

Agriculture

Investment Overview of Iraq

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Key Stats and Figures

Agriculture in the economy:

9-11% of GDP, 2nd largest contributor after oil

Agriculture employment:

Agriculture employs almost 30% of the labor force

Agriculture imports:

80% of total food consumed, costing \$1.4B USD



Photo credit: Tina Hager

Sector Overview

Agriculture has a long history in Iraq. For centuries, agriculture in the rain-fed Zagros Mountains (in the north of Iraq) and the fertile plains of the Tigris and Euphrates rivers enriched the people of Mesopotamia (the middle and south of Iraq). Iraq was once considered the breadbasket of the Middle East, and exported goods around the world including figs, grapes, wheat, barley, aromatic rice, and accounted for the majority share of world trade in dates.

Over the last 30 years, the general neglect of the agriculture sector has been compounded by conflict, declining soil capacity, mismanagement of water resources, and upriver population growth. In spite of these challenges, agriculture continues to play a critical role in Iraq's economy, being the largest employer and the second largest contributor to GDP, after the oil sector.

However, imports account for nearly 80% of the basic food consumed, at a cost of \$1.4 B USD in 2008. In particular, there is total dependency on imports of sugar, edible oil, and tea, and a high level import dependency of wheat (69%) and rice (81%), and milk (67%). Dependency on meat imports are estimated at 24% for beef, chicken (41%), and lamb, goats and sheep (8%).

The U.S. has helped Iraq bridge the agriculture gap between supply and demand by exporting over \$1 B USD of agricultural products and related goods in 2008. In addition to the U.S., substantial amounts of Iraq's food products come from its other regional trading partners including Canada, Turkey, and Syria.

Iraq's population is expected to boom, reaching almost 40 million people by 2025, and perhaps as much as 50 million in 2040. Given the expected population growth and Iraq's high dependency on agricultural imports, there are a number of agriculture opportunities for investment in order to more efficiently and economically satisfy Iraqi food demands.

Iraq has a total surface area of 43.7 million hectares of which 32.7 million (75 %) is not viable for agricultural use under current conditions. The remaining 25 % (about 11 million hectares) is involved in agricultural activities, although almost half of this is very marginal and used only for seasonal grazing of Iraq's livestock population of predominantly goats and sheep.

The country can be divided into two agricultural zones, the northern zone that is primarily rain-fed and the southern zone that requires irrigation. Some 4 million hectares is estimated to be in crop production, of which about 3 million hectares are irrigated. According to United States Department of Agriculture data, cereals, (wheat, barley, and small amounts of rice) are produced on over 75% of the cropped land.

Livestock grazing occurs throughout both agricultural zones, but is more widespread in the north where hillside grazing prevails. Small ruminants –sheep and goats– are the most prevalent livestock species. However, beef has been the traditional source of dietary protein for most Iraqis. Poultry production occurs in close proximity to urban centers.

Only about one-third of the agricultural land is privately owned. The remaining two-thirds, controlled by the MoA, is leased or granted to farmers. Most farms are small, averaging about 12 hectares.

The Role of Government in Agriculture

The Ministries of Agriculture, Industry and Mining, Finance, Planning and Development Cooperation, Trade, and Water Resources have significant influence in the agriculture sector.

The government's National Development Strategy (NDS) 2007-2010 (dated March 2007) lays out a market-driven development strategy for Iraq. One of the four main pillars of the NDS is revitalization of the private sector and the strategy outlines in some detail the structural reforms in the agriculture sector that are required to bring this about.



Public Distribution System: Through its Public Distribution System (PDS), the Government of Iraq provides virtually every Iraqi household with basic commodities in amounts calculated to be sufficient to meet 100% of each household member's minimum daily caloric needs. The monthly basket includes: wheat and flour, sugar, rice, cooking oil, tea, milk, lentils, soaps, and detergents.

The Government of Iraq released a draft 'road map' for reforming the PDS, which proposes phasing out the current practice of providing a blanket food ration to all citizens of Iraq. Iraq will need to boost its domestic food production dramatically in order to institute this phase out.



Photo credit: Tina Hager

State Owned Enterprises (SOEs): Currently, the Ministry of Agriculture controls several SOEs that provide agricultural production inputs such as fertilizers and agricultural chemicals. The Ministry of Industry and Minerals (MIM) also controls several companies that process agricultural products. These include dairies, cattle feedlots, sugar refineries, vegetable oilseed extraction and processing facilities. The MIM also manages SOEs that produce agricultural inputs, including fertilizer plants and an equipment assembly plant. A number of rehabilitation investment opportunities exist at various agriculture SOEs throughout the country.



Photo credit: Tina Hager

Opportunities for Investment in the Iraqi Agriculture Sector

Opportunities exist in revolutionizing productivity and production through inputs, techniques and technology, supply chain management, as well as developing new industries, such as food processing, that currently do not exist. Areas of potential investment include:

Irrigation: Water shortages, high levels of salinity, and desertification have badly affected agricultural production. Irrigation is essential to agricultural production, and areas for investment include new systems, center pivot, drip, land reclamation/restoration and the renovation of the existing canal-based flood irrigation systems.

Inputs: Iraqi needs new and appropriate varieties of seed inputs matched to climatic conditions and cultural and management practices. Fertilizers will also be required to capture the benefits of improved seed varieties. Additionally, agriculture equipment is in high demand throughout the country.

Storage, transportation and handling: There is substantial room for improvement infrastructure for handling, storing, and distributing agricultural inputs and outputs.

Opportunities also exist to link sectors e.g. for feed mills to serve as the link between feed grain producers and livestock producers, and lead to the development of more intensive and efficient livestock production.

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Commercial farming: The average farm in Iraq measures 5 hectares. To realize potential productivity gains, a larger scale, input and technology dependent agriculture could be developed in multiple areas of the agriculture industry. The NIC has identified over 500,000 hectares of unoccupied and unfarmed arable land that would have access to abundant groundwater through proposed wells.

Packaged food: The current demand for packaged food is in three main product areas (biscuits, tomato paste and confections). Currently this is being met 100% through imports. A study done by USAID in 2006 shows that the

markets for biscuits, snacks, tomato paste and ketchup, powdered chocolate drinks, and powdered soft drinks are likely to develop quickly. Likewise the markets for candies, factory bottled soft drinks, confectionery products, basic baby foods based on powdered milk, and packaged cereals will expand as well.

Meat processing: Iraqi is heavily dependent on imports to satisfy the demand for chicken, beef and sheep. The introduction of modern, cost-efficient poultry farming and processing into Iraq has the potential to offer considerable rewards to interested investors. The need for slaughterhouses and poultry processing plants has been expressed in the provinces below.

Organics: With limited access to pesticides and chemical fertilizers, many Iraqi date and pomegranate farmers are already producing produce that can easily be certified as organic. There are significant opportunities for investment in getting these products to market.

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