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IME

Quarterly

Iran Mercantile Exchange Quarterly Newsletter

**In The
Name
Of
God**



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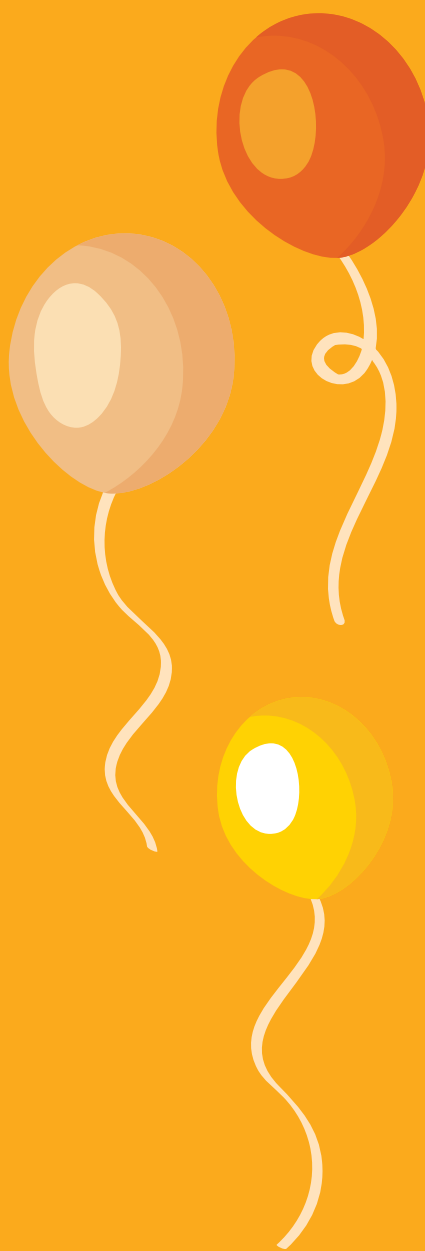


New Year Message of 2020

Between two New Year's Holidays one could experience kind of absence; a period of not seeing the overflow of feelings as much as one could see merely at the time of celebrating the Holy Prophet's birthday. Suffice it to say that on the other side of the coin of absence are the hearts growing fonder to make each year's festivities as memorable as previous ones.

Billions of people will be celebrating the day and although it belongs to the followers of Jesus Christ, Muslims share the reverence they have for him and will be definitely happy to see their brothers' hearts fill with joy. At this unique time of the year that we know your hands are reaching out for heavens to receive God's blessings, we are also eager to join you in our hearts to pray to the almighty and omnipresent oneness who sent our prophet and yours, as genuine brothers to one another, to help us all to increasingly experience His being through love and peace.

We hope that in 2020 people from all walks of life will live in a world which is one big step closer to justice with fairer access to abundant resources that God has bestowed humankind with, which are undoubtedly enough if we cut down on our selfishness and avarice. Here, from the Iran Mercantile Exchange, my team and I send you our warmest wishes and pray from the deep of our hearts that you and your loved ones enjoy pleasant holidays and have a successful new year ahead.





Saffron Prices Discovered on Iran Mercantile Exchange

The Iran Mercantile Exchange has been trading metal, oil, petrochemical and agricultural products for more than 15 years. According to Hamed Soltaninejad, the IME CEO, the exchange has also become the price reference for agro-products like saffron, green cumin and pistachio.





What are the commodities whose prices are discovered on the IME?

It depends on how wide is the scope of the market you have in mind. The IME is price reference for domestic commodities inside Iran as such commodities are offered on it on a regular basis. Even there are commodities traded on markets other than our exchange, for which the IME is the price reference too. But, internationally speaking, the Argus website releases prices for some commodities like oil products and for steel products, for example, the LME is the price reference and we follow them. Yet, we are not going to confine ourselves to domestic markets and that's why we are after becoming the price reference for commodities like saffron and pistachios which are mainly planted and produced in Iran.

As you might know, the Chicago Mercantile Exchange is the price reference for energy carriers, but as to a lot of other commodities Chinese commodity exchanges take the lead. For example, for commodities like iron ore, rebar and some petrochemicals including PVC, China's Dalian Exchange – with gigantic transactions on it – is the price reference.

Regarding precious metals like gold and silver, COMEX and NYMEX are the deciding centers for prices. In our region DGCX and also the Turkish exchange for precious metals have a say in price setting for gold, however, on

a global level the two previously mentioned exchanges have got the upper hand.

Saffron is mainly produced in Iran. Is the IME the price reference for this agro-product?

According to statistics Iran will be producing 500 tonnes of saffron this year. In recent years the IME has listed a new warehouse with the capacity of 10 tonnes added to 5 other previously listed ones, escalating the whole capacity to 50 tonnes, which are traded on the IME in certificates of deposit.

Will there be a governmentally supported policy for purchasing saffron?

This policy works through an intermediary agent assigned by the government to determine the minimum price and buy the saffron. We believe this way unnecessary middlemen will be almost eliminated. We need to support and deepen saffron domestic market; otherwise foreign countries will be the price





reference despite most of the product being produced in Iran. Other issues to be paid attention to are packaging and marketing of saffron, both of which play a significant role in today's market. Another shortcoming till now has been a regulated and transparent market for saffron which is naturally compensated for on the IME with both legal and real persons having the opportunity to trade the product.

Is Iran the price reference country for saffron given that Iran accounts for more than 90 percent of the whole global production?

Due to shortcomings like improper packaging and unsuccessful marketing policies Iran is not the price reference for this product.

Since launching trades of saffron on the IME, there has been more than 100 tonnes of saffron traded on this exchange. This year has witnessed a remarkable increase in trades of saffron as compared to last year, which might be combined with the amount added through the saffron purchased through governmentally supported policy. However, all types of saffron produced in Iran do not meet the standards to be listed and traded on an exchange.

There are also futures contracts of saffron traded on the IME. Using this instrument the farmer can anticipate as to the prices of saffron in the future and decide whether to sell his produce or not. The other benefit is that saffron

will be produced and sold with higher qualities. This has made foreign customers of saffron to pay attention to prices released on the IME. What's interesting is that famous merchants of saffron buy reliable brands of this commodity from the IME's warehouses.

In such warehouses the standards of heat and humidity are met and saffron is preserved in them as a highly valuable asset. All these measures are required so that we can move towards a regulated and transparent market for saffron with various credible financial instruments as the preliminary steps of becoming the price reference for this agro-product.

Despite those who are against it, we are going to list more warehouses for pistachios on the IME in the near future.

Given what you said, is the IME a price reference for saffron or not?

Currently the IME is one of the price references for saffron in our domestic market. The IME needs to yet increase the capacity of its warehouses and the amount of trades on saffron. However, main market participants of saffron are already active on the IME, making it one of the main price references of saffron in Iran. When big exporters of saffron decide to enter this market on the IME, the exchange will start to pave the path towards becoming a global price reference for saffron.

Can foreign participants of saffron

legally trade it on the IME?

There is no legal issue preventing foreigners to trade on the IME's physical market, but as you might already know we have some issues in banking transactions of foreign currencies which make it difficult for them to trade with us.

Green cumin is also traded on the IME; what are the terms of trade for this product?

Cumin is traded on the IME like saffron and pistachios. Cumin is planted and harvested in parts of Khorasan province like Sabzevar. It is stored in 3 of the listed warehouses of the IME located in Mashad, Torbat Heydariye and Sabzevar.

Both futures contracts and certificates of deposit are running on green cumin, which were launched in the first quarter of the current Iranian year, and we hope to see a remarkable increase in them given that more cumin was planted last year compared to years before that.

What are the standards for pistachios traded on the IME?

A task force was appointed from Kerman and Khorasan provinces to set the standards for pistachios in collaboration with the IME. In the first place, natural Iranian round opened pistachios (30-32 ounce) – based on Iran's National Standard – (which in some specifications even exceeded this standard) were chosen for launching futures trades on them.

We might go on to list other types

of pistachio with different size (number of kernels per ounce) in certificate of deposit contracts with the increase in the capacity of warehouses of the IME. The prices for them will be discovered in comparison to the first symbol under which pistachios were listed on the IME. Yet, the final goal is to become the price reference so that the price for pistachio and also saffron is discovered through a fair mechanism and not be in the hands of a few. This way, farmers can save and reinvest their income much more reasonably.

How much of a particular commodity is usually needed to be traded on the IME for it to become the price reference?

There is no definite answer to this question as it depends to the traditional market structure of each commodity, how big its market is or even if there are global price references for that commodity and other factors. When the main market participants rely on the IME to get informed of the wholesale prices of a commodity, one could say the exchange has reached its goal of becoming the price reference for that specific commodity.

As to saffron, for example, one fifth of the whole saffron produced in Iran was traded on the IME (physical market and certificates of deposit combined); yet, the IME has become the price reference for this commodity as all farmers and a significant number of big merchants of saffron referred to the prices discovered on the IME.



Are raisins traded on the IME as well?

We have some plans to offer raisin and dates on the IME. In line with that we have been negotiating with provinces which are the main producers of the two, like Razavi Khorasan, Qazvin and West Azerbaijan. We have been inspecting some of their warehouses to see if they are fit to store them with required standards.

After the listing process of warehouses in provinces with high potentials for production of raisin we can start trades of it on the IME in the form of certificates of deposit for a beginning, which could be extended to more instruments.

For dates, we have come to the conclusion that the type of dates with the required specifications to be traded in certificates of deposit on the IME is Bam Mozafati dates. We are discussing the issues with the officials in Kerman province and also one of the warehouses in the city of Bam.

Fortunately, in both cases we have got national standards which could be the base for our specifications. However, lots of agro-products are not capable of being traded on the IME as they are supported by the government and their prices are set by governmental institutions. For wheat we had a supportive purchase policy within which a specific price was guaranteed as for maize and barley. Via this policy farmers with small lands could

directly submit their produce to the IME's listed warehouses. The IME would sell the wheat online and the unnecessary middlemen would be automatically eliminated.

Anyways, not every commodity could be traded on an exchange. It's needed to meet the national, or at least publicly-agreed-upon, standards; they should not be in the supportive plans of the government and finally a minimum number of market participant are needed to enter the market to make it deep and competitive enough to be traded on an exchange.

Is rice, which once was traded between the incumbent minister of agriculture and commerce when the agriculture exchange was first founded, currently traded on the IME?

We have been trying to take preliminary steps in offering rice on the IME but we have not been much successful as plantation of rice is limited to 2 or 3 provinces in the north of Iran. There are a few other provinces like Khuzestan under the plantation of rice, yet, our agricultural policies entail that the plantation of rice remain in the northern part of the country. That aside, it's very hard to standardize the rice, and the producers prefer to plant it in small scales and sell their produce to their regular traditional customers.

However, we have the plans to finally launch certificates of deposit on some types of rice with the highest rate of production in our country. It's worth noting that the IME has been launching its



financial instrument like certificate of deposit and futures contracts on commodities with a surplus of production. That's why we need to do the job with much more scrutiny for commodities whose demand in the country exceeds domestic production.

Future contracts and Salam contracts are traditionally common among farmers, aren't they?

You are right. As you know futures contracts for example enjoy a 200 year history in the Chicago Mercantile Exchange on agro-products. Even Iranian farmers have been trading contracts which are almost like futures on green cumin. But they need to be taught the modern ways of trade and how to use instruments properly.

Could you elaborate a bit on vacuum bottom, the raw material for production of bitumen?

Iran produces 6 to 7 million tonnes of vacuum bottom as the raw material for production of bitumen. According to law all of it is traded on the IME, 3 million tonnes of which on its spot market and the remaining part is sold on the IME in barter trades.

The IME was about to trade automobiles as well; is that plan underway?

Automobile is not an exchange traded commodity nowhere in the world as it is priced somewhere else. We can trade automobiles on the IME under the condition the make to be traded is a homogenous one, like the Cerato,

and there will be a good number of them offered on the exchange.

What about metals?

Since the beginning of the year the IME has traded 330,000 billion rials of metal products on its industrial trading floor. That's to say that we witnessed a 76 percent in value and 10 percent in volume of the market compared to the previous year.

How about the gold coin market on the exchange?

Gold coins are traded on the exchange from 4 bank vaults listed on the IME in certificates of deposit. However, the price reference is outside of the IME and we follow the prices discovered there. Even the trading hours are later than the traditional markets start their trades. Owners of gold coins can store them in one of the vaults listed on the IME and can sell them on a real time platform online.

How about gold bars?

Gold bars are generally traded on the IME, but currently in lower volumes due to the value added tax issue. In case we can eliminate the issue, we will be witnessing a better condition in this market. Melted gold could be also traded on the IME but not gold jewelries, as they lack homogeneity. For each commodity to be traded on an exchange we need also a good number of market participants, otherwise the market will not be deep enough to be established.





IME General News





IME's 5th Trade Floor Launched in West Azerbaijan Province

Co-founded by the Tose-e-Keshavarzi brokerage firm, the fifth trading floor of the IME was launched in Urmia, capital of the West Azerbaijan province, attended by the officials of the province and some parliamentarians and regional authorities from the ministry of economy.

The event was held concurrent with the ninth meeting of the provincial council of the ministry of economy in West Azerbaijan. The ribbon-cutting ceremony was held with Mr. Ghaffarpour, the deputy minister of economy in the province, Ghazipour, MP from Urmia constituency and Hamed Soltaninejad the CEO of the

IME in attendance. The approval of the launch of the trading floor dates back to the previous gathering of the council and the official launch was on the agenda of the recent provincial forum.

At the beginning of the meeting, Ghaffarpour who also serves as general director of the Economic Affairs of the province welcomed the audience and said that launching the trading floor of the exchange in the province was an important development; it was vital for trade facilitation and safeguarding the producers of the West Azerbaijan. He went on to state that the province exported 1.3 billion USD worth of





commodities the year earlier of which a good share can be done by the IME export platform.

During the course of the ceremony, MP Ghazipour, underscored the high status of manufacturing and production in the province and said, "We are determined to be pioneer in Implementing the non-oil-dependent economy in the province and embark on transparent commodity trading for which we are witnessing its realization by opening up of the trading pit of the exchange in the region". He added that by removing some obstacles the provincial exports of commodities will reach 2 billion USD this year capable to be shared and enhanced by the IME through its export trading gateway.

Hamed Soltaninejad, the CEO of the exchange, said in his remarks that west Azerbaijan is among the provinces avant-garde in export of products taking advantage of sharing

border with and hosting major transit corridors to the western, north western and northern neighbors of the country. As depicted by the statistics during 5 months as of January 2019 more than 600 KT non-oil goods worth of 700 billion USD have been exported from the province so we anticipate it will get a boost by launching of the transparent and electronic trading infrastructure of the exchange.

Soltaninejad, in his remarks referred to the agricultural and petrochemical products at the top of the export inventory of West Azerbaijan to destinations like Iraq, Turkey, Georgia, Azerbaijan and Pakistan and stated that the IME can play an efficient part in advancing trade and commercial cooperation between Iran and its neighbors creating a transparent and trusted market solution that mitigates the risks and costs of transactions.



Direct Relationship between Offering of Commodities on IME and Growth in Production and Job Creation

Ahmed Safari, Kermanshah representative to Iran's Majlis said that offering agro-products on the IME will lead to growth in production, job creation and decrease in peasants immigrating to cities. He believes that offering of agro-products will eliminate unnecessary middlemen and issues in price setting. It will also lead to a bigger share of profits to be in the pockets of the farmers. He added that in case farmers are informed of such merits, we will be witnessing a remarkable growth in production and quality of agro-products. He continued that in each province departments of cooperatives, labor and social welfare can very much entice farmers to offer their produce on the IME through running educational programs to inform them of advantages of doing so.

He went on to say that unemployment is the main reason of the immigration of the younger generation to cities and as we know Kermanshah



has one of the biggest rates of unemployment in our country. We need to use all our potentials including the media to let the farmers know about the benefits of offering their products on the exchange so that they be aware of the fact that they can have access to the IME directly with ease at real and fair prices, which in turn encourages more and more people to work in the agriculture sector.



IME Geared up to Launch Financial Instruments on Metals and Petrochemicals

Director of operation and surveillance of the IME said that today we are witnessing that sanctions has led some companies storing the excess amount of their production in warehouses. Here, we are of the opinion that some of the financial instruments available in the Iran Mercantile Exchange could help our industries. On a panel during the second conference and expo of Iran's non-ferrous industries and related activities, Reza Mohatashampour elaborated on the importance of applying stricter regulatory measures in various industries in Iran and the positive role that the IME can play in this regard. He went on to say that most issues discussed on the IME revolve around regulation, pricing and balancing supply and demand. Without a transparent and organized regulatory system it's difficult to run financial instruments even on commodities which are already being traded on the IME's physical market. We need to work on enhancing the standards of our regulatory systems, like what we have been witnessing in the oil industry, which has resulted in positive changes in the Iran Energy Exchange. The same applies to the IME if the same story goes for other industries in the country.

In his opinion regulatory measure, if done through a consultative process with the participation of all the beneficiaries, from upstream to downstream industries, will definitely lower faulty decisions and will lead to more balanced market for various industries.

One of the shortcomings he added is that our industries are not familiar enough with the potential of financial instruments available on the IME. That's why, for example, our efforts to provide the copper industry with financing facilities through certificate of deposit-a financial instrument running on the IME – went up in smoke. He finally pointed out that we have no other choice but to learn how to trade via modern modes and methods and the IME has got all the facilities available. If relevant authorities come to the conclusion that such potentials will work to the benefit of our economy, we will be witnessing big jumps in trades of various industrial commodities over the exchange and the advantages the IME will bring about for them through its financial instruments.





IME Ready to Host Trading of Banks Surplus Properties

Shapour Mohammadi, the head of Iran's Securities and Exchange Organization (SEO) expressed that the Iran Mercantile Exchange has announced the readiness to trade the banks surplus properties and argued that the advantage of selling the banks surplus properties on the IME is that in addition to unlocking banks' resources in a transparent and competitive manner, a new option for investing in the capital market will be added via the Iran Mercantile Exchange.

Given the assertions of the supreme leader and the president that banks should give up running businesses and adhere to their banking industry, the plan to shed surplus assets of banks has been pursued more rapidly in recent months and its required infrastructure has been provided.

Recently the Bank Surplus Property System has been unveiled through which the surplus properties of 18 state-owned banks, subject to article 44, were sold.

Monetary & Banking Research Institute also reported that the first phase is to sell 170 trillion rials of these properties, including commercial, residential, industrial and agricultural real estate such as factories, gardens, hotels and even bank branches.

According to Dejpasand, this is a practical step toward unlocking banks' resources, which in turn leads boosting their lending capacity. The Deputy Minister of Banking Affairs of Ministry of Economic Affairs and Finance also announced the offering of frozen assets of banks on the Iran Mercantile Exchange in the near future. He said, by the end of this month, an online auction will be launched on the IME's side market for this purpose.

Shedding Bank Surplus Properties an Opportunity for Capital Market

Shapour Mohammadi, the head of Iran's Securities and Exchange Organization (SEO) stated that typically, commodities listed by the exchange are homogeneous commodities traded many times over. However, in 2012, the IME has launched a platform for single product auctions and through this platform commodities such as real states and similar properties can be traded.

The IME's guidelines and rules provide opportunity both for the investors to buy banks' properties in an officially recognized and competitive market, and on the other hand, for the banks to sell such properties in a transparent manner.





IME

International Events



Increasing Bargaining Power in Foreign Trade with International Mercantile Exchange of Iran

Ali Shariati Moghaddam, chair of the agriculture commission in the Iran Chamber of Commerce, and exemplary national exporter shared his views on the role of the commodity exchange in internationalization of transactions especially in saffron, cumin seed and pistachios trades. The initiative aims at enhancing bargaining power in trade with foreign traders, which according to this market professional could lead to bridging the gaps in foreign trade tariffs and shortcomings in trade balance.

In recent weeks, market participants saw trading of three strategic agriculture commodities of saffron, pistachios and cumin seed go on stream in the Iran Mercantile Exchange. It was an unprecedented development, achieved after months of efforts, thought-sharing, sectoral and inter-disciplinary coordination and collaboration by all beneficiaries from farmers and growers to agriculture unions and organizations to public figures and state officials. A move, expected to be welcomed by the market players of these underlying commodities.

In an exclusive interview with Kalakhabar, Shariati Moghaddam expressed his opinion about the procedures of offering of the agricultural commodities in the form of financial instruments like commodity depositary receipts in the exchange. Regarding how the price is discovered, he said that bourse provides transparency in a natural manner across price spectrum, as the prices are determined in a real time mode on a daily basis out of supply and demand. It is a great contribution on the exchange side to price transparency in agriculture market as it brings real prices to the attention of peasants and farmers through its price board. On the other hand, due to the mandatory standards in place for exchange-traded commodities, the bourse platform brings the export of low quality and sub-standard agro-products to zero, so the risk of selling or exporting low quality products could be eliminated, leading to safeguarding the brand of the national produce.



As to reforming the traditional market structures in the agriculture sector and betterment of agro-trades using the IME mechanism Shariati said, "In my way of thinking, bourse is one of the instruments envisaged in the success strategies of agriculture sector economy. For example, as to products like raisin, first, we should draw a big picture about the mechanics of the economy of raisin in the Iranian and regional markets; and then know the market participants and trade practices. The next step could be the promotion of the value chain, putting efforts into developing its market and production chain, and finally, use of commodity exchange instruments to achieve desired results side by side with other market instruments. As a matter of fact, the exchange, as one of the links in the chain of production, has outstanding potentials to help reform the old structures of the market; however, we cannot expect the IME to reform or save total market economy

structure on its own, we need improvements in other areas as well."

Urge to list saffron, pistachios by-products in the exchange

Shariati who is a veteran in the saffron industry said there are some issues that must be taken into account in offering of agriculture commodities in general and for saffron in particular. The first issue that comes to my mind due to my experience is the issue of added value of exporting commodities like saffron. In fact, what is currently offered on the exchange is saffron or pistachios in its most simple form so the product chain can be made perfect by listing and offering of by-products of the added value underlying commodity like above as well. To this end, all relevant institutions and unions should cooperate for offering of export commodities in the exchange based on local and foreign markets acceptable standards. This should be considered as a national project that might not be





achieved by the IME in isolation; it requires collaboration of all stakeholders of the product across the national economy.

Advantages of launching international branch of IME

Shariati Moghaddam underscored the importance of globalization of the IME trades in the agricultural commodities section and said, "The next point is that we find solutions for internationalization of the IME services in order that the Iranian products can be traded transparently by the foreign markets participants. This requires that we focus our trade negotiations with some countries on products like cardamom and saffron to execute foreign trade through the IME's international platform set for those countries that are permanent buyers of the produce.

"There are good potentials in the IME as to supporting foreign trade. For instance, the country imports tea or rice from India that can do it more efficiently through the IME platform and then export saffron and other products in the form

of barter thereby net the clearing process on commodity basis. All the process can take place in the IME; the exchange's possibilities should be tapped into in order to ease and accelerate the barter of commodities with the target countries via its platform. In recent years, the government has at times provided some organizations with subsidies for import of products like Indian rice while the other side has conversely imposed high import tariffs for saffron or other products of the Iranian origin. We can use the exchange platform to lure foreign trades, raise our bargaining and negotiating power, and reduce our shortcomings in trade and tariffs. By doing so, a large number of problems in our trade sector would be removed and new market outlets would emerge to embrace the Iranian products," Shariati said. "As to intense competition among some local merchants in exporting of some commodities, that is sometimes destructive, it would be a great solution to develop regional branches and overseas



trading floors of the exchange to address the problem and manage the export of goods to other countries by association of the industry businesses and players”, he added.

The Need to Adhere to Standards

Shariati touched upon the issue of standardization and stated that we should do our best to promote quality of the commodities and direct them to the exchange warehouses as much as we can in order to establish a network of quality products available for export in the exchange’s storage facilities. We should set guidelines for the production sector to produce or manufacture quality products according to the exchange standards.

Expansion of Middlemanship as the repercussion of imposing control price

Shariati referred to the control price policy imposed by the government and said, “I don’t consider it as a right policy as

the government should focus its potentials on investigating how to cut down on additional costs of production of goods like saffron thereby supporting the growers. However, the government should not intervene in the market price mechanics as it would lead to growing dealership and intermediary activities. I do believe that instead of setting imposed prices out of market rules, key elements and links of the production chain should participate in price discovery process and the exchange can have its crucial part in this development”. Shariati, at the end, pointed to the problems of saffron market and said, “Saffron market requires injection of liquidity from the private sector in order to provide opportunities to store and offer part of the production through exchange storage facilities which creates benefits for the farmers as to safeguarding the farmers’ crop from underpricing at harvest time and low seasons.”





Export Commodities Price Discovery on IME

Mohammad Lahooti believes that the domestic commodity market has benefited throughout these years from the blessings of the IME operation in transparent discovery of the price of many industrial products. Using this potential, it can be extended to the export market in order to bring about a sound pricing mechanism for exportable commodities and boost export shipments from Iran to other countries through this efficient platform. The president of the Iran Export Confederation in an interview with IRNA has discussed how the IME has been contributing to the commercial market in the Iranian economy. Lahooti shared his views on price discovery functions of the exchange across the market and said that the IME is a unique infrastructure providing price discovery opportunities within the capital market space of Iran serving the whole economy from various aspects. However, some organizations whose function is to monitor and supervise market activities would get in the way of pricing mechanism of the exchange, causing complicated problems for producers and end users.

“Last year, following the foreign currency market turmoil, serious problems arose in the pricing procedure of commodities that were eliminated through the IME market mechanism which brought about satisfaction to the industry community. It was achieved through counseling and urging by the economic experts to decision makers of the sector about the crucial part the exchange can play in solving the problem; so the irregularity was realigned by the IME’s prowess.

According to Lahooti, the IME possesses a vast and great capacity in price discovery for the local market commodities. He believes that this characteristic of the commodity exchange can be employed in helping the export sector of the country flourish and reach its true position in

the region. To this end, the issue has been looked into by the experts and authorities and we have devout hope that price discovery in this area would be restored and the economy will witness the commencement of exporting various types of goods through this platform.

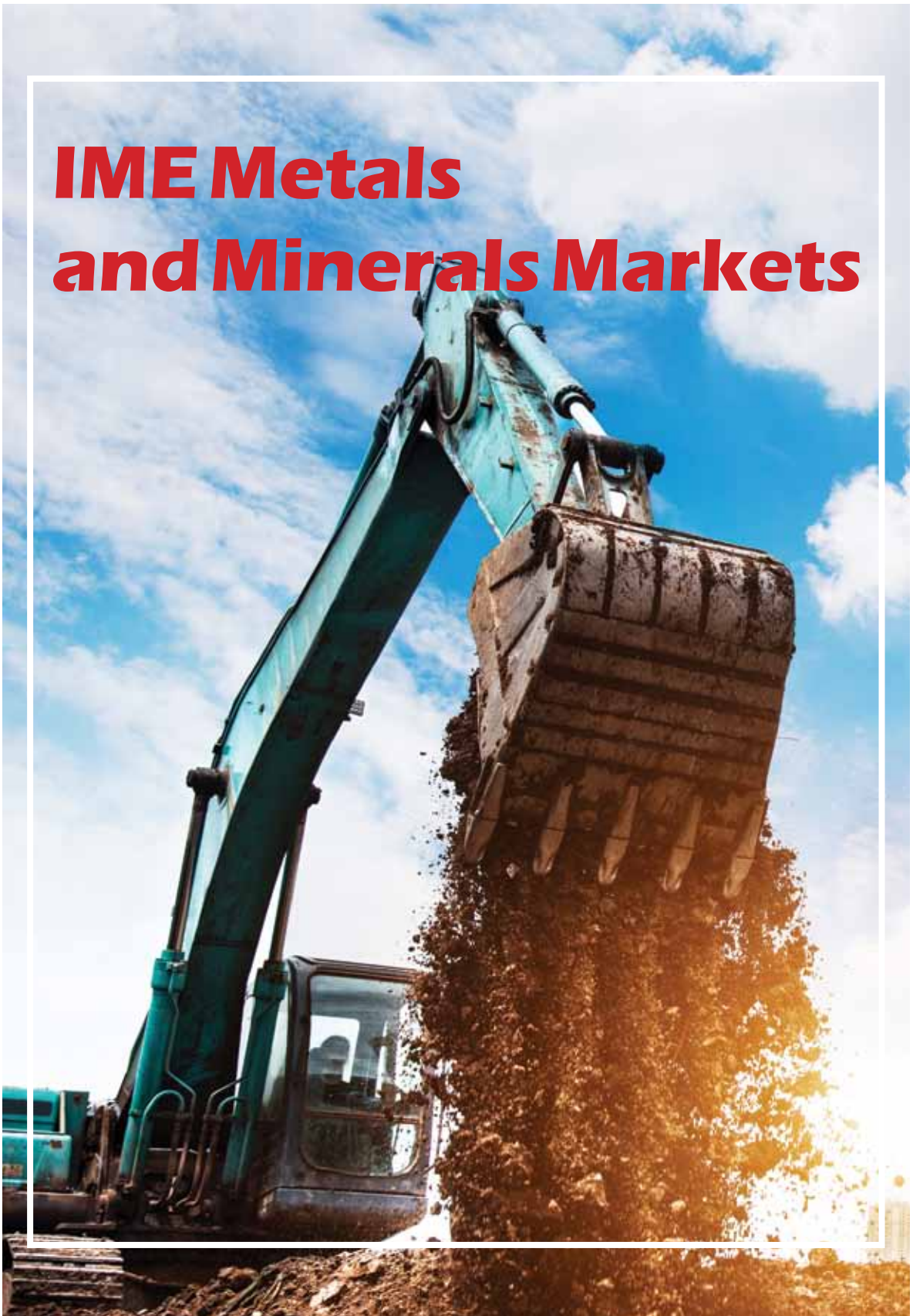
In reply to the question whether the export trading on the IME could impact on the regional prices of commodities in the MENA region he said, “It would definitely have great impact on regional prices if we adhere to standards and quality features; then we could exert influence on the regional prices of commodities that we have advantages in their manufacturing inside the country; so, the potential exists that our prices be viewed and referred to as reference in the region”.

As to the role of the IME mechanism in determining the price of the commodities on its infrastructure, Lahooti went on to say that, “The price discovery in the IME is based on market forces of supply and demand; so the true market forces which are genuine sellers and real buyers should have the final say in determining the value and price rather than imposed prices. The IME would lead a modern, fair, efficient and transparent market economy if some unprofessional authorities end intervention under disguise of market supervision; and it would be realized when bid-ask oriented transactions be regarded as the true elements of price discovery”.





IME Metals and Minerals Markets





Price Discovery Mechanism on IME Brings about a Pickup in Production for Metal Industries

Proper development rate in steel industry has prompted experts to look for its reasons, bringing them to a consensus that one of the factors has been definitely the growth in downstream and upstream industries thanks to the mechanisms available in the market.

What are the prospects for Iran's steel industry? How much is our domestic consumption and what measures have been taken to expand its exports?

One of the most important indices of evaluating the steel industry is its annual growth. We are getting closer and closer to our targets for the 1404 Iranian year. That

is to say Iran is producing 25 million tonnes per year currently, exceeding to 30 million after implementation new projects and finally to 35 million tonnes. The upward trend meant an escalation of 3 levels in the global ranking for Iran, becoming the 10th biggest producer of steel across the world.

Exportation of steel for our country is of crucial value. In other words, Iran needs to constantly export half of its production, which is a good potential when we reach the figures of 25 million tonnes of production per year.

Could you name the measures in this regard? Don't you think there



will be problems for our domestic production as we increase our exports?

Among the frequently discussed issues in the steel industry have been the government's concerns for deregulation policies, which need to be worked on in order to facilitate the exports of it.

As to our domestic markets, due to the high amount of production, we are not experiencing difficulties in regulating and balancing the market.

Our domestic production, except for a few cases, can relatively meet our domestic consumption needs for most steel products including sheets, rebar and I-beam.

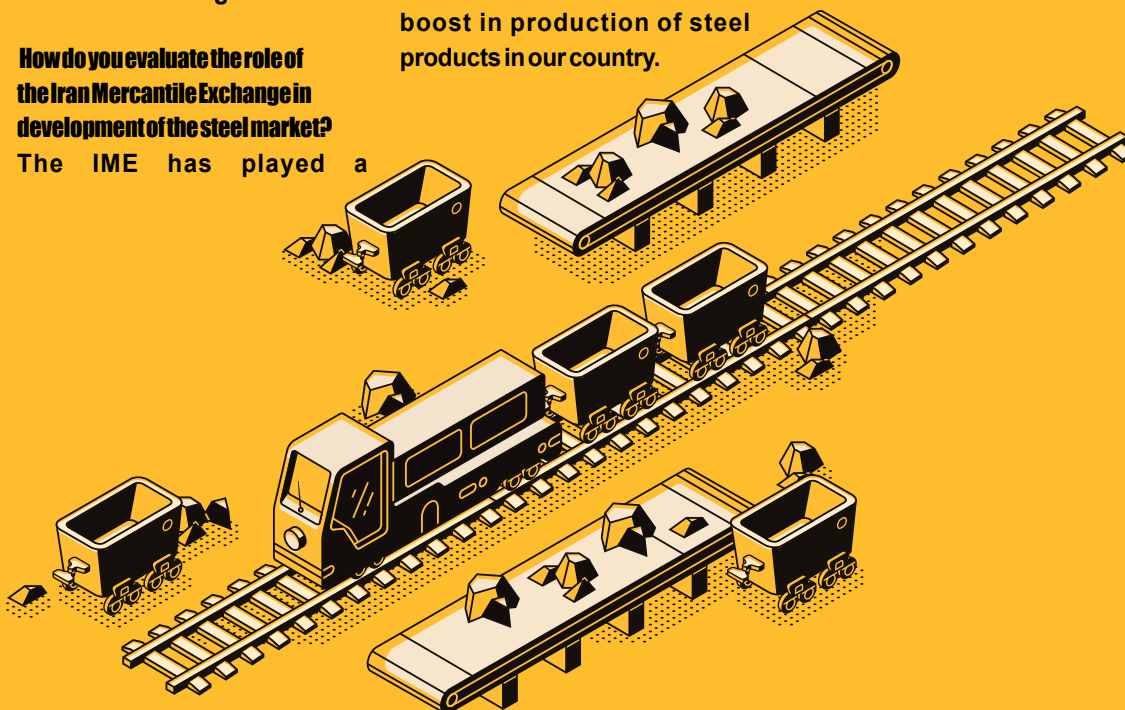
Just a decade ago we were among the biggest importers of steel in the world with 11 tonnes of imports. Currently, this figure has decreased to 2 million tonnes and we are exporting 8 million tonnes of it to foreign countries.

How do you evaluate the role of the Iran Mercantile Exchange in development of the steel market?

The IME has played a

remarkable role with the financial instruments available in it, eliminating lots of time-consuming and unnecessary formalities for both producers and consumers, as they both can meet one another on the IME as a reliable and efficient platform for trade.

On the other hand the IME provides the opportunity for numerous producers to offer their steel products on the IME, which makes the market more competitive. If we manage to facilitate the legal process for other producers to get listed on the IME we will be witnessing even a deeper market. This way there will be no need for the government to interfere in price setting, as prices would be discovered automatically based on the fundamentals of supply and demand via a transparent mechanism, which in my opinion will be the best incentive for a boost in production of steel products in our country.



Offering of Aluminum Scraps on IME Breaks up Monopoly

Secretariat of Iran's Aluminum Industry Syndicate said that for the first time aluminum scraps are offered on the IME which will pave the path for more offering and by other companies as well. This measure will end up in removing the monopoly in this industry. The company, Isfahan Oil Refinery, offering the aluminum scraps on the IME could have put them out to tender, but preferred the exchange.

He added that the free mechanism of price discovery on the IME could eliminate unnecessary middlemen and lead to removal of monopoly in the industry. As to purchase of aluminum scraps for aluminum ingot and billet producers said that the market is in need of additives and tempers which are



very scarce in our market these days. Hence, scraps could be used instead and doing that on suitable platform like the IME could be very much useful to producers.



Sheikhan, the Secretary of Cement Industry Employers Association, maintains that the surplus of cement production has caused many problems in this industry and there is no way to regulate the market except for price transparency through the Iran Mercantile Exchange so that by trading cement on the IME's export ring we can gain a competitive edge by successful pricing strategy and also elimination of the intermediaries of this market.

Cement supply is now dominated by its demand and this has raised concerns among manufacturers. Since, for many years, the demand for cement has been decreased for some reasons, such as stagnation in construction, declining global sales, and surplus supply in the country, surplus cement has become a problem in this industry. Experts argue that in order to achieve an equilibrium price the IME's system can be a suitable way to solve this dilemma and make the right choice.

The cement industry is a key industry and a prerequisite to economic growth, so that developed or developing countries produce their own required cement for their development plans by opening multiple factories. In general, the per capita consumption of cement in each country is directly related to the economic growth rate of the country.



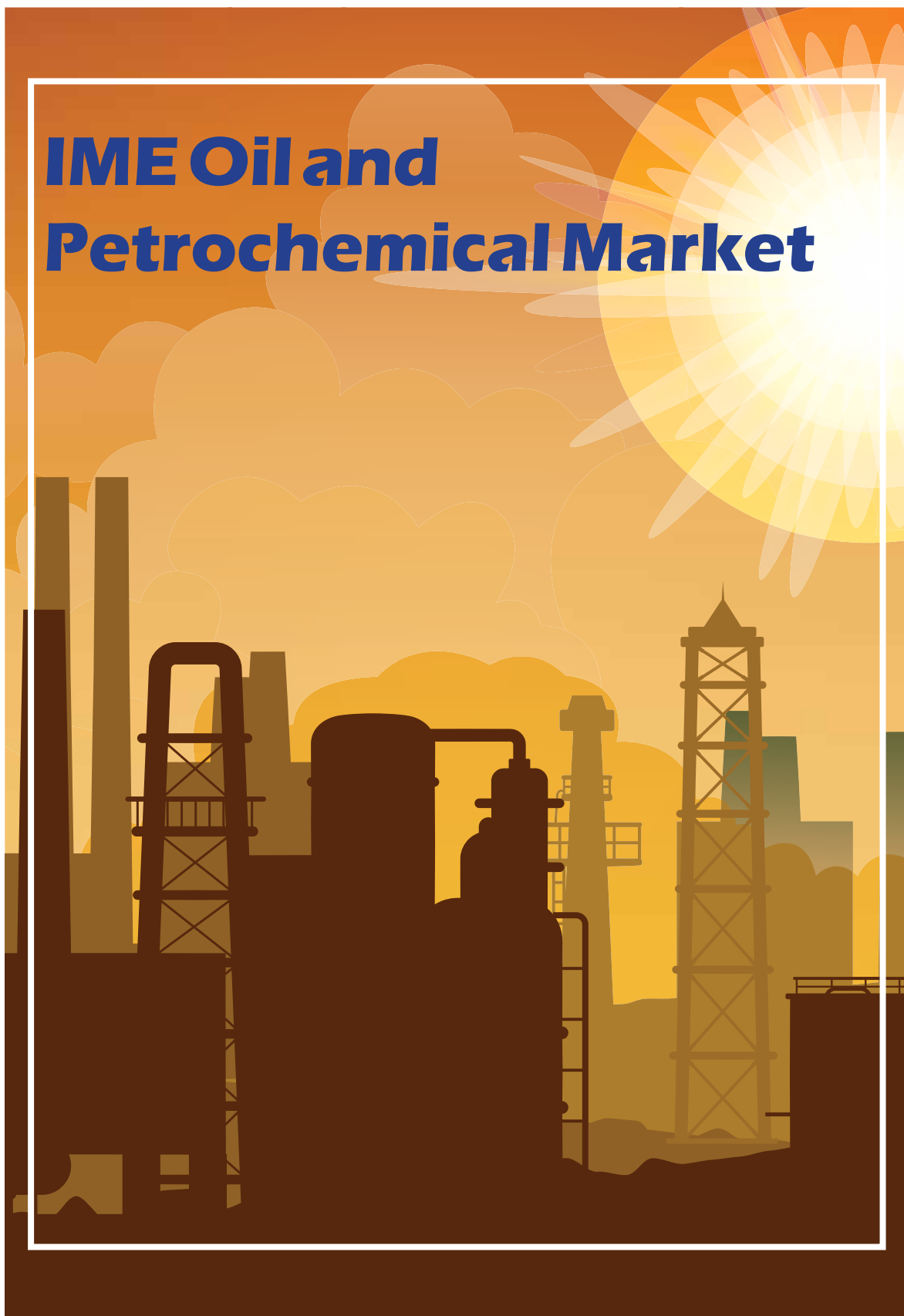
A 24% increase in construction last winter helped slightly to boost the cement market, but the industry has not yet reached its full capacity. Over winter 2019, about 114,614 building permits have been issued across the country, showing a 50% growth compared to the previous season and a 24% increase compared to the same period last year. However, the industry is facing oversupply and the surplus of this product has bewildered the manufacturers.

Sheikhan emphasized that by launching cement exporting many of producers' problems can be solved. Trading the surplus cement in the IME will not only contribute to discovery of real and transparent prices but also can turn Iran into the cement hub of the region. He pointed to a 15% decline in cement exports this spring and said the government should take incentive measures to reduce production surplus in the industry to prevent further losses and decline in the industry.

Necessity of Transparency in Price of Cement through IME



IME Oil and Petrochemical Market





IME Solutions for the Petrochemical Market

The CEO of Iran Mercantile Exchange said in the forum of the managing directors of the petrochemical companies that the IME has managed to provide various trading instruments as well as exchange solutions for the participants in the petrochemical industry including buyers and sellers. The IME has developed long-term contracts to promote sales planning and procuring commodities for the future. In addition, it has developed the credit sales and commodity debt securities to provide finance for buyers and sellers. The third solution envisaged by the exchange to aid the industry is Salam and Standard Parallel Salam contracts developed to

provide working capital for the producers.

CEO of the IME participated in the forum of petrochemical industry managing directors in Mashhad to share views on latest developments in petrochemical industry market. Soltaninejad in his remarks before the industry professionals referred to diverse aspects of the exchange operation and said that commodity exchanges have many functions including fair price discovery, risk management, easing access to finance for industrial production, facilitating physical trade, market regulation, and information dissemination and ensuring fulfilment of commitments of trade sides.





Soltaninejad, in his speech referred to the IME performance and said that in 2018 near 5 million tonnes of polymers and related products were traded worth of 307 billion IRR, showing a significant growth compared with last year's figures. According to the IME chief has continued this success trend during the current year as well. He also referred to trades of the petroleum products in the exchange during the same period stating that 10.36 million tonnes of oil products have been traded in the same period in the total value of 220 billion IRR.

Polymer Trades Rank First in the Exchange

According to Soltaninejad, in the first 7 months of the year 2019 near to 2.45 million tonnes of petrochemicals were traded with 227.5 billion IRR in value. In addition, around 5.8 million

tonnes of oil products were traded in this period worth of 178.3 billion IRR. CEO of the IME said the share of petrochemicals in the IME transactions have been 48%, bitumen grades 20%, VB 18%, chemicals 11, and other products 3 percent from total transactions in this section of the exchange market.

The trade instruments required by the petrochemical industry

The head of the exchange went on to provide more details about financial instruments of the IME, required by the petrochemical industry and said the long-term contracts in the IME encompass premium contracts on future delivery of physical products, and the multi-phase settlement; and the financing instruments are inclusive of the commodity debt securities, Salam and the Standard Parallel Salam. In the premium instrument, delivery



of commodity is made at one or a number of maturities and the trade price is determined in a floating mode based on a certain formula derived from reference prices of market, easing sustainable trade and improvement of trade product chain and risk management.

Regarding multi-phase settlement, Soltaninejad went on to say that in this mechanism, the parties to the contract would agree to settle the transaction value based on the delivered quantity according to terms of the offering notice. The facility not only eases concerns of the upstream and downstream industries as to supply of the raw material in the future, but it also eliminates producers' fear of not selling their products in the future.

"In addition to the mentioned instruments we are going to launch debt securities to provide opportunity for producers to convert and put on sale their unpaid dues to debt securities. Such securities are attractive for the buyers looking for purchasing raw material in deferred payment in the face of challenges of getting working capital through regular bank finance mechanism. Because the seller of the raw material is in need of working capital so he or she is reluctant to sell the product and receive the payment in future. Therefore, via this solution, the seller gets paid in cash via debt security and the buyer receives the raw material with payment in the future" he furthered.

Soltaninejad enumerated merits of issuing the debt securities as providing finance to producers, collection of debts, boosting credit sales and elimination of recession



by the industries through absorbing investments. He furthered on other instruments of the exchange like Salam contract as a solution for financing production in which the buyer pays in advance at a rate lower than the market price and gets delivery of the commodity at a certain maturity. The instrument helps a sales-oriented production planning for the producers, ensures availability of raw material for the downstream plants, and provides price risk management. According to the IME chief, Standard Salam contracts are long-term investment tools of the capital market generating a guaranteed profit for investors and financial market participants, aimed at providing funds for producers as working capital.

Soltaninejad highlighted the importance of the trading, hedging and financing tools of the IME and said that Iran Mercantile Exchange is fostering exchange-traded solutions like commodity depositary receipts, futures and options contracts and commodity funds that meet requirements of the petrochemical industry. All instruments can serve the industry to grow and develop to the benefit of the national economy.



Great Development in the Petrochemical Industry through Financing via IME

The head of operation and market surveillance of the exchange provided insights on the interaction between the IME and the petrochemical industry. According to Mohtashamipour, the industry will see great developments and new accomplishments through promulgation of financing the petrochemical production through the IME financial instruments.

The deputy managing director of the exchange provided insights on the fair share of the petrochemical transactions in the IME trades during a panel discussion of the heads of the petrochemical industry of Iran held in Mashhad, and said the petrochemical products transactions comprise one third of the total transactions of the IME; stating that financing the petrochemicals via the IME instruments can bring about unprecedented development to the industry.

Mohtashamipour reiterated that collaboration between petrochemical industry and the

IME could lead to significant achievements in financing methods for which the National Petrochemical Company of Iran could enforce required policies particularly in the short-term fund raising for the sector.

The IME official is of the view that the industry should reconsider and improve methods and channels of financing in the companies and holding corporations of the industry in order to pave the ground for using the potentials of the capital market. Furthermore, weakening of the purchasing power of the local market has resulted in a 17 percent fall in the domestic sales of the industry caused in part by relentless inflation and some policies for which all players including banks should collaborate to give it a boost.





IME Agricultural Market



Running a 16 Billion Dollar Business on IME

16 billion dollars of trade of agro-products could lead to a transparent business in the country's agriculture sector and prevent unnecessary exports and imports. In line with that the responsible entity could use financial instruments available on the IME within a legal framework to regulate the market of agro-products and animal products

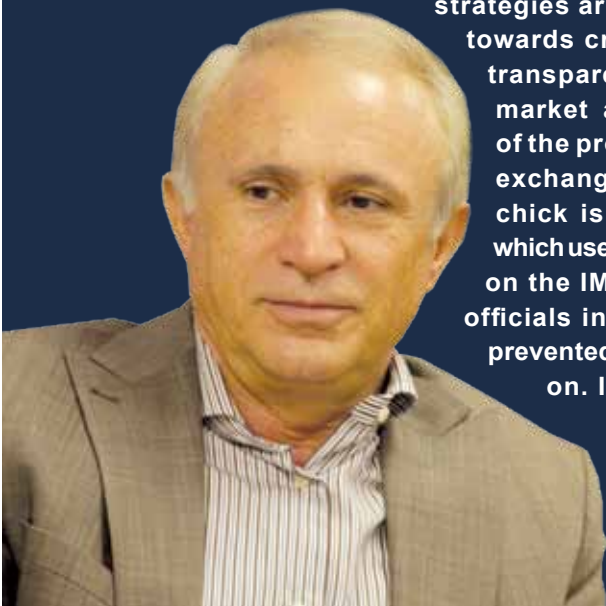
A roundtable was held on the role of the IME to modernize trading mechanism of the agricultural sector using financial instruments available on the exchange, which was attended by Golamali Faareghi, member of the commission of agriculture and food industries of Iran's chamber of commerce, Mostafa Saffaari, economist, and Alireza Naserpour, director of economic studies and market development department of the Iran Mercantile Exchange. Below you can read their ideas on various subjects.

What are the main issues to be dealt with in the market of agro-products?

Faareghi:

Along with other sectors in our country the agriculture sector suffers a lack of modern structure to meet today's need of the market. There are no value chains in our industries due to traditional or let's say

outdated approach towards both production and distribution. There has never been a regulated market for offering of the agro-products. Therefore, the real customer will not receive the product at a real and fair price. The second problem goes back to the fact that in our country pricing policy is not based on the fundamentals of supply and demand and the strategies are not geared towards creating more transparency, free market and offering of the products on an exchange. Day-old chick is an example which used to be offered on the IME, but some officials interfered and prevented it from going on. It seems that policy makers are not about to change the pricing policies,



which in itself is the greatest obstacle to the development of the market of agricultural and animal products and also livestock feed.

Saffari:

According to investigations on economic reformation in Iran, one of the biggest shortcomings of our economy is in the distribution sector. That's why we have numerous layers of middlemanship between the real producer and the final consumer, enjoying a multifold benefit compared to the producer. That is to say there is a resistance against transparency of trades exerted from participants and even regulators. On the other hand, agricultural activities in Iran are exempted from tax and the tax exemptions offered on a transparent market like the IME is no incentive for them. Moreover, unlike the IME in which the price discovery mechanism follows the free market philosophy, agro-products in Iran follow a controlled price setting policy with interference in distribution mechanisms. On account of that, market participant in the agricultural sector will only go to trade on the IME on a short-term basis when they have issues in doing their job through their old ways and will get back to

old trends the very moment the issue is resolved. Another problem has been the zero tariffs on imports of agro-products, which has led to an under-developed agriculture sector due to disproportionate imports of agro-products to the country.

Naserpour:

Agro-products do not enjoy a good share of trades on the IME. Even before that the agriculture exchange of Iran was not that successful in this regard. That's mainly because market participants of this sector are governmental bodies and their presence on the exchange has been highly volatile, which means they are not that much inclined to trade on an exchange.

In spite of that, with a 10 percent increase that the IME experienced on the total value of trades on its agricultural trading board in the Iranian year of 1396, the exchange got focused on enticing big participants to enter this market to escalate the share of agro-products on the market. There were two initiatives on the agenda. First, the IME decided trading agro-products based on the supportive price policy on its physical market, which helped retail producers get familiar with the concept



of the exchange. 120,000 farmers received trading codes and started trading wheat, barley and maize in large quantities. To back the physical market – and compensate its shortcoming – the IME took the second step which was running financial instruments like certificates of deposit, standard parallel salam contracts and futures. They were launched on cumin seeds, pistachios and saffron, which are to be hopefully extended to strategic products like soybean meal, wheat and maize with considerable impact on our economy. It goes without saying that, the IME will be in need of governmental entities like the ministry of agriculture to reach this goal. We need to follow stable policies if we are to succeed. We have the experience of frozen chickens

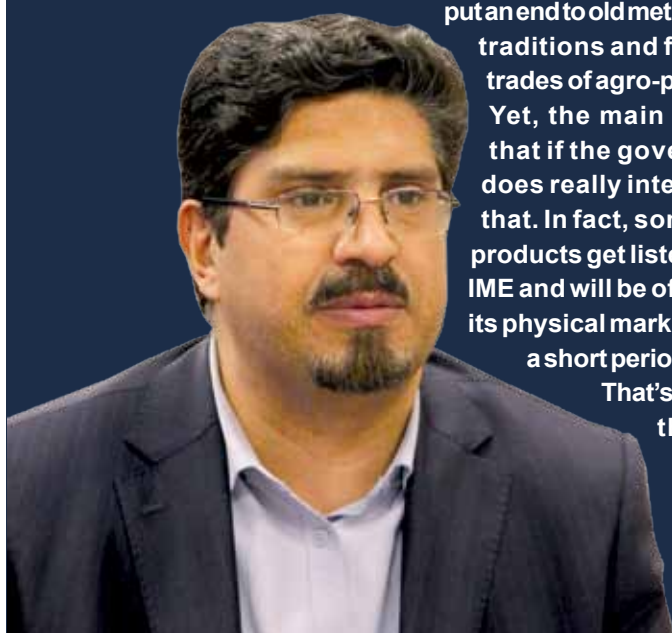
on the IME. After lots of efforts, officials decided to leave the exchange even when we had managed to organize a regulated market for this commodity. On an exchange prices are just discovered based on the fundamentals of supply and demand using derivatives instruments. We have to accept that with interference in price setting, trading on an exchange would be nonsense.

How do you think we could possibly modernize our agricultural trades and market and leave behind traditional ways that do not work anymore? How could the IME pay its share of contribution?

Faareghi:

Offering agricultural products on an exchange would be one of the ways to put an end to old methods and traditions and facilitate trades of agro-products. Yet, the main issue is that if the government does really intend to do that. In fact, some agro-products get listed on the IME and will be offered on its physical market but for a short period of time.

That's because there are



middlemen here who see their interests at risk and will do whatever they can to get everything back to old ways so they can preserve their status and benefits.

To have an active agricultural trading board on the IME, we need to first of all have a government willing to leave the price discovery mechanism and trades of agro-products to the exchange within a transparent atmosphere. In line with that, entities like the State Livestock Affairs Company, Government Trading Corporation of Iran and Central Organization for Rural Cooperatives of Iran should be obliged to trade the agro-products they need via the IME. Also, the government can pass a law stipulating that all the exports and imports

of agricultural products are required to be done via the IME and be distributed through transparent mechanisms. Moreover, all of the agro-products offered on the IME are needed to get free of price setting controls. We need to also facilitate procedures for producers to enter the market and help people to get familiar to trading on an exchange and its benefits. Another important issue is that we import 10 billion dollars' worth of commodities while export only 6 billion. With the transparency that trading on the IME will bring about we can put an end to unnecessary import and exports of agro-products and consequently develop this sector in our country.

Naserpour:



We should take into consideration that the legal space for offering all agro-products on the IME is already available as article 32 to of the law on the sixth five-year development plan of the country requires agricultural products to be traded using the IME's financial instruments in order to regulate the market of such products. Frozen chicken, in the first place, when offered on the IME were about to be traded in barter contracts with live-stock feed and other products used in the industry so that there would be no need for transferring money. Hence, the State Livestock Affairs Company, and the Government Trading Corporation of Iran would be

able to manage warehousing of very large amounts of agro-products as well as the increasing prices when there were boosts in demands with the help of standard parallel salam contracts and forward contracts, two of the financial instruments currently running on the IME. Such a market would be very appealing to farmers as they would be sure that their produce would be sold on the exchange at fair prices within a competitive market.

Saffaari:

From one point of view agro-products could be categorized as those with an excessive amount of production which is exported after domestic consumption, and those which are mainly procured via imports like maize. The first category, including products like saffron or cumin seeds enjoy more stable prices, but as to the other category, due to allocation of foreign currencies with the official exchange



rate of 4,200 rials against a dollar for imports of such commodities, the market is so volatile and unstable.

Agro-products could be also divided into three other categories from another perspective: essential or strategic like wheat, barley and maize; ordinary products like chicken and meat; and finally luxurious products like saffron and pistachios. Products included in the final category are less sensitive and are much more successful as exchange traded commodities. Yet, the IME can do the same for all 3 categories if the government cooperates in this regard. Wheat is a good example. Guaranteed purchase policy of wheat was a back breaking problem which was solved via the IME with implementing the supportive price policy. Unfortunately, we are witnessing kind of resistance from those who benefit from lack of transparency in trades of agro-product and are preventing them from getting listed on the IME and be traded within a legal and competitive atmosphere which leads to fair price discovery.

In countries like Brazil most agro-products and animal products like coffee, meat and buffalo are offered on

the exchange. For some commodities the trading value of the derivatives contracts defined on them is higher than the physical trading value of such commodities by many times. Derivatives contract could help us regulate and balance the market of agro-products and to prevent smuggling and hoarding. Speculators would be able to participate in derivatives market of agro-products and take positions instead of getting involved in physical purchasing and storing them in the hope of rising prices; they could, then, benefit from price changes in the futures market for example.

Such contracts are currently traded on the IME on saffron and pistachios with successful results so that the exporter can cover their risks against price volatilities and ensure fulfilment of their commitments.

What is the role of governmental producers in supplying their products on the IME? and what about the private sector?

Faareghi:

As most producers of agro-products in Iran are smallholder farmers who are not familiar with the concept of trading over an exchange, it's needed to do the job via



entities like cooperatives or big producers, like what we saw for saffron and is definitely applicable to other commodities. Companies like the State Livestock Affairs Company could play a crucial role and make exchange trades popular by doing the trades they already have with chicken farmers in spot or forward contracts.

As to both governmental producers and the private sector we need to make them realize the benefit of fair price discovery on the IME. They will be automatically absorbed to the exchange upon feeling that they will be offered better prices here. Other incentives should be also added, like considering a 5 to 10 percent of margin for the supportive price policy offered by the government so that the private sector will be

enticed to enter the market.

Naserpour:

As I said earlier, the IME has got all the potentials needed to the platform to offer and trade strategic agro-products, which we believe will end in very good results if governmental bodies cooperate with us.

There is no doubt that agro-product are the advantage of our economy over other countries, as studies show that the production costs are much lower than anywhere else in the world. The good news is that industries involved in the agriculture business are getting listed in Tehran Stock Exchange, which means we will be witnessing more agricultural commodities being trade on the IME in the near future.



Upping Farmers-Traders Interactions by Participating in IME Transactions

The member to the Agriculture Commission is of the opinion that listing agricultural commodities will boost interaction between farmers and merchants and realization of fair transactions. He believes that time is ripe for a better understanding about the commodity exchange in Iran and farmers can get more familiar with the IME and its practices through internet, which is now available to everybody in the country.

Nazarafzali highlighted the importance of admission of agricultural commodities to the IME and development of commodity-based financial instruments and said, conducting agricultural transactions in the IME market is a move that should take place as soon as possible so best practices should be employed in order to achieve this goal.

Nazarafzali, who represents the city of Nehbandan in the parliament, stated that the most important part of the job is training farmers in joint efforts with the branches of the ministry of agriculture in all provinces aimed at increasing the knowledge of peasants about commodity exchange and its benefit for their economic well-being. Peasants

can also get information about the IME and its operation in agriculture market through virtual space thanks to the good coverage of the worldwide web and access to internet across the country. Based on Afzali, cooperatives will have a decisive role in training their members about the exchange and the mass media are also key to introduce the exchange solutions and benefits for the agriculture sector especially for smallholder peasants. Afzali, at the end, expressed hope that boost of agro-products trades in the IME would lead to ever-increasing interaction and participation between farmers and traders resulting in elimination of underpricing of the Iranian products in the regional markets.

"To this end, we need to investigate the potentials of each province in offering commodity on the IME. For instance there are great possibilities for the Southern Khorasan province to bring barberry (Zereshk in Farsi language) and other products to the exchange," he concluded.





Ali Khan Mohammadi, the secretary of National Foundation of Wheat Growers of Iran elaborated on the current price of wheat determined by the supportive purchase policy and said that the government has announced a supportive purchase price for wheat as 22,000 rials/kg and for durum wheat 22,900 rials/kg. As the prices were not fair and acceptable, the foundation has discussed the issue with the General Inspection Organization of Iran (GIO) as well as the Judicial System of Iran. He added that the parliament has given an assurance to approve the price of 25,000 rials/kg, and the government has promised to raise the price if it is funded. The official noted that unless we improve the farmers financially and lower the bank's high interest rates, there will be no competition and the quality will not improve.

Khan Mohammadi said that although the Iranian wheat is in competition with German and French wheat and has high quality, unfortunately, the agricultural infrastructure is not sophisticated enough to trade the wheat through the Exchange. The secretary of National Foundation of Wheat Growers of Iran argued that we do not want to increase the government's financial burden by raising the supportive purchase price of wheat,

but the government and parliament must offer appropriate solutions for the current situation. Farmers are unable to pay for animal feeds, and the crop produced serves no purpose. Under these conditions, the sustainability of our production in the future will be jeopardized. According to him the government should either regulate animal feeds instead of subsidizing it, or provide farmers with inexpensive facilities or allow the country to export wheat surplus for more competition.

Sayed Razi Nouri, the member of Iranian Parliament Committee on Agriculture stated that although the basis of supportive purchase policy is a good agricultural practice, but the government's credit problems prevent its implementation. Therefore, the trading of wheat via the Iran Mercantile Exchange will lead to reduction in the government costs and delivery of the wheat production profit to farmers rather than intermediaries.

Pointing to the available infrastructures, the MP said: "We do not have wheat storage facilities such as roofing and the necessary infrastructure to stop wasting of the wheat, and these requirements should be met."

Satisfied with the input and maintenance of the inputs, he said: "We have to manage the private sector in this area and supply the wheat on the IME. Since the provision and storage of animal feeds are such cumbersome tasks, we have to get the assistance of the private sector."

In the end, the MP emphasized that the only way is to trade products on the Iran Mercantile Exchange and to strengthen the private sector organizations and cooperatives and farmers.

Reduction of the State's Costs and Support Wheat Growers via IME



Initiation of Trading Certificates of Deposit on Pistachio



Trading 3.8 tonnes of pistachios through IME on the First Trading Day

On October 01, 2019, trading certificate of deposit on Fandoghi Pistachio (Round Pistachio) type 30-32 under the symbol of Talaye-Sabz-Zarand initiated on the Iran Mercantile Exchange, and 3,800 certificates of deposit were traded by costumers through the IME's platform. During the process of trading and price discovery, the highest price for every kilogram of the Fandoghi Pistachio type 30-32 was determined as 921,500 rials and the lowest price was 918,904 rials.

Based on the report, in addition to the opening of the symbol of Talaye-Sabz-Zarand, it is predicted that the second symbol of certificates of deposit on pistachio namely Sabz-Dane-Kavir will be opened on the IME in the coming days.

The advantages of trading pistachio via the system of certificate of deposit are as reducing the moving and storage costs, managing the gap between production and selling of the product by the farmers, and reducing price instability.

Other benefits of a Certificate of Deposit include simplifying the financing procedure for producers and reducing financing costs, product standardization as well as improving the products quality.

It is worth noting that gold coins, saffron and cumin seeds are the commodities that are now traded through the IME's certificates of deposit market, and pistachio is the new product added to this list.

Benefits of Offering Pistachios on Iran Mercantile Exchange

According to Hamid Ezzat Abadipour, member of the presiding board to Kerman's Chamber of Commerce said the offering of pistachios on the IME means real price discovery and market transparency for this agro-product with numerous advantages for orchard owners, middlemen and exporters.

As to the merits of launching trades of certificates of deposit he said, farmers can store their produce in standards warehouses listed on the IME, getting rid of the old ways of storing pistachios with the possibility of robbery or perishing of the product.

He added that the receipt that the farmer gets from the warehouse upon transferring their produce is a document confirming their ownership. Then, not being concerned about any other transportation fees, they can sell it on the exchange, being sure of receiving the value of the trade at the quickest time possible.

He added that certificates of deposit are also useful for middlemen. They used to buy pistachios from orchard owners and store them in their own warehouses and sell them at the right time. Now they can instead buy the certificates of deposited pistachios, with guaranteed quality without even seeing the product, in the IME's standard warehouse. This way, they will not be eliminated from the market and they can play their role via participating in the market instead of interfering in the physical market.

Another advantage of certificates of deposit he added will be their potential to be put up as collaterals with the banking system to receive financing facilities, a plus point which was out of question with traditional ways of trading for pistachio orchard owners.

He then elaborated on the benefits of this policy for exporters, referring to it as an answer to one of the big



concerns of them. Exporter are constantly worried about the quality of the product they buy from the orchard owners, which sometimes does not meet their expectations. Launching of certificates of deposit on the IME means that the exporters can easily make sure that they will receive their purchased product exactly based on the required standards. They can also plan as to the amount of pistachios they are about to export the forthcoming year. Ezzat Abadi continued that the other type

of contract on pistachios, futures, which are more suitable for risk taking participants, who have less money for investment. They can buy the pistachio they need in advance at a fixed price to be delivered at a pre-determined time in the future. They can cover the risks related to price volatilities and hence plan their business.

He said that in spite of the fact that there will always be some resistance to any new market, I predict that producers, exporters and middlemen will eventually accept the market after they will have enough experience to make informed decisions, as they are smart enough to recognize the merits of such a market. He added that our experience for other agro-product like green cumin seeds and saffron the IME shows that the pistachio market will be as successful God willing.

As to the concerns of those who are worried about controlled pricing policies he said that on the IME producers and buyers will be freely trading on the exchange and the prices will be fairly discovered based on the fundamentals of supply and demand. I have no doubt he continued that they will eagerly participate in this market upon understanding thoroughly the benefits of trading in cash, real price discovery and the guarantees offered by the exchange to deliver the product with exactly the same quality buyers purchase pistachio on the exchange.

Member of the presiding board to Kerman's Chamber of Commerce finally said that with incentives like providing credit lines to exporters and the potential of futures trades, we can definitely encourage pistachio merchants to trade on the IME and with the estimated harvest of the forthcoming crop year it is anticipated that there will be a bullish market on the exchange.



Merits of Listing Pistachios on Exchange

A capital market expert highlighted the significance of listing pistachios on the IME and said that pistachio trading on the exchange has come on the stream to help and support pistachios growers. "Pistachios farmers are entitled to deliver their produce to the designated exchange warehouses and receive the warehouse warrant which is tradable under Iran's capital market rules and regulation. Farmers can offer the commodity as per details of the warrant in the spot market or through CDR mechanism accordingly. Another advantage of having pistachios on the IME is that the exporter of the commodity will be ensured that certain amounts of standard product is always available at a certain maturity for export, an issue of great importance for export planning. Hamidreza Mehravar in an interview with IRNA referred to the launch of the pistachios bourse and told that global experiences show that having agricultural products traded in a transparent venue like the capital market can be of great assistance to the national economy and the farmers as the main beneficiaries in the agriculture sector.

"It was not long ago that farmers would pain and the middle dealers would gain. However, efforts coordinated by the IME to engage relevant agricultural cooperatives facilitated the groundwork for the farmers leading to launch of a number of standard warehouses for commodities like saffron enabling saffron farmers to deliver their products to those centers after harvest.

Mehravar likened the warehouses as banks and said the farmer receives warrant in proportion to the quantity he or she has delivered to the warehouse. The warrant or warehouse receipt

bears a value and is considered as security. The great success in cumin seed and saffron led to its replication for pistachios to see it join to the inventory of underlying commodities of the exchange.

He further stated that prior to saffron offering on the exchange,

saffron growers had to put their commodity on sale at lower prices, now, the problem has been eliminated through capital market

solution. The Iranian pistachios should seize this opportunity to go more global using the potentials of the exchange platform to sell the crop at real prices. Enlightening the situation around the pistachios in Iran he said before listing on the exchange, the pistachios industry was suffering from lack of transparent market; to address the hardships, bourse of pistachios stepped in and helped growers as it had already done for saffron growers in promotion to the quality of crop to sell it at best price. To give it a boost, warehouses were launched in joint action with the IME so the farmers can deposit their pistachios, get warehouse receipts and offer their commodity later in the year.

Mehravar further noted that this market is at its niche stage and would grow steadily to a full-fledged market with diverse benefits including risk management. It is a great opportunity to bring other quality products of Iran including grapes and hand-made carpets to the capital market.



Brand Promotion for Iranian Pistachios through IME



Member of Iran's parliament, Ahmad Anaraki said that trades of certificates of deposit on pistachios on the IME will be a brand promotion opportunity for Iranian pistachios all over the world and very soon we will be witnessing foreign merchants participating in this market. This way he added we can not only enjoy the benefits of real price discovery and transparency in trades of pistachio, we can also compete with American producers and other countries.

Anaraki, who is also member of the presiding board of the economic committee of Iran's parliament, continued that with the IME Iranian pistachio can escalate to the position it held for many years as a global price reference. More importantly, we can make new markets for our pistachios and promote our brand internationally. Among other benefits of offering pistachios on the IME he said will be the light it sheds on price discovery processes and the fact that the banking system will be more inclined to support participants when their activities are backed by regulated mechanisms of the exchange, which are both advantageous to orchard owners.

He continued that trading pistachios on a regulated exchange as an efficient plan will bring about merits of fair and real price discovery and will eliminate unnecessary middlemen, which means orchard owners will enjoy the fruits of their efforts more than anyone else. That's why governmental officials are required to support such plans.

He insisted that standardization is the pre-requisite of trading pistachios on the IME. Standardization will lead to more and more merchants to participate in the market, which revolutionizes its trade and promotes it greatly as an export product, adding to the country's foreign currency resources.



Pistachio Market on a Transparent Path with IME



Kerman province representative to Iran's parliament called launching trades of pistachios on the IME as the correct supportive policy for orchard owners, which in turn leads to facilitating the export of this strategic agro-product. He explained that till now the IME has prepared the groundwork by launching trades of certificates of deposit on pistachios and listing standard warehouses so that orchard owners can store their pistachios, which are the preliminary steps to launching futures contracts on pistachios as well. He added that trades of pistachios on the IME will not only have the benefits of transparency and real price discovery for farmers, it will also facilitate exports of various types of pistachios to foreign countries and make them a good source for provision of foreign currency resources.

Relying on price discovery mechanism on the exchange he added everyone will know the price for each type of pistachio which is being exported at the real time, which means we are moving towards a more transparent market in line with the benefits of both the real producers of this agro-product and the exporters.

He insisted on the fact that it's a very big steps towards regulating the pistachios market in the country and, in the nature of things, we will learn many things on our way and might need to improve or make changes in our procedures.

Yet, there is no need to worry especially as to standardization process given that it's not the IME's first experience in this regard.

Pour Ebrahimi finally pointed out that we have been usually exporting Iran's pistachios in retail, but now thanks to the IME there will be a big market supplying various types of pistachio in large quantities and under specific standards via a regulated and transparent platform. Hopefully, this will eliminate some of the structural problems we have been struggling with until now in this market including unnecessary middlemen.



IME Do their Bit to Boost Exports of Pistachios to 5 Billion Dollars

“Currently, Iran exports about 1.5 billion dollars’ worth of pistachios with a potential to increase by 200% in a matter of a few years. On the condition that we can provide market participants with enough incentives to trade on the IME’s pistachios market, we could expedite production growth and win a bigger share of pistachios’ global market”, said Ali Akbar Mehrfard, commercial deputy of Ministry of Agriculture.

Mehrfard said in the launching ceremony of futures contracts of pistachios on the IME that Iran’s production declined last year to 50,000 tonnes due to adverse weather conditions and less rainy days. Yet, Iran, along with countries like America and Turkey, is one of the major producers of pistachio across the globe, with 13 of its provinces involved in commercial production of it.

Given that Iran have got the potential to increase pistachio plantation by 14 hectares per year, it’s highly reasonable to work also on other hard and soft infrastructures needed to enhance Iran’s status in exports of pistachios internationally. In view of that, the financial instruments available on the IME could play a critical role in improving the industry for both producers and those involved in the processing sector or exportation of the products, which is subject to cultivating minds of market participants with the benefits of such instruments.

Unlike water intensive crops including wheat, maize or soy beans, we need to focus on pistachio which needs much less water for proper growth; thus a better option for expanding of production.

Finally, Mehrfard added that the IME could step in also with startups and collaborate in raising the quality of pistachios produced in Iran, matching the global standards in packaging and so on.



Trading Futures Contracts on Pistachio for the First Time in the World

There is no futures contract on pistachio in any commodity exchange in the world and today the first futures market in the world for pistachio was launched in Iran; the reason for the lack of futures markets for products like pistachio and saffron in the world is the Iran's comparative advantage of producing these two products. Therefore, by launching new trading tools, Iran can become the price reference of this product in the world.

The opening ceremony of pistachio futures contracts was held with presence of Ali Akbar Mehrfard, Deputy Minister of Agriculture Jihad, Shapour Mohammadi; Head of the Securities and Exchange Organization (SEO), Mohammad Reza Pour Ebrahimi; Member of Iranian Parliament Committee on Economic, Hamed Soltaninejad; CEO of the Iran Mercantile Exchange and a group of senior managers in Iran's capital market and pistachio market participants.

At the beginning of the ceremony, CEO of the IME appreciated the support provided by the Securities and Exchange Organization (SEO), the Iranian Parliament, the Ministry of Agricultural Jihad, and the pistachio market participants for the entry of pistachio into the IME's market and said securitization and development of derivative instruments, introduction and deployment of diversified financing and trading instruments, expanding the size and depth of markets for specified commodities for the purpose of being the price reference, and expanding activities to enhance the country's trade with international markets are the most important strategies of the IME in the agricultural sector. Hamed Soltaninejad, pointing to a trading value of 125,000 billion rials for futures contracts on agricultural commodities since the beginning of the hijri year, added: "Fair price discovery, providing agricultural finance, providing the opportunity of production planning and the price fluctuation hedging are the IME's targets in this



area and the launch of futures contracts is a major step towards achieving these goals.” He described the benefits of the futures contract for agriculture market as risk coverage, fair price discovery, liquid transactions, guaranteed transactions through the IME’s clearing house, financial leverage and low transaction costs. In line with that, during the previous hijri year, futures contracts on saffron and cumin seeds were initiated and today, the pistachio futures are launched.

Soltaninejad, referring to the history of trading pistachio on the IME, said that the pistachio is selected for these deals because of the comparative advantage of production, standardization, being export-oriented, continuous demand and mass production. During year 1396 hijri, certificates of deposit for 123 tonnes of pistachio and in year 1397 hijri certificates of deposit for 57 tonnes of pistachio were traded through the IME and in year 1398 about 25 tonnes of this product has been traded, up to now.

He further referred to the global experience of launching derivative contracts on agricultural products such as cumin seeds in India and stated that there is no futures contract in the world for pistachio, and today the first futures market in the world for pistachio was launched in Iran; the reason for the lack of futures markets for products like pistachio and saffron in the world is the Iran’s comparative advantage of producing these two products. Therefore, by launching new trading tools, Iran can become the price reference of this product in the world. Soltaninejad pointed to the ME’s measures in the year 1398 hijri on the pistachio product and said: “Listing the Talaye Sabz Zarand Company in Zarand and Sabz Daneh Kavir Company in Sirjan as well as negotiations with other private companies and cooperatives in Kerman, Rafsanjan, Semnan and Khorasan provinces, and holding training courses are among the most important steps taken by the IME in this regard.”

The CEO of IME pointed to the pistachio futures contract specifications and said that the first futures contract of Fandoghi pistachio (grade 30-32) will be launched for delivery on December 2019, which is 100 kg per contract. The maximum volume of each order is up to 25 contracts and the daily maximum price volatility is $\pm 5\%$ with respect to the daily settlement price of the previous day.



Pistachio Futures Contracts, a Win-win Game for Farmers and Exporters

Shapour Mohammadi at the Opening Ceremony of futures contract on pistachio on the Iran Mercantile Exchange said that in order to trade pistachio in futures contract it is definitely necessary to reflect the views of industry activists and traders, to determine trading infrastructures and instructions and pricing, as well. He added: futures contracts are one of the derivative instruments in the world that have been taken into consideration for hedging. When a person enters a futures contract, he sets the price for himself and covers the risks of future volatility; while futures contracts are also effective in discovering the real prices. "If a commodity's market does not have a good cash market, one of the ways to regulate that market is to enter derivative market for that particular commodity," Mohammadi said. Why should the prices for our country's produce such as pistachios and saffron be determined by other countries, while supply side depends solely on our country? In this regard, the IME will help the Iranian farmer by introducing a proper pricing strategy and to be a global price reference. Although the commodity exchanges in the world have been around for over a hundred years, today we are witnessing a noticeable change and a great initiation in this regard. The chairman of Securities and Exchange Organization (SEO) expressed that sometimes an exporter commits a foreign buyer and needs to purchase an agricultural product, but the lack of the necessary liquidity may obstruct the transaction; sometimes the farmer may face difficulty to sell his product and may not even know the actual prices. On these occasions, the Iran Mercantile Exchange and futures contracts create a win-win situation for the farmer, the exporter and the investor and everyone can take advantages from trading pistachio on the exchange.

We hope that trading of pistachio on the IME's market play a decisive role in global markets and global pricing, and we hope that dates and raisins will be traded via this market in the near future.



Saffron Supportive Purchase Plan in IME

The CEO of the Central Organization of the Rural Cooperatives of Iran in an interview enlightened the methods worked out to use the IME trade mechanism for saffron trades in the year 1398 hijri (2019-2020) with the goal of regulating the Iranian red gold market.

Hossein Shirzad, deputy minister and the head of the rural cooperatives organization, shed light in an interview with PAT on the commencement of purchase of saffron from farmers in association with the Iran Mercantile Exchange. He said that the Iranian saffron is a unique product with a globally recognized status. Understanding the significance of this product, the ministry of agriculture and the central rural cooperatives organization have on the agenda safeguarding of historical and global status of this precious agriculture product. According to Shirzad, the price of saffron was around 13 million IRR per kilogram last year which dipped to 8 million IRR in the current year due to price dumping and market manipulation by the intermediaries outside the country. Shirzad announced that supportive purchase plan for saffron has commenced simultaneous with the harvest season based on the official directive of the agriculture minister effective as of October 30 in collaboration with the members of parliament from the production constituencies



and the Budget and Planning Organization. The incumbent official said, regarding the outlook of targeted intervention by the ministry and the central organization in the saffron market, that the initiative is aimed at winning the status of price referencing at international level, rather than following weird prices manipulated by the profiteers, promoting trade status proportionate with the status of the Iranian saffron in the world, and mitigating destructive impact of negative competition among the unprofessional exporters who sell to middle foreign traders.

Supportive Purchase Plan

As to procedures of execution of the plan, the CEO of the central rural cooperatives organization said that after issuance of the directive, the required by-law and instructions to implement the supportive purchase plan was prepared and 18 purchasing centers stationed throughout the production hubs in Khorasan Razavi and Southern Khorasan provinces. The initial estimates show market price convergence with the supportive price via purchase of two tonnes of saffron in less than two days from the start of the project. He went on to say that the priority in purchase is the private sector and buyers from the exchange market. To this effect, the role of saffron taskforce, established to run the plan, is offering fair prices and monitoring of the market prices to balance the market, filling the gaps arising from market volatilities. "Like last year we will use the IME mechanism in trade of saffron. Farmers are due to refer to one of the nearest designated warehouses of the exchange in the region and deliver their harvest together with submitting the letter of introduction by the provincial branch of the agriculture ministry. Based on the rules of the exchange, a sample of the commodity would go for inspection labs for quality control to check if the delivered saffron is in full compliance with the standards of the exchange. After passing the quality control checkpoint, a warehouse receipt will be issued to the order of the farmer and can be traded later on the capital market trading platform.



Saffron Production Reached 500 tonnes



Mahmoud Hojjati, the Agriculture-Jihad minister announced in the meeting with the members of the board of Tehran Chamber of Commerce that Iran's agriculture sector has managed to enhance its saffron production from last year's 350 tonnes to 500 this year.



Hojjati in his joint meeting with the representatives of Tehran Chamber of Commerce stated that there were no such investments in soil and water after revolution as what was made in the two terms of president Rowhani's administration in the manner that over 2 million hectares of farmlands have been equipped with advanced irrigation systems. As to the cross-border water resources, the minister further said that 220,000 hectares of border agriculture farmlands have been brought in line for irrigation. In addition, the ministry has implemented a water management plan in Sistan

province for optimized agriculture water consumption at both plantations and orchards, which yielded an output of 1.34 % dry crop for each cubic meter of water. Hojjati went on to provide facts about agricultural production at a national level and said, “Last year we produced 350 tonnes of saffron while this year it has reached a much higher quantity of 500 tonnes, showing a 40 percent increase year on year. The ministry of Jihad managed to take the production level in apples and citrus products to 4 and 4.5 million tonnes respectively this year which is a challenge and a source of concern for us as we should work out a solution including export in order to address the overproduction. To this effect, we have mandated a taskforce in order to accelerate export of the extra production”.

Regarding tomato crops, Hojjati said that the Ministry of Agriculture has purchased and collected 360 KT of the patch and green house tomatoes from the growers within previous weeks and the stockpiles are now one million tonnes more than what were offered to the market within the same period last year.

He recommended that cultivation and farming must be demand-oriented in the sense that the farmer plants according to market demand; while some farmers trust that they would replicate a good sale by following the same market pattern as they did the year ago. Stating that total value of agricultural production in Iran is 80 billion USD, Hojjati said, “Last year we faced currency rates problems; however, it had some valuable opportunities to raise production which was in part associated with factors like raising farmland productivity.

This member of the cabinet, made his concluding remarks on other areas like import of the essential products and said the major import items in the agriculture sector is the oilseeds, oil cakes, unrefined vegetable oil and maize together with some seeds and pesticides. For other areas there are no major concerns as to supply of basic commodities and the storage reserves and stockpiles in the warehouses are sufficient and at good level. The minister also referred to fisheries production that rose this year to 1,245 KT from 880 KT of the year earlier.



Real Prices of Saffron Discovered on Iran Mercantile Exchange

Before offering on the IME changes in foreign currency rates had no effect on the price of saffron in Iran. However, after that real prices are being discovered, pouring most of the profit in the pockets of farmers.

According to Gholamreza Karimi, experienced participant in saffron market, deciding factors in saffron price setting include supply and demand, production and foreign currency fluctuations. He mentioned that since launching of saffron trades on the IME there has been a direct relation between its prices and foreign currency rates in our country, increasing prices to three times higher and back again to lower prices with the falling trend in the rate of dollar. He added that near the harvest time, merchants usually avoid participating in the market. That's why there was a gap in the market which lasted for about two months, but now we are witnessing a normal market. He then elaborated on the supportive policy of the government for purchasing saffron from farmers. He continued that the farmer's produce is stored in the IME's standard warehouses and they receive a certificate of deposit. If prices of saffron exceed the minimum set price which is 100 million rials per kilo, saffron is offered on the exchange and will be sold and the farmer receives the value. Otherwise the government is committed to buy their certificates at the minimum price of 100 million rials per kilo in order to support the production.



Exchange, the Right Path for Agricultural Market Development



Habibollah Nikzadipanah represents the Bam constituency in Kerman province. He is of the opinion that bourse is capable of revitalizing the agricultural market by incorporation of quality and standards alongside exchange solutions and instruments. He believes that Bam's agriculture products including dates and the provincial crop of pistachios are well-suited for trading in the IME. Expressing his satisfaction over listing and trading of saffron, pistachios and cumin seed in the IME, Nikzadipanah suggests that, a large number of agriculture commodities can be added to the list as they are on high demand by the local and international traders, so the ground should be paved for offering of such commodities on the exchange platform.

The member of the Agriculture Commission of the parliament said in an interview with ILNA news agency that, "A glance at the structural problems of the agriculture sector in Iran including decentralized farming, middlemen, irregularities in quality and sales methods, and steep price changes would urge us to have a legal and transparent mechanism in place to put the agriculture market in order".

Nikzadi referred in his remarks to the commodity bourse infrastructure as the path for development of the agricultural sector and said that the Iran Mercantile Exchange has expanded its operation in industrial and petrochemical commodities sector at a high rate, however the velocity of listing commodities in agricultural sector is far

behind the country's potentials in this sector due to many reasons like traditional structure of the market. "Notwithstanding, we have been fortunate to have listed saffron, pistachios and cumin seed as three strategic agro-products on the exchange", he furthered.

Revival of production and export

The member of the Agriculture Commission of the parliament went on to say that, many of the Iranian agriculture commodities are popular across the globe; however, such products have been neglected for getting listed on the exchange. Therefore, we should set the ground in order that commodities with production advantage in each province to be listed on the exchange. This, in turn, leads to providing price transparency and real profit for producer resulting in revival and boost of production and export.

"The same goes for the agriculture sector in my constituency, city of Bam. Due to diversified range of the agriculture products in the city and the province, it is anticipated to have transactions of dates and pistachios on the exchange in the not too distant future," he continued.

The representative of Kerman province in the Majles reiterated that having a robust domestic market would boost the role of the IME at an international level. It provides opportunities for the foreign traders to buy standard Iranian products on the exchange like what is carried out on world commodity exchanges where exchanges are actively involved in the process of price discovery for a large number of underlying commodities from petroleum, petrochemicals and metals to agricultural asset class that are reference for the global players.



Ensured Quality in the Exchange

Nikzadipناه touched upon the necessity for increased interaction of the agriculture sector authorities with the Iran Mercantile Exchange and said, "The IME encourages farmers and producers to advance their products' quality as the exchange operation is translated in competition in quality production; so, in order for the farmers to offer and sell their commodities on the exchange they need to adhere to the standards of quality production". The Majles member further pointed to the necessity for preparing the ground for offering of agricultural commodities on the exchange and said that enforcing standards and launching well-equipped warehouses and grading systems are among the key issues that require collaboration of both public and private sectors thereby making an exchange-listed product a brand for its producer.

Concluding his remarks Nikzadipناه said that taking advantage of exchange practices has been prevailing in the world's commodity markets, so trying the traditional methods for regulating markets would not work anymore. Therefore, offering of agriculture products on the exchange seems to be the best solution to revive this sector; hence, the ground must be prepared to get the farmers and producers familiar with the exchange and its pertaining benefits.

Grapes and Raisin in IME

The representative of the Takestan constituency in the Iranian parliament holds that raising awareness is key to success for agricultural commodity trading on the exchange; and getting the farmers familiar with the exchange should take place ahead of listing of the agricultural product. The exchange authorities should shed light on various merits of the exchange transactions and the positive impact it would have on the livelihood of the farmers and that they can sell their products on the exchange at real price. It is a kind of surety in itself, so the instruments of the exchange have the potential to foster security across production and boost farmers' income.

Bahman Taherkhani said that the grapes and raisin produced in the city of Takestan are popular in the international market and through efforts like bringing them to the



exchange it can broaden its client base in the global sphere. Having a competitive edge, the product has footholds in the EU, Russia, China and CIS countries markets. Trading of vine fruit in the IME trading floor while aligning the product with higher standards, provides better price discovery, market transparency and gaining a ground in the export transactions of agricultural commodities in the exchange.



“The more we bring agricultural commodities on the exchange, the less will become concerns and anxieties of farmers about having to sell the crop at low prices to the intermediaries and middlemen during harvest season when crop dump occurs in the production centers. Moreover, having such products on the exchange would provide the ground for targeted exportation of products at exchange-level quality and standard”, Taherkhani highlighted.

He referred to the important role that awareness plays in luring the farmers and agro-products producers to the exchange and said many of the farmers might not be aware of the benefits that instruments of the exchange would provide for them including securing their earnings, as they could be assured about the best price they can sell at through spot and financial instruments stationed in the IME market for agricultural products.

He said that there should be infrastructure such as warehouses equipped with refrigerators under exchange supervision in the production centers in order that the grapes growers and vine orchards owners could be able to deliver their produce to at any time of year specially in harvest season.

As to admission to the exchange, the MP said that a task force should be established for grapes and raisin like what was done before for saffron, pistachios and cumin seed in the form of “the National Plan for offering of Grapes and Raisin on the Iran Mercantile Exchange” in order for the grapes orchards owners and farmers benefit from fair price discovery and transparency, swift transfer and payment of price to their accounts, elimination of intermediaries, quality and standards promotion and planning for production.



Raisins, Dates and Silk on the Way to Iran Mercantile Exchange

Representative of Torbat Heydariyeh, Mehvelat and Zaveh at the Parliament of Iran announced the planning and measures of the Iran Mercantile Exchange and the involvement of agricultural sector activists to trade raisins, dates and silk through the IME in the near future.

Saeed Ba'stani said although shifting trading of agricultural products from traditional to modern mechanism of the IME has been a wearing task, over the past two years, collaboration between the IME and the agricultural sector led to the successful launch of trading some products such as saffron, cumin seeds and pistachio through the IME's mechanism resulting in a great transformation in the country's agricultural sector.

Expressing that the IME has in mind some products as silk, raisins and dates to be traded in new and efficient ways, Ba'stani added that we hope, in addition to these products, other agricultural products to be offered on the IME's market so that all agribusinesses and farmers across the country take advantages of the IME's potentials, such as a one-day settlement for their products, growth in agro products quality and elimination of speculators out of the market.

The Speaker of Industries and Mine Committee of the Parliament noted that since on the IME's market transparency and price discovery are of the utmost importance, therefore, offering of other agricultural products on the Iran Mercantile Exchange will provide



significant benefits to the general public apart from discovering real prices, enhancing quality, effective producer-consumer interaction, and reducing the role of speculators in the markets, as well. Ba'stani said that the next step is to export these products to the global markets and this will be achieved once the exchange is expanded and developed in free trade zones and special economic zones to provide the basis for international trade. He added: "It would take two to three years to fully launch an International Mercantile Exchange for agro products, including saffron; but it should be emphasized that with the implementation of this measure, the problem of agricultural products, including saffron will be solved in every aspect."

Representative of Torbat Heydariyeh, Mehvelat and Zaveh at the Parliament of Iran emphasized that given that the commodity exchange is one of the tools of the modern economy and economies are bound to use the new financial markets, the role of the IME in various sectors of the economy of Iran will certainly become more pronounced in the coming years.

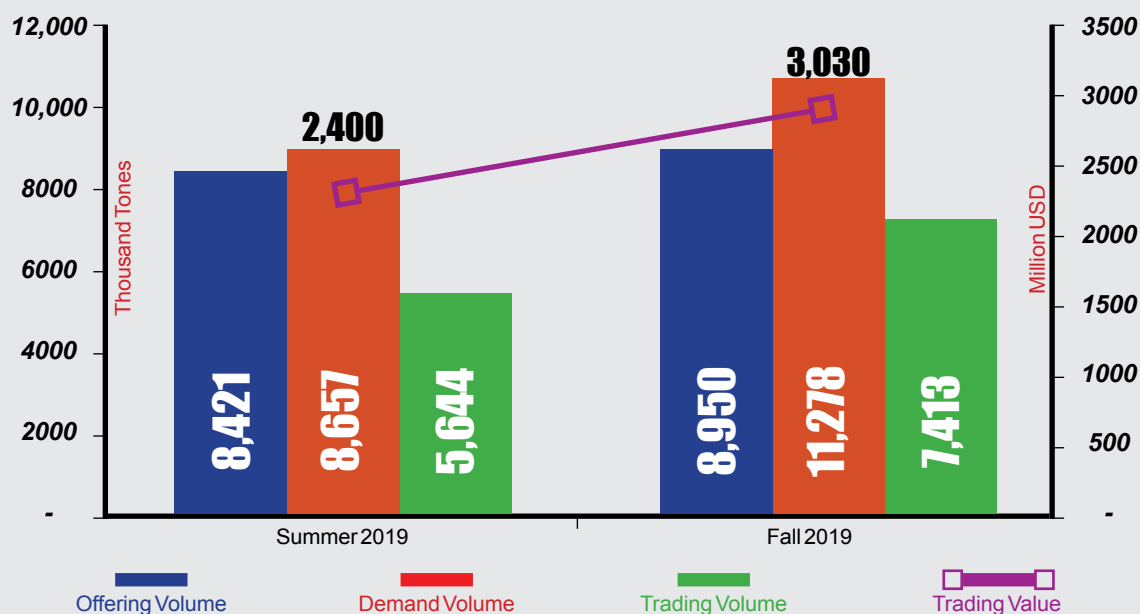


Statistics of IME Business



An Overview of IME's Physical Market

Within the third quarter of 1398 Hijri year (23 September, 2019– 21 December, 2019), the IME saw trade of a total 7.4 million tonnes of commodities on its physical market, the value of which stood at 3,030 million USD. The figures show an upward trend as compared to the second quarter of this year with a 31 percent increase in trading volume and a 26 percent growth in trading value.

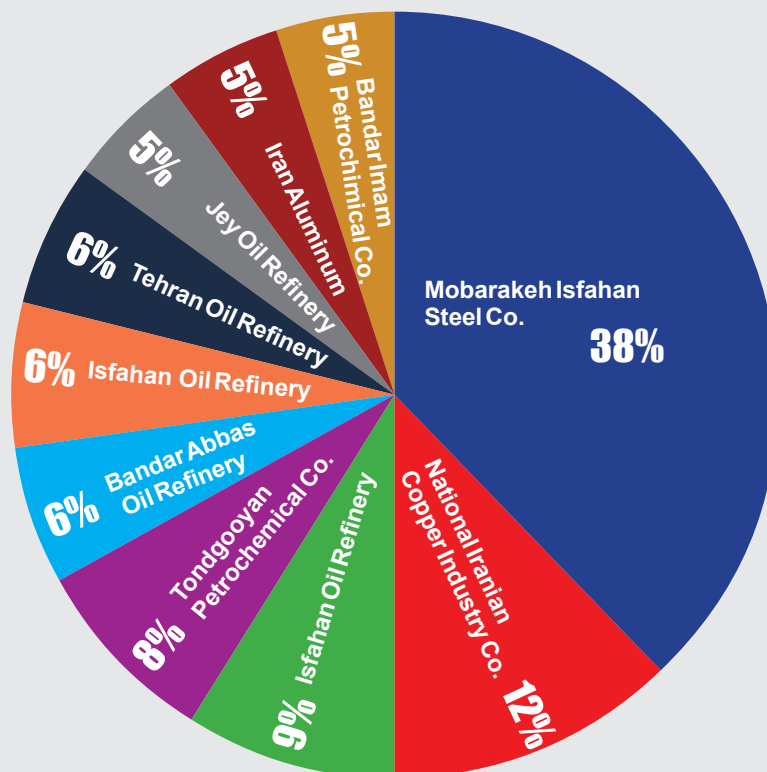


In the following you can see trading value and volume of the first 10 top suppliers on the physical market of the IME.

Supplier	Total Trading Value (Rials)	Total Trading Value (USD)	Total Trading Volume (Tonnes)
Mobarakeh Isfahan Steel Co.	73,938,628,150	634,214.49	1,448,769
National Iranian Copper Industry Co.	24,023,282,537	206,061.63	49,087
Isfahan Oil Refinery	17,652,556,190	151,416.21	642,572
Tondgooyan Petrochemical Co.	14,988,675,217	128,566.56	164,133
Bandar Abbas Oil Refining Co.	11,451,434,300	98,225.59	472,600
Isfahan Steel Co.	11,122,322,854	95,402.61	260,362
Tehran Oil Refinery	10,981,875,030	94,197.91	410,960
Jey Oil Refinery	10,354,819,900	88,819.30	388,100
Iran Aluminum	9,946,491,160	85,316.82	47,100
Bandar Imam Petrochemical Co.	9,766,511,296	83,773.03	110,520

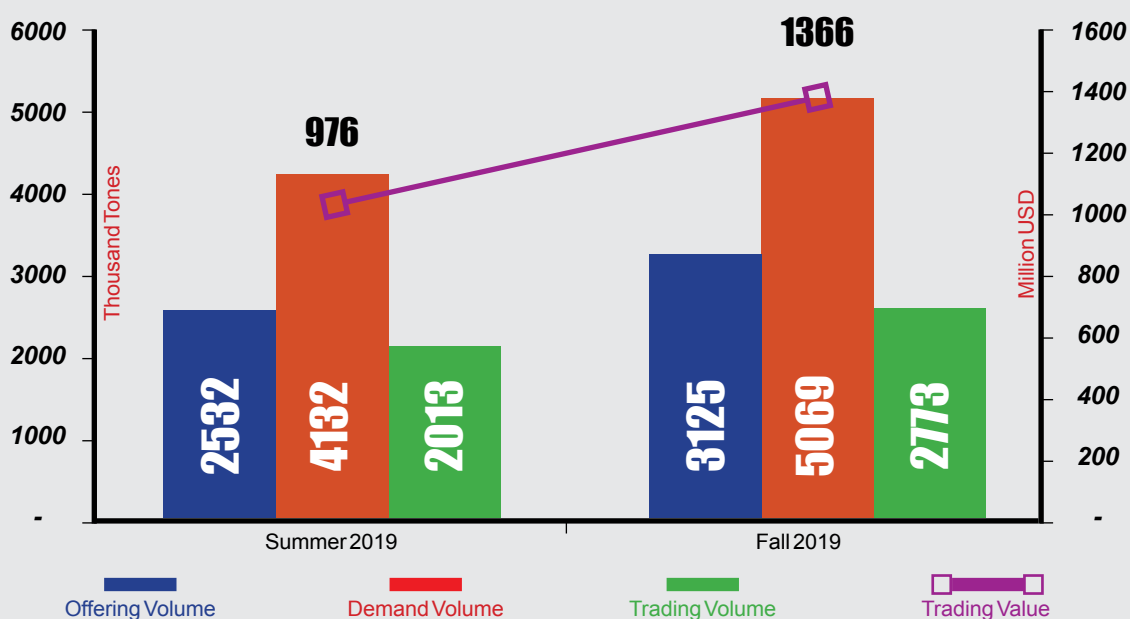


Top Suppliers of IME Physical Market in Fall 2019



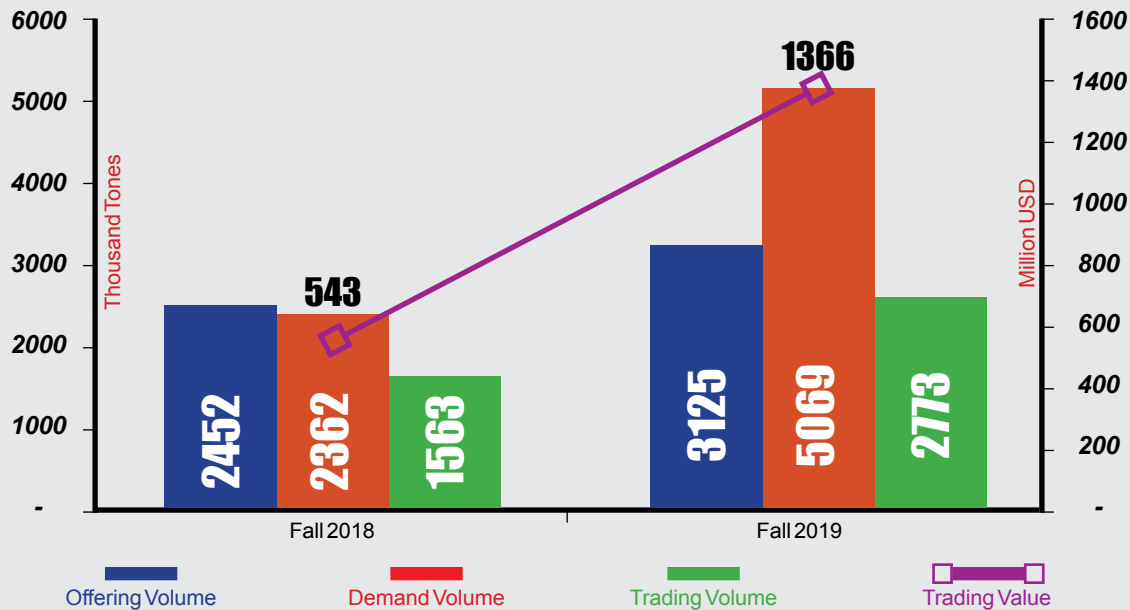
Industrial Products

The industrial trading floor of the Iran Mercantile Exchange witnessed a trading volume of 2.7 million tonnes valued at 1,366 million USD in the third quarter of 1398 Hijri year (23 September, 2019– 21 December, 2019), showing a 38 percent growth in trading volume and 40 percent of growth in trading value, as compared to a 3-month period before that.



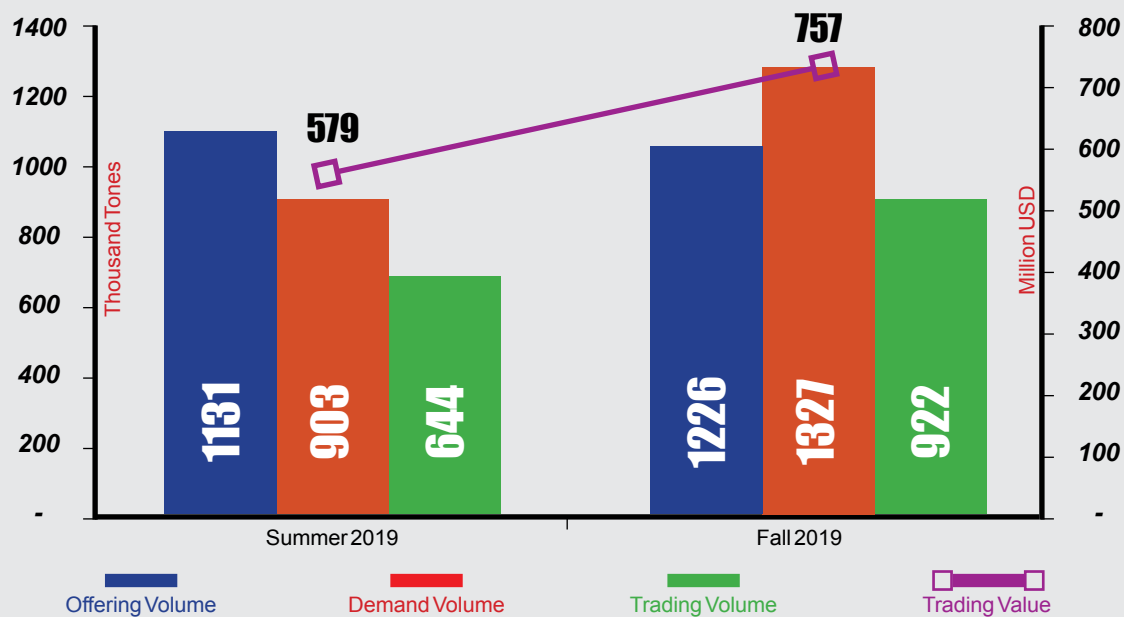


Moreover, comparing trading volume and value between the third quarter of 1398 Hijri year (23 September, 2019– 21 December, 2019) and the same period in the previous year reveals that the IME saw a 77 percent growth in trading volume and a 152 percent growth in trading value.



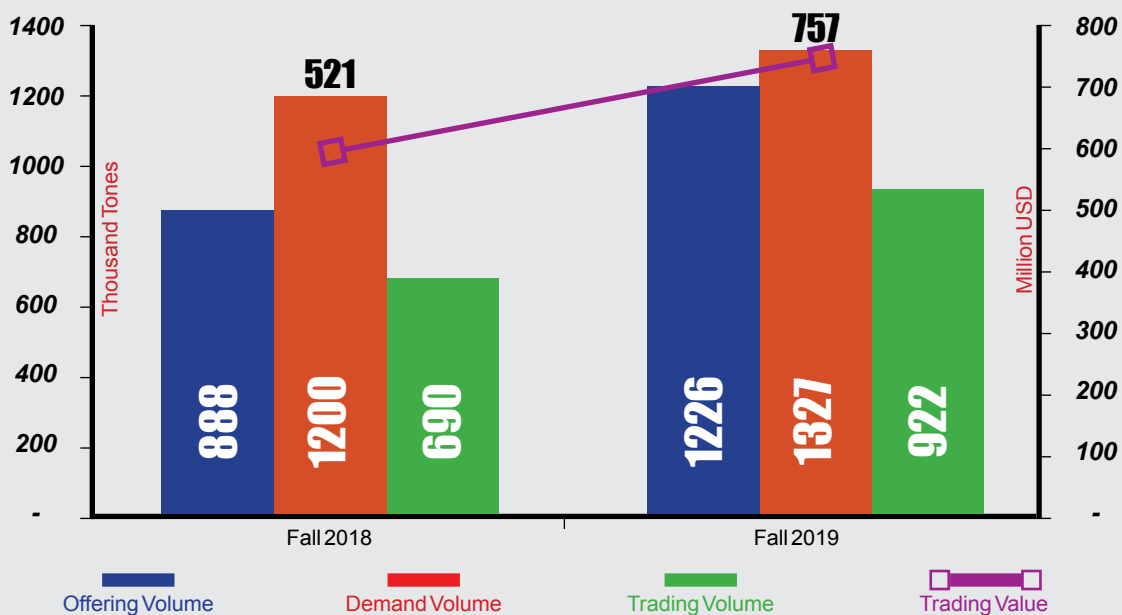
Polymeric Products

In the third quarter of 1398 Hijri year (23 September, 2019– 21 December, 2019), volume and value of trades on the IME's physical market for polymeric products stood at 922 thousand tonnes and 757 million USD respectively, witnessing a growth of 43 and 31 percent in trading volume and value, respectively, comparing to the second quarter of this year.



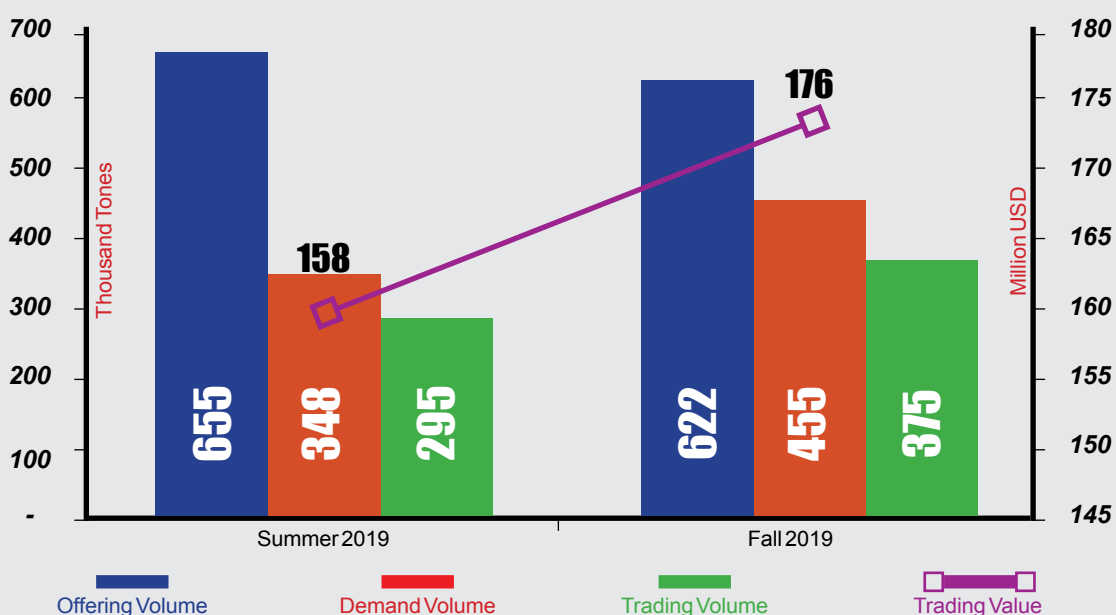


Moreover, comparing volume and value of trades between the third quarter of 1398 Hijri year (23 September, 2019–21 December, 2019) and the same period in the previous Hijri year reveals that the IME saw a 34 increase in trading volume and 45 percent growth in trading value.



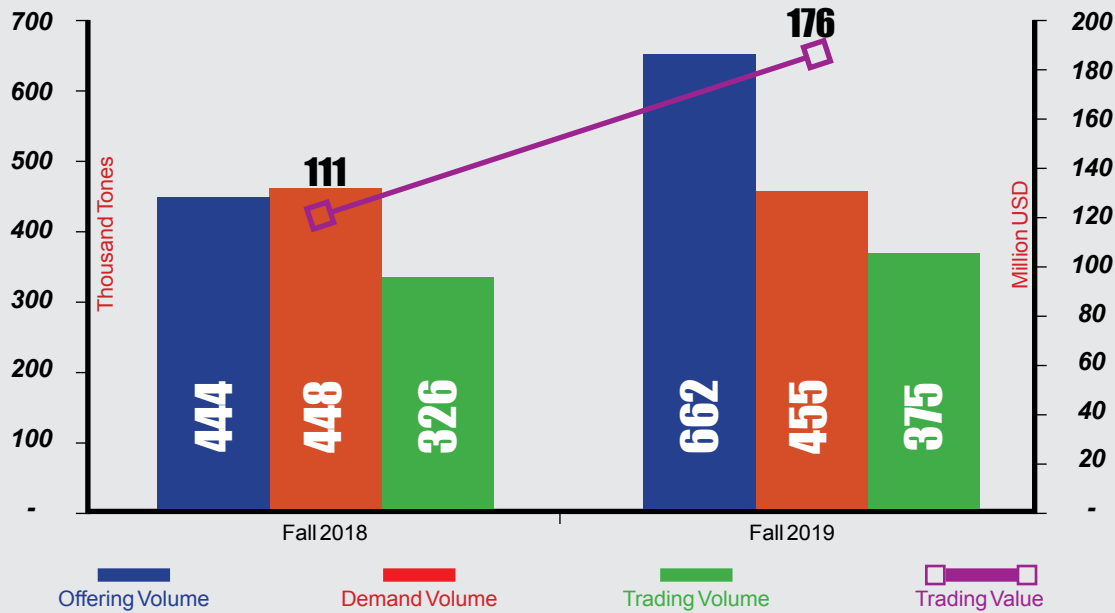
Chemical Products

Within the third quarter of the current Hijri year (23 September, 2019–21 December, 2019), the IME traded 375 thousand tonnes of chemicals valued at 176 million USD, showing 27 and 11 percent of growth in trading volume and value, respectively, in comparison to the second quarter of this year.



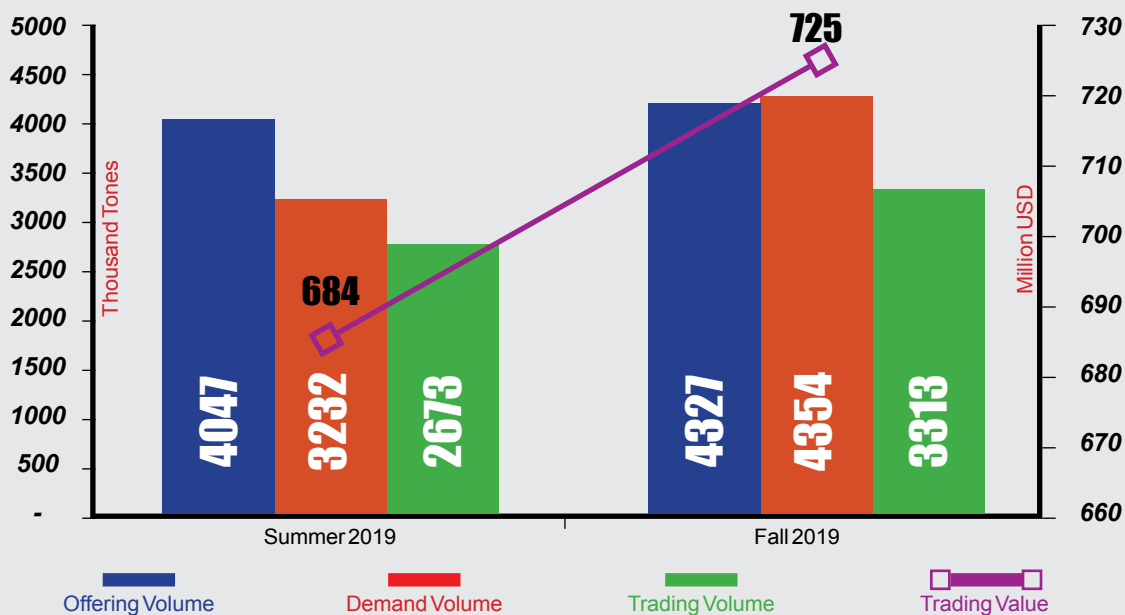


Compared to the same period in the previous Hijri year (23 September, 2018– 21 December, 2018), trading volume of chemical products shows 15 percent of increase and the trading value witnessed 59 percent of growth.



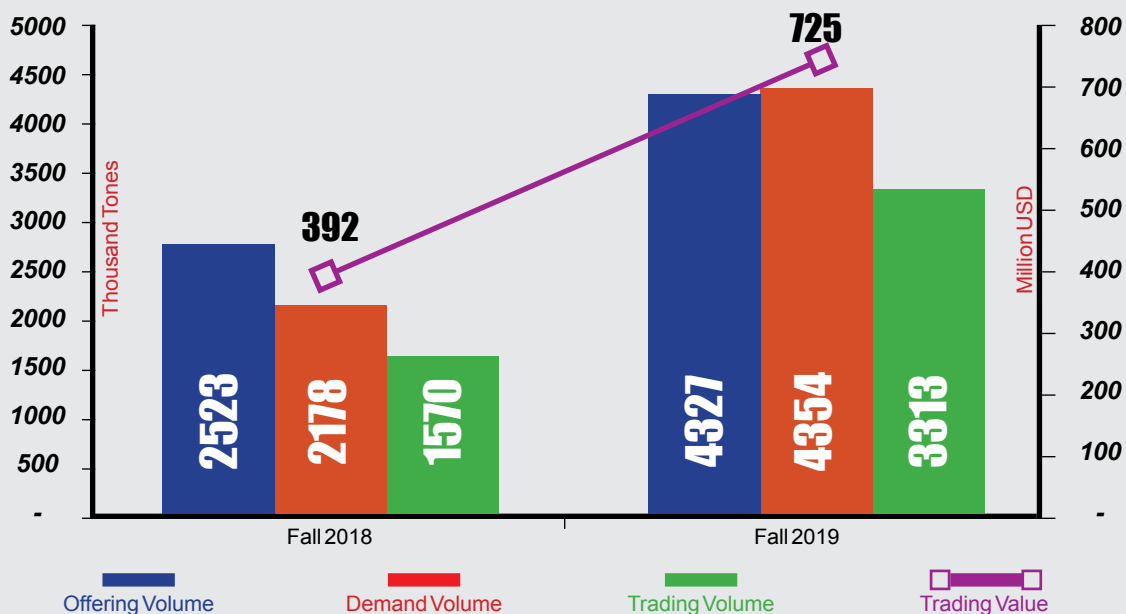
Oil Products

Within the third quarter of the current Hijri year (23 September, 2019– 21 December, 2019), there were 3.3 million tonnes of oil products traded on the IME in total, including bitumen, vacuum bottom, lube cut etc., valued at 725 million USD, which showed 24 and 6 percent of growth in trading volume and value, respectively, as compared to the second quarter of this year.



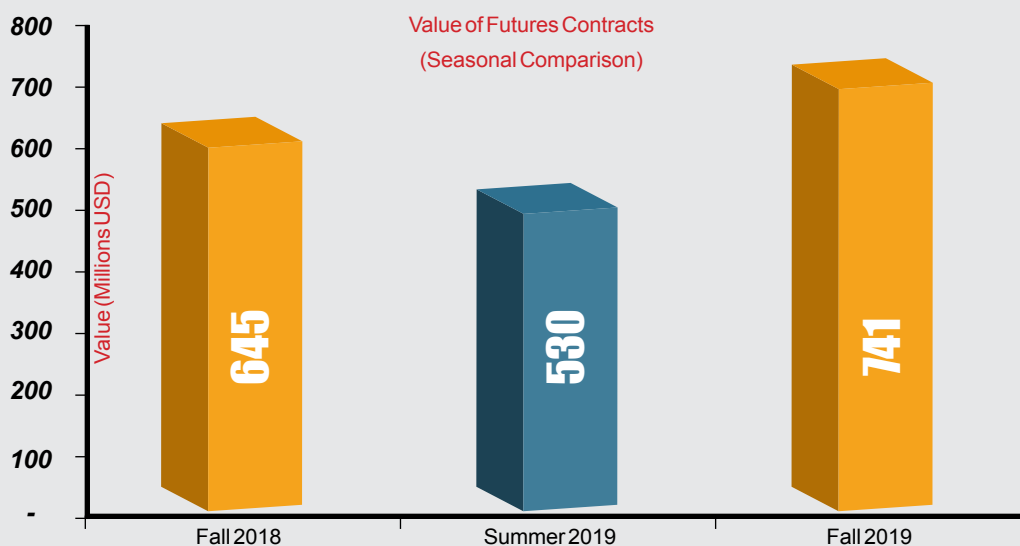


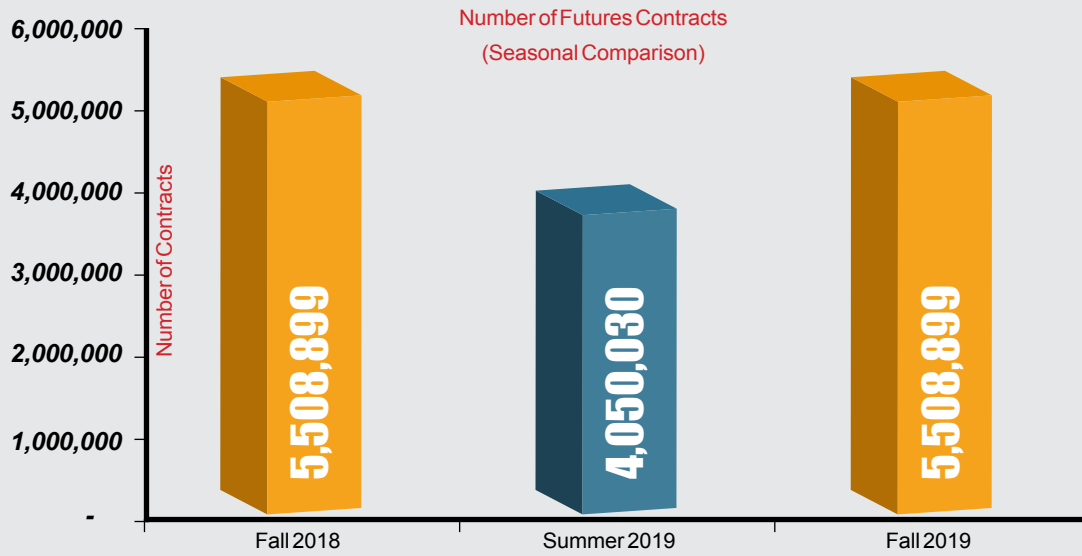
The figures for this period compared with the same period in the previous Hijri year show a 111 percent growth in trading volume and 85 percent of increase in trading value.



Derivatives Market

Within the third quarter of the current Hijri year (23 September, 2019–21 December, 2019), the IME traded 5,508,899 saffron, pistachios and cumin seeds futures contracts valued at 741 million USD, showing 36 and 40 percent of growth in trading volume and value, respectively, in comparison to the second quarter of the year.





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