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Grain and Feed Annual

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Report Highlights:

Morocco's cereal crop has entered a precarious period, with farmers and government officials bracing for a difficult time ahead. On top of the lack of rainfall that delayed grain sowing, unusual cold spells hampered crop development. Moroccan agricultural experts estimate that cereal production this year could be around 4 million MT, or half of last year's harvest. Post estimates that total cereal production would not exceed 3.2 million MT, including 2.3 million MT of soft and durum wheat and 900,000 MT of barley. The Moroccan government has set up an emergency plan to deal with the crisis by providing support to the affected cereal farmers and livestock producers, and suspending duties on cereal imports. Morocco's wheat imports for MY 2011/12 are projected at 3.2 million MT and could, by far, exceed 5 million MT in MY 2012/13. Barley imports are projected at 510,000 MT, and would be close to a million MT next marketing year. In February 2012, barley prices in local markets soared to unprecedented levels of 5,000 dirham (about \$600) per MT.

Executive Summary:

Morocco's 2011/12 grain crop has entered a dangerous period, and agricultural experts predict that total cereal production will be around 4 million MT, or half of last year's harvest of 8.3 MT. Sowing of the wheat and barley crops started very late due to rain delays and was not completed until the end of December in many grain areas. Unusual cold spells that gripped the country in January and February have curbed grain sprouting and hampered crop development. Wheat planted area is estimated at 3.17 million HA, consists of 2.18 million HA of soft wheat and 990,000 HA of durum wheat, while barley area is estimated at 1.78 million HA. The Moroccan Government, however, has not provided an official estimate of cereal production projected for this year. Agricultural experts estimate that the drought conditions this year is the worst since 2007, when total grain production was less than 2.35 million MT, while others compare the weather conditions and crop situation to that of the 1999/2000 season, when grain production totaled mere 1.85 million MT. Post projects that total wheat production will be around 2.3 million MT, barley production about 900,000 MT, and total grain production not to exceed 3.2 million MT.

With increased worries about the grain crop situation and its impact on the overall Moroccan economy, the government has set up an emergency plan to deal with the crisis. It is reported that the plan includes additional funds requested by the Ministry of Agriculture to compensate affected cereal farmers and to support livestock producers through providing forage price support and subsidized barley imports. It should be noted that farmers' subscription to a newly implemented crop insurance program has exceeded government's target for area coverage by 13 percent.

Morocco's per capita consumption of wheat, estimated at 258 kg annually, is among the highest in the world. In MY 2011/12, total Moroccan wheat consumption is estimated at 8.2 million MT, about 40 percent of which comes from imports. In 2011, a significant part of the wheat crop suffered deterioration in quality due to widespread kernel germination as a result of excessive grain moisture content during harvest. Much of the sub-quality wheat harvest, reportedly 10-15 percent, was not suitable for flour milling use and had to be utilized as animal feed. Barley is consumed mostly as animal feed in Morocco, with total consumption estimated at 3 million tons per year. With pasture conditions rapidly deteriorating this year, livestock producers have increased their demand for feed barley. As of February, Morocco's barley reserve was estimated to be less than 40,000 MT, and barley prices in some local markets soared to an unprecedented level of 5,000 dirham (about \$600) per MT.

In CY 2011, Moroccan wheat imports totaled 3.797 million MT, 24 percent higher than the quantities imported in 2010. Wheat imports were boosted by an import-restitution scheme established by the government to support wheat import prices. Morocco wheat imports from the EU exceeded 2 million MT, and came mainly from France. U.S. wheat exports totaled 287,600 MT, all soft wheat, and accounted for about 8 percent share of the Moroccan wheat market. Although the Moroccan durum wheat market has been dominated by Canadian suppliers, other exporters, particularly from France and Argentina, have been gaining ground in recent years. Canada's market share of the durum wheat market dropped from 86 percent in 2010 to 61 percent in 2011. Total wheat imports for MY 2011/2012 are projected at 3.2 million MT, up slightly when compared to imports in MY 2010/11, and will far exceed 5 million MT in MY 2012/13.

Morocco's barley imports were up 7 percent in 2011 due to increased demand for feed barley by livestock producers. In 2012, however, barley imports started to rise sharply, and total imports for MY 2011/12 are projected to reach 510,000 MT, about double the amount imported in MY 2010/11. This increase is mainly due to the expected subsidized purchases by the government to help livestock farmers affected by the drought and cold weather conditions this year.

In May 2011, Morocco imposed 135 percent duties on soft wheat, and in June, durum wheat import duties were set at 170 percent. With rising wheat prices and local wheat supplies becoming very tight, import duties on durum and soft wheat were suspended on October 1st and November 15th of 2011, respectively. In December, the government extended the suspension of soft and durum wheat import duties until the end of February 2012. The suspension of import duties was later extended until the end of April. It is reported that the government will also suspend duties on barley imports that are currently set at the 35 percent.

Production:

The 2011/12 Moroccan grain crop has entered a critical stage, with most farmers and agricultural officials bracing for a small harvest. Sowing of the wheat and barley crops started very late due to rain delays and was not completed until the end of December in many areas. In addition to the lack of rainfall and late sowing, unusual cold spells that gripped the country in January and February have curbed sprouting and hampered the development of the planted crop in many areas. Accumulated precipitations since the beginning of September until March were estimated at 171 mm, about 50 percent lower than precipitations during the same period of the previous year and about 37 percent lower than the average precipitations. It should be noted that almost 90 percent of Morocco's grain cultivated area is rain-fed.

According to the Ministry of Agriculture's estimate, total area planted to cereals (soft wheat, durum and barley) in the 2011/12 season is about at 4.95 million hectare (HA). Wheat planted area is estimated at 3.17 million HA, including 2.18 million HA of soft wheat and 0.99 million HA of durum wheat. Area planted with barley is estimated at 1.78 million HA, a decline of 3 percent compared to the area planted last year. According to a Ministry of Agriculture's statement, about 70 percent of the sown area was reported to be in a good condition, 20 percent is in an average condition and 10 percent is in a bad condition. As the drought conditions worsen in Morocco, agricultural experts and farm groups believe that the actual impact on the cereal crop this year may have been much worse than what was indicated by the Ministry of Agriculture so far.

Areas that experienced the most deterioration in their crop situation due to the bad weather conditions include the Gharb, Loukkos, Rabat-Sale-Zemmour-Zaer, Souss-Massa, Chaouia-Ouadigha and the eastern region. In some fields in these regions, the crop sowing was very late and planted seeds did not fully germinate, while in some other areas it is reported that some farmers have lost hope in the wheat crop this year and let their livestock animals feed on their fields. It was also reported that barley cultivation has been more affected by the drought situation than wheat areas. With small pasture coverage resulting from the lack of rainfalls and cold weather, livestock producers are increasingly worried. In recent weeks, barley prices have surpassed prices of durum wheat in the local markets.

Agricultural experts estimate that the drought conditions in Morocco this year is the worst since 2007, when total grain production was less than 2.35 million MT, but others compare the weather conditions and crop situation this year to that of 1999/2000 season, when grain production totaled a mere 1.85 million MT. While it is still early to predict with certainty grain production for this season, it should be noted that the size of the grain crop in Morocco in general has been correlated with the area seeded as well as the quantities and pace of precipitations during the September-May period. The table below shows the rainfall amounts, grain areas and production in Morocco in the last five years.

Table 1: Cumulative Rainfall and Grain Area Planted and Production

Year of Harvest	2006/07	2007/08	2008/09	2009/10	2010/11	Average 2006-11
Rainfall (mm)	237	268	545	570	525	364**
Area Planted (1,000 Hectares)						
Durum Wheat	843	928	969	901	920	912
Soft Wheat	1,729	1,930	2,009	1,951	2,120	1,948
Tot. Wheat	2,572	2,858	2,978	2,852	3,040	2,860
Barley	1,993	2,181	2,183	1,922	1,888	2,033
Total Planted	4,565	5,039	5,161	4,774	4,928	4,893
Production (1,000 MT)						
Durum Wheat	514	1,027	2,100	1,640	1,850	1,426
Soft Wheat	1,069	2,703	4,300	3,247	4,170	3,098
Total. Wheat	1,583	3,730	6,400	4,887	6,020	4,524
Barley	763	1,272	3,800	2,570	2,340	2,149
Total Production	2,345	5,002	10,200	7,457	8,360	6,673

Source: Ministry of Agriculture.

Although Morocco's High Commission for Planning (HCCP) used for its latest projection of 2012 GDP growth an estimate for total grain production of 6 million MT, most analysts believe that this is a very optimistic scenario. Some forecast that wheat production would be in the range of 2 and 2.5 million MT, and that total grain production would be around the 4 million MT range, half of the grain harvest in the previous year. However, given available information so far on seeded areas, accumulated precipitations and the pace of rainfall across the country, as well as our statistical analysis of grain production since 1999, Post's projection for Morocco's cereal production this year would lean towards a less optimistic scenario. For PS&D tables, we estimate that total wheat (soft and durum) production would be around 2.3 million MT, while barley production would be around 900,000 MT, and accordingly we project that total cereal production would be about 3.2 million MT.

Government support for cereal production

For several years, the Moroccan government has been supporting cereal production by providing certified planting seeds to farmers at 40-60 percent subsidy of their actual costs. The seed subsidies are currently set at 180 dirham/quintal for durum wheat, 170 dirham/quintal for soft wheat, and 160 dirham/quintal for barley. For the 2011/2012 crop, certified seeds provided under this program covered about 20 percent of the grain planted area, with about 110,000 MT of certified seed utilized, or 10 percent higher than the amount provided in the previous season. Other measures that are provided to support grain production included various subsidies range between 30 and 70 percent for the purchase of farm machinery and irrigation equipment, as well as the cost of soil testing to optimize farmers' usages of fertilizer. It should be noted that the marketed fertilizer until March 1, 2012 was estimated to 530,000 MT, which is 6 percent lower compared to the previous season.

Farmers' registration in a new crop insurance program exceeds government's target:

In September 2011, the Government of Morocco implemented a new crop insurance program to help grain and pulses farmers deal with the risks associated with the impact of weather conditions on production. The area covered under this insurance program represents about 7 percent of Morocco's total grain planted area. The new crop insurance program, which aims at covering 300,000 HA in its first year to be increased to one million HA by 2015, would help farmers mitigate financial losses due to drought, floods, hurricanes, sand storms and hail damages. Through this program, which will be jointly administered by a quasi-government insurance agency and the Credit Agricole bank, the Moroccan Government will subsidize about 50-90 percent of the farmers' insurance premium, depending on the size of the farm. With increased farmers' concerns about the conditions of the 2011/12 grain crop, their subscription to the new insurance program through December has exceeded the government's target for the area covered by 13 percent. It should be noted that 99 percent of the area covered is planted with grain, and only one percent to pulses.

Due to the increased concerns about the Moroccan grain crop situation this year and its anticipated impacts on the overall Moroccan economy, the government has prepared an emergency plan to deal with the crisis. It is reported the plan will include additional funds requested by the Ministry of Agriculture to compensate farmers affected by the drought and cold weather conditions in certain declared disaster areas, including farmers who did not subscribe to the crop insurance program. Implementation of this emergency plan could start as early as March 20, 2012.

Consumption:

Wheat consumption per capita in Morocco, estimated at 258 kg annually, is among the highest in the world. In the past decade, consumption has been driven by rising population coupled with diversification of bread products which started to occur, especially in major cities where the higher income population tends to concentrate. Common (soft) 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 treasury has supported the difference in the costs. The Moroccan Government continues to subsidize more than one million MT of soft 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 ONICL tenders) enters flour mills at the same price (2,600 DH/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 148 common industrial wheat processing mills in Morocco with a capacity of about 8.9 MMT and about 51 durum industrial processing mills with a capacity of 1.4 MMT. 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). Wheat from the U.S. is viewed by many Moroccan millers as an "enhancer" of flour performance and hence some quality oriented mills have been buying it. The demand for the "enhancer" wheat is likely to increase with the rapid development of fast-food chains, industrial pre-baked and chilled dough products for the tourism industry.

A significant part of the wheat crop harvested in 2011 has been damaged (germinating kernels) due to heavy rains and excessive moisture during harvest time. Though the government did not issue an estimate of the wheat quality damage, it increased germination threshold percentage in the wheat it buys from farmers. Much of the sub-quality wheat that was not suitable for flour milling, reportedly 10-15 percent, has to be utilized in animal feed. In October 2011, the Moroccan Bakery Association threatened to increase the price of subsidized bread from 1.20 MD to 1.40 MD per loaf, citing rising production cost and energy prices. Through an agreement reached with the government to obtain electricity at preferential rates and receive wheat flour at the subsidized rate of 3500 MD/MT, the bakeries agreed to hold bread prices unchanged and the government avoided a potential PR crisis of having bread prices rise before the parliamentary elections that took place later that year.

Barley is consumed mostly as animal feed in Morocco, with total consumption roughly estimated at about 3 million tons per year. With the poor rainfall during September-February and pasture conditions rapidly deteriorating, livestock producers increased their demand for feed barley in Morocco for this year. By the end of February, Morocco's barley reserve was estimated at less than 40,000 MT and barley prices in some local markets soared to unprecedented levels of 5,000 dirham (about \$600) per MT. The average price for feed barley in Morocco in late February was 4500 dirham (\$547) per MT, 56 percent higher than the price in the same period in the previous year. The average price of imported barley during this period was around \$290 per tons, plus 35 percent import duties. It is expected that government will soon suspend import duties on barley. As part of its emergency plan to deal with the drought conditions, the Moroccan Government will subsidize the purchase of 500,000 MT of forage and barley to be distributed to affected livestock farmers in Morocco's areas including southern and eastern regions.

Trade:

Morocco has become one of the world's major wheat importers in recent years. 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. In CY 2011, Moroccan wheat imports totaled 3.797 million MT, an increase of 24 percent compared to quantities imported in 2010. Wheat imports were boosted by an import restitution scheme established by the Moroccan government to support wheat import prices. The increase in imports was also due to the low milling quality of part of last year's harvest. Several millers had to blend imported wheat with local production in order to improve the quality of the wheat stock they procured locally. During the period June 2011-March 2012, Morocco wheat imports totaled 2.07 MT, including 1.64 MT of soft wheat and 422,000 MT of durum wheat. Total wheat imports for MY 2011/12 are projected to be about 3.2 million MT.

In CY 2011, Morocco's imports of soft and durum wheat increase by 25 and 21 percent, respectively. U.S. wheat exports to Morocco in 2011 totaled 287,600 MT, all soft wheat, and accounted for about 8 percent of the Moroccan wheat market. This is compared to 394,784 MT, a 13 percent market share, in 2010. The decline in U.S. wheat exports in 2011 was partially due to un-filled tariff rate quotas (TRQs) for U.S. wheat exports under the U.S.-Morocco Free Trade Agreement (See Policy section).

Table 2: Morocco's Common and Durum Wheat Imports by Country of Origin (in MT)

Calendar Year	2008	2009	2010	2011
Wheat Import/Origin	MT	MT	MT	MT
Common Wheat Imports	3,673,174	1,600,908	2,518,068	3,140,500
U.S.A	140,884	75,229	394,784	287,600
EU Total	2,890,202	1,328,036	2,046,126	2,083,500
<i>France</i>	1,966,905	1,007,143	1,883,798	1,973,000
<i>Germany</i>	313,436	79,267	75,523	77,500
<i>Lithuania</i>	275,881	100,151	6,760	17,400
England	70,902	61,117	71,156	32,835
Argentina	247,685	0	0	298,300
Russia	81,061	65,148	6,001	105,200
Ukraine	44,533	71,378	0	38,331
Kazakhstan	60,381	0	0	0
Durum Wheat Imports	416,465	788,776	544,200	656,300
U.S.A	0	72,967	0	0
Canada	408,101	673,034	469,306	406,100
France	8,364	3,820	31,122	144,400
Argentina				97,200
Australia		15,016	43,772	
Total Wheat	4,089,639	2,389,683	3,062,268	3,796,800

Source: Official Moroccan Trade Date.

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. In addition, the EU has larger wheat TRQs under the Morocco-EU free trade agreement. In 2011, Morocco wheat imports from the EU exceeded 2 million MT, and came mainly from France. Although the Moroccan durum wheat market has been dominated by Canadian suppliers, other exporters, especially from France and Argentina, have been gaining ground in recent years. Canada's market share of the Moroccan durum wheat market dropped from 86 percent to 61 percent in 2011. Total wheat imports for MY 2011/2012 are projected at 3.2 million MT, up slightly from MY 2010/11 and will, by far, exceed 5 million MT in MY 2012/13.

Table 3: Morocco's Barley Import by Country of Origin (1,000 MT)

Years	2008	2009	2010	2011
U.S.A.	20	-	-	37
Spain	51	-	7	
France	194	59	141	163
Hungry	-	-	-	
Nederland	-	-	46	
Germany	7	-	7	
Bulgaria	-	-	16	
Kazakhstan	-	-	-	
Maldives	-	-	-	
Russia	9	-	-	7
Turkey	-	27	-	
Ukraine	17	167	27	
Others	13	5	-	6
Total Barley	311	258	198	213

Source: Official Moroccan Trade Date

In 2011, Morocco's barley imports rose slightly due to increased demand for feed barley by livestock growers. Moroccan barley imports started to rebound in 2012, and total imports for MY 2011/12 are projected to soar to 510,000 MT, compared to 250,400 in MY 2010/11 and are forecast to be close to a million MT in the next MY. This increase is due to expected subsidized purchases by the government to help livestock farmers affected by the poor local production resulting from the drought and cold weather conditions this year. So far in 2012, Morocco's barley imports have been dominated mainly by French supplies, 60 percent, followed by exports from Argentina (15 percent) and the U.S. (9 percent).

Moroccan Flour Exports

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 situation 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 1,000 MT)

Year	2008	2009	2010	2011
Guinea	15	49.2	53.9	70.1
Gambia	5	13.5	16.4	9.2
Libya	-	-	-	6
Cent. Africa Rep	-	1.6	3.1	2.8
Burkina Faso	-	-	1.3	2.3
Chad	-	-	-	1.9
Niger	1	1.8	7.8	1.1
Liberia	-	1	2.3	0.9
Benin	-	0.5	1.6	-
Cuba	15	-	-	-
Others	30	0.3	0.2	0.9
Total Exports	66	67.8	86.5	95.3

Source: Official Moroccan Trade data

Stocks:

Grain stocks held by farmers fluctuate significantly in Morocco, and they are very difficult to assess. Stocks held by agents licensed by the Cereal Office (grain merchants, cooperatives, processors) and government managed port silos are normally known. The table below provides data on grain stock holdings in Morocco by the beginning of March, 2012.

Table 5: Morocco's Grain Stocks by Shareholder as of March 2012 (in 1,000 MT)

Commodity	Grain Merchants	Cooperatives	Millers & Processors	Port silos	Total
Soft wheat	690	70	510	170	1,440
Durum wheat	50	-	70	60	180
Barley	30	-	10	30	70
Corn	30	-	70	20	120
Total	800	70	660	280	1,810

Source: Moroccan Cereal Office

Morocco's total storage capacity increased almost 7 percent in 2012, to 4.48 MMT. More than 50 percent of the storage capacity is concentrated in the regions of Fes-Boulmane, Casablanca and Doukkala-Abda. The wheat stored at these silos accounts for about 20 percent of the total stored wheat in the country.

The Moroccan government policy concerning the strategic wheat stocks is to maintain available wheat supplies to cover three months of wheat consumption. As of February 2012, the wheat reserves were estimated to cover up to four months of consumption.

Storage Facilities and Port Handling

A large silo facility with a storage capacity of 42,000 MT and discharging capacity of 16,000 MT/day that was built by a private Moroccan investor in Jorf Lasfar port in 2008 is now fully operational. This facility contains two 400 MT/hour screw conveyors and a conveyor belt with a capacity of 800 MT/hour. The Jorf Lasfar port currently has the deepest berth (12 meters) of all grain docks in Morocco and is capable of handling grain ships with loads of 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 will expand the current capacity of the Casablanca Port to a total capacity of 110,000 MT, including the capacity of an old silo owned by the National Office of Cereals that has a total storage capacity of 50,000 MT, with a nominal discharging capacity of 900 MT/hour.

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. In May 2011, the government of Morocco imposed 135 percent duties on soft wheat. Import duties on durum wheat were set in June 2011 at 170 percent. With mounting pressure from rising wheat prices in international markets and local wheat supplies becoming very tight, import duties on durum and soft wheat were suspended on October 1st and November 15th of 2011, respectively. In December, the government extended the suspension of soft and

durum wheat import duties until the end of February 2012. The suspension of the import duties was later extended further until the end of April.

As mentioned earlier, the Moroccan government implemented the wheat import restitution scheme from September 16, 2010, until the end of April 2011. The objective of the scheme was to alleviate the impact of rising wheat prices and ensure sufficient wheat supplies in the Moroccan market. Through this subsidy scheme, Moroccan wheat importers are reimbursed for the difference between a government set price (2600 dirham/MT, about \$325) and wheat prices in the international market. With rising world wheat prices, import restitutions have increased sharply, from 300 dirham/MT during the second half of January 2011 to its highest level of 865 dirham/MT (\$107/MT) in late February 2011.

Tariff Rate Quota for 2011/2012

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 U.S.-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 U.S. continues to face some difficulties due to the divergence between the U.S. and the Moroccan government in the interpretations of the agreement concerning the reference year used to compute the size of the quota as well as the administrative procedures for implementing the TRQs.

Given the size of Moroccan wheat crop in MY 2011/12, the TRQs for U.S. common wheat exports under the FTA are set at their minimum level of 360,000 MT for CY 2012. The TRQs for U.S. durum wheat exports are set at 310,000 MT. According to the FTA, the applicable import tariff rate for common wheat is 83.7 percent, and for durum wheat is 28.1 percent. With the suspension of wheat import duties until April 30, 2012 for common and durum wheat, the preferential access for U.S. wheat exports into the Moroccan market has practically vanished and the TRQs became ineffective.

In 2011, tenders to import both soft wheat (346,667 MT) and durum wheat (300,000 MT) from the U.S. under the TRQs of the FTA were issued by the Moroccan National Office of Cereals (ONICL) and have not been successful. The entire amount of 346,667 MT of soft wheat was tendered in one tranche on September 13, with no participation from the Moroccan importers who were expecting an imminent government suspension of import duties on soft wheat imports. In fact, the suspension of duties was announced shortly after and took effect November 15, 2011.

Barley under the FTA

Under the US-Morocco FTA, import duties on barley would be phased out in equal installments over 15 years. The base import duty for barley negotiated under the FTA was 35 percent. The tariff rate quota for 2012(the seventh year of the agreement) is set at 18.7 percent.

Marketing:

Distribution Channels

Moroccan wheat farmers have the option to sell their production in the local markets if prices are more appealing than the minimum government guaranteed price. To sell at the pre-set government price, farmers must deliver their crop to licensed grain merchants, cooperatives, or millers. The pre-set price is for a standard quality and deduction or bonuses apply to take into account deviations from the standard quality.

Common wheat accounts for most of the grain that goes through the official distribution channels in spite of the yearly variations caused by the size of the harvest. As of March 2012, the total quantity of common wheat delivered by farmers through the official channels (authorized grains merchants, grains cooperatives, and wheat millers) was estimated at about 2.18 million MT. This represents a 24 percent increase in the amount of wheat collected from farmers, compared to the same period of the previous year. The common wheat collection rate for the 2011 harvest remained relatively stable at 52 percent.

The table below shows the amounts of locally produced grain delivered through the ONICL licensed channels in the past 10 marketing years (1,000 MT).

Table 6: Grain Channeled to Licensed Agents (1,000 MT)

Marketing Year	Common Wheat	Other Grains(*)	Total
2002	1,092	42	1,134
2003	1,013	33	1,046
2004	1,507	45	1,552
2005	1,860	30	1,890
2006	1,651	20	1,671
2007	2,479	20	2,499
2008	519	13	532
2009	1,388	25	1,413
2010	2,658	42	2,700
2011	1,841	31	1,872
Average	1,601	30	1,631

* Include Durum, Barley and Corn. Source: Moroccan Cereal Office

In MY 2011/2012, grains merchants, flour mills, and cooperatives accounted for 69 percent, 26 percent, and 5 percent, respectively, of the grains collected through the official channels.

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. In October 2011, the U.S. Wheat Associates organized its annual Crop Quality Seminar in Agadir to acquaint the Moroccan end-users (private millers, importers, and regulatory officials) with the U.S. wheat supply situation, the quality attributes of the new U.S. wheat crop as well as the advantages of purchasing from U.S. suppliers.

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 (2,600 dirham/MT) or sell it in the free market. Prices of other grains (including durum wheat and barley) are freely negotiated in the market place. The average price of soft and durum wheat in the local markets for MY 2010/2011 increased by about 5 percent, compared to average prices in the previous year, while average price for barley increased by about 27 percent. During the period June 2011-March 2012, soft wheat prices in the local markets averaged 3,300 dirham/MT, durum wheat prices averaged 4,300 dirham/MT, while barley prices averaged 4,500 dirham/MT. The stability of soft (bread) wheat prices in the local market during this period reflects the success the government's measures have made in alleviating the impact of rising international wheat prices and ensuring sufficient wheat supplies in the Moroccan markets.

Table 7: Grain Average Prices in Local Markets (Dh/MT)

Year	Common Wheat	Durum	Barley
2005/2006	2,590	2,950	2,490
2006/2007	2,490	2,910	2,110
2007/2008	3,190	3,830	3,230
2008/2009	2,720	3,440	2,740
2009/2010	2,450	2,750	1,750
2010/2011	2,560	2,890	2,220

Source: Morocco's Cereal Office (ONICL) (Indicative exchange rate 2011 (1 USD = 8.08 dirham))

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 (1000 HA)	2,852	2,852	2,852	3,040	3,040	3,040			3,170
Beginning Stocks	1,544	1,573	1,544	1,959	2,075	2,046			2,206
Production	4,887	4,887	4,887	6,000	5,800	5,800			2,300
MY Imports	3,903	3,976	3,976	3,000	3,100	3,200			5,600
TY Imports	3,903	3,976	3,976	3,000	3,100	3,200			5,600
TY Imp. from U.S.	336	373	373	0	460	100			850
Total Supply	10,334	10,436	10,407	10,959	10,975	11,046			10,106
MY Exports	125	85	85	150	110	90			80
TY Exports	125	85	85	150	110	90			80
Feed and Residual	100	100	100	500	550	550			100
FSI Consumption	8,150	8,176	8,176	8,250	8,200	8,200			8,300
Total Consumption	8,250	8,276	8,276	8,750	8,750	8,750			8,400
Ending Stocks	1,959	2,075	2,046	2,059	2,115	2,206			1,826
Total Distribution	10,334	10,436	10,407	10,959	10,975	11,046			10,106
Yield (MT/HA)	2.	2.	1.7135	2.	2.	1.9079			0.7256

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 (1000 HA)	1,922	1,922	1,922	1,890	2,025	2,025			1,782
Beginning Stocks	1,270	1,216	1,270	984	1,036	1,090			840
Production	2,570	2,570	2,570	2,340	2,340	2,340			900
MY Imports	194	250	250	250	400	510			1,000
TY Imports	222	250	250	250	400	510			1,000
TY Imp. from U.S.	37	12	12	0	70	50			180
Total Supply	4,034	4,036	4,090	3,574	3,776	3,940			2,740
MY Exports	0	0	0	0	0	0			0
TY Exports	0	0	0	0	0	0			0
Feed and Residual	2,000	1,950	1,950	2,000	2,100	2,100			1,800
FSI Consumption	1,050	1,050	1,050	1,150	1,000	1,000			600
Total Consumption	3,050	3,000	3,000	3,150	3,100	3,100			2,400
Ending Stocks	984	1,036	1,090	424	676	840			340
Total Distribution	4,034	4,036	4,090	3,574	3,776	3,940			2,740
Yield (MT/HA)	1.	1.	1.3371	1.	1.	1.1556			0.5051