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In the Name of God

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## Iran Mercantile Exchange Quarterly Newsletter Fall 2018, Vol. 14

Publisher: Iran Mercantile Exchange (IME)

Adviser: Dr. Hamed Soltaninejad; IME CEO, Dr. Hossein Mohammadi; Senior Advisor to CEO and CBDO

Editorial Board: Zahra Rahmati, Amin Najari

Photographer: Sajad Razm

Design: Graphic Mosaver

Address: No. 351, Taleghani St., Vali Asr Ave., Tehran, Iran

Tel: +98(21)8564000-2

International Relations Department: +98(21)8564 1022, 1028, 1029

Website: [www.ime.co.ir](http://www.ime.co.ir)

Email: [international@ime.co.ir](mailto:international@ime.co.ir)

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## Editorial Column

Amin Najari

# Promising Future for Agriculture on Iran Mercantile Exchange

Iran's agriculture industry is too costly with low efficiency due to lack of a comprehensive planning model. Moreover, the industry is not mechanized and has lagged behind, resulting in surplus harvest for a product at a time followed by periods of shortage for the same product.

Yet, there have been initiatives to improve conditions like the law of guaranteed purchase of some strategic agro-products by the government passed around 30 years ago to protect farmers against severe losses. Each year the government was obliged to guarantee purchase of basic agro-products such as wheat, rice, barley, maize, beet root, cotton, oil seeds, potato, onion and pulses. Prices at which such products were purchased from farmers were not discovered based on the fundamentals of supplies and demand. They were rather set based on the real costs of production, which kind of eliminated concerns of farmers as to sale of their produce. Yet, this policy caused issues for the government, like where to store the products they purchased and how to preserve and finally sell them.

All these culminated in coming up with a new solution: the law of increasing efficiency in agricultural sector, the 33rd article of which replaced the guaranteed purchase policy with supportive purchase policy through exploiting the capacities of Iran Mercantile Exchange. Supportive price policy has a big merit for farmers. They do not have to wait so long before they receive their money from the government. They sell their products on IME at a price discovered based on supply and demand. The difference between this price and the price the government guarantees before harvest will be paid to farmers by the government. The main part this way will be paid to them by IME after their produce is



sold; in two days.

Take maize as an example. The farmer delivers the produce after harvest to warehouses approved by IME. The quality of the maize will be controlled and the farmer will be given the certificate of their deposit with all the information pertinent to the farmer and the maize stated on it. The farmer submits the certificate issued in their name to the brokerage firm's representative there. A trading code will be issued for the farmer by the broker and the maize will be offered on IME at a price which is accepted by the farmer. After selling it on IME the money is given to the farmer after reductions due to warehousing and commission fees in 48 hours. If the amount is less than the guaranteed price, the difference will be paid to the farmer in two weeks by Agriculture Ministry.

Another advantage of the supportive price policy experts believe is that with the transparency shed on the atmosphere of trades of such commodities on IME, we can plan everything as to each strategic agro-product for the next coming year. Facts and figures easily reveal any changes to production, sales, prices, quality or any other issue that might arise in the production chain. We can decide and act accordingly.

Such transparency eliminates rent-seeking in the market and puts an end to the activities of unnecessary middlemen. Little by little agro-products will be offered on IME with international standards. This way, Iran's products could be exported via IME and we will be no more in need of even the supportive price policy. IME enjoys trading tools and financial instruments of the modern world and we hope this exchange paves the way for a better future for our agriculture and our farmers in a world that old-fashioned ways and methods do not work anymore.

## CEO POST

### Transparency Carries a Lot of Weight in Modern Economies

Transparency is one of the main principles of economic development, which is evident in developed countries. Our economy, which is in transition from traditional to modern, will inevitably exploit the capacities of its capital market more and more as times goes by. Hamed Soltaninejad said that thanks to modern financial instruments and advanced markets, developed countries enjoy economies which are much more transparent than ours. Among other things, such economies are fully exploiting the potential of their commodity exchanges; a solution that we also came up with in order to shed light on the amount of production and consumption of various commodities in our country. But from the early days of its foundation, Iran Mercantile Exchange, the leading commodity exchange of our country, came under fierce attack of those who considered a transparent mechanism of supply and demand to be a menace to their personal interests.

### How do you assess the role of a transparent atmosphere in data dissemination in Iran's capital market?

Our country like developed ones has no other choice but to pass this transitory phase as fast as possible and comply with modern methods and approaches to finance and trade. Iran's capital market has prepared the groundwork for such trend. Transparency in data dissemination is a great advantage of official markets provided by the capital market without



which we will never be enjoying the merits of modern economy. That's why we need to prevent anything that weakens such markets.

### How does IME bring about transparency in our country's economy? What are the tools for this job?

IME is like a mirror that truly reflects what's going on as to supply and demand of various commodities in the country. As long as both suppliers and consumers trust IME as a venue for trade, we witness a transparent atmosphere. Otherwise, we will be faced with a non-transparent market with profiteers as its participants. In the nature of things, this will lead to monopolies for specific commodities with the benefits in the pocket of those few participants.

On the other hand, IME provides



access for all to procedures, commodity specifications including supply and demand amounts, prices, quality and so on, which are traceable at any moment. Moreover, both sides of the trade can make sure that they are trading on a fair market in a transparent atmosphere. It's worth mentioning that with the statistics provided on IME due to offering of the whole production of a specific commodity on it, policymakers can analyze the facts and figures pertinent to supply and demand and take proper regulatory measures as to imports and exports of that commodity if needed.

### **Why are there still complaints concerning transparency in spite of IME's initiatives in this regard?**

Aggression against official markets is like enmity towards economics. Fighting against them passes transparency into oblivion and deprives the society of real market events. Due to the economic recession we have been witnessing recently, some have come to believe that IME and its mechanisms are to blame as having destructive effects.

We should never forget that official markets only reflect what's going on in real trades done through the data and information they provide about supply and demand for each commodity and as it happens –according to the history of economics- those who are against official markets are those who are against transparency and merely think of their personal interests. With elimination of official markets they are in fact after having exclusive access to market data so that they can benefit from resources with no limits.

In view of that, some supportive policies might inadvertently pave the way for such profiteers to gain more and more unfair profits especially in times of crisis. That's why I think we should expect more attention and scrutiny from officials on such issues.

### **What do you think are the obstacles to transparency and how can we remove them?**

The problem lies in the structure of our economy. Years of government intervention in our economy and its negative outcomes led us to a shift towards privatization and exploiting the potentials of capital market. For example, about 15 years ago, due to extreme corruption in steel trades and the fact that real consumers of that commodity were kind of deprived of it, made officials to vote for establishing a regulated market titled as the Metals Exchange. All the experts are of the opinion that we need to make the government as small as possible and leave the economy in the hands of the private sector. Iran Mercantile Exchange is on the same boat and tries to pay its share of contribution to this logical trend. However, some are voicing doubt on such trends and asking for return to old ways and mechanisms in the economy of the country such as governmentally prescribed pricing strategies, which inevitably end up struggling with misuse, rent-seeking and turmoil. All that said, I believe that the formidable obstacle to transparency in any market including IME is letting those come into play that are after their personal interest through removing transparent trends so that they can get away with their illegal actions in business and trade. However, I am pretty sure that they will never reach their goals and the policymakers will never allow backward movements in our economy.



## IME's General News



## IME to Protects the Rights of Both Consumers and Producers

Offering mineral products on IME means price discovery and ease of access to goods. Currently products like steel, copper and aluminum are offered on IME. Their prices being discovered on IME provides better opportunities for producers that need them to buy their products and in turn the end users benefit from this advantage, member of Mines and Mining Industry Commission of Iran Chamber of Commerce was quoted as saying

All sides will continue to benefit from the market on the condition of having continuous supply. Special condition of our country has resulted in demand beyond the real needs of real consumers. Increased amount of cash flow in the economy has caused fluctuations in the market and it harms real producers.

IME needs policies to keep real consumers from being harmed. In the mine industry

these small consumers play a crucial role in the production chain and provision of raw material on the right time is a must for them.

Any meddling with the market which is about to discover the prices based on supply and demand will harm the producers and consumers. In this situation we need control but we should not mistake it for interference. Middlemen who are not the real consumers are a phenomenon we are dealing with only in the last year. It's the result of increased cash flow in the economy and the depreciation in the value of national currency. This means that the raw material is not received by the real producers. Until 7 months ago producers of downstream sector just purchased based on their real needs but we are experiencing a different situation which is in need of a new style of management.

The government has promulgated that it will refer to previous purchases to recognize the real consumers, this kind of interference by the government seems to be justifiable



now unlike the past. Shall we reduce the export share of producers in order to cover the domestic increasing demand? The answer is "No". We have to control the demand side.

## Long term Contracts on IME to Support Industries

Deputy of Operation and Supervision of IME pointed out that the financial instruments of IME have been devised to offer services to producers and continued that commodity exchanges are venues to reflect supply and demand and provide services like fair price discovery, financing, planning for buying or selling a product within various types of contracts and risk coverage against price volatilities.

Ali Panahi said that we have been experiencing and imbalance in supply and demand due to special economic conditions within the last few months. But with shedding light on the roots of this and the new directives

which have been recently issued the market is restoring the balance again.

He added that IME can provide its clients with service for mitigating risk of trades using the financial instruments which have been in work for years on IME including futures contracts on gold coins and saffron. Panahi also referred to the fact that futures contracts as well as long term contracts for which IME has prepared the groundwork will be applied on various areas like metals. Therefore, provisional volatilities or even severe fluctuation of prices will have no meaningful effect of production as we rely on contracts to be settled in the future.

He reiterated that in the physical market when prices are discovered based on a fair mechanism, we can define new contracts with tailored specifications for any underlying asset, but it's subject to enough number of applicants for launching for example futures contracts.





## IME Channels Small Funds to Financial Instruments

Member of Planning and Budget Commission of Iran's parliament said that when economy is experiencing instability and it's hard for producers and consumers to predict the prices, there will be behaviors which are intended to prevent losses, while modern financial instruments are there to cover price volatility risks in future.

Ezzatolla Yousefian Molla said that in previous years IME played its role in physical trades of commodities on its spot market. Along with this function we are in need to use IME's capacity of financial instruments.

He believes that it's time to make use of modern ways of our world to regulate markets and the financial instruments available on IME can help us mitigate the price volatility risks in future, which was impossible in our traditional market structure.

He mentioned that currently commodity exchanges are among the most effective tools in economy. Prices of lots of main commodities are discovered on commodity exchanges based on the fundamentals of

supply and demand. Moreover, commodity exchanges provide for speculators to use various financial instruments like futures and options to make money out of the price fluctuations of such markets.

He pointed out that we can direct those who are interested in making money using such price fluctuation to financial markets instead of them buying the real commodities and storing them which results in rarity.

Member of the Planning and Budgets continued that the government can make use of IME to regulate the market of strategic commodities and control price volatilities and create peace and stability in markets.

He added that we need to direct the production chain of all commodities to IMR if we are to fight negative issues in our economy. Fair price discovery is the great advantage of commodity exchanges which eliminates our concerns about speculators and middlemen and leads to security and calmness in the market.



## Role of Cooperatives in Financing and Retail Distribution of Goods

CEO of IME considers the job of small and medium enterprises as trade financing and retail distribution of goods and he believes they are good at the second one.

Hamed Soltaninejad said that Trade Financing is not in work in our country the way it should be. He once again said that these cooperatives are doing their other job very well, which is retail distribution of goods so that they are a link between the supplier and the final consumer. He added that some of them are not engaged in their main work; instead they are doing business on goods.

Soltaninejad continued that in an otherwise situation cooperatives could get engaged in the business within a transparent atmosphere, but now that we are dealing with shortage of some commodities and the fluctuations we witness in currency prices, cooperatives had better take care of their main job, which is distribution of goods.

CEO of IME also pointed out that cooperatives also can play a crucial role in supervising SMEs and they are working with them closely. It's worth mentioning that governmental bodies are not capable



of doing this as perfectly as cooperatives can, especially in the field of petrochemicals.

When asked how cooperatives can do the supervision job on distribution of petrochemicals,

Soltaninejad said that there is no need for an obligation as to this. Any reports they make regarding supervisory

issues would be of the concern of entities like IME of the Consumer and Producer Protection Organization. He added that such cooperatives can also report on problems that downstream industries are dealing with.

Soltaninejad explained that in foreign countries the whole job of supervision is not on the shoulders of judiciary officials and people are also engaged in it. If someone does something incorrect or illegal, their neighbor will ask them not to continue doing that. This is of more importance in the petrochemical industry as there are some in this filed with a wide scope and are in need of an all-inclusive supervision.

He also referred to the conference on Production, Resistant Economy and Cooperation with regards to financing and exchanges and said if we move towards specialized conferences with one specific subject under scrutiny the outcome will be desirable and effective and such conferences are rare.

In the end, he mentioned that although it's impossible to have all downstream industries in such conferences, they can provide a venue for at least some voices to be heard.

## IME Wins Trust of Government and Industries through 11 Years of Work

Chainman of Securities and Exchange Organization of Iran said that IME have been doing great services in the 11 years it has been working in Iran's economy. There is no doubt that it's one of the most transparent markets in our country.

In the sidelines of Kishinvex 2018 Shapour Moahammadi said that IME plays a crucial role in our economy and with its efforts trades of the agriculture sector have been revolutionized such that all the trades of barley and maize are done on IME and we are witnessing booming markets for products like wheat on this exchange.

He added that currently saffron farmers can see the real price of their product on IME trading board, an advantage which did not exist before and is definitely a plus

point for farmers.

He pointed out that all the participants of the steel industry in our country approve of the fact that IME saved this industry from the non-transparent atmosphere we had in the past. The same is true for petrochemical products for which we have a transparent market with a fair mechanism of price discovery. These are all only a part of IME's capacities which have ultimately resulted in the government's trust in this entity.

As to the issues raised on the fact that some do not have proper access to raw material offered on IME, he explained that with negotiations with the Ministry Industry, Mine and Trade we are planning the offering in a way that only the real consumers of raw material will have access to purchase of such commodities on IME with the permits they will obtain from now on.



## IME Cooperates in Establishing First Logistic Park in North of Iran

According to CEO of Anzali free trade zone, the zone is a proper place to establish a logistic park in north of Iran as it has good hinterland, roofed wares hoses and warehouses without roofs as well as tens of manufacturing units and customs services, a branch of IME and the advantage of legal tax-exemption.

Reza Masroor said that the region is located in the corridor connecting north of Iran to south which will be a link for commercial ties between Iran and China. He added that the Caspian Port as the greatest port in Iran with functions of third generation of ports and the most active port of Iran which is Anzali, international airport of Sardar Janagal in the region justify establishing the logistic part of the region.

He added that this park will bring about many benefits including a more efficient transportation system especially for cargo, infrastructure for international transportation

of goods and business and establishing an environment-friendly transportation system. He continued that Anzali free trade zone has got other goals behind the strategy which are increasing share of railways in Iran transportation system and launching improved models of financing without being dependent on the public budget of the country. In fact, we are thinking of a hub for trade of commodities on the margin of Caspian Sea.

He insisted on the fact that having the banking network, insurance and exchange in the region and the MOUs signed with China, Kazakhstan and Russia as well as the transportation infrastructure available there, Anzali free zone will soon become a transit route for linking Iran to Russia, Eurasia and Eastern Europe and a source for making foreign currency revenues and naturally and opportunity for creating of job opportunities. Among the other merits of such logistic park he stated that will be increased efficiency in supply chain and lower logistic costs and also development of warehousing services and launching new manufacturing units.





IME's International Events



## IME Measures to Absorb Foreign Participants



Advisor to Chairman of Securities and Exchange organization of Iran in International Affairs believes that in the not too distant future IME is going to have foreign clients as a result of its recent measures including MOU signings and joint projects with foreign commodity exchanges.

Bahador Bijani said that one of the main functions of commodity exchanges is price discovery for various products. Such exchanges are venues for sellers and buyers to freely get engaged in competitions to come up with a fair price for commodities based on the fundamentals of supply and demand. IME is not an exception and has been able through 11 years after foundation to form transparent markets for spot, derivatives and securities trades.

He added that IME's role is not negligible in Iran's economy, especially with its progresses in price discovery and transparency in the last few years. He stated that, fact and figures show that IME has got a big share of the whole revenues of Iran's capital market, which speaks of the upward trend in IME's activities and its concern about absorbing market participants.

Bijani pointed out that steel and petrochemical industries are of crucial importance due to their connection to other industries and IME played a crucial role in provision of the infrastructure to make their markets more transparent which in turn will lead to more transparency in the whole production chain. He explained that the final price of a product is the reflection of the prices of raw materials used in making that product. That's why a transparent market for raw materials in IME means transparency in the production of the final product.

Bijani also insisted on the fact IME's activities in this regard is no limited to petrochemical product and the steel industry, but a good number of other products and industries make use of the transparent atmosphere created on this exchange.

Bijani also said that due to developments on IME within recent years we will be witnessing an increase in IME's role in our country's economy. Moreover, IME has got development of its international activities high on agenda.

He continued that currently foreign customers are buying their products from IME through



third parties. On the condition we manage to establish joint trading platforms between IME and foreign commodity exchanges buyers will be able to purchase from IME directly with transparent and fair prices. IME has initiated such projects and with some target markets has signed MOUs which will be followed with final steps and also the same scenarios with other countries.

He insisted that in all management levels of our countries transparency, fair price discovery and eradication of rent-seeking is appreciated and it's going to promote IME's position in the economy and helps to move toward more stability in a booming economy. Last but not least he said is IME's role in Iran's agriculture. Currently, a good number of farmers are under IME's coverage such that some agro-products are merely offered on IME the most recent of which is saffron and we will soon have more farmers introduced to IME's functions.

### Exploiting IME Capacities to Enhance Exports to Iraq

Secretary of The High Council of Free Trade Zones said IME's capacities could be exploited to increase export of Iranian commodities to neighboring countries including Iraq. There has been and MOU signed in this regard with free trade zones. Morteza Bank, President's Advisor and Secretary of The High Council of Free Trade Zones said that strong financial institutes and an active capital market are main constituents of a developed economy in the sidelines of Kishinvex 2018. He added that exchanges can play crucial role in here and we are about to make use of IME's capacities in this regard.

He explained that IME provides for all market participants equal opportunities for



business and we will use this to develop our ties with our neighbors through our free zones.

He pointed out the MOU between IMR and free zones for exports to Iraq and added initiation of exports to Iraq via IME is an advantage for both domestic and foreign market participants and also for investor of both sides and that's because the foreign side also appreciates transparency. Furthermore, using this method will make transferring money an easy task as it's no longer a physical job and could be accomplished via various methods.

He said in his final remarks that the statistics reveal that IME's performance has been excellent and we hope that IME will be able to be also active internationally and bring about trust for market participants of both side.

## IME is a Gate for Iraq to Get to Know Rules of Modern Economy

Vice president of Iran and Iraq chamber of commerce believes that exploiting IME's capacities in Iraq is an opportunity for Iraqi people to get to know modern structures of economy. Furthermore, launching a trading board for IME in Iraq will strengthen business ties between the two countries. It's better to start with metal commodities and to go to the next stage with petrochemical products. Hamid Hosseini said that the ambitious initiatives of the previous regime in Iraq ruined the country and now its market is appealing to many countries in the world. That's because rebuilding the ruins after four decades of war using oil revenues has created a very big market in Iraq. Consecutive wars in Iraq have caused industries like insurance, banking and exchanges to lag behind. Since last year IME has been taking steps to launch a trading board in Iraq which will provide not only an opportunity for Iran to be active in Iraq more than before but also for Iraqi people to get more information about the new world and the rules of modern economy and the world of exchanges.

Iraq is one of the biggest export markets of Iran, in the last 10 years there has been a remarkable increase in business relations between the two countries. From the beginning of the current hijri year, Iran has had a daily 20 million dollar export to Iraq which means a 14.01 percent of increase in weight of commodities and a 23.19 percent of increase in their value. There have been 10 categories of goods exported to Iraq including plastic products, agro-products, machineries and spare parts, minerals, food industries and building industries.

He continued that the value of exports to Iraq is nearly 7 billion dollars per year, but we have a prospect of 20 billion in the future. Since last year IME took some steps to launch a board in Iraq. IME's experience in trades of industrial products and raw materials and also agro-products and IME's continuous assessment of Iraq's market speaks of a good future for IME in Iraq. IME has got 3 plans for Iraq: establishing a joint commodity exchange, launching a branch as IME's representative in Iraq or launching its trading board in Iraq for transparent data dissemination and finally helping Iraq to launch its own commodity exchange.

Hosseini added that Iraq has got a stock exchange but not very active. Modern entities in Iraq like banks, insurance and exchange are not settled in this country. In the last 30 or 40 years that Iraq has been engaged in wars with Iran, ISIS and has been occupied by US, such industries did not make time to revise and renew themselves. Hence, we cannot expect Iraq to be very active in such areas. Iraqis do not have credit cards, not even a modern banking system, but we need to think of Iraq in 5 years from now.

He also said that IME helps people of Iraq to get to know modern structure of the new world. IME will definitely study the market and sets prices based on scientific methods and after considering market conditions.

Hosseini added that we have no issues with prices in metals. Metals coming from Ukraine and China cannot compete with us because they have to pay for delivery more than us as the neighbor of Iraq. If we cannot compete with other countries, it means that our factories are inefficient. He believes that IME can have impact in Iraq in 3 ways. IME had the plan to launch



a trading board in Iraq and launched its Arabic website in line with that. Regarding the fact that many of the products offered on IME are also need by Iraq's market, this trading board can prove very effective in relations between economies of the two countries.

He added that IME can also provide opportunities for participants to enter Iraq. One of our problems is that recognized brands of Iran are not active in Iraq. These brands are suppliers of IME and IME can prepare the groundwork for them to get active in Iraq through providing them with information on valuable business opportunities in Iraq.

Rebuilding Iraq is estimated to be 300 billion dollar opportunity and IME and Iran's capital market can play a crucial role as to getting collaterals for Iranian investors and also prepare the groundwork for Iranian engineering companies to enter this big market.

And also IME can be a venue for purchasing various products that Iraq's market needs like materials for buildings and oil and gas machineries and so on.

He continued that IME's trading board in Iraq can start its activity with metals as they have got a big market. We have been able to export 450 million dollars of steel products to Iraq in the first half of the current hijri year. Therefore, if IME can start with some products like rebar and I-beam we can keep our share of this 2 billion dollar market which in some years increase to 5 billion dollars.

Iraq needs 10 million tonnes of iron products. There are only 3 factories which can only produce 1.800 tonnes per year which do not meet standards. IME can introduce Iranian steel products top Iraqi people and increase volume of trade between them. As to the raw materials for building, Iran holds 50 percent of this market. We can continue having this share of this 2 billion dollar market if IME steps in.

Hosseini also talk about Iraqis interest in Iran's petrochemical products. Iraq is investing in industries that do not need complicated production technologies like packaging industries, plastics and disposable containers. That's why they need petrochemical products. One of their complaints in this regard is that they have no access to real producers of such products and have to trade with middlemen. IME can help us a lot in supplying PVC and polyethylene for Iraqis and use this opportunity as well.

## Iran's Exports to Iraq Increase by 100 Percent

Chairman of Iran and Iraq Chamber of Commerce said that Iran's export to Iraq will go up to 12 billion dollars by the end of the current hijri year, insisting that the feasible target would be 20 billion.

Yahya Al Es'haq said that Iran's exports value to Iraq in the first half of the current hijri year had been 6.6 billion dollars and is going to hit 12 billion by the end of the year.

Referring to Iraq's president visit of Tehran and his negotiations with Iranian officials Al Es'haq continued that considering the investments for renovations in Iraq, the 20 billion exports to Iraq is an achievable goal for Iran.

He added that Iraq's current approach is self-sufficiency and being capable to produce their need in their country and in line with that the two countries have agreed to define joint free trade zones and mutual investments.

He also said that we are designing long term plans for business ties between Iran and Iraq and Iraq's are inclined to get engaged in mutual investment programs instead of importing goods from Iran. Al Es'haq said that currently we have such investments on dairy product, but due to some merits which are important to both countries, it's better to do such investments on joint free trade zones. There will be some industrial parks in free trade zones on the borders between Iran and Iraq in which goods will be trade duty-free.

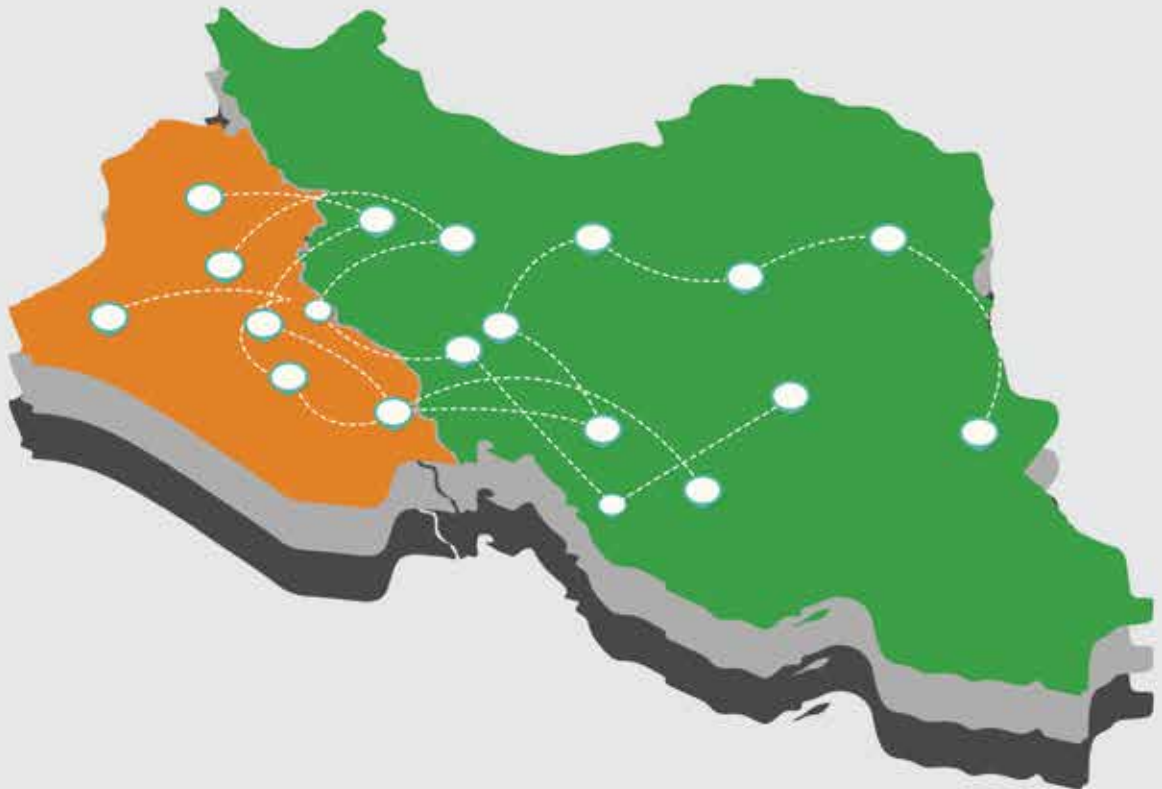
He explained that such industrial parks will enjoy the advantages of both countries with more amenities and less bureaucracy, which leads to much more business interaction.

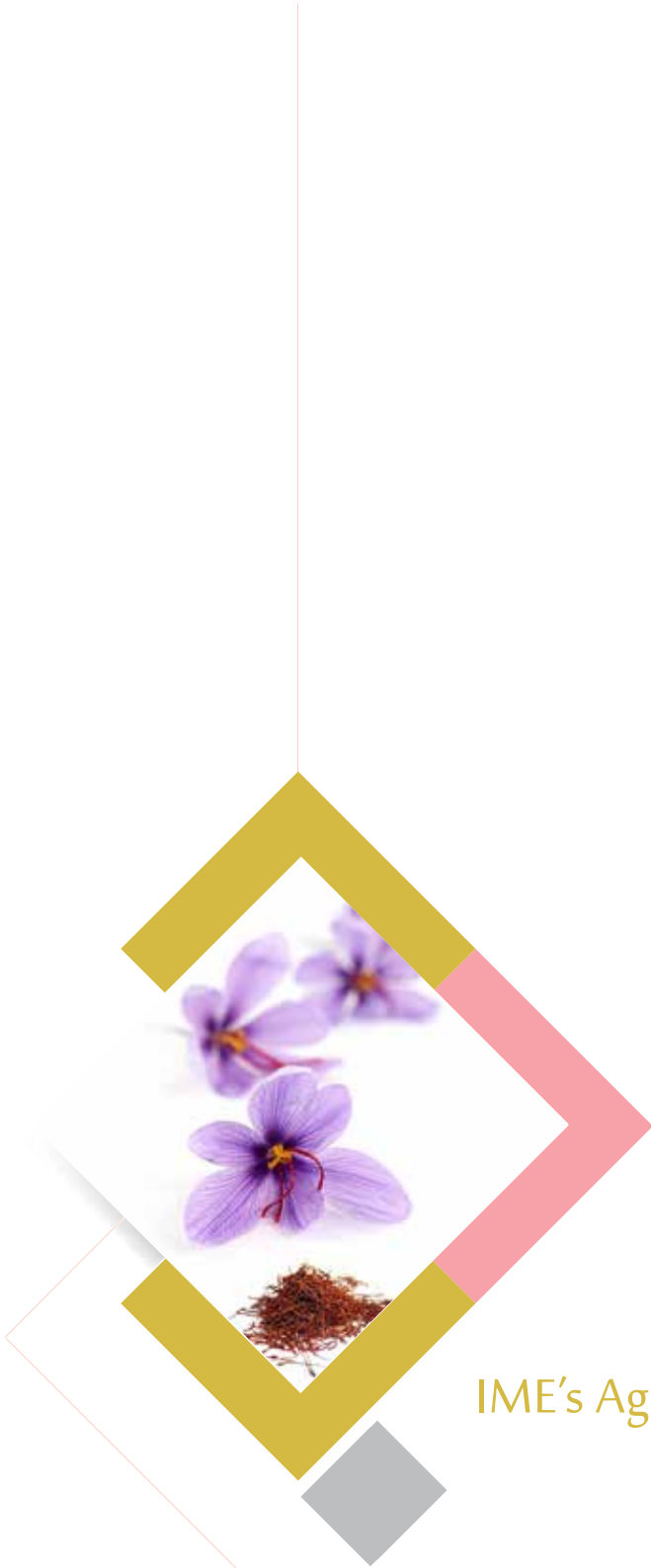
He said in the end that Iraq needs construction and building materials, food industries and

consumer product and the investments on joint free trade zone will be mostly on these fields.









IME's Agricultural Trading Floor





## Modernized Trades of Saffron on IME

Central Organization for Rural Cooperatives in Iran tried to modernize and standardize trades of saffron in current farming year (spot market, certificates of deposit and futures) to increase exports of the red gold. Due to such measures Iran managed to export 250 tonnes of saffron to international markets with the average price of 970 dollars per kilo and the maximum price of 1300 dollars per kilo.

Iran is the number one producer of saffron in the world with 88 percent of the global production and its export share in international markets has been 96 percent in the previous year.

Hasan Shirzad said in "Targeted Intervention in Saffron Market" symposium the Iranian Negin saffron in which there is no white or yellow parts and is merely constituted of stigma with safranal amount of below 1 percent is the best export saffron in the world. The place for planting it is 1350 to 2200 meters above the sea level. He continued that saffron should be priced such that we can preserve foreign markets and also make economical for our farmers to plant it.

He explained that saffron is basically an export commodity and is in need of modern markets and should be produced with international standards. If the price

is not fair enough for farmers they will abandon it and if the price is too high, foreign merchants will go to buy from other countries. This leads to other countries initiating plantation of saffron in their farms and we gradually lose the market to our rivals like India and Afghanistan. That's why pricing of saffron is so sensitive and requires all the participants of the production chain to cooperate in it.

Shirzad added that in the previous hijri year price of saffron drop suddenly and was under 30 million rials per kilo so that the Central Organization for Rural Cooperatives in Iran decided to buy 67 tonnes of saffron to protect and support farmers.

But this year, the intrinsic value of saffron as compared to other products and also international market prices were the basis for pricing. Furthermore, the whole saffron produced in Iran was offered on IME in a transparent venue for domestic and export consumption. As a result we come to a proper pricing for the farmers. That's because we are now capable of storing saffron in standard warehouses, farmers produce and offer saffron gradually in the market and the continuous demand of saffron during the year.



## IME Provides the Best Mechanism to Support Farmers

Iran's parliament spokesman for agriculture said that IME is one of the best ways to support farmers and protect their rights as it facilitates trades of agro-products and it's better to do most trades of such products on IME.

Noor Mohammad Torbatinejad pointed out that facts and figures reveal that there has been a positive trend in trades of metal and petrochemical products on IME in recent years and we are witnessing an increase in the volume of trades for agro-products as well on this market.

He insisted on offering agricultural commodities on IME and added that despite the resistance against such initiative from the very beginning we came to realize that it was to the benefit of farmers.



As to more products to be offered on IME he continued that at the beginning farmers are needed to offer their products on IME through cooperatives and prior to that their products are required to meet the proper standards. This way they will be no longer forced to sell their product to middlemen at very low and unfair prices.

He put forward the example of saffron and explained that every year businessmen take advantage of naive farmers and buy their produce at very low prices and export them at very high prices and have the real benefit of such trades in their own pockets. The trend is going to change from now on and farmers are going to receive the benefits of the toil.

## Governmental Plans to Make IME Global Price Reference for Saffron

Deputy Minister of Agriculture said that in the not too distant future Iran will be the only price reference setter for saffron in the world and its international commodity exchange, Iran Mercantile Exchange, will be in charge of it. We are witnessing a transparent mechanism in saffron price and quality. Saffron is going to be only exported by IME's approval and certificates. The central organization of rural cooperatives declared that the government has got the plan to establish the saffron international exchange along with other protective and supportive policies for farmers.

Shizad insisted on the government's plan for supportive purchase of saffron and its exports and said there has been 65 tonnes of saffron traded on IME and we need to expand this market.

He added that in the future we provide the suitable facilities to store and preserve

saffron to keep its market stable. This way we can buy saffron from farmers at the right time during harvest peak and protect the interests of farmers and also keep the trade balance for saffron.

He provide some statistics on this agricultural product sating that Iran produces 85 percent of the whole saffron in the world and last year 67 tonnes of it was purchased from Iranian saffron farmers at a price of between 45 million to 55 million rials and the fact that Iran' production of saffron has risen to 300 tonnes from the 30 tonnes within the last 30 years, out of which 200 tonnes are exported to foreign countries.

He also added that the saffron consumption per capita for Iranians is 1 gram, while this medicinal herb should be taken 10 to 20 milligrams per day which means nearly 5 grams per month.



## Packaging of Saffron Really Matters

Iranian Saffron will definitely conquer all international market on the condition we have proper planning for this product and exploit all our capacities and of course pay enough attention to packaging.

Saffron was once exclusively produced by Iranians and even in the past it was merely planted in Khorasan province and its corms were not allowed to be taken out of the province.

Unfortunately, lack of suitable management in agriculture, commerce and industry sections led to saffron losing its position as an exclusive product of Iran like pistachios and dates and pomegranate.

Countries like Afghanistan, Spain, China and Emirates which were previously importers of saffron from Iran are currently known as exporters of saffron, with Spain and Emirates staying above Iran's name in ranking in production and export.

One of our problems is that saffron use to be sold in bulk: an opportunity for foreign merchants to buy it and resell it with added value after packaging it attractively.

Shari'ati, CEO of Novin Saffron also approved of this problem and added that there have been constructive steps taken by Novin Saffron in this regard. He continued that there has been some initiatives in making new products based on saffron which is another step to decrease selling the raw product.

It seems that in the last decade our share of the market in saffron and pistachios has been harmed severely due to lack of knowledge with regards to traditional approaches of our merchants to marketing, packaging. Hopefully, companies like Novin Saffron are resolving the issue. Meanwhile, there

should be also rules and regulations that prevent selling raw saffron. We should also appreciate and incentivize those who come with new ideas as to making processed products based on saffron to discourage current trends as much as possible.



## Unrivaled Appreciation of Saffron Futures by IME's Customers

### Three Advantages of Launching Saffron Futures Market

In line with IME's attempts to develop its derivative market by focusing on agricultural products, a saffron futures contract with delivery in December 2018 was launched on Tuesday, November 6, 2018.

The derivatives market development manager of IME said: "Negin Saffron futures contracts initiated by IME since June provided the required ground for other types of the commodity including saffron strands. Because the production volume of saffron strands in the country is much higher than Negin saffron, introducing this new contract could lead to development of the futures market by increasing in the

trading volume.

Alireza Naserpour appreciated the acceptance of the saffron futures contracts in the first day of trading and said: "On the first day of trading, more than 11,900 future contracts for saffron were conducted for delivery in December this year which is an optimal volume and an extraordinary start for these contracts. At the time of launching the futures contracts for Negin Saffron on IME, no such trading volume was observed during the first day of trading, which could be attributed to the success of offering saffron strands in the form of futures contracts and its high attractiveness for traders as well as farmers.

### First Day of Trading

According to Naserpour, during the first trading day, about 11,911 saffron strands futures contract were conducted worth more than 158.8 million Rials (Approximately 3.8 million USD).

He added: "Since trading saffron through Iran Mercantile Exchange in the form of a certificate of deposit and futures contracts, it was heavily welcomed by farmers and many of them received the trading account on the exchange, and now are active in these market."

### Three Advantages of Launching Red Gold Futures

He described the benefits of trading saffron in the form of futures contracts and stated: The benefits of these contracts can be categorized in three main areas; so that the saffron futures market will provide farmers with the opportunity for direct sale of products in the exchange to receive the benefits of production, directly. This is while the main



source of income has already been collected by some middlemen. But the IME's futures contracts will decrease intermediation in the saffron market.

In his second major advantage, he said: "The discovery of a centralized, real, fair and transparent rate is another advantage that can mark the exchange as a reference agency for farmers and saffron workers, as there was no possibility of discovering a centralized and transparent rate in the traditional market. Being traded at different prices on the market, now in the advent of IME's futures market, saffron can be traded on centralized prices in the market and farmers can be informed of their product prices as well. In this way, the IME's trading mechanism ultimately leads to the price discovery in the agricultural industry."

The head of IME's market development and economic studies deputy said: "The third advantage of these transactions is the

possibility of hedging risks caused by the fluctuation of prices in the market. Inherent in the futures contracts, this advantage, in the field of agricultural products such as saffron will assure the farmer about the future price of his product and will insure against future price fluctuations.

### **We are ready to launch new Terms**

At the end, he accentuated: "After evaluating the conditions and conducting due diligence, Iran Mercantile Exchange is ready to launch the Negin Saffron and saffron strands futures contracts with new terms. But the goal of launching the December delivery due for future contracts for saffron strands is the convergence with the harvest season in order to help farmers discover a fair rate over this period.





## Offering Commodities on IME Benefits the Farmers/ Necessity of Real Prices for Market Development

The Member of Iranian Parliament Committee on Agriculture said: "Offering dates on Iran Mercantile Exchange will eliminate speculators and will transfer the profit of production to the farmers because through this mechanism a real price will be discovered for this product and all countries of the world can buy Iranian dates."

Habibollah Nikzadi Panah, regarding the harvesting and exporting the date in Iran, said: "Harvesting the date will end in late September. The condition of harvesting is better than in the past, but we are far from the price perspective, and we need more effort to achieve it."

The Member of Iranian Parliament Committee on Agriculture, Water and Natural Resources, saying that we are working to improve the packaging and grading situation, expressed: "Gardeners and businessmen are upgrading the date packing, but we need to standardize nonstandard cold stores."

## Dates Should Be Offered on IME's Agricultural Trading Floor

The Member of Iranian Parliament, pointing out that we must move towards the offering of date on IME's agricultural trading floor, continued: "Offering dates on Iran Mercantile Exchange will eliminate speculators and will transfer the profit of production to the farmers because through this mechanism a real price will be discovered for this product and all countries of the world can buy Iranian dates."

## Iranian Second-Class Dates are Exported to India and Afghanistan

Nikzadi Panah argued that Iran's second-class dates are being exported to countries such as Afghanistan and India, adding that the country's exports of dates are experiencing an upward trend, so that last year about 40 thousand tons of dates were exported and we expect it to increase this year.

The Member of Iranian Parliament Committee on Agriculture pointed out that Iranian first class dates are notorious but the culture of consuming dates, despite being considered as a perfect food, is not well established in Iranian society. We have to put this valuable and unique product into the food basket of the Iranian people.

Nikzadi Panah noted: "The people and the government should invest more in the production and export of date, and be more sensitive to the packaging of this product."



## Initiation of Supportive Price Plan for Maize on IME

In line with implementation of the supportive price policy for agricultural products, according to Article 33 of the Law on Agricultural Productivity, offering of maize from Kermanshah, Fars, and Khuzestan provinces will begin on the Iran Mercantile Exchange.

The Market Development and Economic Studies Deputy of IME said: "The implementation of the supportive price policy for maize will begin in two ways through the certificates deposit and on the physical market of IME. Alireza Naserpour added: "In line with implementation of the supportive price policy for agricultural products, according to Article 33 of the Law on Agricultural Productivity, offering of maize from Kermanshah, Fars, and Khuzestan provinces will begin on IME through certificates deposit framework. Also, maize produced in other provinces will be offered on the IME physical market.

He stated: "In the certificate of deposit framework, farmers, by depositing their product to the warehouses accepted by IME and obtaining a certificate of deposit, can offer their product on IME and after the transaction, will receive their money within three business days.

He pointed to the advantages of implementing the supportive price policy and said: "By implementing this policy, transactions will be transparent and prices will be discovered fairly based on supply and demand. In addition, the implementation of this policy will reduce the financial burden of the government and the farmer's product is sold in the simplest way, directly and without the presence of intermediaries."

Naserpour pointed out that in enforcing a supportive price policy instead of a guaranteed

purchase policy, the government only pays the price difference between discovered price on the IME and the guaranteed purchase price leading to the reduction of the government's financial burden and said: "The main advantage of using IME's trading platform for supplying agricultural products, will lead to transparency in transactions, and improving product quality. Indeed, the implementation of this policy, using the standards established in the exchange, will also increase the quality of produced goods subject to Article 33 of the Law on Agricultural Productivity Increase.

At the end, he said: "In the past experience of implementing this policy by the exchange, there has been a significant increase in the quality of the product produced. Therefore, the continuation of this policy in the exchange can be an important step towards improving the quality of manufactured goods in the agricultural sector. "



## CEO of IME; Details on Saffron Futures Contracts

Iran Mercantile Exchange has taken a major step since the beginning of this year with the establishment of the futures market for saffron to improve the market structure of this product. Hamed Soltaninejad, Chief Executive Officer, announced details of the new derivatives contract.

### The futures market for saffron has started its activities this year; what was the result of launching this market at this short time?

The statistics show that introducing new instruments for this product such as certificates of deposit and futures contract for attracted new investments in this market.

### What was the problem with saffron market in its traditional form?

The main problem was that the funds were not diverted to the saffron market in a systematic manner, and this gap left Iran behind the countries such as Spain in trading this valuable product.

### What is the position of Iran in the global trade of saffron?

Iran's share of the \$8 billion market of saffron over the past years has been less than \$1 billion in optimistic narratives and, according to pessimistic statistics, just about \$200 million, while 90% of world's saffron is produced in Iran.

We believe that Iran's weakness in saffron market is a traditional trade structure in this area and a reduction in investment in this field. Based on this, we believe that the issuance of certificates of deposit and futures contracts for saffron can gradually attract a lot of resources in this market. Moreover, in this short period, we have seen the effects and results of the modernization of the saffron market.

### What are the results?

Many of investors are not fully acquainted with the saffron market, and the lack of familiarity with this market has caused investment in this area to be reduced because identifying the type of high quality saffron from non-productive is a difficult task, but the exchange, with the issuance of certificates of deposit and futures contracts, has helped to enhance the standardization of this commodity and now investors can safely and even through the online trading network invest in the market for saffron products.

### How do you standardize the product?

Currently, we examine the saffron in the laboratory to determine the standards, and then store them in a specialized warehouse, which will lead to the standardization of this product.

## Are the interests of farmers and saffron producers considered in the IME's processes?

Yes. Of course, the launch of saffron futures would be mostly beneficial to farmers, since the IME's processes would facilitate farmers' access to the market and also they would have access to standard warehouses while having access to trading platforms and price lists. As a result, a large part of the benefits would be delivered to farmers, instead of the brokers. One of the reasons for our weakness in saffron global market is due to the way in which traditional saffron trading system operates, based on which only a few will benefit from this sector, while the futures market will provide the right tools to the producers and give the farmers the predictive power and increases their benefits.

In the past, how was the type of activity of producers and merchants in the saffron market?

In the past, intermediaries, before harvest, bought saffron crops at a very low price from farmers, and then sold at higher prices, but now the main beneficiaries are farmers.

## Do you have any statistics on the amount of offering and trading the Saffron in the IME's Market and its comparison to total production?

Of the total amount of 350 tonnes of saffron produced last year, approximately 60 to 70 tonnes of the product was traded on the IME's spot market, which accounts for one fifth of the country's entire saffron output; although in the futures market, because the delivery is not the case, trading figures are even greater than total production in one year.

## What is the next step?

As yet, our main focus has been on Negin Saffron, because firstly, the Iranian export market is mainly related to Negin Saffron, and secondly, its standardization is easier, as well as its players are more professional. Now, following the implementation of the Negin Saffron transactions, the market for filaments saffron (Poushal) that have a larger demand and is used by the public will be established on the IME.

## Is there any possibility of international trading of saffron in IME?

Yes. We began a study on the basis of which saffron futures transactions will be settled with foreign currencies; according to the new plan, which has not yet been ratified and finalized, futures contracts can only be made with foreign currencies to eliminate the risk of currency fluctuations from the futures market. I must say that the plan includes all futures markets in which saffron is one of them. As I said, this plan is a suggestion, and we are trying to check if there is a possibility of currency exchange on domestic bank accounts.

## Has the Iranian Saffron Trading Market and its price on the IME turned into a global pricing reference?

Yes. I'm aware that a group of exporters now use this price as a reference price.





IME's Metals and Minerals  
Trading Floor





CEO of Isfahan Steel Company at 4th Steel Price International Conference;

## Achieving Equilibrium in Steel Price through Trusting the Supply and Demand Mechanism

Managing director of Isfahan Steel Company at the 4th Steel Price International Conference emphasized: Trusting supply and demand mechanisms is the best way to balance markets. So that, during the period of imposing some restrictions on the supply and demand process and the price of steel on the exchange, the desired effects were not achieved, but when pricing restrictions were removed on the exchange, we witnessed price improvements.

Mansour Yazdizadeh added that after removing the price constraints and removing the competitive price ceiling, we saw that the price of steel products in the free market was decreased despite the increase in currency exchange rates; as a result, the IME's price and the free market price came close to each other, resulted by the confidence in the IME's supply and demand mechanism.

Yazdizadeh said: "The biggest challenge facing the world's steel industry is currently the imbalance in production and consumption, so China has maintained its production despite environmental constraints."

He also pointed to the major threats to the steel industry and said: the decline in demand in global markets, China's production growth, trade warfare, the slowdown in China's economic growth and also the decline in steel prices since July are among the threats to the steel industry.

Furthermore, he noted the effects of the sanctions and expressed that reduction in exports, increasing import costs, reducing ship visits, losing export markets, curtailing foreign exchange, sending steel to domestic markets, and closing the financial channels are the most important effects of sanctions. There are some ways to reduce the impact of sanctions such as establishment of export NGOs, conducting barter contracts, diversifying the channels of money transfer, supporting exporters, and developing and strengthening shipping, to name a few.



## Consensus at the Iran Non-Ferrous Industries Market and Related Technologies Conference & Expo

### Market Behavior is not reflection of our Personal Desires / IME is going its own way – We Just have to let it go

Metals industry has always been known as a symbol of industrialization and development of each country, and among economic development programs, development of metals industry has been of a certain importance. Unfortunately, non-ferrous metals including Copper, Aluminum, Lead, Zinc, Gold, etc., are less noticed than Steel although they can create a more competitive advantage.

In accordance with abundance of resources and potential markets in Iran in this field and also the impressive endeavor of our neighbor countries even in lack of having proper resources, it is mandatory to create a sustainable economic perspective in this industry and to assess available opportunities and threats.

The first Iran Non-Ferrous Industries Market and Related Technologies Conference & Expo was held in presence of government officials and private sector and industry activists and all speakers emphasized the importance of trusting the market mechanism.

Abdolreza Hashemzai, a member of Iranian Parliament, considered government intervention in pricing as one of the most important industrial challenges, and emphasizing the need for economic liberalization in the country, said that the nationalization of the upstream industries, including copper industry, has weakened them during the past years.

Saying that these types of interference are not in the interest of the producers, added: "In the past years, we also had a government pricing experience, which resulted in overflow of huge profits in the pocket of dealers and unreal exporters that scrapped a product like copper and then re-sold in the market or exported to countries like Turkey. Now with the previous failed approach, we are seeing a return to the traditional way, which will result in rent and corruption."

Hashemzai emphasized: We must allocate the profits generated by government intervention in pricing and quotation of goods to the producer. Regarding commodity pricing at a rate of 42,000 IRR/USD, this experience was repeated, during which we created an opportunity for abuse for certain people. So why not allow these billions to remain in production?

He criticized the wrong regulations and said: "We have blocked inflow of foreign capital by wrong policies; we also run the country with ever-increasing regulation. Given that, how a producer must meet the required capital requirements? On the other hand, it is impossible to sell export-earned foreign currency and there is no possibility of investment."

He believes that to have a healthy economy, market should not abide by arbitrary orders, as this would lead to corruption in the country, and would undermine the trust of society and the people towards the authorities and the government. Hence, we have Iran Mercantile Exchanges in the country that can be a means of reaching the market economy.

## Increase in Offering Aluminum on IME

During the meeting, the head of the board of Iranian Mines & Mining Industries Development & Renovation (IMIDRO), in his speeches pointing to the government's efforts to promote the status of mining and mineral industries among people, officials and policy makers, said: "Mineral and related industries account for about 23 percent of the stock market value, indicating that the industry has a large position in the country's economy, which can be expanded."

Emphasizing that the economy should be allowed to go its own way, Mehdi Karbasian said: "One of the suggestions the organization has given the government is to move from hasty decisions to reasonable ones."

About the problems of aluminum suppliers in supplying raw materials, he said: "Al Mahdhi Hormalsal and Iralco are the major producers of this sector. But Salco and Jajarm Complex will soon supply their products on the market, and we hope that the problem of aluminum manufacturers will soon be overcome."



Karbasian said: "You say why IMIDRO does not offer aluminum and aluminum billet in the markets? It is because there is not the producer who can supply the raw materials to the industry. The organization regarding his claim of Al Mahdhi Hormalsal Complex received about 7 to 8 thousand tons of ingots, which were permitted by the costume for about 1,000 tons of it that was traded on the IME. We have not yet received the necessary permissions to supply the rest of these products, but as soon as we receive the relevant licenses, we will offer it on the exchange."

## Opposition to Imposing Limits on the IME

Regarding the pricing of non-ferrous products in IME, Deputy Minister for Mining and Mineral Industries' Affairs said: "Recently a meeting was held by the market regulator for the pricing of non-ferrous products in IME based on NIMAEE exchange rate, which we hope the problem of mineral industries will be solved by the determining the pricing process in this section."

Jafar Sarqeiini, arguing that the method can be used to support the mineral industry, said the market regulator has accepted the pricing logic with the NIMAEE exchange rate and we hope that upon receipt of relevant approvals this pricing method will be officially announced.

With regard to the problem of aluminum producers in providing raw materials and the aluminum industry syndicate criticisms and disrespect to the comments of the activists of this section to the suggested pricing formulas, he said: "It is true that all of the aluminum industry syndicate's needs were not met in the pricing formula, but with some advices, finally, the ceiling of price competition was removed on the exchange."

He alluded: "This measure for steel and copper products has led to a surge in supply over the demand over the last offerings, and we hope that with these arrangements, and with the continued supply of bullion and billet, aluminum transactions will soon be in equilibrium."

Sargheini added: "Regarding the recent challenges and false demands created by the market, the syndicate has great collaboration with the Ministry of Industry, Mine and Trade to identify real consumers. Of course, our only difference with the syndicate was in the price formula that the Syndicate proposed formula produced a huge price difference; so was not accepted."

He pointed to the restrictions imposed on the exchange for determining the base exchange rate of 42,000 IRR/USD and said: "I do not agree with the limitations, because we the government pays the greatest portion of limitation costs. Before determining this exchange rate, government did not have any involvement in the exchange's transactions, but in the case of a market inflammation, the buyer could not be left alone, and in some cases, if the government takes a very passive role, the problems would be greater."

He emphasized: "In the case of aluminum, whose prices have risen sharply in the market, if the producers come to the same level as copper and steel producers, prices will be broken and the market will be balanced. In such a situation, the government will let the market and the exchange to go its own way."

He also pointed to lead and zinc pricing in the IME and said: "In order to determine the appropriate formula for lead, according to meetings held with the Lead and Zinc Association of Iran, it was decided that the producers of this area to offer their products in two sessions so that if the competition prices was discovered based on a NIMAEE exchange rates, as with copper and aluminum, the pricing formula for this product is also determined by Nimaee's currency system.

## Statistics on Copper Transactions on IME

According to the managing director of the National Iranian Copper Industry Company, the production figures of the complex were mentioned and said: In the first six months of this year, about 115,000 tonnes of copper cathodes were produced, which in September for the first time, monthly production figures increased to 20,000 tonnes. It is expected that due to the increase in production, this amount will reach about 23,000 tonnes in October. With the same trend, by the end of this year, we will produce about 230 thousand tons of cathode copper, of which 60 percent will be allocated to the domestic market and 40 percent to the export market.

Mohammad Reza Bonaiasdi Rad pointed to the statistics on the offering of the complex on the exchange and added: "In the first half of this year, 60,000 tonnes of copper cathode was supplied on the domestic market and 40,000 tonnes were exported, and despite the requests of foreign customers, we tried to prioritize the need for small and medium-sized domestic units to prevent crises.

### IME's Mechanism Brought Production Profits to Producers

Creating a positive and transparent environment for conducting business transactions has always been one of the main needs of all industries, including the mineral industry, and because of this, the possibility of a clear and real business trade will be provided and the industries can easily operate in the field of optimal distribution of raw materials. Meanwhile, the Iran Mercantile Exchange is one of the institutions that, according to many industry leaders, helped the country

and improve deals by providing transparency in prices.

Hamid Reza Azimian, Managing Director of Mobarakeh Steel Complex, pointing out that IME is a clear and transparent solution for price discovery, said that it is impossible to support production in an unclear space and IME is one of the best ways to create transparency and strengthen official markets in the country.

### Last year we saw a record breaking success as to value and volume of trades on IME after 10 years. What do you think of the reason for these records?

Last year, based on statistics and data, the exchange managed to earn more than 1000 billion Rials or half the value of the capital market of Iran, indicating the industry's confidence in this market. In the last 11 years, by providing a transparent space for transactions, the exchange has always tried to provide the required ground for the distribution and allocation of optimal raw materials for production, and also to transfer the production profit to producers through





elimination of intermediaries and the use of financial tools. By doing so, the costs of the producer are greatly reduced and the cost of goods traded on the exchange is also diminished, as the supply process in the exchange prevents the goods from being interrupted and the products are provided directly to the consumer being very important in economic terms.

### Now that 11 years have passed since the IME's establishment; do industries today look at the exchange as a supporter?

It is impossible to support production in a non-transparent environment; one of the best ways to create transparency is to strengthen official markets in the country. Economic activists and investors are aware that the presence in law-based markets is based on economic rules and transparency. Accordingly, the balance between supply and demand and support for production can be provided by IME. In addition to its role in regulating the market, the exchange can step up its efforts to provide financing for companies to get closer to supporting Iranian production and goods.

Traditional trades always have a lot of problems in how to conduct transactions and monitor them, obtain the necessary guarantees, ensure the quality of goods, discover fair prices and mediate, and these reasons have created a systematic mechanism for trading commodities in the world called commodity exchanges. . Based on this model, the Iran Mercantile Exchange, since the merger of the Metals and Agriculture Exchange, has been responsible for transforming the country's traditional market into a modern and transparent market.

Before the establishment of Iran Mercantile

Exchange, the market for industrial and steel products in the country has always faced with many structural constraints and limitations. One of these problems stems from the fluctuations in prices, the existence of intermediaries, and the lack of transparent pricing systems based on interaction of supply and demand; therefore, there was no balance between supply and demand, and intermediaries easily had speculation opportunity in supply side to increase prices unreasonably, but with the launch of the exchange, the real prices were discovered and the main gain was delivered to the producer and consumer.

### How do you evaluate the role of IME in eliminating abuse grounds in commodity markets?

Some of people gain profit from market turmoil, but taking logical decisions based on economic principles to regulate the market is the only way to avoid the market turmoil. In this way, the real prices discovery, based on actual supply and demand in the exchange, is one of the main paths to create transparency and equilibrium in transactions. The experience in the last months and exchange rate fluctuations clearly showed that if we had the proper transparency in different markets, some middlemen would not find the opportunity to create inflammation in the market.

All officials and metal market activists have emphasized that with the help of the IME, the country has been abandoned by the remittance system for steel products. Before the establishment of the IME, the distribution of basic goods was carried out with remittance and in coupons, on the pretext of controlling the price and delivery of consumer goods cheaply. In

those years, people who needed goods like steel should buy their materials from the open market; while many people obtained the steel remittance through rents, and sold it immediately after the cargo exited the steel mill.

The IME has been established with the philosophy that if there is a margin of profit on the market, it should be transferred to the factory and shareholders of that production unit, not to the brokers who have not invested his capital or borne any hardships for production. Thus, with the launch of the exchange, the role of intermediaries became less and less profitable to the real producer and investor. This transparency has also led to the possibility of oversight of regulatory agencies and regulators.

### How far is it possible for industries to utilize financial instruments of the capital market?

On the one hand, the main function of the IME is to create transparency in the process of trading goods, and this advantage during the sanctions can play a decisive role in balancing the markets. Also, the IME's potentials are so high that the exchange, after a decade since its establishment, is at the beginning of its path. But on the other hand, the development of financial instruments, offering diverse services to economic activists and investors, is one of the IME's potential. Of course, the use of these tools requires more familiarity with the industry, and the culturalization needs to be made in order to increase the number of economic activists in this market, in which case we will see the widespread use of the financial instruments by industries.

### In the end, explain Mobarakeh

### Steel's plans for the second six months of this year.

The most important thing to do is to continue the implementation of the studied and technical projects that the Mobarakeh Steel is in the process of implementation. Because the projects under construction have cost a lot and are therefore going to continue to achieve these project's final results as well as the completion of the steel chain from the iron ore. Due to the fact that the completion of the steel chain has been approved by the Mobarakeh Steel Board of Director, the mission is to continue along the same path. One the other plans of Mobarakeh Steel Company are finding new markets to expand its exports.





## IME's Oil and Petrochemical Trading Floor





## Increasing Share of Petrochemical Cooperatives in IME's Trading

CEO of Iran Mercantile Exchange at the conference on Sustainable Production and Development, Downstream Petrochemical Industries and Cooperative announced that according to the statistics of IME, the share of cooperatives has increased in volume and value of petrochemicals trading in the first six months of this year.

The Managing Director of IME described the IME's capacities in realizing Resilient Economy policies by looking at cooperatives and said: regarding the conformity of functions, actions and plans of IME with the general policies of resistance economy, we can mention legal articles. The first article of the Resilient Economy policy is to maximize the participation of the community in economic activities. In order to implement this article of the Law, on IME, it is possible to create a national market accessible to all economic activists and to improve participation by facilitating and encouraging collective cooperation and the development of the regional trading floors of IME in different parts of the country. We need to consider culturalization alongside the development of electronic infrastructure in order to provide low-cost access to transitions.

Hamed Soltaninejad referred to other parts of the Resilient Economy and stated: "Regarding the article 3 of these policies, IME can help to benefit the region and exploit the diverse geographic capacities and capabilities by creating a national market."

"If the Iran Mercantile Exchange is linked to the warehouses, the supply of various products can be facilitated in this market and there will be a clear, precise, and instant access to the goods in the listed warehouses," he added.

Regarding article 5 of Resilient Economy policies on gaining fair share by factors in the production chain production to the consumption, he spoke on the possibility of facilitating the discovery of fair rates by eliminating the inefficiencies of markets and arbitrage positions on the exchange and stated: "The paragraphs 6, 10, 12 and 13 of these policies also considers the potential to establish a framework for cooperation between regional commodity exchanges in order to diversify the supply of imported goods with a view to reducing dependence on a limited number of countries."

Soltaninejad said: "It is also possible to form new markets and diversify economic ties with countries, especially the countries of the region, using the capacities of international and regional organizations, and diversifying the methods of exporting goods through the development of export ring transactions. Increasing cooperation with free zones in order to expand and facilitate the export of goods, and the provision of essential and financial resources from abroad, and the creation of trading floors in free economic zones is also possible through IME's structures."

He added: "For the sake of transparency and soundness of the economy and the prevention of corruption, as set out in article 19 of these policies, IME can provide a transparent framework for country-wide commodity transactions, and provide trading statistics instantaneously and electronically. It is also possible to improve the trade and the commodity exchange cycle using modern financial instruments based on the market system and through cooperation with the standard organization in the commodity standardization, the obligation to trade standard goods and also the development of a standard warehousing system."



Subsequently, Soltaninejad, with introduction of IME's financial instruments, commented on the functions of commodity based certificates of deposit and said: "In IME transactions are made in a variety of ways including cash and credit transactions, SALAF, options and futures contracts, commodity based certificates of deposit, ETCs, standard parallel SALAM contracts, and debt, premium and forwards contracts."

Referring to the fact that the petrochemical industry transactions are made in the physical market, he said: "During the first half of the last year, the cash market of petrochemicals trading was 1.93 million tonnes that has reached to 2.43 million tonnes showing a significant growth. Out of this volume, in the first half of the year 1396 hijri, about 270 thousand tonnes of products were traded by cooperatives on the IME, which reached 349 thousand tonnes over the same period of this year. Based on this, it can be said that the share of cooperatives in the volume and value of petrochemicals transactions in the first six months of this year was 14 and 16 percent, respectively, which is still necessary for cooperatives to increase their presence in the exchange."

Soltaninejad emphasized that one of the IME's features is that reactions and feedbacks on the market after trading can be watched carefully, that can help achieve the goals of Resilient Economy policies.

He pointed to the use of premium discovery instrument in the world's commodity exchanges and said: Premium discovery mechanism is a popular instrument in the world's commodity exchanges and can meet the needs of both the producers and the consumers, and assures them about prices that are determined in a competitive atmosphere.



## The Need for a Comprehensive Mechanism Supply of Petrochemicals on IME

Secretary of the Association of Petrochemical Industry Corporation (APIC) at the first Cooperative, Resistance Economics, and Petrochemicals Conference emphasized the need to comply with the minimum level of supply of petroleum products determined by the Iran Mercantile Exchange.

Ahmad Mahdavi Abhar, referring to the inflammation in the bottle petrochemical market this year and the measures taken to improve the situation, said: "Last year about 20 percent of the export of PET bottles took place, but this year in order to reduce the inflammation in the market, the amount of export reached zero.

He added that the petrochemical market was fluctuating due to currency fluctuations, and demand rose, but if the minimum level of supply were observed on the exchange and the commodity reaches the real producers, there would be no shortages in the market and the production units will survive intact.

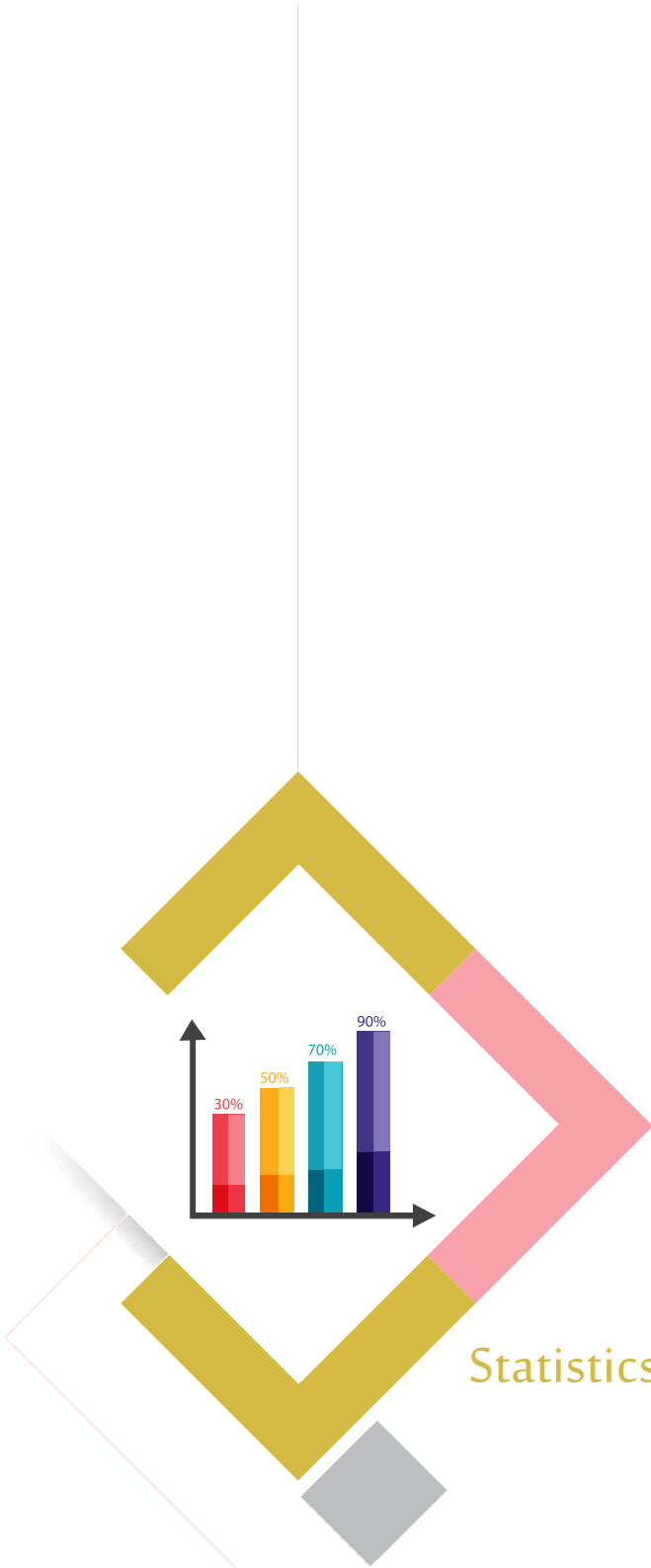
He argued that we always agree with the exchange and strengthening the supply of products on this platform, and emphasized: "The trading platform has provided a great market for a variety of products, including petrochemicals; IME is a modern market that industries must use the financial instruments offered by it."

Mahdavi emphasized that the exchange is a transparent market for trading, and pointing the support of APIC for the IME's trading mechanisms said: "We approve IME and believe that the exchange should be a place to attract customers and industry activists so that various products of the petrochemical industry be traded in this transparent market."

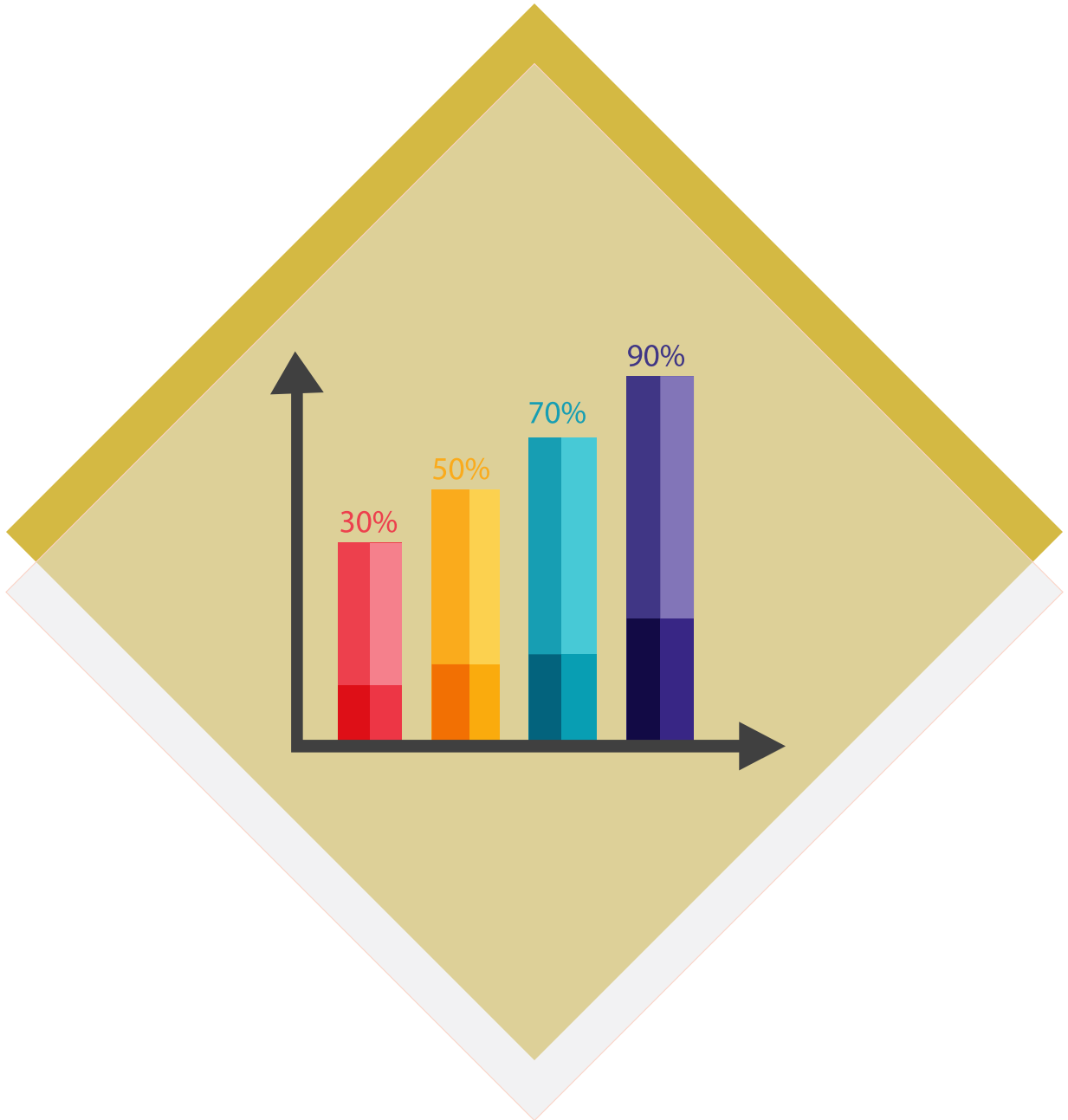






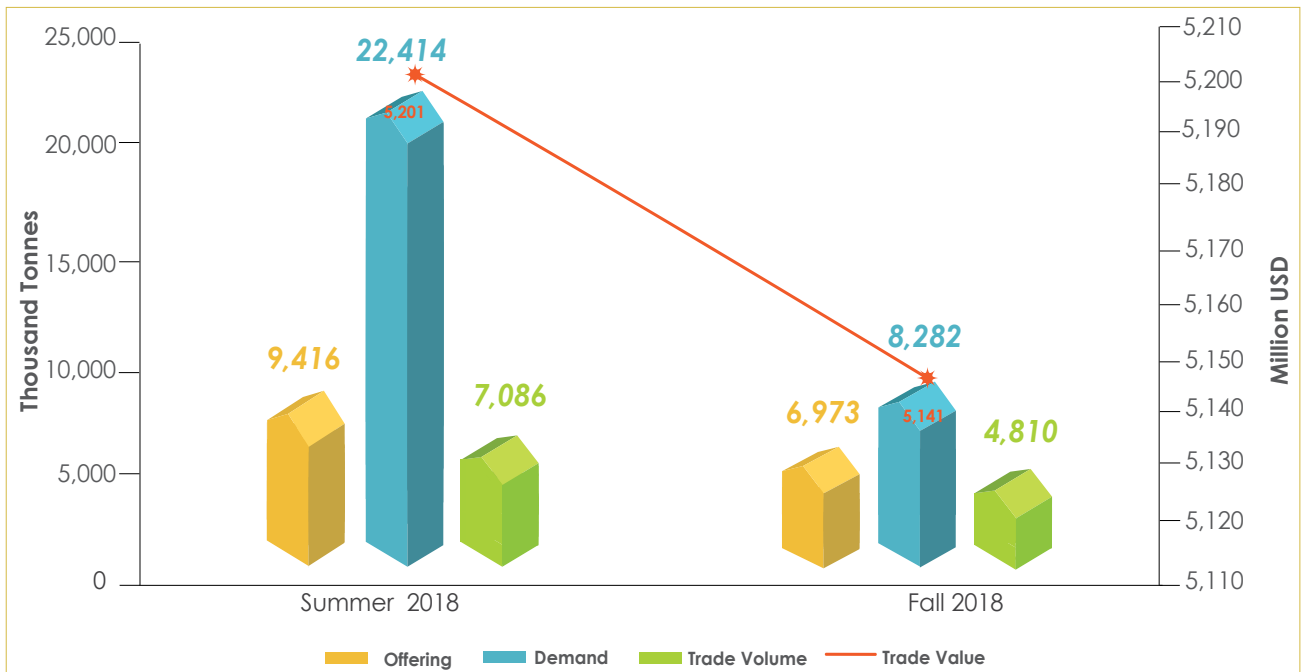


## Statistics of IME Business



### An Overview of IME's Physical Market

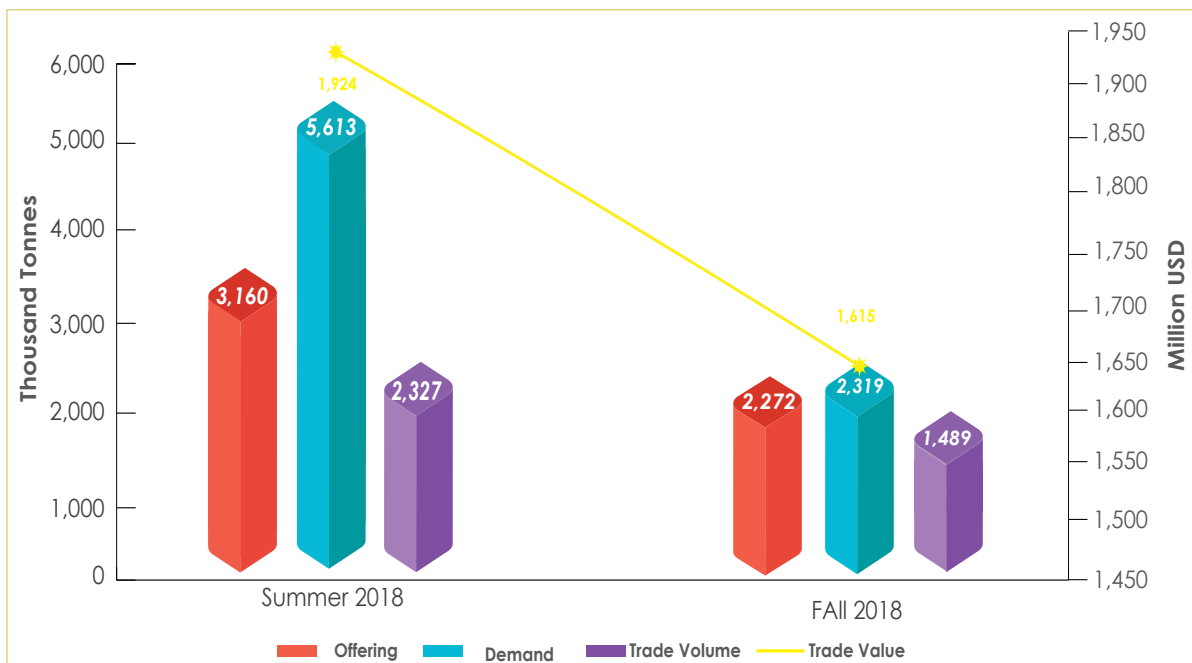
Within the third quarter of 1397 hijri year (23 September, 2018– 21 December, 2018), IME saw trade of a total 4.8 million tonnes of commodities on its physical market, the value of which stood at 5,141 million USD. The figures show a downward trend as compared to the second quarter of the year with 32 percent decline in trading volume and 1 percent decline in trading value.



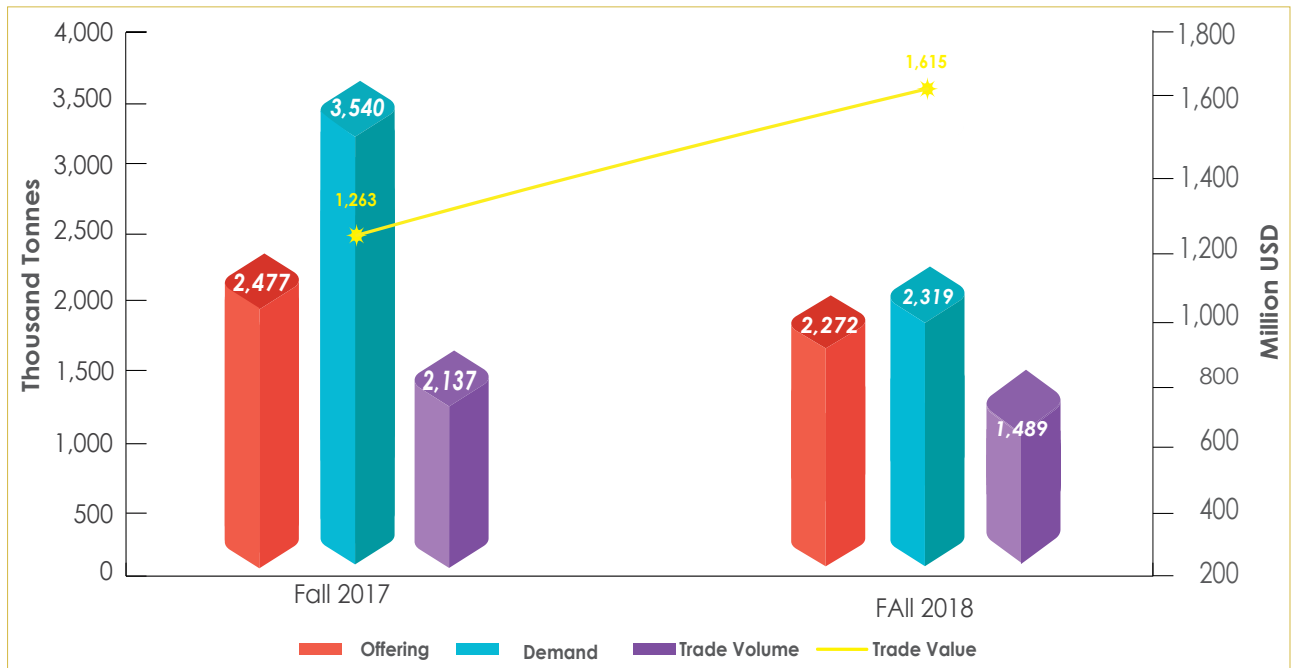


## Industrial Products

The industrial trading floor of Iran Mercantile Exchange witnessed a trading volume of 1.48 million tonnes valued at 1,615 million USD in the third quarter of 1397 hijri year (23 September, 2018– 21 December, 2018), showing 36 and 16 percent decrease in volume and value, respectively, as compared to a 3-month period before that.

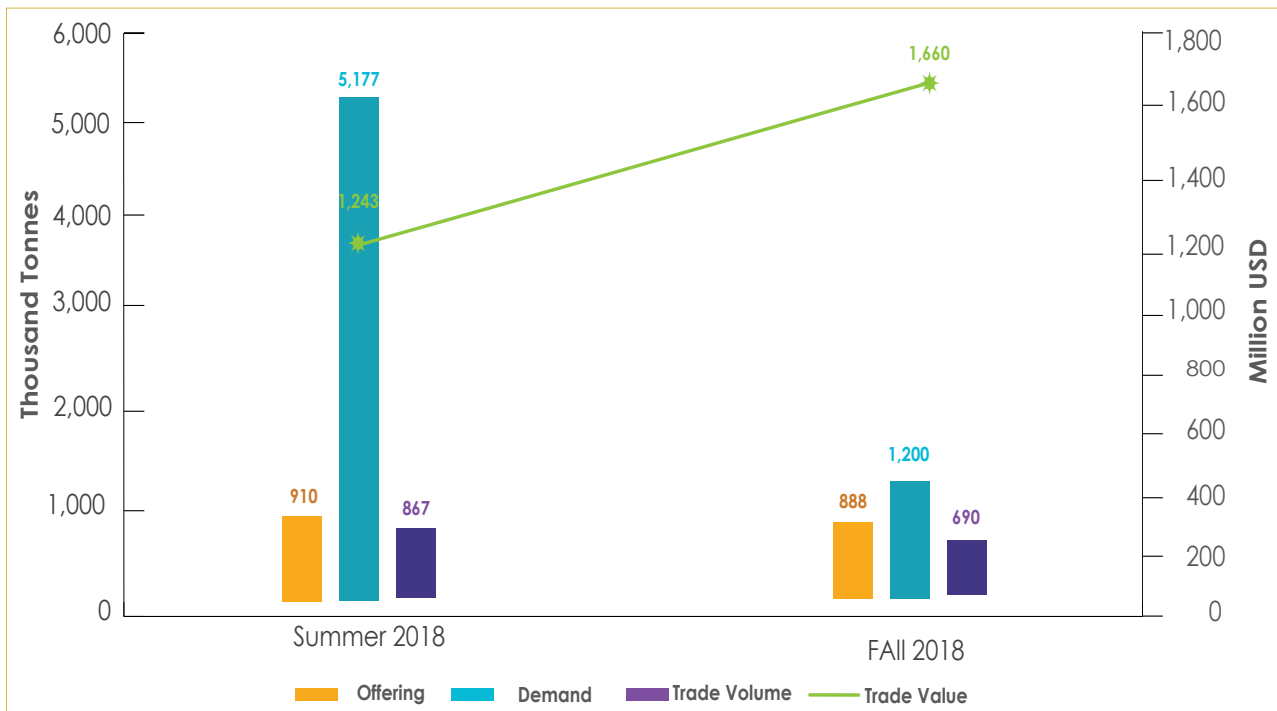


Moreover, comparing volume and value of trades between the third quarter of 1397 hijri year (23 September, 2018– 21 December, 2018) and the same period in the previous year reveals that IME saw 28 percent growth in trading value.

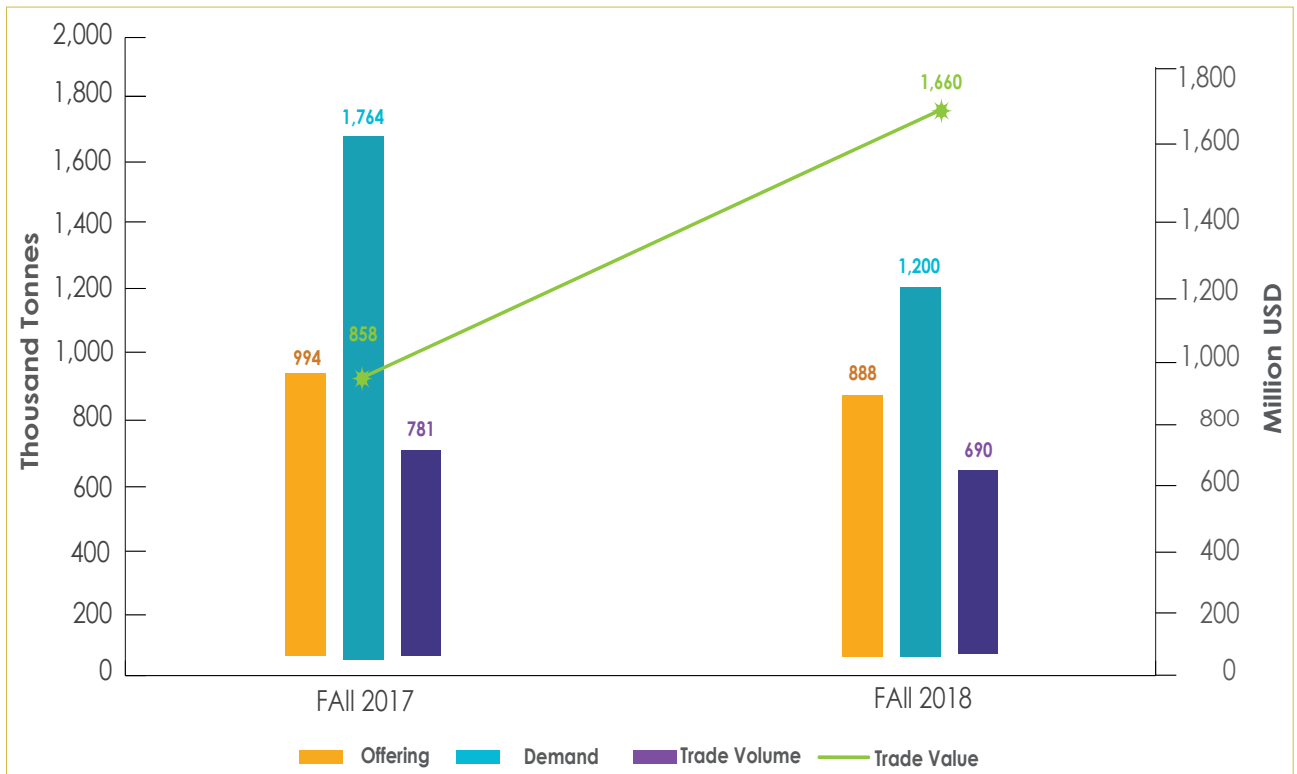


## Polymeric Products

In the 3rd quarter of 1397 hijri year (23 September, 2018– 21 December, 2018), volume and value of trades on IME's physical market for polymeric products stood at 690 thousand tonnes and 1,660 million USD respectively, witnessing a growth of 34 percent in trading value and a 20 percent decline in trading volume, comparing to the second quarter of the year.

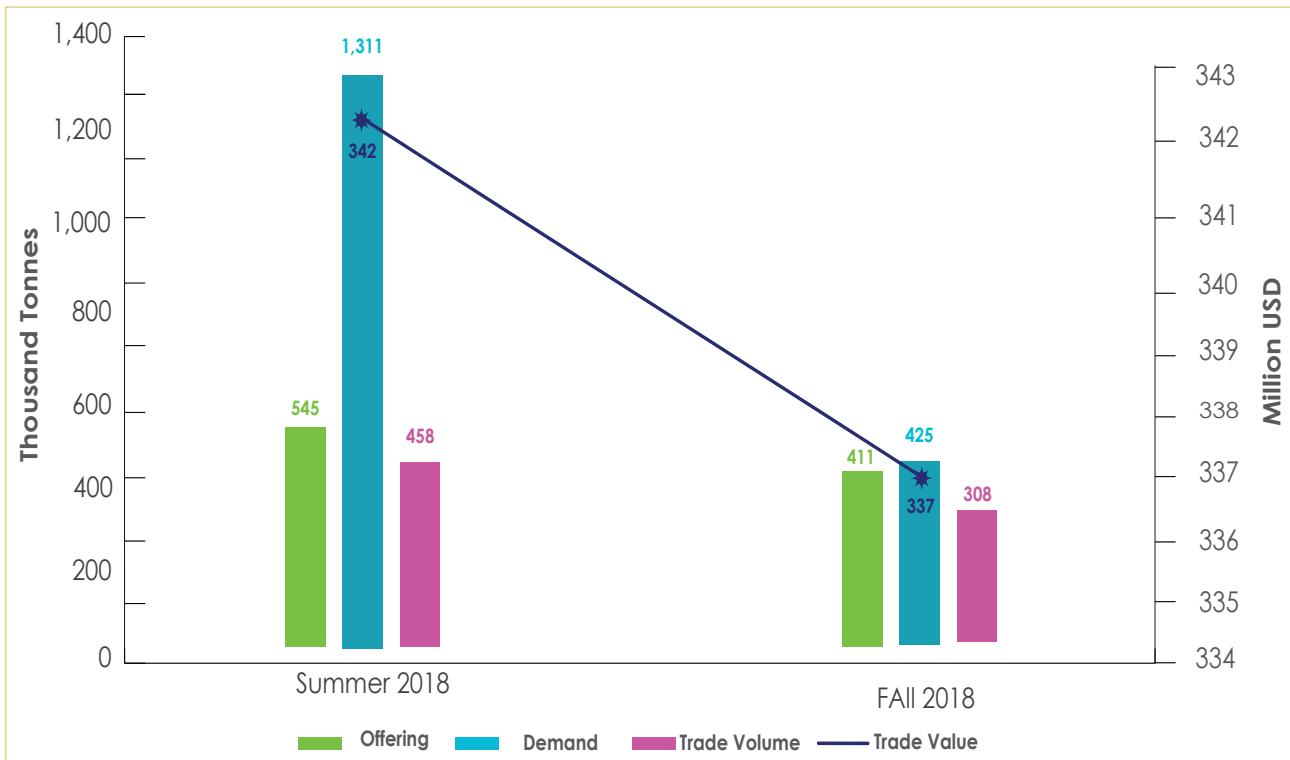


Moreover, comparing volume and value of trades between the 3rd quarter of 1397 hijri year (23 September, 2018– 21 December, 2018) and the same period in the previous year reveals that IME saw 94 percent growth in trading value and 12 percent decline in trading volume.

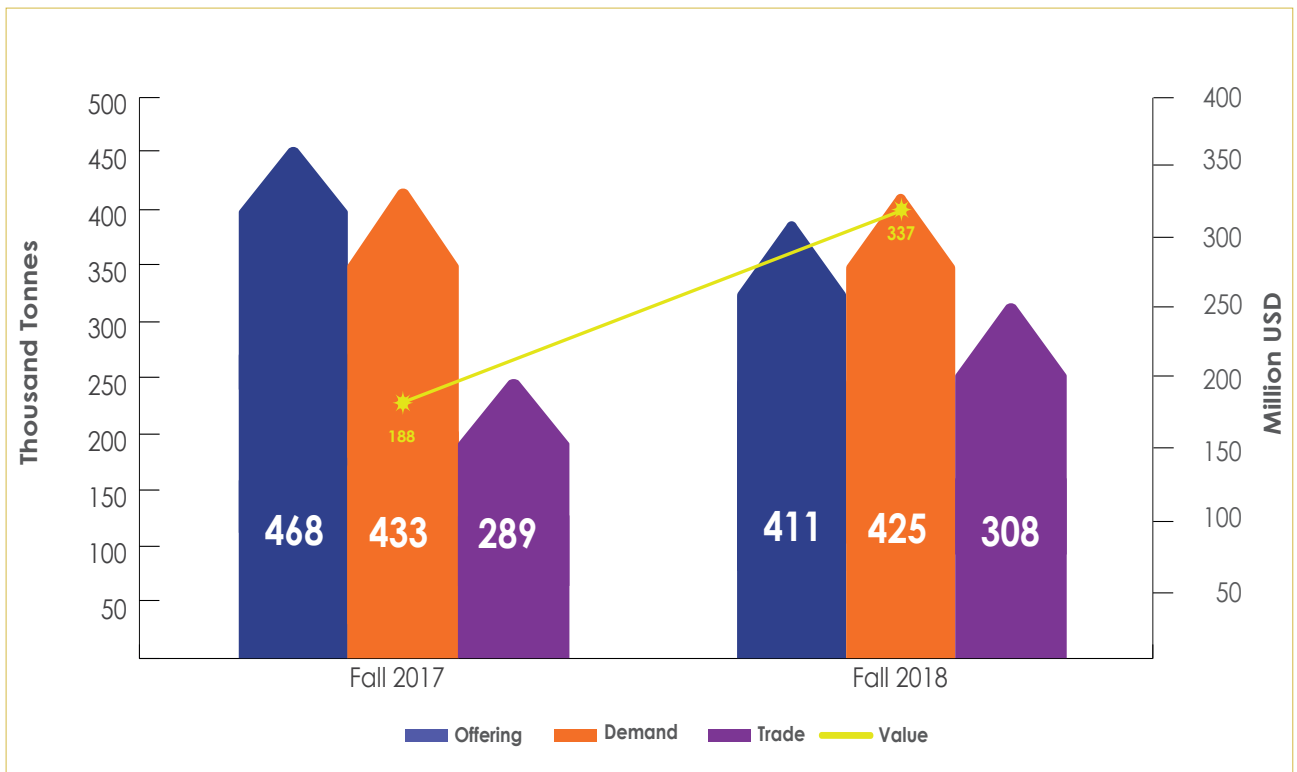


### Chemical Products

Within the 3rdquarter of the current hijri year(23 September, 2018– 21 December, 2018), IME traded 308 thousand tonnes of chemicals valued at 337 million USD, showing 33 and 1 percent decline in trading volume and value, respectively, in comparison to the second quarter of the current hijri year (22 June, 2018– 22 September, 2018).



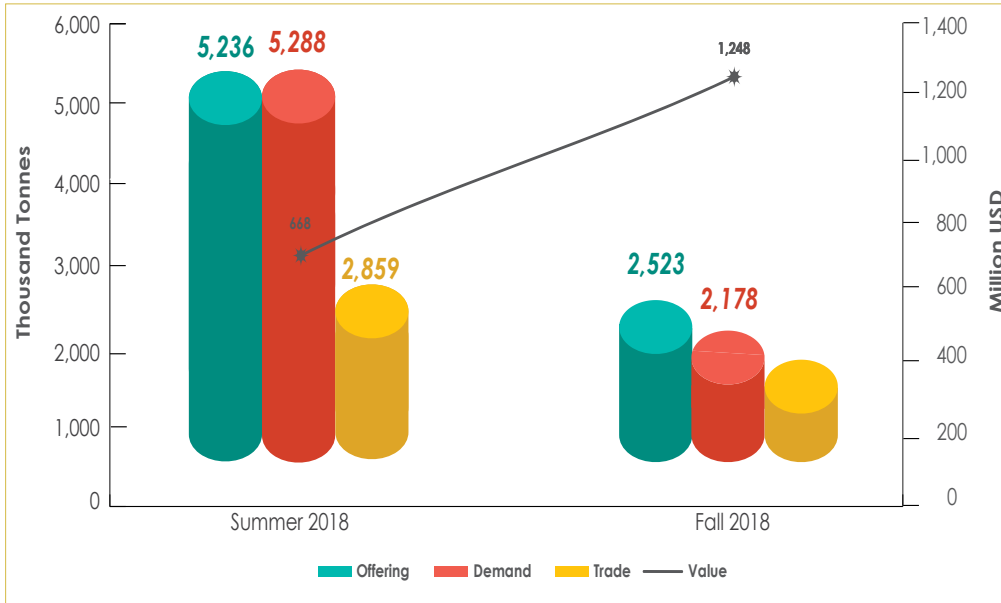
As to the same period in the previous hijri year (22 June, 2017– 22 September, 2017), volume and value of trades of chemical products shows 7 and 79 percent of growth respectively.



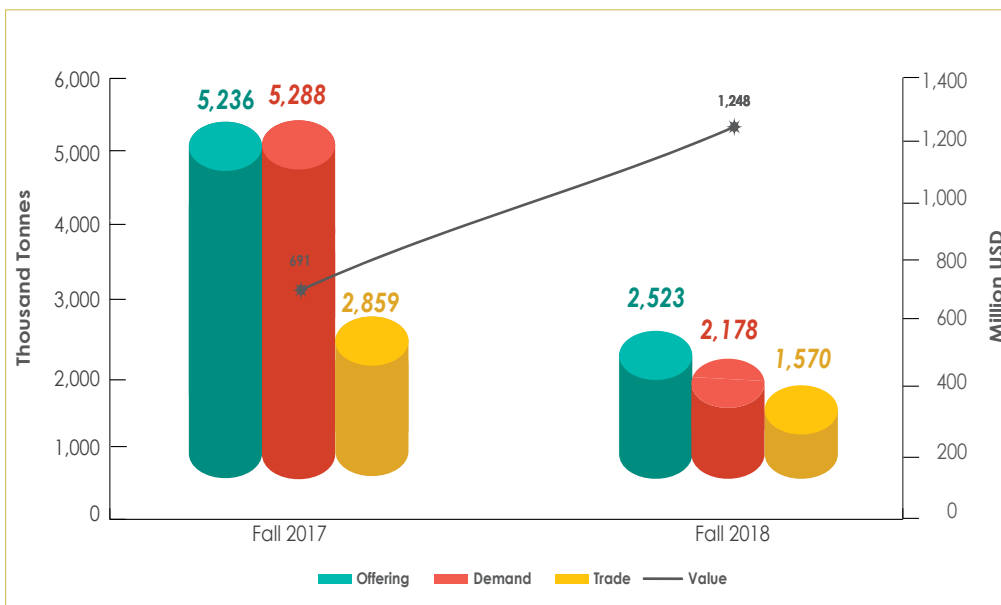


## Oil Products

Within the 3rd quarter of the current hijri year (23 September, 2018– 21 December, 2018), there were 1.5 million tonnes of oil products traded on IME in total, including bitumen, vacuum bottom, lube cut etc., valued at 1,248 million USD, which showed a 43 percent decrease in volume and a 10 percent decline in value as compared to the previous quarter of the same hijri year (22 June, 2018– 22 September, 2018).

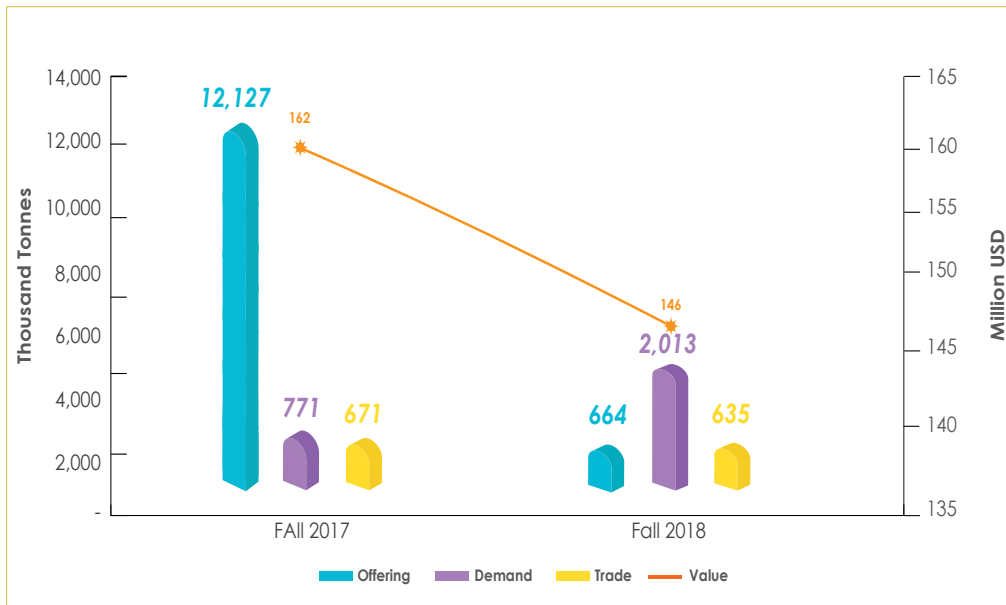


The figures for the same period in the previous hijri year are more than 45 percent decrease in trade volume and 81 percent of growth in trade value. The growth in crude oil prices in the world and, consequently, the growth of the prices of oil products were the main reason for the growth in value of transactions during this period.

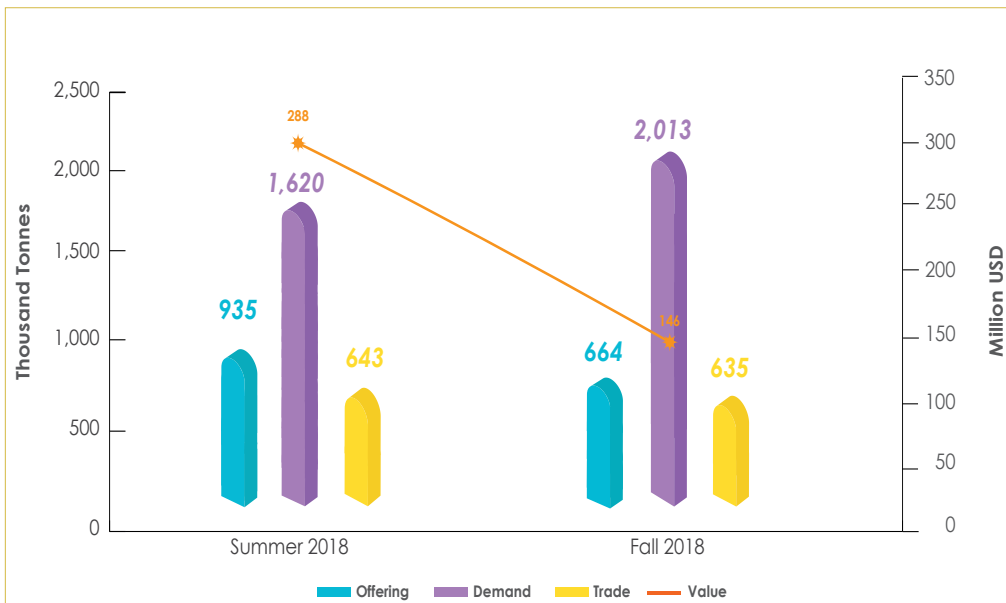


## Agro-products

In the 3rd quarter of the current hijri year (23 September, 2018– 21 December, 2018), IME witnessed in total trade of 635 thousand tonnes of agricultural products valued at 146 million USD; a 5 percent decrease in trading volume and a 10 percent decline in trading value compared to the same quarter of the previous hijri year (23 September, 2017– 21 December, 2017).

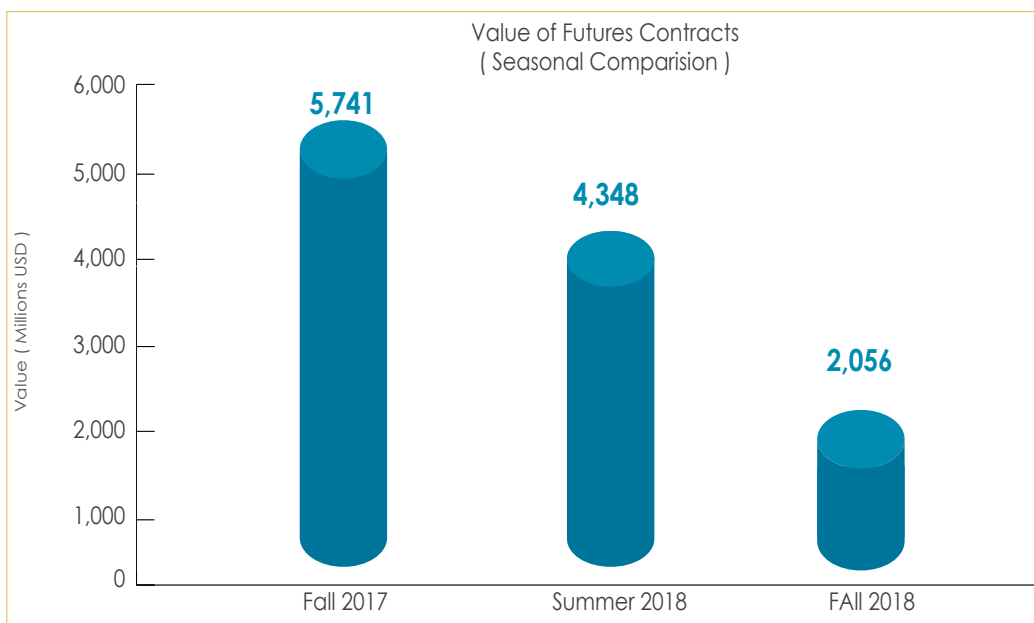
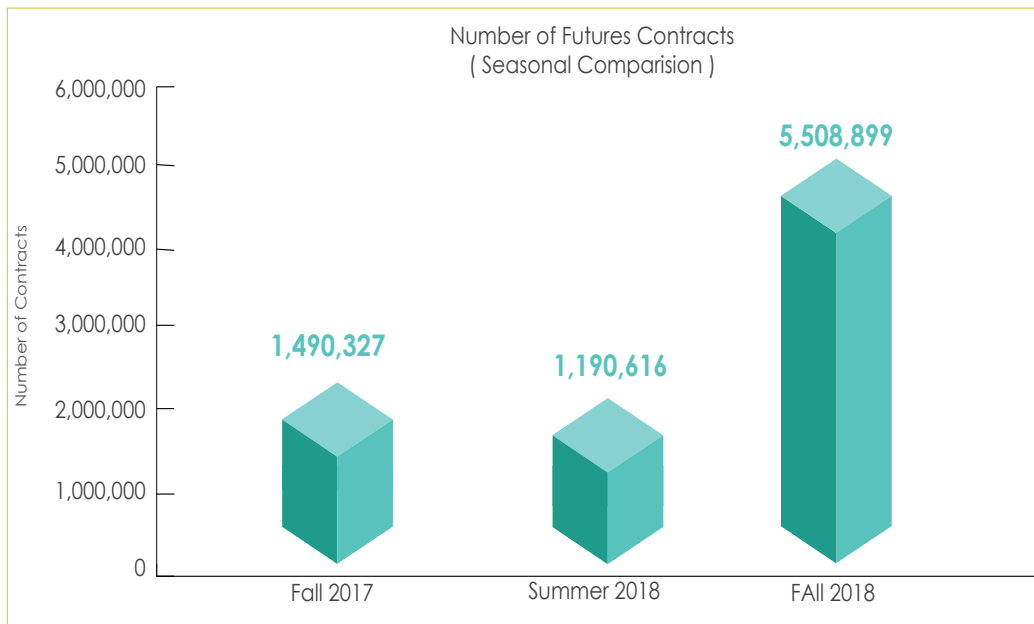


As to the previous period in the same hijri year (22 June, 2018– 22 September, 2018), volume and value of trading shows 1 and 49 percent of decline, respectively.



## Derivatives Market

Within the 3rd quarter of the current hijri year (23 September, 2018– 21 December, 2018), IME traded 5,508,899 saffron futures contracts valued at 2,056 million USD, showing 363 percent growth in trading volume and 53 percent decline in trading value, respectively, in comparison to the second quarter of the current hijri year (22 June, 2018– 22 September, 2018).



## International Relations Department

**Dr. Hossein Mohammadi**

Senior Advisor to CEO and CBDO

Tel: +98 21 85 64 1002-1003

Email: mohammadi@ime.co.ir

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**Mohammad Hasani Sa'di**

International Affairs and PR Manager

Tel: +98 21 85641020

Email: hasani@ime.co.ir

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**Mohammad R. Tahmasbi**

International Relations Expert

Tel: +98 21 85 64 1022

Email: tahmasbi@ime.co.ir

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**Amin Najari**

International Relations Expert

Tel: +98 21 85 64 1029

Email: najari@ime.co.ir

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**Zahra Rahmati**

International Relations Expert

Tel: +98 21 85 64 1028

Email: rahmati@ime.co.ir

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No. 351, Taleghani St., Vali Asr Ave., Tehran, Iran  
Tel: +98(21)8564000-2  
[www.ime.co.ir](http://www.ime.co.ir)