EUROFRUIT

The international marketing magazine for fresh produce buyers in Europe

By Tom Joyce

Monday 19th August 2019, 10:29 GMT

Iran sanctions impact banana trade

Alireza Emami, CEO of Zarrin Group

The US�s unilateral withdrawal from the nuclear deal and re-imposition of sanctions have forced Iranian importers to use alternative import routes and methods of payment

On 5 November 2018, the US fully re-imposed the sanctions on Iran that had been lifted or waived as part of the Joint Comprehensive Plan of Action (JCPOA), the agreement reached in July 2015 between Iran and the so-called P5+1 (made up of China, France, Germany, Russia, the UK and the US) to closely monitor Iran's nuclear energy programme.

Despite Iran's continued compliance with the deal, according to the International Atomic Energy Agency (IAEA), US president Donald Trump elected to impose the toughest US sanctions ever on Iran, targeting critical sectors of the country's economy, including energy, shipping, shipbuilding and financial sectors. As a result, the Iranian economy has suffered greatly.

In mid-August 2018, three months after Trump signalled his intention to unilaterally withdraw from the deal, the main international shipping lines had already halted direct services to Iran's southern ports, Bandar Abbas and Bandar Bushehr.

According to Reza Mansuri, marketing manager at Tehran-based Zarrin Group, these ports are the two main entry points for bananas shipped direct from Ecuador and the Philippines.

"Only bulk vessels from one Filipino multinational, which used to discharge bananas at Bushehr port almost every ten days, continued its service, while container lines were totally stopped," he says.

According to statistics from Sopisco, between week 1 and week 16 of 2018, Iran imported a weekly average of 150 containers of bananas direct from Ecuador to its southern ports.

"When sanctions started, fluctuations in the IRR exchange rate against the US dollar, as well as problems concerning money transfers to foreign countries following banking system sanctions, led to a decrease in the weekly volume to an average of 70 containers," says Mansuri. "After week 32, direct shipments from Ecuador were fully stopped as shipping lines halted their services to Iranian ports."

In response, Iranian banana importers have turned to alternative routes, predominantly via Turkey. Now, according to Mansuri, around 90 per cent of the bananas imported from Turkey are of Ecuadorian origin, re-exported to Iran after being discharged at Mersin, Turkey.

However, according to CEO Alireza Emami, Zarrin continues to work directly with Ecuadorian exporters. "This was emphasised during a meeting we had with the Ecuadorian ambassador to Iran, Germán Ortega, at Zarrin's offices," he reveals. "We discussed the challenges and solutions. Instead of buying bananas from Turkish middlemen, we purchase our bananas from Ecuadorian shippers in Mersin. The fruit is discharged at Mersin and then trucked to Bazargan, on the border of Iran and Turkey. The bananas are discharged at Bazargan and are trucked to Tehran and other cities in Iran. Although the process is time-consuming and costs are higher than for direct shipments, this is currently the only way for companies to buy directly from Ecuadorian exporters."

Emami points out that one of the biggest issues for Iranian companies is the sanctions against the banking sector. "These mean that almost no transfers can be made from Iran, and only companies with affiliates or connections outside Iran can transfer money to shippers' accounts," he says.

Thankfully for Zarrin, the company has experience of previous sanctions against the country, when they were introduced around seven years ago. "Thanks to our affiliates and connections outside Iran, we have not paused our business," says Emami. "Although volumes are now lower, we are still working with both Filipino and Ecuadorian exporters for regular weekly shipments.

"There are many Iranian importers who have unsettled balances with Ecuadorian shippers. Even if they have the money, they have very limited means to transfer money from Iran. Zarrin has helped some of these companies to transfer money to their shippers' accounts through our own channels."

According to Emami, sanctions have also hit the purchasing power of Iranian consumers due to their effect on exchange rates. "If prices keep going up, the majority of people will not be able to continue buying as much imported fruit like bananas," he says. "It is impossible for traders to sell fruit at a high price, even if final costs are high, so inevitably most importers are losing out at the moment."

Emami asserts that currency fluctuations, as well as various changes to import regulations imposed by the Iranian government to manage the market, have made long-term planning very difficult. "Companies are forced to make import plans for the short and medium term," he says, "and Zarrin is no exception."