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Morocco

Trade Policy Monitoring

Free Trade Negotiations with EU: Tomatoes vs Bread Wheat

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Report Highlights:

This report provides further details and analysis, to supplement USEU GAIN report E23201, describing further liberalization of agricultural trade between Morocco and the EU. Morocco tomato exports to the EU will be accorded preferential access, in exchange for preferential access for EU bread wheat exports to Morocco.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Rabat [MO1]
[MO]

Ref: GAIN Report E23201, "EU And Morocco Reach Agri-Trade Liberalization Deal"
 GAIN Report MO1026, "EU Continues To Limit Morocco's Tomatoes Exports"
 GAIN Report MO3023, "Wheat Duty Revised Down"

The Morocco-EU Free Trade Agreement, implemented in March 2000, envisioned further reciprocal concessions in agriculture. After several months of intensive negotiations, the EU and Morocco came to an agreement on October 25, 2003 to further liberalize their agricultural trade. The new agreement concentrates on the two most prominent, as well as sensitive, items traded between the two sides: Moroccan tomato exports to the EU, and EU wheat exports to Morocco. Details on how the quotas will be implemented are still being developed. For this reason, it is not clear when the agreement will be in force, although speculation focuses on January 2004.

Moroccan Tomatoes to the EU:

The quotas established in the Morocco-EU Free Trade Agreement are duty-free. Further negotiations in September 2001 and now in 2003 have succeeded in both enlarging the quota and extending the spring season (The additional quota provided for MY 2004/2005 and beyond can be utilized anytime from November to May). However, if Moroccan exports during one campaign exceed the total quota for that year, a quantity of 20,000 MT will be deducted from the additional quota of the following year.

Table 1. EU Duty-Free Quotas for Moroccan Tomatoes (MT)

Implementation Date	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Additional Quota*	Total
March 2000 **	5,000	18,601	36,170	30,749	33,091	27,065	-	-	-	150,676
September 2001 ***	5,000	22,601	38,170	30,749	33,091	27,065	7,500	4,581	-	168,757
MY 2003/2004	Monthly Quotas not yet determined								-	175,000
MY 2004/2005									15,000	190,000
MY 2005/2006									30,000	205,000
MY 2006/2007 And beyond									45,000	220,000

* To be used between November and May.

Sources: ** EU-FTA Agreement text, *** EACCE (Moroccan Export Quality Control Office) Bulletin.

In fact, Moroccan tomato exports to the EU have steadily declined from their MY 1998/99 peak of 172,107 MT. Since the Morocco-EU Free Trade Agreement went into force, exports have gone from an 85 percent fill rate to slightly more half. This is due to a variety of factors, including outbreak of white fly in key growing areas, and diversion into other fruits and vegetables for the EU market, because of the pressure of the quota regime. Tomatoes, as a percent of total vegetables exported to the EU, have declined significantly in the past several years.

EU Bread Wheat to Morocco:

Since September 2000, the EU has had access to a quota of 456,000 MT, at a duty of 144 percent. Although the EU has regularly exported over 2 MMT annually, none of this trade has been under this quota, since the prevailing duty has been lower than the EU preferential duty. Under this new agreement, the EU will benefit from a 1.06 MMT annual quota, with a

38 percent tariff reduction from the base rate prevailing at the beginning of October 2003 (135 percent).

After the EU negotiations were concluded, Morocco revised its wheat tariffs down to 90 percent on October 16 (see MO3023). The EU agreement includes a clause stipulating that the EU tariff will be adjusted to compensate for any future fluctuations in the prevailing bread wheat duties, to ensure that the EU maintains a significant preferential access. However, the mechanism to achieve this has not yet been published. The method of allocating the EU quota among importers has also not yet been determined. It is likely that importers will make bids to the Moroccan Cereals Office (ONICL) in order to be granted a waiver to import under the preferential regime, similar to the tendering process in place for ONICL imports of bread wheat destined for subsidized flour for low-income consumers.

In exchange for this first-time truly preferential access for bread wheat, the EU has agreed to quota reductions in years when the Moroccan crop is good. Although, again, details are not known, the quota will be reduced on a linear basis if local bread wheat production exceeds 2.1 MMT in a given season. At the most extreme, the quota will be a minimum of 400,000 MT even if Moroccan bread wheat production is over 3.0 MMT.

Table 2. Estimated Quotas for EU Bread Wheat Under Various Moroccan Production Scenarios (Thousand MT)

Theoretical Local Production	Estimated Quota Granted*
2,100	1,060
2,200	984
2,300	911
2,400	838
2,500	765
2,600	692
2,700	619
2,800	546
2,900	473
3,000	400
3,100	400

* Estimated by AgAtt Office on linear relation basis

As can be seen by comparing Tables 2 and 3, the new preferential quota for EU bread wheat essentially secures the historical EU market share in Morocco. In each of the past nine years, imports from the EU, without preferential access, exceeded the level that would have been dictated by a quota scheme tied to domestic production as outlined in Table 2.

Table 3. Historical Data for Wheat Production and Imports
(Thousand MT)

Beginning Year of MY Jul./Jun.	Local Production	Total Imports	Imports From EU	EU Share (%)
1994	3,181	911	827	90.7
1995	652	2,566	1,283	50.0
1996	3,646	1,200	591	49.3
1997	1,435	2,334	1,237	53.0
1998	2,834	2,240	1,163	51.9
1999	1,354	2,517	1,805	71.7
2000	953	2,588	1,775	68.6
2001	2,278	2,388	926	38.8
2002	2,325	2,486	1,244	50.0

Source: Ministry of Agriculture, Official Trade Data