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Iraq

Impact of Rising International Food Prices

Voluntary Report

2008

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Report Highlights:

The people of Iraq are largely insulated from rising world food prices as the Government of Iraq (GOI) supplies the bulk of their staple food needs free of charge under the auspices of the Public Distribution System (PDS) food subsidy program.

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

The people of Iraq are largely insulated from rising world food prices as the Government of Iraq (GOI) supplies the bulk of their staple food needs free of charge under the auspices of the Public Distribution System (PDS) food subsidy program. The PDS was the second largest line item in GOI's 2007 budget, with an outlay of more than \$3 billion. Owing to high international commodity prices, the PDS budget will likely top \$7 billion in 2008. High international oil prices will enable the GOI to adjust for rising food prices and continue to supply PDS food rations at their current levels. In an attempt to get ahead of the curve on rising world wheat prices, the GOI has stepped up its pace of wheat imports since December 2007.

While the PDS food basket accounts for a sizeable portion of caloric intake of the average Iraqi, free market forces do prevail in sectors such as fresh fruits and vegetables, meat and dairy, animal feed grains and processed food products. Taking into account inflation, it would appear that Iraqi food and grain prices have increased moderately for the seven-month period, September 2007 – March 2008.

| Iraq average wholesale market prices for selected grains, national averages, dinars per kilogram | | | | | | | | |
|---|-------|-----------|------------|----------|------------|-----------|-----------|------------|
| Year | Month | Maize | Wheat | Rice | Barley | Flour | Lentils | Chickpeas |
| 2007 | Sept | 429.33011 | 382.372999 | 968.546 | 272.46824 | 420.76353 | 651.23488 | 1313.6159 |
| | Oct | 439.77167 | 387.070125 | 994.328 | 273.814819 | 434.67362 | 648.20295 | 1327.7604 |
| | Nov | 461.64505 | 369.449720 | 1023.53 | 275.697153 | 445.56661 | 638.29876 | 1340.0559 |
| | Dec | 471.58267 | 372.457541 | 1060.34 | 288.968508 | 459.74835 | 656.50798 | 1362.91170 |
| 2008 | Jan | 456.38326 | 383.981376 | 1094.95 | 294.513965 | 486.54636 | 672.10495 | 1399.7021 |
| | Feb | 508.81297 | 397.751938 | 1101.54 | 311.304888 | 531.91513 | 728.33763 | 1446.9357 |
| | March | 502.0273 | 406.231568 | 1119.583 | 324.746148 | 530.53217 | 762.45107 | 1443.6824 |

Source: Anka, weekly market price reports, various issues.

\$1= ID1200

For decades the GOI has pursued a policy of input subsidization, and even today farmers continue to look to the government to supply them with seed, fertilizer and farm machinery. The system is slowly changing and it is the stated policy of the government to move away from input subsidies, but more time will be needed to recover from some 30 years of dependence, mismanagement and neglect. The shift to greater private sector investment in agriculture is further hampered by security concerns and the lack of key services and utilities. The impact of this year's drought is having a bigger influence on farmers planting decisions than are rising international food and agricultural input prices.