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Iraq

Poultry and Products Annual

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Report Highlights:

Iraq domestic poultry production in 2011 is expected to decline from 2010 levels, as reduced feed availability, poultry disease issues, and poor profitability have reduced domestic production prospects. The outlook for U.S. poultry exports to Iraq during 2011 had been on track to approach or exceed the record level achieved in 2009; however, the imposition by Iraq of a new import precertification requirement in July has sharply diminished U.S. exports prospects. For 2011, U.S. poultry exports to Iraq are forecast at 100,000 metric tons, down 21 percent from the 2010 level. Total poultry consumption is expected to decline, as both domestic production and imports will be below year-earlier levels and retail prices have increased, due to trade concerns about precertification and reduced supplies.

Prospects for renewed growth in the Iraqi poultry sector remain generally positive. Imports should recover, assuming problems with precertification can be overcome. However, it is unlikely that domestic production will expand rapidly in the face of continued high feed prices and ongoing disease problems.

Commodities:
Poultry, Meat, Broiler

Production:

Iraqi poultry production in 2011 is expected to decline six percent from the 2010 production level. Growth in the poultry sector was curtailed during the last half of 2010 by high feed prices and disease problems, both of which have carried over into 2011. Poultry growers across central and southern areas have reported very high mortality rates and weak to negative returns since the fall 2010 production cycle. Hopefully, disease problems and associated losses represent a short-term set back, as producers move up the learning curve for intensive poultry operations. Production in 2011 is forecast to decline modestly based upon the reasons described above. Only modest expansion of domestic poultry production is anticipated during 2012. Disease problems that have been particularly severe across central and southern areas of Iraq continue to affect domestic production negatively. Bio-security and bio-safety protocols are not strictly adhered to by most producers, which makes it difficult to separate out disease problems from poor overall care and management by poultry producers.

Feed Availability:

Domestic feed availability declined during 2011, as lower domestic feed wheat supplies and lower barley production limited supplies. While 2011 corn production will likely be above the 175,000 metric tons produced in 2010, it will not make up the shortfall of the other grains. Corn production in 2011 is forecast at 200,000 metric tons. Quality problems are pervasive in domestic corn; corn is harvested and shucked by hand, and then sold/delivered to Mesopotamia State Company for Seeds, part of the Iraqi Ministry of Agriculture, where it is shelled. Lack of shelling, storage, and drying capacity leads to mold/fungi development and potential aflatoxin issues. Larger, integrated poultry operations have indicated that past experience with Iraqi corn was problematic, and that they no longer use it despite its clear price advantage over imported corn.

Protein meal continues to be a major constraint, as Iraq produces only very limited quantities of oilseed crops. Sunflower and sesame production is strictly for confectionary and food uses, cotton production has rebounded in recent years; however Iraq has no operational cottonseed processing facilities. Cottonseed is utilized whole, for domestic livestock feeding, and is also exported.

Imports of feed for the poultry sector remain constrained by cumbersome import requirements and seasonal import bans. Importers report that they are very reluctant to ship feed products to Iraq from neighboring countries, due to the potential for costly border delays and corruption issues. End users have also seen sharply higher import procurement costs over the last 12 months as international prices rose sharply during mid-summer 2010. Imported feed costs within Iraq remain well above what might be expected assuming efficient market transactions, as traders/importers deal in relatively small quantities and rarely use bulk shipment. Corn, soybean meal, and pelleted feed are generally shipped to Iraq in 50 kilogram bags. It is likely that U.S. corn sold bulk to customers in Syria is being resold within Iraq.

The Ministry of Agriculture announced in the spring of 2010 that a poultry initiative was under consideration. The proposal/plan would entail the purchase of corn and soybean meal by the Ministry of

Agriculture. The Ministry would then resell the imported feed products at subsidized prices, approximately 25 percent under their procurement and handling cost. This initiative has been in the formative stage for over a year, and internal debates within the Ministry of Agriculture over which "State Company" will be responsible to import and administer the program have apparently been largely resolved. This initiative has the potential to impact corn and soybean meal imports substantially, as the funding level is reportedly $45 million dollars. The program has been designed to function as revolving fund, with an annual supplemental requirement to compensate for the 25 percent subsidy.

Ministry officials report that under the poultry initiative they will purchase 100,000 metric tons of poultry feed annually, with the initial purchase to be 25,000 metric tons of corn. This is to be followed by a purchase of second purchase that will include soybean meal. There is a downside to this initiative, since nascent private feed sector imports could be squeezed out, as importers would be unable to competing with subsidized imports. It may also be the case that the easing of feed import requirements and testing regimes could be further postponed by the entry of the Ministry of Agriculture as a feed supplier.

Senior Ministry of Agriculture officials have indicated that they will not import U.S. corn, due to restrictions on imports of genetically modified organisms. It remains unclear if this restriction would also apply to products, such as U.S. soybean meal. Realistically, the Ministry of Agriculture needs to understand better that lower cost imported feed products, along with better producer practices, is the avenue for growing the domestic poultry industry. Increased output produced at more competitive prices will create both additional economic activity and jobs in the still struggling agricultural sector.

Feed Supplies: (TMT)

	2007/08	2008/09	2009/10	2010/11	2011/12
Feed Wheat					
Domestic	900	500	550	450	250
Imported		25	15		
Wheat Bran	950	910	920	900	950
Barley					
Domestic	900	600	435	900	850
Imported		50	35	35	35
Corn					
Domestic	290	200	150	175	200
Imported	25	80	80	100	90
Other Feed (Imported)					
Pellets		25	60	90	80
Soymeal	50	75	100	145	140
Other	2	3	5	5	5
Total:	3,117	2,468	2,350	2,800	2,600

Source: FAS, Post Estimates

Consumption:

With both a drop in domestic production and imported supplies during 2011, per capita consumption dropped for the second consecutive year. With expected population increases, maintaining per capita consumption levels at the 2010 level will require an annual increase in poultry supplies of approximately 13,000 metric tons. Continued economic growth across Iraq should lead to gains in personal income, supporting poultry meat purchases by consumers. The outlook for continued high consumer prices in the red meat sector adds to a generally favorable outlook for both poultry production and imports.

Trade:

In 2011, the decline in domestic poultry production/supply is being aggravated by new import regulations (see the Policy section below). Iraq instituted a precertification requirement on nearly all imported products on July 1, 2011. Imports of frozen poultry were particularly hard hit by problems with implementing this requirement. This has been reflected in sharply higher market prices for imported poultry products. Retail prices in Baghdad have risen 45 percent since early July. While some of this is associated with the seasonal drop in domestic production, higher prices could encourage producers to expand production in the short term, if precertification enforcement continues to restrict poultry imports. Although complicated by the precertification requirement, imports of broiler meat should continue, due to its relative affordability relative to red meat prices and government concerns about food price increases.

Policy:

On July 1, 2011, the Central Organization for Standardization and Quality Control (COSQC) of the Ministry of Planning implemented a new precertification requirement for most imported products, including processed food. The intent of this new requirement was to bring imports of substandard and unsafe products under control. Under this new requirement, COSQC contracted with two private sector companies, SGS and Bureau Veritas, to inspect and certify, in the country of origin prior to shipment, that products meet Iraqi import requirements. Products arriving at Iraqi ports of entry must now have a certificate of conformity issued by one of these two companies to enter the country.

Implementation of the new requirement resulted in turmoil at ports of entry in Iraq and badly disrupted imports of many products, including frozen poultry from the United States. Because of the turmoil after the July 1st implementation, the Prime Minister's office declared suspension until July 16th, which helped calm the situation temporarily. In mid-August, the Iraqi Parliament stepped in to suspended precertification for a two-week period until September 1. However, precertification is now back in effect, and further suspensions seem less likely.

Precertification has still not been implemented in the Kurdish autonomous region in northern Iraq. However, COSQC in the Ministry of Planning in the Kurdish Regional Government has indicated that they will be moving forward soon to implement it there.

Production, Supply and Demand Data Statistics:

Poultry: Production, Supply and Demand Data Statistics

Year	Country	Production	Imports from US	Total Imports	Domestic Consumption	Ending Stocks
2010	Iraq	160	126	308	468	0
2011	Iraq	150	100	280	430	0
2012	Iraq	160	120	290	450	0

Source: FAS, Post Estimates