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CEREALS MARKETING REFORM
PROJECT
(CMR -- PHASE 1)

QUARTERLY REPORT 1
for the period: July-September, 1991

By

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CMR REPORT --01

CEREALS MARKETING REFORM PROJECT

QUARTERLY REPORT 1

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CEREALS MARKETING REFORM PROJECT

QUARTERLY REPORT 1

Introductory Notes

As the first of at least eight quarterly updates on the Cereals Marketing Reform (CMR) project, this report is a bit longer than what will be produced in future quarters in order to provide information on the background, objectives, and methods anticipated for use by the project in the next two years.

In agreement with the AID project officer, the period of July through September, 1991, will be considered the first quarter in the two year implementation of CMR. However, the technical chronology of the first quarter also includes some activities earlier in the year:

- o The technical assistance contract between AID and DAI was signed February 28, 1991 and became legally effective as of March 8, 1991;
- o A one day project start-up workshop (involving personnel from DAI and AIRD and the AID project officer) was held in DAI offices in Maryland on April 9th;
- o DAI COP David Wilcock undertook a six week early implementation TDY in Rabat (May 20th to June 29th) with time spent on logistical arrangements and project start-up activities. Dr. Wilcock and family took up long-term residence in Rabat on July 22, 1991.

Origins of the Project

The origins of this project lie in the structural and agriculture sector adjustment programs undertaken in the 1980s by the Government of Morocco in close collaboration with the World Bank group. The cereals subsector had been targeted for major reform in both Agriculture Sector Adjustment Loans (ASAL I and II) with major policy changes occurring in 1987 under ASAL II as conditions to the disbursement of the first tranche. In 1987 as well, AID, playing its role of helping to do some of the detail work needed to help bring difficult economic reforms to fruition, began to plan a fairly large cereals marketing project¹ in support of the ASAL cereals reform program and consistent with AID/Morocco's

¹ A project that never saw the light of day in all its proposed dimensions due to design limitations and opposition in AID/Washington.

"drylands strategy" in effect at the time. This "semi-ill-fated" project contained proposed components having to do with:

- o Cooperative cereals storage and marketing at the farm and village level (as an alternative or in addition to SCAM/CMA reform);
- o Credit funds and technical assistance to private sector cereals trading; and
- o Technical assistance to MARA (ONICL and DPAA) to help the GOM modify its relationship to the cereals subsector over time.

Two years later, in 1989 (PROAG signed September, 1989), an abbreviated version of the third component of the "old cereals project" was resurrected as a subproject to the mission's Economic Policy Analysis (191) Project which is directed towards strengthening GOM capacity to undertake more involved economic analysis related to important policy questions.

Project Objectives

As stated in 1989 Project Agreement, the purpose of the CMR Project is:

to assist the Government of Morocco in developing a marketing strategy for cereals with price, domestic marketing, international trade and storage policies that would maximize marketing efficiency, consistent with both long-run economic growth and national food security objectives.

Consistent with this broad purpose statement, a series of more specific implementation-level objectives are spelled out in the more detailed Annex to the Project Agreement as well as its relationship to the 191 "parent project" that pursues

the overall program goal of contributing to a successful transition of the Moroccan economic system to a more market-oriented economy. In this context, a more market-oriented economy is understood to rely more on competitive market forces and less on government price controls and subsidies, so as to stimulate production and employment.

CMR project funding is divided into three main categories of use:

- | | | |
|---|--|------|
| o | Technical Assistance (long and short-term): | 75 % |
| o | Training (both long and short-term): | 15 % |
| o | Commodities and other institutional strengthening: | 10 % |

The technical assistance, operating in a collaborative mode with GOM personnel, is to tackle the following tasks:

- o Complete analyses of the structure, conduct, and performance of cereals subsector, emphasizing critical policy questions from production through consumption of cereals and cereals products;
- o Open and maintain a dialogue with the Interministerial Oversight Committee and other interested GOM and private sector parties on the potential impacts of policy alternatives in the cereals subsector;
- o By the end of the project, assist the GOM in developing a coordinated set of cereals policies that meet the overall project purpose;
- o Identify and use project resources to meet priority training needs of collaborating GOM personnel; and
- o Assist in the identification of practical means to maintain the policy analysis process, including the examination of appropriate collaborative roles for public and private sector entities, and other means of developing stronger, more efficient economic institutions.

Contracting and Institutional Arrangements

The CMR project is being implemented by prime contractor, **Development Alternatives, Inc. (DAI)** of Bethesda, Maryland which, in turn, has subcontract relationships with the **Agricultural Economics Department of Purdue University**, the firm of **Associates in International Resources and Development (AIRD)** of Cambridge, Massachusetts, and the Moroccan firm of **Agro-Concept** of Rabat. The contractors have the equivalent of 88 person months of professional time (64 months in short-term work, 24 for the project's resident COP) to be used in undertaking studies of cereals marketing issues and in pursuing related training and institutional development activities. The CMR project may also make arrangements to use other Moroccan specialists, particularly personnel from the two major institutions of higher education in agriculture in Morocco: *Institut Agronomique et Vétérinaire (IAV) Hassan II* in Rabat and *l'Ecole Nationale de l'Agriculture (ENA)* in Meknès.

As an applied policy analysis project, CMR needs to work closely with both private sector and government groups in studying potential changes in rules governing Moroccan cereals marketing. In terms of institutional arrangements with the Government of Morocco, the CMR project is being implemented largely from within the Ministry of Agriculture and Agrarian Reform (MARA), using two committees that were called for in the Project Agreement, a MARA CMR Technical Committee (responsible for detailed planning, project implementation and monitoring), and an Interministerial Oversight Committee, both chaired

by the Secretary General of MARA. The technical committee is made up representatives of the four parts of MARA that are actively participating in CMR studies:

DPAE (the Directorate of Planning and Economic Affairs) which is providing secretariat functions to the project and houses the long-term advisor;

ONICL (the National Interprofessional Office of Cereals and Legumes) a unit of MARA with its own independent legal basis through the Dahir of 1973;

DPV (the Directorate of Crop Production) that has responsibility for Moroccan cereals production; and

DVRA (the Directorate of Extension and Agrarian Reform) that has supervisory responsibility over the SCAM/CMA cooperatives that currently play a major role in the marketing of soft wheat.

Membership in the Interministerial oversight committee, in addition to five units in the Ministry of Agriculture (the four above plus the Technical Cooperation Division of MARA), includes representatives from the Ministries of Finance, Plan, Interior, External Trade, and the Economic Affairs Unit in the Prime Minister's Office. This committee is to meet less often and serve three functions:

- o Review and approve annual work plans for studies;
- o Participate in quarterly reviews of project implementation progress; and (most important but unstated in the project agreement)
- o Provide a means of feedback from different Ministries concerning conclusions from policy analyses and concerning the feasibility of identified options for policy change, thus serving as a means of communication with policy-makers at the highest levels of government.

Contacts have been made with various private sector firms and industry associations involved with cereals trade and processing and seeking innovative means of structuring systematic private involvement in the policy reform process is a major, if unstated, objective of the CMR project. More importantly, as a clear sign of the evolution of the general liberalization process in Morocco, strong directives have been issued by MARA leadership to accelerate private sector involvement and render the reform process more "transparent". The extent and nature of this collaboration with private sector operators in the cereals subsector will be one of the keys to project success and also can serve as an evaluation measure.

Implementation Strategy

The CMR project is implementing three sets of interrelated activities, with perhaps

three quarters of the effort focused on the first:

- o A detailed set of diagnostic studies and policy analyses focused on a critical commodity group, cereals;
- o Academic and on-the-job training in the skills and art of economic policy analysis; and
- o Continued contribution to strengthening the policy analysis capacity of key units within MARA, using collaborative research and analysis for "learning by doing".

To implement these activities, the DAI group proposed an action plan for CMR in its original technical proposal to AID and the GOM (DAI, June 1990) that has been retained largely intact by the project Technical Committee. In this plan the first six months of the project (Phase I, July-December, 1991) are to be devoted to project start-up and to the preparation of a detailed synthesis report on the current situation in the cereals subsector, a more precise detailing of the major policy issues to be resolved, and the development of a workplan for the second, 18 month phase of the project.

In Phase I studies, collaborators will be limited largely to existing data sets and previously completed reports, with the exception of higher priority qualitative information that can be obtained through the use of rapid field information collection techniques. Instead of the usual first year planning exercise, the resident advisor and the project Technical Committee developed a project description and Phase I work plan (CMR Paper No. 1) covering six months.²

Phase II (January 1992-June 1993) will be devoted to more detailed examination of priority policy questions that may employ more extensive field data collection and analysis. It will open with a policy workshop in January, 1992, that will debate the findings and conclusions of the Phase I synthesis report and help refine priorities for the research and analysis agenda of the second phase. Policy options developed in Phase I analyses can be explored in more depth with the possibility of some original data collection on key topics.

CMR training has both long and short-term activities. The long-term program will send three trainees (one from MARA/DPAE and two from MARA/ONICL) to the US for Masters degree training in agricultural economics or related fields. Short-term training will involve on-the-job training, English-language training for collaborators, and a variety of in-house seminars and short courses, plus limited participation in other relevant short-term training programs in the US or third countries. The short-term training program will be finalized as part of the planning for CMR Phase II.

² See bibliography, Annex 3.

Accomplishments in the First Quarter

This quarter has been devoted to project startup activities, with time having been split between planning and starting project studies and project administrative duties and logistical tasks (with the latter absorbing perhaps 60 percent of total time worked in the quarter).

Phase I Studies

Following initial discussions with MARA/DPAE officials, it was decided to follow the general project implementation plan that had been proposed by the DAI group. The first step was to generate consensus among MARA collaborators concerning the nature and direction of the studies to be undertaken during the project. This involved a series of four meetings with the CMR Technical Committee, the first of which was held on June 14th. By the end of June, a work plan for the first six months of the project (Phase I) had been agreed to by the CMR Technical Committee (CMR Report No. 1).

During this planning phase brief but valuable assistance was received from CMR collaborators Dr. Wally Tyner of Purdue and Ms. Lynn Salinger of AIRD, both of whom have had long associations with economic research in MARA, and who will be providing additional short-term research assistance during the course of the project.

The Phase I plan of work divided the synthesis and diagnosis activities into four groups that can be considered as four horizontal slices across the vertical production-marketing-consumption channels of the cereals subsector:

- o Moroccan cereals production;
- o Domestic marketing, storage, and milling;
- o International cereals trade (mostly imports); and
- o Cereals consumption and food assistance to the poor.

Each group is to review the bibliography of key, recent studies in its area, review existing data series, conduct preliminary analyses of major diagnosed problems and issue areas, and identify opportunities for priority targeted research and analysis for the second phase. In addition to initial descriptive work, the four working groups are attacking a set of key cereals policy issues, a summary of which is contained in Annex 1 to this Report.

At this writing, a total of 40 people are scheduled to play some role in the Phase I synthesis process. The largest group, 26, is made up of professional staff from the four directorates of MARA, with ONICL providing half of the total personnel. The four contractual partners will provide some time from 14 outside and Moroccan consultants. These figures are summarized below and a listing of the personnel participating in the study

by working group is provided in Annex 2 to this report.

Personnel in CMR Phase I Studies

MARA		
ONICL	13	
DPAE	8	
DPV	4	
DVRA	1	
Total MARA:	26	
Consultants		
DAI	5	
Agro-Concept	4	
AIRD	3	
Purdue	2	
Total Consultants:	14	
Total Personnel in Phase I:	40	

It should be noted that, while all four MARA units have participated actively in project activities, ONICL has made a special effort to share its information resources and provide personnel to the various working groups.

Training

Given the relatively short length of the CMR project, any longer-term training to be undertaken had to be initiated as rapidly as possible and this became the "training priority" for the quarter. By August, three candidates for long term training (one from MARA/DPAE and the two others from MARA/ONICL) had been proposed by MARA, accepted by USAID, and all three were in specially-arranged English classes at the American Language Center in Rabat. By the end of the quarter, the DPAE trainee, Hamid Imrani, was ready to leave for the US and further preparatory training at the Economics Institute in Colorado, before beginning a Masters degree in agricultural economics at Purdue University. The two candidates from ONICL, who had less intensive English training, were continuing their studies at the ALC in Rabat. All administration of the long term training is the responsibility of the project's administrative assistant.

In terms of short-term training, two sets of activities should be noted:

- o The project obtained propositions from the four collaborating units in MARA for ministerial personnel to participate in available English language training courses (three hours per week). Most of these personnel are directly participating in the studies being undertaken in Phase I of the project (See

Annex 1: Personnel Participating in CMR Phase I Studies as of September 30, 1991); and

- o Some on-the-job training can be considered to have begun during this Phase through the collaborative synthesis studies described above.

Institution Building

In addition to the acquisition of vehicles and equipment (described below) and the CMR training activities, in this category it should be noted that the CMR project is attempting to use the collaborative mode of undertaking its subsector studies. This is a mode of working together with ministry colleagues that, while definitely slower than consultants doing the work by themselves, does have two major advantages:

- o It involves cadres in high-visibility analytical efforts focused on policy issues. This serves a training function and also serves to strengthen the capacity of those institutions to respond to future demands on their own; and
- o It produces a better product in the longer run because it produces a "fabric" with more color and detail, and it involves both formal and informal feedback that helps to avoid the outsider/government gap and avoid errors of omission or political infeasibility.

In order for a policy reform project to be successful in linking studies and analyses to the policy-making process, it must set reasonable goals and keep to its deadlines. The study process must be closely coordinated with both the domestic and the donor/national government political processes working on the same set of issues. The CMR project has had a couple of worrisome indications of a lack of coordination with the decision-making process in Morocco; these are addressed in the concluding section of this report dealing with project management problems.

Project Administration and Logistics

The over 50 percent of professional time spent on logistical and administrative matters is normal for a first, start-up project quarter, but this burden falls particularly heavily on a project with one long-term staff person, a two year life span, and large amounts of diverse short-term technical assistance to administer. The major activities undertaken during the period were:

1. Establishing working relationships with cooperating MARA officials;
2. Setting up a project office in MARA/DPAE rented office building in Agdal;

3. Communicating with the DAI home office and with subcontractors on administrative and logistical matters. The fax is providing for at least 90 percent of project communications partly due to the impossibility of obtaining a new international telephone line into MARA locations at this time;
4. Establishing bank accounts in the US and in Morocco for the transfer of project funds and to allow for project expenditures. The long periods of time required for checks written in Morocco to clear US banks and be credited in local accounts added many extra hours spent in trips to the bank;
5. Setting up project accounts and submission of project expense vouchers to AID for reimbursement;
6. Drafting a global commodity purchasing plan for approval by the USAID Regional Contracting Officer. In addition, the DAI contract with USAID was analyzed, a number of oversights and inconsistencies were located, and correct interpretations were negotiated so that the contract will be easily amended at an appropriate future date;
7. Hiring and instructing a project administrative officer and engaging other personnel for short-term tasks on a fee-for-service basis;
8. Locating, renting, furnishing, and having utilities provided to a house for the COP and his family;
9. Purchasing and taking delivery on two tax-free project vehicles (based in MARA/DPAE);
10. Purchasing, shipping and installing the following office equipment: Two office model computers, two portable laptop computers, a portable ink jet printer, a laser printer, and six or seven software packages;
11. Obtaining title, legal registration, license plates, and insurance for a personal vehicle. This task took at least a full week of professional time (scattered over the period mid-June to the end of August); and
12. Clearing household effects in person through customs in both the port of Casablanca and the Casa airfreight terminal.

In general, project startup has been remarkably smooth, and the substantive work of the project was advancing quite well by the end of September. The excessive amount of time spent on administrative tasks could have been worse had it not been for:

- o Substantial assistance provided to the CMR project on all fronts by USAID

project officer, Dr. Fenton Sands;

- o A very accommodating and helpful reception given to the long-term advisor by MARA/DPAE leadership and staff at all levels. Among others, particular recognition is given to DPAE co-director Albert Sasson, his very capable executive secretary Mme. Doukalli, and M. Kabbage, the ever-helpful head of the DPAE Administrative Department. Also extremely helpful was Mme. Raissouni, resident manager of AID's institutional development (182) project in DPAE, into whose office the long-term advisor "parachuted" in May, 1991;
- o Extra effort made by project administrator, Ms. Heidi Lowenthal, at critical points in the start-up process;
- o Backup support provided the project by DAI home offices in Bethesda, Maryland. The work of the contracting, project support, procurement, economics services at DAI was excellent;
- o The ability of the long-term advisor to take advantage of well-established computer and communications systems in DPAE rather than having to set these up from scratch; and
- o The fact that the long-term advisor had spent three months in Morocco on short-term work in the proceeding year and knew his way around, thus facilitating many tasks.

Issues in Project Management

As a regular feature to CMR quarterly reports, issues relating to the implementation or management of the project will be presented, to serve as basis for further discussion and, hopefully, resolution of the issue presented.

With USAID:

1. Coordination with the World Bank: Due to changes in staff at the Bank and at AID, the level of coordination on agricultural sector reform issues seems to have slipped a bit in the past year. Recently, the CMR project has become aware of a specific area in which closer coordination among USAID, the GOM, and the World Bank would assist CMR in meeting its policy reform objectives in the most rational manner possible.

Under ASAL II, one of the conditions for tranche dispersal was that new enabling legislation for ONICL be drafted but with little specification as to content. This draft legislation is about a year overdue because basic decisions about what powers ONICL will keep have not been made. Economic and institutional analysis relevant to options for these issues will be forthcoming in the next stages of CMR. There is general agreement within

MARA circles that proposals for legislative change -- particularly relating to ONICL control of bread wheat grain and flour marketing and its monopoly on imports -- should be coordinated with project outcomes. As already discussed with MARA officials and the CMR project officer, this will require closer coordination among the different parties.

2. Time Spent on Project Logistical Activities: There are a number of conclusions and recommendations to be drawn from the project's first quarter experiences:

- o Compared to other AID missions, the Rabat mission has had fewer contractors to support in recent years and is not well prepared to provide them with even minimum support (there is not even a clear definition of what services contractors can receive and how those should be provided). Before the mission receives more contractors in the future, it would do well to resolve these issues;
- o It is clear that the burden of AID/Morocco's policies to provide no logistical support to contractor personnel cuts particularly deeply into the time available to smaller projects (such as project 191 subprojects) to do their contracted work, in this case, economic analysis. Where a project has more personnel and a longer time period over which to "amortize" the logistical startup investment cost, this situation is perhaps acceptable. For short efforts such as CMR, the policy should be reconsidered;
- o Where the mission is not going to provide contractor personnel critical or time-consuming services (such as help with vehicle registration and licensing) it could at least provide them with clear, concise written information on what to do and when. (I would be glad to help write the first draft on "how to buy a car in Morocco"!) Topics that might be covered include registration with the police in area of residence, obtaining a "carte de sejour" (actually called the "certificat d'immatriculation"), obtaining a driver's license, rules governing importation of personal and household property, etc.

3. Need to extend CMR PACD: The Project 191 PACD needs to be extended so that subproject contract PACD's can also be amended. This should be done as soon as possible to avoid the possibility of last minute disasters. The CMR project will need at least a 9 or 10 month extension to allow the full-time advisor to work in Morocco two full years (to July, 1993). An extension is also necessary at least until the end of August, 1994, to allow adequate time for CMR long-term trainees to finish MA training plus applied training at USDA.

4. Failure to clearly communicate administrative and contracting procedures and restrictions to contractors: If AID would like contractors to be aware of and follow procurement restrictions -- for example, various "buy-American" rules, and the high technology "black list" that expires at the end of December, 1991 -- then those regulations

should be provided to all contractors in a timely manner and to new contractors through an updated notebook of contracting and procurement procedures to follow.

With USAID and GOM/MARA/DPAE:

5. Means of offering meaningful incentives to GOM collaborators: As noted above, CMR is working with about 25 professional staff in the Ministry of Agriculture. These staff members are being asked to often contribute extra time and effort in order to meet tight project deadlines. The Ministry personnel are working collaboratively with both Moroccan and foreign consultants who generally are earning much higher salaries for similar work.

Frequently, the fact that IAV, ENA, INSEA personnel are much better paid, and can work virtually unlimited hours as professional consultants, is cited as a factor that discourages workers in the civil service (who generally can not avail themselves of similar privileges), from perhaps making the extra effort that time-sensitive studies demand. USAID is a particularly heavy user of one set of MARA civil servants (IAV professors) as consultants.

The CMR project, as other donor efforts, often sees some of its efforts at developing institutional capacity eroded by lack of incentive structures that can offer some encouragement and reward to staff who furnish exceptional effort and results. It is clear that the basic problems are structural ones (salary levels, employment practices) within the GOM that will not likely be resolved soon. While the project is trying to provide some reward to collaborators who are being asked to make extra efforts (English language classes, other on-the-job training, possible short-term travel, etc.), it would like to discuss with AID and DPAE leadership, the full range of possible incentive structures that might be applied to assist in staff motivation and to help achieve project objectives.

With GOM/MARA/DPAE:

6. Planning for computer acquisition, management, and data communications: It became evident during the quarter, and particularly during the one week visit of a USDA computer expert, that there was a lack of planning for future data communications and a lack of a strategy for computer acquisition and management in DPAE. For example, a particular question asked is whether a DPAE-wide network would preclude the need for LANs. CMR still has an equipment budget that should be used consistently with some DPAE planning to maximize its contribution to the development of the directorate's infrastructural capabilities. A memo to this effect was sent to DPAE leadership from both CMR and the 182 projects but the issues still have not been adequately addressed.

7. Extremely crowded work environment: DPAE is operating in very crowded conditions, so much so that all of its conference rooms have been converted into offices (including one for CMR personnel). This problem limits productivity and output of all personnel. It is also almost impossible to provide staff training to more than a handful of

persons at a time. Many CMR working meetings have to be held at ONICL since there is so little space at DPAE. There is probably little that can be done with the problem in the short run except to look for rental meeting room space in the immediate neighborhood. Hopefully this problem will be solved in the new office building currently under construction.

8. Need for full communications: It is absolutely imperative for a project like CMR, one using many consultants and with a complex timetable, to have an international phone line, for voice, fax, and data communications. This should be addressed as part of the move into the new building so that the lines will be available when the move is made.

9. DPAE Publications Policy: After four months of working at DPAE the need for increased publication and diffusion of DPAE reports has become apparent. In addition, there seems to be the need for the formal creation of different kinds of publications series: one for more final, "official" documents (eg., the Historical Data Series on Crop Production) and others for working papers, etc. These outlets for staff work will help to increase a concern for quality, stimulate dialogue with other professionals, and obtain additional staff recognition. It is hoped that the CMR project publications can help promote this change.

**CMR QUARTERLY REPORT NO. 1
ANNEX 1**

**SUMMARY OF CRITICAL CEREALS POLICY ISSUES
AS IDENTIFIED EARLY IN THE PHASE I SYNTHESIS PHASE**

These issues are extracted from the Phase I Work Program (CMR Report No. 1) and from more advanced working group outlines. It is intended that this summary of issues be used to maintain the focus and encourage debate within each working group as the Phase I Synthesis Report is put together by the end of 1991.

A. Moroccan Cereals Production:

(A-1) Identification of "cereals production interest groups" that may or may not be benefitting from current GOM price and non-price support programs;¹

(A-2) Rationale and operation of the current price support program for soft wheat (*Blé Tendre, BT*) and options for its operation without the ONICL-run command marketing system;

(A-3) Impact of evolving GOM input policies on cereals output and cost of production; and

(A-4) "Cereals security" and potential impact on domestic supply of lower or more highly variable domestic cereals price levels.

B. Domestic Marketing, Storage, and Milling

(B-1) Marketing: Under ASAL II, pricing and domestic marketing for Barley, Durham wheat (*Blé Dur, BD*), maize were liberalized. What impact, if any, have these measures had on commercial marketing costs and investment (given that the GOM, with a few exceptions, was not intervening extensively in these cereals, except in the control of imports, which it continues to exercise);

(B-2) Marketing: The ONICL system for marketing soft wheat: dimensions, costs, efficiencies (including analysis of the system of GOM transport and storage payments), and affects on commercial trade and investment. What is the distribution of BT price support payments by region and class of farmer? What are the options

¹ Done through an analytical description of production patterns, yields, and costs of production by: region, type of technologies used (particularly between dryland cereals and those grown with full or partial irrigation), size of farm, amount of production marketed, etc., as well as by direct interviews with farmers and farm groups.

for change with liberalization of BT? How might the transition to a free market be organized?

(B-3) Storage: The big issue is the future disposition of the SCAM/CMA (*Sociétés Cooperatives Agricoles Marocaines/Cooperatives Marocaines Agricoles*) cooperatives (whose main assets are regional grain handling and storage facilities through which transits a substantial portion of the BT moving in the official market), an issue² that has remained unresolved for at least 20 years, despite three major GOM commissions;

(B-4) Storage: Related to continued operation of the controlled marketing system, what have been the effects on investment and use of new, cost-saving handling and storage infrastructure (particularly use of bulk facilities)?

(B-5) Storage: If ONICL were no longer operating the BT command marketing system, how could the GOM, responsible for national food security, be assured that adequate "security stocks" were maintained in the commercial system?

(B-6) Milling: In Morocco there are three main classes of mills, with the 82 "industrial flour mills" (that largely produce flour made from "controlled" BT) operating under the same special legislation as ONICL. All BT that goes into these mills (from imported or domestic grain) goes in under administered prices and quantities; all flour produced is similarly controlled, although product prices are only still formally controlled on the 10 million QX of *farine nationale* (a higher extraction rate flour, supposedly an "inferior good" in the economic sense, to be used for domestic food assistance). How is all of this be unraveled and the industry put in free market mode?

(B-7) Milling: What will the effects be on industrial location, competition, potential concentration in ownership and market share, of industrial mills competing for grain supplies and flour markets? What will be the impact in terms of competition between the products of the industrial mills, the 30 or so "secondary cereals industrial mills", and the 8,000 local, smaller-scale, "artisanal" mills?

(B-8) Milling: How would an alternative system of cereals grades and standards affect the performance of industries in the subsector? and

² The issue revolves around the fact that these "cooperatives", begun in the 1930s as true producer cooperatives, are no longer that. The CMAs used to be composed of local SOCAP cooperatives, but the SOCAPs were finally legally disbanded in 1987. Some SCAMs have not had a membership meeting for 10 to 15 years and both SCAMs and CMAs have been run by the GOM with control being exercised both by the provincial governments and by MARA. In recent years reform proposals have focused transforming the SCAM/CMA into *cooperatives veritables* but no headway has been made on this front in the last three years leading to increased informal acceptance of the idea of simply liquidating the assets through sale to private operators. The organizations may have escaped being on the general GOM "privatization list" because legally they may already be considered to be private.

(B-9) Secondary Transformation: What impacts is BT decontrol likely to have on the important industrial users of wheat flour: bakeries, couscous and cookie factories, and pasta-makers?

(B-10) Secondary Transformation: Why does Morocco, a country with a comparative advantage in BD production, make all its commercial noodles with BT, and import all its high-quality pasta made from BD?

C. Morocco's International Cereals Trade

(C-1) ONICL currently has monopoly powers to organize the importation of cereals. What are the pro's and con's of this current situation?

(C-2) ONICL also still retains the power to organize cereals exports although the last major exercise of this power was in 1987/1988 when surplus barley from the good 1986/87 harvest was purchased and stored by ONICL and partially sold abroad at a substantial loss. What type of export strategy should Morocco have?

(C-3) Morocco currently uses protective tariffs to help maintain domestic price levels above world price (judged to be artificially low due to "competitive surplus disposal" practiced by major exporting nations). How has this system operated in the past five years? Have there been problems in terms of cost, efficiency, or administrative ease? Are there realistic alternatives to consider in the future?

(C-4) How can Morocco's cereals trade be made consistent with its new general foreign trade law? Are there potential inconsistencies? Are there reference price and variable levy systems at work in other countries that offer models to Morocco?

(C-5) How can cereals trade modeling allow Morocco to make greater use of commodity market trading to reduce price risk in its cereals importing? Can early warning functions be built in?

(C-6) What sorts of information would need to be made available by ONICL to private operators in order to maximize competition and efficiency in cereals importing conducted by the private sector?

D. Demand for Cereals and Cereal Products; Food Aid

(D-1) Since 1988 there has been a major shift in the subsidized flour program of the GOM, with the new system limited in quantity (10 million QX of flour) and distributed through quotas involving the provincial government. Other than limiting the drain on the GOM treasury, what have been the impacts of the new system? How much of the subsidy seems to be getting to target populations?

(D-2) Have years of government subsidy shifted consumption and preferences away from Morocco's comparative advantage in ED?

(D-3) Morocco seems to have an underdeveloped formal social welfare sector. What does this imply for other food aid programs as alternatives to the *farine nationale* system? What methods of targeting are socially acceptable and workable in terms of efficiency?

(D-4) How does consumption by animal feeding industries effect overall demand for cereals and prices? What impact have cereals policies had on the development of these industries in recent years?

ANNEX 2
PERSONNEL PARTICIPATING IN CMR PHASE I

Groupe A: Production:

DPAE: HOUMY Abderrahim
AMRANI Mohamed
(Appui de Groupe Cout de Production -- surtout dans phase II)

DPV: EL BAGHATI Hda, Chef du Service Céréales
LAHNAOUI Lhoucein, Ingenieur SC
SBITI Adil, " "
EZZAOUINI Rachid

DVRA: LAHSAINI Hoummad

ONICL: KABBARA Youssef

AIRD: METZEL Jeff

Agro-Concept: JAKHJOUÏ Azzouz

Groupe B: Commerce Interieur:

DPAE: EL MAZOR Abdelkader
WILCOCK David
SZMEDRA Phil

ONICL: CHARI Mostafa -- stockage, transport
EL BOUZIRI Mohamed -- la minoterie
AIT ELCADI Abdellah -- stockage
BADII El Khatir -- commerce interieure
BERRI Youssef -- statistiques
CHIMI Salah -- contracts

DVRA: M. MARZOUKI, Bureau d'Inspection des SCAMs

DPV: M. Sbiti

Agro-Concept: ALOUI, Omar
BELGHAZI, Saad

DAI: FALGON, Claude and KENT, Lawrence
Specialistes Techniques si on aura besoin

Group C: Commerce Exterieur

DPAE: ESSLIMI Lahcen

ONICL: EL MIR M'med
Mlle TAGMOUTI Asma
Mme. BELAQUIDI Laila

AIRD: Mme. SALINGER Lynn

AGRO-Concept: BENABDERAZZIK Hassan

Université
Purdue: ABBOTT Phil
IMRANI Hamid

Group D: Consommation, Aide Alimentaire

DPAE: Mme BRITEL, Amal

ONICL: EL MEZROUI, Chef Service Stat.
MAZOURKI, Mohamed -- subventions
OULD EL MEHDI, Aziz -- subvention du transport

DAI: BOYLE Phillip
Colleagues Marocains.

AIRD: STRYKER Dirck
Mme. RODGERS Beatrice

Group E: Synthèse

ONICL: EL MIR M'med

DPAE: SASSON Albert
EL MAHZOR Abderkader

DAI: WILCOCK David

PURDUE: TYNER Wally

AIRD: Mme. SALINGER Lynn

AGRO-CONCEPT: BENABDERAZZIK

ANNEX 3

CEREALS MARKETING REFORM PROJECT

BIBLIOGRAPHY OF PROJECT REPORTS

<u>CMR REPORT NO.</u>	<u>TITLE</u>
CMR-1	PRCC Comité Technique, "Project RCC, Phase I: Programme de Travail", Rabat, 29 Juin, 1991. (en Français seulement).
CMR-2	David C. Wilcock, "Agribusiness in the 1990's: The Commodity Subsector Approach" Rabat, June, 1991 (In English and French).
CMR-3	David C. Wilcock, "The Cereals Marketing Reform Project: Quarterly Report 1", Rabat, October, 1991. (In English and French).