

WORKSHOP
on
“SMEs and SMALL FARMS IN AGRIBUSINESS”
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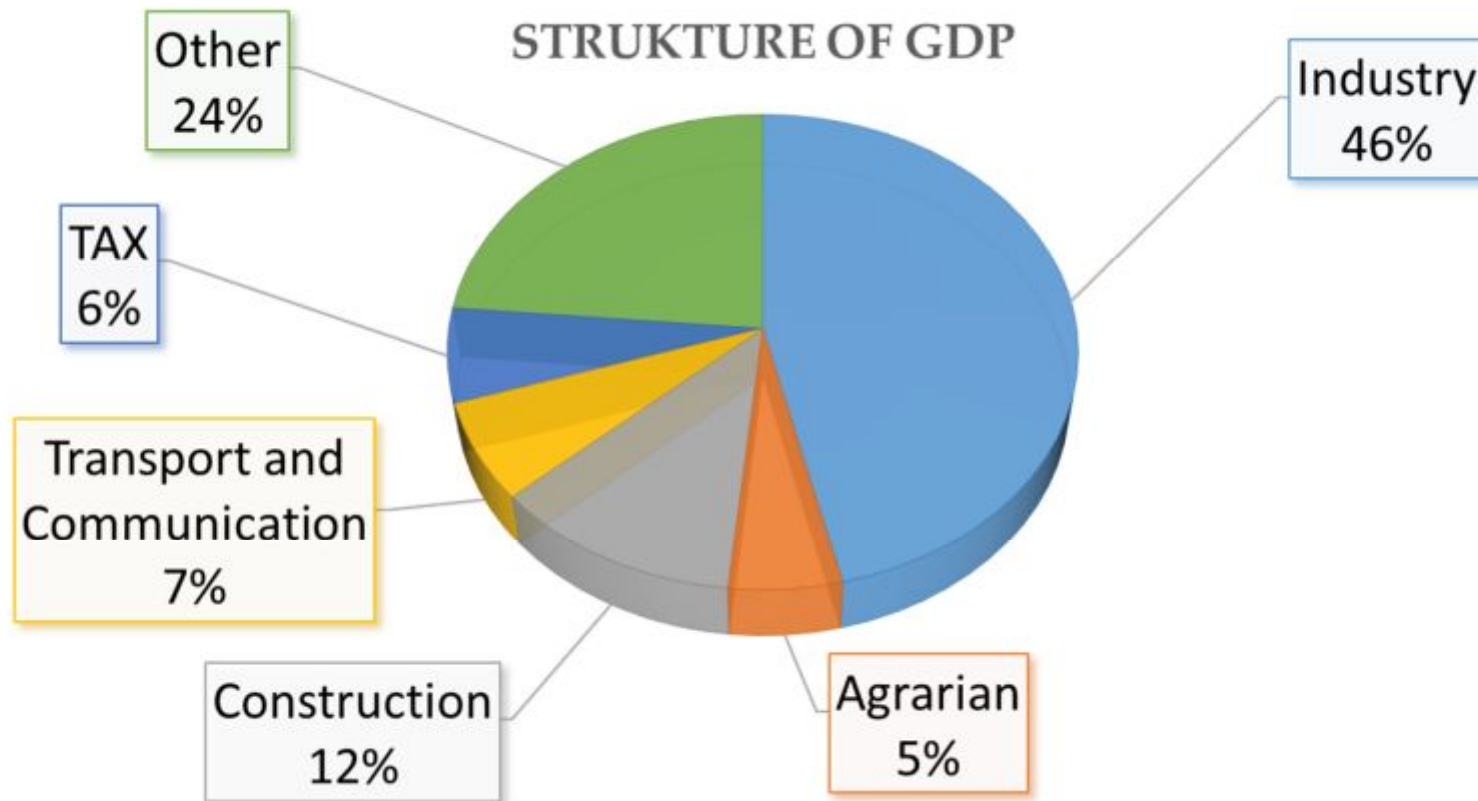
Agribusiness SMEs and small farms in Azerbaijan

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The role and size of agribusiness in the overall country economy (2013)



The role and size of agribusiness in the overall country economy (2013)

- The volume of crop production – 2629 million AZN;
- The volume of production of livestock – 2615 million AZN;

Some statistics on agribusiness and small farmers (2013)

Agricultural productivity, Quintal / ha:

Corps	27.5
Cotton Blend	19.3
Tobacco	28.4
Potato	152
Vegetables	154
Grapes	91.5
Tea	12.0

Some statistics on agribusiness and small farmers (2013)

Livestock productivity:

Annual milk yield per cow and water buffalo (beginning of the year)	1381
Average wool sheared per sheep	2.1
Average number of eggs per laying hen in agricultural enterprises, unit	247

The role and size of agribusiness in the overall country economy (2013)

- The proportion of the rural population – 47%;
- The share of the agricultural sector in employment – 37%;
- Suitable for agricultural production land, total - 4.8 million. hectares;
- Suitable for agricultural production land, per capita – 0.50 hectares. In 1970 – 0.81 hectares;

Capital investment in the economy (2013)

	In AZN	In %
Total	17850,8	100
Industry	7499,6	42,0
Agrarian sector + forestry + fishing	574,3	3,2
Construction	707,8	4,0
Transportation and warehousing	3570,0	20,0
IT and Communication	200,7	1,1
Other	5298,4	29,7

Definitions

State Statistical Committee of Azerbaijan used following definitions:

- Agrarian enterprises and other organizations;
- Individual entrepreneurs;
- Family farms and Households

Important remark on definitions

In Azerbaijan, there is no official definition of
Micro and Medium Enterprises.

We have the official definition only for Small
Enterprises

Definition of small enterprises in Azerbaijan (according to decision of Cabinet of Ministers, 2009)

Sector of activity	Average annual number of employees	Annual Turnover
Industry and Construction	<50	≤ 500 thousand AZN
Agrarian	<25	≤ 250 thousand AZN
Wholesale Trade	<15	≤ 1 million AZN
Retail trade, transport, services and other activities	<10	≤ 250 thousand AZN

Some statistics on agribusiness and small farmers (2013)

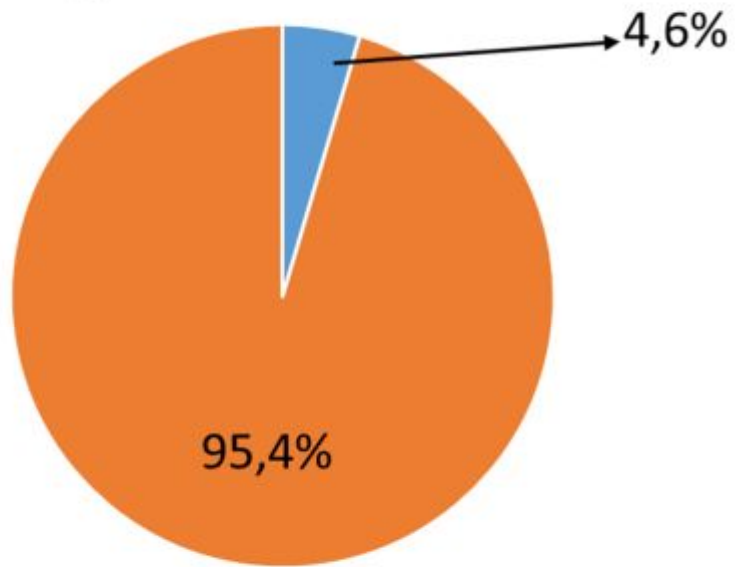
Number of businessse (actors) of the agricultural sector:	4194
- Enterprises, total:	1337
including:	
➤ <i>State enterprises:</i>	238
➤ <i>Kolkhozs:</i>	2
➤ <i>Cooperatives:</i>	72
➤ <i>Other private:</i>	1025
- Services organizations:	523
- Individual entrepreneurs:	2334

Agribusiness in Azerbaijan

According to the State Statistics Committee (2013), in Azerbaijan 439 enterprises for the production of food. Of these, 362 small businesses, 77 - medium and large. Also operate 110 enterprises for the production of alcoholic beverages. Of these 89 small. Enterprises for the production of tobacco products, there are only 8, 6 of them are small enterprises.

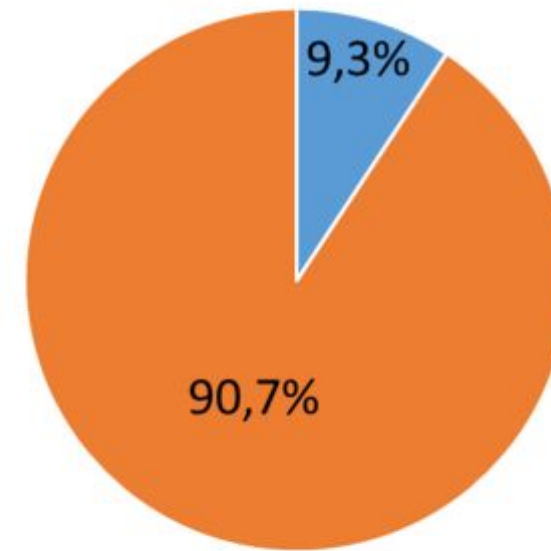
Some statistics on agribusiness and small farmers (2013)

Crop Production, %



- Share of Enterprises
- Share of Individual Entrepreneurs

Livestock Products



- Share of Enterprises, %
- Share of Individual Entrepreneurs, %

Manufacture of basic food and beverage by enterprises and individual entrepreneurs

Products	2013	Products	2013	Products	2013
Meat, thsd.ton	284,6	Natural tea, thsd.ton	7,5	Mineral water, thsd. dkl	6353
Sausage, thsd.ton	6,0	Caviar, ton	0,1	Cognac,brandy, thsd. dkl	132,5
Dairy butter, thsd.ton	21,9	Confectionery, thsd. ton	47,7	Champange, thsd. dkl	16,3
Cheese and curd, thsd.ton	47,3	Salt, thsd.ton	32,0	Wine, thsd. dkl	835,5
Flour, thsd.ton	1438	Iodinated salt, thsd.ton	27,5	Vodka, thsd. dkl	844,9
Bread and bakery products, thsd.ton	1181	Fruit and vegetables tinned, thsd. ton	153,3	Beer, thsd. dkl	5215
Semi-skimmed milk 1%-3%, thsd. ton	830,2	Fermented tobacco, thsd.ton	2,1	Margarine products, thsd.ton	24,5
Milk and cream of more than 6%-29%fat, ton	4559	Compound feeds, thsd.ton	6,5	Macaroni products, thsd.ton	7,2
Vegetable oils, thsd.ton	100,2	Soft drinks, thsd. dkl	26658	Ice-cream, thsd.ton	0,5
Sugar, thsd.ton	423,1	Cigarettes, billion unit	1,0		

Production of agricultural products by households

The results of the study 9579 households (0.5% of the total number of households in the country) in 2014 made it possible to estimate the total volume of agricultural production by households:

- ✓ meat (including poultry) - 66.9 thousand tons;
- ✓ milk - 180.5 thousand tons;
- ✓ dairy products - 46.8 thousand tons;
- ✓ bread - 30.5 thousand tons;
- ✓ Fruit and vegetable preserves - 5.2 thousand tons;
- ✓ fruit and grape alcohol - 60.4 thousand decalitres;
- ✓ wine - 36.6 thousand decalitres

State Institutes of regulating the agricultural sector

- Committee of Agrarian Policy of the Parliament;
- Committee of Agrarian Policy of the Presidential Administration;
- Cabinet of Ministers;
- Ministry of Agriculture;

State policy on support to producers of agrarian products

Components of state support:

- Exemption from all taxes, except land tax;
- Subsidies to producers of wheat;
- Subsidies for fuel and lubricants;
- Subsidies for fertilizers;
- Concessional loans;
- Improvement of breeding livestock;
- Support for the development of large agricultural enterprises;
- Access to modern technology and equipment through preferential leasing;
- Consultations

Exemption from all taxes, except land tax

Experts estimate that an exemption from most taxes allowed agricultural producers to save more than 1.5 billion. AZN.

But the tax exemption has negative effects: 1) reducing the quality of accounting of agricultural production; 2) reducing the quality of state statistical information; 3) losing incentives increase efficiency and competitiveness.

Subsidies to producers

Government decision of February 15, 2007, № 32 approved rules to provide annual cash support (from state budget) in the amount of 40 AZN per hectare to pay for fuel and lubricants. At this decision also were approved rules on preferential sale of fertilizers (70% of the cost, but more than 80 manat).

Government decision of November 16, 2007, № 181 approved rules to provide annual cash support (from state budget) in the amount of 40 AZN per hectare to pay for production of wheat.

Concessional loans

Two state institutes are giving soft loans for agricultural production:

- 1) State Agency on Agricultural Credits under the Azerbaijan Ministry of Agriculture;
- 2) Azerbaijan National Fund for Entrepreneurship Support.

Concessional loans by State Agency on Agricultural Credits under the Azerbaijan Ministry of Agriculture

Credits are given for:

1. Production and processing;
2. Reclamation of irrigated lands;
3. Modernization and development of the food sector (including storage);
4. Agricultural machinery and chemicals;
5. Pilot projects;
6. Other projects

Concessional loans by State Agency on Agricultural Credits under the Azerbaijan Ministry of Agriculture

	Amount, AZN	Grace period of loan repayment (in this period only interest is paid), month
Micro loans	< 1000	12
Small loans	1000 – < 20000	18
Medium loans	20000 – < 50000	18
Big loans	50000 – < 200000	24

Concessional loans by State Agency on Agricultural Credits under the Azerbaijan Ministry of Agriculture

Loans are issuing by agent banks. Agency issues loans for agent banks under the annual two percent. Agent banks have the right to add no more than 5 percent. Thus, entrepreneurs and farmers get loans at annual interest rate of not more than 7 percent.

Concessional loans by Azerbaijan National Fund for Entrepreneurship Support

Loans are for creation of:

- livestock complexes for the production of meat and milk;
- green supermarkets (farm shops);
- agro-parks;
- enterprises for processing of fruits and vegetables;
- large farms;
- an enterprise feed production;
- greenhouses;
- farms gardening (different kinds of fruit) and cultivation of seedlings;
- other

Concessional loans by Azerbaijan National Fund for Entrepreneurship Support (ANFES)

	Amount, AZN	Loans are granted for the periods up to
Small loans	5000 – 50000	3 years
Average loans	50001 – 500000	5 years
Large loans	500001 – 10000000	10 years

Interest rates on loans of ANFES – 1%. Authorized credit institutions add their margin to interest rates of ANFES. It should not exceed 5%.

Commercial loans

Commercial loans provided by 44 commercial banks and 160 non-bank credit institutions operated in Azerbaijan, by the end of September 2014. 113 non-bank credit institutions out of them are credit unions (CUs), 46 - credit institutions financed by international humanitarian organizations and one of 160 is Limited Liability Company «AZERPOÇT».

Among international organizations financing credit institutions in Azerbaijan, such as: ACDI/VOCA; ADRA Azerbaijan; FINCA Azerbaijan; Norwegian Humanitarian Enterprise (NHE); Norwegian Refugee Council (NRC); Mercy Corps (through other INGO)s; OXFAM GB; International Organization for Migration (IOM); Save the Children; World Vision International (WVI).

46 credit institutions financed by international humanitarian organizations have 209 branches across the country. Credit unions do not have branches in the regions.

Commercial loans

Models of the microcredit issue of other institutions (banks, credit unions, credit institutions financed by international humanitarian organizations), are not the same but similar enough. For example, the amount of microcredits issued by the AccessBank, ranges from 100 to 30,000 USD.

Credits are issued for up to 60 months. Monthly interest rate is in the range of 1.58% - 2.75%. Real estate (house, apartment, residential premises, land), vehicles, equipment are used as collateral.



AGROLEASING



AGROLEASING is Open Joint Stock Company, created by the government in 2004. 100% of the shares owned by the state. Currently AGROLEASING is subordinate to the Ministry of Agriculture. AGROLEASING has branches in all regions of the country. In some areas there are warehouses supplying agricultural machinery and fertilizers.



AGROLEASING



Leasing terms: 20% of the cost is paid at the beginning, and the rest within 10 years.

AGROLEASING also engaged in buying and selling at reduced prices to farmers fertilizers, seeds, animals.

Since its inception AGROLEASING leased more than 150 sets of processing equipment, 39 sets of cold rooms, 19 of drip irrigation systems, 13 sets of feed conversion, 19 sets of equipment for the poultry industry, 17 sets of equipment for greenhouses, 33 sets of processing fruit.

Suggestions on institutional reforms for future development of Agrarian sector

1. Improve statistical accounting in agriculture;
2. Implement a system of patent taxation by product of the agricultural sector;
3. Implement a new system of definitions of businesses;
4. Institutional reforms in AGROLEASING;
5. Exemption from import duties of equipment, machinery, fertilizers, seeds, vaccines, etc. for the agricultural sector;
6. Creation of agricultural bank;
7. The elimination of monopolistic activities in the agricultural sector;
8. Exemption from land tax, if it is used for the production of agricultural products;
9. Promote the establishment of an effective National Association of farmers;
10. Creating insurance fund loans for agricultural sector

THANK YOU VERY MUCH FOR YOUR ATTENTION

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