

Strategic Analysis of the Moroccan Food-Processing Industry

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Abstract: *The Food-processing industry (FPI) is a strategic sector for the Moroccan economy. Nevertheless this sector presents a fabric of fragile and little competitive actors what hinders its development. This study presents a qualitative analysis of this industry by using the strategic methods of analysis SWOT, the value chain according to Porter and the method PESTEL. Indeed the Moroccan FPI has to take advantage of the world demand of the Mediterranean products and of the relaunching upstream of the sector by the plan green Morocco to remedy its deficiencies. In particular, the low diversification of products and export markets, the technological backwardness and the low innovation and adaptation to the international standards. And that, faced to a fierce competition from Mediterranean countries.*

Keywords: Morocco, Food industry, analysis, SWOT , PESTL , Value Chain

1. Introduction

The food industry is a complex sector which includes a big number of economic activities and generates a variety of products. Only a limited number of these products results from global companies. The majority comes from small and medium-sized enterprises (SMEs) relatively unknown [1]. The structural adjustment of this sector depends on the consumer [1].

Indeed, the food trade is characterized worldwide by frequent food crises which made the consumer more demanding in terms of quality and food safety. [2] The Competitiveness in this sector would thus be, firstly, to sell products that meet the requirements of customer (price, quality, quantity) and secondly, to insure profits which allow the companies to prosper [1].

In Morocco, the food industry is a strategic sector for the national economy, it is the second industrial sector of the country with 27 % of production and 25% of total industrial employment (2013) [3]. However the sector remains little competitive on the international market. This is showed by the President of the National Federation of the food-processing industry (FENARGI) who confirms that "The globalization imposes us to win quickly in competitiveness by modernizing the sector," before adding that "Morocco seems it sometimes minimized the role of the processing industry» [4].

In such a context of the economy and the world trade, and with the lack of exhaustive analyses of this sector, a critical diagnosis of the Moroccan food-processing industry (FPI)

proves to be particularly interesting. So, this study provides a qualitative analysis of the FPI by using the strategic methods of analysis SWOT (Strengths, Weaknesses, Opportunities and Threats), the value chain according to Porter and the method of analysis of the environment PESTEL (Political, economic, sociocultural, Technological, environmental and legal). In the light of this analysis, conclusions will be emitted.

2. Method

The analytical method used is the SWOT matrix. This method forms the basis of strategic analysis [5]. It covets to identify and analyze the strengths and weaknesses in the internal environment and the opportunities and threats in the external environment of an organization. The identification of these four factors will allow, subsequently, to develop strategies based on the strengths, exploiting opportunities, excluding weaknesses, or facing the threats [6]. The SWOT method is relatively easy to execute; however, we must determine its components in order to avoid ambiguity between the elements of the internal analysis and those of the external analysis [7].

To structure better the internal assessment and thus to identify the strengths and the weaknesses, we adopted the approach of «value chain» presented by Michael Porter. This tool allows to decompose the sector in the form of activities separated in two categories: main activities and activities of support, for a fine analysis of its resources and its capacities. Fig.1 illustrates the presentation of the "value chain» according to Porter:

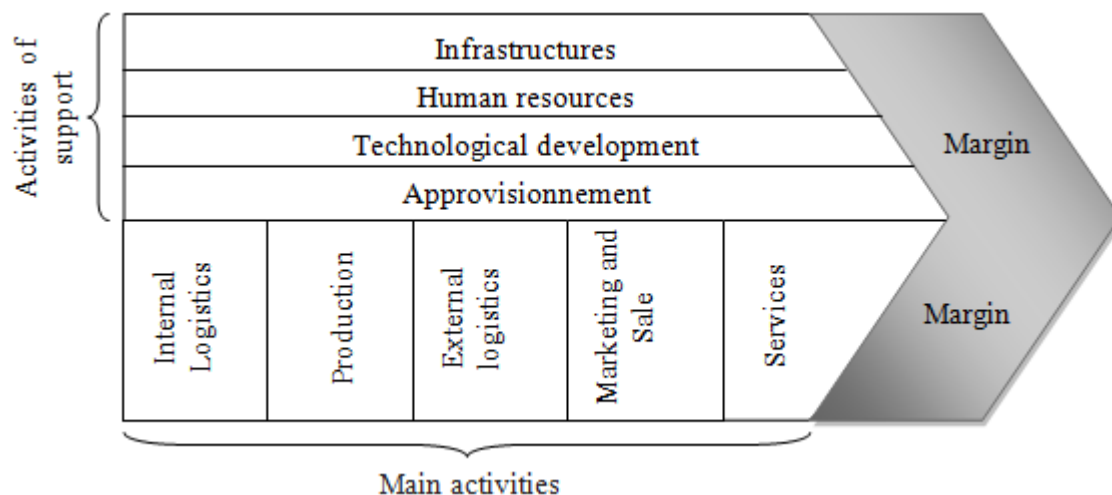


Figure 1: The value chain according to PORTER [5]

The evaluation of the external environment is complementary of the internal analysis. Indeed, the environment is generally a source of influences that shape the organization's decisions [5]. We selected the PESTEL analysis method for the external evaluation, and thus the identification of the opportunities and the threats. This method decomposes the environment into big dimensions: Political, Economic, Sociocultural, Technological, Environmental and Legal [8]. During our study we are going to be interested in the following three dimensions: socio-cultural dimension, political dimension and economic dimension.

The data informing the matrix of strategic analysis were collected from credible references (published studies of the Direction of Studies and of the Financial Forecasts (DEPF) finance laws projects , national plans of development) to provide a reliable base for the discussion of the results.

3. Results





Moroccan FPI sector includes in addition to the tobacco industry, the industries related to drinks, fruits and vegetables, meats, fish, milk, fats, flours and groats, cereals, animal feed, and other food products. [9]

At this study, we are going to proceed to a critical analysis of this sector by using the methods SWOT, PESTEL and the value chain. The table below presents the results of this diagnosis for the Moroccan food-processing industry. The first section of the table exposes the results of the internal analysis of the sector, which is translated by the determination of the strengths and the weaknesses distributed according to the approach of the value chain. The second part presents the opportunities and the threats of the external environment of this industry organized according to the method PESTEL.

Table 1: Results of Analyze SWOT, PESTEL and Value Chain According to PORTER of the Food-Processing Industry in Morocco

Analysis of the internal environment	
Strengths	Weaknesses
Infrastructure	
<ul style="list-style-type: none"> The Enhancement of Business climate [10] •The mobilization of 1.000 hectares of rental public land for the industry through the Industrial Acceleration Program (CAP) [10] •The establishment of the National office of the Foods Safety (ONSSA) [11] and the Moroccan Institute for the Standardization (IMANOR) 	<ul style="list-style-type: none"> • Low investment rates [10] •The Financing problems due to the predominance of Small and Medium-sized Industries (SMIs) which constitute about 95 % of the sector [10] • An insufficient standardization [9] •The weakness of the quality of products [9] and their adaptation to the international standards [12] •The dysfunction in the managerial organization of companies [10]
Human resources	
<ul style="list-style-type: none"> •The cost of the workforce [11] •The Establishment of an initial training plan adapted to the food-processing industry (to guarantee the availability of nearly 24.000 profiles adapted to the needs of the sector, Emergence Plan(on 2009-2015) [9] 	<ul style="list-style-type: none"> •Under qualification of the human resources [10] •The low labor productivity [10] •The ascendancy of the precarious work [9]
Technological development and innovation	
<ul style="list-style-type: none"> •The implementation of clusters, four innovation cities backed at universities, and accompaniment of companies by the Industrial Technical Centers [13] 	<ul style="list-style-type: none"> •The weakness of the research, development and innovation [10] (in particular the innovation regarding product diversification [9] •The technology backwardness [10]
Supply	
<ul style="list-style-type: none"> •The agro- climatic situation of Morocco favorable for a good quality of vegetable and fruit crops and its undeniable 	

<ul style="list-style-type: none"> experience of research in this domain [9] The reflation of FPI upstream by the launch of the Plan Green Morocco (PMV) [11] 	<ul style="list-style-type: none"> The high cost of packaging (cardboard, plastic) [10] and energy [9]
Logistics	
<ul style="list-style-type: none"> The Improvement of the quality of transport infrastructure and maritime connectivity (strengthening of the port infrastructures by the platform Tangier Med) [10] The Improvement of the equipments of storage and refrigeration and the development of the modern distribution [9] 	<ul style="list-style-type: none"> The high cost of the transport [10]
Production	
<ul style="list-style-type: none"> The culinary and industrial Traditions [11] The implementation of “agropoles” in the main agricultural regions of the country [9] The implementation of a restructuring plan of national basic sectors (meat processing industry and dairy industry) and a plan of support targeted in favour of the "intermediate sectors" (eg . , chocolate - confectionery, cookie factory , drinks) [11] 	<ul style="list-style-type: none"> A relatively high level of production costs [9] A low productivity [9] A rate of added value not exceeding 30% on average over the period 2000-2012, and a level of valuation in decline compared with the levels observed at the beginning of decade [10]
Marketing and Sale	
<ul style="list-style-type: none"> A high comparative Advantages of several processed food products compared with the main Mediterranean competitors [12] A specific development plan of the “key sectors of exports” (products from the processing of fruits and vegetables, products of olive and argan, spices, aromatic and medicinal plants). [11] The Proximity of Morocco of the big applicants markets [9] (European market, African ...) [14] 	<ul style="list-style-type: none"> A Low rate of use of the tariff preference due to the application of the restrictive rules of origin [10] A Tendency to the loss of competitiveness at the domestic and international markets [9] A Insufficient diversification of export markets [12] A Low optimization of the public interventions. [12] A worsening of the deficit of the trade balance of the food processing industry over the period 2007-2013 [10]
Analysis of the external environment	
opportunities	Threats
Political environment	
-The stability and confidence of the country [10]	
Socio-cultural environment	
<ul style="list-style-type: none"> a domestic demand and fast growing urbanization [11] Improvement of the living standards conjugated to the change of the food habits [10] and to the work of women [9] The development of the national activities of restoration (catering) and tourism, [9] An International market strongly applicant of the Mediterranean products [11] a Steady growth of the world consumption of fruits and vegetables [9] and olive oil [12] 	<ul style="list-style-type: none"> A consumer more sensitive and requiring of the origin and the preservation of the products which he buys. [1]
Economic environment	
	<ul style="list-style-type: none"> A food-processing world market dominated by large multinationals [9] A strong competition exercised, in particular, by Mediterranean countries [12] (Spain, France, Turkey, Tunisia ...) [10]
<ul style="list-style-type: none"> agreement of Association Morocco European Union (EU) [9] (The market of the EU absorbs more than two thirds of the Moroccan food-processing exports [12]) The Development and promotion of local products (Exports Promotion under the PMV) [12] 	<ul style="list-style-type: none"> The strong concentration of the Moroccan exports on the European continent returns the country vulnerable towards the evolution of the economic conditions in this continent [14] The protectionist practices of the EU which aim at protecting the food-processing productions of its Mediterranean countries of the competition of imported products [12] leads to the loss of competitiveness of the Moroccan food-processing products [9]
The opening on the Asian and African markets [14]. The World Bank estimates the potential of the African demand in food-processing industry at 1000 billion dollars for the horizon 2030. [10]	
<ul style="list-style-type: none"> Agreement of free trade (AFT) Morocco United States of America (USA): opportunities of marketing of processed fruits and vegetables [9] and some olive oil [14] Supply of the American market of Moroccan food-processing products by the logistic platform Tangier Med [9] AFT Morocco-United Arab Emirates and Agreement of Agadir (Morocco, Egypt, Jordan and Tunisia): a total Exemption from the customs duties for all the exchanged products [9] AFT Morocco Turkey [9]: opportunities of marketing of products (gherkins, canned apricots and some spices) [9]. 	<ul style="list-style-type: none"> The expenses of approach of the American market, in particular the importance of the cost of the air freight [9]. Obstacles related to the technical standards and trade (sanitary and phytosanitary American standards , rigorous quality criteria , European standards, environmental standards or of technical specifications) [12] The difference of needs and tastes of the customers of the targeted markets, in particular, the American market [9]

	The distribution of the data according to the tool of strategic analysis SWOT.
	The distribution of the data according to the approach of the "Value Chain" according to PORTER (activities of support).
	The distribution of the data according to the approach of the "Value Chain" according to PORTER (main activities).
	The distribution of the data according to the method PESTEL.

4. Discussion

The Moroccan FPI presents several potentialities, nevertheless, it suffers from a set of brittlenesses which hinder its development in an environment characterized by a strong competition and dominated by multinational companies [9]. Several findings were pulled by this strategic study.

To start with, the Moroccan FPI knows low rates of the industrial investment [10]. In this context, the state set up several actions to improve the conditions of the investment and encourage the investors to make commitment in this sector. At first, the country offers a stable and confident environment. Then, he covets the reduction in the additional costs through the improvement of the quality of its infrastructures (The transport infrastructures, the maritime connectivity, the equipment of storage and refrigeration), and decrease of the heaviness of the administrative procedures (simplification of the procedures, the revision of the charter of the investment [10]). And finally, he offers a favorable competitive environment for the investment through the liberation of its exchanges. This environment will allow to stimulate the innovation and to increase the productivity [15].

However the efforts of the country should be reinforced in terms of the improvement of the capacities of the sector's companies, constituted in their majority (95%) by small and medium-sized industries (PMIs) [10]. This, by encouraging their capacity of innovation by the acquisition of new technologies and skills, in particular, regarding management of companies [15], by facilitating their access to the financing, and by inciting them to tie business relationships with more large national companies (the industrial compensation [10]) and foreign investors in order to increase their competitiveness [15]. The country is also brought to adapt its legal obligations (taxes, expenses of matriculations) with the size of companies [15], to raise the qualification of the human resources, and estimate the effectiveness of the investments. Given that the most mattering is that the investments are exploited in the reinforcement of the innovation, the quality, and the technological development what will allow productivity gains [15]. The latter contributes in a paramount way in the construction of the comparative advantage of products [16].

The sector of the Moroccan FPI presents also a low rate of added value as well as a level of valuation of the agricultural production in decline compared with) the levels observed at the beginning of decade [10]. In order to increase the industrialization of the sector the state made a commitment in several strategies, in particular, the installation of "agropoles" in the important agricultural regions of the country [9] and the mobilization of renting public land within the framework of the Industrial plan of acceleration (2014-2020) [10]. Nevertheless the public efforts must be accentuated in terms of strengthening of the efficiency of the

production (high costs of the production and the energy, under qualification of the human resources and the low productivity in work), by taking advantage of culinary and industrial traditions of the sector and of the improvement of the supply in agricultural raw material (thanks to the Plan Green Morocco).

As well as the low industrialization, the Moroccan FPI records a technological delay and a weakness of quality and innovation, which hinders its development on the national and international scale in the face of an increasingly demanding consumer. Indeed, the sector is subjected on an international scale to a rigorous regulation and standardization not only imposed by the legislator but also by the distributors [1]. To remedy to this industry's deficiencies, the state proceeded to the modernization and the reinforcement of the applicable normalization through the implementation of the ONSSA and the IMANOR [11], to the stimulation of the innovation by the installation of clusters and four cities of innovations at universities [13], and in the accompaniment and the financing of companies through a set of program of support (quality and certification, Development strategy,... etc) [13]. However Morocco remains very backward compared to its competitors in an international environment characterized by an aggravated competition. The country accordingly must double its efforts to diversify and improve the quality of its products, and their adaptation to the international standards and to the tastes of consumers, in order to gain market shares and make differentiate its products. Especially that the Moroccan food industry tends to lose its competitiveness not only on the exportations (Morocco has lost market shares, passing from 0.33% in 2000 to 0.28% in 2012 [10]) but also on the national market.

To remedy to this loss of competitiveness on the domestic market and to benefit from an inner demand and an urbanization in strong growth, the public authorities have implemented a restructuring plan of national basic sectors, a targeted support plan for "intermediate sectors" [11] and a set of measures restricting the trade and protecting the domestic production [10]. In the international market, the majority of products belong to the key sectors of export for which the country has high comparative advantages (products from the processing of fruit and vegetables, products of olive and argan, spices, aromatic and medicinal plants [11]). Morocco has set up a specific development plan for these sectors by taking advantage of the consumption and the global demand growth and its agro-climatic conditions suitable for a good crop.

Regarding the export markets, Morocco adopts a trade liberalization policy by concluding a multitude of free-trade agreements in order to reinforce its incorporation in the worldwide economy. In 2013, 48% of the imports and 53% of Moroccan food exports were carried out towards signatory countries of the AFT [10]. Nevertheless, the FPI remains one of the most protected industries in the

developed economies in spite of the trade liberalization, because of the obstacles relative to the various standards and the regulation of the market and to the tariff barriers and non-tariff [17]. Particularly, for the EU which concentrates 49 % of products exported of the Moroccan FPI [14] and which applies protectionist practices (rules of origins, standards and technical specifications ...) to protect the productions of his Mediterranean countries of the competition, what leads to the loss of competitiveness of the Moroccan product and returns the country vulnerable to the evolution of the economic conditions at the level of this association.

Moreover, this tariff and non-tariff policy of measures is not appropriate. Several consequences can explain the positive impact of the trade liberalization and the installation of a competitive environment on the economic development of countries [18]. In the first place, the productivity growth explained by a process of selection of companies. Indeed, a new reorganization of productions and market shares settles due to the competition from new varieties of imported products. Local businesses will be forced to reduce their inefficiency or exit the market if they are less productive [19] [20] [21]. Second, The increase of the varieties of exposed products and the availability of new intermediate inputs with a high quality and a low price, which stimulates innovation and technological development [22] [23]. And finally, the decrease of the product prices and the profit margins of companies [24].]. These consequences are beneficial for the consumer (increase of the quality and the price reduction of products) and for the country's economic development (productivity growth, stimulation of innovation and technological development).

Thus, to promote its exports, Morocco aims, on one hand, to reinforce its position on the classical markets [12] and to exploit the advantages of AFT. This is by launching the negotiations to moderate the imperatives of origin rules, by promoting the local products [12], by integrating the requirements relative to the quality and the normalization [9] and by stimulating the innovation and the technological development necessary for the differentiation of products and the efficiency of productions. And on the other hand to widen its export markets and to seize opportunities, in particular, on the African and Asian markets, by concluding much more advantageous collaborations based on the complementarity of productions [12].

In sum, the development of the Moroccan FPI requests the mobilization of all the actors, the state and the private partners [9] with a bigger efficiency of the public interventions [25] through the plan of industrial acceleration 2014-2020 and soon the agro-industrial strategy specific to the sector.

5. Conclusion

To conclude, the Moroccan FPI presents several strengths and opportunities of evolution, exploited by the public authorities to develop specific strategies to the sector. On one hand, the state takes advantage of a domestic demand and a fast growing urbanization and implements a restructuring plan of national basic sectors and a targeted

support plan of intermediate sectors. And on the other hand, it benefits from an international market strongly applicant for the Mediterranean products, and its high comparative advantages for these products and sets up a specific development plan for the «key sectors of export ».

Nevertheless, the country has to increase its efforts to minimize the weaknesses and face the various threats relative to this industry. At first the country has to diversify its export markets and relieve the concentration on the European market, by taking advantage of opportunities which offer the Asian and African markets. After that, he has to promote the quality, the innovation and the technological development in order to increase the production efficiency and the products competitiveness, in an environment characterized by an exacerbated competition and a consumer more and more requiring. Then, the kingdom should strengthen the industrialization and the added value of the sector, by taking advantage of its industrial traditions and the improvement of the supply in agricultural raw material (thanks to the Plan Green Morocco). And finally, it has to strengthen the qualification of the human resources and to promote the investment by taking advantage of the stability and the confidence which enjoys the country.

This study has allowed to develop an exhaustive and reliable diagnosis of the Moroccan FPI. And it thanks to a detailed SWOT analysis which reveals the strengths, the weaknesses, the opportunities and the threats of the sector. However, it does not allow to compare the strategies adopted by Morocco and its competitors for the promotion of this industry. Therefore, a more thorough analysis which compares the strategies of the competitors and their efficiencies with those of Morocco is recommended, in particular for industrial investment, the efficiency of the productions, the quality, the technological development as well as the promotion of exports.

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