

1st Regional Technical Consultation Workshop - Smallholders and Family Farms

Main issues affecting smallholders and family farms in Azerbaijan

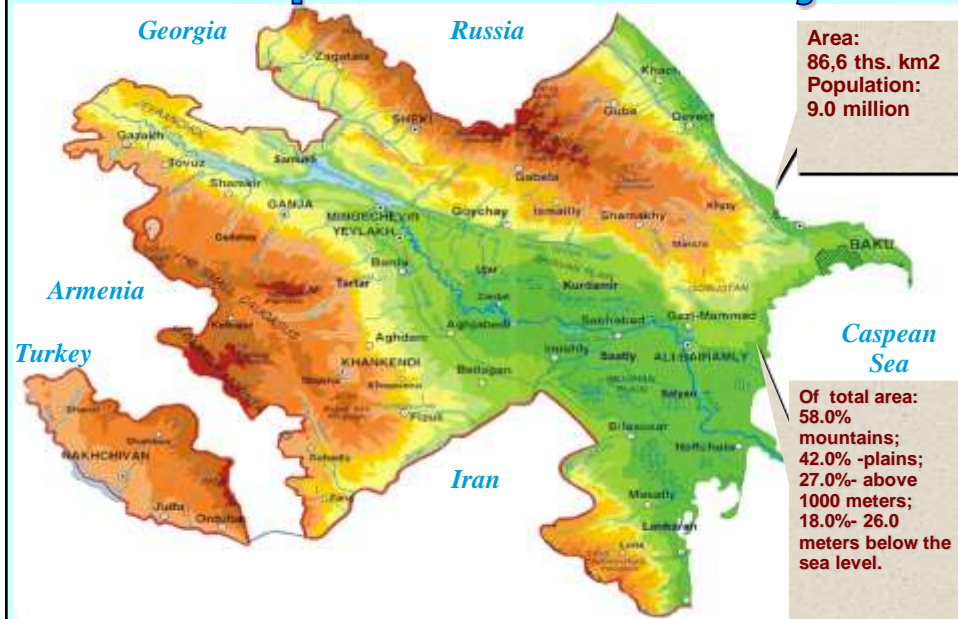


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The Republic of Azerbaijan



Agriculture in Azerbaijan

Azerbaijan's population in 2014 was 9.471 million, as compared to 8.5 million in 2006. About 53.3% of the country's citizens reside in urban areas and 46.7% in rural areas

Despite the growth of the economy and the agricultural sector, agriculture's share in GDP has declined. In 1990, agriculture comprised 29% and this fell to 5% by 2014. Despite its declining role in the national economy, still 40% of the labour force was employed in the agricultural sector.

3

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Agriculture in Azerbaijan: main indicators

Following agrarian reforms that commenced in 1995, 1.3 million Ha of land have been privatized to approximately 817,700 families. In addition, there are over 620,000 household farms, with an average size of 2.8 Ha.

Total area of agricultural lands is 4769.8 thousands ha. Regarding the structure of agricultural lands, 1.884 thousand Ha are cultivated lands, 2614.2 thousand Ha are pastures.

Total agricultural production in the country was \$5.3 billion in 2014, of which \$2.7 billion was from crop production and \$2.6 billion from cattle-breeding activities.

4

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Agricultural policy in Azerbaijan

The Government has been trying to address the issues related to the agricultural sector since the independence of Azerbaijan. Initial reforms have been launched in an attempt to revive a once prosperous sector. Generally, reforms have been provided in two phases.

The first set of reforms in the agriculture sector was embarked on in 1996. Land reform and privatisation of state property served as a basis of reforms in agrarian industry. Reforms included the establishment of 1,970 public enterprises involved in agricultural production, establishment of several processing and agricultural service enterprises, and 3.4 million people (867,000 families) are the beneficiaries of land parcel distribution (1.39 million hectares of land) as private property.

At present of small scale farmers are 95% of total

5

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Support to agricultural development in Azerbaijan

In overall, the main focus of the agricultural policies implemented in Azerbaijan is state support policy to this sector. For this purpose government has declared the agricultural sector tax free. Government subsidies cover crop and seed production, fertilizer, agricultural machinery and more recently livestock production.

Government of Azerbaijan sells petroleum products (gasoline for trucks, diesel fuel and motor oils) to agricultural producers at a discounted price in 1999. At that time the farmers can buy gasoline, diesel fuel, motor oils approximately 40% discount price.

Government also supports marketing and sale of agricultural products.

6

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Support to agricultural development – subsidies

- Wheat producing farmers get additional 40 AZN per ha. That is why wheat producing farmers get total 80 AZN;
- In Azerbaijan farmers free from all taxes except land tax until 2018;
- The policy for discount of irrigation water is being continued;
- Azerbaijan government subsidies special sort of animals;
- In wheat production, 50 percent of the costs for elite (high quality) seed and 70 percent of the costs for the fertilizers is paid by the government.
- Low interest credits are disbursed to agricultural producers

In 2013, the state budget for the provision of agricultural subsidies has allocated more than 150 million USD.

7

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Small-scale farming in Azerbaijan

According to Decision № 57 of the Cabinet of Ministers of the Republic of Azerbaijan dated 20 April, 2004 if the number of employees in agriculture is < 25 and the annual turnover (including VAT, excise) is ≤ 250.000 manats, this business entity is considered as smallholder.

After independence, as a result of agrarian reforms, 2239 collective farms, state farms and other agricultural enterprises were closed down. The farm privatization reform in the mid-1990s led to the redistribution of land to some 850,000 small private farms of 2.6 ha on average, a large share of which (45%) have between 0.1 and 2 hectares. And it should be noted that more than 96% of agricultural production is produced on these small farms.

In Azerbaijan, there isn't any limitations for smallholders or for family farms to get national support.

8

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Small-scale farming in Azerbaijan: constraints and opportunities

- Weak financial capacity – high input costs, it does not allow small scale farmers to provide significant infrastructural investments
 - Weak access to agricultural machinery
 - Weak access to financial resources
 - Low productivity
 - Low level of capacity and weak access to agricultural extension services
 - Weak access to markets
 - Weak access to innovative technologies
 - Agrarian insurance system is not in place and business sector is not interested as it does not see small-scale farms as potential customers (notwithstanding that 50% is secured by the government)
- **Government strict intention to develop small scale farming including governmental support mechanisms, development of insurance system, rural infrastructure and so on.**

9

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Thank you for attention!

10

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