

# Morocco Agribusiness Transport Report Q2 2011

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## Abstracts

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**BMI View:** This quarter sees the introduction of new production forecasts for wheat, barley, corn and sugar. In the case of wheat and barley, both major grains in Morocco, much stronger production growth is envisioned over the five years to 2014/15. The stronger growth predictions for wheat and barley are partly based on lower output estimates for the 2009/10 agricultural year. Although corn production will remain a relatively small part of Morocco's agribusiness sector, the next few years will see some production growth. Corn production will be fuelled by a demand for the grain as a form of animal feed. Meanwhile, our production forecasts for Morocco's livestock and dairy sectors remain unchanged this quarter. Production growth in these segments is expected to be particularly high over the next few years, a development which will reflect the steady expansion of Morocco's economy, together with rising GDP per capita ratios. This quarter also sees changes to our consumption forecasts for wheat, barley, corn and sugar. Over our five-year forecast period, we expect growth in the consumption of poultry, beef, milk and sugar to benefit from rising living standards and by an expanding population. The consumption of some foods, including meat, sugar and value-added dairy products, remains vulnerable to variations in Morocco's economic performance. Key risks to the country's economic trajectory include weak growth in Europe, as well as a sustained rise in the price of global commodities.

## Key Industry Forecasts

Wheat is a staple food in Morocco. Following a 24% fall in output in 2009/10, which reflected the impact of drought and flooding, production of the grain is now predicted to grow by 18% in 2010/11 to reach 5.78mn tonnes. Our revised long-term production forecast envisages a stronger average annual growth rate

of 8.8% to 2014/15. Production growth will be demand-driven but will also reflect investments in the sector.

Demand for wheat is now predicted to grow by 4% in 2011 to 8.64mn tonnes, up from 8.30mn tonnes in 2010. Based on rising demand for a wide range of wheat-based products, demand for the grain is expected to rise by 23% over the five years to 2015. Morocco is expected to remain highly dependent on wheat imports to satisfy overall demand.

Other key grains include barley and corn, both of which are predominantly used for animal feed. Our newly adjusted forecasts envisage a 27% increase in demand for both grains in the five years to 2015. Consumption will benefit from a growing demand for animal feed.

Livestock Production Forecast, 2010-2015: Poultry: 29%; Beef: 21% - fuelled by strong domestic demand for meat, as well as government support for modernisation and expansion initiatives.

Dairy Production Forecast, 2010-2015: Milk: 24%; Cheese: 18% - fuelled by rising consumption demand, especially in the case of higher-value dairy products. Production will also benefit from the adoption of more productive technology and the introduction of higher-yielding, quality producing cows.

Sugar Production Forecast, 2010-2015: 34% - supported by government initiatives to double production by 2013. Improvements are expected in key areas, including irrigation, improved farming methods and greater access to inputs such as fertilisers. Key Macroeconomic Forecasts

Morocco Real GDP Growth: Predicted to grow to 4.2% y-o-y in 2011 from 3.3% in 2010 and 3.8% in 2009. Over the longer term, we forecast GDP growth to average 4.1% between 2012 and 2015.

Morocco Private Consumption Growth: Predicted to average at 2.0% in 2011 compared to 1.0% in 2010. The main driver of headline inflation is food, which accounts for 40% of the consumer price basket. Beyond 2011, we expect inflation to stabilize and we project an average CPI rate of 2.0% throughout the remainder of our forecast period through 2015.

Morocco Unemployment: Predicted to fall to 8.8% in 2011 from 9.9% in both

2009 and 2010; expected to fall to 8.5% by 2012.

## Key Views

Given its relative importance to Morocco's economy, agriculture will continue to benefit from substantial levels of investment. In December 2010, Morocco signed a MAD780mn (US\$93mn) financing agreement with the EU to support Moroccan agricultural sector policy. The investment will help back the implementation of the Green Morocco Plan, a package of reforms targeted specifically at rural areas. The programme aims to gradually improve the bovine meat, date palm and olive grove sectors, along with other products including local truffles.

BMI maintains its view that Morocco's livestock industry - especially the poultry and beef sectors - also offers considerable opportunities for further investment and development. In recent years, livestock production has already benefited from increased investment as producers look to address growing demand. Demand for poultry has been notably high, with consumption growth reflecting an expanding population and rising GDP per capita. A growing number of fast food outlets are also boosting demand for processed meats. Although demand for poultry and beef will partially be met through imports, domestic production also stands to benefit.

Value-added dairy products are also seen as offering opportunities for investment. Over the next few years, demand for cheese, butter and yoghurt in particular is expected to show strong growth. Average annual milk yields are low in Morocco, highlighting investment opportunities in improving dairy production efficiency.

Meanwhile, despite concerns about the rising price of major commodities, BMI believes that government interventions in the form of subsidies and stockpiling should help to ensure that consumption demand for basic food products remains steady. In February 2011, Morocco's Prime Minister met with majority and opposition party leaders to discuss ways to tackle rising living costs. Following these meetings, the government revealed that it would add MAD15bn (US\$1.8bn) to the budget for food and energy in order to reduce the impact of rising basic commodity prices on consumers.

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