



AZERBAIJAN

agriculture and food processing



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Azerbaijan Export & Investment
Promotion Foundation

Republic of Azerbaijan





INVESTING IN THE AGRICULTURAL SECTOR OF AZERBAIJAN

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NOTICE:

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

TERRITORY

86,600 km²



○ AGRICULTURAL LAND

4.8 MLN HA

○ ARABLE LAND

1.9 MLN HA

LANGUAGE
AZERBAIJANI

Capital city

Baku

○ Currency
Azerbaijani manat (AZN)



GDP

75.2 BLN USD (2014)

GDP PER CAPITA

7 985.9 USD (2014)

FDI (1995-2014)

60.7 BLN USD

○ LABOUR FORCE
4.8 MILLION
PEOPLE

FOREIGN TRADE
31.0 BLN USD (2014)

MAJOR TRADING
PARTNERS ITALY, GERMANY,
INDONESIA, RUSSIA, AND
ISRAEL (2014)



○ Population

9.6 mln (2014)

CLIMATIC
ZONES/TYPES

9 out of
11
existing
in the
world



○ AGRICULTURAL PRODUCTION

46.9% - CROP PRODUCTION,
53.1% - LIVESTOCK FARMING

INVESTING IN THE AGRICULTURAL SECTOR OF AZERBAIJAN

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 37% of the active labour force of the country. The fertile lands, abundance of water and climatic diversity create favourable conditions for a strong agricultural sector. The existence of nine climatic zones allows the country to produce a variety of agricultural products, and provides new opportunities for the introduction of new kinds of goods. Being one of the leading producers of agricultural goods in the CIS, Azerbaijan seeks to further develop its agriculture and food industry for import substitution as well as for export.

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 46.9% of agricultural production with livestock farming making up the remaining 53.1%. Meanwhile, the food-processing sector constitutes an important component of the national economy and accounts for over 38% of total manufacturing industry. Furthermore, Azerbaijan trades intensively in agricultural and food products. Traditionally the main destination and the largest consumer of agricultural and food exports has been the CIS market, but in recent years this market has expanded to include many other countries in Europe, Asia and the Americas. 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 growth in the national econ-

omy have led to a rapid growth in consumption and changes in consumer tastes in the food and beverages sector.

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 to create reliable food reserves, the country has taken a number of measures to improve the business and investment climate in this sector by incentivising producers, providing subsidies, and creating 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 agriculture and food-processing sector remains one of the most attractive for investment in the economy of Azerbaijan.

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

DAIRY PRODUCTS

A vital part of the regular diet, the demand for dairy products increases annually. We are looking to develop new milk processing plants and to renovate existing ones to comply with modern quality standards.

- Total dairy production in 2014 amounted to 1.8 million 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 satisfies only 80% of the local demand for dairy goods, and there are extensive opportunities for new processing plants.

MILK AND DAIRY PRODUCTS	2012	2013	2014
Production (tonnes)	1 695 588	1 796 706	1 855 840
Import (tonnes)	32 992	42 057	41 508
Export (tonnes)	13	917	1 257

FRUIT AND VEGETABLES

The diversity of soil and favourable natural conditions allows 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 neighbouring markets where fresh fruit and vegetables are in great demand.

- In 2014, of the total production of over 2 million tonnes of fruit and vegetables, over 200,000 tonnes were exports. Improved irrigation systems, special incentives and subsidies for farmers, and the vital nature of the product make this a valuable investment opportunity.

FRUITS AND BERRIES	2012	2013	2014
Production (tonnes)	810 022	853 757	850 803
Import (tonnes)	63 809	22 447	15 104
Export (tonnes)	220 735	173 465	158 407

VEGETABLES	2012	2013	2014
Production (tonnes)	1 216 240	1 236 331	1 187 681
Import (tonnes)	126 796	92 581	160 881
Export (tonnes)	113 646	119 782	126 348







VITICULTURE

Good climatic conditions and suitable soils are determining factors that allow the development of grape growing in Azerbaijan. Viticulture is one of the traditional sectors and has great investment opportunities.

- Total grape production in 2014 amounted to 148 thousand 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 in Azerbaijan.
- Grapes are in great demand in both domestic and regional markets.

GRAPES	2012	2013	2014
Production (tonnes)	150 987	148 535	147 701
Import (tonnes)	3 534	2 951	1 122
Export (tonnes)	300	1 180	462

SUGAR PRODUCTS

Until recently the country relied solely on imported sugar, but local production was launched in 2006 and by 2009 had fully satisfied local demand and was catering to neighbouring 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 2014, the figure for sugar and sugar products exports stood at around 231,000 tonnes, with Georgia, Ukraine, Iraq and Central Asia as the main 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

SUGAR AND SUGAR PRODUCTS	2012	2013	2014
Production (tonnes)	362 241	427 843	411 807
Import (tonnes)	30 358	29 575	31 505
Export (tonnes)	224 630	249 507	230 509

BEVERAGES

The Azerbaijani market for beverages is rapidly expanding, with production of non-alcoholic beverages quadrupling since the year 2000. With imported beverages accounting for a small percentage of total consumption, the main competition takes place between national producers.

- While fruit and vegetable juices and bottled water continue to be major strongholds in the beverages 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 markets of the US, EU and CIS countries and we are looking to attract more investments in order to extend our reach.
- The wide availability of water resources, ideal natural conditions for fruit and vegetable growing and commitment to product quality make this an attractive area for investment.

FRUIT AND VEGETABLE JUICE	2012	2013	2014
Production (tonnes)	29 693	33 785	31 743
Import (tonnes)	8 387	5 296	5 196
Export (tonnes)	8 618	9 827	8 416

WINE	2012	2013	2014
Production (thsd. decalitre)	1 089.8	8 523	--
Import (thsd. decalitre)	237.8	149.3	176.6
Export (thsd. decalitre)	389.5	409.4	336.1

ANIMAL HUSBANDRY

Essential to the provision of products such as meat, milk and eggs, there has been considerable pressure on the number of livestock with increasing demand from the local population and huge volumes of imported goods. The recent reforms in government policies have provided a solid foundation for the expansion and amelioration of conditions on farms.

- In 2014, a 33.4% growth in the numbers of cattle, a 42.1% growth in the number of sheep and goats, and a 95.7% growth in poultry numbers was observed compared to the year 2000.
- The efforts to privatise and create greater opportunities for local farmers was key to stimulating the development of this sector and the significant achievements in the agricultural economy have since provided a sound base for future innovation and development.







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- Favourable 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.

CATTLE AND POULTRY MEAT PRODUCTS	2012	2013	2014
Production (tonnes)	276 035	286 879	291 189
Import (tonnes)	14 606	8 063	14 496
Export (tonnes)	0	0	186

EGGS	2012	2013	2014
Production (thsd. units)	1 226 711	1 401 473	1 562 744
Import (thsd. units)	53 435	46 207	54 745
Export (thsd. units)	4 650	0	0

FISHERIES

After the collapse of Soviet era facilities, we launched an extensive campaign to reinvigorate the fisheries 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 a well-established name 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, and increasing demand in local and regional markets, this is an excellent opportunity for the fishing industry in Azerbaijan.

FISH AND FISH PRODUCTS	2012	2013	2014
Production (tonnes)	50 648	50 960	50 067
Import (tonnes)	10 202	12 937	13 002
Export (tonnes)	0	31.7	0

APICULTURE

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

- Currently, around 2500 tonnes of honey is produced in Azerbaijan with over 243 thousand bee hives.
- The main targets of development, as outlined in the “Special Law on Apiculture”, are increasing the productivity of beekeeping economies, improvement in the quality of industrial processing, and integration of the latest technologies in packaging and labelling.
- The government provides concessional loans and tax exemptions to farmers engaged in apiculture in order to facilitate growth in the sector.

	2012	2013	2014
Number of bee hives, thsd.	225.5	238.4	243.0
Honey production, tonnes	2 387.5	2 456.7	2 357.5

ORGANIC OILS

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

- Azerbaijan has secured a reputation in the region for the high quality of its vegetable, sunflower and olive oils, with an increase in recent years in exports to the CIS, Baltic States and Central Asian countries.
- Taking the high demand into consideration, there is a plan to increase the number of oilseed fields in the different agro climatic zones to 135 thousand hectares; this will provide a solid foundation for the expansion of the industry.

VEGETABLE OILS	2012	2013	2014
Production (tonnes)	99 800	100 200	--
Import (tonnes)	97 338	82 623	88 151
Export (tonnes)	20 410	18 771	15 675







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TEA

Concentrated in the southern Lenkeran – Astara region, the history of tea-growing in Azerbaijan dates back to the 19th century, and a traditional cup of tea is one of the most easily identifiable symbols of Azerbaijani culture.

- The revival of tea production in Azerbaijan is a focus for 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 it is clear that larger enterprises are needed in order to attain high productivity and efficiency.
- The government welcomes the participation of foreign partners in the industry in order to increase the competitiveness of local products as well as to attract new technologies and know-how allowing the production of high quality varieties.

TEA	2012	2013	2014
Harvested Production (tonnes)	568	568	474
Processed Production (tonnes)	10 688	7 486	8 040
Import (tonnes)	7 635	8 955	8 183
Export (tonnes)	7 036	7 586	5 441

HAZELNUTS

Azerbaijan is one of the few countries in the world with appropriate 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.

- At present, thanks to dedicated effort, Azerbaijan exports not only hazelnuts in their shells but all types of processed hazelnuts to EU and CIS countries, such as Germany, Spain, Italy, Russia and Ukraine. In addition, Middle Eastern countries have emerged as potential markets for Azerbaijani hazelnuts.
- Having satisfied domestic consumption, the export of hazelnuts accounted for over 30 thousand tonnes in 2013.
- The introduction of new technologies and other reforms have made Azerbaijan one of the top 5 hazelnut producing countries in the world.

HAZELNUTS	2012	2013	2014
Production (tonnes)	29 600	31 200	30 039
Import (tonnes)	151.1	83.2	85.7
Export (tonnes)	10 250.2	10 414.9	12 079.6

CEREALS

Considering the recent instability in the regional grain market due to prolonged harvesting difficulties, development of cereal production in Azerbaijan has become one of the government's primary strategic objectives.

- The increase in sown areas of cereals all over the country amounted to 1001.4 thousand hectares in 2014.
- 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 favourable natural and climatic conditions in Azerbaijan, and the well established infrastructure and increasing consumption of the population, the grain sector is attractive both for local and foreign investors.

WHEAT	2012	2013	2014
Production (tonnes)	1 797 028	1 841 306	1 407 405
Import (tonnes)	1 366 335	1 451 257	1 195 656
Export (tonnes)	0	0	0

GRAIN AND BEANS (EXCLUDING RICE)	2012	2013	2014
Production (tonnes)	1 802 200	2 955 300	2 383 300
Import (tonnes)	1 510 948	1 626 321	1 489 278
Export (tonnes)	19	13	20









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 the boosting of local production capacities.
- The availability of raw materials, increasing demand in local and regional markets make this segment of the market attractive to both local and foreign investors.

CANNED FRUITS AND VEGETABLES	2012	2013	2014
Production (tonnes)	124 486	127 354	140 418
Import (tonnes)	17 420	19 976	17 594
Export (tonnes)	6 316	8 713	5 606

INVESTMENT OPPORTUNITIES

Targeted economic policy and successful economic reforms created 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 seven 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 \$172 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 full-fledged market economy based on a developed and active private sector. Nowadays, the private sector accounts for 82.5 per cent of GDP. There are a few 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 in terms of GDP per capita growth in 2001-2010 (The Economist)
- In the past 10 years: GDP grew by 3 times, non-oil GDP by 2.5 times, GDP per capita by 2.6 times, strategic currency reserves by 29 times
- Foreign debt of Azerbaijan is only 8.6% of the GDP, the volume of currency reserves accounts for about 68.4% of the GDP, and public deficit about 0.5% (2014)
- 38th most competitive economy among 148 countries and 1st among CIS members (WEF Global Competitiveness Report 2014-2015)
- Sovereign credit rating at investment level by three major international rating agencies: Standard and Poor's, Fitch Ratings and Moody's
- Safety, government and political stability are considered the strongest factors by international business community operating in Azerbaijan (WEF Global Competitiveness Report 2014-2015)

REFORMIST BUSINESS ENVIRONMENT

- Top reformer of business regulations in the world according to the World Bank's Doing Business 2009 and 2015
- Low burden of government regulation
- Strengthening welcoming 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 restrictions to foreign investments. National regime applied
- NO local content requirement
- Party to all major multilateral instruments on protection and promotion of foreign investment
- 47 bilateral investment treaties and 44 double taxation treaties with foreign countries
- Third easiest among CIS countries and fully digitalised tax paying procedure
- Over 450 e-services by state authorities

SKILLED LABOUR FORCE

- About half of the population is economically active. Total labour force reached 4.8 million persons
- One of the highest employment rates in the region (95%)
- The main driver of employment is the private sector (74%)
- Extremely high literacy rate of 99.8%
- Around 30 thousand students graduate from universities and other higher education institutions annually
- Large number of Azerbaijani students studying in the best universities worldwide in the framework of the State Programme on Education of Azerbaijani Youth Abroad in 2007-2015
- A large R&D center, the National Academy of Sciences with its 28 research institutes in parallel with 52 universities and 108 colleges ensures the scientific and HR component of economic development
- Large scientific infrastructure for agricultural sector including 14 research institutes (in farming; vegetable growing; cotton growing; horticulture and subtropical plants; feed, meadow cultivation and pasture; viticulture and wine-making; animal husbandry; veterinary science; plant protection; agricultural

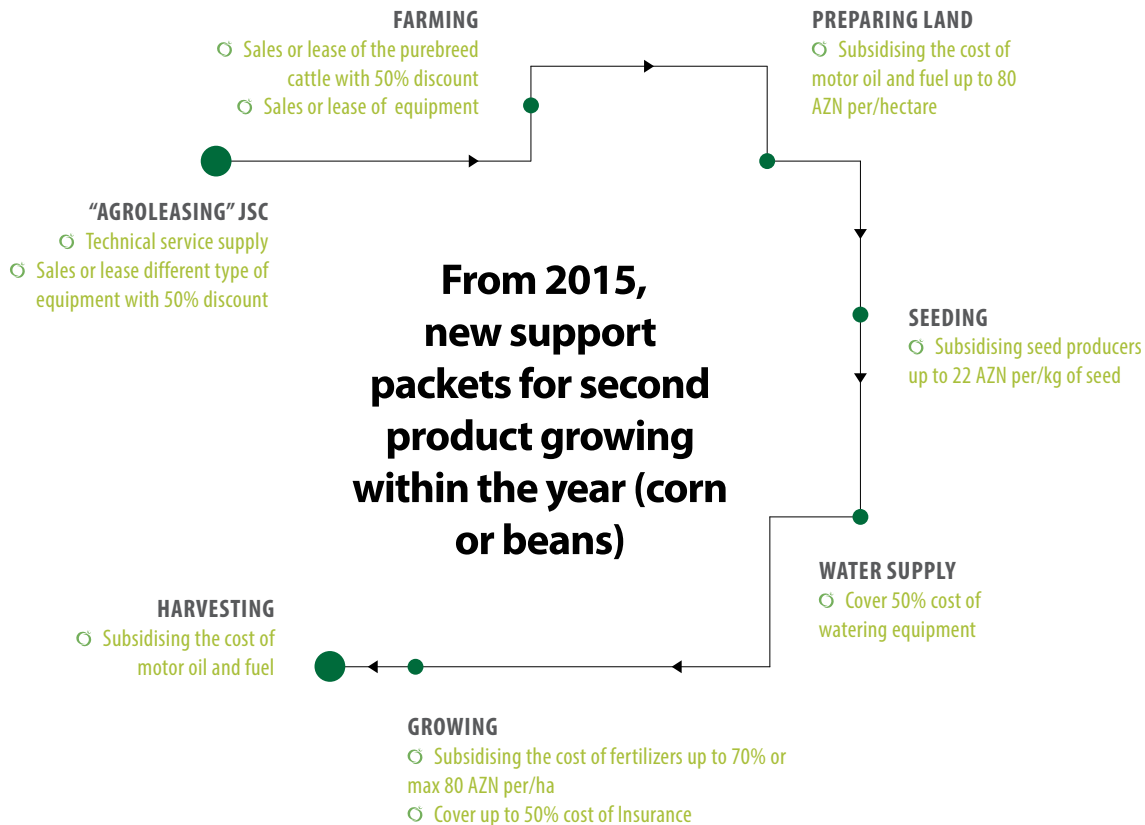
mechanics; agricultural economy and management; sericulture; scientific control over veterinary drugs), 40 experimental offices and 8 regional agri-science centres with a total of over 2 thousand employees.

STRATEGIC LOCATION

- Located on the south-eastern border of Europe serving as the natural bridge between Europe and Asia
- Logistics hub for the Caspian region with the biggest airport, sea port and railway network
- 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 world consumers within 4-hours-flight-range

FAST DEVELOPING INFRASTRUCTURE

- The most state-of-the-art transport infrastructure in the region
- About 19,000 km of hard-surface roads. Over 8 thousand km of roads built and re-constructed in the past 10 years
- 6 international airports. Baku operates the biggest international airport in the region
- Azerbaijan operates the biggest port on the Caspian Sea. A new port with capacity of 25 million tons cargo and 1 million containers a year is under construction. A new ship-building yard and the only one on the Caspian Sea commissioned in 2013
- Over 2 thousand km of operational railroads. The so-called Iron Silk Way, Baku-Tbilisi-Kars trunk-railway is under construction. Once launched, it will connect European and Asian railway systems



ABUNDANT RESOURCES

- 9 climatic zones out of 11 existing in the world ranging from humid subtropical climate to semi-arctic
- The territory of Azerbaijan stands out for its 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, quicksilver, gold

- Nonferrous minerals and construction materials: building stone, facing stone, clay, cement raw materials, construction stone, sand-gravel, sand, bituminous sands, perlite, pumice, gypsum, anhydride, 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

THE AZERBAIJAN EXPORT & INVESTMENT PROMOTION FOUNDATION (AZPROMO) – YOUR PARTNER IN DISCOVERING BUSINESS OPPORTUNITIES IN AZERBAIJAN.

Azerbaijan Export and Investment Promotion Foundation (AZPROMO) is a joint public-private-initiative, established by the Ministry of Economy and Industry of Azerbaijan in 2003 with the aim to contribute to the economic development through attracting foreign investments in the non-oil sectors of economy and stimulating expansion of country's exports of non-oil goods to the overseas markets.

AZPROMO is a unique body in Azerbaijan that operates as a "one-stop-shop" for assisting and advising foreign-based companies interested in investigating and utilizing investment opportunities in Azerbaijan.

AZPROMO is a devoted partner for companies established in Azerbaijan looking to enter foreign markets. Our knowledge of foreign markets and applicable trade regulations along with a wide network of foreign representations and partners offer good opportunity for companies to expand their export capacities.

We encourage you to discover opportunities of doing business in and with Azerbaijan through our dynamic organization!

OUR MISSION:

To sustain economic growth by maximizing the flow of non-oil extraction FDI and the development of export oriented sectors.

OUR SERVICES:

INFORMATION SUPPLY

- Handling investment inquiries
- Sectoral investment opportunities
- Investment projects
- Legal and business framework for FDI

LOGISTICS SUPPORT

- Fact-finding missions
- to Azerbaijan (visa facilitation, accommodation, booking and transportation)
- Site visits
- Meetings with local authorities and private institutions

SUPPORT IN GETTING ESTABLISHED

- Business start-up

- Identification of local suppliers and commercial service providers
- Project partner search and contact
- Licenses and permits
- Liaising with regulators

AFTERCARE SERVICES

- Investment expansion/re-investment plans
- Social events for investors (networking, relationship building)
- Individual troubleshooting and assistance day-to-day operational issues
- Information on changes in business environment
- Identification of local suppliers

OUR ACTIVITIES:

- Country promotion
- Event management
- Investment generation and services
- Market intelligence and export services
- Matchmaking and linkages
- Policy advocacy
- Cooperation with international trade and investment promotion agencies



This publication is prepared by:
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