FTAs have not been utilized. This was mainly due to Morocco's suspension of wheat import duties from November 15, 2011, until June 1, 2012.

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 this 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).

Table 2: Morocco's Barley Import by Country of Origin (1,000 MT)

Marketing Year	2009/2010	2010/2011	2011/2012
Barley Imports	MT	MT	MT
Total Imports	224,700	250,400	616,800
U.S.A	-	12,000	24,700
Germany	-	6,800	-
Argentina	-	-	162,400
France	85,800	182,500	241,100
Sweden	-	8,400	-
Russia	-	6,935	59,300
Ukraine	*	26,550	50,800
Others	138,900	7,215	78,500

Source: Official Moroccan Trade Date * not available

Policy:

The Government of Morocco has renewed its measures of price support for the new grain harvest to help farmers market their crops. These measures included setting up a reference price for purchasing local wheat at 2900 dirham/MT (\$338/MT) as well as providing a biweekly storage premium of 20 dirham per MT for farmers to store their wheat at facilities licensed by ONICL. It should be mentioned that in addition to the government support measures at the producer level, there are set of measures to support wheat and flour prices at the miller, bakery and consumer levels. Last year, the increasing costs of these support measures have added to the burden of the Moroccan Government's budget. The total budget cost of the wheat and flour subsidy program in 2011 was estimated at about \$420 million. This has prompted the Moroccan government to start an extensive review of the allocation and distribution of the flour subsidy system to ensure that the subsidies would only reach their intended deserving low income consumers.

In June 2012, Morocco imposed low import duty of 17.5 percent on soft wheat imports. This is to replace the 135 percent import duty that is usually set to protect local wheat farmers around the harvest and collection period. Under the terms of the U.S.-Morocco FTA, the preferential access tariff rates for the TRQs for U.S. wheat exports will be assessed import duties of 5.2 percent. The remaining U.S. soft wheat TRQs quantities (for the rest of CY 2012) could benefit from this preferential rate and allow U.S. exports to be competitive in the Moroccan market. The suspension of the import duties on durum wheat was extended from May 1 until December 31, 2012, and hence rendering the U.S. durum wheat quota of 310,000 MT ineffective for the rest of 2012.

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