THE « GREEN MOROCCO »

Agricultural Development Strategy

"Facing rising food prices"



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<u>Outline</u>

- 1.Impacts & Mitigation measures
- 2.The new Agricultural Development Strategy
 « Green Morocco »





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- 1. Impacts & Mitigation measures
- 2. The new Agricultural Development Strategy: « Green Morocco »





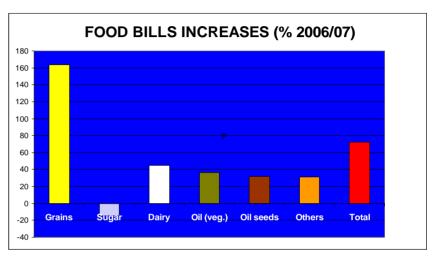


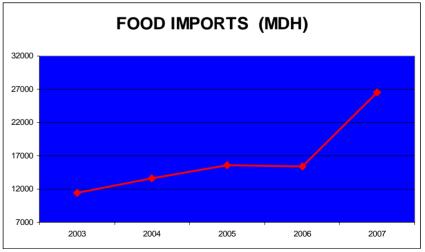
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Impacts and mitigation measures

➤ Increase of 72% in aggregate food import bills (2006/2007)

Food import bill in 2007 was over twice what it costed in 2003



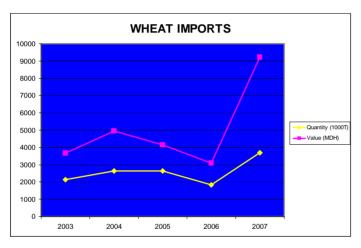


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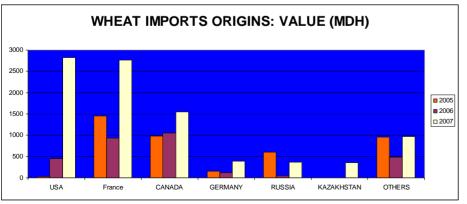
Impacts and mitigation measures

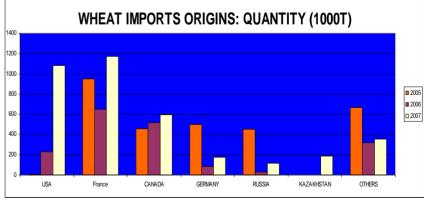
Increase of 72% in aggregate food import bills (2006/2007)

WHEAT

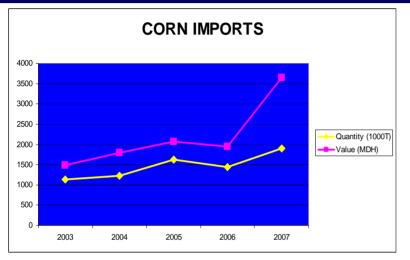


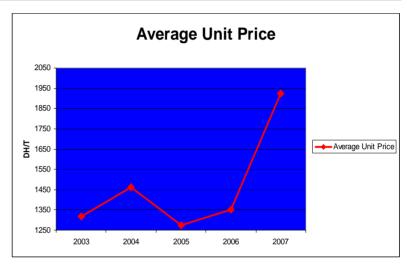


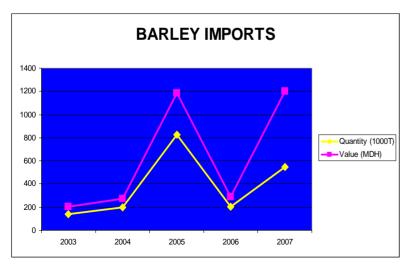


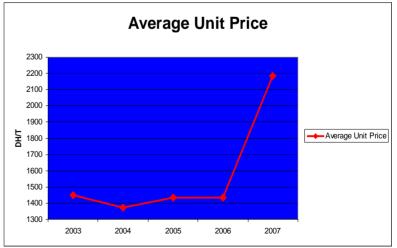


Increase of 72% in aggregate food import bills (2006/2007)

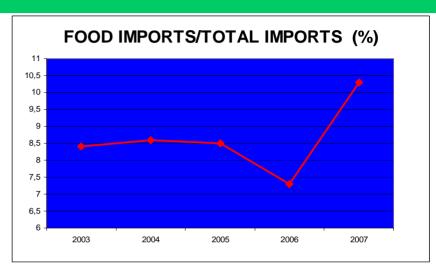


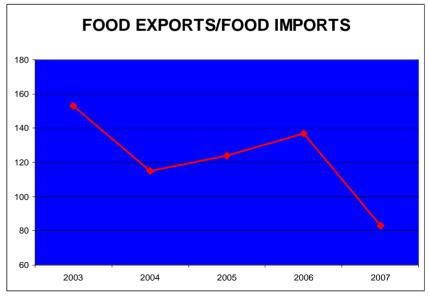




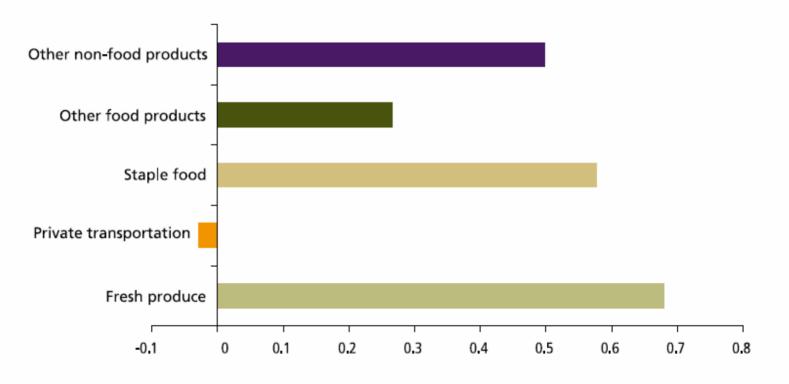


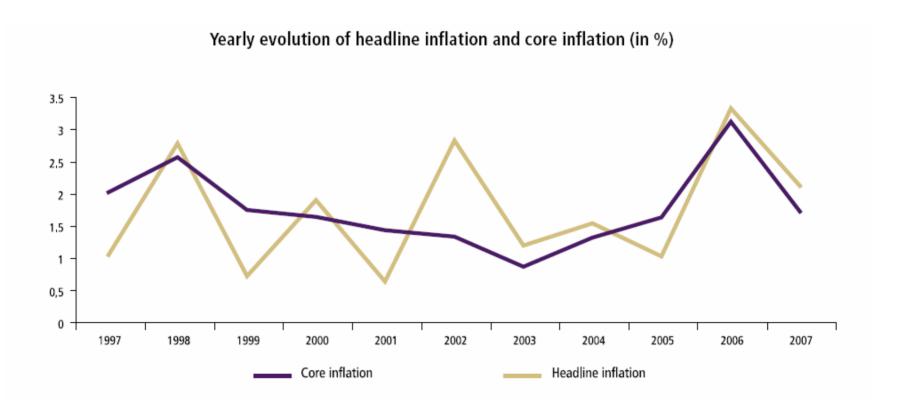
- ➤ The share of food imports in total imports has come up from 7.3% in 2006 to 10.3% in 2007.
- ➤ The rate of coverage of food imports by exports declined substantially in one year dropping from 137% to 83%
- ➤ The trade deficit grew by 40.8% and represented nearly 23% of GDP
- ➤ The current account showed, for the first time in 6 years, a deficit of about 0.1% in GDP





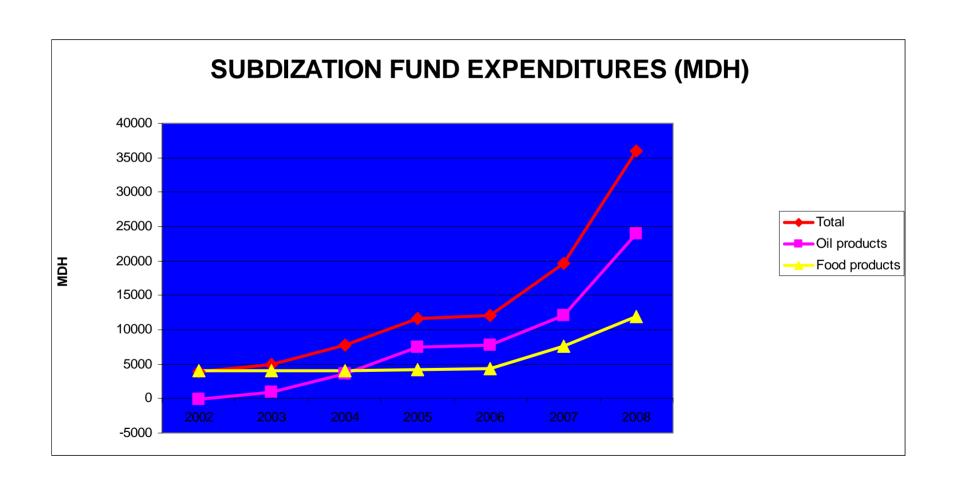
Contribution to headline inflation in 2007, per main headings (in percentage points)





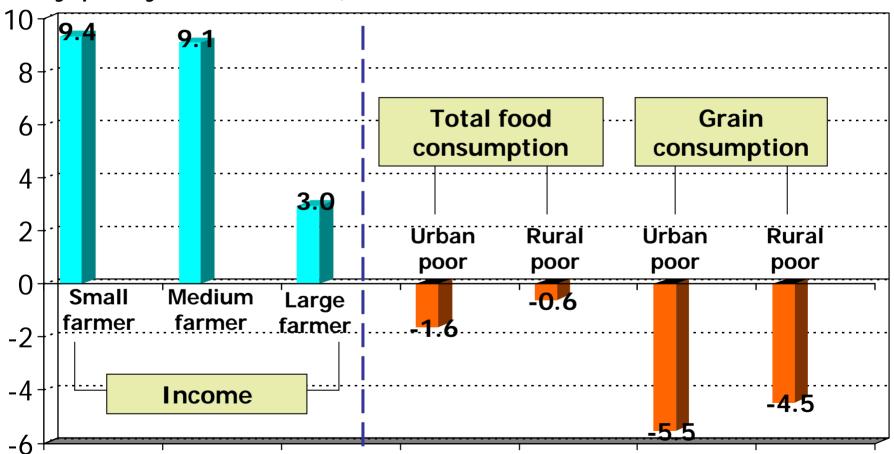
The inflationary effect of the rise in staple food and oil prices in 2007 was mitigated by a number of measures taken by the Government:

- 1.Freezing the mechanism of fuel prices indexation to oil price on internatinal markets;
- 2.Reducing/Suspending import duties on some staple food (soft wheat, durum wheat, barley, UHT milk, powder milk and butter)



Small farmers benefit more from such price increase, while poor consumers hurt

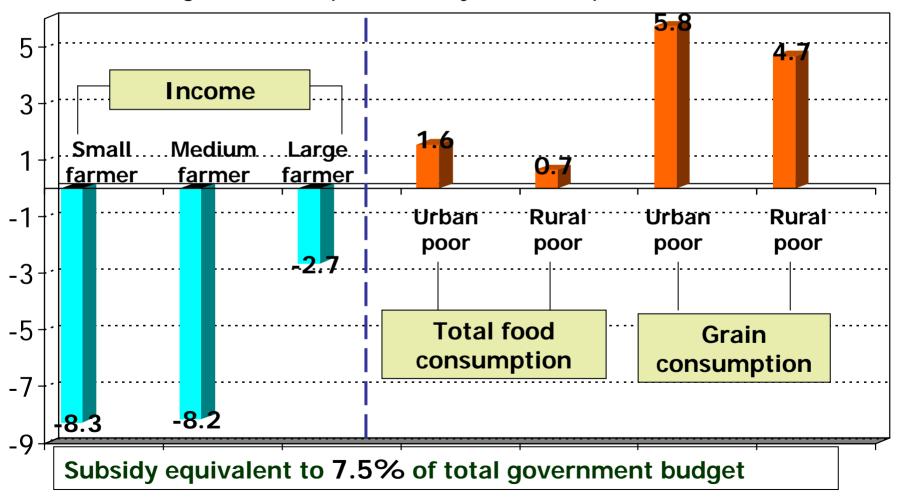
(% change from the base year under the scenario without any policy intervention)



Source: New Morocco CGE model results

Import subsidy compensates the poor consumers but the small farmers lost the gains from the price increase

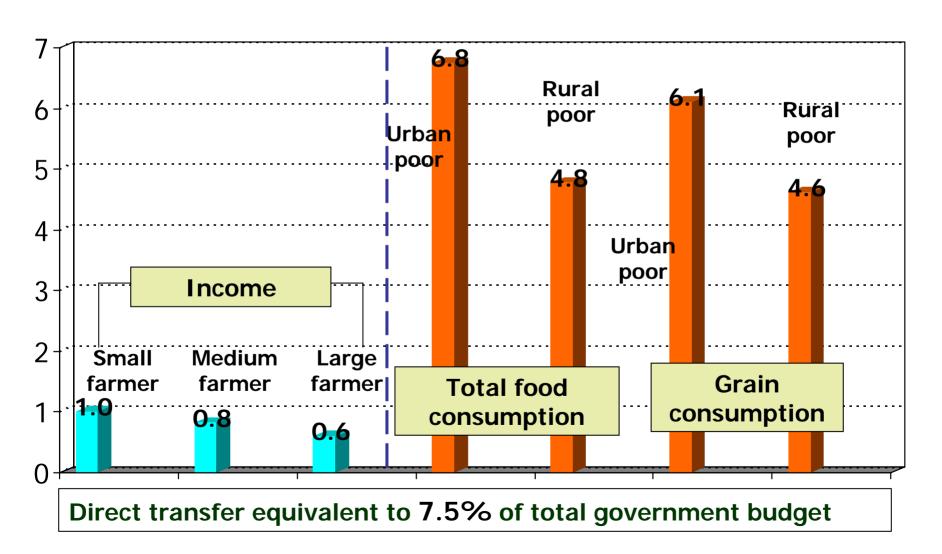
(% change due to import subsidy from the price rise scenario)



Source: New Morocco CGE model results

Targeting the poor consumers through direct transfer benefits both

(% change due to the direct transfer from the price rise scenario)



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Moroccan agriculture socio-economic stakes





Major economic stakes



Social stakes are high as well as the impact on sustainable development

Significant direct and indirect impact on growth (14% upstream + 5% downstream of GDP)

Potentially massive impact on jobs (4 million jobs)

Impact on macroeconomic stability, particularly balance of payments

Stability of a large number of very vulnerable farmers at stake

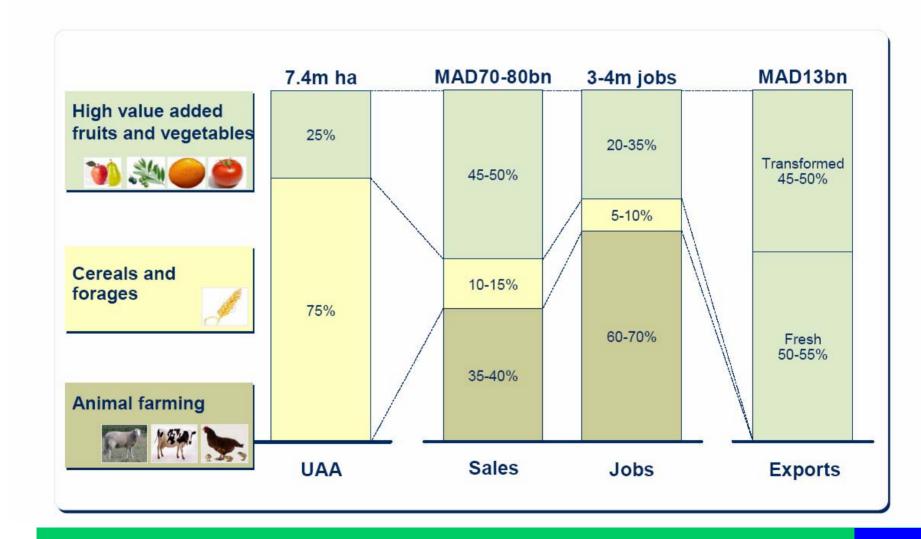
Land management in all regions at stake

Sustainable development at stake, particularly competition for access to water

Consumption-related impact (quality/price) for 30 million consumers



SURFACE AREAS DOMINATED BY CEREALS, EXPORTS BY HIGH VALUE ADDED FRUITS & VEGETABLES AND JOBS BY ANIMAL FARMING





MOROCCAN AGRICULTURE AT A CROSSROADS



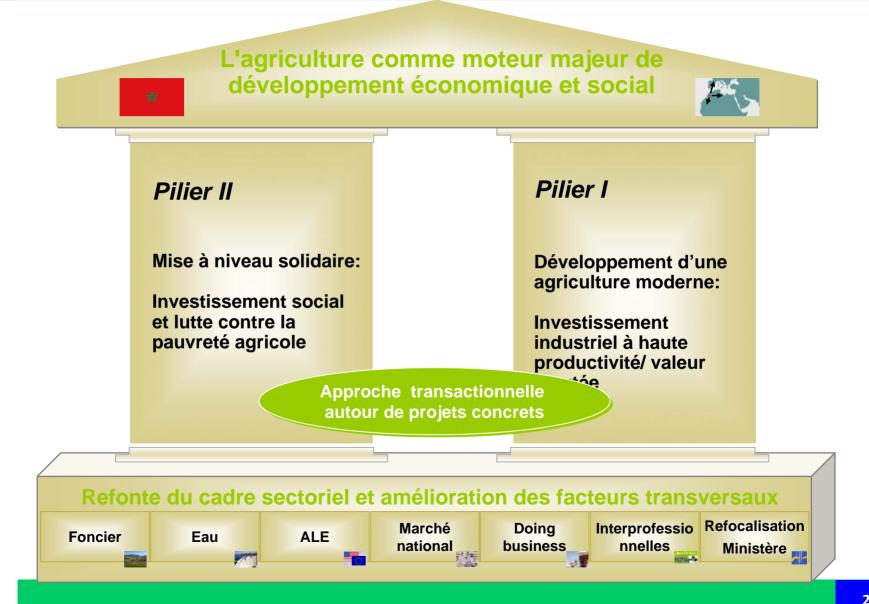
Huge opportunities...

... but major obstacles still exist





Reform strategy built around 2 Pillars



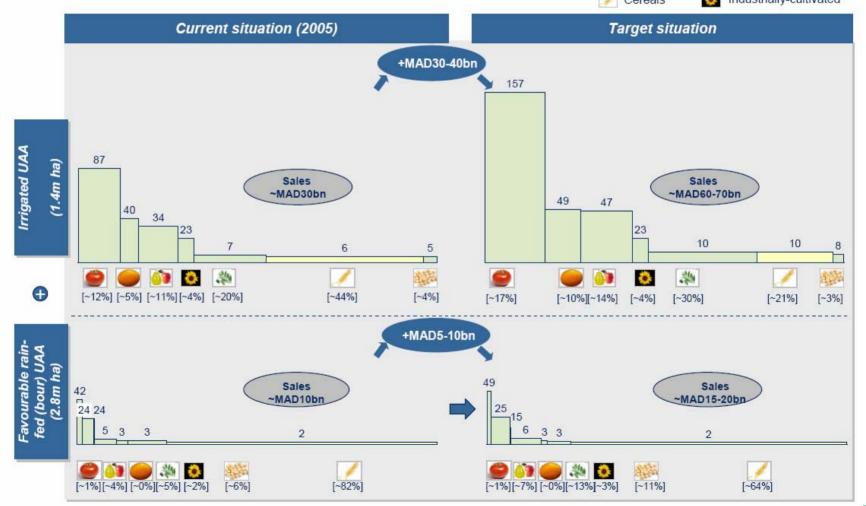


CONVERSION OF ABOUT 1.4 MILLION HECTARES IN THE CONTEXT OF

Producer sales per hectare and UAA

« PILLAR I » BY 2015

[X%] share of surface area
 Olives
 Citrus
 Garden and other vegetables
 Other fruits
 Industrially-cultivated





« OFFRE MAROC » FOR INVESTORS — A WIN-WIN PARTNERSHIP IN THE CONTEXT OF AGGREGATION

Commitments made by aggregators

- Commitment to generate growth and investment (upstream+downstream)
- Investments
- Sales and value added
- Jobs
- Know-how

Commitment to stimulate aggregated upstream

— Support for investment (e.g. uptake guarantees)

— Increase value added

— Improve yields (supervision)

Commitment to fairness

- Policy of fair and attractive remuneration of aggregated farmers

Strategic aggregation programme based on contracts with clearly defined conditions upstream, by sub-sector and by aggregation area

Underlying principles

- Win-win partnership
- Results-oriented commitments made by aggregators
 - Market transparency

Commitments made by the State (framework of incentives)

Innovative framework of incentives (targeted subsidies, special tax regime, subsidies for training)

Preferential access to land

Preferential access to financing (aggregators and aggregated)

Support for aggregation over the long-term

- Proactively promote aggregation amongst farmers (prospection and contractualisation)
- Assistance relating to arbitration and the resolution of disputes

Preferential access to trade associative benefits

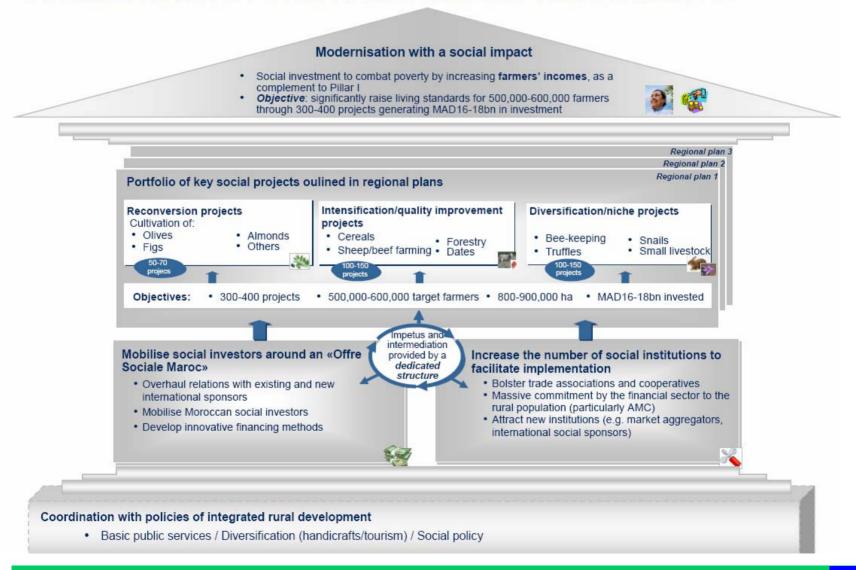
- Exports and logistics
- Branding and quality management
- Agrotech and R&D

V51

- HR development and training
- Acces to inputs and mechanisation



PILLAR II STRATEGY STRUCTURED AROUND THREE PROJECTS





« OFFRE SOCIALE MAROC » - A UNIQUE VALUE PROPOSITION WITH FOUR DIMENSIONS



Social projects having a potentially huge impact

- Target zones of rural poverty as a priority
- Several thousand farms affected by this project
- Increase by 2-5x the farming income of targeted farms

Diverse portfolio of pre-packaged practical projects

- Projects aimed at reconversion to higher income farming activities
- Projects aimed at improving productivity and supervision of existing farms
- Projects aimed at diversifying sources of farming income

« Offre Sociale Maroc » aims to reduce rural poverty



Establish genuine long-term partnerships

- Long-term commitment with projects spanning several years
- Strong involvement and jointinvestment by the Moroccan government in projects
- Strong execution capacity and control by the Moroccan Administration

Accesibility to leading social institutions at ground level

- A solid network of trade associations and cooperatives
- Massive commitment of the financial sector to the rural population
- Involvement of leading international social institutions



POTENTIALLY HUGE IMPACT IN ECONOMIC AND SOCIAL TERMS

Pillar I – Development of a high value added/high productivity agricultural sector

- 400,000 farms targeted
- MAD110-150bn in investment
- 700-900 projects



Pillar II - modernisation with a social impact

- 600,000-800,000 farmers targeted
- MAD15–20bn in investment
- · 300-400 projects



• Jobs: +1-1.5m

 Reduction in poverty at its source – doubling or tripling in income for 2-3m farmers



CONCLUSION



Policy actions to adapt and mitigate food price problem

1. National policies in Developing Countries

- 1. Increase investment in agriculture, rural infrastructure and market access for farmers
- 2. Expand social protection (rural and urban) for the poorest

2. Global policies and Development Aid

- Eliminate agricultural trade barriers, incl. stop biofuels subsidies
- Expand aid to agriculture and rural services
- Increase support to science and technology and facilitate technology transfer
- Expand food development aid incl. social protection, child nutrition



