Moroccan Food Security and the Wheat Value Chain

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Abstract

Wheat is the staple food in the Moroccan diet and key to the country’s food security. The government recently initiated several agricultural policies designed to stimulate domestic wheat production. However, the country continues to be a net importer due to institutional, environmental and technological constraints. Similar to other importing countries in the Middle East and North Africa (MENA) region, Morocco is vulnerable to fluctuations in global grain markets. Furthermore, policies shaping the wheat value chain have important implications for the overall social stability of the country. This brief examines food security challenges in Morocco, the role of domestic policies, the wheat value chain, and discusses potential disruptions along the chain and their impact on Moroccan policies for food security outcomes.

Keywords

Wheat, Morocco, Global Value Chains, Food Security
Introduction

In the last 20 years, Morocco, along with Tunisia and Algeria, experienced the highest volatility in agricultural production in the world.¹ Moroccans consume almost four times the world’s average of wheat and imports are about one third of consumption. The country’s high dependence on cereal imports makes it vulnerable to global food price volatility, which can put its food security at risk. France, Canada (durum wheat), and, increasingly, Ukraine are Morocco’s primary wheat exporting partners (see figure 1).

Figure 1: Morocco Summary Statistics

<table>
<thead>
<tr>
<th>Variable</th>
<th>Population (Millions)</th>
<th>Wheat per Capita Consumption (kg/year)</th>
<th>Wheat imports (USD Billions)</th>
<th>Agriculture as % of GDP</th>
<th>Arable Land (% of total land)</th>
<th>Top sources of wheat imports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Source</td>
<td>FAOSTAT</td>
<td>USDA</td>
<td>FAO</td>
<td>World Bank</td>
<td>FAOSTAT</td>
<td>UN Comtrade</td>
</tr>
<tr>
<td></td>
<td>33.49</td>
<td>258</td>
<td>1.3</td>
<td>17%</td>
<td>18%</td>
<td>France, Canada, Ukraine, Poland, Bulgaria</td>
</tr>
</tbody>
</table>

The government actively promotes domestic wheat production to reduce its dependence on imports. However, despite increases in domestic production, challenges such as limited natural resources and a fast growing urban population constrain the country’s ability to meet the local demand from domestic production. Morocco reached the limits of agriculture expansion and current agriculture programs now focus on increasing the sector’s productivity rather than expanding production.² Figure 2, below tracks the increase in production and imports since 1990.

Figure 2: Morocco Wheat Production and Imports (1990-2012)

Source: FAOSTAT

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² Ibid.
Morocco’s Food Security Challenges

Agriculture represents approximately 20 percent of the Moroccan GDP and employs 50 – 80 percent of the rural population. The government protects the agriculture sector through subsidies, price supports and tariff instruments. Two thirds of the poor live in rural areas, making poverty reduction important to increasing food security in the country. Large agro-holdings manage nearly 75 percent of agricultural land but small landholdings account for about 70% of producers. Agriculture is mostly rain-fed and suffers from chronic draughts. Morocco is facing food supply challenges such as production constraints, import dependency and limited fiscal space making its food security one of the most volatile in MENA and the world (see figure 3).

Morocco is a resource poor country that is a net importer of energy and food. Its primary exports include phosphates, textiles and agriculture products. Nearly 20 percent of Morocco’s export revenues go to food imports, which is approximately four times higher than the global average. Morocco heavily depends on the imports of maize, wheat, oilseeds and livestock for domestic consumption. The 2007/2008 and the 2010 world food price increases strained the government of Morocco’s (GOM) fiscal and trade balance while increasing expenditure on subsidies to curb domestic inflation. Morocco’s demand for cereal imports is inelastic and cannot reduce consumption during price hikes.

Figure 3: Challenges Affecting Morocco’s Food Security

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5) Ibid.

6) Ibid.

7) Ibid.

8) Huppé et al., op. cit.

9) Ghanem, op.cit.

10) Authors based on literature review.
Policy Responses for Food Security in Morocco

Food security is a top priority for the Moroccan economic and social development policy agenda (see figure 4). In the late 1980s, Morocco abandoned import-substitution policies and implemented structural reforms to stimulate growth and meet international financial assistance requirements. In 1999, the government adopted a “guided liberalization”\(^\text{11}\)\) approach for agricultural development in its 2020 Strategy for Rural Development. Morocco’s guided liberalization policies emphasize the transition towards a more open economy and promote competitive and sustainable agriculture.\(^\text{12}\) In 2004, the Government of Morocco (GOM) established the Agricultural Development Funds to support producers and in 2010 it reformed the policy to promote private investment on wheat production.\(^\text{13}\)

In 2008 the GOM launched the Green Morocco Plan (GMP) to modernize agriculture and to double the value added of agricultural output within a decade. The GMP strategy has two pillars: the first promotes high value agriculture; and the second supports smallholders and family farming.\(^\text{14}\) The GOM projects that the GMP will generate 174 billion dirhams (around US $18 billion). It will also create over a million jobs by 2020, and triple the income of approximately 3 million people in rural areas.\(^\text{15}\) The GMP encourages a switch to higher value crops and includes land tenure, taxation, and water policy reforms, as well as the reorganization of the Ministry of Agriculture and Marine Fishery.

\[\text{Figure 4: Morocco Policy Timeline, 1956-2015}\]

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11) Huppé et al., op. cit.
14) Ghanem, op. cit.
16) Authors based on literature review.
Morocco’s Wheat Value Chain

The wheat value chain in Morocco is politically sensitive. Similar to other MENA countries, the GOM is active in the chain by protecting domestic production and managing imports. The policies favoring the wheat chain include guaranteed prices, storage and seed subsidies, import regulation, and technical and extension support. The GOM raises and decreases import duties based on availability of domestic wheat.

Wheat imports occur from July through May. In April 2015 the Government announced a new tariff of 75 percent for common wheat imports (up from 17.5 percent). The import excise was in effect from May 1st until October 31st, 2015. Changes to import tariffs require weighting the effects on domestic wheat production and the government’s budget.

In October 2014, USDA reported that a decree to simplify import procedures had been submitted to the Moroccan government for approval. If adopted, the decree would eliminate the requirement for importers to provide a bill of loading. Furthermore, it would shorten the period between import declaration and port arrival to 90 days, making it easier for the government to obtain reliable data on cereal stocks and supplies.

In 2014, wheat harvests reached 5100 MT, 10 percent lower than the 2009-2013 average. However, harvests were forecasted to reach 8000 MT in 2015. Moroccan producers deliver their harvest to cooperatives, to private traders and to mills. Domestic wheat prices traded at about 5 percent above global prices. Wheat deliveries are subject to a tax by the Office National Interprofessionnel des Céréales et des Légumineuses (ONICL) to cover expenditures, especially storage costs. Storage capacity in Morocco covers about 6 months of consumption. ONICL buys common wheat in the domestic and international markets (through importers) and supplies approximately 1 million tons of subsidized flour (farine nationale) to low income people. Domestic wheat accounts for 89 percent of common wheat used in the production of subsidized flour. The World Bank estimated that the wheat imports supply chain cost amounts to almost 35% due to poor logistics, storage and infrastructure.

The GOM subsidizes more than one million MT of common wheat flour (national flour). The government heavily controls the distribution of subsidized flour at all levels. The government sets all processing parameters including the extraction rate, the extraction margin, the ex-mill prices, and the wholesale and retail prices. Domestic wheat, as well as wheat imported through ONICL’s tenders, enters flourmills at 2,800 DH/MT. The government supports the price difference. Morocco has approximately 154 processing mills in country industrial for common wheat with a capacity to process approximately 10 million MT. Additionally, around 34 mills specialize on processing durum wheat with a capacity of 1.16 million MT. An over milling capacity has prompted millers to process wheat for export to African countries.

Responses to disruptions in the Wheat Value Chain

The Moroccan wheat value chain is at risk of disruptions in the production, import, processing and marketing segments of the chain (see figure 5). These disruptions are mainly a result of tensions between actors in the chain and the fiscal, natural resource, and logistics deficit in the country. Value chain interruptions highlight the volatility of Morocco’s wheat and food security situation.

![Figure 5: Threats to the wheat value chain in Morocco](image)

The GOM recently outlined new implementation strategies for its GMP to improve domestic agricultural production and address food security risks. Nevertheless, the country remains highly dependent on imports to cover shortfalls in consumption. It is not sufficiently addressing the value chain risks discussed above. Table 2 highlights policy challenges and implementation strategies in the wheat value chain.

| Table 2: Government measures to promote domestic wheat production<sup>28</sup> |
|---|---|---|
| **Policy** | **Challenge** | **Implementation** |
| Green Morocco Plan (2008): Reduce reliance on wheat imports by improving productivity and efficiency | Harmonize wheat productivity and efficiency gains with promotion of higher value crops. Lack of infrastructure, human capital, institutional and land governance shortcomings. Strike a balance between promoting "modern" agriculture and supporting traditional farming. | Promotion of certified seed use by providing 40 to 60 percent of the cost with an objective of reaching 280,000 MT by 2020. Investing in infrastructure and organization upgrading of the National Seed Marketing Company. Subsidies for farm machinery purchases, fertilizers, and irrigation equipment. |
| Trade measures | Guarantee access to foreign wheat while protecting domestic production, maintaining wheat prices affordable and balancing the budget. Vulnerability to changes in global wheat prices, paired with subsidies, can affect budget. | Entry to WTO and signing of several free trade agreements with different countries and regional blocks. Liberalization of most agricultural products. High seasonal tariffs (75 percent for wheat imports from April 1<sup>st</sup> to October 31<sup>st</sup> 2015). |
| Promotion of domestic wheat production | Avoid market distortions such as keeping farmers from switching to potentially more profitable crops. | Guaranteed price for wheat, payment of premium for wheat storing for farmers. |
| Consumer assistance schemes | Target subsidies to the real poor. Keeping food at affordable prices for low income people without introducing budget unbalances. | Provision of subsidized flour (farine nationale) for low income people. |
Moroccan wheat value chain policy action areas

Comprehensive policy decisions should target all actors involved along the value chain with a focus on growing private sector involvement. This requires a holistic approach to food security, including strategies for small farmers, diversification of production, construction of silos for storage, and export facilitation. Diversification and export promotion from the country to generate foreign currency is critical to improve the country’s fiscal ability to import petroleum and wheat. Both these commodities are essential for Morocco’s food security.\(^\text{29}\)

Policy should focus on farmers who are key to improving domestic production and highly vulnerable to food insecurity. An increase in the number of trainings, inputs, machinery and knowledge should occur to maximize productivity. Additionally, safety nets should be enacted for those unable to navigate a transition into a private sector led wheat value chain. Unemployment and other issues related to the rapid urbanization of Morocco should also be in the forefront of safety net strategies to minimize discontent and promote social stability.

Ultimately, policy decisions should identify how Morocco can promote sustainable participation in the wheat global value chains to address potential disruptions. This will contribute to achieving food security and socio-economic wellbeing. As the recent events in several MENA countries have shown, ensuring accessibility and affordability of food staples can be crucial to avoid social unrest.


\(^{28}\) Authors based on literature review.

\(^{29}\) Morocco’s current exports include insulated wire, mixed mineral and chemical fertilizers, calcium phosphates, phosphoric acid and non-knit women’s suits, while its main imports include refined petroleum, crude petroleum, petroleum gas, cars, and wheat. Data retrieved from the Observatory of Economic Complexity’s website at: https://atlas.media.mit.edu/en/profile/country/mar/.