# Summary of the report on compensation for the year 2026

## INTRODUCTION

In an international context marked by heightened geopolitical uncertainty and a possible reconfiguration of foreign trade in response to potential changes in international customs tariffs, global energy and food prices were highly volatile during the first eight months of 2025.

As a result, the price of Brent crude oil fluctuated between $60.2/bbl and $82.03/bbl during the period January-August 2025, with an average of $71/bbl, representing a 15% year-on-year decline. As for butane gas, its price according to the Moroccan formula fluctuated between a minimum of $455/T and a maximum of $675/T during the same period, with an average of $536/T, which is almost the same level as the same period last year.

This high volatility can be explained by a petroleum products market characterized, for the year 2025, by contradictory fundamentals. Concerns about the impact of geopolitical tensions and changes in customs tariffs on logistics and supply, which are driving up prices, are offset by bearish signals, namely the increase in volumes produced by OPEC+ and the prospect of a possible slowdown in global demand.

Compared to liquid petroleum products, their prices for the period January-August 2025 showed year-on-year declines of 13% for diesel and 16% for premium gasoline, bringing their averages for the period to $691/ton and $735/ton, respectively.

Global prices for subsidized food products showed varying trends during the period January-August 2025. The average price of French soft wheat remained almost stable compared to the same period last year, rising to $238/ton, due to the prospect of a good global soft wheat production in 2025. The average price of raw sugar fell by 13% compared to the same period last year, averaging $421/T. This decline is mainly due to improved sugar production in Brazil and Thailand in 2025.

Thus, faced with an unstable and volatile international market for subsidized products on the one hand, and drought conditions during the 2024/2025 agricultural season at the national level, which had a considerable impact on local sugar and soft wheat production on the other, and in order to ensure a regular supply of basic commodities to the country and stabilize their domestic prices, the Government continued to take several measures in 2025 to support citizens' purchasing power.

For 12 kg butane gas cylinders, the subsidy granted by the State averaged MAD 53.47 for the period January-August 2025, down 14% compared to the same period last year. As a result, the compensation cost for butane gas for this period amounted to nearly MAD 8.5 billion, down nearly 17% year-on-year.

With regard to sugar, based on a flat-rate subsidy granted by the State for sugar consumption of MAD 3.64/kg, the subsidy cost for refined sugar consumption for the period January-August 2025 amounts to MAD 3.05 billion, up by nearly 0.8% year-on-year.

As for raw sugar, in order to make up for the increased shortfall in domestic white sugar production due to drought conditions and stabilize sugar prices on the local market, the government granted an additional weighted average subsidy for raw sugar imports, limited to MAD 0.58/kg for the period January-August 2025, down 73% compared to the same period last year. As a result, the cost of importing raw sugar for the period reached MAD 356 million, down 74% compared to the same period last year.

As a result, the total cost of sugar subsidies (refined and raw sugar) amounted to MAD 3.413 billion for the period, down 23% compared to the same period last year.

With regard to domestic soft wheat flour, support amounted to nearly MAD 880 million for the period January-August 2025, including measures to promote local soft wheat production, in particular the coverage of storage and warehousing costs.

For soft wheat, given the shortfall in domestic production of this product for the 2024/2025 agricultural season due to the effects of drought and the continued exceeding of the target price for soft wheat imports, the government has maintained, in addition to the suspension of import duties during 2025, the granting of a subsidy for soft wheat imports. The aim is to secure the supply of this commodity to the domestic market and stabilize the price of bread at MAD 1.20 and the price of flour.

As a result, the flat-rate subsidy granted by the government for soft wheat imports averaged MAD 6.33/quintal for the period January-August 2025, compared with MAD 13.17/quintal for the same period in 2024, a decline of 51%. Support for soft wheat imports thus amounted to 257 MDH at the end of August 2025, down 65% compared to the same period in 2024.

As a result, the total cost of supporting imported wheat and domestic soft wheat flour reached MAD 1,137 million for the period, down 29% year-on-year.

The government is also continuing to subsidize the consumer prices of certain food products for people in the southern provinces, at a cost of 88 MDH for the period January-August 2025.

In addition, the government will continue to subsidize the prices of butane gas, sugar, and domestic soft wheat flour, with a budget of MAD 13.770 billion allocated for this purpose in the 2026 finance bill.

## DEVELOPMENTS IN THE INTERNATIONAL MARKET FOR SUBSIDIZED PRODUCTS

With regard to the oil market, global oil demand is expected to reach 103 mb/d in 2024, a moderate increase driven by non-OECD economies. Supply will reach 78.34 mb/d for crude oil and 105.36 mb/d for all liquids, compared with 76.59 and 103.08 mb/d respectively in 2024, due to the partial lifting of OPEC+ cuts and increased production in the US and South America. Global stocks are rebuilding, gaining 6.5 Mb in Q1 and then 1.5 mb/d in Q2 2025, reflecting an oversupply.
In terms of prices, Brent crude fell from $79/bbl in January to $64/bbl in May, before recovering to around $71/bbl in the summer. European diesel settled at $692/T and gasoline at $734/T at the end of July, against a backdrop of weak OECD demand and a restructuring of trade flows, marked by a rise in US exports and the redeployment of Russian crude to Asia.

**The global liquefied petroleum gas (LPG) market** remains dominated by US supply and Asian demand, with tensions between China and the US redirecting flows to India and Southeast Asia, while strengthening European competitiveness.
Global demand reached 364 MT in 2024 (+1.96% compared to 2023), driven mainly by Asia-Pacific (48% of global demand), while North America and the Mediterranean declined by –28.8% and –6.2% respectively, with the Middle East (+16.2%) and Northwest Europe (+14.7%) supporting growth.

Global supply reached 368 MT in 2024, up 3.08% from the previous year, with the United States accounting for nearly 111 MT (57% of global growth), Asia +2.9 MT, and the Gulf +1.6 MT. Adjustments related to OPEC+ quotas and maintenance limited certain flows, while the redistribution of US exports led to a 7.9% increase in shipments from April 2025 onwards.

Butane gas prices ranged between $455/T and $675/T according to the Moroccan formula, with an average price of $536/T for January-August 2025.

**The global sugar market** is based on sugarcane (80% of production) and sugar beet, used for both food and ethanol. For the 2024/2025 season, global production is estimated at 175.2 million tons, down 3% from 2023/2024. Global consumption reaches 180.1 MT, creating a deficit of 4.9 MT, the largest in nine years. Global trade involves 63.3 MT of exports and 63.1 MT of imports, representing approximately 36% of global production. For the period from January to August 2025, the price of raw sugar ranged from $367 to $505 per ton, with an average of $421, down 13% from the same period in 2024.

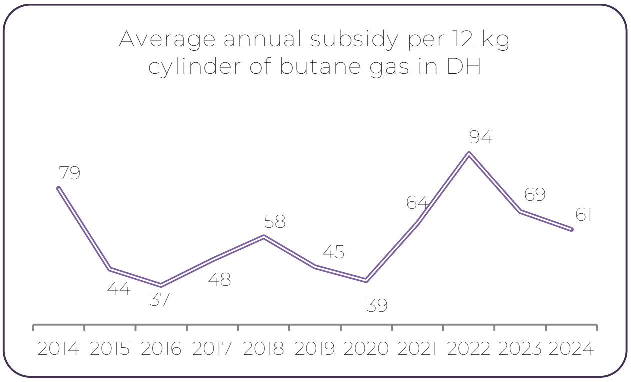
**The global cereal market** is expected to reach an estimated production of 2,860.1 million tons for the 2024/2025 season. Wheat production will reach 796 million tons, coarse grains 1,558.8 million tons, and rice 551.5 million tons.

At the same time, global consumption stands at 2,878 million tons, an increase of 1% compared to the previous season.
Global stocks stand at 869.5 million tons, corresponding to a stock-to-use ratio of 30.2%.
In terms of trade, global cereal volumes stood at 481.2 million tons, including 192.4 million tons of wheat, marking a slight decline compared to the previous period.

In terms of prices, the average price of French soft wheat stood at $235 per ton in 2024 and rose slightly to $238 per ton between January and August 2025, after fluctuating between $291 and $367 between 2021 and 2022, illustrating the volatility of the markets in recent years.

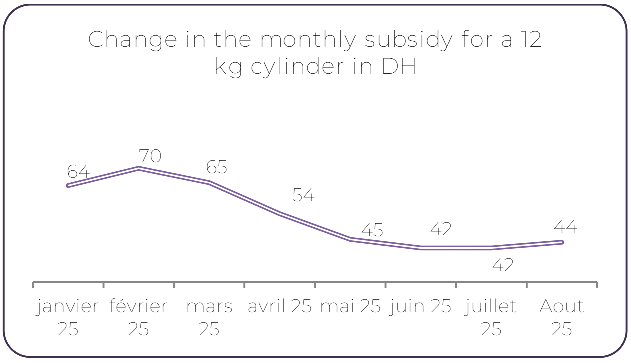
## BUTANE GAS COMPENSATION

The average annual subsidy granted for a 12 kg butane gas cylinder stood at MAD 61 in 2024, marking a decrease of MAD 8 compared to 2023. The level of this subsidy remains high, representing more than 55% of the retail price to consumers and reflecting the government's continued significant budgetary effort to support butane gas.



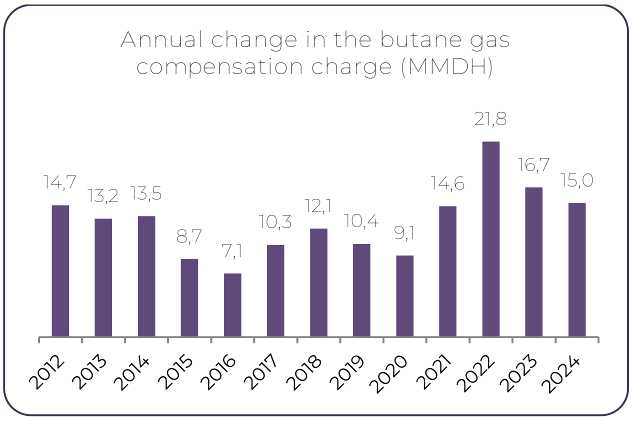

Over the period from January to August 2025, the monthly subsidy granted for a 12 kg butane gas cylinder followed a generally downward trend, falling from MAD 64 in January to MAD 42 in July, with a peak of MAD 70 in February. The average for the first eight months was around MAD 53.47, a significant decrease of nearly 14% compared to the average for the same period in 2024 (MAD 62.2).

This decline comes amid a relative drop in international butane gas prices, exacerbated by the fall in the exchange rate and the start of butane gas reform, with support for 12 kg cylinders reduced by MAD 10 from May 20, 2024. The lowest level was reached in June, when the subsidy stabilized at MAD 42.



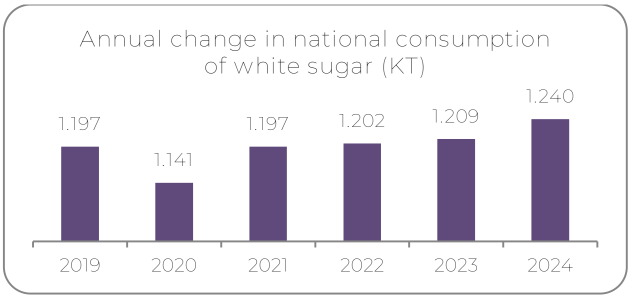

The 10% decrease in the butane gas compensation charge in 2024, from MAD 16.7 billion in 2023 to MAD 15 billion in 2024, is mainly due to the reduction in public support following the increase in the consumer price of 12 kg gas cylinders from May 20, 2024, moderate growth in consumption, the partial readjustment of consumer prices, and the 1.87% depreciation of the dirham against the dollar, despite a slight increase in the CIF price of butane gas (+2.5%, or +$13/T).

Since 2012, the Moroccan government has spent 167.2 billion dirhams on butane gas subsidies, a policy that weighs heavily on public finances. This subsidy accounts for more than 4% of public spending as a share of GDP, one of the highest levels in the world and significantly higher than in other countries that subsidize butane gas, such as India, Egypt, Indonesia, and Tunisia (0.20% to 3%).

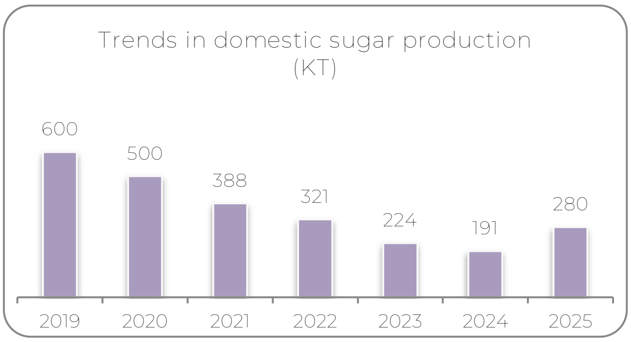



## SUGAR COMPENSATION

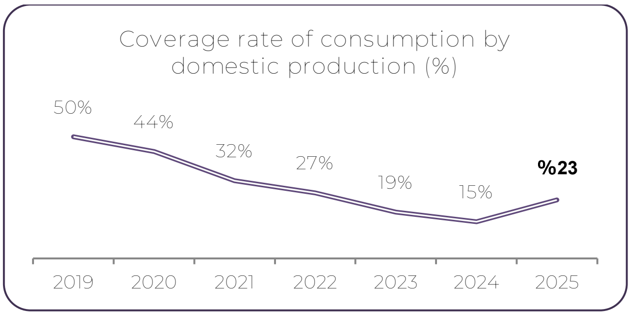
Domestic consumption of white sugar in Morocco remained broadly stable between 2019 and 2024, hovering around 1.2 million tons, with a slight upward trend over the period. However, a notable decline was recorded in 2020, when consumption fell to 1,141 KT, linked to the Covid-19 pandemic, which led to mobility restrictions, the temporary closure of cafés, restaurants, and hotels, and an overall slowdown in economic activity. By 2021, consumption had returned to its pre-crisis level, reaching 1,197 KT, and then continued to grow gradually to 1,202 KT in 2022, 1,209 KT in 2023, and peaking at 1,240 KT in 2024.



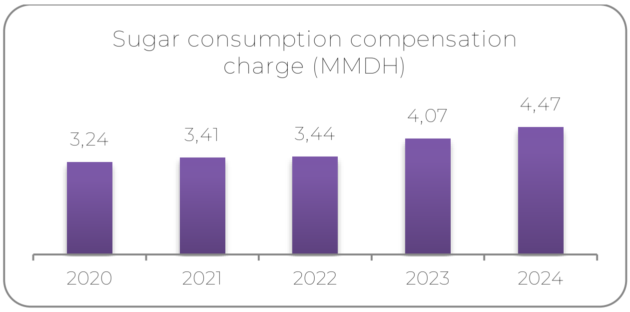

Between 2019 and 2024, Morocco's domestic sugar production fell sharply from 600 KT to 191 KT, a drop of nearly 68%, mainly due to successive droughts and the increasing scarcity of water resources. Annual production fell from 600 KT in 2019 to 500 KT in 2020, 388 KT in 2021, 321 KT in 2022, and 224 KT in 2023, reaching 191 KT in 2024. The average over this period is around 371 KT, highlighting an increased dependence on imports. A relative recovery is observed in 2025, with production of 280 KT, thanks to the expansion of cultivated areas despite continuing unfavorable climatic conditions..



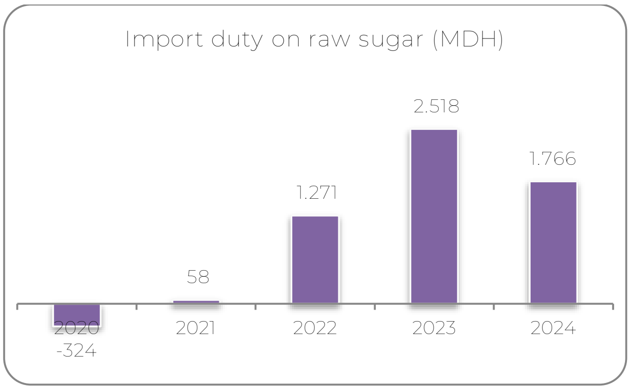

As a result, the rate at which domestic production covers consumption has fallen from 50% in 2019 to 23% in 2025.




The compensation charge for sugar consumption rose from an average of MAD 3.4 billion before 2023 to nearly MAD 4.4 billion in 2024 following the 27% upward revision of the flat-rate consumption subsidy since April 14, 2023. This revision follows the revaluation of sugar crop prices to promote domestic white sugar production.

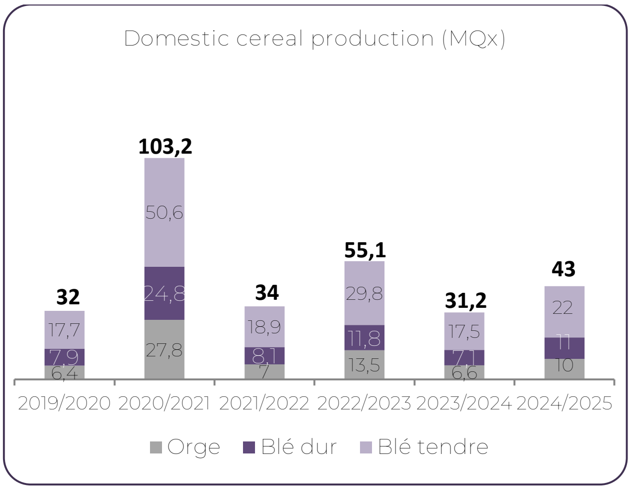



The budget allocated to the regularization of import files has increased significantly, from MAD 1.27 billion in 2022 to MAD 2.52 billion in 2023, before settling at MAD 1.77 billion in 2024.

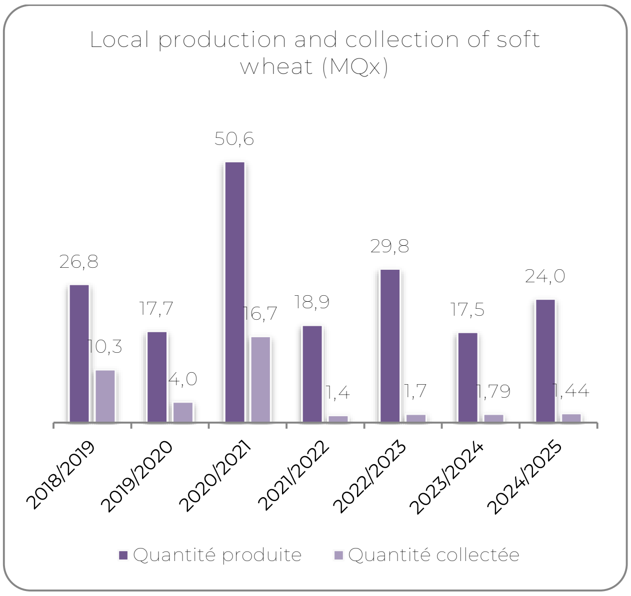



## COMPENSATION FOR SOFT WHEAT AND SOFT WHEAT FLOUR

National cereal production for the 2024/2025 season is estimated at 43 million quintals, divided between 22 million quintals of soft wheat, 11 million quintals of durum wheat, and 10 million quintals of barley, according to data from the Ministry of Agriculture, Marine Fisheries, Rural Development, Water, and Forests. This performance marks a significant increase of 38% compared to the 2023/2024 season, which was severely affected by a prolonged drought, resulting in an estimated harvest of only 31.2 million quintals.




The quantity of soft wheat harvested in the 2024/2025 season amounted to 1.44 million metric tons, compared to 1.79 million metric tons in the previous season and 16.7 million metric tons in the good 2020/2021 season.




Compensation for local soft wheat and domestic flour amounted to approximately MAD 1,290 million at the end of 2024, compared to MAD 1,344 million in 2023, representing a decrease of 4%.

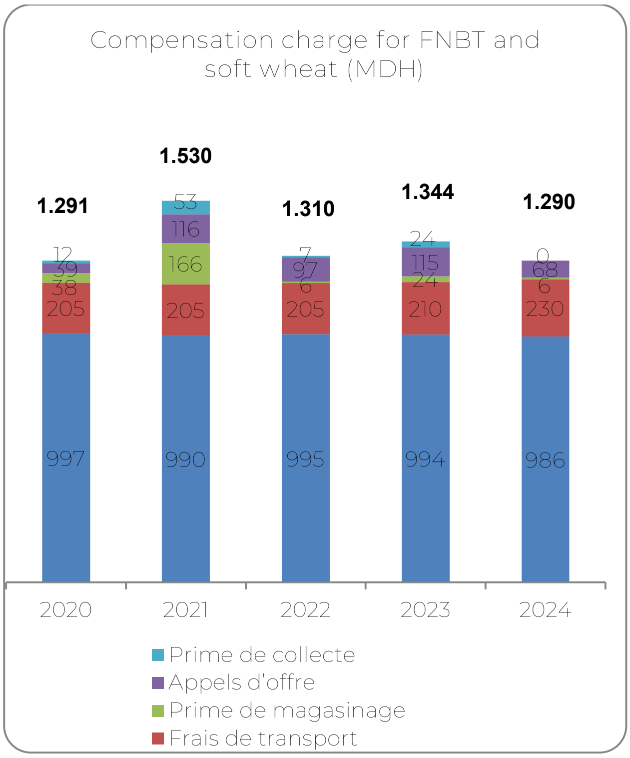
These expenditures mainly include subsidies to industrial flour mills, the cost of transporting subsidized flour, as well as storage and collection premiums and calls for tenders, in order to ensure a regular supply and stability of the domestic market. The breakdown is as follows:

**Compensation for the FNBT quota:** this amounted to MAD 986 million for the 2024 fiscal year;

**Transportation costs:** The government will continue to cover the transportation costs of subsidized flour from industrial mills to beneficiary centers, amounting to MAD 230 million in 2024.

**Storage premium:** This is a storage premium set at MAD 2.50 for each 15-day period of storage of soft wheat from domestic production, paid to storage organizations that have a health authorization issued by the National Office for Food Safety. In 2024, it will amount to MAD 6 million.

**Calls for tenders for the supply of soft wheat to industrial flour mills for the manufacture of FNBT:** The cost amounted to MAD 68 million in 2024.




## Measures implemented to support citizens' purchasing power in 2025

As part of the government's strong commitment to continuing to support citizens' purchasing power, several measures have been implemented to stabilize domestic prices for basic consumer goods, despite the volatility of their global prices, namely:

**Butane gas:** the subsidy granted by the State to support the consumer price of a 12 kg gas cylinder averaged MAD 53.47 for the period January-August 2025, down 14% compared to the same period last year. As a result, the cost of compensating for butane gas for the period amounted to nearly MAD 8.5 billion, down nearly 17% year-on-year.

**Refined sugar:** based on a flat-rate subsidy granted by the government for sugar consumption of MAD 3.64/kg, the subsidy cost for refined sugar consumption for the period January-August 2025 amounts to MAD 3.05 billion, up nearly 0.8% year-on-year.

**Raw sugar:** in order to make up for the increased shortfall in domestic white sugar production due to drought conditions, in an international context marked by skyrocketing raw sugar prices, the government has granted an additional weighted average subsidy for raw sugar imports of MAD 0.58/kg for the period January-August 2025, down 73% compared to the same period last year.

As a result, the cost of importing raw sugar during this period reached MAD 356 million, down 74% compared to the same period last year.

**Imported soft wheat:** in view of the shortfall in domestic production of this product for the 2024/2025 agricultural season due to the effects of drought and the continued exceeding of the target price for soft wheat imports, the government has maintained, in addition to the suspension of import duties during 2025, the granting of a subsidy for soft wheat imports.

The aim is to secure the domestic market supply of this commodity and stabilize the price of bread at MAD 1.20 and the price of flour.

As a result, the flat-rate subsidy granted by the State for soft wheat imports averaged MAD 6.33/quintal for the period January-August 2025, compared with MAD 13.17/quintal for the same period in 2024, a decline of 51%. Support for soft wheat imports thus amounted to MAD 257 million at the end of August 2025, down 65% compared to the same period in 2024.

**Domestic soft wheat flour:** the budgetary cost of supporting the domestic soft wheat flour quota of 6.26 million quintals is nearly MAD 880 million for the period January-August 2025 (including measures taken to promote local soft wheat production, in particular the coverage of storage and warehousing costs).

**Supply of the Southern Provinces (APS):** continued support for certain food products for the populations of the southern provinces, amounting to MAD 88 million for the period January-August 2025.

## Funding allocated under the 2026 Finance Bill

The government will continue to subsidize the prices of butane gas, sugar, and domestic soft wheat flour, with a budget of MAD 13.770 billion allocated for this purpose in the 2026 finance bill.