

## **Agricultural Overview**

### **Executive Summary**

The Iraqi agriculture sector has been declining in terms of production and productivity since 2002. It does, however remain the second largest contributor to Iraqi GDP after oil revenues and has the potential to play a key role in reducing poverty and unemployment in Iraq if significant and concerted efforts are made towards its rehabilitation.

Support from the international community is required to rehabilitate the Iraqi agriculture sector and to move towards the achievement of sustainable gains in Iraqi well-being at both macro and micro levels.

The obstacles facing agricultural development in Iraq are surmountable – be they declining yields of major crops, reduced livestock production or inefficient irrigation practices. The Iraqi Ministry of Agriculture has recently formulated a Strategic Plan to address the limitations of agriculture in Iraq and endorsed a strategy for FAO assistance to the Iraqi efforts along with various key ministries. In order to expedite the rehabilitation of the agriculture sector, the Government of Iraq is increasing its investment in agriculture and is seeking technical assistance and support from FAO.

Accordingly, the UN Agriculture and Food Security Sector Outcome Team has identified a number of priority programmes for 2010/2011, elaborated in the context of the Ministry of Agriculture's Strategic Plan priorities. The total funding requirement for these 8 programmes, US\$ 59 million, will address a number of prevailing trends and challenges in the food and agriculture sector, such as food insecurity, food price volatility, technological revolution in agriculture, climate change and erosion of social safety nets.

### **Importance of the Iraq agriculture sector to national economy and population wellbeing**

Despite its potential to play a vital role in national and international efforts to alleviate poverty, food insecurity and unemployment in Iraq, the Iraqi Agriculture Sector continues to falter. Once representing the second largest contributor to national GDP, the contribution of agriculture has steadily decreased from nearly 9% in 2002 to 4% in 2008<sup>1</sup>.

Iraq depends heavily upon imported food to satisfy local demand. The estimated Import Dependency Ratio (IDR) for cereals in 2007 is 56%, reaching as high as 62% for wheat and 87% for rice. National food security is jeopardized by the instability in year on year production levels – mainly due to dependence upon rainfall for the production of strategic crops such as wheat and barley. FAO estimates that Iraqi wheat farmers witnessed a 55% reduction in production during 2008 due to severe drought conditions<sup>2</sup>. Accordingly, dependence upon imports is estimates to have risen in 2008 to reach as high as 74% for wheat, 69% for cereals overall.

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<sup>1</sup> Calculations based upon official COSIT estimates. Year by year estimates are as follows: 8.6% in 2002; 8.4% in 2003; 7.4% in 2004; 6.6% in 2005; 5.8% in 2007; 5.0% in 2007 and 4.1% in Q1 2008. <http://cosit.gov.iq/>

<sup>2</sup> FAO (2008). Food Outlook: May 2008.

None withstanding the impact of high import dependency on the national economy through depleting foreign currency reserves, these estimates bear directly upon the wellbeing of the total Iraqi population. Accounting for the variation in production levels due to the drought, FAO estimates a 15% reduction in Dietary Energy Supply in 2008. This potentially translates into a significant increase in the prevalence of food deprivation<sup>3</sup> from 5.9% in to 13.9% in 2008.

One third of the Iraqi population resides in rural areas and depends upon agriculture for their livelihoods. However, this segment of the population suffers disproportionately from poverty and food insecurity as 69% of all Iraqis living in extreme poverty and food insecurity reside in rural areas<sup>4</sup>. Rural incomes are the lowest compared to urban and peri-urban incomes with as much as 15% earning below 1 dollar per person per day compared to 4.6% in the urban areas<sup>5</sup>.

Investment in Agriculture is the most direct and sustainable path to addressing pervasive problems such as poverty and unemployment and leads to marked improvements in essential spheres of life such as health and education. FAO estimates that an increase in rural incomes of 1 dollar per person a month reduces income poverty from 15.3% to 6.9% in rural areas (i.e. 54.9% reduction) and from 8.6% to 5.8% percent (i.e. 32.5% reduction) at the national scale<sup>6</sup>.

Increasing rural incomes by 1% reduces the probability of children suffering from diarrhea by 5.2% and the probability of children suffering from fever by 3.8%. Increasing rural incomes by 1% reduces the probability of illiteracy among rural households by 6.9%<sup>7</sup>.

*The Iraqi Agriculture Sector has the potential to play a key role in reducing poverty and unemployment. Agricultural Development is a sure path towards achieving sustainable gains in Iraqi wellbeing at both the macro and micro levels.*

### **Obstacles to agriculture development**

Factors that hinder development in the Iraqi agriculture sector include low soil fertility due to high salinity of soil, antiquated and inefficient irrigation and drainage system, lack of supplementary irrigation for rain fed crops, weak rural infrastructure and unavailability of necessary agricultural inputs such as equipments, fertilizers and improved seed varieties and limited capacity to produce them.

Regulatory and policy constraints, such as restrictions on land tenure and the subsidized Public Distribution System (PDS), also play a big role in hampering an increased role for the private sector in the growth of the Iraqi Agriculture Sector. While the Iraqi Government offers local

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<sup>3</sup> Food Deprivation is the Millennium Development Goal indicator for Hunger – MDG1, target 3: Halve, between 1990 and 2015, the proportion of people who suffer from hunger. 2007 and 2008 estimates are based upon the FAO methodology. DEC is estimated at 2704 kcal per caput in 2007 and 3191 kcal per caput in 2008 and is extracted from draft Food Balance Sheets for Iraq. CV of DEC is 0.3 (estimated using WFP survey data) and MDER is 1740 kcal for both years.

<sup>4</sup> WFP CFSVA. 2006

<sup>5</sup> FAO analysis of the 2007 COSIT/WFP survey data.

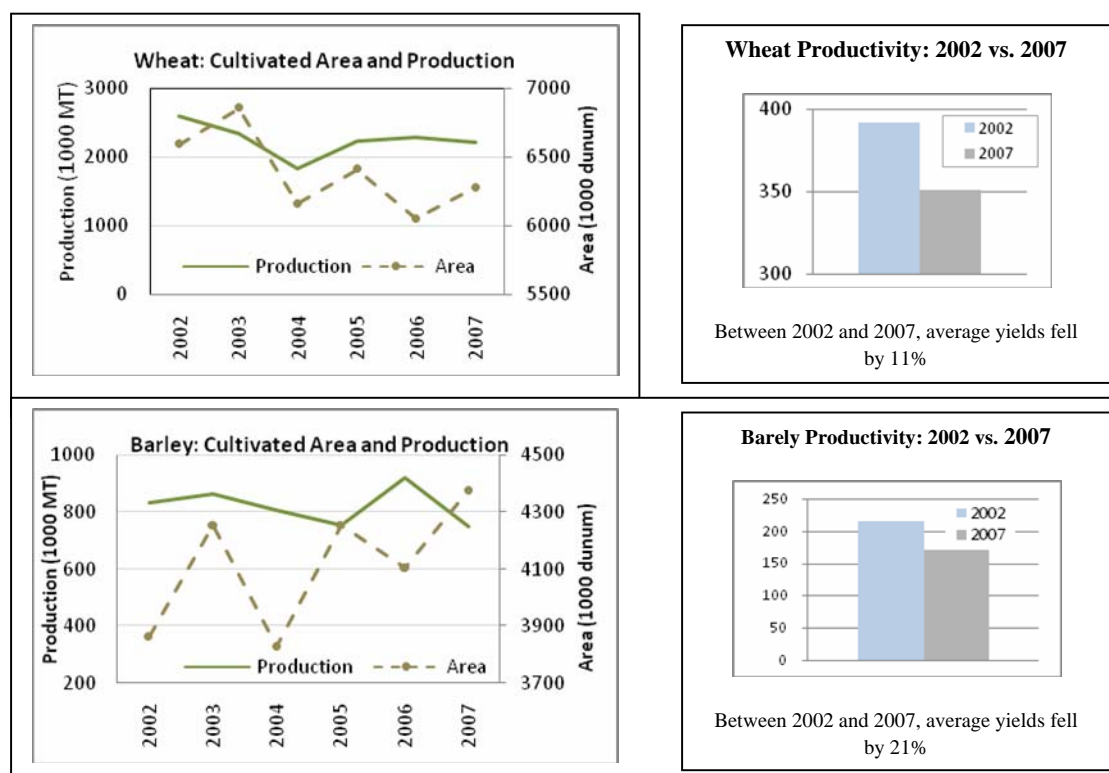
<sup>6</sup> Ibid.

<sup>7</sup> Ibid.

producers higher than world-market prices for domestic wheat and rice, and barley, input subsidies for the production of these commodities discourages the production of higher value crops. The continued blanket distribution of food, untargeted to the poorest of the Iraqi population, discourages the development of retail agriculture markets and skews consumption toward the distributed commodities.

Despite having markedly low productivity levels – even when compared to regional standards - yields for major Iraqi agricultural products have further declined since 2002. Figure 1 below illustrates this decline for select commodities.

**Figure 1: Cultivation, production and yield of major crops<sup>8</sup>.**



Despite the potential for the Iraqi Agriculture Sector to achieve higher levels of self sufficiency in certain animal products<sup>9</sup>, growth in this sector has been modest. Outputs levels of animal products have generally marked some increase in 2007 compared to 2006 with the exception of eggs, white meat and marine fish production which declined by 23.1%, 18.7% and 18.6% respectively.

*The obstacles facing agricultural development in Iraq include declining yields of major crops, reduced animal production, inefficient irrigation practices and a restrictive regulatory and policy environment. The continued general food subsidy – in the form of the Public Distribution System – is also a major obstacle.*

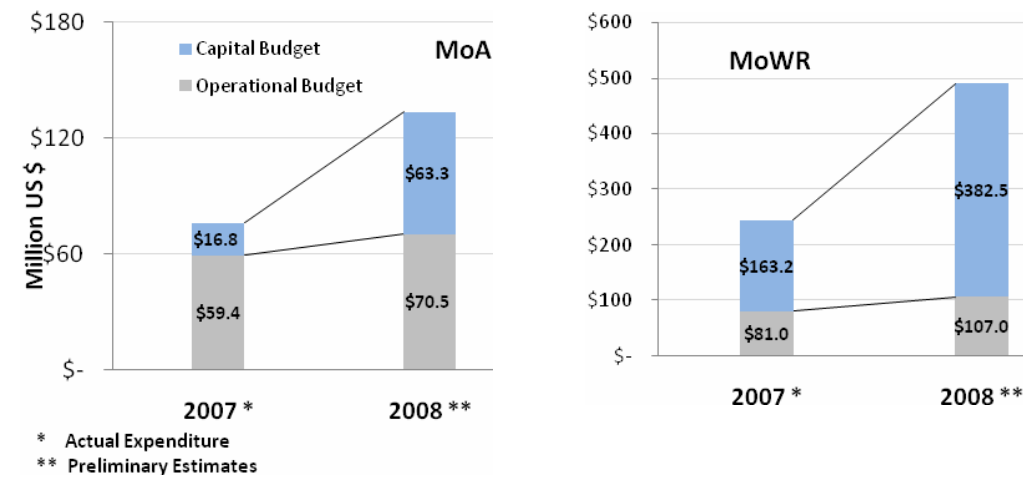
<sup>8</sup> Figures extracted from COSIT Agricultural reports.

<sup>9</sup> Considering demand equivalent to regional consumption patterns.

### **Iraqi Agriculture Sector: National budgets and major international players**

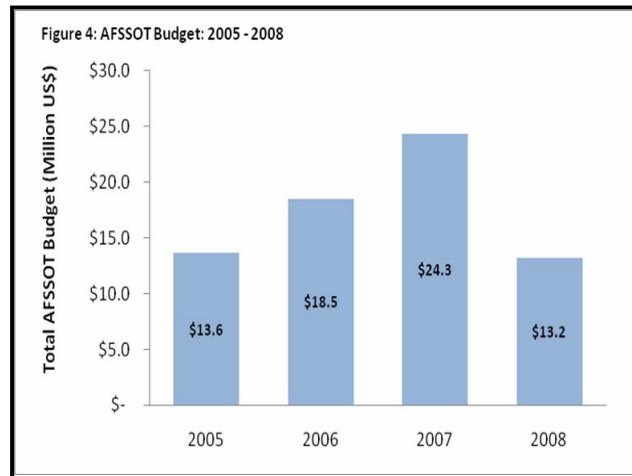
An analysis of the MoA and MoWR Budgets reveals a year on year growth of 76% for MoA and 100% for MoWR. However, increase in the capital budget – an increase of 277% for MoA and 134% for MoWR – account for the majority of the growth, signaling a strong emphasis on investment within both Ministries.

**Figure 3: MoA & MoWR Budgets: 2007 and 2008**



Since 2004, the International Reconstruction Fund Facility for Iraq (IRFFI) disbursed over US\$ 142 million for the Agriculture and Food Security Sector, 36% percent of which is attributed to the European Commission. Other major donors include Australia, Italy, Kuwait and Korea<sup>10</sup>.

Review of available information on Agriculture programmes supported through US funds reveals a total of US\$ 19.8 million in 2007 and US\$ 24.5 million in 2008 – representing a 20% increase in disbursement. At least US\$ 138.5 million were disbursed for the support of irrigation/drainage programmes. Since 2007, the US initiated a multi-year programme to support Agro Industrial development in Iraq with a total budget of US\$ 343 million<sup>11</sup>.



<sup>10</sup> Presented figures on funding to the Agriculture and Food Security Sector Outcome Team are provided by the UNDG ITF SCSO.

<sup>11</sup> Presented figures on US funding to Agriculture and Irrigation programmes in Iraq are extracted from the annual and quarterly reports of the Special Inspector General for Iraq Reconstruction ([www.sigir.mil](http://www.sigir.mil)) and may not be exhaustive.

## **Iraqi Agriculture Sector: National Strategies and Frameworks and the role of FAO**

Several strategy building initiatives and frameworks have been developed by the Government and UN system, which are directly or indirectly relevant to the food security and agriculture sector. The FAO proposals herewith submitted are fully consistent with the priorities set within these initiatives as regards food security and agriculture development.

### ***National Development Strategy (dates missing)***

The current Iraqi National Development Strategy revolves around four major pillars that will govern strategic public actions for reconstruction and development: (i) strengthening the foundations of economic growth; (ii) revitalizing the private sector; (iii) improving the quality of life; and (iv) strengthening good governance and security.

There are clear implications for food and agriculture under each of these pillars, where it is highlighted that, *inter alia*, it will be necessary to: (i) eliminate subsidies that distort market prices and discourage farming; (ii) increase the productivity of the agricultural sector through investment in new seed varieties, irrigation methods and strengthened market mechanisms; (iii) establish agricultural demonstration sites throughout Iraq to reinvigorate crop and livestock production, and boost rural job creation; and (iv) encourage programs to revive Iraqi agriculture in areas such as date production, fish farming in the restored Iraqi marshlands, new crop varieties, and the expansion of extension services.

### ***International Compact with Iraq (ICI)***

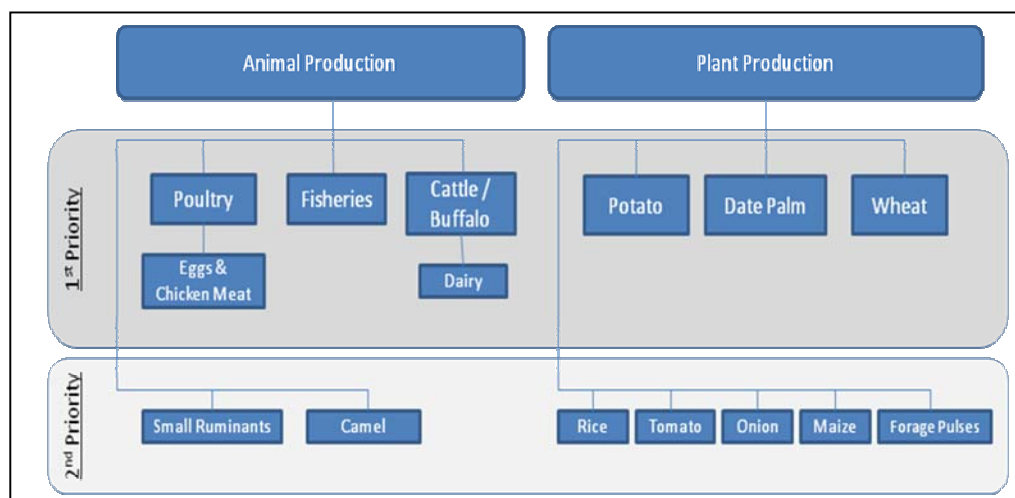
The International Compact with Iraq is a Government initiative for a new partnership with the international community, with the objective of establishing a framework for Iraq to realize its national vision. A number of benchmarks have been established to measure the progress of the agriculture and water management strategy. In particular, these benchmarks relate to PDS reform, land tenure reform, integrated land and water development and carrying out investment plans.

### ***Mid-Term Agricultural Strategic Plan (2009 – 2015)***

In order to address the obstacles mentioned above and to stem the spiraling decline of agricultural production and productivity, the Iraqi Ministry of Agriculture (MoA) has developed a Mid-Term Agricultural Strategic Plan to achieve the strategic priorities of agricultural development, increased self sufficiency and improved livelihoods and national food security.

The Plan, covering the period 2009 to 2015, outlines the twin track approach of (i) Rehabilitation of essential infrastructure – especially rehabilitation of agricultural land to reduce salinity through improved on-farm management of water resources and irrigation – and (ii) Improved agricultural extension and farmer outreach. The expected outcomes of which are both horizontal and vertical expansion in production. The Plan identifies a priority selection of winter and summer crops and animal products. These are illustrated in figure 2 below.

**Figure 2: MoA Strategic Plan: First and Second Priority Agricultural/Animal Products for Intervention<sup>12</sup>**



#### **Medium-Term Strategy for FAO Assistance (2009 to 2014)**

In support to the strategies of the MoA and the Ministry of Water Resources, in 2008 FAO developed a Medium-Term Strategy for FAO Assistance covering the period 2009 to 2014. The FAO Strategy - ratified by the MoA, MoWR and the Ministry of Planning and Development Cooperation (MoPDC) of the Central Government and the Kurdistan Regional Government – builds upon the available GoI strategies (i.e. sectoral strategies and the national development strategy), international commitments (i.e. the International Compact with Iraq) and the UNCT Assistance Strategy for Iraq. The FAO Strategy identifies three pillars for FAO Assistance: Policy Reforms, Capacity Building, and Investment Programmes.

*The Iraqi Ministry of Agriculture Strategic Plan (2009 – 2015) systematically addresses the limitations of agriculture in Iraq. The FAO midterm strategy for Assistance to Agricultural Development in Iraq (2009 – 2014), offers a road map for assistance in Policy Reforms, Capacity Building, and Investment Programmes.*

Herebelow follows a brief description of the 8 proposals submitted and linkages with Iraq's national development goals and ICI benchmarks:

- **Production and Introduction of Integrated Pest Control Agents into Iraqi Agro-ecosystem:** the project will aim at providing necessary support for the introduction of IPM programmes. The project directly links to the priority of developing a stable, competitive and sustainable agriculture to enhance food security and rural incomes.

<sup>12</sup> Adapted from the MoA Strategic Plan 2009 – 2015.

- ***Rebuilding the Plant Genetic Resources in Iraq:*** the project aims to improve food security and nutrition by increasing domestic crop production. This links up within the national development strategy priority of developing a viable agricultural research and increasing production and productivity through providing new varieties which are adapted to the agro-ecological zones of Iraq.
- ***Strengthening Capacity for Quality Potato Seed Production:*** This is in line with the national development strategy and ICI benchmark of protecting and rehabilitating Iraqi crop varieties and agricultural genetic heritage.
- ***Sustainable Saltwater Fisheries and Aquaculture Development:*** The project aims to increase national fish production and enhance food security and livelihoods by tapping on unutilized in-land saline water in a sustainable manner with community participation. This project reflects the national priority of reviving marshes and brackish and saline water bodies through development of fisheries.
- ***Assessment of the Present Conditions of On-farm Water Management:*** The project seeks to further promote the utilization of pressurized irrigation systems. This activity ties in very closely with the ICI benchmark of developing mechanisms to rehabilitate damaged physical infrastructure.
- ***Micro-industries Support Programme:*** The programme seeks to increase the capability of targeted agro-industrial units to upgrade their enterprise capacity and strengthen agro-industrial commodity and service provision. The outputs are expected to contribute towards strengthening the foundations of economic growth and revitalizing the private sector which are amongst the core pillars of Iraq's national development strategy.
- ***Capacity Development in Agricultural Census:*** The project aims to support the Government to conduct an agriculture census through training and technical assistance. This goal falls clearly within the National Development Strategy which identifies the improvement of the quality of analytical data as one priority area.
- ***Strengthen policy-oriented capacities of natural resources management: Basis for sustainable development in post-conflict Iraq:*** The programme will support institutional capacity building to improve management and policy planning for natural resources management and environment. This is directly linked to the national development strategy development priority of preserving Iraq's environment and ensuring careful exploitation of its natural resources for the benefit of all citizens.