IRAN

Iran is a significant market for Australian wheat and barley, despite being highly variable in volume.

Over the last decade, Iran has experienced a range of international sanctions which have indirectly impacted export grain trade opportunities. These sanctions were put in place as a consequence of Iran’s nuclear activities.

The recent easing of sanctions has opened up grain trade opportunities for suppliers including the Black Sea region (Russia, Kazakhstan) and Australia; with Iran’s neighbouring grain exporting countries positioning themselves to capture a greater share of Iranian grain imports.

To illustrate this — the Amirabad Port, located in Iran, is a 50/50 joint venture between Kazakh and Iranian partners, and was established for the importation of Kazakh wheat.

Australia needs to consider the future growth and trade potential of Iran’s wheat exporting neighbours, and its impact upon Australia’s exports to Iran.

Market demographics

Iran’s population is estimated at 78 million as of 2014.

The government provides price subsidies on energy, water, fuel and basic food, however during 2010 some of the price subsidies were removed and the government offered monthly income support instead. In excess of 70 million Iraqis remain on income support, despite the government’s goal of only distributing the subsidy to low income families.

During 2013–14, the monthly payment introduced in place of subsidies was 450,000 Rials (A$19). Payments were stopped during April 2014, with the President asking wealthier Iranians not to apply. It is understood that less than 5 million people have subsequently opted out of the scheme.

The price of bread and other subsidised products has risen since the subsidy was reduced.

Wheat

Annual wheat consumption in Iran is difficult to ascertain, however it is believed to be between 11-20 million metric tonne (mmt) with its main use being for baked products.

Bread is a staple in Iran, with flat bread eaten at most meals. Bread types vary by region and include Sangak, Barabari, Tatton and Lavash.

Wheat imports are highly variable and predominantly used to supplement domestic production. Iran’s consumption of wheat flour is very high at around 150kg per capita per annum however consumption of wheat is believed to be declining.

Local production

Iran produces between 10-14mmt wheat annually, with a harvest of 10mmt estimated for 2014.

Self-sufficiency in domestic wheat production remains a priority for the Iranian government, who set a five year agricultural plan to address this issue. The government has a goal of substantially reducing wheat imports by 2016.

The bulk of the crop is grown without irrigation, with common wheat and durum wheat the most prevalent.

Imports for food security

The Government Trading Corporation of Iran (GTC) sources milling wheat internationally to ensure food security and to build strategic reserves.

Wheat imports, which vary depending upon the size of the domestic crop, are typically sourced when prices are low and are often timed to coincide with peak harvest for the exporting country for this very purpose.

Iran’s wheat imports were around 6.5mmt for the period March 2012–2013 and are estimated to be 4.5mmt during 2014/15.

Australian wheat exports to Iran varied significantly during the period 2009–2014. Ranging between 0.06mmt and 1.45mmt, averaging around 0.85mmt, over the last two calendar years with Western Australia being the major supplier.
Regionally Iran is being proactively targeted by grain exporters, with many looking at building close ties with the country for the purpose of increasing grain exports.

**Government strategy**

The GTC manages the domestic wheat storage system, which is believed to have capacity of around 5-6mmt, and the government buys a portion of the subsidised domestic wheat production through the GTC.

During October 2014, the GTC announced they had purchased 6.7mmt of domestic production. The wheat was bought by 949 active shopping (distribution) centres throughout the country.

The guaranteed price for common wheat in 2014 was 10,500 Rials/kg (A$0.42/kg) and 10,800 Rials/kg for durum wheat. The common wheat price had increased by 2,500 Rials on the year before.

**Tender system**

Wheat tender specifications are available on the GTC website, with approved origins of supply including Australia, Canada, Argentina, Germany, France, Sweden and Kazakhstan.

**Barley**

After wheat, barley is the other major crop in Iran. The USDA forecasts that 2014-15 Iran barley production should be around 3.2mmt.

Like wheat, imports supplement domestic barley production. Historically, Iranian demand for barley was predominantly for livestock feed (sheep and horses) at about around 3mmt. Accurate imports of barley are difficult to gauge with information scarce.

Europe and the Black Sea region have been major suppliers to Iran, with some imports channelled through the United Arab Emirates, particularly when sanctions were tighter.

Australian barley exports to Iran have been intermittent over the last decade. Australia supplied 0.12mmt during the 2011-12 financial year.

The USDA predict that Iran barley imports will be within the range of 0.8-1.2mmt over the next decade which is not dissimilar to current levels. Increased barley exports from Kazakhstan could impact future Australian opportunity to supply this region.

**Table 1 Australian wheat exports to Iran by State 2009-2013**

<table>
<thead>
<tr>
<th>State</th>
<th>2009</th>
<th>2010</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>NSW</td>
<td>124,500</td>
<td>112,998</td>
<td>66,000</td>
<td>66,000</td>
<td></td>
</tr>
<tr>
<td>SA</td>
<td>153,000</td>
<td>175,950</td>
<td>358,743</td>
<td>358,743</td>
<td></td>
</tr>
<tr>
<td>VIC</td>
<td>97,999</td>
<td>52,387</td>
<td>30,063</td>
<td>30,063</td>
<td></td>
</tr>
<tr>
<td>WA</td>
<td>1,456,502</td>
<td>61,357</td>
<td>472,939</td>
<td>308,315</td>
<td>592,723</td>
</tr>
<tr>
<td>Total</td>
<td>1,456,502</td>
<td>61,357</td>
<td>848,438</td>
<td>649,650</td>
<td>1,047,529</td>
</tr>
</tbody>
</table>

*Calendar year; metric tonnes

**Table 2 Australian barley exports to Iran 2002-2012**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Unknown</td>
<td>52,500</td>
<td>507,131</td>
<td>56,433</td>
<td>234,867</td>
<td>126,500</td>
<td>977,431</td>
</tr>
<tr>
<td>Total</td>
<td>52,500</td>
<td>507,131</td>
<td>56,433</td>
<td>234,867</td>
<td>126,500</td>
<td>977,431</td>
</tr>
</tbody>
</table>

*Calendar year; metric tonnes

Source: ABS (State source is unknown due to ABS data suppression)

**Canola and Pulses**

Iran produces about 130,000-150,000mt of rapeseed oil, sourced via the domestic production of canola at about 350,000mt per annum.

Production of pulses is usually between 700,000-750,000mt per annum, with chickpeas and dried beans making up the majority.

Iran is a small import market for pulses, importing around 30,000 and 75,000mt of chickpeas and lentils per annum, respectively. Little, if any pulses, have been imported from Australia in recent years.

**Useful websites**

Federation of Iranian Flour Millers
http://www.iranflour.com/

Government Trading Corporation (GTC) of Iran
http://en.gtc-portal.com/

The AEGIC Global Grain Market Series is designed to inform clients and stakeholders of the Australian Export Grains Innovation Centre (AEGIC) on significant topic relevant to the Australian export grains industry, to enable informed decisions on the allocation of resources, with the ultimate aim of driving an increase in the value of Australia’s grain exports. Access other publications in the Global Grain Series at http://www.aegic.org.au/media/global-grain-series.aspx