Report:

The agriculture and food market in Iran

Opportunities and challenges for Danish companies

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Introduction

Since the lifting of the international nuclear related sanctions against Iran after the implementation day of the Joint Comprehensive Plan of Action (JCPOA) on 16 January 2016, Iran is again open for business in many areas. During the years of sanctions, trade and investments in Iran in many fields was not possible for foreign companies. This has led to a momentum of catching up during the last year.

Since January 2016, the Iranian GDP has grown by a solid 4-5% - a development that is expected to continue in the years to come. This positive economic outlook is likely to have a positive impact on the food demand. The continuous population growth, a sizeable middle class and increased urbanisation is also expected to add further to a growing food demand in Iran. These circumstances contribute to the fact that both the Iranian agriculture and the food sector is forecasted to grow significantly in the years to come.

Due to the prospects of a growing food demand, there is a demand for investments and modernisations of the Iranian food industry and the agricultural sector. Both areas have suffered from a backlog during the sanction period. Furthermore, modern and improved technologies and machinery are required to raise efficiency and reduce production impact on Iran’s relatively scarce natural resources. In particular, water consumption in the food industry and the agricultural sector needs to be reduced substantially to prevent a future water crisis in Iran.

Danish companies are globally renowned for providing solutions for irrigation systems, key technologies and expertise within agriculture production and processed food production machinery. In light of the needs in Iran, there is an opportunity for Danish companies to export machinery, technology and expertise to Iran. Furthermore, Danish companies focusing on the production of specialised food products and food additives have opportunities in Iran.

The recent developments in the bilateral and trade relations between Denmark and Iran have improved the conditions for Danish companies trading and engaged in Iran. This includes signing a Memorandum of Understanding (MoU) in the field of intellectual property rights – as well as recent endeavours to conclude a double taxation agreement.

However, realizing these opportunities in Iran is not always easy or straightforward. Especially during the time of sanctions, Iran has developed and expanded its agriculture and foods sectors leading to a level of protectionism in these parts of the Iranian economy. The objective of this report is to give an overview of the agriculture and food sector in Iran, and to present the opportunities as well as the challenges for Danish companies on the Iranian market for food and agriculture.
After an executive summary presenting the main conclusions, the report is structured in four main sections providing: an overview of agricultural sector in Iran; an overview of the current food market in Iran; an analysis of the opportunities and challenges for Danish companies on the Iranian market for agriculture and food; and finally: a section on useful information for companies aspiring to engage in Iran. The last section includes information on recent developments in Danish-Iranian cooperation on intellectual property rights, trademark and patent and general advices for doing business in Iran.
Executive summary

- Since the lifting of the international nuclear related sanctions against Iran after the implementation day of the nuclear agreement (JCPOA), Iran has opened up for business in many areas.
- Both the agricultural sector and the area of food production has suffered from lack of new modern technology during the sanction period.
- At the same time, Iran’s geographical situation, distinct climate conditions and overconsumption of water is challenging Iran’s ability to produce sufficient food for its growing population.
- On top of this, the sanctions period has led to a market with little product diversity and few specialized products. As a result, growth in demand for specialized products is expected.
- Due to a growing population, there is an increased food demand in Iran. This trend is also a result of the increasingly positive economic development and a general urbanization.
- In this light, there is a growing need for investments and modernization of the agricultural sector in order to increase productivity and reduce the level of waste of natural resources in production.
- The increasing Iranian needs provide opportunities for Danish companies with resources to engage on the Iranian market, characterized by challenging market conditions.
- Danish companies are generally well known in Iran for providing high technology inputs, sustainable and high quality solutions.
- However, the Iranian market is also posing a range of challenges, as it is characterized by a high level of protectionism, low transparency and a high degree of regulation. During the times of sanctions, Iran has followed a policy towards obtaining self-sufficiency.
- In spite of this, an increasing number of Danish companies are currently expanding their activities to the Iranian market.
- The increased trade between Denmark and Iran is also followed by increased official cooperation, e.g. in the fields of intellectual property rights. This cooperation aims to ensure better conditions for Danish companies on the Iranian market.
Agriculture in Iran

In this section, the framework conditions for the Iranian agricultural sector will be presented. This includes information regarding climate conditions, ecological facts, resources and how these factors and circumstances affect agricultural vegetation in Iran. The section will also touch upon government policy in the field of agriculture, and provide descriptions of relevant government entities.

Climate and natural resources

Iran is the second largest country in the Middle East and covers an area of 1.648.000 km². Due to Iran’s climate and topography, only around 12-15 % of the country’s land surface is cultivated; another 25 % of the total land surface is considered rangeland. The non-agricultural land consists of large areas covered by desert, salt lakes, mountains and forested woodlands.

The Iranian climate varies considerably across the country. The Northwestern areas are among the coldest parts of the country, with winter temperatures falling well below zero. In the Southern areas, on the central plateau and the regions bordering the Persian Gulf, it is not unusual for summer temperatures to reach 50°C. The majority of precipitation falls on the mountain areas in the North of Iran and along the Southern shores of the Caspian Sea. The main rainfall season in Iran is between October and March, leaving the land parched for the remaining periods of the year.

The different climate zones create diverse ecological foundations for agriculture throughout the country. The different types of ecological foundations can generally be divided into four overall categories:
1. Areas of intensive and widespread natural irrigation agriculture, characterised by adequate rainfall and natural water potential. In Iran, only the Caspian lowlands can be considered within this category. This land is characterised by intensive agricultural land use.

2. Areas of dry farming, where grains are grown based on winter precipitation, without additional irrigation. Land surface of this category can be found in most of the country.

3. Areas with artificial irrigation characterised as relatively small patches of intensive agricultural land. This type of agricultural land is typically located on the central Iranian plateau.

4. Pasture and rangeland, where husbandry is carried out, represent the most common form of land use in Iran. Husbandry is carried out both by farmers and the tribal population in Iran.

Figure 1 above provides an overview of the distribution of cultivated land in Iran.

Due to the differences in climate conditions and temperature fluctuations throughout the country, Iran is capable of producing a diverse range of vegetation. This includes wheat, barley, rice and maize, dates, figs, pomegranates, melons, grapes, vegetables, cotton, sugar beets, sugarcanes, nuts, olives, spices, raisins, tea, berberis and medicine herbs. Furthermore, Iran is the world’s largest producer of pistachio nuts and saffron.

However, the climate conditions are also posing many challenges for agriculture in Iran. Most importantly, Iran suffers from deficits of two key agricultural resources: water and soil. Iran receives only 250 mm of rain per year in average, compared to the global average of 800 mm. Furthermore, the distribution of rainfall in Iran is uneven. Near the Caspian Sea, rainfall averages about 1280 mm per year, whereas in the Central Plateau and in the Southern Lowlands, it seldom exceeds 100 mm. The Iranian ambitions for obtaining self-sufficiency in the fields of agriculture and food production throughout the last century, has also contributed to overconsumption of water reserves. Dam building, once considered a sign of progress, has dried up the rivers and other waterways, due to oftentimes poorly conceived project.

A general overconsumption of water resources by the general population and industries also attributes to the problem. It is estimated that Iran is exploiting 97 % of surface waters and 70 % of its ground water supplies, whereas the international benchmark for surface water use is 40 %. The agricultural sector is responsible for more than half of the total water consumption in Iran. However, despite the high levels of water consumption in agriculture, the sector only contributes to around 11 % of Iran’s GDP. These figures are also an indication of the high level of inefficiency in the use of water within the agricultural sector.
Water shortage is already posing serious problems for the agricultural sector; a problem that – if not addressed - can turn into a growing human security issues in Iran.

In order to reduce water consumption in Iran, construction and modernization of new irrigation systems and drainage networks are required. This includes rehabilitation and restoration of Qanates (aqueducts), implementation of small and quick impact projects of water supply, water transmission by pipelines, construction of water canals, creating and organizing water and irrigation structures and implementing optimized water consumption systems. There is also a potential for systems collecting and recycling wastewater, desalinization and distribution. Some of these projects are already being materialised. However, due to the extent of the problem, there is still a need to invest in and modernize the irrigation and drainage networks in Iran.

In addition to water shortage, agriculture in Iran also faces the challenge of poor soil quality. Insufficient fallow periods have led to land overuse and less fertile soil. Also in this field there is potential for development and investment. According to the Food and Agriculture Organization of the United Nations (FAO), the correct application of fertilisers could increase yields by 60 % without expanding the cultivated areas in Iran. Other challenges in the field of agriculture in Iran include low quality seed and antiquated farming techniques.

**The agricultural sector**

The agricultural sector in Iran consists mainly of small privately owned farms. Private farmers and ranchers perform 93 % of the cultivation activities. Most farms are small, less than 10 hectares, and not economically viable. This has throughout the last century led to widespread poverty in rural areas and contributed to the wide-scale migration to the major cities.
Many farmers and ranchers work collectively through rural and agricultural cooperatives. According to the Iranian Ministry of Agricultural Jihad, 4.4 million farmers and ranchers and 52,800 companies are active in rural cooperatives. Approximately 1 million farmers and 1997 companies are active in agricultural cooperatives.

Iranian farmers, ranchers and agricultural companies are responsible for the cultivation of land and the production of agricultural goods in Iran. Figure 3 (below), shows the status of different agricultural segments produced in 2015/2016.
Figure 3: Status of Different Agricultural Segments 2015/16

<table>
<thead>
<tr>
<th>Product</th>
<th>Under cultivation (hectare)</th>
<th>Production (ton)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cereal</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wheat</td>
<td>5.715.616</td>
<td>11.522.318</td>
</tr>
<tr>
<td>Oat</td>
<td>1.762.616</td>
<td>3.201.584</td>
</tr>
<tr>
<td>Corn</td>
<td>166.163</td>
<td>1.168.629</td>
</tr>
<tr>
<td>Other cereals</td>
<td>530.621</td>
<td>2.348.600</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>8.175.054</strong></td>
<td><strong>18.241.132</strong></td>
</tr>
<tr>
<td>Beans</td>
<td>712.032</td>
<td>518.575</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>712.032</strong></td>
<td><strong>518.575</strong></td>
</tr>
<tr>
<td>Industrial</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cotton</td>
<td>71.828</td>
<td>175.456</td>
</tr>
<tr>
<td>Sugar beet</td>
<td>105.036</td>
<td>5.594.240</td>
</tr>
<tr>
<td>Soya</td>
<td>61.537</td>
<td>139.972</td>
</tr>
<tr>
<td>Colza</td>
<td>40.202</td>
<td>58.667</td>
</tr>
<tr>
<td>Sugar cane</td>
<td>87.160</td>
<td>7.406.990</td>
</tr>
<tr>
<td>Other</td>
<td>66.408</td>
<td>84.806</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>432.171</strong></td>
<td><strong>13,460,132</strong></td>
</tr>
<tr>
<td>Vegetable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Potato</td>
<td>160.217</td>
<td>5.140.623</td>
</tr>
<tr>
<td>Tomato</td>
<td>151.946</td>
<td>6.013.142</td>
</tr>
<tr>
<td>Other</td>
<td>206.419</td>
<td>6.181.359</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>518.581</strong></td>
<td><strong>17,335,123</strong></td>
</tr>
<tr>
<td>Cucurbits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cucumber</td>
<td>66.480</td>
<td>1.578.201</td>
</tr>
<tr>
<td>Other</td>
<td>238.535</td>
<td>6.029.090</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>305.015</strong></td>
<td><strong>7.607.290</strong></td>
</tr>
<tr>
<td>Forage Plants</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alfalfa</td>
<td>660.483</td>
<td>5.950.255</td>
</tr>
<tr>
<td>Other</td>
<td>416.190</td>
<td>13.745.697</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1.076.674</strong></td>
<td><strong>19.695.951</strong></td>
</tr>
<tr>
<td>Other</td>
<td>157.511</td>
<td>180.638</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>11.377.037</strong></td>
<td><strong>77.038.831</strong></td>
</tr>
</tbody>
</table>

Source: Iranian Ministry of Agricultural Jihad, 2016
Typically, both cooperatives, individual farmers and ranchers do not have direct access to the retail market, when they distribute their products. Instead, the produced food passes through several different distribution channels before reaching the retail buyers. The prices of many products increase considerably by the inefficient distribution channels in which each dealer involved in the process charges relatively high sales commissions. In Iran, food is generally distributed via 1202 refrigerated centres with a total capacity of approximately 2 million tons, 4584 warehouses with a capacity of 8.7 million tons and 216 silos with a capacity of 8.4 million tons. A method to improve and increase the efficiency in the food distribution system in Iran would be to expand the Agricultural Commodities Exchange. The Agricultural Commodities Exchange currently distributes twenty commodities, including sugar, saffron, corn, wheat, oil, rice, pistachios and barley.

The agricultural sector in Iran is oftentimes criticised for using antiquated farming techniques. The use of these techniques reduces the effectiveness in the agricultural production and decreases yields. The use of mechanization in Iranian agriculture generally remains on a relatively low level. The level of mechanization in Iran is 1.1-horse power per hectare. In comparison, the EU member states in average have 5-horse powers per hectare. The lack of mechanisation in agriculture is a focus area in government policy, and in 2015 the number of tractors increased 8 % to approximately 415,000. The number of combine harvesters increased by 1 % (from 14,842 to 15,051) from 2014 to 2015. The number of tillers decreased from 155,632 in 2014 to 150,064 in 2015.

Many of the machines used in the field of agriculture are locally manufactured, and have thus been subject to a backlog during the sanction period. The local companies involved in mechanization are semi-government owned companies such as Tabriz Tractor Company. Also, soil rehabilitation systems, combine harvesters, sprayers and drip-water units are produced locally by private companies. The industry of agricultural machinery is subject to government protectionist policies, and the government provides farmers with tractors and combine harvesters through a beneficial credit line (see next section).

**Government policy in the agricultural sector**

In order to sustain the profitability of local production, protectionist policies have been dominant within the agricultural sector in Iran. The protectionist policies are present in the form of government subsidies on a range of basic food products (e.g. wheat) and machinery for farming. Each year, the Iranian government guarantees the purchase of wheat from farmers at a special price. The current government has offered a fixed price for the state sponsored purchase of wheat, which has increased wheat production. As a result, purchase of wheat with guaranteed price increased from 2.2 million tons in 2013 to 8.5 million tons in 2016.
Table 1: Guaranteed purchase price for wheat (million tons)

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>2,2</td>
<td>4,8</td>
<td>6,7</td>
<td>8,5</td>
</tr>
</tbody>
</table>

Source: Iranian Ministry of Agricultural Jihad, 2016

To support local farmers and agricultural production, the Iranian government has established a credit line to provide machinery such as tractors to farmers. Table 2 illustrate that from 2013 to 2015 more than 36,000 tractors and harvesting combiners were distributed to Iranian farmers.

Table 2: Number of tractors and combines distributed 2013-2016 (units)

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tractors</td>
<td>7531</td>
<td>1744</td>
<td>5345</td>
</tr>
<tr>
<td>Harvesting combiners</td>
<td>134</td>
<td>360</td>
<td>427</td>
</tr>
</tbody>
</table>

Source: Iranian Ministry of Agricultural Jihad, 2016

The Agriculture Bank of Iran is specialized in the agricultural sector, and it is the major source of financial services and credit facilities for farmers. The bank has created a credit line since 2012/2013 aiming to provide facilities to the agriculture sector. This credit line covers and provides purchase facilities for cultivation, fishery, horticulture, veterinary and machinery.

The Iranian Government are well aware of the challenges in the agricultural sector. Therefore, the Iranian government supports modernization of irrigation systems. Below examples of government support are presented.
Sewage and Irrigation Network Expansion Plan

Construction of sewage and irrigation networks for 2 million hectares of land. This plan is necessary for attracting investment and increase productivity. Irrigation and sewage networks have been constructed for 85 thousands of hectares in 2014/2015, showing 12.5 % growth compared to the 40 000 hectares of land in 2013/2014.

Expansion of New Irrigation Systems

The Ministry of Agricultural Jihad plans an expansion of irrigation systems. This plan will be implemented during a period of 10 years. According to the plan in 2016/2017 around 250 thousand hectares should be covered with new irrigation systems. In 2013/14 only 46 thousand hectares were covered by new irrigation systems. This number raised to 125 thousand hectares in 2015/2016.

Mechanization

To increase productivity of Iranian agriculture, mechanization is needed. The Centre for the Development of Mechanized Agriculture in Iran and the Industrial Standard Bureau inspect and issue permit for the imported agriculture machinery.

Demands in the agricultural sector

Due to the sanction period, the agricultural sector in Iran suffers from a substantial backlog. Agricultural machines used for farming are in many cases worn out, many farms have not implemented mechanisation and Iranian farmers are in most cases using antiquated farming techniques. Locally produced tractors and agricultural machinery are widely used by the Iranian farmers. However, local manufactures of tractors and agricultural machinery have largely been cut off from new technologies and developments within their field. As a result, the agricultural sector in Iran needs an overall modernisation and an update with the newest technology.

Modern systems and technologies that can reduce the consumption of natural resources (in particular water), increase effectivity and productivity of Iranian agriculture is also highly required in Iran. This includes irrigation systems, water transfer pipes, control units, organic cultivation apparatus and system to collect and recycle wastewater. Furthermore, there is also a need for automation system for animal husbandry, green house technology, rice cultivation machinery and garden tools.
The food sector in Iran

The level of the Iranian food consumption is expected to increase significantly in the years to come. This is due to a number of different factors: First, the Iranian population of currently approximately 80 million is estimated to grow by around 1 million people annually in the coming years. The current Iranian population is generally young, but in the long term, Iran will face an ageing population as birth rates are well below 2 children per women in the fertile age. The expected short-term population growth will increase demand and consumption of food products in Iran. Figure 4 presents the development in population size in Iran from 2000-2014.

Figure 4: Total population in Iran. Source: Worldbank.org

Another important factor is that an increasing part of the Iranian population is moving from rural areas and into cities. The growing urbanisation decreases the amount of wholly or partly self-sufficient people in Iran. Instead, they become consumers in the cities contributing to a growing food demand.

Figure 5 illustrates the decreasing rural population as percentage of the total population.

Figure 5: Rural population (% of total population). Source: Worldbank.org
The GDP-growth in Iran has increased from 0.9 % in 2015 to 4.6 % in 2016. The Economist Intelligence Unit predicts that the Iranian GDP will increase further, reaching 5.4 % in 2017 and 5.9 % in 2018. This positive development in Iranian economy is expected to contribute to a general increase in food consumption and demand, as it is likely to increase the living standard for the growing middle class in Iran, raise purchasing power, consumers’ confidence and possibly reduce unemployment. This will raise the demand for more expensive and specialized food products. The demand for basic food products is also expected to increase, as the current consumption of food products in Iran is relatively low by regional standards. This especially concerns sugar, corn, meat and vegetable oils.

![Figure 6: Consumption per capita of red meat, cheese and milk during the sanctions period. Source: The Danish Embassy brief, 2016](image)

During the sanctions period, real disposable incomes for most consumers were falling, due to high inflation rates not matching by salary increases. As a consequence, the consumption per capita of some of the more expensive food products like red meat, cheese and milk declined. This trend is illustrated in figure 6. With increasing economic growth, the repressed food demand is expected resume and continue to grow. Traditional grocery and other stores accounts for more than 80% of retail sales in Iran. However, recently hyper- and supermarkets are growing in importance thereby stimulating the demand for more advanced products. A larger product variety is expected to lead to a growing demand.

Overall, the Iranian food market is forecasted to grow in the coming years, if the post-sanction positive economic development in Iran continues. In 2016, the growth in the Iranian food market was estimated to be around 2.5 % per year, which corresponds to a growth of 60 billion USD per year.
The Iranian food market

The ambition of obtaining self-sufficiency has been at the centre of Iran’s food and agricultural policies since the Iranian revolution in 1979. Thus, the aim has been to ensure food security for the population and independence from the Western counties in particular. As a result, the food sector is today widely regulated, and the government has imposed import duties and quotas on international export to Iran. Despite the aim of self-sufficiency, agricultural and food import and export presented a trade deficit in 2013, 2014 and 2015, and Iran has been dependent on food import from India.

The development in export and import is illustrated in table 3 and 4 (below).

<p>| Table 3: Agricultural Food products Export (Million USD) |</p>
<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016(estimat)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total export in Agriculture</td>
<td>6109</td>
<td>5351</td>
<td>6771</td>
<td>6730</td>
</tr>
</tbody>
</table>

Source: Iran Customs Office

<p>| Table 4: Agricultural Food Imports (Million USD) |</p>
<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016(estimat)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total imports in Agriculture</td>
<td>14223</td>
<td>13423</td>
<td>12221</td>
<td>8921</td>
</tr>
</tbody>
</table>

Source: Iran Customs Office, 2016

The trade balance of the agriculture sector decreased by 31.7 % and reached USD 5.6 billion in 2014/15. The agricultural share in total trade deficit (excluding oil and gas condensate) was 32.6 %.
Table 5. Trade Balance of Agriculture Sector in 2014/15 (million USD)

<table>
<thead>
<tr>
<th></th>
<th>Exports</th>
<th>Imports</th>
<th>Trade deficit</th>
<th>% change Compared with 2013/14</th>
<th>Balance of Foreign Trade</th>
</tr>
</thead>
<tbody>
<tr>
<td>Livestock, poultry, Pharmaceuticals</td>
<td>620</td>
<td>547</td>
<td>-74</td>
<td>-120.1</td>
<td>Positive balance</td>
</tr>
<tr>
<td>Fishery products</td>
<td>202</td>
<td>167</td>
<td>-35</td>
<td>-75.8</td>
<td>Positive balance</td>
</tr>
<tr>
<td>Farming products(1)</td>
<td>1,229</td>
<td>8,472</td>
<td>7,243</td>
<td>-6.5</td>
<td>Negative balance</td>
</tr>
<tr>
<td>Horticultural products</td>
<td>2,788</td>
<td>710</td>
<td>-2,078</td>
<td>47.0</td>
<td>Positive balance</td>
</tr>
<tr>
<td>Food products(2)</td>
<td>1,901</td>
<td>2,396</td>
<td>495</td>
<td>-68.5</td>
<td>Negative balance</td>
</tr>
<tr>
<td>Total</td>
<td>6,740</td>
<td>12,291</td>
<td>5,551</td>
<td>-31.7</td>
<td>Negative balance</td>
</tr>
</tbody>
</table>

Source: Ministry of Agricultural Jihad  
(1) Includes forest and grassland products  
(2) Includes sugar, vegetables, oil and dairy products (butter)

Currently, Iran is largely self-sufficient when it comes to vegetables and nuts, and Iran has the world’s largest production of pistachio nuts, saffron and berberis. Furthermore, there are currently practically no import of chicken meat, cheese and milk.

At the same time, there is a significant import of red meat, butter, fish, fruit and wheat, and self-sufficiency regarding these products is not expected to be realised in any near future. It should also be noted that approximately 70% of the raw materials for animal fodder is imported from abroad.

The Iranian food market provides relatively few varieties within processed foods, leaving a big potential for modernisation of the sector and specialised products to be imported.

The government policy on self-sufficiency and the local production of food is likely to be increasingly challenged in the years to come, due to a number of factors. First, the problem of water shortage and salinization of land means that important natural resources for agriculture are inaccessible for farmers. Second, conversion of small-scale farms into residential and other commercial uses as the sale of land is often far more profitable than cultivating it. Finally, fish stocks in the Persian Gulf are fully exploited and fishery in the Caspian Sea is declining. The potential for the development of more fresh water fish farming however, is likely to be limited given the restricted water resources.

Due to these circumstances, the Iranian food production is expected to decrease, and it is not clear whether Iran can meet the growing food demand and consumption in the years to come. This means that Iranian
import of agricultural products and food is likely to increase over time, and that Iran will become increasingly dependent on foreign food supply.

**Import duties and processed food**

Iranian import duties on food are relatively high, and the duty is increasing as the level of food processing of the imported food is increasing. This is illustrated in figure 5. As an example, the import duty for ‘prepared fish’ is substantially higher than it is for ‘fish’ not already being processed. The import duty for butter packed in small packages (less than 500 g) is much higher, than the import duty for butter, that is to be repackaged in Iran. This is a system put in place in order to stimulate bulk import and encourage food processing, packing or repacking to take place in Iran. For some products, such as meat there is also a quota system in place. The result of this system is a practical ban on import of chicken.

It should be noted that Iran has established a number of Free Trade Zones that are exempted from tariffs if the products are destined for export to a third country. This provides the potential for bulk exports to be repackaged in cooperation with an Iranian partner and then re-exported to e.g. Iraq, Russia and Afghanistan as an Iranian brand.

**Figure 7: Import duties for selected products in 2016.**

<table>
<thead>
<tr>
<th>Product</th>
<th>Import duties</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beef</td>
<td>5-15 %</td>
</tr>
<tr>
<td>Dietetic foods (chicken meat)*</td>
<td>32 %</td>
</tr>
<tr>
<td>Fish</td>
<td>5-40 %</td>
</tr>
<tr>
<td>Prepared fish</td>
<td>40-55 %</td>
</tr>
<tr>
<td>Butter packaged in packages of 500 gr or less</td>
<td>55 %</td>
</tr>
<tr>
<td>Butter packaged in packages more than 500 gr</td>
<td>20 %</td>
</tr>
<tr>
<td>Cheese</td>
<td>55 %</td>
</tr>
<tr>
<td>Frozen vegetable</td>
<td>55 %</td>
</tr>
<tr>
<td>Wheat</td>
<td>10 %</td>
</tr>
</tbody>
</table>

*Dietetic chicken is permissible only at the discretion of the Ministry of Health, Treatment and Medical Education.

**Source:** Iran Trade Promotion Organisation

**Demand in the Iranian food sector**

- In general, there is a good potential for the export of specialised machinery to the food processing and packaging industry as well as to the agricultural sector, as this can help Iran fulfil its food production potential.
• There continues to be a good potential for the export of food additives to the food industry. E.g. ingredients, taste etc.
• There is a good potential for strong product brands or product concepts based on specific inputs or technologies in cooperation with local Iranian companies and under licence agreements.
• The objective of self-sufficiency is neither likely to be obtained for red meat nor for fish, so there is a potential for bulk exports of these products in cooperation with local partners (the latter in order to obtain the necessary (veterinary and other licences).
• 80 to 90 % of the butter consumption in Iran is being imported which is around 80,000 tonnes per year. The imported butter is in 25 kg. bulk
• Free trade zones (exempt of import duties) creates a potential for the export of bulk products in dairy and meat with the purpose of re-exporting to third countries (e.g. Iraq, Russia and Afghanistan) in cooperation with a local partner.
• Approximately 70 % of fodder is imported and there is a good potential for exports including supplements.
• There is a big potential to improve the cool chain in the retail sector for vegetables and fruits.
Government organisations within food and agriculture

Iranian Ministry of Agricultural Jihad
The ministry aims to provide food security for the country through self-sufficiency. The Ministry of Agricultural Jihad is responsible for the following within the agricultural sector:

- Policymaking, programming and supervision
- Research, training and promoting agriculture
- Natural and watershed resources
- Agriculture infrastructure and rural development
- Livestock and fishery
- Supporting agricultural sector
- Trade of agriculture and food products

The Ministry is divided into the following departments:

- Programming and Economy Department
- Cultivation Department
- Livestock Production Department
- Management and Human Resource Development Department
- Water and Soil Department
- Gardening Department
- Deputy Minister Department in Commercial and Agricultural Industry

The Ministry is comprised of many organizations. Some of them are:

- Forest, Rangeland and Watershed Management Organization - implements irrigation, jungle rehabilitation and soil improvement projects.
- Iranian Agricultural Engineering Research Institute - implements Geographic Intelligence System Agriculture and methods to mechanize the agricultural sector.
- Centre for Agricultural Cultivation, Extension and Services - supervises, operates and locally distributes seed, fertilizer and pesticide imports.
- Plant Protection Organization - adaptation of cultivation methodologies.
- Land Affairs Organization - land registration and permits for its usage.
- Agriculture Research Institute – training and research on plants and livestock.
- Centre for the Development of Mechanized Agriculture in Iran - issues import permit for machinery and is sometimes directly involved in importing agricultural machinery.
- Genetic Centre of Iran - genetic engineering.
- Agricultural Research, Education and Extension Organization - training and research for all agriculture and animal husbandry operations.
- Industrial and Agricultural Company of Iran - policy-making and investment activities for the food processing and packaging industries. Recently, the Ministry of Industries, Mines and Commerce handed over jurisdiction and policy-making for the food processing industry to the Ministry of Agricultural Jihad.
- Government Trading Company (GTC), a former Ministry of Industries, Mines and Commerce subsidiary, whose ownership was transferred to the Ministry of Agricultural Jihad in 2013 - main importer of essential items such as wheat, sugar, meat and soya meal.
- Veterinary Organization of Iran - control and testing of livestock and drafting of health directives.
- Iran Shilat (Fisheries) Organization - responsible for control of the fishery sector and for the required import of equipment and investments.
- Iran Agricultural Bank - Bank Keshavarzi (Agriculture Bank of Iran), initially named “Agricultural and Industrial Bank of Iran”, was established in June 1933. BK, as the only specialized financial institution to finance the agriculture sector, is now a pioneer bank in offering variety of banking services through 1,907 branches nationwide. For the past decade, the bank has been successful in meeting its objectives, especially financing the agriculture sector through active participation in monetary and financial markets and relying on adequate resources mobilization.
- Agricultural Products Insurance Fund - active in insuring land cultivators and producers of livestock.

Apart from the above, there are 31 associations, 31 unions, 11 councils/cooperatives/consortiums, 21 universities and 27 research centres.

Other relevant government bodies involved in the agriculture and food sector are:
<table>
<thead>
<tr>
<th>Organisation:</th>
<th>Description:</th>
<th>Website:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministry of Health and Medical Education</td>
<td>The Ministry of Health and Medical Education has executive responsibility for health and medical education. It consists of 5 departments. The Food and Drug Department is responsible for the control and supervision of production, issuing health certificates for food, drink, cosmetic and hygienic on local production and imports.</td>
<td><a href="http://fda.gov.ir/en">Website</a></td>
</tr>
<tr>
<td>Veterinary Organization of Iran</td>
<td>IVO is the Iranian authority in the field of animal health and raw animal derived product hygiene. Their main responsibility is to secure animal health and welfare and public health, to control animal drive products hygiene, to prevent, control and campaign against animal diseases and to pave the way for entering into global markets, sustainable development and investment in animal farming sector via conducting required health measures.</td>
<td><a href="http://www.ivo.org.ir">www.ivo.org.ir</a></td>
</tr>
<tr>
<td>Iran Fisher Organization</td>
<td>Responsible for control of the fishery sector and for the required import of equipment and investments.</td>
<td><a href="http://www.shilat.com">www.shilat.com</a></td>
</tr>
<tr>
<td>Ministry of Industry, Mine and Trade</td>
<td>The Ministry of Industries and Business is an Iranian government body responsible for regulation and implementation of policies applicable to domestic and foreign trade and also regulation and implementation of policies applicable to industrial and mine sectors.</td>
<td><a href="http://en.mimt.gov.ir">http://en.mimt.gov.ir</a></td>
</tr>
</tbody>
</table>
Quotas, import duties and import permits for machines are regulated by the Ministry of Industry, Mines and Trade. For many food products, Iranian health certification is required. Health certifications are issued by the Food and Drug Department in the Ministry of Health. The Veterinary Organisation of Iran is the regulatory authority concerning primary animal production health and safety.

**Opportunities and challenges for Danish companies in Iran**

Danish export to Iran has increased by 57% the first 11 months of 2016, compared to the same period of 2015. These figures bare witness of a generally increasing Iranian interest towards Danish goods and services. Furthermore, Danish companies are well known throughout the world for providing high technology inputs, sustainable and quality solutions. These qualities are highly valued among Iranians, who realize the advantages of such solutions in increased productivity and competitiveness.

**Opportunities for Danish companies in the agricultural sector**

The field of agriculture in Iran suffers from a backlog due to the sanction period. Machinery used by farmers is in many cases worn out and many farms still need mechanisation. Also in the manufacturing industry, the produced agricultural machinery has been isolated from new technologies and modernisation. Due to the backlog in agriculture, the maximum capacity of cultivated areas in Iran is not fully exploited.

Danish companies can provide key technologies and specialised solutions for agricultural machinery and motors to increase productivity of cultivated land. This is highly demanded by local manufactures of agricultural machinery in Iran. Especially technologies to increase productivity or reduce spending of natural resources are sought after. Thus, there is a potential for Danish companies to establish partnerships with local Iranian manufactures of agricultural machines, and provide the newest technologies and knowhow within the field. Engaging in a partnership or cooperation with a local producer or partner can also help Danish companies gaining access to a highly complex market, characterised by heavy regulation and little transparency.

Danish companies are leading within the areas of green technologies reducing consumption of natural resources. This includes delivering intelligent, sustainable and efficient water solutions. Due to the water shortage in Iran, such solutions are highly demanded, in order to preserve Iranian agriculture and prevent a future water crisis. Improving water management and efficiency is also a central priority for the Iranian government.
Furthermore, there is also a need for automation system for animal husbandry, green house technologies and garden tools. Training related to the usage of machinery and technology is an essential part of exporting to the agriculture and food sector in Iran. Danish companies providing services and products within these fields will also have an opportunity on the Iranian market.

Denmark is in forefront when it comes to agricultural science and knowledge production of methods to increase productivity in agriculture. This includes protection of plants, increasing quality of seeds and soil, collection and recycling of agricultural waste. These methods could also increase productivity in Iranian agriculture.

**Opportunities for Danish companies on the food market**

Due to fusions and investments in Denmark and internationally, Danish companies take a strong international position when it comes to providing dairy and meat products, food ingredients and drinks.

Due to self-sufficiency policies on food, Iran has restrictions on food import. However, Iran is not self-sufficient when it comes to red meat, fish and butter. Thus, there is a potential for Danish bulk exports of these products in cooperation with local partners. There is an opportunity for Danish companies to export food additives, such as ingredients and artificial tastes. Furthermore, there is a potential to export food products not produced locally in Iran e.g. alcohol free beer.

Even though there is probably little potential for Danish companies to directly provide dairy products (as other food products subject to heavy quotas and import duties in Iran), there is an opportunity for Danish companies to provide technology, machinery and knowhow within these sectors, to support and develop the local food production. The diary sector was largely supplied by Danish companies before the sanctions period and Danish companies have a solid reputation within this sector in Iran. Some Danish food additives and machinery already have a position on the Iranian market.

Danish food companies are specialised providing food products with a special regard to health, allergies, nutrition, environment, animal protection and/or convenience. Such products are very popular among high-income groups in Iran, where organic and sustainable brands pops-up in multiple supermarkets and specialized shops. Thus, Danish companies producing food or machinery specialised for this kind of food production can play a role in Iran in the future, if the companies pursue a standing on the Iranian market. It should be noted, that most food export to Iran must pass a lengthy health and quality control procedures at the Ministry of Health and the Ministry of Agricultural Jihad. In order to obtain necessary licence, cooperation with a local partner can be beneficial.
Challenges for Danish companies on the Iranian market

Even though Danish export to Iran is generally increasing and there is a considerable Iranian interest towards Danish goods and services, there is still a range of challenging Iranian market conditions. However, it is possible to overcome these challenges, and several Danish companies have demonstrated that this can be done successfully.

Some of the major challenges when doing business in Iran is the lack of liquidity and transparency in the financial sector. Iran ranks 118 out of 189 in the World Bank’s Ease of Doing Business index and 130 out of 168 in Transparency International’s ranking. Furthermore, there is a strong state presence in several industry, especially within the agricultural sector, which is limiting private investments.

As mentioned above, the agriculture and food market in Iran is heavily regulated. This is reflected in subsidies for local producers, import quotas, import duties and lengthy licence and approval processes. Also, veterinary rules are used as practical trade barriers vis-à-vis foreign imports. These factors also complicate the access for international companies to the Iranian market.

Finally, it should also be noted that even though a range of sanctions has been lifted, and Iran has formally re-entered the global economy, there is still some risk related to business in Iran, and the positive economic development in Iran is still to a large extent dependent on Iranian exports of oil and gas.

All in all, the Iranian agriculture and food sector has the potential to present good business opportunities for Danish companies with the capacity to undertake the challenges of the Iranian market conditions. Having a local partner in Iran may be helpful. The Danish Embassy in Tehran can also assist Danish companies with a range of services.

Other relevant information:

MoU on intellectual property protection

Iran recently signed Memorandums of Understanding (MoU) with several countries, including Denmark. The overall objective of these MoUs is to boost bilateral cooperation among the parties, and to increase local production in Iran.

The Iranian Intellectual Property General Office and the Danish Patent and Trademark Office signed a MoU in December 2016. The MoU recognises the advantage of bilateral cooperation between Denmark and Iran and expresses the desire to strengthen activity in the area of
intellectual property protection. Intellectual property protection applies exchange of expertise, knowhow and experience within various fields.

This type of agreement can led to further cooperation between Denmark and Iran regarding intellectual property protection, which will ensure better conditions for Danish products and brands on the Iranian market.

From the 1st of August 2017, the Royal Danish Embassy in Tehran will expand its staff with a new trade consultant. The trade consultant will exclusively be working to improve conditions for Danish companies on the Iranian market and to assist Danish companies and business delegations in Iran. One of the first focus points of the trade consultant will be to strengthen cooperation with Iranian authorities within patent and trademark and intellectual property rights.

For more information on Intellectual Property Registration, you may visit the http://iripo.ssaa.ir/ website and choose the English language option to connect to the English website.

You may also contact the below person for further information on the subject.

**Iran Intellectual Property Office**
Mr. Mehrdad Elyasi
Email: mehrdad.elyasi@ymail.com
Tel: +98 912 7166985

**Trademark and patent**

**Patent**

In Iran, letters patents are issued by the Industrial Property Office to protect an invention. The holder of the letters patent is entitled to the related exclusive rights.

The application handed in to the Industrial Property Department. The registration of a patent should specify the subject for which protection is requested. The application should be written in farsi language. If the application does not fulfil the requirements, the applicant is given a period of thirty days to rectify the application. If the requirements are not fulfilled within the time period, it will be considered as null and void. A letters patent issued in Iran expires 20 years after the filling date of the patent application.
Trademarks

The application for registering a trademark in Iran is to be handed to the Industrial Property Office, indicating a list of the exact goods or services for which registration is requested.

The validity of the trademark is 10 years from the filing of the application. This period may be extended for another 10 years upon request from the owner and payment of a prescribed fee.

Iran is a formally a member of the World Intellectual Property Organization (WIPO). Iran also joined the Madrid Convention in August 2003, in connection with the international registration of trademarks and the protocol relating to it. Accordingly, a separate section has been established at the Department of Registration of Companies and Intellectual property in Tehran, which registers trademarks for applicants under this convention. Foreign companies can register their trademarks for coverage of the Iranian jurisdiction either in their home countries under this convention or in Iran. Iran is also likely to join 19 other international conventions in the future. However, trademark rights are still not fully honored in Iran until now.

Doing business in Iran

First, it should be noted that all persons and companies supplying foreign products to Iran are required by law to:

- Register a branch or an agency at the Ministry of Commerce for the supply of their products and provide after sale services;
- Provide a manual in Farsi language alongside products, a warranty card and an after sale service card in respect of long life products.
- Supply and sell their products in particular packaging showing the registration number of the company, specifications of the product, serial numbering and hologram.

When doing business in Iran, there are three general methods: Through appointment of agents, by establishing a branch office in Iran or forming joint ventures with an Iranian partner.

Brokers acting as intermediaries between the parties of a transaction, commission agents undertaking business in their own name but on behalf of the principal and commercial agents. The products that companies wish to supply in Iran are categorized in three: permissible goods the exportation or importation of which requires no license; conditional goods the exportation or importation of which requires a license; and prohibited goods the exportation or importation of which is forbidden. For instance, the import of food, beverages, cosmetics and health
products requires a license from Ministry of Health. Prohibited imports include some luxury items, alcohol, pork, narcotics, guns and ammunition, aerial cameras, radio transmitters and indecent materials.

Engagement in exportation and importation activities for commercial purposes requires a commercial card to be issued by the Iran Chamber of Commerce, Industries and Mines and approved by the Ministry of Commerce. Moreover, importers are required to register their import orders with the Ministry of Commerce.

The government has also set import duties for each product entering the country. The duties vary from each product to the other. In case of local production, import duties are very high in order to support local manufacturers. The import duties change each year and are available in the Iran Import/Export regulation book. Import duties are comprised by customs duties, which have been fixed at 4% of the value of the goods and a Commercial Benefit Tax, which is determined from time to time by the Iranian Government. Iran follows the Harmonized Commodity Description and Coding System (HS) for classification of goods.

According to the above, the first and most important step to do business in Iran is to assign a local partner who is well known and familiar with the market and its requirements. The local partner will be able to provide the authorities with all the necessary paperwork and information. Any kind of food, drugs, cosmetics and agricultural products imported into the country requires the permission of relevant authorities. For cosmetics, food and drug products they need to be registered at the Ministry of Health or veterinary organization of Iran. The process of registration takes from 6 months to 1 year but it could take a longer time. During this period, experts from the authorities will visit the facilities and factories to provide GMP certificates. The following documents are required for importation: proforma invoice, commercial invoice, packing list, bill of lading, insurance policy and certificate of origin. Other documents may also be required on a case-by-case basis: inspection certificate, freight invoice, any license as may be required from the relevant governmental authority, fair price certification from the local chamber of commerce.

Iran is a market of 80 million people with different interests and requirements. Keeping in constant touch with the Iranian companies, being locally active, complying with the Iranian business customs, and choosing the right business partner who will target the right customers are the main items for success in Iran. To enter this market providing some of the requirements of the customer such as revising prices, maintenance and speed in providing the required products are some of the important issues for the Iranian businesspersons.

General marketing advice regarding business in Iran:
- You should be flexible, adapt but do not conform.
- Patient, but not passive.
- Maintain long-term commitment through time of profit and hardship.
- Get to know the key people.
Current international presence in Iranian agriculture and food

Iran recently signed key Memorandums of Understanding (MOU) with several countries. These MOUs focus on increasing cooperation among the partners and increasing production for Iran.

- Iran and France signed six MoUs for transfer of technological knowhow in fisheries, production of organic foods, animal husbandry, farming, modern irrigation methods and harvesting techniques.

- Serbia and Iran signed bilateral agreements for production, joint investment and technology transfer on seed production, livestock and agricultural machinery.

- Kyrgyz Minister for Agriculture was in Tehran recently to discuss bilateral ties with Iran and cooperation opportunities within extra-territorial cultivation, joint ventures for production of chemical fertilizers, construction of greenhouses and creation of drip irrigation systems.

Food and agricultural fairs and exhibitions held in Iran during 2017 (Information about fairs and upcoming events in Iran can be found on this webpage: www.en.iranfair.com)


- The 16th International Exhibition of Poultry, Livestock, Dairy and Related Industries in December 2017

How can the Danish Embassy assist Danish companies?

In order to assist Danish companies engaging in Iran, the Danish Embassy offers a range of chargeable services.

The Danish Embassy can provide programmes for business trips and accompany companies when going to Iran and meeting with potential partners. The Danish Embassy also provides market analysis and reports.