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# **Development of Agriculture in Azerbaijan**

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## **GENERAL INFORMATION**

**The Republic of Azerbaijan is situated in the eastern part of the southern Caucasus at the Caspian sea.**

**Azerbaijan shares the border with Iran, Turkey, Russia, Georgia and Armenia. By its territory the republic ranks number 44 in the world, and by the population - 42.**

**The area of the republic is 86.6 thousand km<sup>2</sup>. The area of agricultural land is 4.756 thousand ha (0.56 ha per capita, the area of arable land is 1,795.5 thous. ha, perennial plantations - 221.1 thous. ha, haymaking and pasture lands – 2,693.6 thous. ha, forests – 1,037.8 thous. ha). The number of the population as of early 2008 was 8 million 626.2 thousand people.**

## **DEVELOPMENT MILESTONES**

**For almost 70 years the economy of Azerbaijan was developing as a part of the USSR's economy oriented mainly to the Russian market. The key sectors of the economy were oil extraction and oil refinery industries and agriculture. In 1960–1980-s machinery building, chemical, textile, food and other industries were developing in the republic. The war in Karabakh and political instability caused a significant decline in production during 1988–1994. Starting from 1994 the political situation was stabilized, the economic decline was discontinued.**

**The agricultural sector is the second one by the importance after the oil sector. Agriculture, enjoying favorable climate conditions (abundant warmth, light, duration of the vegetation period), is specializing in growing many valuable agricultural crops, however, as in all mountainous countries, the republic is characterized by lack of land.**

**Out of the total area of the country, agricultural land accounts for 55% (4.7 mln. ha), while a half of it is pasture land.**

# PRODUCTION OF MAJOR AGRICULTURAL CROPS

<b>Harvest, thousand tons</b>	<b>2007</b>	<b>2006 год</b>
<b>Grain (including corn)</b>	<b>2004,4</b>	<b>2078,9</b>
<b>Cotton</b>	<b>100,1</b>	<b>130,1</b>
<b>Tobacco</b>	<b>2,9</b>	<b>4,8</b>
<b>Potato</b>	<b>1037,3</b>	<b>999,3</b>
<b>Vegetables</b>	<b>1227,2</b>	<b>1186,4</b>
<b>Melon</b>	<b>416,1</b>	<b>362,1</b>
<b>Fruit and berries</b>	<b>677,4</b>	<b>662,6</b>
<b>Grapes</b>	<b>103,6</b>	<b>94,1</b>
<b>Tea, tons</b>	<b>0,48</b>	<b>0,66</b>

## Productivity indicators of Azerbaijan

<b>Productivity Centner/ha</b>	<b>2007</b>	<b>2006</b>
<b>Grain ( including corn)</b>	<b>27,1</b>	<b>26,5</b>
<b>Cotton</b>	<b>13</b>	<b>13</b>
<b>Tobacco</b>	<b>26,3</b>	<b>22,5</b>
<b>Potato</b>	<b>150</b>	<b>145</b>
<b>Vegetables</b>	<b>139</b>	<b>144</b>
<b>Melons</b>	<b>128</b>	<b>126</b>
<b>Fruit and berries</b>	<b>73,6</b>	<b>76,2</b>
<b>Grapes</b>	<b>84,1</b>	<b>76,7</b>
<b>Tea, tons</b>	<b>2,7</b>	<b>3,6</b>

<b>Products</b>	<b>2007</b>	<b>2006</b>
<b>Cattle number</b>		
- Store cattle, thousand heads	2511,8	2445
- Sheep and goats, thousand heads	8109,7	7868,4
- poultry, million heads	20,75	18,76
- pigs, thousand heads	18,7	21,3
<b>Agricultural products</b>		
Meat (carcass weight equivalent), th. tons	166	155,5
Milk, thousand tons	1341,3	1299,5
Eggs, million pieces	871	760,9
Wool, thousand tons	14,1	13,6

## LEASING

At the end of 2004 the Government of Azerbaijan announced that for the next five year agriculture is exempt from all taxes, except for the land tax. An increased interest in leasing is being observed – first of all, thanks to the Japan's leasing support. There are other countries and companies appearing, which are ready to implement leasing projects in the agrarian sector. More than 3.374 million of citizens of Azerbaijan became land owners. More than 40% citizens are engaged in rural economy. The land reform in Azerbaijan is being implemented since 1996. The land reform means a free transfer of 21% of the country's land fund to peasants for ownership. The Republic of Azerbaijan adopted the Law "On Land Reform". The first state property privatization program offered all 420 production and auxiliary agricultural enterprises for privatization. They include 21 ginnery, 120 – wine-producing, 42 cannery and other factories, as well as agricultural machinery maintenance and agricultural chemical associations. There are more than 3.5 thousand villages and more than 850 thousand households – owners of land – in Azerbaijan.

**At present there are 11 agricultural auxiliary services and procurement bases operating in the republic, and agro-service branches - in 56 rayons, which manage more than 70 mechanics brigades. Agro-service branches provide 18 types of services.**

**To organize the operations of the Agro-Leasing, based on the Instructions of the President of Azerbaijan “Government Support to Agricultural Producers”, in 2007 the repayment of the funds allocated from the budget was extended up to 10 years. The same decree instructed the JSC Agro-Leasing to procure technological equipment for the processing industry and its further leasing.**

**At present equipment have been delivered for 1 fodder processing factory, 3 dairy factories; 6 freezing facilities, 6 fodder processing and 3 dairy factories have concluded contracts and money has been transferred. The procured equipment has been already installed.**

Investment is attracted from foreign banks, the taxation system is being changed, a comprehensive approach to entrepreneurial activities is being taken by the government to stimulate entrepreneurship development in the republic, as well as the state policy acquires a systemic nature, the national entrepreneurship concept is being developed, business infrastructure is being developed, the class of entrepreneurs dealing with intellectual activities is being formed, scientific ideas are introduced to entrepreneurship, technical parks are established to provide assistance in implementing intellectual ideas in the form of entrepreneurial activities, public-private relations are regulated, priority directions for development of entrepreneurship are identified to create conditions for sound competition, entrepreneurs are extended long-term soft credits, interest rates for short-term credits are being reduced.

**Undoubtedly, all these and other proposals will help in developing entrepreneurship, which in turn will promote the progress of the republic.**

**The Government provides great assistance to producers of agricultural products. The National Fund for Entrepreneurship Support of the Ministry of Economic Development of the republic is allocated annually, as well as in 2007 – 74.0 million manats – budget resources for development of entrepreneurship. The Government subsidizes land cultivation works per ha, use of mineral fertilizers, production of seeds by scientific organization and their sales, etc.**

**Alongside with positive developments, there are also problems in the agricultural sector of the republic, such as a weak material and technical base, ineffective land and water resources management, a low level of irrigation and ameliorative works, lack of coordination between raw materials production and processing, provision of scientific and methodological instructions to the agrarian sector and staff training.**

**Problems in the sphere of plant growing, such as lack of highly productive seeds, chemical preparations, water, soil salinization, productivity reduction and erosion, a low level of development of processing industry, harvesting, storage, packing, transportation methods, the marketing system are inconsistent with the new production system.**

**In the sphere of cattle-breeding – a low level of the fodder base, including salinization of summer and winter pastures, a reducing stock of grass, increasing diseases, lack of medical preparations, veterinary services and a low level of selection work.**

**Tackling these problems will result in dynamic growth of the production rate in the sector.**

## **External Trade**

**In 2007 the external trade turnover was US\$11 billion 766.9 million, as compared to 2006 it increased by 29.7%. The share of export was 51.5%. A positive balance of US\$349.7 million. Trade turnover with non-CIS countries increased 1.8 times and made up 74.5% of the total external trade volume, and with CIS countries – increased by 0.8%.**

**For 4 months of 2008 the volume of external trade was US\$ 2,896.2, billion, of which import – US\$ 1,352.2 billion, export – US\$1,544.0 billion. When compared to the previous year, the total volume increased by 40.9 %, of which import - by 19.0%, export – 1.7 times.**

**The key trade partners of Azerbaijan are: for export – Turkey, Italy, Russia, Iran, for import – Russia, Turkey, Germany, Ukraine, China.**

**In 2007 the volume of external trade of Azerbaijan with China totaled US\$288.9 million, The share of China in total external trade turnover was 2.4%. China is one of the key importers of Azerbaijan, its imports share is 5.1%.**

**The Decree of the President of the RA “On Further Liberalization of External Trade” was issued and the same decree approved the Rules for conducting export and import operations.**

**Thank you for your kind attention!**