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# Agricultural Policy Monitoring in Azerbaijan

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# Agriculture and key market development

## Facts 2017-2018 (average)

5.3%

Share in GDP

9.9%

Share of non-oil GDP

47%

Share of rural population

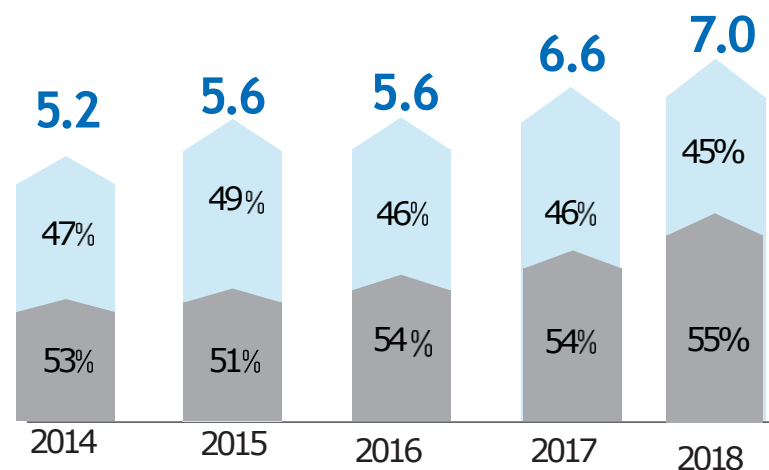
36.3%

Share in employed population

35%

Non oil export

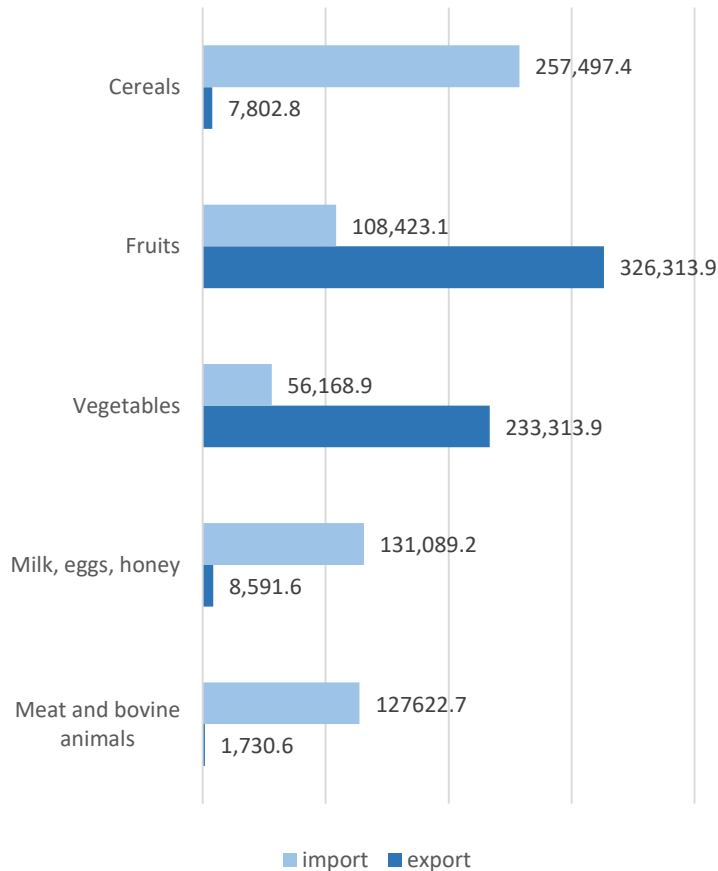
## Gross output of agriculture, by actual prices, bln AZN (2014-2018)



Source: State Statistics Committee of the Republic of Azerbaijan

# Agricultural trade and main trading partners

## Trade pattern, mln USD (2018)



## Main trade partners:

**Export:** Russia (fruit and vegetables), Georgia, Ukraine, Italy (hazelnut), Germany, Kazakhstan

**Import:** Georgia (meat and bovine), Ukraine, Russia, Belarus, Turkey

# Trade agreements

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- ❑ Importantly, Azerbaijan has had an **observer status** at the **World Trade Organization (WTO)** since 1997
  
- ❑ Azerbaijan has free trade agreements (FTAs) with **Russia, Ukraine, Georgia, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, Moldova and Belarus**

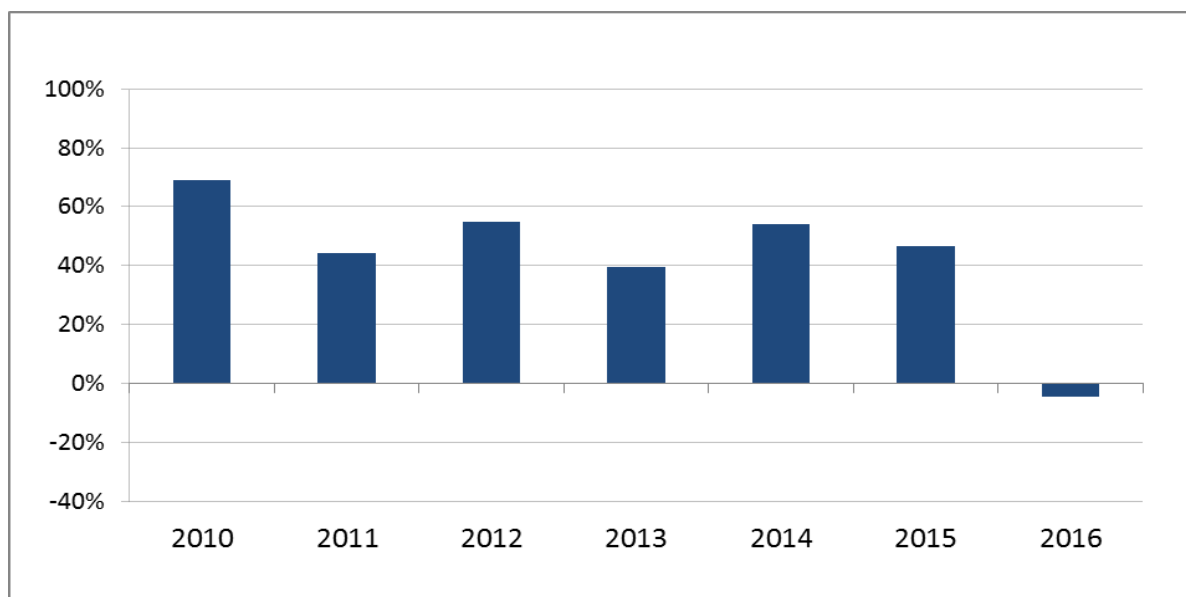
# Indicator coverage

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- ❑ Period covered: 2005-2016
- ❑ Commodities covered: wheat, potatoes, tomatoes, hazelnuts, cattle meat, chicken meat, cow`s milk, eggs
- ❑ Sources of data: State Statistical Committee of the Republic Azerbaijan, Ministry of Agriculture of the Republic Azerbaijan, FAOSTAT

# Nominal Rate of Protection

Average aggregate nominal rate of protection (%) at farm gate, percent, 2010-2016



## INTERPRETATION/COMMENTS

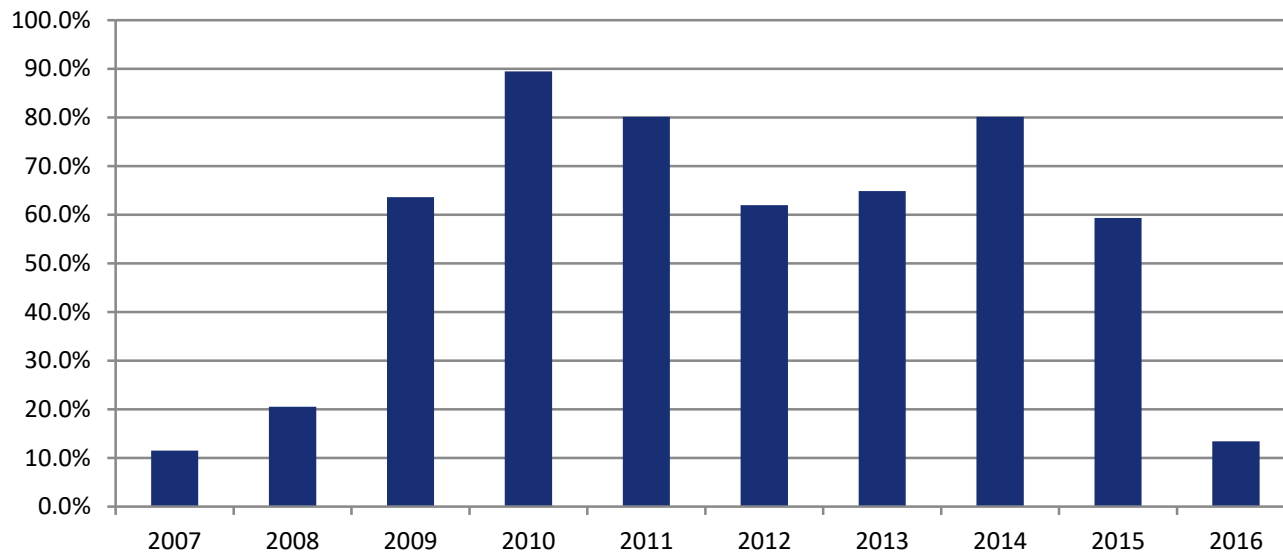
- *Strong price incentives for agricultural producers until 2015*
- *Azerbaijan also has the highest NRPs among the pilot study countries*
- *In 2016, the NRP drops below zero*

## Policy

- *tax concessions, direct payment per ha, various types of input subsidies*

# Nominal Rate of Protection by key commodities

Nominal rate of protection (%) at farm gate, **wheat**, 2007-2016



## INTERPRETATION/COMMENTS

- Domestic prices at farm gate exceeded reference prices at farm gate in years of the period under review
- Farmers get price incentive in all years

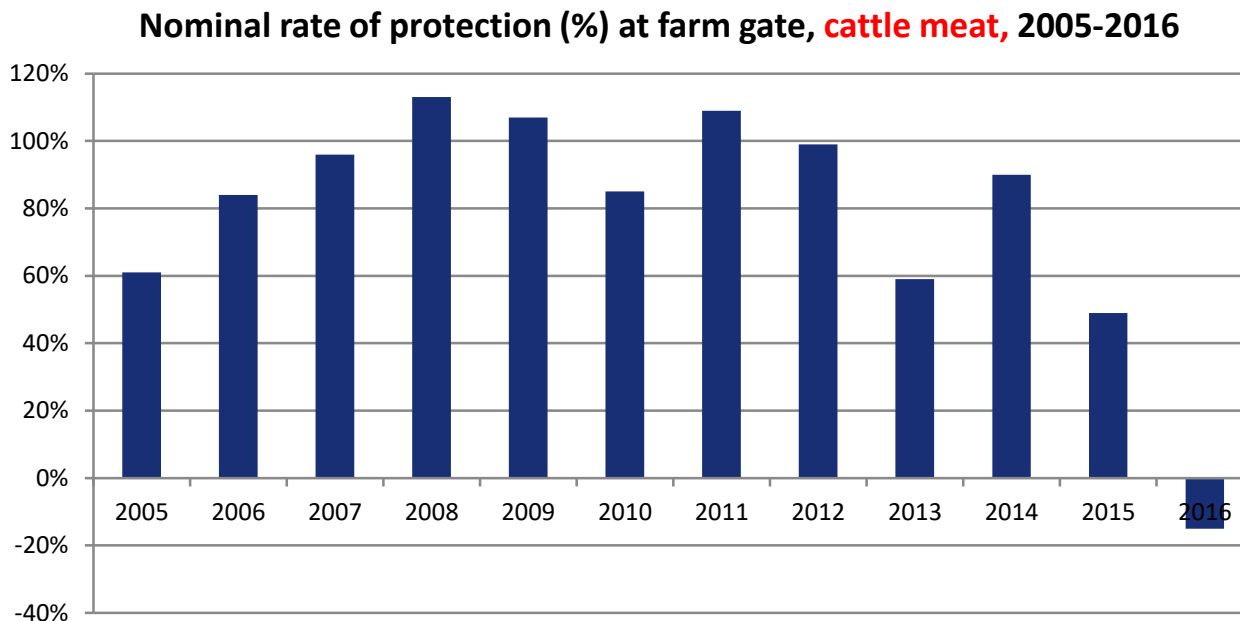
## DRIVING FACTORS

*Policy: tax concessions, direct payment per ha, input subsidies*

*Sector performance: productivity increased from 2. ton per ha to 3 ton per ha between 2007-2016 (+12%)*

*Production increased from 1.3 mln ton to 1.9 mln ton between 2007-2016 (+36.6%)*

# Nominal Rate of Protection by key commodities



## INTERPRETATION/COMMENTS

- Domestic prices at farm gate exceeded reference prices in years of the period under review, except 2016
- Farmers get price incentive almost in all years

## DRIVING FACTORS

*Policy: tax concessions, input subsidies*

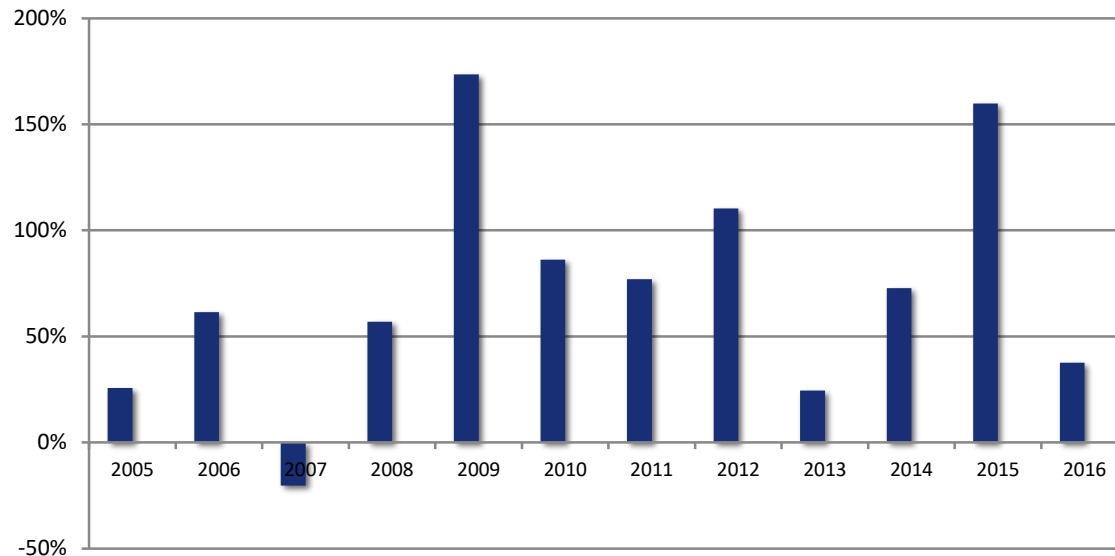
*Sector performance: export increased by more than 88.4% on the other hand import also increased by more than 64.5% between 2005-2016*

*Production increased more than 36.6% between 2005-2016*



# Nominal Rate of Protection by key commodities

Nominal rate of protection (%) at farm gate, **cow's milk**, 2005-2016



## INTERPRETATION/COMMENTS

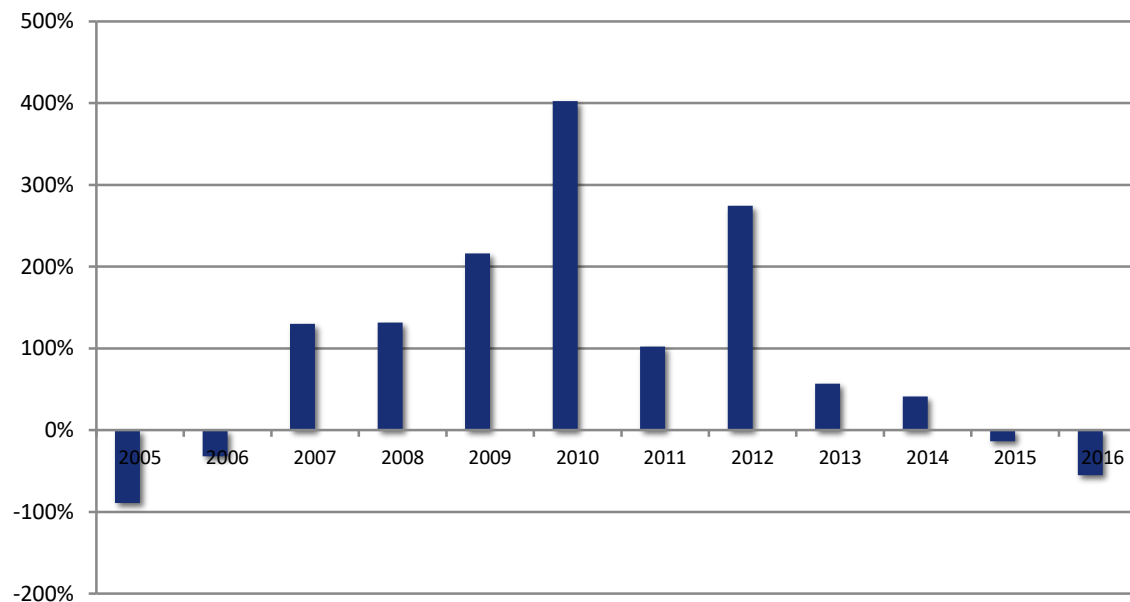
- Domestic prices at farm gate exceeded reference prices at farm gate in years of the period under review, except 2007
- Farmers get price incentive almost in all years

## DRIVING FACTORS

*Policy: tax concessions, input subsidies*  
*Sector performance: Production increased by more than 60% between 2005-2016*

# Nominal Rate of Protection by key commodities

Nominal rate of protection (%) at farm gate, **tomatoes**, 2005-2016



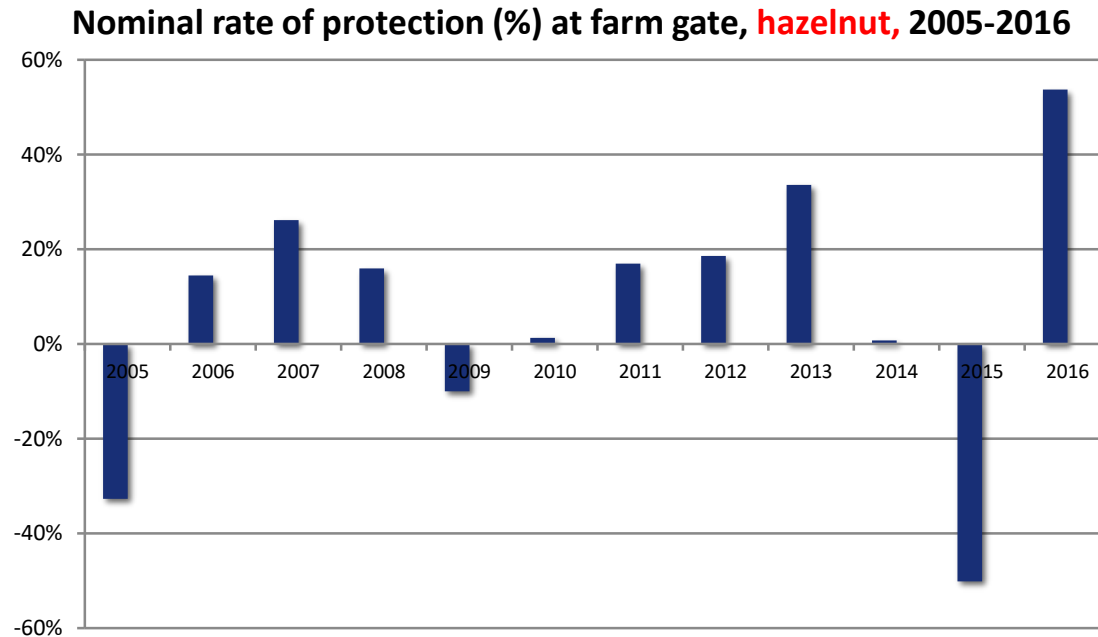
## INTERPRETATION/COMMENTS

- NRPs are volatile across the years of the period under review
- Farmers get price incentive in some years but price disinsentive in other years

## DRIVING FACTORS

*Policy: tax concessions, input subsidies*  
*Sector performance: productivity increased from 174 centner per ha to 188 centner per ha between 2005-2016 (+8.1%)*  
*Production increased by around 10% between 2005-2016*

# Nominal Rate of Protection by key commodities



## INTERPRETATION/COMMENTS

- NRPs are volatile across the years of the period under review
- Farmers get price incentive in some years but price disincentive in other years

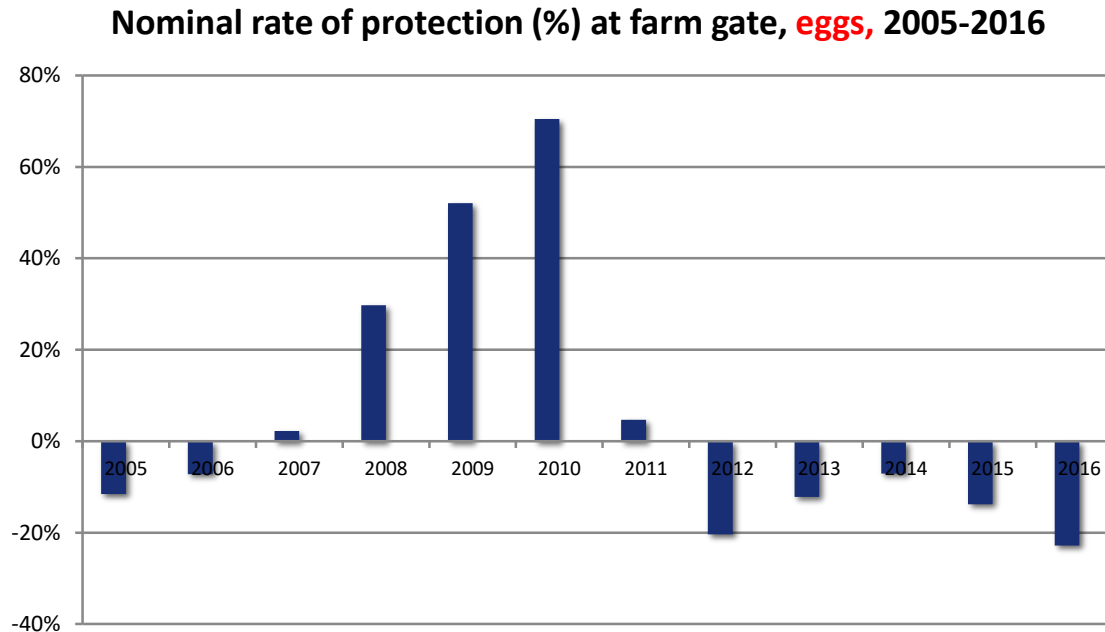
## DRIVING FACTORS

*Policy: tax concessions, input subsidies*

*Sector performance: productivity decreased from 15 centner per ha to 10.7 centner per ha between 2005-2016 (-28.7%)*

*Production increased about 22.5% between 2005-2016*

# Nominal Rate of Protection by key commodities



## INTERPRETATION/COMMENTS

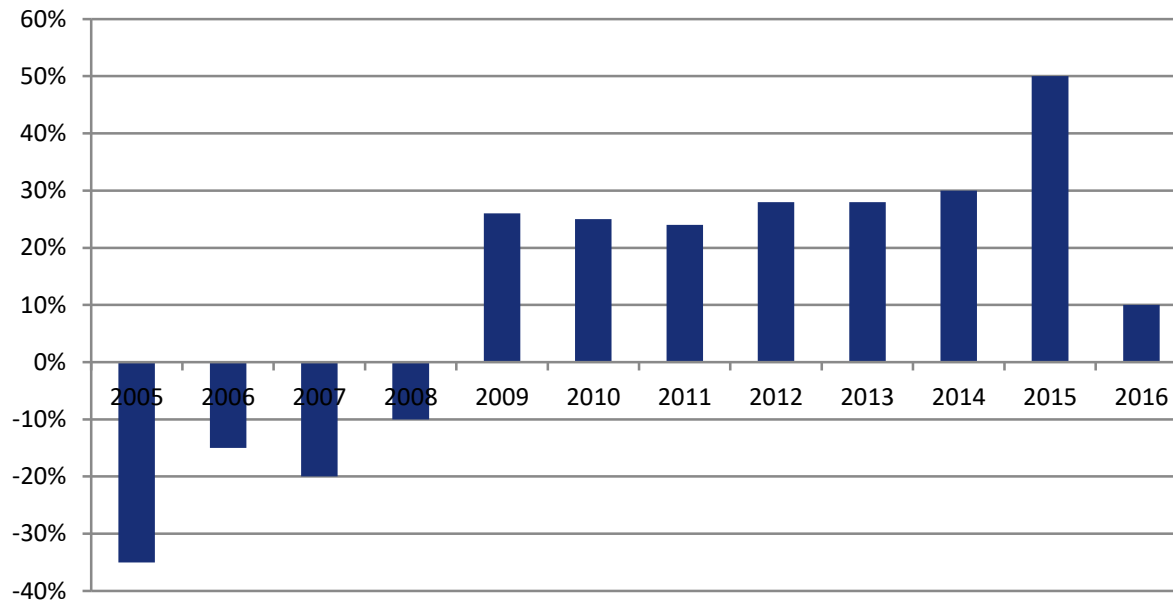
- *NRPs are volatile across the years of the period under review*
- *Farmers get price incentive in some years but price disincentive in other years*

## DRIVING FACTORS

*Policy: tax concessions, input subsidies*  
*Sector performance: production increased more than 84.1% between 2005-2016*

# Nominal Rate of Protection by key commodities

Nominal rate of protection (%) at farm gate, **chicken meat**, 2005-2016



## INTERPRETATION/COMMENTS

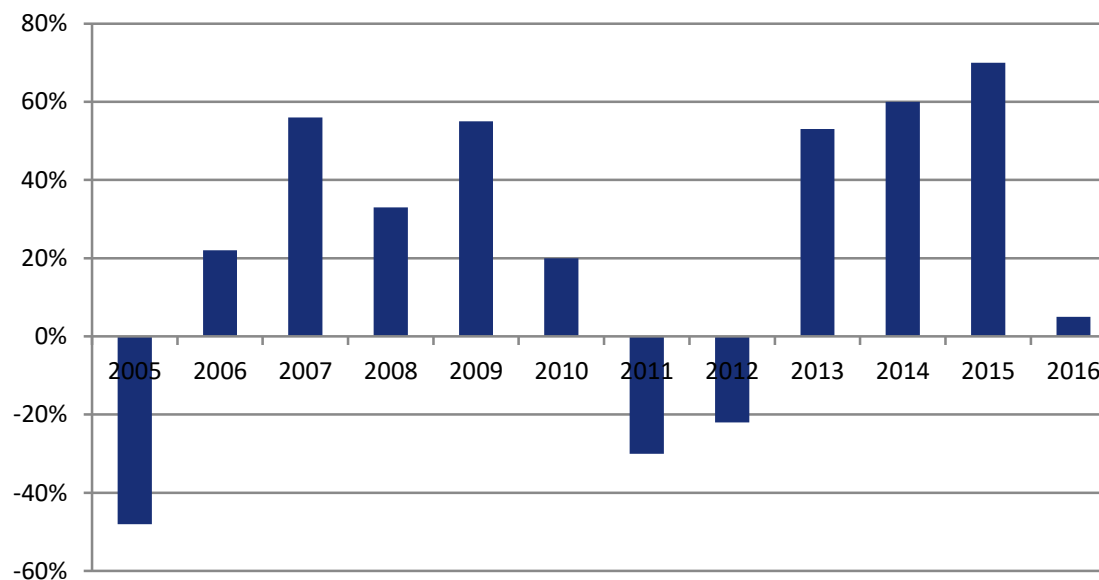
- *NRPs are volatile across the years of the period under review*
- *Farmers get price incentive in some years but price dis-incentive in other years*

## DRIVING FACTORS

*Policy: tax concessions, input subsidies*  
*Sector performance: production has been more than doubled between 2005-2016*

# Nominal Rate of Protection by key commodities

Nominal rate of protection (%) at farm gate, **potatoes**, 2005-2016



## INTERPRETATION/COMMENTS

- *NRPs are volatile across the years of the period under review*
- *Farmers get price incentive in some years but price disincentive in other years*

## DRIVING FACTORS

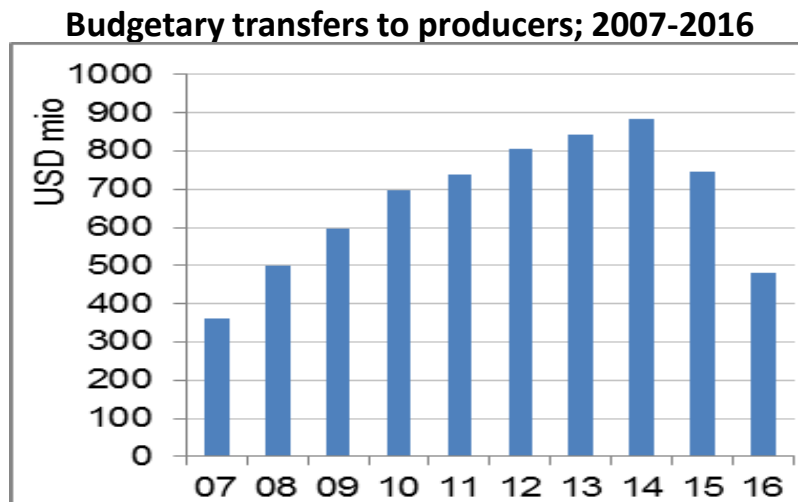
*Policy: tax concessions, direct payment per ha, input subsidies*

*Sector performance: productivity level stayed almost the same over the study period*

*Production decreased about 16.7% during the years 2005-2016*

# Budgetary transfers to agriculture

Budgetary transfers to agriculture by economic group to which the transfer is provided, 2007-2016



## INTERPRETATION/COMMENTS

- *the data on budgetary support to agriculture are available only for some direct producer support measures*
- *In 2016:*
  - *92% were input subsidies*
  - *and the rest are covered by reduced on farm investment costs, area payment and output subsidies*

# Conclusions

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- ❑ **Key message:** policy measures used in agricultural development provide enough support to increase price incentive for farmers (almost in all years)
- ❑ **Limitations:** (i) no statistical data were available on domestic prices at farm gate from statistical office. Thus, FAO producer price estimates has been used as a proxy. (ii) quality and quantity conversion factors are exogenous factor
- ❑ **Future work:** use information from Farm Data Monitoring System (FDMS) to extend the model



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Thanks for your attention!

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