REPORT
INMA DATE WORKSHOP
ERBIL, IRAQ
JULY 18 -19, 2008

July 2008

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INTRODUCTION

The *Inma* Date Workshop was convened to gather industry data and address some of the chronic challenges currently affecting the date industry in Iraq:

- Growing isolation of the Iraqi growers and exporters, currently unable to establish direct links with traders in other countries due to limited mobility (visas and security);

- Lack of knowledge, among Iraqi growers, processors and exporters of the main trends in the international market;

- Inexistence of "contract schemes" between growers, processors and exporters.

- Low income and low added value in the industry. Iraqi dates command the lowest value per kg in the international market, and;

- Low level of added value processing for lack of efficient modern plants and working capital.

A selected group of growers, packers, processors and exporters, all influential within the sector, were invited to attend this data gathering and planning event. It was held in Erbil, Iraq as a location which provided access to all attendees. The planned outcome of the event is to develop an understanding of the steps needed to provide greater access to higher value markets and a higher level of income per metric ton sold for Iraqi dates, which in turn will establish a more sustainable and profitable industry.

REPORT: *INMA* DATE WORKSHOP
July 2008

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Inma Date Conference - Erbil 18-20 July, 2008

Participants

Twenty-seven private companies (growers, packers, processors, exporters) representing the primary date growing regions of Iraq: 9 - Basrah, 3 - Babil, 7 - Kut-Amara, 4 - Baghdad, 4 - Kerbala

Speakers

In addition to the *Inma* technical team, and international date trading specialist spoke to attendees on date export – import markets and specifications and requirements in the UAE market.

Sessions

Session I: Market Study Presentation
Session II: Sales and Marketing Opportunities focus Dubai
Session III: Groups Workshops:

"Challenge and opportunities for the Iraqi date industry"
"Actions to be taken, and priorities for the Investment Program"

Expected Results

1. Dissemination among the audience of valuable updated information with regard to:
   - Demand by country: which products, which packaging, price segmentation, trends, product requirements, legislation, certifications, phytosanitary legislation.
   - Competition: prices, installed capacity, subsidies, tariffs, positioning, competitive advantage, logistic costs.
   - Specifications and requirements in the UAE import market.

2. Business services to the participants:
   - New packaging adoption
   - New product development
   - New market focus
   - Insight on equipment for processing

3. Refocus on investment strategy in terms of:
   - Priorities
   - Areas of intervention
   - Support to the industry
   - Commercial intelligence
   - Matchmaking events
   - Participation to exhibitions

4. A final report with practical information on how to exploit the opportunities outlined for the date industry in Iraq and a revised action plan of the Investment Program based on participants suggestion.

AGENDA

Sheraton Erbil
Days 18-19-20 July 2008

Day 1: 18 July
Reception
Dinner at the Sheraton in Erbil:
- Informal Welcome at the Dinner
- Informal networking

Day 2: 19 July
8:00 – 8:30 Opening

8:30- 10:00 Section I
Section I
Presentation: Dates Market Study
Speaker: Franco Scotti

10:15 – 10:45 Coffee Break

10:45 AM – 12:30

Section II
Presentation: Dates Market in Dubai
Speaker: Jorge Alvarado and Trader/Specialist in international sales and marketing
- Overall status of the market in terms of supply, varieties, country of origin.
- Overall assessment of the status of the demand: market growth, re-exporting, segments, trends, most dynamic re-export countries.
- Competition.
- Perceived strengths and weaknesses of the Iraqi proposition.
- Perceived opportunities for Iraq.
- Assessment of the potential for "added value positioning" for Iraq.
- An insight for the forthcoming season: supply, price, competition, trends.
- Specifications and requirements for dates in Dubai: trends, packaging, grading, varieties.

12:45 – 2:00 Lunch Break

2:00 – 3:30 Section III
Group Discussion: Challenge and Opportunities for the Iraqi Dates industry (a five year vision) and Priorities for the Investment Program
Moderator: Peter Dickrell
- What is the market for increased quantity?
- Domestically or internationally?
- Who and what could lead an increase in consumption domestically?

- The role of the Government: a current assessment on what is done and what is expected.
- What and where are the best options internationally?
- Where is the market for improved quality product? Domestically and internationally.
- Potential for "added value dates" in the domestic market.
- Which processed product could lead a surge in consumption?
- Identification of new products, packaging, markets
- Perceived hurdles.
- Identification of "treatable hurdles" (as opposed to structural and long term)
- Areas of intervention (priorities)
- Needs of additional information (studies, market intelligence, Consumer study, market tests)
- Possible support in new product development and equipment procurement
- The possible role of the Government.
- The role of a possible promotion of a private Dates council?
- Which Financial services
- Which Logistic services
- The role of the Investment Program.

15:30 – 16:00 Coffee Break

16.00 – 18.00 Presentations and Discussion

8: 30 PM Dinner

Day 3: 20 July
Departure

SESSION I – Main Findings and Key-Issues

Session I's main objective is to articulate a realistic up-to-date picture to Iraqi growers and exporters of the worldwide date export market and opportunities. *Inma* has interpreted the results of Session I as follows:

1. There is no realistic potential for significant Iraqi date export to the European Union or to the USA. This view caused some consternation among Iraqi growers and exporters who still dream of recapturing lost market shares in Europe and the USA. The *Inma* position is supported by the following information that came out during Session I:

   - Europe (EU27) is a slow growing market (only +3.4%/year in the period 2003-2007);
   - Widespread consumer and buyer preference for Deglet Noor and Medjool varieties, almost non-existent in Iraq. The results of a consumer test conducted by an importer with more than 300 consumers was shown to the participants;
   - High integration of key distributors with growers in Northern Africa, especially from the ex-French colonies of Tunisia and Algeria;
   - Mediterranean countries pay no import tariff to EU27, whereas most other exporting countries pay 4.2%;
   - Algeria, Israel and Tunisia have a logistical advantage that allows them to reach European markets at a price of $30/MT;
   - Low level of new sourcing among the top distribution chains due to low market growth;
   - Certification requirement (EurepGap);
   - Strong and established competitors: Tunisia, Algeria, Israel (and Iran to a lesser extent);
   - Contrary to a widespread perception, USA is a relatively small importer of dates, being itself a producer of the most desired Medjool variety;[1]
   - USA mainly imports industrial dates for the cereal breakfast and cereal bar industries. Industrial dates are expensive to produce (almost as much as premium table date) requiring huge capital investment and scale (*Inma* study identified a minimum size plant of 12,000MT/year to achieve break-even);
   - GSP status (Generalized System of Preferences) granted by USA to Iraq in 2004 does not translate into a real competitive advantage since tariffs for 4.6 kg packaged industrial dates is only 1%. The tariff for 4.6 kg packaged table dates is 13.2%;
   - Contrary to EU27 requirements, there are no strong Phytosanitary barriers in the USA: PRA (Pest Risk Analysis) is not required for dry dates. A fumigation certificate is required and use of Methyl Bromide is forbidden.

2. *The best opportunity for Iraq is the Indian market, targeted either directly or indirectly (via traders in Dubai). This position is supported by the following information:*

[1] Medjool has a high moisture content (18 to 26%), therefore difficult to store in absence of cold storage facilities.

- India is the biggest import market for dates with imports totaling almost 300,000MT in 2007;
- India is a fast growing import market for dates. Market has been growing at a rate of 15.8% in volume during the last five years;
- India official import price per ton ($260 in 2006) is misleading since it is affected by the common practice of "under-invoicing",[2] and by significant donated amounts that enter the country at no cost. Traders in Dubai succeed in selling dates to India for a value exceeding $420MT;

Virtually all Iraqi growers and exporters at the conference do not have a direct link with traders in Dubai or India, and they seem to have very little knowledge of demand in India. Participants were eager to gain *Inma* support to establish commercial links with traders from Dubai and above all with Indian importers.

Currently Iraqi exporters sell dates in bulk (overwhelmingly untreated) to consolidators and middle men exporting to Dubai. There are no contracts in place. Small and medium growers sell to local consolidators or traders acting as speculators. Growers have no guarantee of being able to sell the crop even at a price as low as $180/ton. Growers complain of lack of buyers even at price as low as $120/ton.

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[2] A common practice to minimize taxation.

SESSION II – Sales and Marketing Opportunities in Dubai

The Dubai wholesale market is almost exclusively a re-export market, repacking (cleaning, sorting and grading) dates bought in bulk to re-export to India (mainly) and some other South East Asian countries such as Bangladesh, Malaysia, Sri Lanka and Indonesia.

Participants concluded that direct sales to India bypassing traders in Dubai would be more desirable than exporting to Dubai (perceived as an intermediary for re-export).

Nevertheless, the Indian market appears to be far from transparent, and *Inma* does not yet have sufficient market intelligence to support a strategy to target directly the Indian market (possibly a program objective for the season 2008- 2009). *Inma* short term strategy supports re-establishing links between key Iraqi exporters and Dubai traders.

The Dubai date import market is extremely concentrated; the *Inma* team visiting Dubai identified only four (4) big importers (three of them Indians). The *Inma* team has successfully initiated contacts and discussions with the Al Bogari Group, the biggest date importer in Dubai (import capacity exceeding 50,000 MT/year).

Iraqi exporters are keen to start negotiations with the Al Bogari Company. During the workshop, Jorge Alvarado presented the basic requirements of the Al Bogari company:

- Clear demand and interest is limited to "cheap" varieties such as Zahidi (perceived as good value for the money);
- Major complaint in Dubai with regard to Iraqi dates is the lack of standardization, especially in terms of varieties;
- Requirement in terms of size and color are basic and coincide with Iraqi sorting and grading practices, but which often are not applied for lack of clear direction (lack of contact with the final buyers).
- Current demand is for Zahidi variety, and packed in plastic bags of 20-25kg;
- Trader in Dubai offers his support on logistics (dhows for shipping) and insurance of the cargo;
- Ideal matchmaking for trader in Dubai is only Iraqi exporters able to guarantee 10-20,000MT in the first year.

SESSION III – Group Discussion: Challenges and Opportunities for the Iraqi Dates Industry

Participants were divided into five working groups (based on region) with the objective of identifying realistic (short-medium term) opportunities for Iraqi dates and priorities for a possible Investment Program. A speaker presented each group's main findings and priorities.

Broadly speaking, there is apparent inconsistency between the perceived priorities for the industry as a whole and market opportunities highlighted in Sessions I and II: Most Iraqi growers and exporters still think it is possible to follow a model (such as Tunisia for example) aimed at targeting the premium European market.

All suggestions from group discussions are classified below into four categories:

1. Relevant for the Industry, consistent with *Inma* mission
2. Relevant for the Industry but outside the *Inma* mission
3. Relevant for specific companies, but not for the industry as a whole
4. Inconsistent with market analyses

Relevant for the industry – Consistency with *Inma* mission		
Suggestions	**Comments**	**Next Steps**
1. "To find international markets, and settling Iraq commercial position"	Although some Iraqi exporters still consider the European market and USA as realistic targets, *Inma* analysis clearly shows short term potential lies in re-establishing direct links with Dubaire-exporters. A future step may be to target importers from India (2009)	1. Matchmaking event in Dubai visiting "Al Bogari" Company with three to five key Iraqi exporters identified in the workshop.
2. "Set up standard specifications for Iraqi dates"	*Inma* impression is the lack of standardization in Iraq, which is mainly due to an unsophisticated domestic demand. More quality demand (export driven) will lead to standardization.	2. Disseminate and adopt, among top growers and exporters, standards responsive to the export market
3. Expansion and modernization of Pressing Mills	Presses are the cheapest way of conserving and storing dates. Workshop discussion proved there is a need in Iraq for more or more modern and powerful presses (hydraulic)	3. Determine technical and financial feasibility of expanding and modernizing pressing equipment among growers and packers; As a part of feasibility analysis, costs and returns will be compared utilizing various press technologies (e.g., manual mechanical, manual hydraulic and automated), as well as employment generation impacts.
4. "Review the purpose and functions of the Iraqi Date Trade Company"	The Iraqi Date Trade Company is currently perceived as ineffective by key Iraqi players	4. Redirect profile of the Iraqi Date Trade Company through a "redefinition" of its purpose and functions, and other institution-building efforts

Relevant for the industry – Out of Inma scope		
Suggestions	**Comments**	**Next Steps**
1. "Palm trees varieties improvement"	*Inma* considers "Palm trees improvement" an activity out of main scope due to the existence of specific GOI and FAO programs	No action
2. "Propagation"	*Inma* considers "Palm trees improvement" an activity out of main scope due to the existence of specific GOI and FAO programs	No action
3. IPM management	In October 2007 Inma presented an IPM program based the principle of "Trunk injection". The program is still under consideration at MOA	MOA clearance
4. Supply of inputs	Main demand is for fertilizers, an activity out of *Inma* scope	No action
5. "Water contamination and salinity"	Palm tree is the most resistant crop to salinity. *Inma* effort on desalinization is focused on more added value crops (vegetables and grains)	No action
6. "Law regulating relations between landlords and farmers"	*Inma* has no expertise in this area	No action

Relevant for specific Companies – Less for the Industry		
Suggestions	**Comments**	**Next Steps**
1. Complete lines for Drying, moistening, cleaning, fumigating dates	Equipment for drying, moistening, cleaning and fumigation is financially viable only with the sales of "premium" date ($700-800/ton). Premium dates represents a small segment in Iraq, with possible opportunities for a specific company rather than the industry as a whole	5. Consider *Inma* Grants to loans assistance, and limited technical support, if an Iraqi entrepreneur decides to pursue this possible niche market
2. Modern plants for production of date Syrup	*Inma* analysis suggests that syrup is the processed date product with the highest volume and potential. Challenge is to transform syrup into a modern "spread" targeting young consumers through consistent marketing and "single pack". *Inma* analysis shows the ideal business model for syrup is small-medium local factories (300-500kg/h). Current factories of syrup in Iraq are either too big (and multiproduct) or artisanal (and of inconsistent quality..	6. *Inma* Agricultural Review Committee (ARC) has been reluctant so far to support grants for syrup plants on ground of existing unutilized capacity. *Inma* considers the process should be led by private investment. 7. *Inma* ARC has approved an investment in syrup product (flavors) and packaging development (starting September 2008), which will be accompanied by a thorough feasibility analysis, including potential volume of raw material required to supply a medium size date syrup factory

3. Marketing support to "niche" products (filled dates, special packs)	Potential of these "niche" segments is insufficient to affect significantly the industry, although may be interesting for specific companies	8. *Inma* support in Dubai for export "niche" exports 9. On demand technical support for packaging

Inconsistent with Inma Market Analysis		
Suggestions	**Comments**	**Next Steps**
1. "Organizing regular advertising campaigns locally and abroad to reflect the reputation of the Iraqi dates"	Perceived reputation of Iraqi dates outside Iraq (among Dubai re-exporters) is "good value for money", a position incompatible with expensive advertising campaigns	*Inma* advocates the potential of an advertising campaign for date syrup
2. "Modern cold storage must be provided"	Cold storage facilities are only compatible with sale of premium dates	*Inma* will assess the possibility to use Balad cold storage facilities to store dates and give technical support to private investment
3. "In order to support the production, crops should be purchased by the government and sold to processors at a competitive price"	Previous government intervention resulted in the current over-production of dates.	No action
4. Support the construction of big multifunction processing plant (liquid, sugar, vinegar, syrup)	Big "multi" processing date factories have all gone bankrupt, thus raising doubts as to their viability (especially liquid sugar). Current established capacity to process into vinegar (Al Bunnia, 5 million Liter/year) covers domestic demand	Technical support to private investors

RECOMMENDATIONS

1. To re-establish direct link between Iraq exporters and Dubai re-exporters emerges as a clear priority and opportunity. A matchmaking event with three major Iraqi exporters and the "*Al Bogari*" company is scheduled for August 2008. An incentive program aimed at accelerating match of selling and buying positions along with contracting scheme in Iraq among exporters and small and medium growers will be submitted in August to the *Inma* ARC.

2. To consider future establishment of links with Indian importers through a matchmaking event in 2009 (preparation in late 2008).

3. To support added value niches in the export market. Samples of added value packaging and gift packs have already been shipped to Dubai and will be presented to traders by *Inma* team in Dubai during the mission starting 8th August, 2008.

> NOTE: *The elimination of third-country middlemen was advocated by some Iraqi players at the conference. Nevertheless this process would create challenges that Iraq's private sector would need to meet. The Iraqi exporters would need to compete with other traders to find buyers. Iraqi exporters would then need to finance the transaction and move the product from the staging area to the buyer in an amount, at a quality and time that the buyer wants.*
>
> *Iraqi's have not yet demonstrated their capacity to perform such function, but if as it seems there is money to be made, it is reasonable to expect someone to eventually offer this service.*
>
> *Whether such services can be more efficiently performed in Iraq or through a third-country such as Dubai remains to be seen. Iraqis would obviously benefit from the additional business opportunities if they can meet the challenges.*

4. To limit and focus the *Inma* role to the industrial side, to consider supporting acquisition of Presses (e.g., supported by G2L), avoiding direct involvement in processing facilities for date by-products. Presses have an important role to diminish wastage and to store the product cheaply. There is a big demand in Iraq, confirmed in the conference, for date presses, especially among small and medium growers and processors. Big exporters also need modern presses to renew their equipment. There is a realistic chance an expansion and modernization of the presses will have, overall, a significant impact on the industry. *Inma* team will conduct a thorough assessment in the market (regionally) to determine the feasibility and impact of a specific program aimed at expanding and modernizing presses (especially among growers associations) in the industry. Nevertheless, a decision by *Inma* to become involved in supplying investment capital for other more sophisticated equipment investments will depend on private investors' equity investment, possibly supported by the *Inma* G2Ldebt financing activity.

5. To support syrup product development, the future of the Iraqi date industry largely depends on the identification of new sources of demand, or on the capacity to add value to the current supply. Date syrup is a very high added value derivative: it is currently sold at wholesaler prices at a minimum of $3.0/kg ($3.000/ton) with an input of low grade dates probably set at $300/ton. Date syrup is widely consumed (although not always available in the retail market) being present in most of the breakfasts of Iraqi consumers (especially in winter time). The product undoubtedly

has high penetration: In a sample totaling two hundred households in Baghdad, date syrup regularly was present in 134 households.

Currently *Inma* estimates the Syrup production absorb some 80,000 tons of raw material per year. Average consumption of date syrup is around 2.0 - 2.5kg/per capita, although there appears to be a considerably higher level of consumption among young consumers (4kg).[3] More importantly, in addition to a fast growing population, Iraq also has a huge and growing percentage of young people. This factor could have considerable influence on demand for products such as dibis (date syrup). Although Iraq has only 26 million people, almost 10.5 million of them are aged 14 and younger, two million more than the number of young people in Italy, which has a total population of 60 million.

Current manufacturing of date syrup efficiency can be tremendously improved. Existing factories are either too big or too small. Most of them have only recently been privatized, have outdated equipment from the previous Eastern block (mainly Bulgaria) with no spare parts available and huge capacity (1.000kg/h) requiring considerable storage and working capital. Big factories of syrup are in general diversified factories (not specialized on syrup) producing everything from liquid sugar to tomato paste. On the other end of the spectrum, Iraq has plenty of artisanal small inefficient production run on a family basis with little capacity, no quality control and little or no working capital to buy enough raw materials at the peak of the harvest season.

Current packaging in the market is also a constraint looking outdated, dull and unattractive. The product has no suitable packaging for consumption away from home, and there is no marketing effort whatsoever to make it attractive to young consumers. The identification of new consumer occasions and packaging for date syrup could drive the absorption of an expanded supply of dates in the market and/or add value along the chain. In *Inma* view a restructured supply of the date syrup industry via specialized medium size plant utilizing vacuum technology and double extraction, in conjunction with a marketing effort could possibly led to an additional absorption of some 40-50,000 tons in the market per year. With regard to added value, an increase in dates syrup consumption could represent and additional $40-$50/MT for the farmers providing an alternative to animal feeding and possibly and an added value of $1.500/ton for the processors.
Realistically date syrup consumption can be boosted by:

- The establishment of medium efficient factories processing 200kg/h via G2L;
- The introduction in the market of more attractive packaging, more quality and better tasting and better looking product. (better organoleptic characteristics);
- The identification of new formulations of dates syrup (flavors new added ingredients), targeting young consumers (core target children 3-12 years old);

[3] Average consumptions includes homemade product.

- The identification of forms of packaging suitable for consumption away from home (snack – single service portion);
- The promotion, via advertising and packaging, of a new image for the date syrup, associated with sports, health and energy;
- Dates Syrup may in principle follow the pattern of other important products which established themselves in their markets as high volume consumption "spreads" (peanut butter in USA, Nutella in Europe, etc);
- In order to support the revitalization of the date syrup industry the workshop discussion suggests the establishment of a specialized company in food product development.

6. To promote and support a central or regional associations including the private sector.

CONCLUSIONS

- There is an overall consensus among Iraqi participants, current date supply outstrips demand (even at preset low level due to lack of IPM management);

- Current Iraq Date export is largely dominated by Middlemen acting "speculators" buying *on spot* with no interest in establishing contracting. The role of traditional Iraqi industrialist processors is limited and hampered by lack of insertion in the global market and working capital;

- Under the current circumstances growers ha little or no interest in improving quality, adopting sophisticated pre-post-harvest techniques to meet international standard in the absence of contracts guaranteeing quantities and floor prices for the harvest;

- Key Iraqi players in the industry have unrealistic expectations assuming Iraqi date can regain lost shares in USA and Europe, an assumption not substantiated by *Inma* analysis;

- Demand on Inma support in equipment such as cold storage, re-hydrating chambers and sophisticated cleaning lines only make financial sense in the presence of premium export in Europe ($2,700/ton). Conversely simple date presses can help reducing wastages, improve storage conditions and extend shelf life;

- With regard to processing there is overall consensus date syrup is the product with the highest volume and potential although current manufacturing facilities are inadequate (lack of vacuum and double extraction technology);

- No private company at the workshop seems inclined to undertake an industrial investment in the sector on the basis of loans. There is a unanimous expectation Inma will support the process through grants;

- There is a necessity to stage regional workshop in Babylon and Kerbala where the market is extremely fragmented and more key players have to be involved to direct the Investing Program strategy, and;

- There is a clear vacuum in terms of central or regional associations able to interpret and convey the interest of the whole industry. The Iraqi players at the conference show skepticism on the capacity of the Iraqi Date Trade Company to fulfill such a role. As a result Iraqi key players nowadays lack a "joint" view of the industry acting individually.