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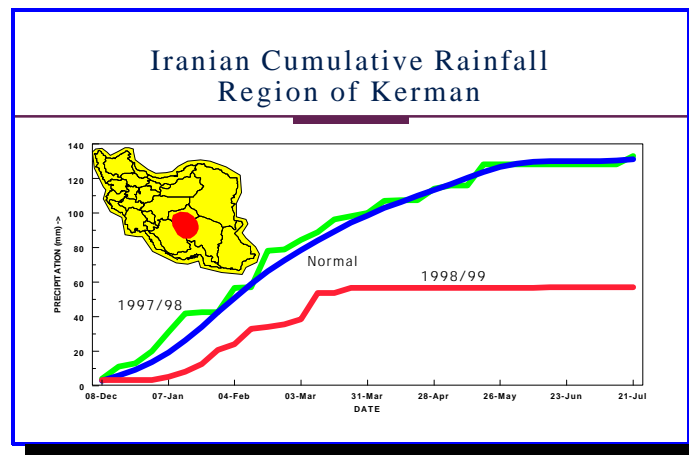
Iran's Grain Imports to Surge as Drought Hammers Crops

Summary

Drought impacted grain crops and pastureland could cause Iran to nearly double its grain imports, but our ability to compete will be constrained by strong competition and lack of financing.

Drought Strikes Winter Crops, Pastureland

Grain production is currently estimated to drop 25 percent with wheat accounting for most of this reduction. Pastureland has also been severely damaged, particularly in one of the main livestock grazing areas, Kerman (see chart). Consequently, the shortage of forage crops will add to the need for imported feed grains.



Which Could Boost Grain Imports Nearly 70 Percent

Wheat imports are expected to double to 6 million tons, but the U.S. will have to fight for market share since Australia and Canada, typically the main suppliers, will have more available for export this year. Iran will now be the world's second largest market with this higher level of estimated import demand.

Corn demand is expected to increase 20 percent to 1.2 million tons, and the United States is currently price competitive, if they look in our direction. In recent years, Iran has bought primarily from Argentina, but has also turned to a variety of other suppliers. *Barley* demand could jump nearly 70 percent to 1 million tons, but the EU should capture most of this market given its huge supplies and cheap, subsidized prices.

But, Rice Is Another Story

Recent rains have alleviated stress on the rice crop, but tight supplies are expected to cause a 40 percent jump in imports to 900,000 tons in calendar year 2000. U.S. market share will depend upon our price competitiveness vis-a-vis Thailand, the primary supplier in recent years.

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