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## Iraq

### Grain and Feed

### Situation Update

## 2008

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**Report Highlights:**

Iraqi wheat and flour imports in the 2007/08 marketing year (July/June) are estimated at 3.0 million metric tons wheat equivalent, virtually unchanged from last year's level of imports. Rice imports are also reported stable and are estimated at 800,000 in calendar year 2007. Production prospects for the 2008/09 crop are currently tempered by the late arrival of rains, and the lack of availability of quality inputs such as fertilizer and seed. This is the first FAS/Baghdad GAIN report on the Iraqi grain situation and is intended bring the public up to date on the situation and outlook.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Baghdad [IZ1]  
[IZ]

## Wheat

### Production

Iraqi wheat production in marketing year (MY) 2007/2008 (July/June) is estimated at 2.2 million metric tons (MMT), down slightly from the estimated 2.3 MMT harvested in 2006. Production prospects for 2008 are currently tempered by the late arrival of rains in the Northern rain-fed regions. [Note: Estimates do not include production in the Kurdish region of Iraq, as timely data are not available.]

In 2007, an estimated 1.4 million hectares of wheat was harvested in Iraq. Yields are low by regional standards largely due to the lack of availability of improved seeds and fertilizer, increased soil salinity, and the poor state of the irrigation and drainage system, including the widespread use of flood irrigation.

Previously, Iraqi farmers relied on the government for the supply of subsidized inputs such as planting seeds, fertilizer, fuel, and machinery. The development of private sector distribution channels for inputs is slowly emerging, but not to the extent of meeting the requirements for the grain sector. Following the regime change in 2003, the government's ability to procure inputs has deteriorated significantly. Today, the government's stated policy is to move away from supplying subsidized inputs toward support for output prices, however, these changes have not yet taken place.

Reports indicate that for the November/December 2007 winter wheat planting, the Ministry of Agriculture (MoA) has distributed only about 11,000 to 12,000 tons of quality seed. This would seed from 110,000 to 120,000 hectares of irrigated wheat. The MoA may receive additional reports of seed distribution in the coming weeks, but it is more likely that farmers will largely rely on their own seed resources. In the case of fertilizer, the MoA was only able to purchase 100,000 tons of urea from local suppliers, whereas their international tender for some 300,000 tons of DAP (diammonium phosphate) failed as the tender did not meet international standards.

### Trade

Iraqi wheat and wheat flour imports in marketing year (MY) 2007/08 (July/June) are estimated at 3.0 MMT wheat equivalent, the same as the estimated 3.0 MMT imported in MY 2006/07. Iraqi wheat imports are administered by the Ministry of Trade (MoT), Grain Board of Iraq (GBI). Private wheat flour imports are allowed. Data are not available on private sector wheat or rice trade, flour imports are extrapolated from third-country export data (mainly from Turkey).

Over the past year, the GBI has somewhat improved its performance operating in a free market, however there are still significant issues to be dealt with in the tendering, logistic and financial aspects of these transactions. In November 2007, the successful garnishing of a MoT wire transfer to pay an unmet freight arbitration claim threatened to disrupt the shipment of grain to Iraq. A prompt negotiated settlement of outstanding freight claims will be needed in order for the shipping industry to regain confidence in the GBI. Banking sources report that the GBI also needs to improve its process for opening timely, accurate and complete letters of credit. Capacity building assistance will likely prove useful in improving Iraq's tendering system as well as equipping the GBI to better deal with logistic issues. The Government of Iraq has formed a committee to reform the tendering system. A committee has also been named to negotiate settlement of the freight arbitration claims.

### Distribution

In 2007, an estimated 1.4 MMT of the domestic wheat crop was sold by farmers to the MoT for use under the public distribution system (PDS) and for animal feed, with the balance held on farm for planting purposes, used as animal feed or sold in the free market. Due to the lack of quality seed, the wheat crop is generally of poor quality. In 2006, the MoT purchased an estimated 1.0 MMT of the domestic crop. In 2007, the MoT procurement price for #1, food quality wheat was 540,000 Iraqi Dinar/MT (\$437.6 /MT), 20 percent higher than the 2006 procurement price.

The Government of Iraq, through the MoT, maintains one of the world's largest public distribution systems for foodstuffs. In December 2007, the Minister of Trade discussed potential reforms of the PDS before the Council of Representatives. Possible reforms included limiting the number of goods supplied through the PDS to rice (3kg per person), sugar (2kg per person), cooking oil (1.25kg or one litre per person), flour (9kg per person) and milk for adults (250g per person). Items that would no longer be supplied by the PDS would include: tea (200g per person), beans (250g per person), infant formula (1.8kg per child), soap (250g per person), detergents (500g per person) and tomato paste (500g per person).

The 12/21/07 Reuters report on the Minister of Trade's statements concerning a plan to allow private grain imports in 2008 created a degree of confusion as the role envisioned for the private sector was not clearly articulated. The article could leave one with the impression that the government simply intends for the private sector to supply the Public Distribution System (PDS), as was tried briefly under the Allawi government and is currently used for PDS sugar purchases. In this case, opportunities for corruption and risks of short supply abound. Ministry of Trade sources have confirmed that the government intends for the private sector to supply the food grain needs of those families deemed no longer eligible to participate in the PDS after the system is reformed.

The MoT cites a population of 30 million as a basis for the PDS food ration. With the PDS food ration for wheat flour set at 9 kg per person per month this means the PDS is responsible for the distribution of 270,000 MT of wheat flour per month. Using an Iraqi milling extraction rate of 0.8, PDS demand for wheat is calculated at 324,000 MT per month or 3.9 MMT per annum.

#### Estimated MY 2007/08 Iraqi Wheat Imports (TMT)

Canada	700
Turkey	550
Syria	150
United States	1600
Total	3000

#### 2006/07 Iraqi Wheat Imports (TMT)

Australia	360
Canada	720
Germany	120
Turkey	710
Syria	210
United States	880
Total	3000

## Rice

### Production

Iraqi rice production in calendar year (CY) 2007 is estimated at 328,000 MT, up from the estimated 290,000 MT produced in CY 2006. Iraqi farmers generally regard rice as a profitable cash crop and are expanding area planted. Post would expect a continued uptrend in production. However, rice production does place heavy demands on Iraq's limited water resources and there may be efforts to restrict area increases.

### Trade

Iraqi rice imports in 2007 are estimated at 800,000 MT, roughly equivalent to the estimated 795,000 MT imported in 2006. GBI rice imports suffer from the same problems affecting wheat. Low bidding by companies that do not normally participate in the rice trade, results in tenders being awarded to companies that are unable to fulfill their commitments. These traders essentially are betting that the rice market turns down before they have to deliver. While GBI requires performance bonds, it appears that these companies are not posting bonds that can actually be redeemed. Post estimates do not include imports under tenders awarded to these companies, approximately 120 TMT in the most recent round of tenders.

### Distribution

The PDS food ration for rice is 3 kg per person per month. PDS distribution of rice is therefore estimated at 90,000 MT/month, or 1.1 MMT/annum.

#### Estimated 2007 Iraqi Rice Imports\* (TMT)

Thailand	430
South America	60
Vietnam	10
United States	300
Total	800

\* Reflects public sector imports by the GBI

#### 2006 Iraqi Rice Imports\* (TMT)

Thailand	300
Vietnam	110
Uruguay	30
Argentina	30
Pakistan	15
United States	310
Total	795

\* Reflects public sector imports by the GBI