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Report Highlights:

This report provides U.S. food and agricultural product exporters an overview of the Iraqi retail food sector. The country's security situation remains precarious. Political disharmony in 2012 did weigh down on the economy. U.S.-origin food and agricultural product imports at \$147 million in 2012 are down nearly 78 percent compared to \$658 million in 2011. However, economic growth is now being forecast at 9 percent in 2013-17 thanks to booming export oil revenues and increased capital spending. As economic growth and employment levels increase, commercial opportunities improve for U.S. exporters of condiments, gourmet foods, dairy products, and fresh produce. Despite the Iraqi public sector's dominant presence in food retailing, there is strong demand for private sector investment in import friendly modern, western-style supermarkets. Iraq's Ministry of Trade, through the Public Food Distribution System, continues to subsidize five basic staple food commodities. Iraqi demand for food grew by 25 percent in 2010-11.

Disclaimer:

This report was prepared by FAS Bagdad for U.S. exporters of food and agricultural products, as well as U.S. regulatory agencies. While care was taken in the preparation of this report, information provided may not be completely accurate due to either recent policy changes or because clear and consistent information about some policies is unavailable. It is strongly recommended that U.S. exporters verify all Iraqi import requirements with their foreign customers prior to the shipment of goods. Final import approval of any product is subject to the importing country's rules and regulations.

Executive Summary:

Iraq is divided into two main regions; the semi-autonomous north administered by the Kurdistan Regional Government (KRG) and the central government administered center and south of the country. Iraqi regional economic development is proceeding unevenly.

Iraq's retail food sector is dominated by the public sector. In tandem with strong economic growth there is growing demand for modern, western-style supermarkets especially in Iraqi Kurdistan. Potential opportunities exist for U.S. exporters of condiments, gourmet foods, dairy products, and fresh produce. Iraq's Ministry of Trade (MOT), through the Public Food Distribution System (PFDS), continues to provide Iraqis with five basic food commodities at subsidized prices. Public sector imports of food and agricultural products in 2011 reached \$6 billion compared to private sector imports of \$10 billion.

Post expects that imported foods' affordability will improve in the short- to medium-term due to strong real gross domestic product (GDP) growth. Iraq's GDP is expected to grow 9 percent annually in 2013-17, recording fiscal surpluses of 4 percent of GDP. Driving growth is oil extraction and investment in oil and gas infrastructure. Hydrocarbons revenues account for about 95 percent of current government income. Iraqi GDP (purchasing power parity) is estimated at \$155.4 billion in 2012 with real GDP growth of 10.2 percent. In addition to being world's fastest growing oil exporter, Iraq has the world's third-largest proven oil reserves. However, tension between Iraqi Kurds and Arabs potentially may flare up with the proposed referendum on the future of Kirkuk and other disputed oil-rich areas.

General Information:

SECTION I: MARKET SUMMARY

Economic and Demographic Situation

The Central Intelligence Agency (CIA) estimates the population at approximately 31.1 million (July 2012) growing at a rate of 2.3 percent per annum. The median age is 21.1 years with 57 percent of the population under the age of 25 years-of-age. Agriculture engages 22 percent of the labor force; industry and services absorb 19 and 59 percent of the labor force respectively. Agriculture accounts for \$13.5 billion or about 9 percent of Iraq's GDP; industry and services account for roughly 65 and 26 percent. The World Bank defines Iraq as a lower middle income economy with a Gross National Income (GNI) per capita of \$2,640. According to CIA estimates 16 percent of Iraq's labor force of 8.9 million (2010 estimate) was unemployed in 2012.

Iraq is a parliamentary democracy characterized by continued weakness of central governing authority. Conditions are propitious for members of the national unity government to abandon the governing coalition. However, a renewal of insurgent and militia group violence at 2006-07 levels is not anticipated. While Baghdad and central Iraq will likely continue to see outbreaks of violence, the more homogenous south and west should see improvements in overall security. Improving security in these areas is already aiding economic recovery, spurring an uptick in the wholesale and retail trade. Iraq's economic recovery is vulnerable to disruptions in oil production. The oil sector is the engine of growth and reconstruction. Oil production at record highs (2.96 million barrels/day) in 2012 has allowed the government to budget 20 percent of forecasted GDP (based on oil prices at \$90/barrel), or \$45.5 billion for investment in 2013. Elevated government spending on infrastructure is generating increased employment, positively impacting consumer spending. The state currently employees one-third of the labor force, but unemployment remains high. Corruption, especially in the oil sector, is worrisome.

Table 1: Key Trade and Demographic Information

Agricultural Imports (2011) From All Countries (\$Mil)/ U.S. Market Share (%) ¹	\$16,000.0/ 4%
Total Population (Millions)/ Annual Growth Rate (%) ²	31.1/ 2.3%
Urban Population (Millions)/ Annual Growth Rate (%) ²	20.5/ 2.6%
Number of Major Metropolitan Areas (population greater than 800,000)	5
Size of the Middle Class (Millions)/ Growth Rate (%) ³	NA
Per Capita Gross Domestic Product (based on PPP)/ Per Capita Gross National Income (2011)	\$4,600/ \$2,640
Unemployment Rate (%) (labor force = est. 8.9 million in 2010)	16%
Percent of Female Population Employed ⁴	14%
Exchange Rate (US\$1 = Iraqi Dinar (IQD)) ⁵	IQD 1,155.80

(1) Post research and estimates.

(2) Central Intelligence Agency. Total fertility rate = 3.58 born per woman in 2012 (estimate).

(3) NA = Not Available.

(4) The figure cited in this report is based on the employment to population ratio; 15+; female (%) in Iraq in 2012, based on 2012 United Nations – IAU reporting. The employment to population ratio adopted is defined as the proportion of a country's employed population.

(5) During the period the January 1 to December 31, 2012 period, the U.S dollar compared to the Iraqi Dinar has registered: Period Average = 1,150.50; Period High = 1,159.75 and; Period Low = 1,137.11.

The Retail Market, Characteristics

Iraq imports roughly \$16 billion in food and agricultural products annually; the MOT is responsible for 38 percent of these imports. Food imports constitute 47 percent of the country's overall imports. With the exclusion of the PFDS subsidized commodities, the private sector enjoys considerable freedom handling commodity imports. The government's subsidy program, along with credit access limitations constrains product availability and pricing. The state, through the PFDS scheme, controls 60 percent of the total retail market.

The Ministry of Trade dominates the Iraqi retail food sector. In the 1970s and 1980s, the MOT distributed food directly to Iraqis. Since the sanctions regime (and the oil-for-food program) in the 1990s, the MOT distributes basic food commodities through its PFDS program to the populace. However, the government has never been successful in ensuring an adequate supply of food rations at the household level for the bulk of the population.

Table 2: Supply and Demand of Key Food and Agricultural Products

	Annual Production	Annual Demand	Self-Sufficiency Rate
Red Meat	175,000 MT	500,000 MT	35%
White Meat	160,000 MT	770,000 MT	20%
Fish	65,000 MT	120,000 MT	54%
Wheat	2.5 MMT	5.5 MMT	45%
Vegetable Oil	45,000 MT	400,000 MT	12%
Milk (Fresh and UHT)	66,000 MT	1,401,274 MT	5%
Table Eggs	1.0 Billion	4.6 Billion	23%

Note: MMT = million metric tons. MT = metric tons.

Post sources estimate that Iraq relies on imported food and agricultural products for about 80 percent of its food needs. Previously agriculture was well developed, but a lack of investment combined with soil degradation has pushed farming into decline. However, food demand continues to grow – growing by 25 percent in 2010-11. The Food and Agricultural Organization (FAO) reports that over the past 15 years, Iraq's agricultural production has slipped by 1.1 percent per year; more troubling however is that in per capita terms, agricultural production is dropping by 3.9 percent per year.

Iraq now relies heavily on food and agricultural product imports for its food requirements. Although the Iraqi government launched a national initiative to achieve self-sufficiency in crop production within a decade, success remains elusive. Iraq's food self-sufficiency rate will continue to decrease in tandem with its population growing at an estimated rate of 2.3 percent per annum; Iraq's population is expected to surpass 40 million within a decade.

The Retail Market, Current Status

With agricultural production in decline, food imports have become critical. State-owned companies channeling imported foodstuffs to consumers have in the process become the major operators in the Iraqi food retail sector. Iraq's Foodstuff Trading Co., imports and markets basic food items such as sugar, vegetable oil, and infant formula. Similarly the Grain Board of Iraq (GBI) imports and distributes rice. The State Company for Grain Processing mills GBI wheat and distributes flour to Iraqis through the PFDS program. Fresh milk is collected and processed by the State Dairy Company; dairy products are marketed in retail outlets in Baghdad and neighboring areas.

Starting in 2003, the Iraqi food retail food sector has seen a flood of food and agricultural products from neighboring countries. Easing of border restrictions has often facilitated the import of lower quality, potentially unwholesome, food and agricultural products into the Iraqi market. Iraq's largest food trade partners are Turkey (mainly processed foods, fruits and vegetables, and wheat flour) and Iran (livestock, vegetables and fruits) followed by Saudi Arabia, Egypt, Jordan, and Syria.

To help combat the import of low quality product, the Central Organization for Standardization and Quality Control (COSQC) implemented in 2011 a new pre-shipment inspection program. The Pre-Importation Inspection, Testing and Certification (PITC) program inspects products at origin and issues certificates of conformity for qualifying products imported by the private sector.

The PITC program has however contributed to increased exporter and importer costs, which are transferred to consumers. Reportedly, the PITC program adds \$5,000 per container for beef and poultry shipments. Retail food prices have doubled since May 2011.

Retail Trends, General Consumer Preferences

Iraq's new middle class is largely concentrated in the KRG administered territories. With the standard of living increasing thanks to the relative stability and prosperity, the Iraqi Kurdish middle class is increasingly demanding affordable, but better quality imported foods. Also returning Iraqi expats are looking for the experiences and comforts they became familiar with while living overseas.

Reliable import data for Iraq is often unavailable. However, sources inform that neighboring Turkey is well poised to supply growing Iraqi demand. Sources indicate that Turkey supplied Iraq with \$2.65 billion in food and agricultural products (e.g., pasta, chocolate, biscuits, and cheese) in 2011; 70 percent of this trade went to the Iraqi Kurdish north. A key selling advantage that Turkey's consumer-oriented retail food exports enjoy is that they are perceived as being higher quality "European" products.

Price remains the driving factor in most food product sales, but this is changing. Post finds that branding of imported foods is beginning to take hold and should expand in medium-term. A limiting factor on the further expansion of the private food retail sector is the PFDS program that contributes to crowding out commercial sales. Halal certified foods are also highly popular and most carry the corresponding certification. Beef and other red meats and poultry must derive from halal slaughtered animals. U.S. suppliers must be able to present halal certificates.

Baghdad: Traditional food retail groups such as Al-Bunia and Al-Hamra are confronting new-to-market retailers. The latter have focused on establishing smaller, more numerous convenience-type retail stores in close proximity to residential areas.

In some of Baghdad's more affluent neighborhoods local supermarket chains have developed the reputation for consistently providing a wide range of food products. Supermarkets such as Al-Warda, Sbah Rahim, Jadrya Supermarket, Marina, and World Mall cater to middle-class consumers. Competition for customer loyalty is based equally on quality as well as value. These supermarkets' competitive advantage resides in being able to offer branded products seldom found in neighborhood convenience stores.

Another key selling advantage that these supermarkets possess is the ability to provide their customers with convenience food offerings produced in-house. Notable offerings include salads, baked goods, and prepared meals, all of which require higher quality and food safety standards not often found in convenience stores. A drawback that these supermarkets share is limited fresh fruit and vegetable offerings. These products continue to be sold primarily by specialized grocers and at fruit

and vegetable markets.

Kurdistan Regional Government Administered Areas: The less fractious territory administered by the KRG in 2012 saw the opening of two new hypermarkets. France's Carrefour and Kuwait's City Center inaugurated superstores at the Family Fun Mall, Erbil's most prestigious shopping complex. Oil-rich Kurdistan attracts a disproportionate share of foreign investment, making it Iraq's most economically prosperous region.

While chronic instability and poor governance hinder investment in Iraq's central and southern areas, Kurdistan is an investment hotspot. The Kurdistan Regional Government's Investment Board reports that the region has attracted over \$16.2 billion (IQD 19 trillion) in new investment in 2008-12. The retail foods sector's investment in Iraq's central and southern areas is limited by the combination of corruption along with a need for banking sector reform and often inadequate infrastructure.

Export-Import Trade Data

Exports of U.S.-origin bulk consumer-oriented products (January-December 2012) to Iraq totaled \$88 million, a decrease of 19 percent compared to 2011. Exports of U.S.-origin consumer-oriented products exceeded \$108.7 million in 2011.

Table 3: U.S. Exports to Iraq, Consumer-Oriented Products, (\$ thousands)

Product	2006	2007	2008	2009	2010	2011	2012	% Chg. 2006 vs. 2012
Consumer Oriented Total	17,055	74,366	77,518	87,915	67,531	108,721	88,081	417%
Snack Foods	4	14	0	3	6	91	1,157	28,825%
Breakfast Cereals	0	0	0	0	29	35	17	-41%
Red Meats, FR/CH/FR	281	105	205	124	1,002	612	0	-100%
Red Meats, Prep./Pres.	58	679	0	28	40	21	0	-100%
Poultry Meat	16,303	72,172	76,643	86,683	65,236	106,628	85,431	424%
Dairy Products	22	0	69	0	248	117	0	-100%
Eggs and Prod.	0	1,216	550	0	0	0	774	-36%*
Fresh Veg.	0	4	0	0	0	0	0	0
Processed Fruits and Veg.	0	18	0	186	158	341	56	211%*
Fruit & Veg. Juices	0	0	0	0	3	0	0	0
Tree Nuts	0	0	27	649	294	0	141	422%*
Wine & Beer	36	0	5	0	0	0	0	-100%
Nursery Prod.	0	0	0	92	131	0	0	0
Pet Foods	0	6	9	12	0	17	10	67%*
Other Consumer Oriented	352	150	11	134	385	858	1,650	369%
Fish Prod.	0	0	0	0	0	0	0	0
AG Prod.	451,285	576,062	892,296*	154,193	288,173	657,767	146,218	-68%
AG/Fish/For.	452,121	576,265	893,635*	155,067	288,341	657,338	146,791	-68%

Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics – Product Group BICO – HS-6 digits.

Note: (*) Base year used in calculations is not CY 2006; base year utilized is first year of available data.

Table 4: Exports to Iraq, Consumer-Oriented Products, (\$ thousands)

Product	HS Code	2006		2011		CAGR % 2006-11	
		U.S.	World	U.S.	World	U.S.	World
Consumer Oriented Total	BCG	17,055	1,518,100	108,721	4,411,981	45%	24%
Red Meats, Prep/Pres	BCG	58	15,930	21	44,559	-18%	23%
Poultry Meat	BCG	16,303	33,076	106,628	618,232	46%	80%
Tree Nuts	BCG	0	33,157	0	115,630	0	28%
Other Consumer Oriented Products	BCG	352	279,779	858	457,567	20%	10%
Snack Foods	BCG	4	197,319	91	461,775	87%	19%

Source: Global Trade Atlas (GTA), Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics – Product Group BICO – HS-6 digits, Post

estimates.

BCM = Bulk Commodity Grouping. "World" values include U.S. export values.

Retail food imports enter Iraq by sea, air, and overland routes. There are 28 ports-of-entry: 7 airports; 2 seaports; and, 17 land border crossings. The Kurdistan Regional Government maintains its own food safety system and monitors imports from neighboring provinces. It also aims to open new border crossings with Turkey and Iran.

Food Standards and Regulations

Iraq largely follows the Codex *Alimentarius* when issuing its food standards. It also has adopted elements of Egypt's, Jordan's and the Gulf Cooperation Council's (GCC) food standards. The Central Organization for Standardization and Quality Control (COSQC) within the Ministry of Planning is responsible for issuing Iraqi food standards (see, [GAIN-Iraq FAIRS Country Report 2012](#)).

The Ministry of Agriculture's (MOA) food safety officials and animal and plant inspectors operate at Iraqi ports, augmenting their presence with mobile laboratories in Mosul (2 units), Diyala, Kirkuk, and Salah al Din. Ministry of Agriculture officials in Sulaymaniyah cover both the Sulaymaniyah airport and the Bashmag border crossing with Iran.

Iraq's Ministry of Health (MOH) enforces food safety regulations. It is physically present in 15 of Iraq's 28 ports-of-entry. It utilizes 10 mobile laboratories to monitor imports at the remaining ports where it lacks a more permanent presence.

U.S. Product Advantages and Challenges in Iraq

Advantages	Challenges
U.S. exporters are known in the Iraqi retail food market as reliable suppliers of quality, wholesome foods such as nuts, poultry meat, and rice.	Regional Middle Eastern suppliers of similar food stuffs enjoy lower shipping costs.
U.S.-origin dairy products, red meats, and gourmet foods enjoy a good reputation in the local market.	Importers indicate that there is a lack of U.S. supplier awareness of local market conditions which may lead to products being discontinued.
Iraq produces only 20 percent of its food and agricultural product needs. Food imports account for 47 percent of all imports. Low official tariffs.	Seasonal ban on the import of products that compete with domestic Iraqi production. Unofficial import barriers and fees add an element of risk.
Iraq's GDP is anticipated to grow at 9 percent in 2013-17.	Political disharmony and security concerns in Baghdad and central Iraq.
Iraq is one of the world's fast growing economies.	Investment is hindered by corruption. Modern food retail outlet expansion is limited by infrastructure shortcomings.

SECTION II: ROAD MAP FOR MARKET ENTRY

Retail Market, Entry Strategy

In assessing opportunities in the Iraqi retail food market, the following key considerations need to be taken into account when formulating a new-to-market entry strategy:

- Finding and working with an Iraqi partner (i.e., a buyer, an agent, a distributor, or a representative) is a key consideration. FAS Baghdad can provide interested U.S. exporters with lists of potential Iraqi food product buyers.
- Account for cultural and religious factors such as halal slaughter requirements and limitations on the distribution and sale of alcoholic products to non-Moslems.
- Customer preferences in terms of packaging size and labeling requirements.
- Food standards and import regulations.

Marketing: Trade promotion is a developing industry in Iraq. As more products enter the market the demand has increased. The local press and television networks are perhaps the two most effective tools for advertising and trade promotion. Billboards are also used as well as magazines. Iraq has about 16 major newspapers that may serve as an advertising medium for various products.

The activities of U.S. food companies in Iraq have been limited to simple sales and have not yet fully incorporated branding, licensing, franchising or other hallmarks of mature business-to-business relationships. Iraqi businessmen are still gaining exposure to standard international business norms, such as standard contracting and tendering procedures.

Business Practices: Commercial contracts are not yet backed up by effective enforcement of contract law and most successful food sales are done on cash or on a Letter of Credit basis. Moreover, international arbitration of commercial disputes is not sufficiently supported by Iraqi law. It is often challenging for foreigners to adjudicate commercial disputes within the Iraqi legal system.

Regulation: The way in which the Iraqi government promulgates regulations is opaque and lends itself to arbitrary abuse. Regulations imposing duties on citizens or private businesses are required to be published in an official Gazette. However, internal Ministerial regulations are not and this loophole allows bureaucrats to create internal requirements or other procedures with little or no oversight. Corruption in all areas remains a significant problem. Often, U.S. food suppliers will sell on a cash basis directly to Iraqi importers so as not to interact directly with Iraqi regulatory officials.

The Iraqi Dinar is convertible and there are no restrictions involving currency exchange as long as underlying transactions are supported by valid documentation.

Security: Iraq's security situation remains precarious, making it a serious concern for both domestic and international businesses. However, the decline in violence and acts of terrorism throughout Iraq in 2008-09 are matched by increased interest in business opportunities. Security, though vastly improved, still must be factored in to business decisions and the security situation varies significantly throughout the country at any given time. U.S. businesses considering traveling to Iraq should consider contracting with private security firms to assist with transportation, scheduling, lodging, and travel logistics. Check with FAS Baghdad for contact lists of known security firms.

Private Label: Iraq's private label market is relatively small and unsophisticated. However, a growing number of businesses are receptive to this concept. Notable success has been achieved by Al-Murad and Al-Khfeel with their private label halal meat venture. Rice, pulses, and vegetables are increasingly being marketed under private label.

Retail Market Structure

The Iraqi Chamber of Commerce informs that there are some 100,000 registered private food retailers (e.g., Erbil's City Center Hypermarket). Total annual sales for stores are estimated at \$2-3 billion.

Retailers purchase mainly from wholesalers. In Baghdad, the Jameela, Shorja, and Al-Dura markets sell dry goods, fruits, and vegetables. Wholesalers extend 30-day credit terms to retailers.

Overall sales among registered retailers have grown modestly at a few percentage points per year. Sources claim that there



are 200,000 unregistered small retailers. Nationwide, there are several thousand government-supplied PFDS stores where Iraqi's receive subsidized basic foodstuffs, such as rice, flour, vegetable oil, and sugar. Product quality and availability in these stores is highly variable. The Public Food Distribution System stores are not authorized to sell food products outside of the government's ration card program.

Table 5: Retail Stores Outside of Baghdad

Locality	Number
Ninawa	10,000
Al-Bashra	7,700
Di-Qar	5,750
Babylon	5,000
Sulaimaniya	5,500
Al-Anbar	4,500
Erbil	4,500
Dayala	4,000
Kirkuk	3,750
Salah al-Din	3,750
Al-Najaf	3,750
Wassit	3,500
Al-Qadisiya	3,500
Missan	3,200
Duhok	3,200
Karbala	3,200
Al-Muthana	2,250

Source: The Iraqi Chamber of Commerce.

Table 6: Major Super/Hypermarkets, Wholesalers, and Food Importers

Business Name	Market Area	Main Office Address
Carrefour Hypermarket	Erbil	Erbil, Family Mall www.carrefourme.com
City Center Hypermarket	Erbil	Erbil, Majidi Mall www.hewa.com
Khudairi Group (Wholesaler)	Baghdad, Erbil, Basra	Erbil www.khudairigroup.com
Alyasra Foods (Importer)	Countrywide	Erbil www.yasra.com
Warda Supermarket	Baghdad	Baghdad, Karada
Sabah Raheam Supermarket	Baghdad	Baghdad, Sinaa
World Mall Supermarket	Baghdad	Baghdad, 62 street

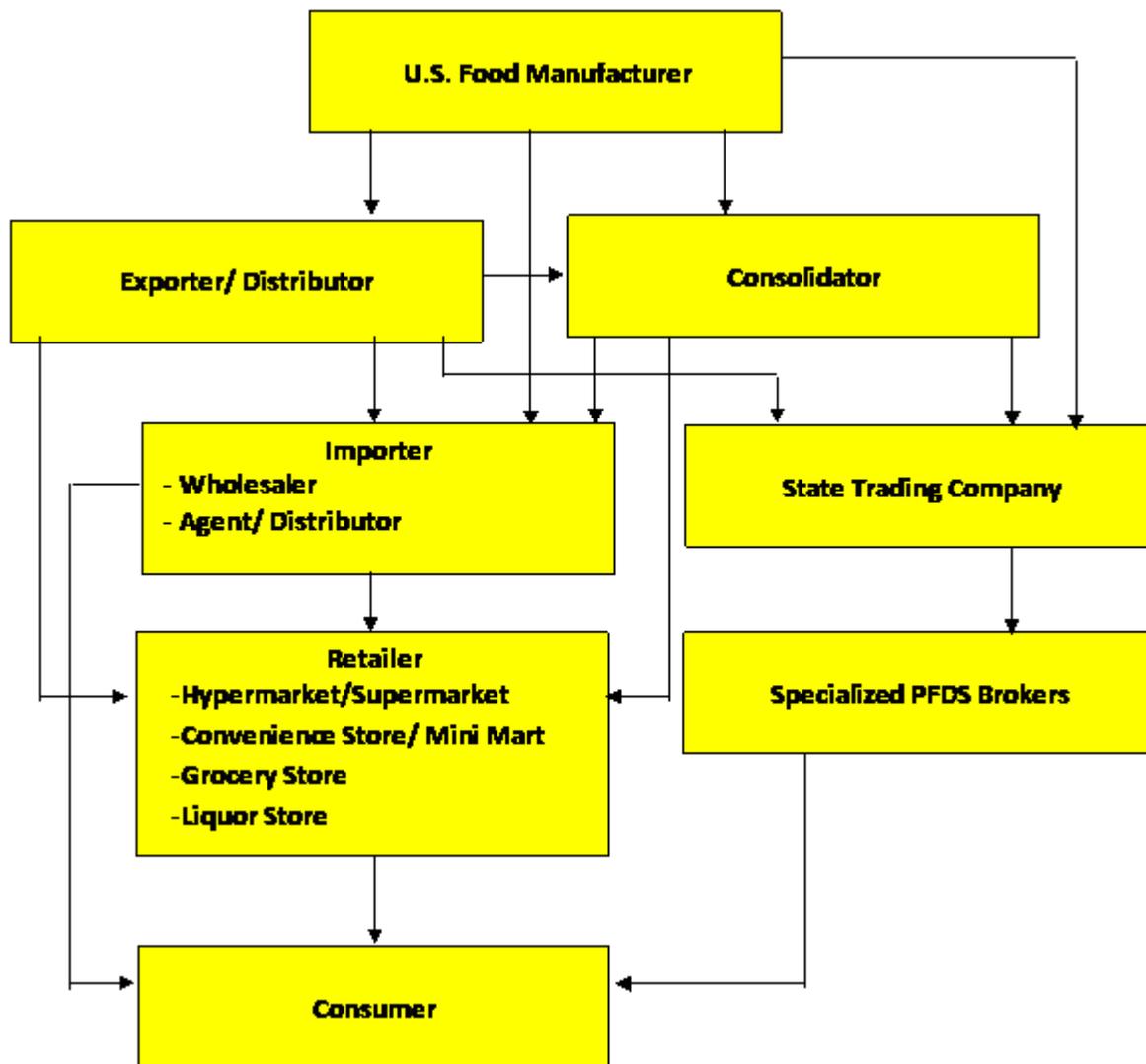
Mariana Supermarket	Baghdad	Baghdad, Sinaa
Al Muyeser (Importer)	Baghdad, Erbil	Baghdad, Karada
Al Hamra (Importer)	Countrywide	Baghdad, Jameela www.altaqaresources.com/hamra.html
H. Mahmood J. Al-Bunni & Son (Importer/Wholesaler)	Countrywide	Baghdad, Karada http://www.al-bunni.com/
Al Fahad & Dar Al-Toama	Countrywide	Baghdad, Talbea www.fdtiq.com
Al-Dahalik	Baghdad	Baghdad, Always Jameela
Najem Al Hidayah	Southern Provinces	Basra, Al Jazaer District www.n-alhidayah.net

Source: Post research.

Typical Iraqi Food and Agricultural Products Wholesale Markets



Distribution Channels:



- Wholesalers often act as importers, as well as sell directly both to retailers and consumers.
- Jameela is the main food product wholesale market in Baghdad; supplying everything from fresh produce to grains and pulses, as well as frozen beef, processed foods, dairy products, and sugar.
- Depending on arrangements, some imports are handled directly by the supermarket chain's head office, their identified importer, or by branches themselves.
- Importers sometimes sell their goods to wholesalers, who in turn distribute imported food products to retail outlets. Importers are also known to sell directly to retailers.

SECTION III: COMPETITION

Iraq depends heavily on food imports to feed its growing population. Demand for food is growing as consumers regain

purchasing power and re-connect to international food markets and brands. The combined effect of a booming population and the return to a richer diet thanks to improving economic growth should drive imported food demand in 2013-17 upwards. Iraq however remains a price-sensitive market.

Turkey and Iran are capitalizing on their proximity to Iraq to aggressively expand their food and agricultural product exports. Both countries benefit from Iraqi consumers’ receptivity to imported retail products with which they share historical, cultural, and religious affiliations.

We however expect U.S. consumer-oriented food products to retain strong advantages over those of other trade partners; especially since a third of the population (i.e., 10 million) is 14 years-of-age or younger. This cohort represents a major marketing opportunity for U.S. consumer-oriented retail food suppliers given that food consumption patterns of younger populations tend to be more “westernized.” This population group also tends to be more receptive to new and innovative brands and food types. Post assumes that as the population and economy grow in the 2013-17 period, younger consumers will have a dramatic influence on demand for dairy products, cookies, snack foods, confectionary, packaged cereals, and soft drinks. The median age is 21.1 years with 57 percent of the population under the age of 25 years-of-age.

Outside of the “youth” and consumer-ready segments, U.S.-origin frozen beef and chicken (especially chicken leg quarters), lentils, chickpeas, confectionary, and apples continue to hold good prospects despite Turkish and Iranian inroads made in 2011-12.

Areas of concern for U.S. consumer-oriented retail food exporters include poultry where Turkey holds a strong advantage given its shipping proximity. Also a number of cheese and dairy products manufactured for Turkey’s own Kurdish population are well regarded by Iraqi Kurds. Turkey and Syria remain high-volume exporters of eggs to Iraq, nonetheless U.S. exports of eggs and egg products have grown with the insurrection against Syria’s Assad government.

Competing against U.S.-origin beef, beef products, and lamb shipments are imports mainly from low-end exporter India and volume producers Australia and Brazil. Similarly U.S.-origin rice, considered by consumers as a higher-quality product faces stiff competition in this price sensitive market from Thai, Pakistani, and Indian rice.

Table: 7: Iraq’s Key Consumer Oriented Import Partners in 2012 (January-December)

Product Category	Major Supply Sources	Strengths of Key Countries	Advantages and Disadvantages of Local Suppliers
Snack Foods Net Imports: 90,859 MT \$85.8 million (CIF)	1. UAE – 30% 2. Turkey – 25% 3. Saudi Arabia – 15% United States – 1%	The top three suppliers benefit from closer shipping proximity	Domestic production suffers from low quality.
Breakfast Cereals Net Imports: 10,558 MT \$27.1 million (CIF)	1. EU– 30% 2. Turkey-25% 3. UAE-18% 4. Egypt-15% 7. United States - 6%	The top three suppliers benefit from closer shipping proximity..	Very low domestic production of low quality. Imports are perceived to be better quality.
Red Meats, FR/CH/FR Net Imports: 615,298 MT \$783.8 million (CIF)	1. Brazil - 30% 2. India – 25% 3. United States -5%	Brazil and India are lower cost suppliers of beef. Limited number of halal certified U.S. processing plants.	No commercial domestic ranching. Limited beef production from slaughter of dairy cattle.
Red Meats,	1. Brazil – 43%	Brazil is highly price competitive.	Domestic production is low cost. Incorporates foreign

Prep./Pres. Net Imports: 4,165 MT \$17 million (CIF)	2. United States – 37% 3. Jordan – 9.5%		component.
Poultry Meat Net Imports: 262,543 MT \$420 million (CIF)	1. Brazil – 40% 2. Turkey– 30% 3. USA– 25%	Brazilian product is almost exclusively whole birds while US is chicken legs	Insufficient domestic production. Imports of more affordable U.S. poultry parts. Transshipments and reclaimed products from Turkey.
Dairy Products (excl. cheese) Net Imports: 157,515 MT \$483.3 million (CIF)	1. Turkey - 35% 2. Saudi Arabia - 25% 3. United States - 5%	U.S. competitors benefit from shipping proximity, market access preferences, and consumer preferences.	Limited domestic production. Preference for utilizing higher quality imports.
Egg & Products Net Imports: N/A \$2.6 million (CIF)	1. Turkey - 30% 2. Syria – 20% 3. United States - 5%	U.S. competitors benefit from shipping proximity, market access	Iraq’s egg laying and processing industry is slowly picking up with major production in the north of the country.
Fresh Fruit Net Imports: 1,863,505 MT \$185.7 million (CIF)	1. Turkey - 30% 2. Syria - 25% 3. Lebanon - 20% 16. United States -10%	Top suppliers benefit from closer shipping proximity and FTAs. U.S. apples are favorable for quality.	Domestic production of apples and pears is of low quality.
Fresh Vegetables Net Imports: 934,360 MT \$14 million (CIF)	1. Syria - 25% 2. Iran - 15% 3. Jordan – 15% United States 0.06%	Top suppliers benefit from lower shipping costs, proximity,	Low quality domestic production.
Processed Fruit & Veg. Net Imports: 395,261 MT \$67.4 million (CIF)	1. Turkey – 20% 2. China -13% 3. Syria – 11% United States – 6.5%	Top suppliers benefit from lower shipping costs and proximity. U.S. product faces 20% tariff rate.	Low domestic production.
Fruit & Veg. Juices Net Imports: 48,418 MT \$51.2 million (CIF)	1. Turkey -30% 2. Saudi Arabia - 24% 3. UAE – 15% 11. United States – 06%	Top suppliers benefit from lower shipping costs and proximity.	Local production is of bad quality, packaging and availability in the market .
Tree Nuts Net Imports: 932,393 MT \$74.5 million (CIF)	1. China – 25% 2. Turkey – 20% 3. United States – 15%	China and Turkey low priced products. United States strong in high quality products.	Limited, low quality local production.
Wine & Beer	1. Turkey –	EU suppliers benefit from closer shipping	Limited, low quality production due to religious

Net Imports: 497,659 L \$639 thousand (CIF)	44% 2. Italy – 37% 3. United States – 8%	proximity.	reasons.
Nursery Products Net Imports: 48,418 MT \$51.2 million (CIF)	1. Netherlands - 62% 2. Spain -12.5% 3. China – 12% 11. United States – 0.5%	Top suppliers benefit from lower shipping costs, proximity,	Limited local production.
Pet Foods Net Imports: 2,303 MT \$3.9 million (CIF)	1. Hungary – 24% 2. France - 22.5% 3. Argentina – 12% 4. United States– 11.5%	Top suppliers benefit from lower shipping costs, proximity. Limited modern retail outlets.	Limited local production.
Other Consumer Orient. Net Imports: N/A \$368.3 million (CIF)	1. Netherlands - 11% 2. India – 10.5% 3. Vietnam – 8% United States – 2%	Top suppliers benefit from lower shipping costs and proximity.	Limited local production combined with quality concerns.

Source: Global Trade Atlas (GTA).

Supply sources ranked by value. CIF = cost-insurance-freight. Quantities are in metric tons (MT) and liters (L). CLQ = Chicken Leg Quarters.

SECTION IV: BEST PRODUCT PROSPECTS

Iraq continues to show strong demand for U.S. Poultry leg quarters. These represent a wholesome and affordable alternative source of animal protein for less affluent Iraqi consumers. What restrains the U.S. exporters from capturing a larger share of the Iraqi market is an insufficient number of certified halal processing plants in the United States. Iraqi poultry importers are keen to nominate their own staff to overlook the slaughter process. Potential exports of U.S.-origin (high-end) frozen beef face a similar constraint.

Miscellaneous U.S.-origin edible food preparations continue to evidence good potential. However, some EU- and Turkish-origin products benefit from proximity and shorter, less costly transit times. U.S.-origin Chocolates and sweets could experience growing popularity in Iraq, due to the increased personal income and search for quality consumer food products. Also U.S.-origin nuts in general, including raw and salted almonds, pistachios, and walnuts evidence strong potential. Iraqi consumers are familiar with U.S.-origin nuts.

Products Present in the Market Which Have Good Sales Potential:

- Chocolates and Sweets
- Breakfast Cereals
- Nuts and Dried Fruits
- Juices
- Salted Snacks and Potato Chips
- Fruits and Vegetables

Products Not Present in Significant Quantities Which Have Good Sales Potential:

- Microwave popcorn

- Cheese
- Candies
- Baking Mixes
- Toppings
- Pudding Sauces

Products Not Present Because They Face Significant Barriers:

- Wine (limited imports)
- Beer (limited imports)
- Pork meat (lack of tourism that consumes such products)

Table 8: Best Consumer-Oriented Prospects, \$ millions

Product Category	2011 Imports	Import Tariff Rate %	Key Constraints Facing Market Development	Market Attractiveness for U.S. Products
Poultry and Poultry Leg Quarters	\$88.3	0%	Brazil is a key competitor, pre - import certification, COSQC standards.	Competitive prices within the average households income.
Rice	\$17.0	0%	Thailand, Pakistan and India are lower cost suppliers.	Quality, well-known brands.
Fresh Apples, Fresh Oranges and Other Fruits	\$0.74	0%	Turkey and Iran benefit from seasonality.	Quality products available all year round.
Non Fat Dry Milk (1.5% Fat)	\$0.12	0%	Saudi Arabia, Turkey and the EU benefit from shipping proximity.	Quality products utilized by HRI sector. Well-known brands.
Almonds, Nuts Pistachios	\$8.0	0%	China, India and the EU offer lower shipping costs.	Quality and price advantages.
Beef	\$0.612	0%	India and Brazil are lower cost, volume shippers.	HRI sector is expanding in both KRG and the center and south of the country. Local production is 35 percent of demand.
Cereals	\$0.35	0%	Turkey and EU offer lower shipping costs.	Quality, well-known brands.

Note: Imports figures are based on available trade statistics and FAS Baghdad estimates.

SECTION V: POST CONTACT AND FURTHER INFORMATION

For further information regarding this report and or assistance, please contact FAS Baghdad at the following address:

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For additional information on exporting U.S. food and agricultural products to other countries, please visit the Foreign Agricultural Service’s website at <http://www.fas.usda.gov>.

Iraq and its Largest Cities (2009)

City	Governorate	Population
Baghdad	Capital	5,571,000
Mosul		1,447,000
Erbil		1,009,000
Basra		923,000
Sulaymaniyah		836,000



Post Acknowledges the Following Sources: The Central Intelligence Agency (CIA), the Economist Intelligence Unit (EIU), Euromonitor International, Foreign Agricultural Service (FAS) GATS BICO and UNTrade Databases, the Commerce Department's Foreign Commercial Service (FCS), Global Trade Atlas (GTA), the World Bank, retail trade websites, trade press, and trade interviews.