



GIEWS Country Brief Iran (Islamic Republic of)

Reference Date: 20-July-2020

FOOD SECURITY SNAPSHOT

- Slightly above-average cereal harvest forecast in 2020
- Further increases in food inflation following currency devaluation likely
- COVID-19 containment measures, combined with economic slowdown and rapid currency devaluation, had detrimental effect on households' incomes

Slightly above-average cereal harvest forecast in 2020

Harvesting of the 2020 winter season wheat, the principal cereal crop, started in June and will be completed by mid-July. The planted area is estimated at about 6 million hectares, a slight increase from the 5.85 million hectares planted in the previous year. About one-third of the wheat fields are irrigated and the rest is rainfed, making production highly susceptible to rainfall variation. Although early season dryness prevailed in parts of the country up to December 2019, abundant rain amounts since January replenished soil moisture.

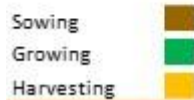
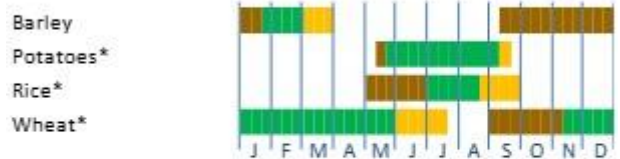
At the end of April, seasonal flooding due to heavy rainfall affected 18 provinces, particularly in central and eastern parts of the country. Localized damages to crops (especially wheat, garlic and orchards) and significant damages to agricultural infrastructure were reported in Kerman, Khorasan, Qom, Khorasan Razavi, Yazd, Urmia and Golestan provinces. Floods damaged also about 10 000 km of roads. At the end of May, more flooding affected central and northern provinces.

Although desert locust is a common pest in the country, breeding conditions in 2020 were particularly favourable due to abundant rains in the country. Seven provinces (Sistan and Baluchistan, Hormozgan, Bushehr, Fars, Khuzestan, Kerman and South Khorasan) in the southern part of the country, stretching from eastern Islamic Republic of Iran on the border with Pakistan to the southwestern border with Iraq, were affected. As of June 2020, seasonal infestations were declining due to control operations and migration to Indo-Pakistan summer breeding areas. More than 400 000 hectares were treated since January 2020, with almost one-third of the treatment carried out in May 2020.

Iran (Islamic Republic of)

Crop Calendar

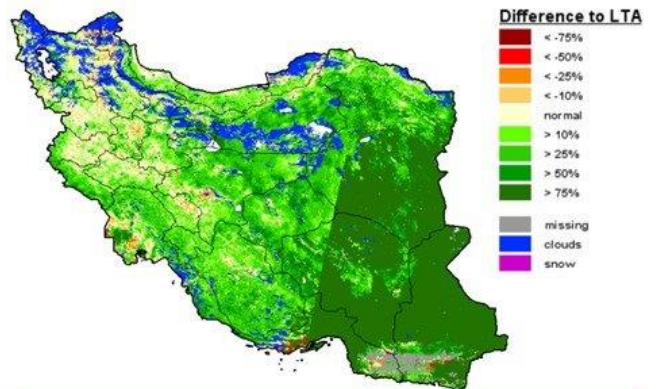
(*major foodcrop)



Source: FAO/GIEWS.

Iran (Islamic Republic of) - NDVI anomaly

Relative difference to LTA, Dekad 3, June 2020



Source: FAO/GIEWS Earth Observation System.

The national authorities forecast the 2020 cereal harvest at a close-to-average level 21.5 million tonnes, about the same as in the previous year. The wheat harvest is forecast at an average level of 14 million tonnes, about 3 percent below the 2019 level.

In March 2020, the Government announced its plans to purchase nearly 75 percent of the domestic wheat production with the aim to eliminate the reliance on imports for domestic consumption. In 2019, the Government intended to locally purchase about 10 million tonnes of wheat, but only 8.8 million tonnes materialized. In March 2020, the minimum support price for wheat was increased to IRR 25 000 per kg (corresponding to IRR 25 million per tonne, or USD 140 using the free market exchange rate applicable at the time of the harvest in June 2020), up from IRR 22 000 (USD 200 per tonne using the September 2019 exchange rate) announced before planting took place in late September. The price of IRR 22 000 was deemed to be low as it was lower than the market price of barley and raised concerns that farmers would prefer to sell their wheat for feed and not to the Government. In comparison, the guaranteed purchase prices for the 2019 crop were IRR 17 000 per kg (equivalent to USD 405 per tonne using the 2019 exchange rate) of common wheat and IRR 17 700 per kg (USD 420 per tonne) of durum wheat.

The Government granted permission for the import of 3 million tonnes of wheat in January 2020. By March 2020, about 2 million tonnes were unloaded at the ports. The remaining 1 million tonnes was supposed to be imported by May 2020, before the domestic harvest.

Responding to the price increases of rice following Ramadan and the outbreak of the COVID-19 pandemic, the custom duties on rice imports decreased from 25 to 10 percent on 4 June 2020.

Increases in food inflation, rapid currency devaluation on parallel market

In 2019/20 (April-March), the overall economy contracted by 7 percent. Growing 3 percent, agriculture was the only expanding sector and it contributed to about 8 percent of Gross Domestic Product (GDP).

The food and beverages price inflation index in Khordad 1399 (corresponding to 22 May-21 June 2020) was recorded at 14.9 percent on a yearly basis, driven by the devaluation of its currency, up from 10.7 percent in Farvardin 1399 (22 March-21 April 2020), but below 74.1 percent in mid-2019. The general inflation registered 22.5 percent in Khordad 1399, up from the 19.8 percent in April 2020, but below 50.4 percent in July 2019. The sanctions severely limit the export earnings.

In May 2020, the Parliament voted to slash four zeros from the currency and replace it with the Toman, which will be equal to IRR 10 000. The COVID-19 crisis has widened the country's fiscal deficit and balance of payments.

The Central Bank of Iran maintains a dual tier exchange rate system. The fixed rate of IRR 42 000 per US dollar is used to finance the imports of essential goods, such as food and medicine, although reports indicate that in the current fiscal year (starting from 20 March 2020), the practice was

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Cereal Production

| | 2015-2019 average | 2019 | 2020 forecast | change 2020/2019 |
|--------------|----------------------|---------------|------------------|---------------------|
| | 000 tonnes | | | percent |
| Wheat | 13 823 | 14 500 | 14 000 | -3.4 |
| Barley | 3 165 | 3 000 | 3 000 | 0.0 |
| Rice (paddy) | 2 875 | 3 100 | 3 200 | 3.2 |
| Others | 1 214 | 1 115 | 1 291 | 15.8 |
| Total | 21 077 | 21 715 | 21 491 | -1.0 |

Note: percentage change calculated from unrounded data.

Source: FAO/GIEWS Country Cereal Balance Sheet.

discontinued for rice. For other transactions, the current official exchange is IRR 222 763 per US dollar. As of 13 July 2020, USD 1 was trading for IRR 234 000 on the free market exchange, up from IRR 171 000 on 21 June 2020.

COVID-19 and measures adopted by the Government

In March 2020, the Government imposed precautionary measures to prevent the spread of the virus, including physical distancing, quarantine for returnees, bans on gatherings, educational activities, social and religious events. The lockdown requirements eased from mid-April 2020.

The COVID-19 containment measures, combined with the economic slowdown and the rapid currency devaluation, had a detrimental effect on the incomes, particularly of casual labourers.

In early March 2020, the Central Bank allocated funds (equivalent to 0.06 percent of the GDP) to import medicine, agreed with the commercial banks to postpone by three months the repayment of loans that were due in February 2020, and offered temporary penalty waivers to customers with non-performing loans. The Central Bank also expanded the infrastructure for contactless payment via QR codes and digital wallets to limit the spreading of the disease via the circulation of banknotes.

At the end of March 2020, the President announced several COVID-19 relief and recovery measures (equivalent to more than 10 percent of the GDP), including:

- The moratorium on tax payments for a period of three months (7 percent of the GDP).
- Credit facilities for affected businesses (4.4 percent of the GDP) in terms of loans with a rate of 12 percent and a repayment period of two years.
- Additional funding for the health sector (2 percent of the GDP).
- Cash transfers to vulnerable households (0.3 percent of the GDP). Three million qualifying individuals in a lower income bracket will receive payments between IRR 2 million to IRR 6 million in four stages, depending on the size of the household.
- Support to the unemployment insurance fund (0.3 percent of the GDP). The Government also announced low interest rate loans to vulnerable households.

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