

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Required Report - public distribution

Date: 9/6/2013

GAIN Report Number:

Iraq

Poultry and Products Annual

Iraq's Poultry Sector: Supply Stretched To Meet Demand

Approved By:

Ron Verdonk

Prepared By:

Talib Al-Naqeep

Report Highlights:

FAS Baghdad forecasts Iraqi poultry production to remain flat in 2014, with production reaching only 160 thousand metric tons (TMT). We estimate 2013 poultry production to be 160 TMT, up 9 TMT or 6 percent compared to 2012 levels. High flock mortality rates combined with high imported feed costs continue to limit the poultry sector's growth. We estimate total poultry consumption to reach about 770 TMT in 2013, up 17 TMT or 2 percent from 2012 levels. We estimate that domestic per capita consumption of poultry in 2013 will remain at the 24 kg/capita level recorded in 2012. Iraq's pre-import certification program continues to affect consumption, which is a technical barrier to trade that unnecessarily hinders imports of U.S.-origin poultry and a broader range of products.

Commodities:
Poultry, Meat, Broiler

Production:

FAS Baghdad forecasts Iraqi poultry production to remain flat in 2014, with production reaching only 160 thousand metric tons (TMT). We estimate 2013 poultry production to reach 160 TMT, up 9 TMT or 6 percent compared to 2012 levels. The Iraqi Poultry Producers Association (IPPA) estimates flock losses ranging from 35 to 70 percent or more. High flock mortality rates combined with high feed costs will continue to constrain industry growth, curtailing producer returns through 2013 and well into the first half of 2014. Losses are countrywide, but most prevalent in conflict prone central and southern Iraq.

Iraq's domestic poultry sector's response to disease induced losses has been slow. Producer adherence to bio-security and safety protocols is lax; the industry is hamstrung by poor management. We do not see improvement in the near-term. Nonetheless the sector has recently approached the Ministry of Agriculture (MoA) for assistance with the importation of soybean meal and corn, as well as veterinary drugs. Unfortunately ministry officials have been unable to formulate an effective plan to deal with the country's poultry production problems.

Domestic poultry production is also held back by Iraq's onerous import regulations. Iraq continues to enforce a seasonal ban on the importation of feed products (i.e., soybean meal, corn and barley). Iraq's measures are protectionist, geared to protecting domestic feed producers.

Feed Availability:

Domestic feed wheat, corn, and barley production will increase in 2013. Iraqi corn production is estimated at 125 TMT; production in 2014 may expand to 200 TMT.

Largely harvested and shucked by hand, Iraqi corn is of poor quality. Most of the local production is sold to the MoA's Mesopotamian State Company for Seeds. The combination of poor shelling with limited drying capacity and inadequate storage increases the probability of aflatoxin contamination. The Ministry of Agriculture still provides 40 percent of poultry producers feed corn needs; however, the larger integrated poultry producers distrust the quality and opt not to utilize it.

With limited Iraqi oilseed production, local protein meal availability remains low. Sunflower and sesame production is almost entirely destined for food use (i.e., confectionary use). With cotton production recovering, cottonseed is increasingly being utilized as livestock feed.

Feed importers routinely complain about Iraq's onerous import regulations. However, an added concern now is the disruption caused by the insurrection in neighboring Syria. Iraqi feed importers have traditionally relied on feed either processed or trans-shipped from Syria. With the Syrian situation showing scant possibility of improving in the near term, feed importers are already passing on to end users a significant uptick in costs.

Iraq's corn, soybean meal, and feed pellets imports are largely in the form of 50 kilogram (kg) bags. In July 2013, the IPPA reported that imported feed corn prices run \$440/ metric ton (MT); soybean meal (44 percent protein) imports command a price of \$750/MT. While feed corn is sourced from the Ukraine, Russia, and Turkey, soybean meal is shipped mainly from Argentina and the United States. We believe that less onerous import regulations would open the door for increased feed imports at more advantageous prices.

FAS Baghdad finds that the MoA's poultry initiative (announced in spring 2010) exists only in name. The Ministry of Agriculture has yet to announce the sourcing origin despite having recently issued a tender for 25 TMT of soybean meal. Under this initiative the MoA is supposed to purchase corn and soybean meal, reselling the feed to end users at three-quarters of the procurement price (including handling costs). Iraq presently bans biotech corn varieties, but if the MoA is serious about expanding Iraqi poultry production, it can lower production costs by permitting feed with biotech content.

Feed Supplies: (Thousand Metric Tons)

	2010/11	2011/12	2012/13	2013/14
Feed Wheat				
Domestic	700	550	300	550
Imported				
Wheat Bran	900	950	950	950
Barley				
Domestic	1,150	1,000	500	1,250
Imported	50	50	50	50
Corn				
Domestic	230	250	125	200
Imported	100	150	125	130
Other feed (Imported)				
Pellet	90	80	65	85
Soybean meal	145	140	120	145
Other	5	5	5	5
Total	3,370	3,175	2,240	3,365

Consumption:

FAS Baghdad forecasts 2014 consumption at 788 TMT, up 18 TMT or slightly over 2 percent compared to 2013 levels. We estimate total poultry consumption in 2013 will be about 770 TMT, up 17 TMT or 2 percent from 2012 levels. We find that domestic per capita consumption of poultry in 2013 will remain at the 24 kg/capita level recorded in 2012. Given the local poultry industry's problems, imports account for a larger market share. The outlook for higher red meat (i.e., beef and mutton) prices and lower international poultry prices will give imported poultry a price advantage in 2014.

Trade:

FAS Baghdad forecasts imports in 2014 reaching 628 TMT, up 18 TMT or almost 15 percent compared to 2013 levels. We see poultry demand continuing to expand in response to population growth and

rising income levels fueled by the Iraqi oil sector's takeoff. Imported poultry prices are roughly one-third the price of domestically produced and imported beef and mutton. We see total imports (including third country transshipments) in 2013 reaching 610 TMT, up 7 TMT or 1 percent from 2012 levels. We believe that this trend will carry into 2014.

FAS Baghdad estimates that U.S.-origin imports in 2013 will climb to 140 TMT, up only 3 TMT or 2 percent from 2012 levels. Pre-import certification requirements, as well as increased competition from regional trade partners such as Turkey will limit expansion of U.S. poultry exports to Iraq.

Iraq requires pre-shipment inspection and certification in the country of origin by a (private sector) third-party. Iraq's Kurdish Regional Government (KRG) has opted not to implement the burdensome pre-import certification requirement for food and agricultural products. Poultry is increasingly being shipped directly and or transshipped through neighboring Turkey.

Polices:

The pre-import certification program initiated by the Ministry of Planning's Central Organization for Standards and Quality Control (COSQC) was approved by the Council of Ministers in December 2010 with an implementation date of July 1, 2011. The program grants Bureau Veritas, TUV Rhineland Middle East, Baltic Control, and Cotecna responsibility to inspect and certify in the country of origin that inbound shipments meet Iraq's import requirements. Imports in compliance are issued certificates of conformity. Unlike the 15 central and southern provinces ruled by the central government in Baghdad, the autonomous KRG does not to require this certification for inbound food and agricultural products.

The program aims to prevent the import of substandard and unsafe products. However, Iraq's outdated food import standards complicate the pre-certification process. FAS Baghdad finds that this certification program is ineffective for controlling quality or the safety of imports. As with other pre-shipment inspection and certification programs, this program is really a technical barrier to trade that unnecessarily hinders imports of affordable U.S.-origin poultry in this case and only adds to the cost of the final product to Iraqi consumers.

Production, Supply, and Demand Data Statistics:

Year	Country	Production	US Export	Total Imports	Domestic consumption	Ending Stock	Per capita
2011	Iraq	150	160	598	748	0	24.6
2012	Iraq	150	137	603	753	0	24.2
2013	Iraq	160	140	610	770	0	24.0
2014	Iraq	160	179	628	788	0	24.0

Source: USDA/FASPost Estimates