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Iraq's Potential As a Market for U.S. Agriculture

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Cornhusker Economics

Cooperative Extension

Institute of Agriculture & Natural Resources
Department of Agricultural Economics
University of Nebraska – Lincoln

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Market Report	Yr Ago	4 Wks Ago	5/23/03
<u>Livestock and Products,</u>			
<u>Average Prices for Week Ending</u>			
Slaughter Steers, Ch. 204, 1100-1300 lb Omaha, cwt	\$63.72	\$77.97	\$78.31
Feeder Steers, Med. Frame, 600-650 lb Dodge City, KS, cwt	*	89.00	92.37
Feeder Steers, Med. Frame 600-650 lb, Nebraska Auction Wght. Avg	91.96	95.81	98.86
Carcass Price, Ch. 1-3, 550-700 lb Cent. US, Equiv. Index Value, cwt	103.84	122.85	128.72
Hogs, US 1-2, 220-230 lb Sioux Falls, SD, cwt	30.00	39.50	*
Feeder Pigs, US 1-2, 40-45 lb Sioux Falls, SD, hd	16.00	*	*
Vacuum Packed Pork Loins, Wholesale, 13-19 lb, 1/4" Trim, Cent. US, cwt	106.20	101.58	112.56
Slaughter Lambs, Ch. & Pr., 115-125 lb Sioux Falls, SD, cwt	71.87	95.25	*
Carcass Lambs, Ch. & Pr., 1-4, 55-65 lb FOB Midwest, cwt	145.15	193.60	198.02
<u>Crops,</u>			
<u>Cash Truck Prices for Date Shown</u>			
Wheat, No. 1, H.W. Omaha, bu	2.85	3.49	3.37
Corn, No. 2, Yellow Omaha, bu	1.88	2.28	2.32
Soybeans, No. 1, Yellow Omaha, bu	4.78	5.90	6.17
Grain Sorghum, No. 2, Yellow Kansas City, cwt	3.39	4.09	4.00
Oats, No. 2, Heavy Minneapolis, MN, bu	2.17	1.83	1.68
<u>Hay,</u>			
<u>First Day of Week Pile Prices</u>			
Alfalfa, Sm. Square, RFV 150 or better Platte Valley, ton	112.50	127.50	120.00
Alfalfa, Lg. Round, Good Northeast Nebraska, ton	60.00	77.50	70.00
Prairie, Sm. Square, Good Northeast Nebraska, ton	90.00	117.50	117.50
* No market.			

Nebraska farmers and ranchers are always sensitive to new market opportunities. Thus, it's not surprising that questions have arisen about potential sales of U.S. agricultural products to Iraq.

Perhaps the place to begin is by acknowledging that the future probably should be divided into two segments. The first is the current period in which the United States and our allies attempt to reestablish public services and a market economy. A more uncertain time will follow when the allies leave and the Iraqis, themselves, take full responsibility.

The U.S., acting in concert with the United Nations, has maintained a comprehensive embargo on trade and associated development activities with Iraq since 1990. President George W. Bush has asked the U.N. to lift that embargo. Unilaterally, we have begun providing food aid, including wheat and flour. However, anything resembling normal trading relationships ultimately will require that the embargo be lifted.

Potentially, Iraq could import perhaps five to seven hundred million dollars worth of U.S. agricultural products annually, equivalent to about 1 percent of total U.S. agricultural exports. In addition to wheat and flour, fruits and vegetables (including dry edible beans), livestock and meat products, sugar and vegetable oils have been on the Iraqi shopping list in the past.

Fulfilling Iraq's potential as a food importer will depend on several factors. First, much of the infrastructure of the country is in disarray. A structure for government must be established, presumably with independent legislative, executive and judicial branches. The banking and currency system must be revitalized. Ways must be found to increase the



availability of electric power, telephone service and potable water. Some sorting out of what is government's responsibility and what could be done by the private sector will be necessary in planning for these basic services.

In addition, U.S. advisors are likely to encourage the Iraqis to transition some economic activities from government to the private sector. Take the oil industry, for example. Oil production deteriorated significantly during the Saddam Hussein regime. Repairs and upgrades did not occur on anything like a normal schedule. Rusty, outdated equipment needs to be replaced by an entity with an economic incentive to do so. This is important because oil is expected to account for at least 90 percent of Iraq's foreign-exchange earnings in the future.

Overlaying these factors is the need for the Iraqis to come together as a country. Segmentation based on tribal and religious affiliation is not easily overcome. Ultimately, however, the focus needs to be on what's best for greater Iraq. Economic progress cannot proceed at a healthy pace without it.

Notwithstanding the challenges ahead, Iraq demonstrates some positives as a potential market. It is a nation of over 24 million people. The population is generally well-educated and well-trained, important precursors to higher earnings. Iraq has the world's second-largest oil reserves, a lucrative base from which to generate future income gains. And as incomes rise, demand for a wide variety of foodstuffs should increase, as well.

has been mismanaged along with much of the rest of the country's affairs. Previously, most major agricultural enterprises were state-owned. Production practices and technology adoption have suffered as a consequence. As much as anything, a need exists to create an incentive for Iraqi farmers to increase production.

Most of Iraq is desert. Thus, even in the best of times, it is unlikely the country could produce all its food. Imports will be needed to increase both the quantity and diversity of food available to its citizenry.

However, Iraq does have some agricultural assets. About 20 percent of the country's land base is committed to farming. Most of it is in the fertile valleys of the Tigris and Euphrates Rivers. The remainder is in the northeast part of the country. Crops historically grown include wheat, barley, rice, cotton and dates. Cattle and sheep have been the major livestock enterprises.

For those who wish to keep tabs on the Iraqi situation as it relates to agriculture and food, USDA's Foreign Agricultural Service offers an array of timely information. The Internet address is www.fas.usda.gov

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Iraq is not likely to become food independent anytime soon. In part, that's because Iraq's agriculture