



Kurdistan Regional Government  
Board of Investment (BOI)



# INVESTMENT SPOTLIGHT

## Agricultural Sector

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# BOI Investment Spotlight – Agricultural Sector

*Dear readers,*

*The Kurdistan Board of Investment (BOI) promotes domestic and foreign investment to achieve economic growth in the Kurdistan Region. Our Region has proven to be a trustworthy basis for investment and is ready for more investment projects to come. Our vision for the Kurdistan Region is to develop into an investment hub in the Middle East across all economic sectors.*

*To support this effort, we herewith start a new series of publications called INVESTMENT SPOTLIGHT. Each publication focuses on one specific topic, e.g. one economic sector, one governorate or one country of investor origin.*

*For a long time, the agricultural sector played a vital role in providing wealth and progress to the people of the Kurdistan Region. After the rule of Saddam Hussein, favorable external conditions as well as the framework set by the Kurdistan Regional Government (KRG) now offer chances for “agricultural revitalization” via private investment.*

*Agriculture projects licensed by the BOI contribute to the sustainable development of the Kurdistan Region, enhance its independence from food imports and strengthen local capacities in producing agricultural goods. The BOI’s support to specific investment projects thereby facilitates the implementation of the KRG’s strategic policy goals in the agricultural sector: food security and self-sufficiency.*

*With this first issue of INVESTMENT SPOTLIGHT, we outline the chances for future investment and highlight specific upcoming investment opportunities in the agricultural sector.*

*The entire team of the Board of Investment and the General Directorates of Investment in Erbil, Duhok and Slemani hopes that this brochure offers you an insightful reading.*

**Herish Muharam Muhamad**  
Chairman of the Board of Investment



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## A. Introduction

Historically, the Kurdistan Region has been the bread-basket of Iraq and favorable conditions make large parts of the Region ideal areas for agricultural production.



The Kurdistan Region features more than 1.5 m hectares of arable land, a great abundance of water resources, a qualified workforce and a pleasant climate.

However, today, the Kurdistan Region largely depends on food imports from various countries in the greater Middle East and beyond.

### *Rising Demand*

The economic growth and the stable environment in terms of security have led to a steadily increasing number of people settling in the Kurdistan Region. From entrepreneurs to workers from the rest of Iraq and other countries – people with different professions and experiences are attracted by the Kurdistan Region.

This development leads to a rising demand for agriculture products. In the future, substantially more agricultural goods have to be produced domestically to satisfy the increasing demand and substitute imports.

### *Sustainable Growth*

In the Kurdistan Region, the availability of water is crucial to foster the

development of the agricultural sector. Rising awareness for water scarcity leads to an increasingly sustainable use of resources.

By introducing innovative approaches to overcome water scarcity in the Region, investors can contribute to a sustainable growth in the agricultural sector.

### *Priority Sectors*

In order to reach its primary objectives in agriculture policy of food security and self-sufficiency, the KRG wants to increase the independence from food imports and to strengthen the Kurdistan Region's domestic production.

Therefore, the Kurdistan Board of Investment (BOI) defined agriculture as one of three priority sectors for private investment – along with industry and tourism. This exposed positioning is intended to particularly facilitate investment in new agriculture businesses, for instance by giving preference to agriculture vis-à-vis projects in non-priority sectors when allocating land.



These favorable regional investment conditions are primarily based on the Investment Law from 2006 that enables direct investment by providing incentives and guarantees for investors.



## B. Investment Conditions

The growing extraction of the Region's oil and gas reserves together with the lasting stability of the security situation has given the Region's economic development a strong boost.

In addition to the external conditions, the actions taken by the Kurdistan Regional Government set a favorable framework for upcoming investment projects in the agricultural sector.

The KRG drafted a liberal investment law in 2006 that provides incentives for investors by issuing investment licenses which grant public benefits and thus significantly contribute to establishing a pro-business environment in the Region.

### *Incentives*

Several incentives are conceded to eligible investment projects based on the investment law. Those incentives include:

- Provision of land plots for subsidized lease
- Exemption from corporate taxes (10 years)
- Exemption from import duties for foreign equipment to the project as well as for raw materials for the production process (5 years)

### *Guarantees*

In addition to incentives, the investment law gives guarantees for investment projects:

- Complete repatriation of profits for investors
- Transfer of investment to another foreign investor or to a national investor

- Possibility to invest in Kurdistan with or without local partners and to employ foreign labor

### *Streamlined Process*

To facilitate investments in the Kurdistan Region, a streamlined application process has been designed and implemented by the BOI that makes investment licensing more transparent, efficient and accountable. The investment licensing process works along the following six steps:

1. Submission of Investment Application
2. Eligibility Assessment
3. Land Allocation & Detailed Planning
4. Licensing Assessment
5. Construction
6. Operation



Further details regarding the licensing process and the benefits granted to eligible investment projects are available online in the "download" section of the BOI's website

[www.kurdistaninvestment.org](http://www.kurdistaninvestment.org)

in a compilation of useful information prepared for investors in multiple languages.



## C. Licensed Investment Projects

### 1. General Overview

Based on the incentives mentioned above, investment in the Kurdistan Region has increased significantly.

Since 2006, investment projects with a total investment volume of more than USD 24 bn have been licensed in the Kurdistan Region. Excluding housing projects, the remaining sectors account for more than 10.5 bn of investment in the Kurdish economy.

23 agriculture projects have been licensed by the BOI with a total investment capital of approximately USD 285 m. To date, more than 13 m sqm of land across the Kurdistan Region have been allocated to these investments.

Governorate	Land Size [sqm]
Duhok	6,405
Erbil	339,426
Slemani	92,250

**Table 1: Average land size per project by Governorate**

These projects contribute to the successful and sustainable development of the Kurdistan Region, enhancing the independence from food imports and strengthening the local capacities in producing agricultural goods.

Out of these 23 projects licensed by the BOI, at least seven have already started operation, thereby creating nearly 450 jobs.

The majority of licensed agriculture projects is currently under construction, but will soon contribute in

their full potential to the agricultural development of the Region.

Sub-Industry	Investment Sum [USD]
Farming of animals	21,050,000
Growing of crops	22,585,000
<b>Total</b>	<b>43,635,000</b>

**Table 2: Projects in operation by sub-industry**

Sub-Industry	Investment Sum [USD]
Farming of animals	225,030,000
Growing of crops	16,544,000
<b>Total</b>	<b>241,574,000</b>

**Table 3: BOI-sponsored projects which are yet to be implemented by sub-industry**

Once all licensed agriculture projects operate at their licensed capacity, more than 1,150 jobs will be created amounting to ca. USD 1 m of salaries.

Sub-Industry	Jobs
Farming of animals	809
Growing of crops	355
<b>Total</b>	<b>1,164</b>

**Table 4: Jobs to be created upon full implementation by sub-industry**

Sub-Industry	Salaries [USD]
Farming of animals	792,000
Growing of crops	174,000
<b>Total</b>	<b>966,000</b>

**Table 5: Total monthly salaries to be paid upon full implementation by sub-industry**

The majority of BOI-sponsored investments in the agricultural sector (approximately 70%) stem from Iraqi nationals, 18% of the investments are executed by national-international joint ventures – including business alliances



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of Iraqi with Iranian, German, and British partners. The remaining 12% of investments stem from foreigners – predominantly from Great Britain.

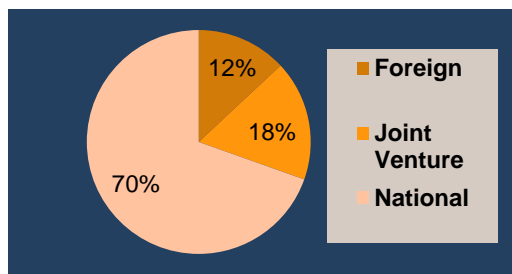


Table 6: Investment projects by nationality

While agricultural investments have been undertaken across the entire Kurdistan Region, most projects have been licensed in the Erbil Governorate.

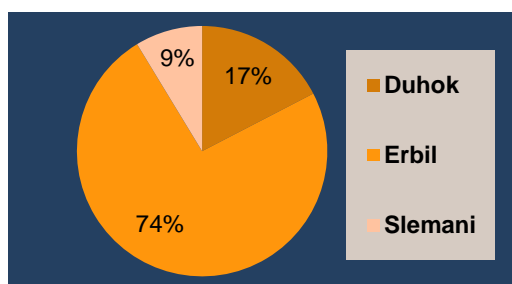


Table 7: Investment projects by Governorate

## The Region's need

To reach the long-term goals of food security and self-sufficiency, the Ministry of Agriculture and Water (MOAWR) has analyzed the current annual output (as of 2011) and has compared it to the Region's need.

Thereby, the agricultural sector can be divided into three industries<sup>1</sup>:

<sup>1</sup> The term industry describes a specific group of companies or businesses that are highly similar in their activities while a sector refers to a larger segment of the economy. Following this logic, we use the descending categories Sector/Industry/Sub-industry (European Industrial Activity Classification NACE 2008).

- Crop and animal production, hunting and related service activities
- Fishing
- Forestry

All of the projects licensed by the BOI so far operate in the industry of crop and animal production, hunting and related service activities.

## Olives, Mushrooms and Cucumbers

Of all agriculture projects, the BOI has licensed 11 projects in the sub-industry "Growing of crops" - amounting to nearly USD 40 m of investment capital. Large output of BOI-sponsored investment projects is or will soon be especially generated in the production of olives, cucumbers and mushrooms. In those fields, production capacities are already sizeable and more projects are intended to be implemented.

## Poultry and Eggs

The largest investment sums are generated in the field of animal farming, specifically in the production of eggs and poultry products.

To date, the BOI has licensed 12 projects in the sub-industry "Animal production". They account for 86% of BOI-sponsored agriculture investment or more than USD 246 m.

Four BOI-licensed projects in operation produce an annual output of 17.5 m chicken for the local market.

Regarding eggs, the BOI-sponsored investment projects are about to increase the production significantly. Once current projects under construction start operations, their total production capacity will rise to 265 m per year.





## 2. Success Stories

### Facilitating a Chicken and Eggs Investment

After finishing the first stage of construction in August 2012, Al Hayat Al Tayba Project started the production of chicken and eggs in September 2012.



In three production halls, 4.8 m eggs and 150,000 chickens are currently produced each month.

On an area of about 532,500 sqm provided by the government, Al Hayat Al Tayba Company invested approximately USD 10 m.

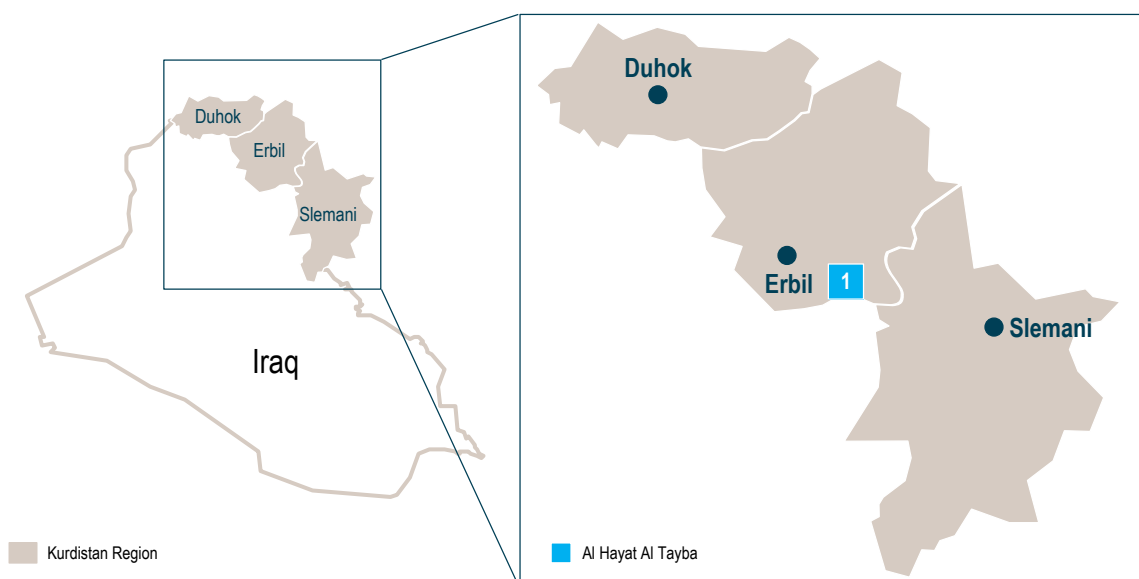
Currently, 30 employees are working in the production halls, but Al Hayat Al Tayba Company plans to double the number of staff by completing all 12 planned production halls.



As further benefit, the company received customs duty exemption for the import of equipment and machinery related to the project.

Chicken as one of the meat products with the highest level of consumption in the Kurdistan Region is a major driver for the development of the agricultural sector.

By producing chicken and eggs, this project significantly contributes to achieving the production goals set by the MOAWR.





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## Developing a Major Cucumber Investment

Since 2010, Al Sofy Companies Group is active in producing cucumbers.



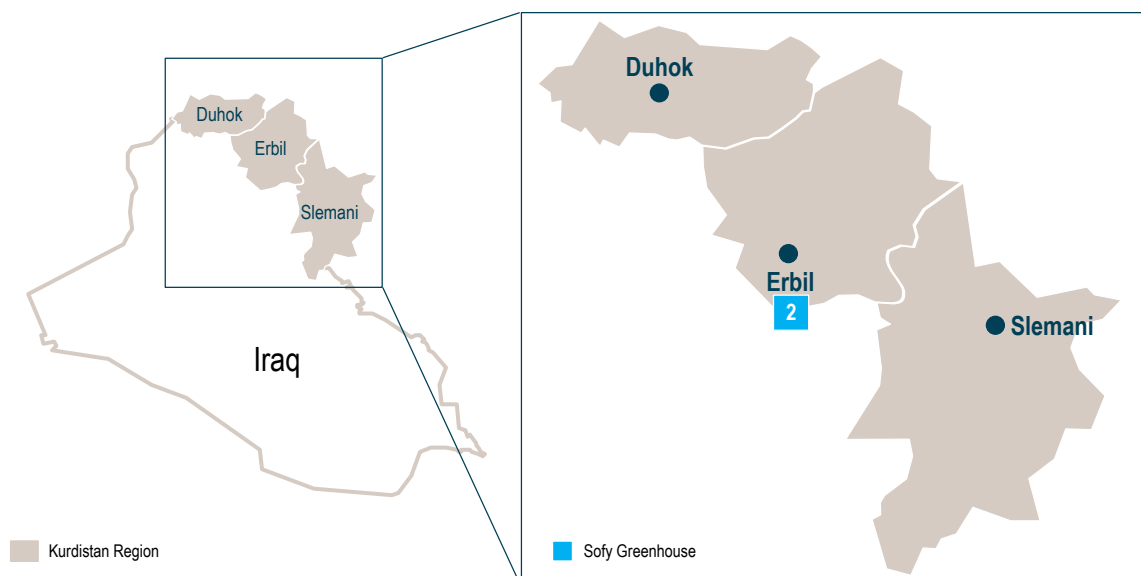
The goal of the project “Sofy Greenhouse” is to produce cucumbers throughout the whole year. By using the capacity of 200 greenhouses, cucumber production is independent of weather conditions and other external factors.

By irrigating the soil with innovative techniques, Al Sofy Companies Group is able to deliver around 15 tons of cucumbers per day to the regional market.

Al Sofy Companies Group even plans further expansion, building up to 350 greenhouses and extending the product portfolio including the production of tomatoes, potatoes and other vegetables.

As public benefit, 882,500 sqm were allocated to the project.

On the land plot in Shamamok, Erbil, Al Sofy has invested about USD 45 m and created more than 100 jobs.





## Enabling the Cultivation of Domestic Mushrooms

Mushrooms are highly popular in the Kurdistan Region. The Wade Al-Fter Project responds to high demand with a production site that started operation in January 2012.



In 14 production halls, 1.5 tons of white mushrooms are produced every day. In the production halls, the atmospheric conditions are regulated so that the best environment is created for successfully cultivating mushrooms.

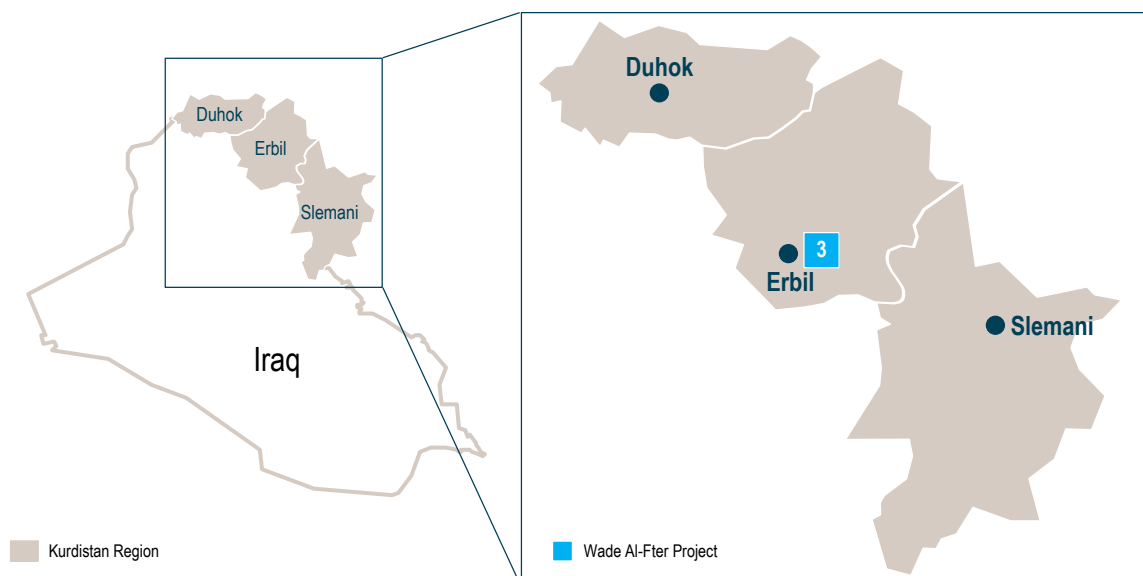
For this purpose, Wade Al-Fter built 5 own power generators to guarantee an autonomous power supply and to cool the mushrooms in separate chillers of 250 tons each.



As public benefit, the project received a plot of land, sized about 375,000 sqm and located in Erbil governorate.

Wade Al-Fter invested about USD 3.5 m and created more than 50 jobs in the production halls and administration.

As secret of success, the company uses many local materials like urea, gypsum, manure and straw.





## D. Investment Opportunities

The following specific investment opportunities in primary agricultural production and agro-industries open up – both in the growing of several types of crops and in the farming of several types of animals.

### *Oat, Corn, Sun Flowers, Vegetables and Fruits*

The opportunity in the sub-industry of “Growing of crops” lies in a greater diversity of projects with regard to production output. The current product mix and also the planned projects strongly focus on products with an already high domestic production. Therefore, new projects and products are sought to satisfy the needs of the Region identified by the MOAWR.

Consequently, future investment should focus on the following products:

- **Oat** – Agriculture projects that deal with oat could satisfy the steadily growing domestic demand for this product. The Region’s need stands at some 600,000 tons per year, but in 2011, production stagnated at 70,000 tons or less than 12% of the Region’s need.
- **Corn** – Until now, the Region is largely dependent on corn imports so that future investment projects could deliver corn directly to the Kurdish market. Current annual production in the Region satisfies only around 8% of the Region’s need.
- **Sun flowers** – Domestic production falls short of the Region’s need. Only 20% of the need is met by domestic production. This offers investment opportunities for the upcoming years.
- **Vegetables** – In 2011, the domestic production output satisfied about 60% of the Region’s need. However, especially for **tomatoes** and **eggplants**, current production lags behind and further investment projects are needed. Less than 50% of the Region’s need for tomatoes is met by domestic production and Kurdish eggplant cultivations (20,000 tons in 2011) satisfy only little more than half of the Region’s need (39,600 tons).



- **Fruits such as grapes, apples, peaches, pomegranates, pears, apricots and figs** – All of them significantly lag behind the Region's need and offer great investment opportunities to contribute to the Region's objectives of food security and self-sufficiency. Domestic production currently accounts for less than 40% of the Region's need regarding all important fruit products.

## **Red Meat and Milk**

Investment potential in the sub-industry of "Animal production" lies mainly in **red meat**. Little more than 20% of the Region's need is satisfied by domestic production. Hence, there is great need for more investment in domestic red meat production, e.g. beef and lamb meat (breeding of cattle, slaughterhouses etc.).

In addition, **milk production** offers good investment opportunities since only one third of the Region's need was met by domestic production in the Kurdistan Region in 2011 (current production output is 130,000 t).



## **Chicken and Eggs**

The same applies to **chicken and egg production**. In this field, the production contribution was slightly higher with a share of 56% and 67%

respectively of the Region's needs. Similar to the field of milk production, several promising projects are planned that seek to address the Region's needs, but nevertheless more investment is needed.

## **Fishing**

In order to reach satisfy the Region's need as defined by the MOAWR in the fishing industry (6,700 tons of fish for the Kurdistan Region), more investment is needed regarding both breeding and free catch in the Kurdistan Region's lakes and rivers.

They offer a great potential to build up a local, sustainable and profitable fishing industry in the Kurdistan Region.

## **Forestry and Meadows**

Investment opportunities in the forestry industry arise from the significant need for planting trees and irrigating land.

Especially the mountainous parts of the Kurdistan Region in the Northern and Eastern part provide the opportunity to cultivate trees and other plants on a large scale.

In conclusion, the following table provides an overview of the Region's needs and the current production output as analyzed by the MOAWR defining the needs for further production capacities.

Investment opportunities are classified as low, medium and high by looking at the degree to which the Region's need has been reached through domestic production output. If the respective figure is **greater than 80%** we classify **investment opportunities** as **low**, as **medium** if it is **between 50% and 80%** and as **high** if it is **below 50%**.



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Product	Unit	The Region's need (2011)	Production output and contribution (2011)		Investment opportunities
Wheat	tons	500,000	500,000	100%	LOW
Oat	tons	600,000	70,000	11%	<b>HIGH</b>
Corn	tons	240,000	20,000	8%	<b>HIGH</b>
Sun flower	tons	37,500	10,500	28%	<b>HIGH</b>
Tomato	tons	216,000	102,000	47%	<b>HIGH</b>
Cucumber	tons	90,400	68,400	75%	LOW
Eggplant	tons	39,600	20,100	50%	MEDIUM
Okra	tons	11,480	6,200	54%	MEDIUM
Onion	tons	56,450	48,900	87%	LOW
Courgette	tons	17,570	10,700	61%	MEDIUM
Potato	tons	70,000	61,600	88%	LOW
Other	tons	158,900	90,100	57%	MEDIUM
Grapes	tons	60,000	10,000	17%	<b>HIGH</b>
Apples	tons	64,000	11,600	18%	<b>HIGH</b>
Peaches	tons	25,000	14,100	56%	MEDIUM
Pomegranates	tons	45,000	15,700	35%	<b>HIGH</b>
Pears	tons	5,700	1,300	23%	<b>HIGH</b>
Apricots	tons	6,800	2,600	39%	<b>HIGH</b>
Figs	tons	10,900	3,100	29%	<b>HIGH</b>
Other	tons	32,600	1,600	5%	<b>HIGH</b>
Chicken	tons	98,000	55,000	56%	MEDIUM
Eggs	m	646	430	67%	MEDIUM
Red meat	tons	100,000	22,000	22%	<b>HIGH</b>
Milk	tons	400,000	130,000	33%	<b>HIGH</b>
Fish	tons	6,700	1,430	21%	<b>HIGH</b>
Forests	ha	3,000,000	1,280,300	43%	<b>HIGH</b>
Meadows	ha	1,739,000	1,430,000	82%	LOW

Table 8: Agriculture products and targets



## E. Outlook

In the next issue of INVESTMENT SPOTLIGHT, we will focus on the Industrial Sector. Our assessment will include the current status of characteristic existing investment projects, outline specific chances of the sector and point out attractive investment opportunities.





Prepared by:

## Board of Investment

Erbil, Kurdistan Region, Iraq

E-mail: [info@kurdistaninvestment.org](mailto:info@kurdistaninvestment.org)

Website: [www.kurdistaninvestment.org](http://www.kurdistaninvestment.org)

