



## Iraq Covid-19 Food Security Monitor

Bi-weekly Update Issue 25 5 January 2021

## Government Decisions

### 19 December 2020

The Central Bank of Iraq (CBI) devaluated the local currency by more than 20 percent, the biggest devaluation since 2003, adjusting the exchange rate from IQD 1182/USD to IQD 1450.

### 23 December 2020

Ministry of Agriculture (MoA) released payments of 507 billion Iraqi Dinars (\$364 million) to cover outstanding dues to farmers for marketing their crops to the government.

### 6 January 2021

MoA approved the export of 2,000 tons of tomatoes to the Kingdom of Saudi Arabia.

## I. Key Messages

- The devaluation of the Iraqi Dinar resulted in price increases in locally produced and imported food products. Sharp increases were observed in the price of basic food commodities compared with the third week of December, including for vegetable oil, wheat flour, rice and sugar.

- Under the proposed 2021 budget, the Ministry of Agriculture (MoA) will receive an additional budget allocation by about 39% from 2019 and around 0.15% of planned government expenditure, while the absolute allocation for the Wheat and Barley Domestic Purchase program increased by around 80% from 2019. The budget for the Public Distribution System (PDS) - managed by the Ministry of Trade has been further reduced by 61% since 2019.

- As part of its effort to increase non-oil exports and improve economic relations with neighboring countries, MoA has approved and facilitated the export of excess production to Saudi Arabia.

## II. Overview

The coronavirus pandemic (COVID-19) has continued to spread in Iraq. As of 5 January 2021, the World Health Organization reported 597,774 confirmed cases and 12,834 deaths, and increase of 3% and 2% respectively since mid-December.

The pandemic and measures introduced to contain it of corona virus have diminished state income from oil as international oil prices declined. Iraq, heavily dependent on oil revenues, has experienced a direct negative impact on its gross domestic product. Over the past two weeks, Basra heavy oil prices fluctuated between USD 49.23 and USD 49.77 per barrel, up from minimum of USD 18.7 per barrel in April 2020, but well below USD 58.4 per barrel, the price recorded roughly one year ago.

The sudden devaluation of the Iraqi Dinar (around 23%) has started a wave of price increases in all locally produced and imported food products. This comes as an additional burden on household food security due to the already negative impact felt by COVID-19 on economic activities in the private and informal sector, such as the continued delays in government employee salaries, and lack of consumer protection. It is expected that the current devaluation of the Iraqi dinar will continue to have negative effects on household food security.

The government introduced the 2021 budget which is under debate in the parliament on 29th of December. The budget includes an allocation of \$198.7 million for MoA, an increase of 39% since 2019. This includes an additional \$87 million for various subsidy programs under MoA.

Additionally, 2021 budget is allocating a total of around \$2.89 billion for the Ministry of Trade (MoT). This includes \$2.3 billion (Kurdish Regional Government [KRG] share: \$291.5 million) for the Wheat and Barley purchase program, an increase of 80% since 2019, and an additional \$548 million (KRG

share: \$69.4 million) for the Public Distribution System (PDS), which has been reduced by around 61% since 2019. This signals a significant change in government policy towards subsidy reform and reallocation of subsidy resources from the downstream of the agri-food chain to the upstream, benefiting farmers while aiming at better targeting of assistance of the poorest Iraqis.

The Food and Agriculture Organization (FAO), the World Food Programme (WFP), International Fund for Agricultural Development (IFAD) and the World Bank continue to track the impact of this crisis on food security, with a focus on food availability, access, utilization and stability.

## III. Food Supply: Production (primarily on farm)

**Production.** The Ministry of Agriculture (MoA) released around 507 billion Iraqi dinars to cover outstanding dues to farmers and marketers of wheat and rice purchased in the 2020 season. The payments will be transferred through authorized banks directly into the accounts of farmers and marketers. Remaining dues will be transferred during 2021 as the government and the parliament work on approving the new budget<sup>1</sup>

As part of the government reforms, the government is working on encouraging the private sector to invest in agriculture and to focus on exports as well as strengthen Iraq's bilateral relations with its neighbors and regional position as a trade corridor. MoA has approved the export of 2,000 tons of fresh tomatoes from the surplus of local Iraqi production to the Kingdom of Saudi Arabia through Ar'ar border crossing.<sup>2</sup> Furthermore, MoA approved export applications for 4,500 tons of vegetables and fruits (tomatoes, pepper, eggplant, cucumber, onion and lemon) to Saudi Arabia through the same cross border. This step comes in the Government's efforts to strengthen non-oil income and support local farmers by ensuring balance between supply and demand to reach market price stability, while adhering to agricultural calendars.<sup>3</sup>

Ministry of Trade (MoT) has purchased around 213,064 tons of Jasmine and Amber rice from farmers. The governorate of Najaf was in the lead with an estimated production of 105,646 thousand tons, followed by Diwaniyah with 80,853 thousand tons, 12,455 thousand tons from Babil, 12,609 thousand tons from Maysan and 1,498 tons from Thi Qar.<sup>4</sup> MoT has mobilized its fleet of trucks to transport 3,000 tons of locally produced rice from Diwaniyah to Karbala, in order to meet local demand.<sup>5</sup>

As part of the government efforts to support economic development in southern governorates, MoA has released the second payment of financial dues (30% of total owed) to marketers of wheat for the 2020 season in Maysan Governorate through the Iraqi Company for Seed Production. This step comes in support of farmers in the governorate to continue agriculture activities and implement the current agricultural plan.<sup>6</sup>

<sup>1</sup> <http://zeraa.gov.iq/index.php?name=News&file=article&sid=8818>

<sup>2</sup> <http://zeraa.gov.iq/index.php?name=News&file=article&sid=8824>

<sup>3</sup> <http://zeraa.gov.iq/index.php?name=News&file=article&sid=8812>

<sup>4</sup> <http://mot.gov.iq/index.php?name=News&file=article&sid=6053>

<sup>5</sup> <http://mot.gov.iq/index.php?name=News&file=article&sid=6057>

<sup>6</sup> <http://zeraa.gov.iq/index.php?name=News&file=article&sid=8822>

Additionally, in coordination with the governor of Maysan, MoA will increase rice planting areas and seed production of the amber variety, support beekeepers by modifying loans regulations and rehabilitate pastures to provide a suitable environment for animal resources.<sup>7</sup>

**Other Challenges.** In coordination with MoA, poultry and egg producers have maintained prices despite the currency devaluation. Poultry producers' maintained egg plate prices at five thousand dinars in an effort to protect the production of local poultry sector and consumers. MoA is exploring tools to support the industry including provisioning of locally produced feed at subsidized prices.<sup>8</sup>

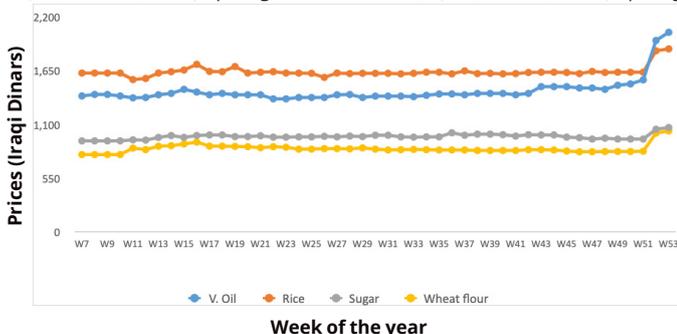
#### IV. Food Supply: Markets (farm to market)

The Ministry of Trade (MoT) has completed its 10th distribution of wheat flour as part of the Public Distribution System (PDS) across Iraq. MoT will continue distributing items under the PDS, namely rice, sugar and cooking oil even though the 2020 budget year has concluded while distribution of all items under PDS remains in delay.<sup>9</sup>

#### V. Food Demand (markets to consumers)

**Prices.** As a consequence of Iraqi dinar devaluation during last two weeks of December, sharp increases were observed in the price of basic food commodities compared with the third week of December. The national average price of vegetable oil increased significantly by 31% (from IQD 1,556 to 2,042 per liter), followed by 25% increase in wheat flour prices by (from IQD 825 to 1,033 IQD per kg). Vegetable oil price increase was driven by the increases in six governorates (Babil, Baghdad, Wasit, Kerbala, Diwaniya and Salah Al-din) which ranged between 50 and 60%. Rice and sugar prices increased by 15% (from IQD 1,633 to 1,872 IQD per kg) and 12% (from IQD 950 to 1,681 IQD per kg) respectively.

Compared to week 51, the prices at the national level of other staple commodities including white beans, eggs and powder milk, increased by 17%, 13% and 11% respectively. The prices of white beans registered a 50% increase in Diyala and Diwaniya (from IQD 2,000 to 3,000 per kg), and a 43% increase in Babil (from IQD 1750 to 2,500 per kg). The price of eggs increased in 10 out of 18 governorates ranging between 8% (IQD 200 to 216 IQD per egg) and 33% (IQD 150 to 200 per egg). Prices of powder milk increased noticeably in Baghdad 75% (IQD 4,000 to 7,000 IQD per kg) and Kirkuk 63% (IQD 4,000 to 6,500 IQD per kg).



**Figure 1.** Weekly food prices (national averages) for four staple commodities during the COVID-19 crisis (Source: WFP)

The national average price of the food basket has increased by 6% in December when compared to November. The highest increase in the price of the food basket was witnessed in Ninewa, Kirkuk and Najaf by 14%, 11% and 10% respectively. This increase in price of the food basket whether on a governorate or national level is due to the devaluation of the Iraqi Dinar that took place in the second half of December. Following the currency devaluation, the price of the food basket surged across all governorates, with the highest increase reported in Ninewa by 39%, followed by Salah-Aldin and Diyala by 26% and 24% respectively. On week 5 of December, the price of the food basket surged in Baghdad by 36%. The inflation of prices in some other governorates also had a lagged reaction to the devaluation of the currency, namely Dohuk, which witnessed a 5% increase in week 4 of December followed by a 8% increase in week 5 of December. In Kirkuk, the prices continued to inflate by 4% in week 5 of December. Some of this inflation is directly caused by the devaluation of the currency and some of it could be a panic reaction to this change that will settle in the coming weeks.

<sup>7</sup> <http://zeraa.gov.iq/index.php?name=News&file=article&sid=8819>

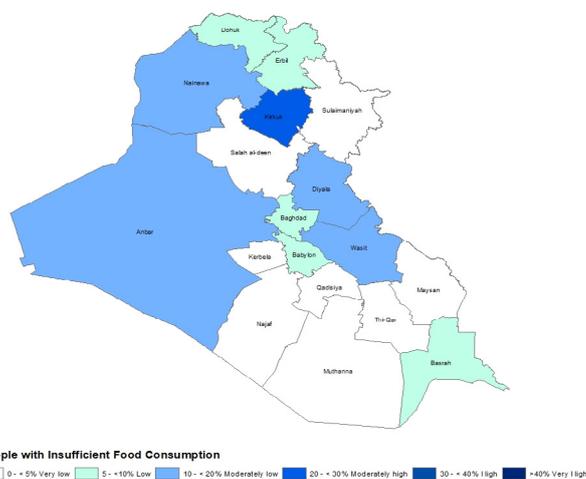
<sup>8</sup> <http://zeraa.gov.iq/index.php?name=News&file=article&sid=8810>

<sup>9</sup> [http://mot.gov.iq/index.php?name=News&countpage=0&currentpage=0&new\\_topic=0](http://mot.gov.iq/index.php?name=News&countpage=0&currentpage=0&new_topic=0)

<sup>10</sup> The estimates were based on a statistically significant sample of 1,620 people interviewed telephonically.

**Consumption Patterns.** Despite the decrease in registered COVID-19 cases, WFP mobile Vulnerability Analysis and Mapping (mVAM) data collected on 31 December estimated that around 8% of households, representing 3 million people in Iraq, did not have sufficient food consumption. This was an increase of approximately 0.6 million people compared to the third week of December, as a result of the Iraqi dinar devaluation's impact on the food security situation<sup>10</sup>. The significant increases in the number of people with insufficient food consumption were in Kirkuk from 15% to 20%, and in Diyala from 14% to 17%.

Additionally, 10% of surveyed households reported adopting negative food-based coping strategies. The most common strategy was 'relying on less expensive food' (35% of respondents) and "borrowing food" (27.6% of respondents). Compared to the third week of December, households which reported challenges accessing markets increased by around 1%, from 12% to 13%. Only a few households 0.8% of those households (roughly 0.3 million people) reported that concern of outbreak was a primary challenge for accessing markets. Around 11% of households reported other reasons such as lack of money as the primary challenge to accessing markets.



**Figure 2.** Distribution of people with insufficient food consumption. Where insufficient consumption refers to those with poor and borderline food consumption according to Food Consumption Score (FCS) using a seven-day recall (Source: WFP).

#### VI. Food Supply Chain for Vulnerable Populations

The devaluation of the Iraqi Dinar that took place in the second half of December caused inflation in the prices of essential food commodities which in turn contributed to an inflation in the price of the food basket across the country. In an effort to flatten inflation and the effect of the devaluation, the Iraqi government has allocated IQD 648 billion from the 2021 budget to subsidize three main commodities, sugar, vegetable oil and rice. Apart from that, government mills in Babil, Najaf and Maysan have produced 2000 tons of rice to be distributed.

In Erbil, the the Investment Commission in the Kurdistan Region has reported investment worth around \$12 billion in 500 new projects which focus on modernizing and improving farming through developing a food industrial zone. During December 2020, WFP reached 185,530 IDPs (around 29,000 lower than the previous round because of camp closure exercise) and 66,394 Syrian refugees. WFP continue to utilize different cash delivery instruments including Mobile Money Transfers (MMT), Money Transfer Agents (MTA), Electronic Vouchers (EV) and cashless transactions. Additionally around 43,984 MT of in-kind Immediate Response Rations (IRRs) were also distributed for 32,665 beneficiaries during December Cycle.

Food Security Cluster partners reached 31,242 out-of-camp individuals (returnees, out of camp IDPs and host) through agriculture inputs, animal feed and health inputs and emergency food baskets in Ninewa, Salah Al-Din, Anbar, Erbil, Duhok, Baghdad, Basrah and Erbil. Partners also distributed 25,000 food baskets to IDPs in Zakho, Sinjar and Sulaymaniyah.