

CHAPTER THREE

AGRICULTURE

Favorable climatic changes and the El-Nino event in 1380 increased the amount of rainfall. This resulted in the expansion of area under cultivation and amount of production. Therefore, grain production increased by 18.1 percent compared to the previous year. Livestock products also with 2.9 percent rise reached 7,957 thousand tons.

Government support policies in agriculture sector, including distribution of agricultural inputs at support prices, guaranteed purchase of major agricultural crops and extending banking facilities at preferential rates continued in the review year. In this regard, 226.3 thousand tons of improved seeds were distributed among farmers, indicating 13.5 percent growth compared to the previous year. Government new policies on price correction, applying market-oriented mechanism and optimizing inputs usage led to the increase in the price of chemical fertilizers by about 10 percent, on average. In the meantime, the guaranteed prices for agricultural crops increased within the range of 11.6 to 45.5 percent in 1380, which was higher than the inflation rate.

To provide the required foodstuff, regulate the market and control prices, government attempted to import foodstuffs. According to the data released by the Customs, import of wheat went up by 22.6 percent. This was affected by the September 11th events, and its ensuing effect in the region. In this year, import of sugar fell by 25.3 percent which was to support domestic products. Considering the previous year's drought, which had resulted in premature slaughter of livestock, red meat import increased with the aim of preventing premature slaughter.

Water Resources

On the basis of data released by the Ministry of Energy, average rainfall in the agriculture year 1379-80 amounted to 181.6 millimeters, indicating 22.5 percent increase over the previous period.

Water provision program through establishment of irrigation and drainage networks and repository dams continued in 1380. Although the objective of the Ministry of Energy was establishment of irrigation and drainage networks in 151.5 thousand hectares of land, in practice about 37 thousand hectares of land were covered with main networks and 12 thousand hectares with tributary networks. Besides, 25 thousand hectares of main network were repaired which showed realization of 48.8 percent of the targets, i.e. 7.5 percent decrease compared with previous year. In this year, the Ministry of Energy provided 87 million cubic meters water through small projects, which indicated 49.4 percent decrease compared to the previous year and realized by 48.1 percent of the targets of water provision program.

In review year, the total capacity of water regulated by dams reached 3,360.7 million cubic meters, which compared to program target (3,406.5 million cubic meters) showed 1.3 percent decrease. Due to better climatic condition and increase in the surface and dam waters, the volume of underground water, with 23.8 percent reduction, was limited to 977.9 million cubic meters.

Production

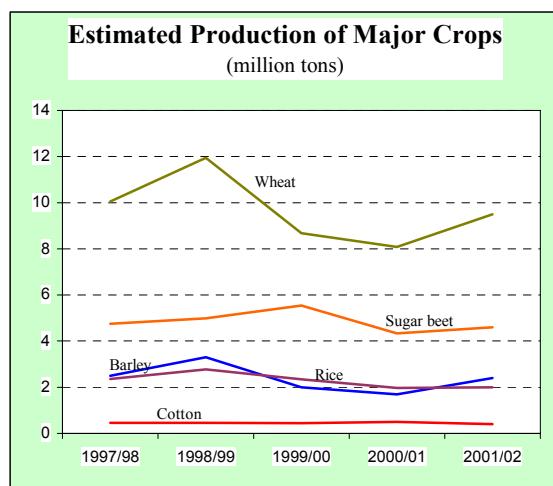
Farming Crops

According to the data released by the Ministry of Agriculture Jihad, total agricultural production amounted to 46.5 million tons in the agricultural year 1379-1380 covering an area of 11 million hectares. This shows 4.0 and 7.3 percent, rise in amount and area under cultivation, respectively as compared with the previous year. Out of total production, 88.2 percent (41,012 thousand tons) was from irrigated farming and 11.8 percent (5,478 thousand tons) from rainfed farming. Due to the increased precipitation level, cultivation of crops went up by 10.6 percent. Moreover, in 1,745 thousand hectares, 12.6 million tons horticultural produce were cultivated. This shows 2.4 percent rise in the area under cultivation and amount of production as compared with the previous year.

YIELD OF MAJOR FARMING CROPS
(kilogram-hectare)

	1379	1380	Percentage change
Wheat	1,586	1,703	7.4
Barley	1,412	1,629	15.4
Rice	3,691	3,864	4.7
Cotton	2,020	2,070	2.5
Sugar beet	26,577	27,029	1.7
Sugar cane	91,038	86,351	-5.1
Tea (green)	7,194	7,355	2.2
Oil seeds	1,188	1,265	6.5
Tobacco	1,050	1,000	-4.8
Pulses	553	487	-11.9
Potatoes	21,645	19,920	-8.0
Onions	30,545	30,191	-1.2
Pistachio	1,105	399	-63.9

Source: Ministry of Agriculture Jihad



Total production of grains (wheat, barley and rice) amounted to 13,872 thousand tons, showing 18.1 percent increase compared to the previous year. Production of wheat grew by 1.4 million tons to reach 9.5 million tons, which was mainly due to the rise in rainfed produce. The mentioned growth, in addition to favorable climatic condition, was due to the increase in the area under cultivation and yield per hectare by 8.9 and 7.4 percent, respectively. Although the area under cultivation of rice decreased by 3.6 percent, its production soared by one percent and amounted to 2 million tons, due to 4.7 percent increase in yield per hectare. Production of rice was 900 thousand tons less than the target set in the Plan.

ESTIMATED PRODUCTION AND AREA UNDER CULTIVATION OF MAJOR FARMING CROPS

(thousand hectares-thousand tons)

	1379		1380		Percentage change	
	Area	Production	Area	Production	Area	Production
Wheat	5,101	8,088	5,553	9,459	8.9	17.0
Barley	1,194	1,686	1,487	2,423	24.5	43.7
Rice	534	1,971	515	1,990	-3.6	1.0
Cotton	246	497	199	412	-19.1	-17.1
Sugar beet	163	4,332	172	4,649	5.5	7.3
Sugar cane	26	2,367	37	3,195	42.3	35.0
Tea (green)	31	223	31	228	0	2.2
Oil seeds	208	247	196	248	-5.8	0.4
Tobacco	20	21	20	20	0	-4.8
Pulses	1,016	562	1,145	558	12.7	-0.7
Potatoes	169	3,658	175	3,486	3.6	-4.7
Onions	44	1,344	47	1,419	6.8	5.6
Pistachio	275	304	281	112	2.2	-63.2

Source: Ministry of Agriculture Jihad

Production of industrial crops, except for cotton and tobacco, increased in 1380 and the overall production of this group i.e. cotton, sugar beet, oil seeds, sugar cane and tobacco grew by 14.2 percent over 1379, and reached 8,524 thousand tons. The area under cultivation of these crops was 624 thousand hectares, showing 5.9 percent reduction over the previous year. Production of pistachio declined dramatically by 63.2 percent and amounted to 112 thousand tons, due to the anomaly of unusually cold weather and frequency in production.

Livestock Products

On the basis of data released by the Ministry of Agriculture Jihad, production of red meat, poultry, milk and eggs increased by 2.9 percent and amounted to 7,957 thousand tons. Among these products, production of poultry and milk had the highest growths of 10.2 and 2.2 percent, respectively.

LIVESTOCK PRODUCTS

(thousand tons)			
	1379	1380	Percentage change
Red meat	729	743	1.9
Milk	5,623	5,748	2.2
Poultry	803	885	10.2
Egg	580	581	0.2

Source: Ministry of Agriculture Jihad

Fisheries Products

Fisheries products fell by 6 percent in 1380 as compared to the previous year, and amounted to 399 thousand tons. Out of total production, 15.6 percent was catches from Caspian Sea, 65.9 percent from Persian Gulf, and 18.5 percent from inland waters. In 1380, a total of 9.9 thousand tons of fisheries products, valued at \$67.4 million was exported, which registered 21.9 and 3.9 percent fall in weight and value, respectively, over the previous year.

FISHERIES PRODUCTS

(ton, million dollars)			
	1379	1380	Percentage change
Production (ton)	424,500	399,000	-6.0
Caspian sea	98,000	62,550	-36.2
Persian Gulf	260,500	262,805	0.9
Inland water	66,000	73,645	11.6
Export			
Value (million dollars)	70.1	67.4	-3.9
Amount (ton)	12,681	9,904	-21.9

Source: Fisheries Corporation

Import and Stock of Major Foodstuffs

In line with government support policies, import of major foodstuffs continued in 1380. In the review year, imports of wheat and sugar declined by 11.4 and 25.3 percent, respectively, while, import of red meat, which had a decreasing trend over the recent years (from 62 thousand tons in 1377 to 11 thousand tons in 1379), increased by 6 thousand tons and reached 17 thousand tons in 1380.

IMPORT AND STOCK OF MAJOR FOODSTUFFS

(thousand tons)						
	Import		Percentage change	Year-end Stock		Percentage change
	1379	1380		1379	1380	
Wheat	6,254▲	5,538	-11.4	1,710▲	2,476	44.8
Sugar (1)	849	634	-25.3	510	383	-24.9
Red meat	11	17	54.5	17	13	-23.5

Source: State Grain Organization, Organization for Expansion of Commercial Services, and Livestock Support Corporation

(1) Excludes sugar imported by the private sector.

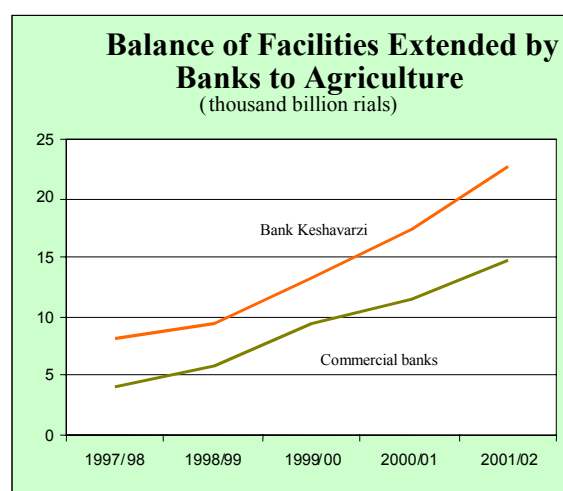
Guaranteed Purchase of Agricultural Products

The guaranteed purchase of major agricultural crops continued in 1380. In this year, the guaranteed prices (except for onions) increased within the range of 11.6 to 45.5 percent, which was higher than the inflation rate (11.4 percent).

GUARANTEED PURCHASE OF MAJOR AGRICULTURAL CROPS

(Rial/kilogram)

	1379	1380	Percentage change
Wheat	875	1,050	20.0
Barley	694	800	15.3
Rice (Khazar , Fajr and Sahel variety)	2,695	3,300	22.4
Rice (Sefidrood variety)	2,350	2,850	21.3
Rice (Neda and Ne'mat variety)	1,856	2,700	45.5
Corn	775	890	14.8
Sugar beet	225	252	12.0
Sunflower	1,818	2,035	11.9
Soya	1,586	1,770	11.6
Tea (green)	1,360 (1)	1,540	13.2
Lentil	1,905	2,285	19.9
Kidney bean	1,723	2,065	19.8
Navy bean	1,868	2,240	19.9
Pinto bean	1,868	2,240	19.9
Potatoes	380	437	15.0
Onions	327	337	3.1



Source: Ministry of Agriculture Jihad

(1) The basic figure approved by Council of Economy that factory managers were obliged to observe.

Subsidies

On the basis of data released by the Ministry of Economic Affairs and Finance and the Organization for Protection of Consumers and Producers, total subsidy payments increased by 24.8 percent and amounted to Rls. 10,468 billion. The bulk of subsidies were paid on major agricultural crops and with an increase of 22.5 percent amounted to Rls. 9,328.8 billion, yet its share in the total subsidy, with a slight reduction reached 89.1 percent, against 90.8 percent in the previous year. Except for the insurance of agricultural crops, for which no subsidy was considered in 1380, and some items like pesticides, seeds, and chemical fertilizers, whose share fell by 12.1 percent compared to the previous year, the total subsidy increased in 1380. The subsidy paid on wheat, with the greatest share of 65.1 percent in the total subsidy paid, rose by 16.9 percent and amounted to Rls. 6,818.7 billion.

SUBSIDY PAID ON MAJOR AGRICULTURAL CROPS (billion rials)

	1379▲	1380	Percentage change	Share (percent)	
				1379	1380
Wheat	5,835.0	6,818.7	16.9	69.5	65.1
Rice, vegetable oil, sugar & cube sugar & tea	160.0	517.5	223.4	1.9	4.9
Milk and its products	623.0	844.6	35.6	7.4	8.1
Meat	323.6	328.2	1.4	3.9	3.1
Pesticides, seed & chemical fertilizer	601.1	528.4	-12.1	7.2	5.1
Oil seeds	0	137.0	0	0	1.3
Poultry	0	102.6	0	0	1.0
Export of poultry and eggs	0	14.0	0	0	0.1
Export of raisin	0	22.0	0	0	0.2
Export of tea	0	10.0	0	0	0.1
Losses of agricultural crops	0	5.8	0	0	0.1
Insurance of agricultural crops	75.0	0	-100.0	0.9	0
Total subsidy on agricultural crops	7,617.7	9,328.8	22.5	90.8	89.1
Total subsidy paid	8,390.5	10,468.0	24.8	100.0	100.0

Source: Ministry of Economic Affairs and Finance and Organization for Protection of Consumers and Producers

In 1380, in line with government policies aimed at price correction, moving toward market mechanism and optimization in consumption of production inputs, the price of chemical fertilizers increased by 10 percent. Thus, the subsidy paid on pesticides, seed and chemical fertilizers decreased by 12.1 percent and reached Rls. 528.4 billion. Consequently, the amount of fertilizer distributed in 1380 fell by 3.7 percent and reached 2,936 thousand tons.

Government Investment

Government development expenditures for expansion of “agriculture and water resources” decreased by 18.8 percent compared with the previous year and amounted to Rls. 3,651.1 billion. The share of development expenditures for expansion of “agriculture and natural resources” amounted to Rls. 1,067.5 billion, showing 28.2 percent reduction compared to the previous year.

In the review year, Rls. 313.7 billion was allocated to agriculture and natural resources research program, indicating a reduction of 11.3 percent.

Banking Facilities

The outstanding facilities extended by banks and credit institutions to agriculture sector increased in 1380 by 30.3 percent and amounted to Rls. 37,659.5 billion, of which 99.5 percent (Rls. 37,458.0 billion) was the outstanding of the private sector facilities. Part of increase in the balance of facilities was due to rescheduling of farmers’ debts owing to the drought. The Agricultural Bank rescheduled more than Rls. 810 billion overdue debts of 131,549 applicants in 1380.

Review of creditory performance of banks in agriculture sector indicates that the share of commercial banks out of total outstanding facilities declined slightly from 39.7 percent in 1379 to 39.2 percent in 1380.

Banks’ overdue claims on non-public agriculture sector increased by 72.6 percent over the previous year and amounted to Rls. 3,653.8 billion. The ratio of these claims to total outstanding facilities was 9.8 percent.

The composition of facilities extended by Agricultural Bank according to Islamic contracts showed that most of the facilities were in the form of installment sale by Rls. 5,993.4 billion. This constituted 36.3 percent of the total facilities. Civil partnership and Mozarebeh, with 108.8 and 41.3 percent growth, ranked after installment sale and amounted to Rls. 4,719.4 and 3,016.5 billion, respectively.

Insurance of Agricultural Products

In 1380, the Insurance Fund for Agricultural Products insured 1,656.4 thousand hectares of land under cultivation of major agricultural and horticultural products to compensate losses resulted from natural disasters. Despite increase in the number of insured products, the insured farmland decreased by 0.1 percent (1.4 thousand hectares) owing to the reduction of insured area under cultivation of rice, cotton and sugar beet. In this year, 209 thousand hectares of insured farmlands suffered loss, and the Fund paid Rls. 126.6 billion as compensation.

Rural Cooperatives and Cooperative Unions

Number of rural cooperatives and their members, with negligible change over the previous year amounted to 2,947 with 4.4 million members. In this year, rural cooperatives extended Rls. 302 billion loan to farmers, registering 13 percent decrease over the previous year. Number of rural cooperative unions remained unchanged, i.e. 255 unions, with a capital of Rls. 117.5 billion, showing 14.2 percent increase over the previous year.

RURAL COOPERATIVES AND COOPERATIVE UNIONS

	1379	1380	Percentage change
Rural cooperatives			
Number	2,948	2,947	*
Number of members (thousand persons)	4,423	4,444	0.5
Capital (million rials)	332,003	357,404	7.7
Loans paid (million rials)	346,723	301,540	-13.0
Rural cooperative unions			
Number	255	255	0
Number of member corporations	2,999	3,004	0.2
Capital (million rials)	102,883	117,504	14.2

Source: Central Organization of Rural Cooperation

Export of Agricultural Products

On the basis of data released by the Customs, a total of 1,647 thousand tons of agricultural products valued at \$ 1.1 billion was exported in the review year, indicating 13.9 and 12.7 percent growth in weight and value, respectively. Export of agricultural products constituted 10.2 percent of the weight and 26.1 percent of the value of non-oil exports.

In 1380 the unit value of agricultural exports amounted to \$ 668, which compared to \$ 675 in the previous year showed one percent reduction.

Import of Agricultural Products

During 1380, a total of 13,607 thousand tons of agricultural products valued at \$ 2.7 billion was imported, and indicated 9.9 and 2.9 percent increase in weight and value, respectively. Import of agricultural products constituted 15.2 and 49.5 percent of the value and weight of the total import, respectively. The unit value of the imported agricultural products was \$197, which compared to the last year (\$ 210) showed 6.2 percent reduction, which is a sign of improvement in terms of trade.

To support local tea producers and the allied industries, imports of tea faced highest reduction, i.e. 46 percent, in the review year. As a result of price liberalization and support of poultry raising industry, import of poultry came into a halt in 1380.

The trade balance of agricultural products with a deficit of \$ 1,576 million registered 3.0 percent reduction compared to that of the previous year (\$ 1,625 million).