

## Existing Condition of Agriculture in Islamic Republic of Iran and Characteristics of Development of Agrimarketing

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**Abstract:** Iran's agriculture is one of the significant components of the country's economy. Magnitude of its territory, variety of relief, circulation of air masses caused severe differences of heat and humidity in the region. After the bright victory of Islamic revolution in Iran, there happened radical and progressive changes by conducting reforms in the agrarian field. There were also carried out a number of actions in the direction of various agricultural products marketing (offering for sale) at the same time. The article analyzes, in detail, the modern status of agriculture in Islamic Republic of Iran and researches the directions of development and primary characteristics of marketing activity in this field.

**Key words:** Islamic Revolution of Iran • Agriculture • Reforms • Agromarketing

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### INTRODUCTION

It is evident that, "provision of economic security of each country, including food safety as a component thereof, is only possible as a result of its sustainable development. Agriculture, as one of the most significant fields of national economy, serves supply of light and food industry with raw materials and of people with foodstuffs. Development of the country's economy as a whole and proportions among its various fields (ratios) are greatly dependant on development level and rate. In addition agriculture is an important material production sphere, it performs multiple functions at the same time and the importance of the mentioned field is also specified by the functions it performs" [1].

Near and Middle Eastern region, in which Islamic Republic of Iran locates, is greatly rich in agroclimate resources. Nature has gifted this area abundant heat and sunlight and rich underground resources of vital importance. Historically, there were grown grain crops - corn (wheat, barley, rye, oats etc), grain-bean (pea, lentil, lathyrus, haricot, watermelon, melon-vegetables (Tomato, eggplant, watermelon, melon, pumpkin etc, beans-forage (Lucerne, esparcet etc.), fruits (apple, pear, apricot cherry-plum, quince, pomegranate, almond, hazelnut, nut etc), as well as grapes and industrial plants (Cotton, sugar-beet, tobacco, liquorice etc.) in our country which has 10 thousand-years culture of husbandry availing itself of the natural abundance and this played an important role in

meeting the needs of people for foodstuffs and other products. Such products still accounts for the major part of agricultural growing. At the same time, abundant plant cover of pastures and hayfields, mountainous meadows, forest glades gave a powerful boost to development of cattle-breeding. Unplanted parts of country's semidesertic and dry steppes, alpine and subalpine meadows are intensively used as pastures.

Observations showed that "...until 60s of XX century, Iran was known as an agrarian country...Approximately 10 percent of the territory (17 mln.ha) was used for husbandry purposes. Development of ancient Iranian culture was always closely related with irrigation. Irrigation system of the country is distinguished according to two features as compared to other Eastern countries: first, use of various types of irrigation, second, prevalence of underground waters (especially, waters from underground water-supplies) in irrigation.

Plant-growing is a leading field of agriculture. Grain-crops production is of special importance in the country. Grain crops account for two-third of planted lands. Wheat and paddy planting covers a wide field. Paddy planting is primarily in Caspian-coastal Gilan, Gorgan, Mazandaran provinces. Various types of paddy (Sadri, Campa, Akuli etc) are grown in the country.

There is grown cotton, sugar-beet, tobacco, tea etc. out of industrial plants. There are bean and oily plants, spice in the country as well. Gardening is developing.

Cattle-breeding is in direction of small cattle-breeding and seminomadic farms prevail. Cattle are raised in sedentary farms [2].

Researches showed that today Islamic Republic of Iran occupies one of important places in the world for agricultural products, including for production of plant growing products. Today, Iran plays the role of the most leading and advanced country of the region in the field of agriculture with 37 mln. Hectares of planted area, 118 billion cubic meters of drinking water reserves, as well as multiple and various climatic zones. Agriculture accounts for 23 percent of gross domestic product (GDP), more than 25 percent of employment level, 90 percent of food industry raw material, country's 80 percent of needs for foodstuffs and 95 percent thereof for protein and 22 percent of export etc. in non-oil sector. However, there are certain problems and shortages in this field, especially in the direction of marketing (offering for sale) of these products. For example, one of the primary problems - improper storage and packaging of manufactured foodstuffs (food), existence of lots of wastes, improper awareness of the consumers etc. to consider that food safety is just one of the greatest and global problems of the modern world and then it appears how the proposed problem is important for each country, including its economy.

**Existing Condition of Agriculture in Iran: Works Performed and Perspectives:** Various forms of farms - business entities play an important role in modern development of agriculture in Iran and they are much distinguished. Competitive forms of agrarian economy in the country are related with unions, cooperatives, farmer organizations and others based on private property only and in which labor is organized collectively. Observations showed that development of entrepreneurial activity in agriculture is efficient from the point of view of total number of production potential of the products and of the people residing at in rural places as cheaper manpower. Bringing that potential in line with entrepreneurial activity primarily depends on formation of economic relations. Also, particularities of agriculture is specified primarily buy form of property over land. Property right of the peasant over the land constitutes the material basis of entrepreneurship in agriculture.

The conditions that necessitate the establishment and development of entrepreneurial activity in agriculture are mutually interacted and characterized as single mechanism. "...Assistance to entrepreneurship and to new economy in agriculture result from the following

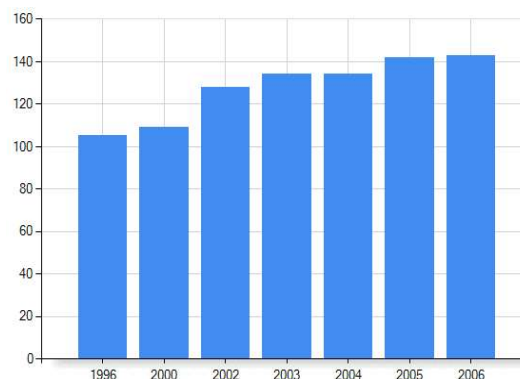


Fig. 1: Production index of agricultural products in Iran (1995=100%).

necessity in fact [3]. These includes, first, encouragement of competition in that field, second, protection of agrarian sector of economy from unsuitable impacts of the foreign competition, third, defense of economic interests of operating manufacturers of agricultural products and finally, reliable and flexible neutralization of dumping policy of traditional manufacturers of products aimed at domestic food market.

Government support of entrepreneurial activity in agrarian sector of economy in facts results with the fact that the government is able to reliably protect the food safety. The government is released from food dependence of other countries. In addition, government fails to import food from other countries or otherwise for the sake of political state of affairs. And this allows meeting the needs of domestic manufacturers on account of country's reliability and domestic production of the country [3].

Availability of various climate zones in Iran, efficient use of cheaper labor and other factors of production caused the fact that the country occupies one of the primary places in the world for manufacture of a number of agricultural products. For example, it accounts for production of 80% of saffron, 60% of pistachio, 17% of oleaster, 14% of raisins, 12% of hazelnut, 8.5% of apricot, 8% of lemon in the world. And this allows reducing potatoes import from Australia in quantity of 3.0 million ton. Within that period, though there was produced rice in quantity of 1.9 million ton in the country, this was insufficient for meeting fully the internal needs. Because, per capita annual rice production capacity in the country constitutes 40 kilograms. In this respect, presently, the capacity of rice growing fields is further expanding. Below is the figure (Fig 1) reflecting the development dynamism of production of agricultural products in the recent years in the Islamic Republic of Iran: [4]:

As it is evident from the above figure (Fig 1), there are observed growth trends in production dynamism of agricultural products as of 1996 in agriculture of Iran. This growth trend was in the capacity of 38-40% in 2006 in relation to 1996.

It is known from the analyses that a larger part of the territory in Iran fits for cultivation. Approximately 7 mln. Hectare of the area used for cultivation purposes, constitutes irrigable lands. In general, 40% of all the plant areas are irrigated, which account for larger part of agricultural products manufactured in the country.

The most important duty to be performed by the government of Islamic Republic of Iran and which is necessary for performance in the direction of ensuring food safety - is carrying out the level of supplying itself with grain and grain products. As a result of measures in the direction of encouragement by the government of the product manufacturers (purchase by the government of the wheat produced, subsidy for consumer prices of the bread etc), the production capacity of cereals has been stabilized and has started increasing recently. It is noteworthy that each year there is allocated subsidy in amount of 1,0 billion dollars from state budget only for ensuring that retail sale price of flour and bread is maintained in lower level in the country...

As it is evident, agricultural products market in Iran occupies one of the major positions in economy playing a significant role. This market is distinguished for its particularity according to its type of structure. There exist certain shortages in that process in the country. That is:

- Losses sustained in various stages of agricultural products;
- Problems occurred in terms of carriage of those products;
- Packaging of goods and restriction of foreign appearance capable of involving customers;
- Change in the foodstuffs prices depending on the seasons and the transitive nature thereof;
- Lack of information (data) on relevant market type, total number of manufacturers and capacity of manufactured products;
- Weakness to use the opportunities of cooperatives in preparation of access to market services;
- Sufficiently-higher level of authority and influence means of mediators and brokers in sales market of products;
- The fact that the price of agricultural products and foodstuffs is not sufficiently transparent etc [5].

All the aforesaid, necessitates the proper organization and intensification of agromarketing measures in agriculture of the country.

**Agromarketing Environment in Agriculture of Iran and its Development Characteristics:** Regular development of agromarketing activity according to development of agriculture in Iran- proves that management methods of new content are in place in economic activity. Process of transfer into this type of management concerns several reasons. First, increase in the capacity of production - sale of agricultural products and settlement of difficulties occurring at this moment, due to assistance of means of marketing relate to the current situation. In other words, depending on involvement of particular means in management, flexible use of them is of greater importance.

In addition to all the aforesaid, marketing process of agricultural products in Iran has a particular regional characteristic. That is, Iran is a country having ancient and rich agricultural traditions, in which agrarian - food complex is developed and which supplies itself with domestic foodstuffs. A larger part of agricultural products manufactured in the country is used for internal consumption. As mentioned, there exist suitable climate conditions and suitable plots of land for growing all plants in Iran which has wide territory and plant areas.

In modern conditions, there arises need for determining scope of agromarketing and observing how it changes in respect of increase in production capacity of products in Iran. The multiple analyses show that the following is the major figures (processes) forming agricultural marketing products marketing in Iran today:

**Domestic Buyers:** These buyers start collecting agricultural products. It is possible that they are selected from among the farmers, owners of small plots, rural shops and local entities. Domestic buyers may act such that the farmers are granted production-oriented credits and so, they are released from obligation to carry a portion of purchased product until uniform center. So, these products may be converted into consumable goods or wholesaled by being collected in this centre.

**Wholesale Distributors:** Those who are engaged in wholesale and distributors perform products carriage, storage and preparation. They also provide products carriage expenses at the cost of their personal funds or by bank. And sometimes, in order to accept the potential dangers to be occurred, a sales-purchase agreement is

signed too. Wholesale buyers perform products purchase in advance when product price in the market and needs for it is low.

**Sales Representatives (Brokers):** A number of manufacturers and wholesalers are interested that they appoint their sales representatives in the markets in the markets in which they are unable to participate directly in the sale of products. Such representatives receive their interests in return for their activity performed or for sale. Naturally, they feel no danger in their activity and always their purpose is that they satisfy the applicants.

**Sales via Fairs:** This factor brings together agricultural products buyers and sellers at the same time and particular place as the main factor. Fair ("yahrmark" - "annual market" in German) means generally, the event organized periodically by various organizations, merchants, manufacturers for sale of products on the samples demonstrated in wholesale trade and exhibitions. Fairs in agriculture are mostly used for sale-purchase of fruits, vegetables and live animals.

#### **Sale of Separate Agricultural Products or Specialized Products Sale;**

##### **This Includes:**

- Rice product marketing (sale). In general, rice consumption is considered popular in various villages and cities of the country and presently plays the second role in the feeding of the people after the wheat approximately sale and distribution of domestic (local) rice are performed by various entities, including local production cooperatives, rice grinding workshops, various brokers and merchants. Domestic rice sale takes place in several ways.
- Direct purchase - major merchants, plants and rice grinding workshops purchase rice from direct manufacturing farmers and small amounts with guaranteed prices through state cooperative organizations. And the trading department distributes it.
- Indirect purchase - merchants purchase necessary amount of rice through people under names of brokers and other mediating entities. By processing the total purchased rice, they sell it to rice merchants in Tehran and other parts of the country. Trade department specifies domestic production and difference of amount of rice necessary for country. And the rice imported from abroad is distributed through in-house work service.
- Marketing (sale) of cotton product. Cotton growing is one of the most important items of agricultural products after wheat, barley and rice in Iran. Presently, cotton-treatment plants purchase raw material from manufacturers and offer it for sale as seedless raw cotton (mahlij), as well as cotton yarn, knitting and hydrophilic cotton. Brokers, mediators and cotton merchants are forbidden from sale-purchase of this product as raw material and this function is performed by state entities.
- Beetroot and sugar products marketing (sale). Beetroot growing in agrarian economy of Iran, creation of workplaces in this field and its industrial processing are directly in the interests of the government. According to statistics, in order to convert 1000 tons of sugar beet into sugar, a great number of workers are required. A larger part of the beet is purchased for guaranteed price by sugar plants etc.

**Results and Offers:** We think that it is necessary to perform the following actions in line with current status of agriculture in Iran and development characteristics of agromarketing activity:

- Paying special attention on increasing the leading directions of intensification in agricultural products manufacturing, such as chemicalization, melioration-irrigation, integrated mechanization, qualification, application of scientific achievements and best practice in this field to production, creation of highly-efficient kinds of seeds in planting etc.
- Harvesting of manufactured agricultural products timely and without losses, carrying out integrated services in their storage and processing at the same time;
- Investigation of the ways of settlement of and positive provision of issues in respect of elimination of problem of unemployment of the people in agriculture and in the fields related to it;
- Taking direction towards final practical result, wide use of purposeful program method and integrated relationship in settlement of marketing (offering for sale) issues;
- Flexibility of organizational forms of export activity in agriculture and conformance with purposes set fro in this field;
- Forecasting of exporting taking into account probable trends of agricultural products market development and scientific-technical progress;

- Purposeful application of advertising means, methods for determining the efficiency of advertisement etc.

## DISCUSSION

Discussions conducted show that agriculture in the Islamic Republic of Iran has highly developed and being in close interaction with each other, conditions ensuring the economic mechanism of the market has developed into a complete unit. Agro marketing measures have special importance among them. Stimulating advanced management methods with new context, these measures create appropriate conditions for profitable sale of produced goods both in the internal market and abroad. As the production and accessories of the goods grow, influence circle of the implemented agro marketing measure develops further and they are sold by more civil and advanced ways. These measures are specially observed in the sale of goods which have already brought to Iran worldwide preeminence.

Studies shows that production in agriculture section have been differ whit other sections of production, through kind and processing of crop production [6]. Sahnosh *et al.* [6] have counted on general characteristics of agriculture section compared with other sectors that: 1- Biological production of 2-size 3-large fluctuations in the price of 4-5 law of diminishing returns-the difficulty of funding 6-7 standard problems-corruption, accountability 8 - low elasticity of supply and demand.

It seems that traditional marketing of agricultural products has not been able to adapt its resources with community needs, some basic problems in marketing agricultural products are the following: 1- ineffectiveness of traditional markets. 2-Lack of proper storage. 3- Complete lack of information on traditional markets for agricultural products. 4-There is no mechanism for setting uniform prices across the country. 5-Distance between consumer and producer. 6- Production system. 7-Lack of credit. 8-Lack of access to information [7].

Studies performed show that the overall situation improved marketing of agricultural products of the following methods is possible [8]:

- Private sector actors: Studies have shown that the private sector in the country has the greatest opportunity for improved marketing of agricultural products; the government should also provide a

competitive environment for private sector activity. Private sector to improve the marketing potential of other more and the activities of the private sector can be two conditions are necessary: (a) law and order. B: Political and economic stability.

- Group and cooperative actions. In Iran, economic factors such as poverty, lack of security, climate, culture and history of the cooperative is formed, creating a cooperative marketing can be the following reasons: the current service cost less - because of inadequate services - create competition.
- Government: The government has the resources and tools the use of effective steps to improve the agricultural marketing situation can take a - a law with the appropriate laws and regulations. B - Providing facilities for producers. C-Intervention: the application of basic products - the right to control exports and imports-to provide training for manufacturers.

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