



AZERBAIJAN

AGRICULTURE AND FOOD PROCESSING


azpromo

REPUBLIC OF AZERBAIJAN
















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TERRITORY	CAPITAL CITY	LANGUAGE	POPULATION	CURRENCY
 86 600 km ²	 Baku	 Azerbaijani	 9.6 mln.	 Azerbaijani manat (AZN)
GDP	GDP PER CAPITA	FDI	LABOUR FORCE	FOREIGN TRADE
 53 bln. USD	 5559 USD	 7.5 bln. USD	 4.8 mln. people	 20.6 mln. USD
MAJOR TRADING PARTNERS	AGRICULTURAL LAND	ARABLE LAND	AGRICULTURAL PRODUCTION	CLIMATIC ZONES
Italy, Germany, Russia, Turkey, US, France, Israel, Czech Republic, China, UK	 4.8 mln. ha	 1.9 mln. ha	Crop production - 49% Livestock farming - 51%	 9 out of 11

NOTICE:

ALL STATISTICAL INFORMATION USED IN THIS PUBLICATION IS PROVIDED BY THE STATE STATISTICAL COMMITTEE OF THE REPUBLIC OF AZERBAIJAN.

INTRODUCTION

Agriculture is one of the most important sectors of the economy in Azerbaijan - a country that is considered to be one of the earliest sites of human agricultural activity.

Today, the agricultural sector employs over 36.4% of the active labor force of the country. The fertile lands, abundance of water and climatic diversity create favorable foundation for ever-strengthening agro-sector. Presence of nine climatic zones allows the country to produce a variety of agricultural products and brings about new opportunities for coming up with different types of goods. As one of the leading agro-food producers in the whole CIS, Azerbaijan seeks to further develop its agriculture and food industry for import substitution purposes in parallel with enhancement of export capabilities.

Azerbaijan has 4.8 million hectares of agricultural land, which comprises over 50% of its total territory, of which 39.6% is arable. Crop production accounts for around 49% of agricultural production with livestock farming making up the remaining 51%. Meanwhile, the food-processing sector constitutes an important component of the national economy and accounts for over 38% of total manufacturing industry. Azerbaijan trades intensively with the CIS, which is traditionally the main destination and the largest consumer of agriculture and food exports from Azerbaijan. However, in recent years foreign market scale has expanded to include many other countries in Europe, Asia and the Americas as well. The main export products are fresh vegetables and fruits, vegetable and animal oils, sugar products, tea, processed vegetables and fruits, beverages, tobacco products, cotton and others. The years of fast economic boost resulted in a rapid growth in consumption which led to changes in consumer tastes in the food and beverage industry.

Consumption of agricultural goods and food products in many categories has grown by more than 50% in the last ten years. In some selective categories this figure is around 200%.

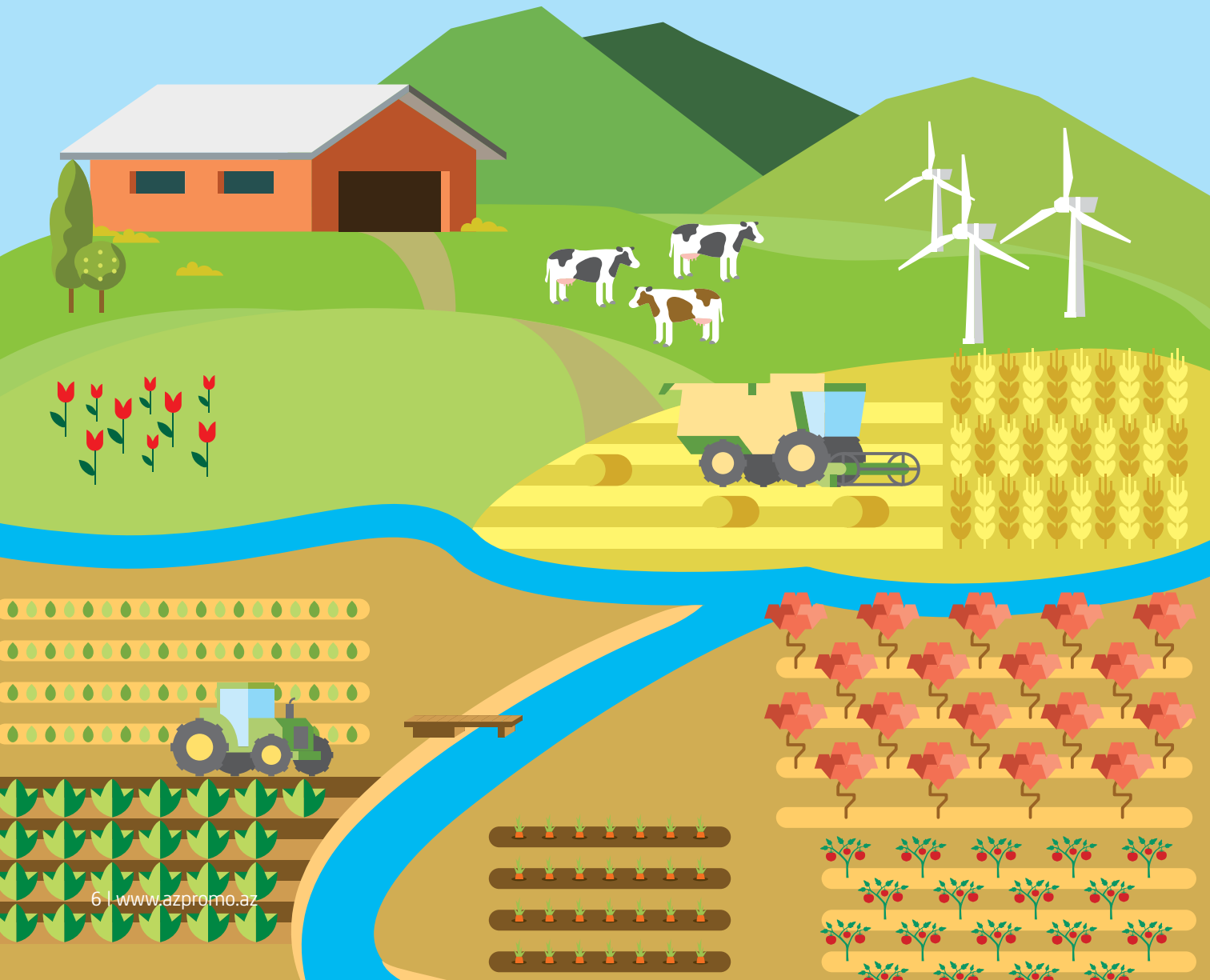
Domestic production of the main food products has, however, fallen short of meeting market demand. In order to decrease the dependence of the domestic food market on imported products and generate reliable food reserves, the government has taken a number of measures to improve the business and investment climate by stimulating producers, providing subsidies, and establishing a firm institutional and economic basis for further development.

To this purpose, the “State Program on the Reliable Supply of Food Products to the Population for 2008-2015” was drafted and signed into law in 2007. The main objective of the program is the qualitative and quantitative increase in production of agricultural and food products to ensure the country’s food security.

Possessing great potential for development, the widest range of investment incentives and high economic profitability, the agro-industry remains one of the most attractive sectors for investment.

Investment in Azerbaijan is a further reliable contribution to the promotion, development and prosperity of your business.

OVERVIEW OF SUBSECTORS

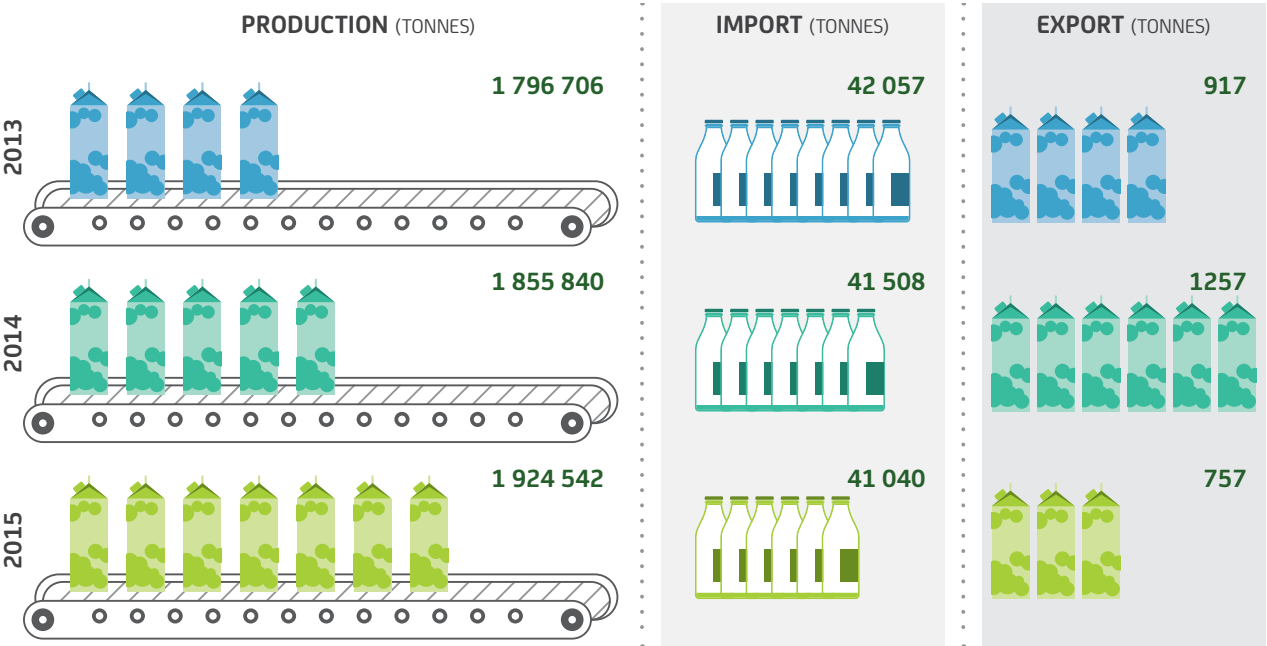


DAIRY PRODUCTS

The demand for dairy products, a vital part of the regular diet, increases annually. Opportunities exist to develop new milk processing plants and to renovate existing ones to comply with modern quality standards.

- Total dairy production in 2015 amounted to 1.92 mln. tonnes.
- With nearly 70% of raw, unpasteurized milk sold at local bazaars, processing by large enterprises accounts for only a small proportion of total production.
- Domestic production of milk satisfies only 80% of the local demand and there are extensive opportunities for new processing plants.

MILK AND DAIRY PRODUCTS



FRUIT AND VEGETABLES

The diversity of soil and favorable natural conditions allow us to grow a wide range of fruit and vegetables, such as apples, pears, quinces, pomegranates, oranges, tomatoes, cucumbers, and eggplants. This is one of the most important sectors of the economy, catering not only to the local, but also to neighboring markets.

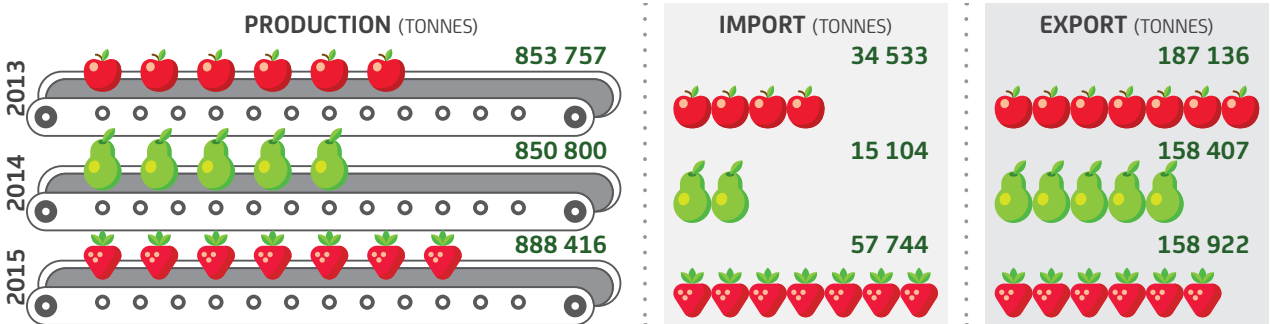
- In 2015, about 279 thsd. tonnes of fruit and vegetables were exports, of which a total production is over 2.2 mln. tonnes. Improved irrigation systems, special incentives and subsidies for farmers claim for investment opportunities in this sector.

VITICULTURE

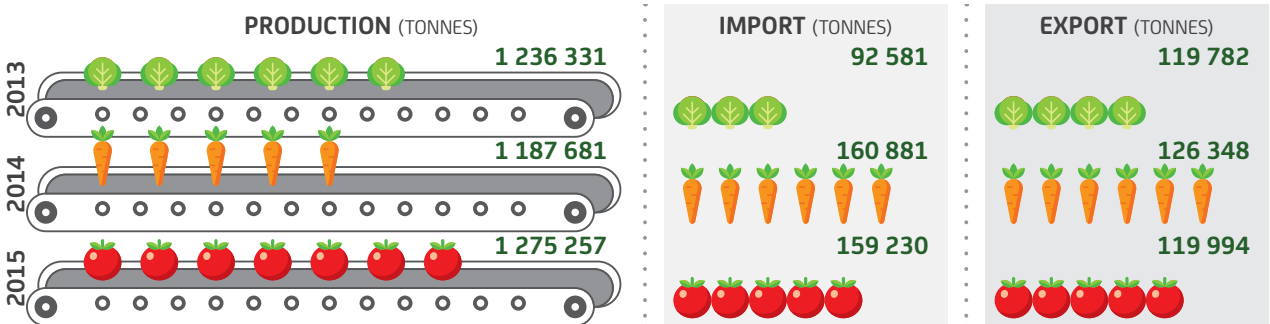
Good climatic conditions and suitable soils are determinants for the development of grape growing in Azerbaijan. Viticulture is a traditional sector and has great investment opportunities.

- Total grape production in 2015 amounted to 157 thsd. tonnes.
- Grape production in the country increases yearly due to the significant reforms implemented by the government.
- A special state program was approved for the development of viticulture.
- Grapes are in great demand in both domestic and regional markets.

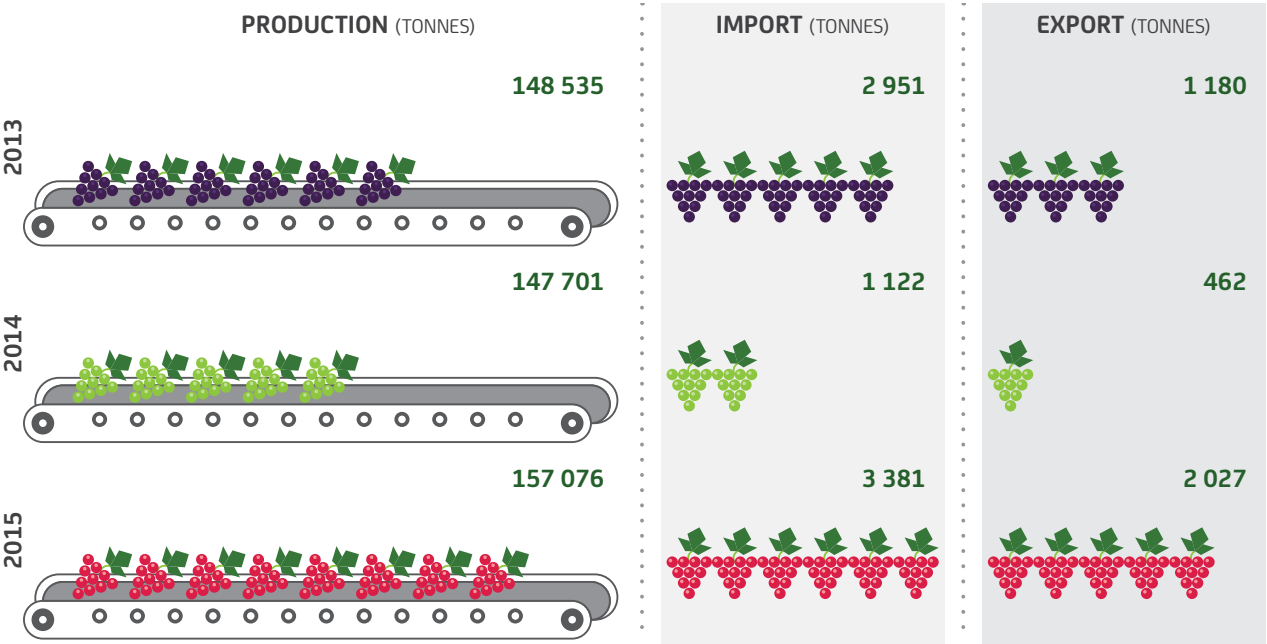
FRUITS AND BERRIES



VEGETABLES



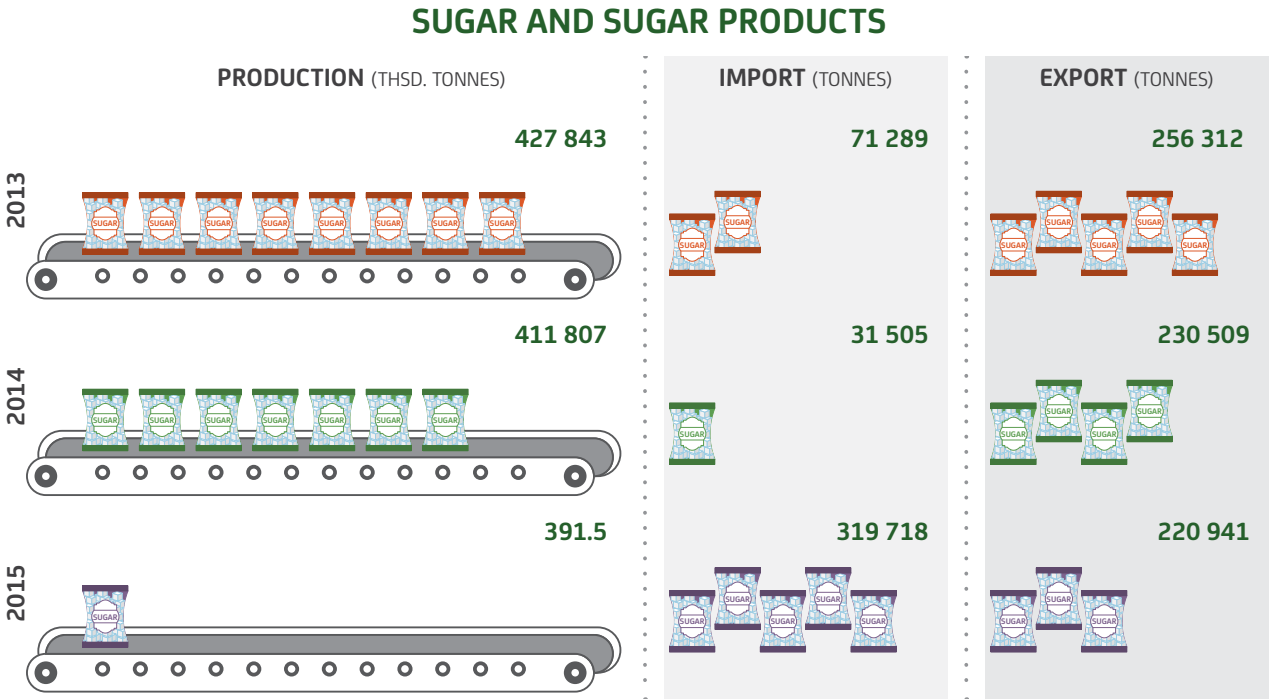
GRAPES



SUGAR PRODUCTS

Until recent times, the country relied solely on imported sugar, but local production launched in 2006 had fully satisfied local demand by 2009 and started to cater to neighboring countries.

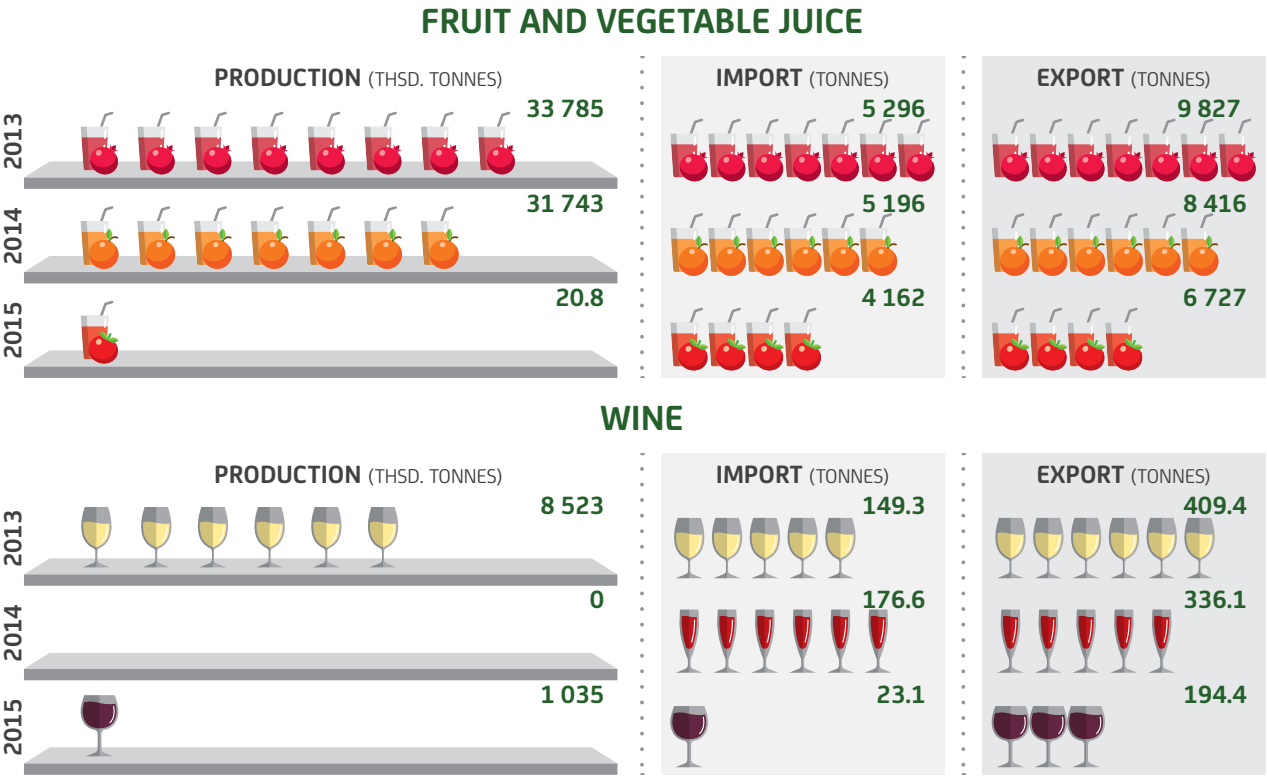
- Domestic production still depends on imported raw material, but there is a gradual transition to the processing of sugar beet grown in the country.
- In 2015, the export figures for sugar and sugar products stood at around 392 thsd. tonnes, with Georgia, Ukraine, Iraq and Central Asia as the main export destinations.
- An increase in the acreage of sugar beet fields to 20 thousand hectares has been outlined in the “State Program on Food Security for 2008-2015”.



BEVERAGES

The Azerbaijani market for beverages is rapidly expanding with production of non-alcoholic beverages quadrupling since 2000. The main competition takes place among local producers, when imported beverages account for a small percentage of total consumption.

- While fruit and vegetable juices and bottled water continue to be major strongholds in the beverage industry in Azerbaijan, the production of alcoholic beverages continues to show double-digit growth due to great demand from local and regional markets.
- The world famous Azerbaijani pomegranate juice is exported to the US, EU and CIS markets and we are looking to attract more investments in order to extend our outreach.
- The wide availability of water resources, ideal natural conditions for fruit and vegetable growing and strict concentration on product quality make this an attractive area for investment.



ANIMAL HUSBANDRY

Essential for the supply of products such as meat, milk and eggs, there has been considerable pressure over livestock with increasing local demand that has been met by huge volumes of imports. The recent reforms in government policies have provided a solid foundation for the expansion and amelioration of conditions on farms.

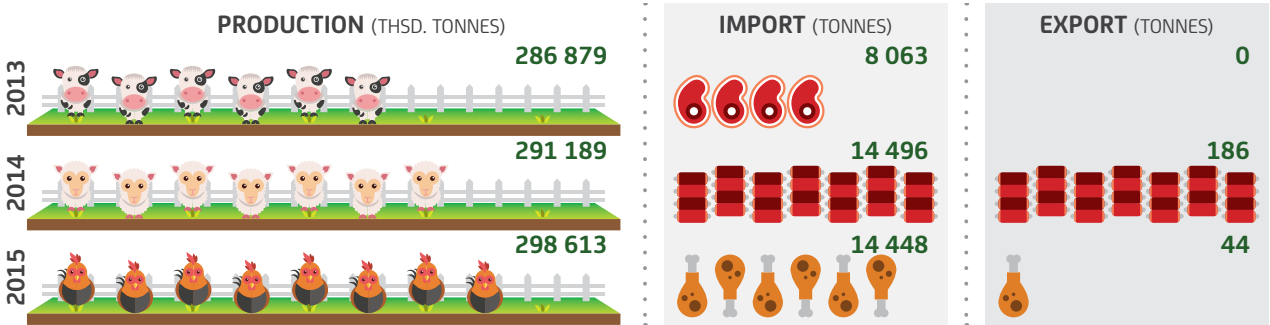
- In 2015, a 40.7% growth in cattle, a 50.2% growth in sheep and goats and a 87.3% growth in poultry numbers was observed compared to 2000.
- Favorable conditions for investment, such as preferential terms for the purchase of pedigree cattle, no import duty, no weighted VAT for agricultural equipment and other incentives, allow the production of competitive products at prices lower than imports.

FISHERIES

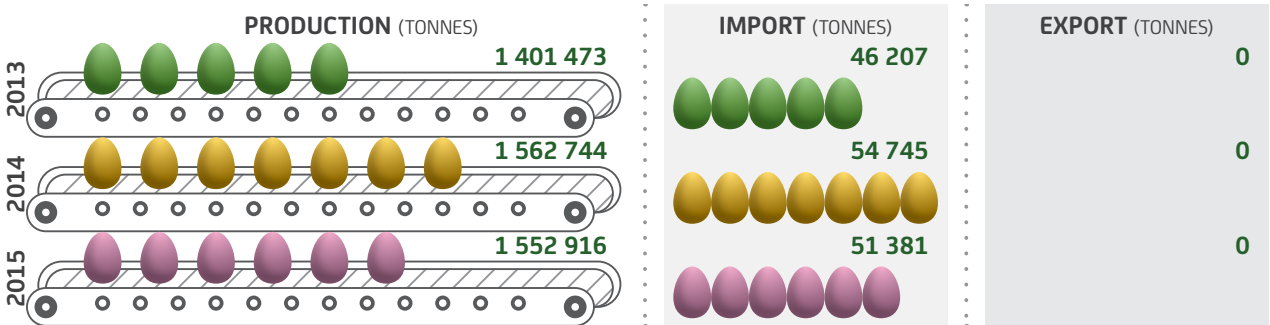
After the collapse of the Soviet era, we launched an extensive campaign to reinvigorate the fishing industry, given the outstanding biological and natural resources and great demand from local and regional markets.

- Azerbaijan takes pride in the outstanding quality of its black sturgeon caviar and the local brand is well-established in the international market.
- The country's fresh water basins and the Caspian Sea have 97 species of fish, including salmon, beluga sturgeon, bream and herring.
- With preferential import terms on fishery products in the EU, fishing industry offers an excellent opportunity for investment.

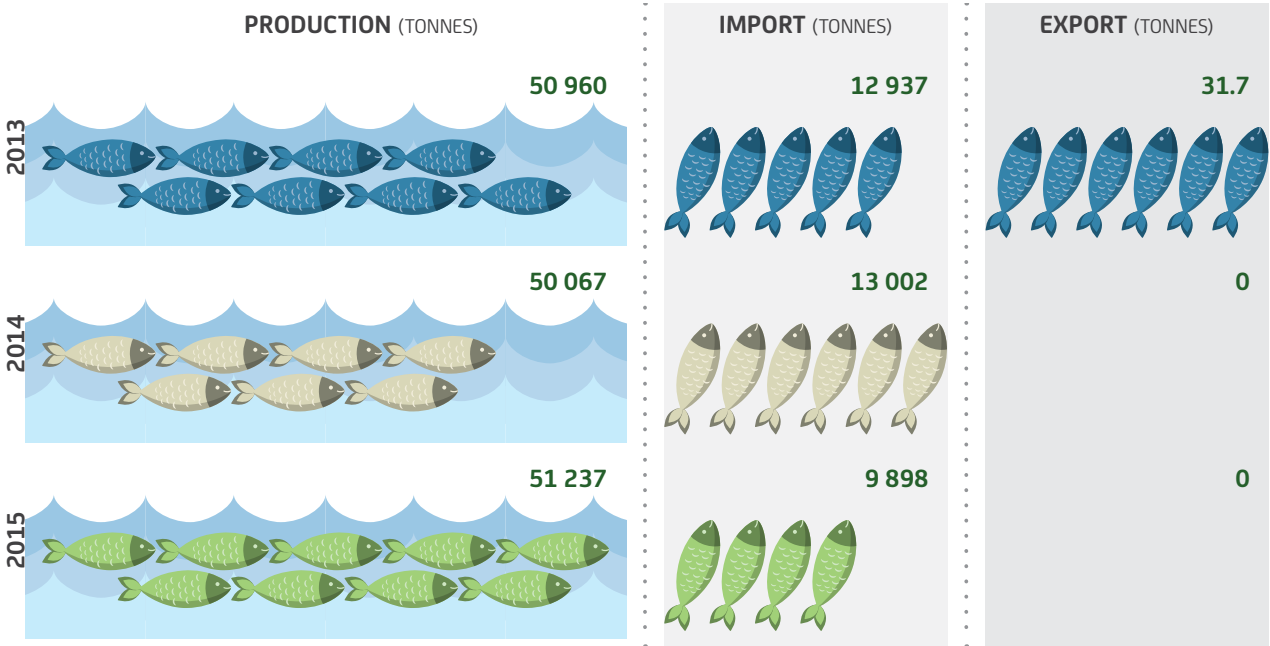
CATTLE AND POULTRY MEAT PRODUCTS



EGGS



FISH AND FISH PRODUCTS



APICULTURE

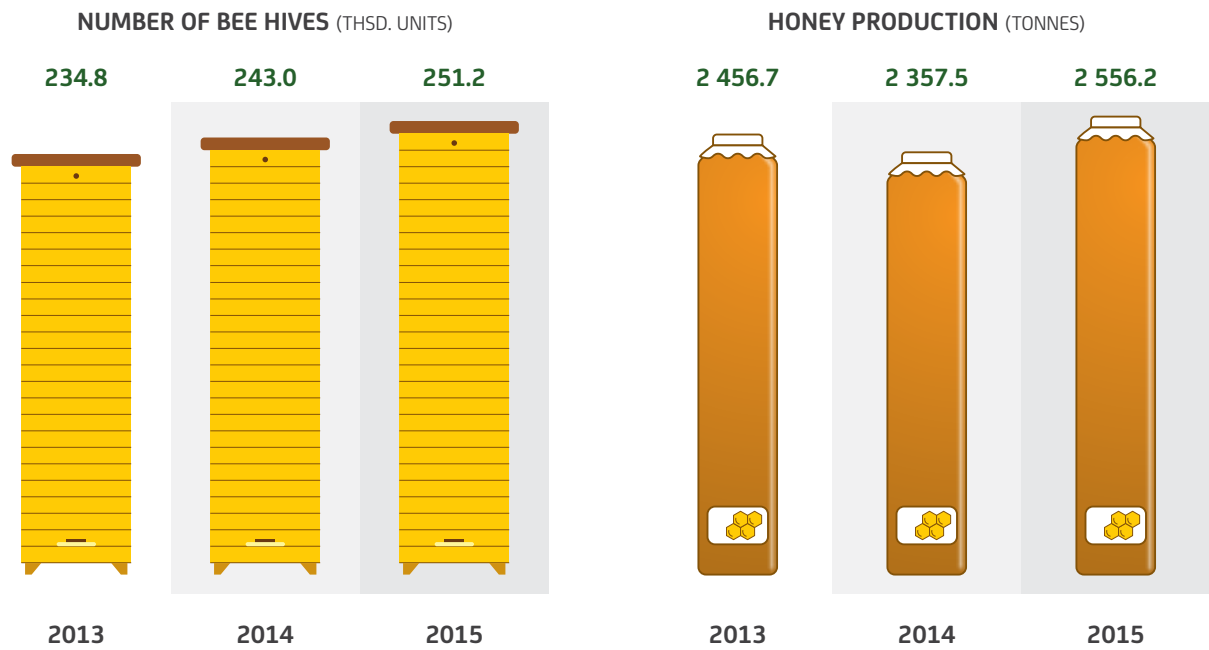
Widespread in the mountainous regions of the country and being a rapidly expanding sector, Azerbaijan’s honey is revered for its nutritional and remedial qualities.

- Currently, over 251 thousand bee hives produce around 2500 tonnes of honey in Azerbaijan.
- The main targets as outlined in the “Special Law on Apiculture” are increasing productivity in beekeeping, improving industrial processing and quality and integration of the latest technologies into packaging and labelling.
- The government provides concessional loans and tax exemptions to farmers engaged in apiculture in order to accelerate growth in the sector.

ORGANIC OILS

The production of organic oils is considered one of the most competitive sectors of the Azerbaijani non-oil economy, and conducted standardization, brand awareness and marketing programs have improved awareness of local production.

- Azerbaijan has secured a reputation in the region for the high quality of its vegetable, sunflower and olive oils with recent increase in exports to the CIS, Baltic States and Central Asian countries.
- Taking the high demand into consideration, a plan was assigned to enlarge oilseed fields up to 135 thsd. ha in different agro-climatic zones, which will provide a solid foundation for the expansion of the industry.



VEGETABLE OILS



TEA

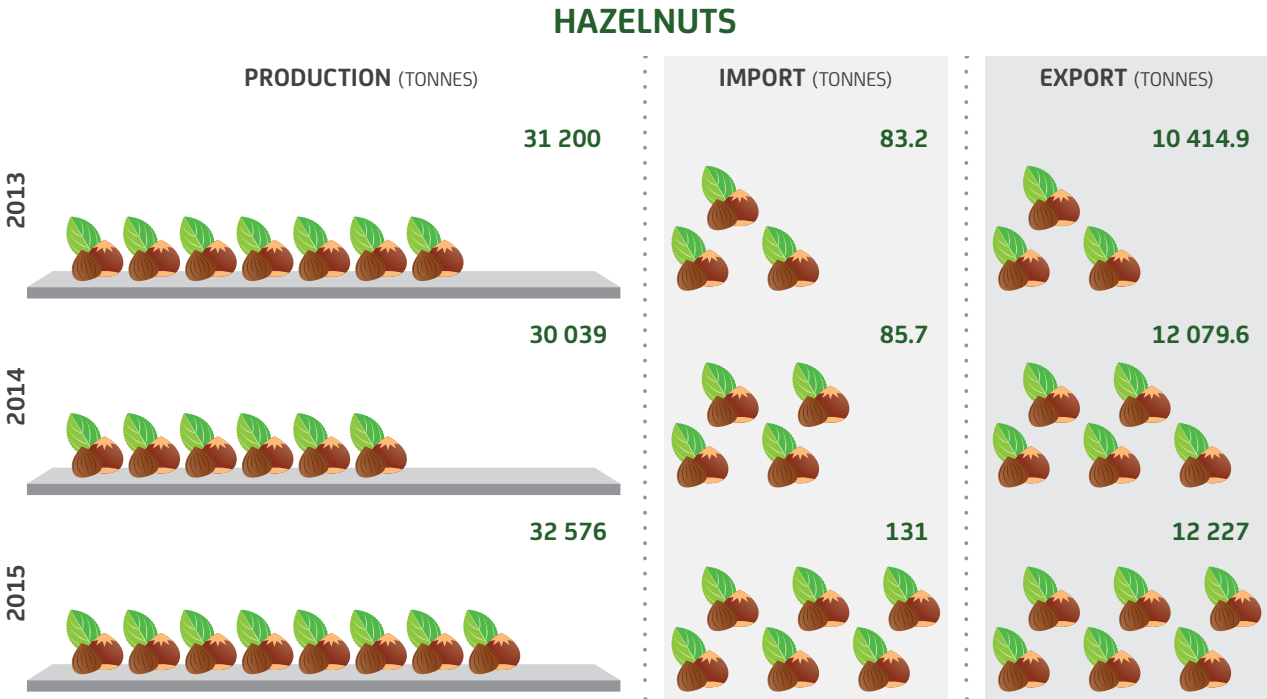
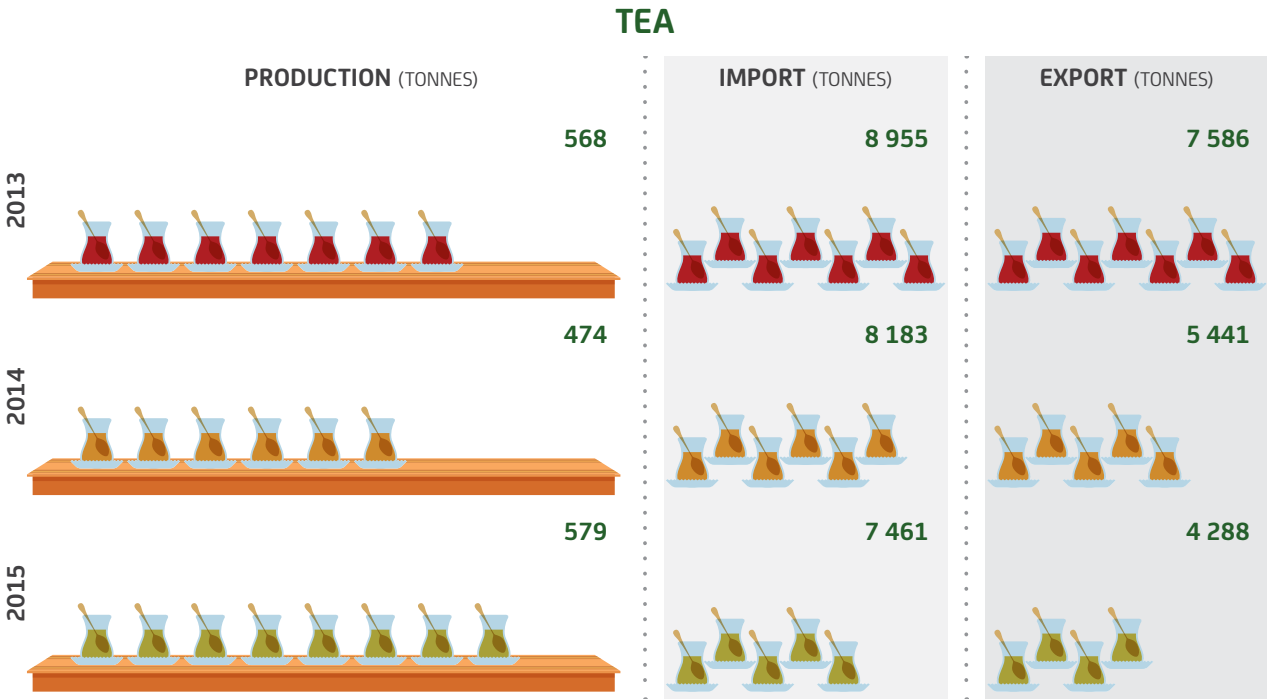
Concentrated in the southern Lenkeran–Astara region, the history of tea-growing in Azerbaijan dates back to the 19th century and “a cup of tea” is one of the most specific traditions of Azerbaijani culture.

- The revival of tea production in Azerbaijan is a focus of the current program on food safety, as many of the Soviet-era tea plantations are no longer in operation.
- It is mainly small farms that are engaged in tea cultivation and larger enterprises are needed in order to attain high productivity and efficiency.
- The government welcomes participation of foreign partners in the industry in order to raise the competitiveness of local products and apply new technologies and know-how techniques availing the production of high quality varieties.

HAZELNUTS

Azerbaijan is one of few countries in the world with suitable weather conditions for hazelnut cultivation. Hazelnuts grown in the northern regions are generally ripe by the end of July and harvested from mid-August to mid-September.

- Nowadays, Azerbaijan exports both shelled and all other types of processed hazelnuts to EU and CIS countries, such as Germany, Spain, Italy, Russia and Ukraine. Additionally, Middle Eastern countries have emerged as potential markets for this product.
- Having satisfied the domestic consumption, hazelnuts export accounted for over 12 thsd. tonnes in 2015.
- Application of new technologies and reforms have made Azerbaijan one of the top 5 hazelnut producing countries in the world.



CEREALS

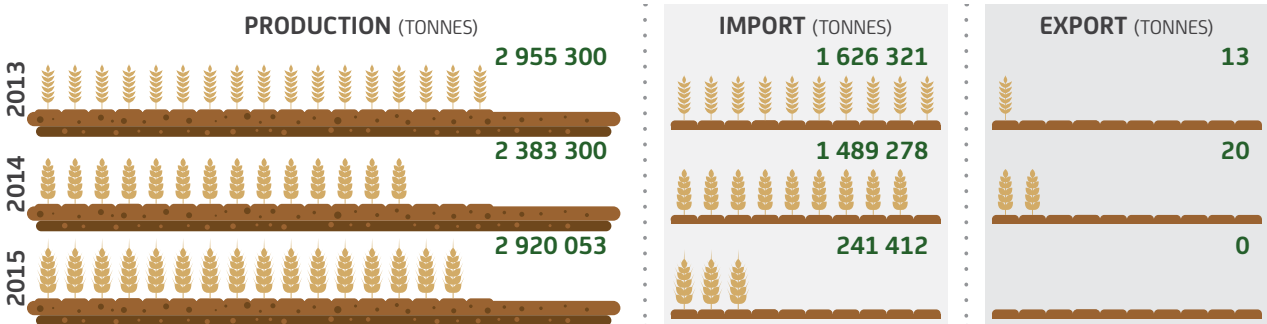
Considering the recent instability in the regional grain market followed by harvesting difficulties, government set development of cereal production as primary strategic objectives in Azerbaijan.

- The increase in sown areas of cereals all over the country accounted to 952.1 ha in 2015.
- The “Law on Grain of the Republic of Azerbaijan” introduced incentives and subsidies for the full substitution of imported foodstuffs by local producers.
- Considering the favorable natural and climatic conditions, well-established infrastructure and increasing consumption demand, this sector is attractive for both local and foreign investors.

WHEAT



GRAIN AND BEANS (EXCLUDING RICE)

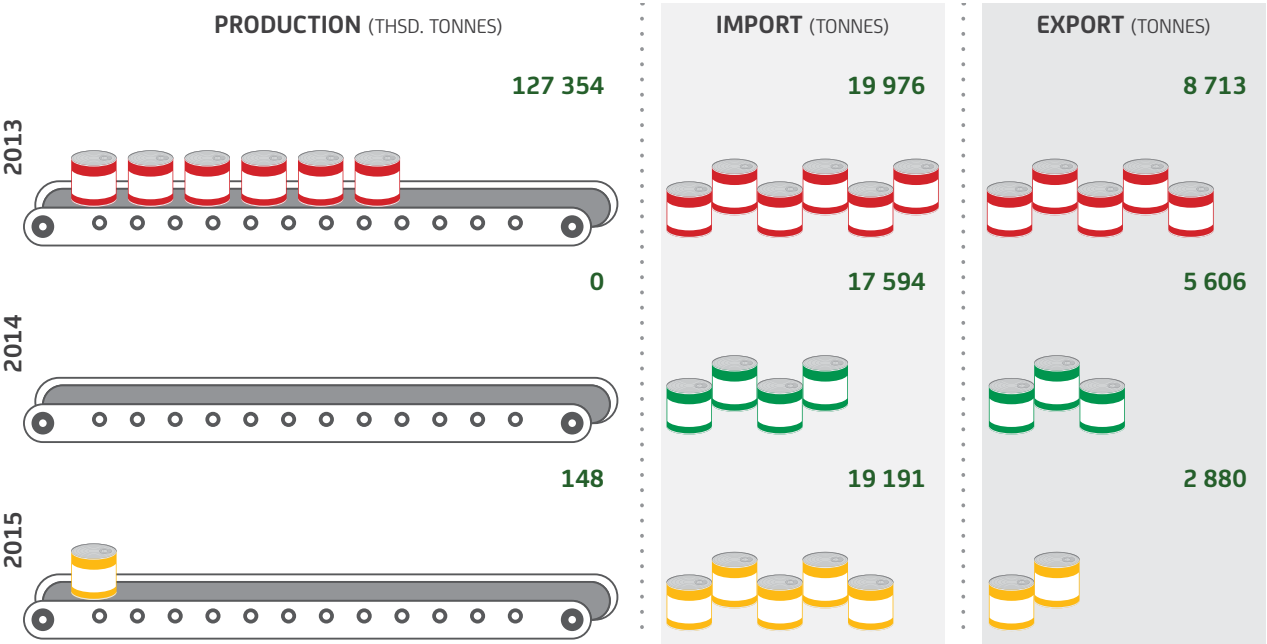


CANNED FOOD

The market for canned food is growing dynamically, particularly in two main directions: canned meat and canned fruits and vegetables. The canned food sector is relatively new and we are actively looking to integrate modern technologies to comply with all appropriate standards and requirements.

- Local production of canned food meets approximately 60-70% of the demand and the rest is compensated by imports.
- The share of imported products in the local market has, however, dwindled annually as a direct result of the realization of investment projects and a push to boost local production capacities.
- The availability of raw materials, increasing demand in local and regional markets make this sector attractive to both local and foreign investors.

CANNED FRUITS AND VEGETABLES





INVESTMENT OPPORTUNITIES

Targeted economic policy and successful reforms generated a sustainable base and new business opportunities for the development of the agriculture and food industry in Azerbaijan.

As a result of market research and investigations conducted, the following priority investment areas in the agricultural and food processing sectors have been identified:

INVESTMENT OPPORTUNITIES IN AGRICULTURE

- Production of fresh fruit and vegetables
- Pedigree cattle farms
- Poultry-farming
- Seed farming and sapling production
- Floriculture
- Horticulture
- Apiculture
- Silkworm breeding
- Medicinal herbs
- Tea growing
- Essential (flower) oils

INVESTMENT OPPORTUNITIES IN FOOD PROCESSING

- Fruit juices, wine and other alcoholic drinks
- Meat and dairy products
- Plant and animal oils
- Honey
- Mineral and natural water
- Potato processing (potato chips, potato flour etc.)
- Canned and frozen fruits and vegetables, dried fruit
- Baking and Confectionery
- Nut processing, hazelnut oil
- Baby food

- Olives and olive products
- Tomato paste, mayonnaise, ketchup and other sauces

INVESTMENT OPPORTUNITIES IN INFRASTRUCTURE

- Cold storages
- Greenhouses
- Grain storehouses
- Slaughterhouses
- Logistics centres
- Agricultural equipment
- Packaging and labelling facilities
- Agro-industry services
- Veterinary and phytosanitary services
- R & D



REASONS TO INVEST IN AZERBAIJAN

The Republic of Azerbaijan is the leading FDI destination in the region. In the course of the last 7 years GDP has tripled; the country has sustained macroeconomic stability and effected far-reaching economic and regulatory reforms ensuring the sustainability and attractiveness of the domestic investment environment. Over \$200 billion has been invested in the Azerbaijani economy since 1995 both by local and international investors. Azerbaijan has made a gradual transformation from a planned economy into a fully-fledged market economy based on a developed and active private sector. Nowadays, the private sector accounts for 80% of GDP. There are several factors that have turned Azerbaijan into the leading FDI destination and provide sound justification for doing business here.

POLITICAL AND ECONOMIC STABILITY

- 2nd fastest growing economy among 179 countries for GDP per capita growth in 2001-2010 (The Economist)
- In the last 10 years: GDP grew by 3.2 times, non-oil GDP by 2.6 times, GDP per capita by 2.8 times, strategic currency reserves by 31.3 times
- Foreign debt of Azerbaijan is only 12.4% (one of the lowest in the world), the volume of currency reserves accounts for about 70% of the GDP, and public deficit is about 1%
- 40th most competitive economy among 140 countries and 1st among CIS members (WEF Global Competitiveness Report 2015-2016)
- Sovereign-credit rating at investment level with feedback by three major international rating agencies: Standard and Poor's, Fitch and Moody's Ratings

- Government and political stability and safety are considered the strongest factors by international business community operating in Azerbaijan, which is confirmed by WEF in its Global Competitiveness Report 2015-2016.

REFORMIST BUSINESS ENVIRONMENT

- Top reformer of business regulations according to the WB Doing Business 2016
- Low burden of government regulation
- Supporting business environment and legislative reforms are among the top priorities of "Azerbaijan 2020: the vision of the future" – national development concept

ATTRACTIVE INVESTMENT CLIMATE

- No technology transfer restrictions
- No foreign exchange restrictions
- No discrimination between foreign and domestic investors
- No local counterpart requirement
- No limits on the amount of foreign capital in companies
- No restrictions on repatriation of profits
- No prior authorization of foreign investment required
- 48 bilateral investment treaties and 51 double taxation treaties with foreign countries
- Fully digitalised and competitive tax regime

SKILLED LABOUR FORCE

- About half of the population is economically active. Total labour force reached 4.9 mln. in 2015.

SUPPORT FROM GOVERNMENT

- One of the highest employment rates in the region (94.8%).
- The main driver of employment is the private sector (74%).
- Extremely high literacy rate (99.8%).
- Around 30 thousand students graduate from universities and other higher education institutions annually.
- More than 5000 Azerbaijani students studied abroad in the framework of the “State Program on Education of Azerbaijani Youth Abroad in 2007-2015”.
- A R&D centre, The National Academy of Sciences with its 28 research institutes, 52 universities and 108 colleges operate to supply skilful human resources to meet the needs.

STRATEGIC LOCATION

- Located on the South-East of Europe serves as the natural bridge between the continents
- Transit hub with the biggest airport, sea port and railway networks at East-West, South-North and South-West transit routs
- Easy access to the markets with over 600 million customers in CIS, Middle East and Central Asia
- Outreach to 50 countries with almost 50% of the world consumers within 4-hours-flight-range

FAST DEVELOPING INFRASTRUCTURE

- Effective time saving routes: China-Europe 70%, India-Europe 60%
- 10.185 km of roads and highways constructed and rehabilitated
- 5 new international airports (the biggest international

- al airport of the region in Baku)
- Baku-Tbilisi-Kars Railroad (“The Iron Silkway”)
- New Baku International Sea Trade Port with capacity of 10-11.5 mln. tons of cargo and 50 thsd. TEU (to be increased up to 21-25 mln. tons of cargo and 1mln. TEU)
- 1.3 times increased cargo transportation via TRACE-CA Corridor

ABUNDANT RESOURCES

- Complex geological structure, diversity and manifold of minerals
- Major deposits of oil and gas
- Ferrous and nonferrous, rare and fine metals: iron and chromite ores, copper, lead and zinc, cobalt, molybdenum, aluminum, quick-silver, gold
- Nonferrous minerals and construction materials: building stone, facing stone, clay, cement raw materials, construction stone, sand-gravel, sand, bituminous sands, perlite, pumice, gypsum, anhydrite, alabaster, bentonite clays, sodium chloride, dolomite, quartzite, limestone for flux and soda, ceramic raw materials, mineral dye (clayey ochre), quartz sands, barite, pebble, brimstone, Icelandic spar, refractory and hard clays, natural soda flashes, zeolites





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