



## Some Issues on Finance Support of State to Azerbaijan Agrarian Business Development

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### Introduction

One of the most important areas of the national economy and its dynamic development of the agricultural business and strategic sector of the national economy on the basis of forming and comprehensive development in each country, is modern regulation and management of the complex and special state care is one of the agricultural sector of the country. From this point of view the progress achieved in the country economy and economic development in the agricultural sector in recent years is clearly visible. Privatization of land and property in the first phase of agrarian reforms was completed. 99.8 percent of land and 98.9 percent of property that would be issued to special ownership were privatized. Approximately 867 families got family land share and owners formed in result of agrarian reforms of our country. As a result of agrarian reforms, about 842 small (family) farms, 36 state farms (limited liability), more than 79 agricultural production cooperatives and 2409 agricultural enterprises (joint economy), 2571 individual entrepreneurs and (those establishing a legal entity) and 220 other agricultural enterprises (research, training, experience etc) agriculture forms created.

Because of the difficulty in forming of productive forces, labour productivity in the agricultural sector, agricultural development in comparison with other areas of low level of state regulation of the care of the state of development of this field was formed and are in need of immediate, full, unlike other sectors of the economy, the development of the agricultural sector of natural conditions associated with the emergence in this area.

### Statistic information analysis

Agricultural products producers last years got direct (aids, subsidies and etc) and indirect (tax and soft loans etc.) supports by the state.

In order to stimulate agricultural producers in general from the state budget on the agricultural sector are subsidized in several directions. So, in connection with the execution of order 1907 of Prezident of the Azerbaijan Republic on "State support to agricultural producers" dated on January 23, 2007 and order "On the provision of additional support to provide agricultural producers with seeds, fertilizer and livestock breeding" dated on August 02, 2008 and in connection with the "Rules on aid from the state budget to agricultural producers for usage of fuel and motor oil during cultivation acreage" approved with the orders 32 dated in February 15, 2007 and 181 dated on November 16, 2007 of Cabinet of Ministers of the Azerbaijan Republic, producers will get 40

manats for used fuel and motor oil during plant of each acres of cultivated area and perennial plant of (regardless of the type), also additionally 40 manats for each acres of wheat and rice cultivation by state budgey has been continued since 2007 and owners got subsidies and soft loans in accordance with the orders dated on February 15, 2007 on "rules of preferential sale to agricultural producers of fertilizers by "Agroleasing" OJSC and other legal and physical persons.

Generally, 430087,0 AZN subsidies were issued for fuel and motor oil (40 AZN for 1 acre) during 2007-2014 years, 183516,4 AZN for wheat and rice cultivation (additional 40 AZN for 1 acre), 127748,7 AZN for fertilizers (the upper limit of mineral fertilizers cost sold for 1 acre was 50 and 80 AZN), 45768,7 AZN for I and II reproduction seed (under the approved table of sold products), 6524,6 AZN for payment of expenses for original, superelite and elite seeds to research organizations (expense for 1 kg seed and 1 number of sapling), totally 793645,4 AZN subsidies were issued. At the same time, 40 million AZN were paid for sold fertilizer of 50 and 70 percent of middle amount of mineral fertilizer imported by "Agroleasing" OJSC and other legal and physical persons to producers.

"Agroleasing" OJSC was allocated from President Reserve Fund in accordance with the Order 1357 dated on February 27, 2011 "On additional measures on development of cattle breeding in the Azerbaijan Republic" and repeat usage means on account of state based means from state budget of 2011 of the Azerbaijan Republic with the Order 21 dated on January 23, 2011 of the Cabinet of Ministers of the Azerbaijan Republic

Credits issue process to agricultural producers in villages are continued in accordance with the state programs on reliable providing of population with the products during 2008-2015 and social-economic development of regions during 2009-2013 years.

With the purpose of application of leading practises of world countries to Azerbaijan and execution of tasks in direction of creation of production, treatment, infrastructure fields, the National Fund for Entrepreneurship Support has issued soft loan 313.3 million manats to 185 investment project, that general credit demand is 339.2 million AZN, generally 707 million AZN which is important for non-oil division of republic economy during last year since second part of 2009 year and main part of it is agrarian field.

**Table 1 Project and soft loan by National Fund for Entrepreneurship Support for agricultural products processing and producing**

		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015 (9 ay)
The processing of agriculture products	Pro-jects	8	30	70	178	54	29	25	19	16	13	8	10	11	3
	General projects, %	16,3	9,7	5,2	8,1	3,0	3,3	3,1	0,9	1,1	0,1	0,6	0,2	0,1	
	Credit thousand manats	346,8	1978,1	2747,9	12855,7	12576,5	13940,6	8442,5	19643,5	10350,0	16 853	13730,0	32679,0	22204,5	1056
	On loan %	23,5	18,4	14,9	35,4	14,0	15,4	9,6	15,2	9,0	12,1	12,5	11,9	7,5	0,7
The production of agriculture products	Pro-jects	19	177	1055	44	1256	572	547	1939	1303	1 503	1141	4276	5344	4126
	General projects, %	38,8	57,1	78,8	2,0	70,9	64,9	68,6	92,3	91,1	91,5	92,4	95,7	96,1	97,1
	Credit thousand manats	442,0	3811,3	7579,0	7053,4	23484,0	24130,4	28759,7	22573,3	55651,9	70 358,5	59527,3	149511,0	164191	108 296,9
	On loan %	29,9	35,4	41,0	19,4	26,1	26,6	32,8	17,4	48,4	50,9	54,1	54,4	55,7	68,1

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015 (9 ay)
Source	<a href="http://anfes.gov.az/az/show.page.php?guid=4e13c77b-280b-11e0-8e86-0022190362ddN">http://anfes.gov.az/az/show.page.php?guid=4e13c77b-280b-11e0-8e86-0022190362ddN</a>													

The process of issue of soft loans to farmers and other owners of agrarian field by State Agency on Agricultural Credits under Ministry of Agriculture was continued during 2011 year. Soft loan in amount of 16.55 million manats was issued to agricultural development (10 million from State Budget and 6.55 million from last years issued credits return). These credits have been issued to 205 physical and judicial persons who were busy with agrarian ownership of 39 regions with the help of 9 attorney credit organizations in accordance with the "Rules on usage of means of State Agency on Agricultural Credits under Ministry of Agriculture" with the decision 75 of Cabinet of Ministers dated on May 14, 2007. Credits were allocated as below: 157 of them to cattle-breeding, 6 to gardening, 4 to hothouse, 9 to poultry, 2 to technique and animal buying, 7 to vine-growing, 1 to fridge cellar settle, 1 to bee-keeping, 1 to processing, 1 to fishing, 8 to grain growing and 7 to cropping (seed broom purchasing). 1190 permanent and temporary work places opened in result of soft loan credit issue.

Micro credits in amount of 14 512 430 AZN were issued to 6068 members of 44 Credit Units, 2 078 800 AZN to 2472 members of 194 Unit Debtors' Group by "Executor Credit Agency" LLC Non-Banking Credit Organization during 2011 year in the frame of credit component of "Second Village Agriculture Development and Crediting" which general amount is 68.4 million USD and finance by World Bank. Also, 15 sub-project were creditized with general amount 1 430. 0 AZN by participant commercial banks.

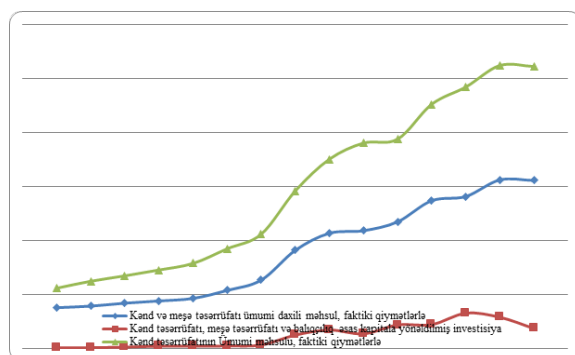
Farmers and owners were issued 41.0 million manats on account of state budget by State Agency on Agricultural Credits under Ministry of Agriculture and repeat usage of last years issued credits.

Soft loans in amount of 34.3 million by State Agency on Agricultural Credits under Ministry of Agriculture and on account of incomes of last years issued credits by the using of attorney credit organizations were issued to physical and judicial persons who were busy with agrarian ownership of agricultural products. These credits have been issued to 1300 physical and judicial persons who were busy with

agrarian ownership of 48 regions with the help of 13 attorney credit organizations. Credits generally were directed to cattle-breeding and plant growing areas and in result 4353 permanent and temporary work places were opened.

Our country has provided itself with food products, in order to reduce negative influence of wheat price increase grain supply volume to State Grain Fund was increased to 500 thousand tones, imported grain and flour are free of value added taxes. As was before, subsidies and soft loan issues to agrarian sector, application of tax loan continued and agroleasing and agroservice network enlarged. The ongoing fundamental reforms in the agricultural sector has created favorable conditions for the development of this sector.

Its important to take into consideration application of finance status of agrarian field to Republic economy. From this point of view the latest statistics based on the following table can be accessed.



**Shedule 1. GIP, general product and main capital directed investment of agriculture and forest**

**Table 1**  
GIP, general product and main capital directed investment of agriculture, average montly nominal wages, dynamic of GIP

Years	Agricultural products, general income products, actual prices		Agriculture, forestry and fisheries			Agricultural products, general income products, actual prices	
			Main capital directed investment		The average monthly nominal salary of hired employees		
	Million manats		Percent	Million manats	Percent	Manats	Million manats
1995	540,2		25,3	-	-	-	726,8
1996	681,5		24,9	-	-	-	925,3
1997	632,0		20,0	-	-	-	853,5
1998	618,3		18,0	-	-	-	921,6
1999	687,9		18,2	-	-	-	989,1
2000	751,0		15,9	6,5	0,7	13,6	1112,4
2001	780,3		14,7	8,3	0,7	15,1	1242,2
2002	834,8		13,8	18,5	0,9	17,9	1342,9
2003	876,0		12,3	37,4	1,0	23,0	1450,5
2004	923,5		10,8	35,0	0,7	29,8	1572,7
2005	1 072,0		8,6	40,7	0,7	41,6	1844,8
2006	1 263,2		6,7	58,3	1,0	52,5	2115,5
2007	1 816,2		6,4	243,3	3,3	86,7	2918,6
2008	2 131,4		5,3	336,5	3,4	114,5	3505,9
2009	2 179,5		6,1	266,6	3,5	134,3	3805,5
2010	2 344,9		5,5	431,0	4,4	160,3	3877,7
2011	2 736,4		5,3	437,3	3,4	196,4	4525,2
2012	2813,7		5,1	648,8	4,2	201,1	4844,6
2013	3122,2		5,4	574,3	3,2	217,9	5244,6
2014	3111,0		5,3	363,9	2,1	241,3	5225,8

Source [http://www.azstat.org/statinfo/system\\_nat\\_accounts/az/index.shtml](http://www.azstat.org/statinfo/system_nat_accounts/az/index.shtml).

**Role of investment increase on agricultural and forestry gdp can be given as following mathematical way:**

$$Y = 887,82 + 3,83X$$

$$R = 0,94312; R^2 = 0,88948$$

Y – Agricultural products, general income products, actual prices

X- Main capital directed investment in agricultural, forestry and fishing.															
Table 2															
Finance results of agriculture enterprises activities															
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Number of agri- culture, unit	2 158	1 753	1 863	1 783	1 715	1 782	1 733	2 098	2 258	2 392	2 043	1 917	1774	1669	1701
Loss	1 132	626	541	452	294	203	214	212	199	213	174	156	109	79	124
%	52,5	35,7	29,0	25,4	17,1	11,4	12,3	10,1	8,8	8,9	8,5	8,1	6,1	4,7	7,3
General incomes (active prices), thousand manats	1 118	4 348	4 936	5 324	10 490	14 757	16 543	36 932	50 101	67 149	71 604	71 623	86045	91903	102723
Balance incomes, thousand manats	-3 315	189	40	95	2 872	5 892	6 235	20 000	27 032	34 396	27 658	36 920	48200	52283	59028
Profitability under all finance agriculture activi- ties, %	-19,2	1,0	0,1	0,2	5,1	9,1	8,5	14,9	15,8	21,4	16,7	21,3	19,2	18,3	17,0
Income from agri- culture products selling, thousand manats	-2 515	220	425	450	2 946	5 872	6 104	18 832	25 756	29 089	32 385	41 912	44252	47259	55381
o cümlədən:															
Plant growing	-616	1 066	1 170	1 394	2 151	2 769	1 864	3 368	6 775	4 708	8 855	8 980	14609	17534	16234
Cattle-breeding	-1 753	-633	-846	-757	835	3 117	4 147	15 171	18 571	24 061	13 021	25 041	29036	27533	25842
Profitability of agriculture prod- ucts, %	-14,6	1,1	1,4	0,9	5,2	9,0	8,4	14	15	18,1	13,4	19,7	17,7	16,5	16,0
o cümlədən:															
Plant growing	-7,0	14,7	17,8	27,6	39,4	41,5	22,7	28,7	31	17,8	30,0	24,1	35,5	35,1	29,3
Cattle-breeding	-23,2	-5,7	-3,1	-1,8	1,7	5,4	6,6	12,9	13,4	19,7	10,5	20,5	15,1	12,0	9,4
Source			<a href="http://www.azstat.org/statinfo/agriculture/az/index.shtml">http://www.azstat.org/statinfo/agriculture/az/index.shtml</a>												

You can address to table 2 for analysis of finance results of agricultural enterprises activities.

**Conclusion**

As its clear from the table, general income products in agricultural and forestry increased 5.75, special weight decreased to 5 and in result it was 5.3%. But its necessary to consider the relative decline as taking consideration of 2002-2003 years and full realization of century contract and its main influence object is industry and also mine industry. But we need to try to increase this percent to 10-15. So, this indication coincides with non-important role playing period of oil question during 2000-2005 in economy and economic increase. It is the republican leadership of the non-oil sector including agriculture development plan, which involves a series of targets in this direction. As noted to main capital directed investment that this figure was increased 56 during 2014 in comparison with 2000 year. Its impossible to increase special volume of main capital directed investment for development of agricultural products as taking into consideration direction of main investment to oil industry, other industry fields, and infrastructure fields in republic. But 2.1% indication of 2014 year multiple is high than 0.7% indication of 2000 year. Satisfactory situation 7.1 in comparison with 1995, 4.7 in comparison with 2000 and 1.35 in comparison with 2015 of general agricultural products is about average monthly salary of hired workers of agriculture. Under this indication was about 17.7 during 2000-2014 years, but its less than average indication and was 241.3 AZN. In accordance with statistic, mass soft loans were issued agricultural products and processing investment project finance, creation of new infrastructure fields in connection with the agrarian field development by the National Fund for Entrepreneurship Support under Ministry of Economic Development with the purpose of providing continues development of agrarian field. More than 474 projects with amount of 169404,1 thousand manats to agricultural products processing and 23302 projects with amount of 655011,2 thousand manats for agricultural products production were realized.

It was known on the basis of research that the relative decline in the number of agricultural enterprises during 2000-2014, which corresponds to the laws of the market economy. Main indication is their finance status and its satisfactory with state complex support. So, notwithstanding that more than half of 2158 agriculture subject lost during 2000 but these figures during 2014 year were 7.3% between 1701 enterprises. General income in this field was about 91.9, balance income of negative indication of 2000 year was approximately 5902 million manats during 2014 year. Profitability level was increased from 19.2 percent (2000) to 17.0 % (2014). Income from agricultural products selling was increased to 55381 million manats from lost 2515 million manats of 2000 year.

As its seen, dynamical development is felt in proper agrarian economic policy in Azerbaijan during independence years, leading practice, economic strategy determined for country reality and legal normative acts made in these directions, country economy and agrarian division, production and food security is a growing and developing role in the economic efficiency wave continues. Surely, as above mentioned state finance support played special role in getting positive results in this field and having dynamical development. We think that this is one of the strategic areas and in this area great economic potential and resources are properly released into circulation also pays special attention to this area and to further strengthen the financial support given the fact the economic security of the state and in the future the specification of an industrial site, still must foreshorten.

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