



Agri-Food Past, Present & Future Report

Morocco

November 2005



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Overview

The Kingdom of Morocco is located in the northwest corner of Africa, and at its closest point, it is less than 15 kilometers away from Spain. With a population of 31.1 million people, Morocco is a middle-income, moderate Arab and Muslim country, which is considered a developing country by international standards.

Morocco has an open economy and is steadily progressing towards greater levels of modernization and globalization. Morocco is also currently striving to diversify its economy in order to lessen its reliance on the unstable agricultural sector.

Demand for more North American consumer-oriented products is expected to rise due to Morocco's large and growing tourism industry as well as emerging large supermarkets and Americanized fast-food restaurants. Currently, the vast majority of Canadian agri-foods entering Morocco are grains, bulks or cereals, especially wheat. However, this market does present an opportunity for Canadian exports to diversify.

Canada – Morocco Relations

Canada and Morocco's friendly, diplomatic relationship which dates back to 1962 continues to grow. This is due to many bilateral visits between countries, Canadian financial aid given to Morocco as well as the large Moroccan population living and attending university in Canada. Currently, Moroccans make up our nation's largest North African community.

Bilateral trade between Canada and Morocco has gradually increased over the past decade, although the countries' exchanges remain rather modest and undiversified. In attempt to become a more active trading partner, Foreign Affairs and International Trade Canada organized trade initiatives, which began in 1997 and included trade missions in various sectors such as environment, health and education. In 2000, Canada led a multi-sector trade mission to the Maghreb which included visits to Morocco and Southern Europe. This was the largest ever Canadian trade mission to North Africa.

Canada and Morocco relations have also flourished due to Canadian social development programs for Moroccans which have been ongoing since 1963. Since 1963, the outlay of the Canadian International Development Agency (CIDA) assistance to Morocco has totalled over \$400 million, with bilateral assistance alone totalling nearly \$340 million. The two governments are now working together to focus Canadian support on Morocco's new development needs.

Morocco's national currency is the dirham and Arabic is its official language, although French and, less commonly, English are spoken in business meetings. For a more comprehensive overview of Canadian-Moroccan relations and trade arrangements please visit: dfait-maeci.gc.ca/middle_east/morocco_relations-en.asp

Canada-Morocco Bilateral Trade	
Morocco Total Trade	US\$25.4 billion
Exports	US\$9.8 billion
Imports	US\$15.6 billion
Trade balance	(US\$5.8 billion)
Canada- Morocco Trade	\$252.1 million
Exports	\$159.6 million
Imports	\$92.5 million
Trade balance	\$67.1 million
Canada-Morocco Ag Trade	\$172.1 million
Exports	\$121.1 million
Imports	\$51 million
Trade balance	\$70.1 million

- Canada/Morocco trade totalled \$252.1 million in 2004. Trade between the countries increased by roughly 7.2% from last year's total of \$235.2 million.
- Top Canadian exports to Morocco are wheat and newsprint.
- Top imports from Morocco are mandarins and petroleum oil preparations (including gasoline).

Agricultural Trade

The food processing sector is one of Morocco's key industries. This presents an opportunity for Canadian exporters to supply Moroccan food processors with our country's abundance in cereal, grain and bulk commodities. In fact, Canada's trade to Morocco has generally been dominated by bulk foods, especially wheat. This is expected to continue in the future, although it is projected that interest and demand for consumer-oriented products may rise moderately as well.

- Total Canada/Morocco agriculture trade was valued at \$172.1 million in 2004. Agriculture trade represents roughly 68% of all trade between the two countries.
- In 2004, Canadian agri-food exports to Morocco totalled \$121.1 million, increasing nearly 12% from 2003's total of \$108.1 million.
- Top Canadian exports to Morocco in 2004 were durum wheat valued at nearly \$102.2 million and accounting for 84.4% of agri-food exports, and wheat accounted for \$11.2 million or 9.2% of total exports.
- Top Canadian imports from Morocco in 2004 were mandarins, clementines and wilkings (all citrus hybrids), valued at \$38.9 million and representing 68.9% of all agri-food imports, while olives were valued at \$1.8 million and held a value of 3.4% of total agri-food imports that year.
- In 2004, bulk exports accounted for almost all of Canada's agri-food exports to Morocco, with a value of \$115.1 million. In the same year, intermediate exports totalled only \$5 million and consumer-oriented exports totalled less than \$500,000.
- Since food processing is Morocco's primary processing industry, bulk food exports are expected to continually dominate Canadian agri-food exports to the country in the future.
- Bakery products in the packaged food area are expected to lead volume growth in 2004 due to supermarket expansions currently underway in Morocco. This is excellent news for Canadian cereal, grain and bulk exporters.
- Lentils and varieties of peas (split, green and yellow) are making strong headway into the Moroccan marketplace in the first half of 2005, respectively accounting for 10.5% and 2.6% of 2005's export totals through October 2005.

- Top prospects in the Moroccan food processing industry include wheat, feed grains, non-grain feed ingredients (especially during Morocco's drought years), crude vegetable oil, oilseeds and products (soybean meal), purebred pregnant dairy cattle and dairy semen, milk powder and unsalted butter, dried fruits and nuts (non-pitted prunes, raisins and almonds).

Canada's Top Agricultural Exports to Morocco (2004)	
Wheat, durum	\$102.2 million
Wheat, nes	\$11.2 million
Lentils	\$7.3 million
Milk power	\$1.2 million

Economy

Morocco faces many challenges of a typical developing country; restraining government spending, reducing constraints on private activity and foreign trade, reducing high unemployment rates and achieving sustainable growth. To improve conditions, the Moroccan government is currently working to liberalize its economy and foreign trade while keeping focused on its long-term challenges of improving education, living standards and job prospects for Morocco's youth.

One of Morocco's main challenges is moving its economic dependence away from its agricultural sector. Morocco's vulnerability to irregular rainfall patterns results in erratic agricultural output. This has encouraged its government to work towards economic diversification, particularly towards manufacturing and services, which presently account for 35.8% and 43%, respectively, of Morocco's GDP.

Morocco has a strong mineral sector, which is dominated by its phosphate reserves. It is estimated that the country holds three quarters of the world's phosphate reserves. Strong industries in Morocco include phosphate rock, mining and processing, food processing, leather goods, textiles, construction and tourism.

Gross Domestic Product (2004)	
GDP (\$ at PPP)	US\$134.6 billion
GDP growth	3.7% (2004) 1.9%(2005)
GDP/capita (\$ at PPP)	US\$4,200

Current

- Inflation rate of Moroccan consumer prices in 2004 was 2.1%.
- In 2004, the economy grew by 3.7% largely due to favorable rainfall for the agricultural sector.

Forecast:

- In 2005, the budget deficit is expected to rise sharply because of substantial increases in wages and oil subsidies.
- In 2005, the economy is expected to grow less than 2% due to the poor agricultural conditions caused by drought.

Consumer Market

Although at first glance, Morocco does not appear to offer significant opportunity for Canadian agri-food exporters, this is a market prospect which deserves close and careful examination. When attempting to export to Morocco it is important for exporters to focus mainly on its urban cities. Residents living in these areas are most capable of purchasing imported products and are increasingly willing to embrace western-influenced products.

As the country continues to modernize there will be more demand for North-American products. The country's urban population is already seeing growth in modernized supermarkets and fast-food restaurants such as McDonald's, Domino's and Pizza Hut. Western culture foods are most demanded by Morocco's urban youth due to this age group's exposure to North American advertisements and television programs. With 55% of Morocco's population being 25 years of age or younger, this is a key market segment to watch and appeal to.

Although Moroccans are increasingly exposed to western culture, the country is still very poor; therefore most consumers simply can not afford many packaged and/or imported foods. It is estimated that only 10% of the population or 3 million Moroccans (usually living in urban areas) earn enough income to repeatedly buy imported foods.

Moroccan Consumers and an Expanding Food Market

- Morocco has a population of roughly 31.1 million people and its growth rate is estimated at 1.6%.
- Nearly 35% of Moroccan household expenditure is allocated to the purchase of food (Euromonitor).
- Packaged foods are becoming more accepted by urban-Moroccan consumers. Overall, value sales of packaged food are expected to reach \$3.73 billion in 2004, up 5% on 2003's value sales (Euromonitor).
- Although upper and middle income consumers are likely to have more purchase power in supermarkets, this group is still unable to afford high priced goods. As characteristically price-conscious consumers, Moroccans are likely to buy in bulk at the supermarket.
- The demand for convenience foods is strongest in major Moroccan cities such as Casablanca, Rabat, Marrakech, Fes, Agadir and Tanger due to the cities' superior distribution systems and tourism industries.
- Those living in rural areas, which make up 45% of the population, are generally too poor to afford imported goods and are most unlikely to embrace Western food products.
- The Moroccan retail food sector has developed significantly over the last 10 years as modern and large supermarkets opened in major cities (Rabat – Capital, Casablanca, Fes and Tangiers) and have been increasingly changing the purchasing habits of a large base of urban consumers.
- Supermarkets are expanding in urban areas, but retailers of this type are unable to tap into rural areas due to the populations' low income. Therefore, independent grocers are still thriving in Morocco.
- Morocco has roughly 20 large supermarkets, 230 small supermarkets and convenience stores and about 85,000 independent "Mom and Pop" stores.

Morocco's Tourism Industry

- Tourism is the country's second largest earner of foreign exchange (after mining) with 2.5 million tourists visiting Morocco each year. The majority of visitors are from Europe although North American tourists are beginning to travel to Morocco as well.
- The Moroccan government's goal is to attract 10 million tourists to its country by 2010.
- The tourism industry is an important sector for Canadian exporters to consider as the growth of the industry is expected to boost demand for packaged food. In the future, Canadian exporters should consider exporting high quality fish and seafood and dairy ingredients for the country's expanding ice cream market.
- There are about 40 upscale hotels (5 star), 25 tourist villages and clubs, and over 139 hotels with 4-star rankings in Morocco. These accommodations are concentrated mostly in Agadir, Marrakech, Casablanca, Rabat, and Fes. Most hotels purchase from local distributors that often import as well.
- Major North American hotel chains such as the Hilton, Hyatt, Sheraton, Holiday Inn and Meridien can be found in Morocco.

Competitors

In 2004, the Moroccan government instituted measures to boost foreign trade and investment by signing a free trade agreement with the US. This agreement will increase competition for Canadian agri-food exporters as American exporters will be able to recapture a significant market share in many traditionally traded commodities, and export for the first time, many other commodities that were previously limited by Morocco's high import duties.

Morocco has also signed several agreements with the European Union on economic cooperation, including one establishing a free trade zone for industrial goods over a 12-year transition period. Morocco is a partner country of the European Trade Agreement. This makes Europe Morocco's strongest export partner, with EU countries making up about 80% of its trade.

- Morocco's top import partners in 2004 were: France (18.2%), Spain (12.1%), Italy (6.6%), Germany (6%), Russia (5.7%), Saudi Arabia (5.4%), China (4.2%) and the US (4.1%).
- Competing in this market can be made easier by making a contact in the country. Exporters are encouraged to establish a linkage to Moroccan importers. These importers are usually located in Casablanca and are described as being very progressive and marketing-oriented.
- Exporters interested in selling consumer-ready goods can benefit from choosing a local importer with access to hotels and restaurants, as well as wholesale and retail markets.

Access Issues

In an effort to ease the challenges of breaking into a new foreign market, Canadian exporters are encouraged to establish a contact base with local Moroccan importers. Likewise, exporters should consult the Canadian Embassy in Morocco as a resource for exporting to this country. The embassy works closely with the Moroccan government to facilitate trade transactions between countries <http://www.dfait-maeci.gc.ca/morocco/>.

- Import duties in Morocco are generally high and considered the main obstacle faced when exporting to this country.
- In 2003, Morocco implemented a new tariff system for grains (barley and wheat) that resulted in a significant increase in tariffs for bread wheat.
- There is little government involvement in imports and food processing. This is especially true for consumer-orientated foods. The government still heavily subsidizes edible oil, sugar and some wheat flour at the retail level to make these products accessible to lower income families.
- Transit and shipping may be expensive for exporters as there are currently no direct shipping lines between Canada and Morocco. Canadian exporters must first ship products through Europe to enter this country.
- To address this issue, the Moroccan government plans to develop its road, airport and port infrastructures. A new seaport is currently being constructed in Tangiers, the Tangier-Med port, which will be completed in 2007. This will comprise container terminals, free trade, logistics and industrial zones.
- In the last few years, Moroccan customs has undergone a major transformation to now offer a streamlined and computerized, effective customs institution. This has resulted in significantly reduced waiting times and a now well-organized customs service. For up-to-date Moroccan customs information, exporters can visit <http://www.douane.gov.ma/> (this site is presently only offered in French).
- For detailed information on customs procedures, barriers and labeling requirements, please consult International Trade Canada – Trade Commissioner Service at <http://www.infoexport.gc.ca/>

Business Travel Tips

- Moroccan business customs reflect a mix of Arab and Mediterranean influences, rather than African. Breakfast meetings are rare, lunches tend to be late and long, and business meetings are most commonly held in offices rather than over meals.
- Canadian exporters are encouraged to reconfirm appointments in advance and expect encountering delays. It is also wise to schedule meetings recognizing that some could start, or run late.
- Canadian exporters should be aware that Moroccan importers may not be familiar with products, as well as Canadian grades, standards and terminology. Therefore pictures, brochures and samples may be helpful in business meetings.
- Accept mint tea if it is offered as this is a symbol for hospitality in Morocco.
- Business attire is similar to what is worn in warmer climates in the U.S.
- Businesses are open Monday through Friday and occasionally, Saturday morning. It is common for businesses to close for lunch from noon to 2:00 p.m., except during the period from June 15 to September 15 and during the month of Ramadan.
- During Ramadan, many businesses remain open at mid-day but close earlier in the afternoon. Morocco is a Muslim country. Consumption of alcohol during the fasting month of Ramadan is prohibited for Muslims only.
- Canadian exporters should exercise a high degree of caution in Morocco as Western interests, in particular, are at risk in this region. Commercial and public areas known to be frequented by foreigners such as hotels, clubs, restaurants, bars, schools, places of worship, outdoor recreation events and tourist areas are more susceptible to risk.

Agriculture Sector & Policies

Morocco is extremely dependant on its agricultural sector as it accounts for 15-20% of Morocco's GDP (depending on the harvest) and employs about 40% of the country's workforce. Over 90% the country's agriculture is rain-fed and thus this output is very unreliable. Although this is a very important sector in Morocco, only 19% of the country's land is cultivated. Agriculture products include barley, wheat, citrus, wine, vegetables and livestock. Morocco is a net exporter of fish as well as fruits and vegetables and imports many cereals, oilseeds and sugar.

Morocco has a rich fisheries sector which employs about 400,000 people (directly and indirectly). The country has a coastline of 1,835 km along the Atlantic Ocean and Mediterranean Sea which contributed about US\$1 billion dollars to the economy in 2004 and annually accounts for roughly 15% of Morocco's agriculture GDP. The chief fishing centres in Morocco are Agadir, Safi, Essaouira, and Casablanca and the fish catch includes sardines, tuna, mackerel, anchovies, and shellfish. Much of Morocco's fish is processed—frozen or canned—for export to Europe, predominately.

Morocco's food processing industry is one of its primary industries due its integration of the country's rich and highly diversified local natural resources. This is a strategic industry capable of feeding a rapidly growing population and producing economic activity through exporting. Currently, this industry is worth approximately US\$5.6 billion, represents just less than US\$1 billion in exports and offers 60,000 jobs to the country's workforce.

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Hours

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