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**Characterization of agricultural and agro-industrial sectors in
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Summary

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SUMMARY

This presentation of the agricultural and agro-industrial sectors in Morocco is centred on two main aspects. These are the determinants and performances of the sectors on the one hand and agricultural and agro-industrial policies on the other.

1. The determinants of agriculture and the agro-industrial sector in Morocco consist of factors related to *natural resources* and to the *agro-ecological diversity* of farming zones.

As Morocco is a sub-Saharan country, its Mediterranean climate displays aridity increasing from north to south and from west to east. The population was 28.7 million in 2000, with 55.2% living in urban centres. The country has an area of 710,850 km². The area devoted to agriculture totals 92.2 million hectares, of which only 9.2 million hectares is arable land. Annual precipitation in Morocco totals 150 thousand million cu. m and 21 thousand million of this is used.

Agricultural production is strongly dependent on seven agro-ecological zones in mountains, plains and plateaux, steppe and the Sahara. Arable land, livestock, water and rural populations are distributed very unevenly in these zones.

Farming is conducted on 1.5 million production units or farms according to the 1996 census. The landholding structure displays asymmetrical distribution of the land between these production units and the predominance of micro-holdings. Indeed, 70% of farms have less than 5 ha of land and account for 24% of the usable farm area. Examination of the crops grown reveals the dominance of cereals (68% of agricultural area in use, AA), followed by fallow (12.7%) and fruit arboriculture (8.8%).

The agro-industrial sector totals 1625 businesses (26% of all industrial units) providing jobs for 103,600 people (21% of the total industrial workforce) with production worth MAD 54 thousand million. They generate MAD 7 thousand million in exports and a value-added of MAD 18 thousand million. The sector is represented mainly by flour and groats (52.1%), followed by fish industries (11.3%) and fruit and vegetable industries (6.2%).

The performances of the agro-industrial sector (agriculture, forestry, fisheries and agro-industrial industries) are comparatively poor in terms of value-added in relation to the overall evolution of the economy and to the growth of domestic demand. The overall agricultural production index has displayed three distinct phases of growth.

The first phase included the 1960s and 1970s and lasted until 1985 with a comparatively low growth index for agricultural production of around 1.7% in 1969 and 1970. Growth in terms of the index of agricultural production per person even decreased by an average of 0.2% per year during this phase.

The second phase from 1985 to 1991 featured a sharp increase in agricultural production. This increase was 7% in terms of average annual increase of the overall agricultural production index and 6.3% in terms of the index for production per inhabitant.

The third phase, after 1991, was marked by a slowing of growth as the annual average index of overall agricultural production increased by only 1.6% from 1991 to 2002. This is negative per capita growth (-0.04%).

2. Agricultural and agro-industrial policies have also been through three phases.

The state intervention period lasted until the end of the 1970s. The objective was the development of exports and the production of substitutes for imports.

The phase that started in the early 1980s was one of the implementation of substantial reforms through stabilisation and structural adjustment programmes. This led to a decrease in the role of the state and greater liberalisation of the economy.

The phase that started at the end of the 1980s was marked by the broadening of the liberalisation policy to all the economic sectors in Morocco. It was aimed at prices, the state budget and institutions.

Several types of policy were developed:

* Structural and investment aid policies. Budgetary measures were applied to reduce public expenditure. This is seen in the cuts made in the share of the budget allocated to agriculture and in that reserved for public investment in agriculture. Nevertheless, the state has applied a policy for encouraging private investment and, more generally, support for agriculture, since 1969 to accompany the public investment policy. Several funds were set up such as the Agricultural Development Fund, the Fund for Natural Calamities, the Agricultural Insurance Fund and the Livestock Conservation Fund.

* Price and market policy. This policy operates at several levels. With regard to the exchange rate, there has been no adjustment of the dirham since 1990. Progress in the reduction of deficits and the reconstitution of foreign exchange reserves made it possible to intensify the programme for the liberalisation of the foreign exchange market in the 1990s. The dirham was made convertible for current account transactions in 1993. The second level is the price stabilisation to which the social policy for supporting staple foods has contributed. The third level is credit. The credit policy—marked at the beginning of structural adjustment by a state intervention trend (1989-1999)—has shifted towards the liberalisation and unblocking of credit. However, measures were taken for the farmers for whom the CNCA charges interest rates lower than those of the market. The fourth level of action in price and market policies is that of tax. The measures taken aimed at reforming the entire tax system while ensuring the exoneration of agricultural incomes until 2010. The last level is that of market liberalisation. The price liberalisation policy initiated in 1981 was extended to agriculture in 1983 by means of PASA 1. Some subsidies were abolished and the price of feed was liberalised. PASA 2 strengthened this policy by liberalising the prices of milk and cereals (with the exception of so-called 'national' common wheat).

* Policies concerning socio-economic infrastructure and rural development. The worsening of social indicators in rural areas has stimulated important initiatives since 1995. These have resulted in the launching of social infrastructure projects such as road building, potable water conveyance, electrification, school attendance programmes for girls, basic health care, vocational training, etc. These policies are also aimed at diversifying the economic activities of populations by developing rural tourism, local rural crafts and occupations that generate alternative and complementary income.

* The environmental and natural resource management policy has recently received fresh impetus, in particular through the creation of a Ministry of the Environment and the ratification

of international treaties and conventions. The actions undertaken are aimed at fighting erosion, sand encroachment and deforestation, water management and the conservation of plant and animal biodiversity.

* The foreign trade policy. There has been a fundamental calling into question of the massive, selective state intervention of the 1980s. The new strategy applied has been marked by state withdrawal, the liberalisation of trade and a quest for competitiveness. The policy of liberalising import business and the removal of domestic market protection were determined by the undertakings made in the structural adjustment policies and then on the completion of the GATT/WTO Uruguay Round via the Marrakesh Agreement of 1994. Preferential agreements have been concluded with the European Union to serve as a framework for agro-industrial trade between Morocco and the EU in the years to come. The last agricultural agreement was signed in 2003 and is to cover the period 2004-2007.