

Morocco

North African nation is experiencing rapid growth in its feed and meat industries

by David McKee

An hour's drive inland from the rapidly growing metropolis of Agadir, Morocco, a major agricultural cooperative, Copag, has begun a pilot program for confined feeding of cattle. The goal is to increase the quality and volume of local beef production, which still relies on grazing in a semi-desert zone south of the Atlas Mountains. In addition to increasing per capita meat consumption by Moroccans, rising numbers of tourists are expected to create even greater demand for maize-fed beef.

The program has received technical and financial support from the U.S. Grains Council, which seeks to increase the use of imported maize. Development of this entirely new sector is just one example of the dynamism of Morocco's feed industry.

The rapid evolution of feed and poultry production must be counted as a success story in Moroccan agribusiness. Mixed feed production, which is still 90% for poultry, climbed from less than 1 million tonnes in 1996 to 1.8 million tonnes in 2005 before declining slightly in 2006 due to bird flu worries. The industry is highly competitive, partly because it is free from most forms of government control, such as production quotas and import restrictions. As meat consumption (primarily poultry) has steadily risen, there has been an influx of investment into larger and more integrated feed plants throughout the country. The main beneficiary has been the Moroccan consumer, who sees chicken and turkey increasingly available and affordable at street roasters as well as in restaurants and supermarkets. Poultry and eggs now account for about 40% of animal protein consumption in Morocco.

Though the industry is regionally based and fragmented, there are already three feed mills producing more than 15,000 tonnes per month. The largest feed producer is Alf Sahel in Casablanca, which was already the largest poultry producer when it built its own feed mill about five years ago. There are about 30 feed mills in the country producing over 2,000 tonnes per month — nearly all are independent, family-owned enterprises. No feed milling groups have yet appeared; organic growth in an expanding market seems to be the best formula for success. Margins are



Key Facts

Capital: Rabat

Population: 33 million

Religions: Muslim 98.7%, Christian 1.1%, Jewish 0.2%.

Location: Northern Africa, bordering the North Atlantic Ocean and the Mediterranean Sea, between Algeria and Western Sahara.

Government: Constitutional monarchy: chief of state is King Mohamed VI (since July 30, 1999); head of government is Prime Minister Driss Jettou (since Oct. 9, 2002).

Economy: Moroccan economic policies brought macroeconomic stability to the country in the early 1990s but have not spurred growth sufficient to reduce unemployment that nears 20% in urban areas. Poverty has increased due to the volatile nature of Morocco's GDP, its continued dependence on foreign energy and its inability to promote the growth of small- and medium-size enterprises. However, GDP growth rebounded to 6.7% in 2006 due to high rainfall, which resulted in a strong second harvest. Despite structural adjustment programs supported by the International Monetary Fund (IMF), the World Bank and the Paris Club, the dirham is only fully convertible for current account transactions and Morocco's financial sector is rudimentary. Moroccan authorities understand that reducing poverty and providing jobs is key to domestic security and development. In 2004, Moroccan authorities instituted measures to boost foreign direct investment and trade by signing a free trade agreement with the U.S., which are now in effect. It also sold government shares in the state telecommunications company and in the largest state-owned bank. Long-term challenges include preparing the economy for freer trade with the U.S. and E.U., improving education and job prospects for Morocco's youth, and raising living standards, which the government hopes to achieve by increasing tourism and boosting competitiveness in textiles.

GDP per capita: U.S.\$4,400 (2006 est.); Inflation 2.8%; unemployment 7.7% (2006 est.).

Currency: Moroccan dirham; U.S.\$1 equals 8.39 dirhams (March 26, 2007).

Exports: U.S.\$11.72 billion f.o.b. (2006 est.); clothing, fish, inorganic chemicals, transistors, crude minerals, fertilizers (including phosphates), petroleum products, fruits.

Imports: \$21.22 billion; crude petroleum, textile fabric, telecommunications equipment, wheat, gas and electricity, transistors, plastics.

Major crops / agricultural products: barley, wheat, citrus, wine, vegetables, olives, livestock.

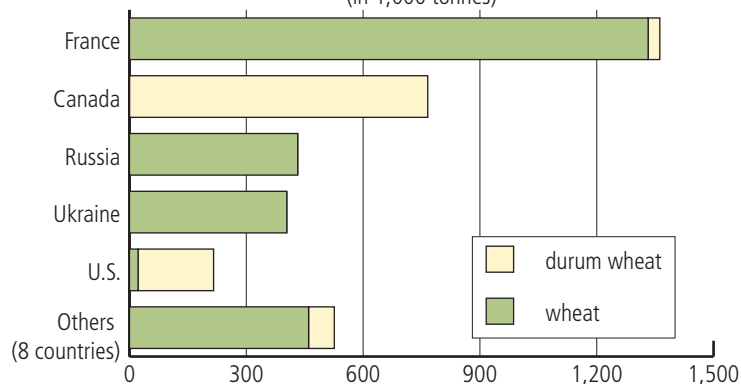
Grain and oilseed crops: barley and wheat.

Agriculture: 13.3% of GDP and 40% of the labor force

Internet: code .ma, 3,218 hosts and 4.6 million users (2006)

Two-year wheat imports: 2005 and 2006*

(in 1,000 tonnes)



Source: USDA
*first 11 months

thin, however, and industry sources predict that several of the smaller mills producing less than 5,000 tonnes per month will disappear.

Only a few companies are fully integrated from feed to slaughtering and further processing. But at least two-thirds of the larger feed producers have gone into chick production, and some of the largest chick producers are building their own feed mills.

The industry depends heavily on imported ingredients. Maize, primarily from the U.S., is the most important at 1.5 million tonnes per year. Two soybean crushing plants, in Casablanca (1,300 tonnes per day) and Meknes (1,000 tonnes per day), provide 400,000 tonnes of soybean meal annually from beans imported in nearly equal volumes from the U.S. and South America. This local crushing capacity had benefited from a 25% duty on imported meal, which has now been cut in half and will be phased out over five years as part of the Free Trade Agreement with the U.S., which went into effect in January of this year. The first multiple shipments of soybean meal in several years arrived in Morocco in 2006.

Rising importation of sunflower seed meal from Ukraine, surpassing 100,000 tonnes, has kept the level of soybean meal consumption stable. There is a large sardine industry in southern Morocco that produces up to 40,000 tonnes of fish meal per year. Some of it stays in Morocco for feed use, but increasingly it is being exported for fish farming.

There are four main domestic grain traders who, along with Cargill (the only major international player with a direct presence in Morocco), import boatloads of feed ingredients and wheat, often on behalf of semi-formalized buyers' groups.

Petkus

FLOUR MILLING

Moroccans consume about 7 million tonnes of wheat per year, the equivalent of over 200 kilograms per capita, one of the highest levels in the world. Up until 1980, Morocco was mostly self-sufficient in wheat production, but rapid population growth now means that in most years 2.5 million tonnes of wheat must be imported. However, 2006 was a year of exceptional rainfall in Morocco, which only irrigates 10% of its cropland. The high levels of moisture resulted in a wheat harvest of 6.5 million, including a record 4.2 million tonnes of non-durum wheat.

In contrast to feed, the wheat milling industry is relatively static. Though wholly in private hands, it is subject to government controls at several levels from wheat production, to storage and distribution, to price controls on 1 million tonnes of subsidized wheat flour.

This system has enabled weaker companies to stay in business and reduced the incentive for stronger, better-run companies to invest.

There are about 100 industrial wheat flour mills now operating in Morocco, according to its national millers association. They mill about 4 million tonnes of wheat per year, but just a dozen mills are grinding more than 100,000 tonnes of wheat annually, and the largest mill has a share of only about 5% of industrial flour production. As in feed milling, nearly all the wheat flour mills are independent, family-owned entities.

In addition to heavy government controls, the industrial mills must also contend with a very large informal milling sector that is untaxed and unregulated. There are thousands of these so-called “artisanal” mills, which are thought to produce one-third to one-half of the flour consumed in the country.

Industry Groups**FNM - Federation Nationale de la Minoterie (Moroccan millers federation)**

Address: Angle des Rues Ibnou Majed Al Bahaaar et El Brihmi El Idrissi, Casablanca 20300, Morocco

Tel: 212 22 30 18 01

Fax: 212 22 30 59 13

Internet: fnm@wanadoo.net.ma

FISA (Moroccan poultry federation, including AFAC and four other associations)

Address: 123-125, bd. Emile Zola Casablanca 20 300, Morocco

Tel: 212 22 54 24 88

Fax: 212 22 44 22 76

Internet: www.fisa.org.ma

E-mail: fisa@iam.net.ma

Some are stone mills and water mills. Morocco's population is 40% rural, mostly growing their own wheat and relying on these village mills for flour. But small mills also operate in storefronts in

Prado

Cimbria

commercial areas of the biggest cities, where customers either bring them sacks of wheat bought in the market or simply buy the mill's flour. As subsistence farming decreases and urban lifestyles change, the number of these mills is said to be decreasing.

The government formerly operated a single desk monopoly for wheat and barley imports but gave this up several years ago in a round of liberalization. The largest mills rely on imported and domestic wheat. They have formed a number of buyers' groups, each consisting of several mills usually from different regions. These groups make joint purchases of whole vessels of wheat, generally of 25,000 tonnes, the maximum grain vessel size for Moroccan ports. However, there are plans underway to expand three Moroccan ports to take larger Panamax vessels.

In order to protect domestic growers, the Moroccan government has traditionally controlled both domestic and imported wheat prices. About 1 million tonnes of domestic wheat is purchased each year by the government at a fixed per-tonne price of 2,500 Moroccan dirhams (U.S.\$280). Imported wheat is subject to a variable duty that brings its landed cost up to the fixed price paid to Moroccan farmers. If international wheat prices are low, the duty collected is more.

The import duty on wheat is used to fund the subsidy on 1 million tonnes of wheat flour, ostensibly for distribution to the poorest part of the population. Almost all operating mills receive a quota of soft white wheat, the kind that is subsidized. The government Cereals Office (ONICL) directs where the wheat is to be sold. The customer pays the mill the subsidized price, and the government pays the flour mill the difference between that and the higher fixed wheat price paid to farmers, including a low milling margin that has been increased only once in 20 years.

This system keeps in business a large number of inefficient mills, which survive only because of their subsidized flour production quota. International organizations like the World Bank have recommended for years that Morocco abandon or at least reform this system, which in most years costs the central government over \$200 million per year in subsidies.

Some reforms are now being attempted on the wheat purchasing side of the program. In 2006, the ONICL for the first time stopped guaranteeing its purchases from licensed grain traders who buy up the domestic crop, and it has put a time limit on payment of storage fees. There are up to 150 companies licensed to buy and sell wheat to the government, with the biggest concentration in Meknes, in the heart of Morocco's central wheat belt. WG

David McKee is a grain industry consultant providing market research and other services to companies seeking to initiate business in new markets. He can be reached by e-mail at davidmckee59@msn.com.

We want to hear from you — Send comments and inquiries to worldgrain@sosland.com. For reprints of WG articles, e-mail reprints@sosland.com.