"Regional and International Cooperation in Central Asia and South Caucasus: Recent Developments in Agricultural Trade“

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Correlative analyses of Agricultural Trade impacting factors. New trends in region.

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MAIN FACTORS

- Developments in total incomes and consumption
- Stocks and stock replenishment rates
- Petroleum prices
- Biofuel policies and technology prospects
- Developments in exchange rates
- Developments in financial markets and speculative fund positions
- New investments in agricultural production
- Market liberalization.
- Due to market financialization two factors became totally influensive- exchange rates and interest rates of national banks .
- Trade policy.
- Agricultural policy.

MAIN FACTORS
(LONG EFFECT)

- Population and income growth, as well as intensifying urbanisation
- Climate change impact on agricultural yields in different parts of the globe
- Land and water resource constraints that determine the nature of supply response
- Ability to increase yields of agricultural products through more effective use of existing technologies and/or adoption of new technologies

FAO vision

Long term projected self sufficiency ratios of various types of agricultural and food products by country income group

Product	**Low income**			**Middle Income**			**high income**		
	1990/91	2030	2050	1990/91	2030	2050	1990/91	2030	2050
Cereals	1.00	0.93	0.91	0.97	0.95	0.96	1.12	1.16	1.17
Other plant	0.91	0.88	0.87	1.03	1.05	1.07	0.89	0.81	0.75
Basic food	1.00	0.95	0.94	0.98	0.96	0.97	1.10	1.14	1.14
Nonfood	1.84	1.71	1.74	1.13	1.07	1.05	0.52	0.45	0.38
Livestock Products	0.97	0.97	0.98	0.99	1.00	1.00	1.05	1.03	1.02
Total food	0.95	0.92	0.92	1.00	1.01	1.02	1.01	0.98	0.95

Priorities of FAO for Azerbaijan : animals health and plant protection, investment support, capacity building , forests resources strengthening, development of water and land resources.

Agriculture of Azerbaijan in brief

N	Parametr	Data
1.	Share of Agriculture in GDP	5,7
2.	Share of agriculture in employment (%)	37
3.	Share in total employment (%)	36,7
4.	Number of employee (thousand people)	1.691
5.	Months salary in Agriculture (average in $)	241
6.	Total volume of agri-products export (mln. $)	350,8

Dynamics of various agricultural products export , $.

	2000	2005	2010	2011	2012	2013	2014	2015
Fruits	21980.4	146432.4	112484.3	152965.2	207986.1	173508.1	192165.3	220247.8
Tərəvəz	134.2	16860.7	23591.1	48558.1	35801.1	55752.3	66950.9	70731.0
Kartof	67.7	9363.9	16237.5	29746.2	20167.6	21510.0	31968.5	20950.2
Pambıq	36478.3	43973.6	15892.0	20611.1	22301.7	30229.9	14323.6	19308.8
Tütün	9666.5	5395.3	5894.0	9307.0	7913.0	10757.0	12415.0	7431.8
Gön-dəri	805.3	2133.9	11634.0	10771.9	13932.5	16977.6	23867.5	12128.1
Yun	231.4	0.0	0.0	72.0	116.0	0.0	0.0	0.0
İpək	134.0	441.1	0.0	438.0	0.0	0.0	0.0	0.0
Cəmi	69497.8	224600.9	185732.9	272469.5	308218.0	308734.9	341690.8	350797.7

Structure of agricultural export , %

	2000	2005	2010	2011	2012	2013	2014	2015
Fruits	31.6	65.2	60.6	56.1	67.5	56.2	56.2	V62.8
Vegetables	0.2	7.5	12.7	17.8	11.6	18.1	19.6	20.2
Potato	0.1	4.2	8.7	10.9	6.5	7.0	9.4	6.0
Cotton	52.5	19.6	8.6	7.6	7.2	9.8	4.2	5.5
Tobacco	13.9	2.4	3.2	3.4	2.6	3.5	3.6	2.1
Leasers	1.2	1.0	6.3	4.0	4.5	5.5	7.0	3.5
Wool	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Silk	0.2	0.2	0.0	0.2	0.0	0.0	0.0	0.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Volume of exported fruits , tons.

	2000	2005	2010	2011	2012	2013	2014	2015
Korolyek (Persimon)	28876.3	81202.9	116519.2	102777.8	109008.8	95118.2	69310.7	95631.32
Apples,Pears	2913.2	64241.3	42448.9	47140.2	60850.8	42096.9	47332.2	38754.0
Peaches	199.9	4867.0	8053.9	11156.8	23556.2	15178.6	21155.9	17156.6
Nuts-Hazelnuts	7668.7	10888.6	8539.7	12918.5	10329.2	10416.9	12079.7	12226.9
Grapes	547.3	385.1	24.1	50.3	300.1	1179.8	461.9	2027.2
Mandarin	991.1	6015.7	11613.6	2164.4	2450.6	1019.2	28.4	147.04
Dried fruits	445.2	257.9	136.4	73.9	65.3	79.5	22.3	132.2
Another fruits (pomegranate)	7601.5	603.2	481.6	921.8	14173.8	8376.1	8016.1	7100.3
Fruits in general	49243.2	168461.7	187817.4	177203.7	220734.8	173465.2	158407.2	173175.5

Analyses of related characteristics

		CHARACTERISTICS		
		Agricultural Investments (mln. AZN)	Agricultural export (mln. AZN)	Agriculture in GDP (mln. AZN)
1	2010	431	1,857	2,344
2	2011	437	2,724	2,643
3	2012	649	308,2	2,813
4	2013	574	308,7	3,122
5	2014	364	341,7	3,111
6	2015	380	350,8	3,300 ($)

Labour input per 100 kg of products in agricultural enterprises , hours.

	CEREALS	COTTON	TOBACCO	FRUITS	VEGETABLES
2014	11,3	61,8	385,1	21,3	23,0

For fruits , for example, it means that :

100 kg x 10= 1 ton = 21,3 x 10 = 213 hours of work

213 : 8 hours = 27 days of work (number of working days per month)

1 t x 12 = 12 tons = 12 months of work

So, each 12 tons of fruits sold abroad (Russia or somewhere) creates

1 job/1person/1year

Relation between trading and job.

Production of 1000 kg of fruits demand of 210 hours/person .

210 hours : 8 (working day duration) = 26 days.

26 days – number of working days within month.

So , 1 ton of fruit = 1 job/1 person/month

12 tons of fruits = 1 job/1 person/ year

Every exported :

12 tons of fruits = 1 job/1 person/1 year

11 tons of vegetables = 1 job/1 person/1 year

23 tons of cereals = 1 job/1 person/ 1 year

4,2 tons of cotton = 1 job/1 person/1 year

0,67 tons of tobacco = 1 job/ 1 person/ 1 year

For example: we exported to Russia 173,175 tons of fruits (2015) .

It means that due to this trading we created 173,175 : 12 (tons)= 14.431 (jobs).

NEW TRENDS IN REGION

N	Countries	Suggested form of cooperation	Lounched on/by
1	Iran- Azerbaijan	Joint management of arable lands through mutual investments	Mr. Mahmud Hodjati, Minister of Agr. of IRI, May of 2016, Baku
2.	Azerbaijan- Iran	Joint production of veterinary drugs, agricultural equipment	Mr. Shahin Mustafayev, Minister of Economy of RA, May of 2016, Baku
3	Azerbaijan-Russia	JV ZAO “AzRusTrans”	Grains Transportation-500 wagons {Grains Terminal Iran-Azerbaijan border) 10 October 2016
4.	Russia-Azerbaijan	Green Corridor for agrarian products	Customs Services of both countries

Trends in Region

- New global logistical channels as “Silky Way”, “North-South” rail way
- Baku International Sea Trade Port (Registration of residents of the free trade zone in the territory of Azerbaijan's Baku International Sea Trade Port will begin from January 2017). Azerbaijan's President Ilham Aliyev signed a decree on March 17, 2016, on measures to create a free trade zone type special economic area in the Alat township of Baku's Garadagh district. The new Baku port is located at a strategic crossroad of Europe and Asia and close to major markets such as China, Turkey, Iran and Russia, and is ready to become Eurasia's leading trade and logistics center.
- Azerbaijan launched Certificates for Investments promotion (to make investors free from some taxation- 62 Investment projects with total cost 787 mln $).

Trends in Region

1.«Murphy Shipping and Commercial Services Azerbaijan»

2. “Be ready for export” trainings

  Organized by GIZ and AZPROMO.

3. Azerbaijan launched Certificates for Investments promotion (to make investors free from some taxation- 62 Investment projects with total cost 787 mln $).

Institutional innovations for trade expanding

1. OJSC “STOCKING and SUPPLY of FOODS PRODUCTS” (April 2016)

2. Trade Missions

3. ABAD Centres (Finance Funds for family business)

4. Creation of special agro-parks and logistic centers for different countries destination.

6. AZPROMO became a member of International Silky Way Trade Chamber

Establishment of new legislative environment for export promotion.

1. “Legislative rules on determination and payment mechanisms regulation of budget covered expenditure for organization of export missions to abroad, foreign markets research and marketing activities, promotion to “Made in Azerbaijan” brand at foreign markets, obtaining of certificates and patents at foreign countries by local companies, researching-developing programs and projects which concerns of export” - proved by Presidential Decree on 05 October 2016

Different Dimensions of cooperation with Russian Federation

- Inter-governmental commissions for economic cooperation
- Regular business-forums with participation of RF subjects leaderships
- Azerbaijan-Russian Business Council (First meeting held in Baku on 30 September of 2016)
- Association of Foreign Economic Relations Organizations of Russia held meeting with Association of Azerbaijan Fruits and Vegetables Producers and Exporters (9 September of 2016) .

Participation of different countries' participants at annual agricultural exhibitions of WorldFood series . (Baku, Azerbaijan)

N	Year / Country	2010	2011	2012	2013	2014	2015	2016
1	Number of countries (total)	18	19	26	31	36	36	23
2	Number of companies (tot)	90	100	162	179	242	151	126
3	RUSSIA	5	14	10	11	16	8	8
4	TURKEY	8	8	13	14	24	20	22
5	KAZAKHSTAN	1		1	3	3	2	1
6	UKRAINE	1	1	3	2	2	3	4
7	GEORGIA			1	1		1	1
8	BELARUS	1	1	2	2	3	3 *	3
9	MOLDOVA	1			1			
10	IRAN	1	3	1	3	5	2	2
11	TURKMENISTAN							
12	UZBEKISTAN				2		1	1
13	KIRGIZSTAN							

* + 15 Agencies

Our findings

1. export oriented value chains can bring tangible profits to real producers (greens, nuts, fruits, etc) . Processed one has a tendency for more rapid export growing .

- Law on cooperation

2. There are positive correlation between the number of exhibitors, number of business-forums participants, trade missions quantity of counterpart and size of agricultural trade among countries.

3. Under the circumstances of oil revenues deficit and lack of investment opportunity the Government of Azerbaijan follows the way to make cheap the track of imported-exported commodities: a) electronic customs declaration b) strongly regulated duration of border across procedures

Our findings
Why we should trade??????

1. Regional trading generates jobs in region (show cost of job)
2. Low market volumes led to : a/ underinvestment by actors of different levels in the chains b/ low level equilibria
3. Trading in region allows each country to use maximally its competitive advantage (for example, for Russia in cereals, for Azerbaijan in fruits, for Kazakhstan in sheeping, etc.)

Conclusion

Coordinated agricultural trade policy in region can lead to :

- Growing of trade turnover
- Improving of competitiveness of exporters' products
- Reducing of price on internal markets for importing countries.

OUR RECOMMENDATIONS

1. Ask FAO Office for Europe and Central Asia to recommend to region's government to attract NETWORK database experts on issues of agri-food trading based on reliable payment.
2. We consider that epoch of consultations "in general" is over. Acting producers in Region need for demand driven agronomic and veterinarian support within whole cycle of production including responsible management and insurance as on level of household as on level of agro-parks (agro-holdings).
3. As a Soviet heritage "Palmet" and "Simerenko" types of varietes don't meet the demand of today's market and are not competitive. For mitigation of sector's problems in Region the trade should be based on competitive products export and import. Proper TA can be supported by FAO potential (including practicing specialists exchange, agricultural commodities traders consulting and etc.).

Sources of Information and data

1. www.president.az
2. www.azpromo.az
3. www.export.az
4. wits.worldbank.org/countryProfile/en/Country/AZE
5. UN Comtrade
6. www.worldfood.az
7. http://www.doingbusiness.org/methodology/trading-across-borders
8. www.azstat.az

THANK YOU FOR ATTENTION !!!

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Trading Across Borders

Doing Business records the time and cost associated with the logistical process of exporting and importing goods. *Doing Business* measures the time and cost (excluding tariffs) associated with three sets of procedures—documentary compliance, border compliance and domestic transport—within the overall process of exporting or importing a shipment of goods.

http://www.doingbusiness.org/methodology/trading-across-borders

FIGURE 1 What makes up the time and cost to export to an overseas trading partner?