

The Great Disappearing Wheat Market?

With the start of hostilities in Iraq, it appears that Australia has, hopefully only temporarily, lost its wheat market in that country.

USDA figures (at 02/12/02) indicate the size of the wheat market in Iraq at 3 million MT. Up until recently the Australian share of that market was about 2 million MT (or about AUD\$800 million) per annum, represented close to 20% of the value of Australian grain exports.

The news that the US Government has allocated up to 600 000 MT of wheat for food aid to Iraq is disturbing, particularly as a commercial shipment of 100 000 MT of Australian wheat has just been diverted away from that market.

Even though the federal government is reported as having agreed to buy the Australian wheat currently in transit to Iraq and will use it as food aid, the question over Australia maintaining its dominant presence in the Iraq market still remains. It is a market that US wheat exporters have eyed off for many years and one that US farm leaders have stated publicly that they wanted to 'gain greater access to'.

As we know, the US farm and agribusiness lobby wield a great deal of influence in Washington, due to the capacity of the farm vote to deliver strategic House and Senate seats and via the millions in election campaign funding from agribusiness companies, and successive US administration have a history of actively 'helping' secure key agricultural markets for US agribusiness exports.

Hopefully the replacement of Australian wheat by US food aid wheat will be temporary and normal market conditions will return once the political situation in Iraq has stabilised.

There are reports that the US administration is prepared for an 'administrative presence' in Iraq of up to 8 years. If this is to be the case, it is not inconceivable that the 'food aid' shipments will be replaced in short order by 'commercial' supplies from the US. Access to the market in Iraq will be easier for US wheat under a US administration, particularly once oil revenues return, to the obvious cost of Australian exports.

We can only hope that the US will play fair. But based on past behaviour and notwithstanding the 'special' relationship between Australia and the US, what are the odds the US *will* play fair when domestic farm politics begins to come into play?

U.S. Agency for International Development - Food Assistance to Iraq

On March 20, 2003 the Bush Administration announced the immediate release of 200,000 metric tons of wheat from the Bill Emerson Humanitarian Trust, with another 400,000 tons to be made available as needed.

A portion of the wheat from the reserve will be exchanged for rice, so that a total of 500,000 MT [metric tons] of food commodities will be available to feed the people of Iraq.

The first shipment of 50,000 metric tons of wheat from this donation is expected to be moving next week and is scheduled to arrive in the Middle East within one month. The food commodities will be transported into Iraq by the World Food Program (WFP) when the situation is secure. Additional wheat and rice will follow over the next weeks and months.

Prior to this announcement, the U.S. has also provided:

- \$40 million of assistance to the World Food Program for planning and logistical support costs and some food pre-positioning. A further \$20 million has been approved and is on the way.
- 110,000 metric tons of flour, rice, vegetable oil and beans that is already ordered, shipped or en route to the region to assist with refugees and displaced Iraqis.

In total, the U.S. government is providing 610,000 metric tons of food worth \$300 million as well as \$60 million cash for a total contribution of \$360 million. In addition, the WFP has positioned 132,000 metric tons of food in region, which will feed 2.2 million people per month for about four months.

Taking these and other donations into account, the international community is providing over 740,000 metric tons of food to feed the Iraqi people.

The Emerson Trust is an emergency reserve administered under the authority of the Secretary of Agriculture. It is available for humanitarian relief in developing countries, allowing the United States to respond to unanticipated food crises. U.S. food aid programs, under Title II of Public Law 480, are currently fully allocated for the fiscal year, and use of the reserve will help ensure that sufficient commodities are available to respond to needs in Iraq without affecting U.S. food aid commitments elsewhere in the world. The reserve was reauthorised through 2007 by the 2002 Farm Bill.
