

**Agri-Input Market Development in Azerbaijan (AMDA)**

**Quarterly Report**

**October – December 2004**

**Submitted to**

**United States Agency for International Development (USAID)**

**by**

**IFDC**

***An International Center for Soil Fertility and Agricultural Development***

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**Cooperative Agreement No. 112-A-00-02-00005-00**

**January 2005**

## Summary

In preparation for project closedown in the end of January, 2005, all activities during the quarter focused on the trade association (AKTIVTA) and ensuring it's long term sustainability. During November and December, short term consultancies worked on providing organizational and financial sustainability plans for the AKTIVTA trade association. As part of this effort, the Business Plan was finalized and discussed by the AKTIVTA Executive Council. The association moved to their new office and started promoting their services to association members, development projects, and private companies.

The USAID funded RABD program started operations in October and several discussions were held on integrating and synergizing the AMDA activities into the RABD project. Although there were no immediate results on this effort, discussions are still taking place between the RABD implementing staff and the USAID Baku Office.

During December, six AKTIVTA members participated at the Fertilizer Marketing seminar in Dubai organized by IFDC-AFA. This was a two week course which provided these dealers a well-rounded understanding about the entire fertilizer market including fertilizer product knowledge, customer needs, international trade, and pricing.

A tomato cluster meeting was conducted in Lenkeran District attended by regional agri-input dealers, individual commercial farmers, farmers groups, and tomato processing companies. The concept of cluster building was introduced in collaboration with STC Mike Murray, UCDAVIS, and the AMDA project. The concept was well received and understood by all participants. The continuation of the technical efforts to support the cluster building process will rely on the RABD and RECP programs. Both programs attended the meeting and were provided with the conceptual and strategic outline of this particular cluster concept.

Two dealer groups from the Jalalabad and Tovuz regions imported 1,200 mt of seed potatoes from Russia. These increased imports came as a result of the IFDC/AKTIVTA field demonstrations that were conducted in 2003. The importation faced difficulties due to extra payments imposed by the Azerbaijan custom authorities (up to \$3,000/60 mt wagon). The request for such payment did not have a legal basis and the AKTIVTA leadership discussed this issue with the main customs office in Baku. As a result of this intervention by AKTIVTA, the illegal payments were removed and the importers paid only the standard custom duty of 0.5%.

During the quarter, 1,063 agri-input dealers and farmers attended 39 meetings conducted by AMDA and AKTIVTA. Farmers and dealers are beginning to understand the value and benefits of knowledge transfer. However, additional focus needs to be placed on charging fees-for-service for activities such as these. The RABD program will continue to put more efforts in this direction.

## **Highlights of Project Achievements**

### **Business Development and Training**

A presentation on the Safe Storage of CPPs was developed and delivered in five regions in collaboration with the AMDA marketing unit.

The Farmer to Farmer program provided a 1 day training program for AKTIVTA members in the Guba region on pest and disease control in apple orchards.

The exportation of apples to Russia has become problematic due to the Azerbaijan-Russian border situation. The opening of the border in late October/early November did not automatically lead to increased sales as the export process continued to be cumbersome. The AMDA project informed AKTIVTA members on current export procedures and the ways to avoid extra illegal payments.

The prices for agri-inputs were collected, processed, and made available to retail dealers, wholesalers, and importers.

The association expert traveled to the five working regions and organized sessions on developing organizational and financial sustainability projections for AKTIVTA.

### **Credit, Finance and Marketing**

The data for the survey that was conducted on the AMDA project's publications were computed and finalized for the AMDA media unit. The survey analyzed the quality and dissemination level for all of AMDA's publications.

A PowerPoint presentation titled: "From Conventional Shops to Advanced Business" was prepared by the marketing unit of AMDA. Five seminars were conducted in Ismailli, Sheki, Ganja, Guba, and Masalli. In total, 43 AKTIVTA members participated.

Hakim Garibov from Ismailli was granted a loan of \$20,000 by CredAgro. During the reporting period three dealers repaid their loans amounting to \$29,500. Within the last three years of AMDA implementation, no AKTIVTA member has failed to repay their loan on time.

During the last six months, a total of \$59,580 has been invested by dealers in storage rehabilitation, new buildings, or new agricultural machinery. The AMDA project's efforts aimed at creating a sound business environment has encouraged entrepreneurs to invest in expanding their business activities.. This becomes evident when evaluating the dealers investment trend which has been continuously increasing since inception of the AMDA project.

## **Association Building**

As of December, 2004 dues paying membership stands at 85 members. The capital base of AKTIVTA has reached \$17,800. During the quarter, the AKTIVTA Executive Director, Marketing Committee, and association members held two meetings with the Deputy Chairman of the National Customs Office in Baku. These meetings were held to discuss the \$50/ton fee that was being assessed for imported seed potato from Russia. The custom authorities were not able to provide a legal ground for this arbitrary fee and after two successive meetings it was agreed that seed potato importers will not be required to pay this fee. The precedent for charging this fee was started in 2003 and was carried over in 2004. However, the successful removal of this illegal fee was a clear demonstration of the power that a trade association has in advocating and lobbying to protect the rights of its members.

During the first week of October, a second Round Table Discussion was organized by AKTIVTA and broadcast live on the popular TV-series Dialogue. The program addressed the issue of pest and disease control in crop production. This is a critical topic for the agricultural community as it is estimated that 30% of potential yields are lost due to improper disease control management. During the live discussion several viewers called asking for advice. This clearly shows the high interest that the rural population has in regards to agricultural issues and problems. The participants included representatives from the largest CPP companies, AMDA project staff, AKTIVTA members, and a representative from the Ministry of Agriculture.

Farid Firudonov, the AKTIVTA Executive Director was invited by USAID, Baku to participate in a meeting with Mrs. Julia Gloria, the USAID Deputy Assistant for Central Asia. At the meeting Mr. Firudonov provided an overview of AKTIVTA's most recent activities. In addition, Mr. Firudonov, participated in two meetings with USAID Baku, AAC/Pragma, and RABD/IRC on issues concerning future collaboration opportunities and technical details in regards to agriculture production, knowledge transfer, and input and output marketing.

Six AKTIVTA candidates participated at the "Fertilizer Marketing" seminar in Dubai. This event was financed from the World Learning-Baku Office. This was a two week course which provided these dealers a well-rounded understanding about the entire fertilizer market including fertilizer product knowledge, customer needs, international trade, and pricing.

The AKTIVTA Executive Director in collaboration with Hiqmet Demiri from IFDC Headquarters prepared an Ethics Code and a Seed Policy Matrix for the AKTIVTA members. An overview of these activities were presented to the Association's Executive Council and Committee members. An overall assessment of the seed sector in Azerbaijan and recommendations on amending the Azeri Seed Law (in order to facilitate the flow of new seed technology) were developed. These documents will serve as an advocacy agenda for AKTIVTA to address in the near future.

The sustainability and business plan for 2005 was prepared by the AKTIVTA Executive Director and STC Ed Beaman. In all five project regions, the plan was presented and discussed. The trade association's sustainability was the main focus at the regional meetings as well as the national seminar.

## **Technology Transfer and Private Sector Extension Service**

### Private Sector Extension Service

Six seminars on farmer's best practices in wheat and onion production were conducted and attended by 209 farmers and agri-input dealers. In a recent survey conducted by AMDA both farmers and dealers alike highlighted the quality and applicability of such trainings as a main reason for attending.

In Guba one open field day was organized and attended by 45 farmers and dealers. The apple orchard demonstration compared different fertilizer application rates (NPK, NP, and N).

Eight seminars were conducted in Jalilabad, Tovuz, Samukh, and Barda on fertilizer applications rates. In total, 342 farmers and dealers participated.

Four wheat demonstration plots were carried out in the Sheki and Ismailli regions. These demonstrations compared different wheat varieties at varying fertilizer application rates. The main aim of the demonstration plots is to develop recommendation packages of best practices for input dealers to provide to their farmer customers.

### Tomato Cluster Building and Developing a Value Added Market Chain

In mid October an introduction to tomato cluster building was conducted in Lenkeran by the IFDC/AMDA project. Participants included processors, farmer groups, large individual farmers, and agri-input dealers. The interrelationship deriving from the value-added market chain (horizontal integration) and the potential vertical support of respective target groups for building clusters was explained by Mike Murray, an IFDC short term consultant. In total, 22 participants attended this meeting, including representatives from USAID-Baku and staff from the RABD and RECP projects. The introduction of the idea of clusters was followed by a discussion on the responsibilities of each individual player at the horizontal integration of the value added market chain.

Mr.D Murray outlined how these tomato clusters are working in the California tomato growing areas (large scale) and in Australia (small scale). Emphasis was given to the importance of organizational issues for each target group.. This included the organization of the respective groups (inward directed) and organizational aspects among players up-stream and down-stream of the value added chain (outwards directed).

During the second day, the individual cluster participants (processors, farmers, agri-input dealers) were given the possibility to express their ideas and concerns. The following topics were brought to the attention of the stakeholders:

(a) **Credit:** Processors expressed their anger of inadequate access to credit. The same complaint was also expressed by producers.. The idea that processors could provide production credits to farmers for growing tomatoes (primarily seasonal inputs, and secondary capital inputs) was introduced. The present credit arrangements require both processors and farmers to repay their loan before selling their respective output. It was generally concluded by both groups that lack of access to credit is a priority issue that needs to be addressed.

(b) **Contract:** Both processors and farmers highlighted the necessity of signing contracts for growing and delivering tomatoes. Participants recognized the fact that signing a contract and enforcement of contracts are two different issues. It was commonly agreed that collaboration would not be possible without a contract.

Both parties agreed to develop a draft contract, however, the lack of knowledge in further steps to be taken and who should take the lead was evident. It was suggested that AAC (Pragma Office Lenkeran) with support from RABD (IRC) take the lead in this endeavor. This is a common line of thinking as the RECP project supports the processors and the RABD project supports the farmers. No formal agreement was reached on this matter. Since the IFDC/AMDA project will be closing down at the end of January it was recommended by the STC that the USAID Baku Office clarify this issue.

(c) **Seed Varieties:** It was commonly agreed that new seed varieties must be introduced to increase yield productivity which normally results in increased productivity for the processors. In addition, there are no explicit processing varieties presently being grown. This is one of the major reasons for the current low economic viability for tomato growing and processing. For the 2005 growing season arrangements need to be made between processors, farmers, and the agri-input dealers (AKTIVTA).

(d) **Production Technology:** It was a common understanding that farmers urgently need access to knowledge, improved agronomic practices (best practices), and agricultural machinery. No conclusion was reached as none of the project participants had the resources to fill this important gap in the production chain.

(e) **Future:** There were no conclusions related to future initiatives and responsibilities for the continuation of the cluster building process. However all local participants expressed their desire for the continuation of such meetings in the months to come.

### Greenhouses and Irrigation

The Israeli equipment for three greenhouses arrived after four months of delay. Two greenhouses will be used for flower production by AGRALIA and one greenhouse will be used in Nakhchivan by the ADRA Economic Development Program. The greenhouses were erected and the production process has started.

In addition, the Rural Economic Development project (RED) is planning to order 9 greenhouses from Israel to be set up in central Azerbaijani in 2005. This is a spill over effect from endeavors by the AMDA project to promote greenhouse production and Israeli advanced greenhouse technology.

The ADRA greenhouse in Ganja and the greenhouse in Lenkeran started harvesting cucumbers during the quarter. The other two greenhouse owners in Tovuz and Xirdalan decided not to grow any vegetables this winter. The reasons include the lack of reliable energy sources for heating and internal management problems.

Five seminars on vegetable growing in greenhouses were conducted in Shamkir, Agdash, Lenkeran, and Absheron. In total, 134 farmers and agri-input dealers participated. Training topics included: seed-bed preparation, fertigation, drip irrigation, seed varieties, pest and disease control, use of hormones, and temperature control. Five farmers ordered and paid for one set of Israeli drip irrigation units.

One greenhouse owner from Absheron ordered a greenhouse from Turkey which is currently in the process of being erected. This agri-input dealer and member of AKTIVTA is specialized in greenhouse production particularly in selling fertigation fertilizer and seedlings.

Advice was provided to greenhouse owners on the management of imported fertigation fertilizer and the control of pests and diseases. During December, the harvesting of cucumbers started in the Lenkeran and Tovuz district greenhouses.

#### Public Relations and Media

The publication of the Commodity Report was temporarily stopped due to the closure of the AMDA project. However the Agro Information Center will continue to publish the Commodity Report.

On October 01, a Round Table Discussion initiated by AMDA/AKTIVTA on promoting public awareness for the agricultural sector in Azerbaijan was broadcast by AzTV1 for 60 minutes. The discussion focused on best practices regarding pest and disease control management for Azerbaijan's main crops. It is estimated that approximately 30% of production is lost due to improper pest and disease control management when heavy pest incidence occurs..

Thirteen thousand copies of AMDA/AKTIVTA publications were reprinted (19 leaflets, 4 brochures, and 3 posters). The brochures on pests and diseases control on potato production and the marketing standards for fruits and vegetables were printed in December 2004 (500 copies each).

Appendix 1: AMDA/AKTIVTA Meetings Conducted During October – December 2004

Title	Venue / Date	No. of Participants
Farmers best practice in wheat production	Jalilabad, Oct 05 + 14, 2004	62
Farmers best practice in wheat production	Sheki, Oct 07	29
Farmers best practice in wheat production	Ismailli, Oct 08	57
Farmers best practice in wheat production	Agdash, Oct 06	34
Farmers best practice in onion production	Sheki, Oct 06	27
Farmers best practice in greenhouse production	Shamkir, October 05 + 06	60
Farmers best practice in greenhouse production	Agdash, October 07	26
Farmers best practice in greenhouse production	Lenkeran, October 22	20
Farmers best practice in greenhouse production	Absheron, October 25	28
Open field day apple orchard	Guba, October 10	45
Seminar in Safe Pesticide Storing and From Conventional Shop to Advanced Business	Ismailli, October 20	12
"	Sheki, October 21	5
"	Ganja, October 22	10
"	Guba, October 27	8
Tomato Cluster Building	Lenkeran, October 11 + 12	22
Seminar on Ethic Code and AKTIVTA policy matrix	Baku, Nov 16	14
Seminars on Association Sustainability and Budget 2005	Ismailli, Nov 23, 9 persons Ganja, Nov 24, 12 persons Sheki, Nov 25, 6 persons Guba, Nov 26, 8 persons Masalli, Nov 30, 15 persons	50
Seminars of Fertilizer Applications Rates	Jalilabad, Nov 3-4, 84 Sheki, Nov 9, 76 Tovuz, Nov 23, 42 Samukh, Nov 24, 36 Barda, Nov 25, 36	274
Seminars on Farmers' Best Practice in Onion Production	Barda, Nov 18 + 22	68
Workshop with AMDA Executive Council, Business Plan Preparation	Baku, Dec 03, 2004	10
Workshop with AMDA Executive Council, Business Plan Approval	Baku, Dec 24, 2005	7
Seminar on Fertilizer Use	Lenkeran, Dec 03	41
"	Ismailli, Dec 07	62
"	Sheki, Dec 07	60
"	Gakh, Dec 09	32
<b>39 Seminars and Workshops</b>		<b>1,063 participants</b>

Appendix 2:

**Cost Sharing Contribution  
End of December 2004  
Value of Cost Sharing in US Dollars**

No.	Activity	Jan	Feb	Mar	Apr	May	June	July	August	Sep	Oct	Nov	Dec	Total
1	Association meetings/ member visits	1,220	450	720	780	7,905						2,410	1,190	14,675
2	Field days/advisory visits	360	3,690	210	1,150	8,120	14,300	4,020	940	5,140	1,100	10,380		49,410
3	Seminar/business counseling		2,265			1,875	21,500			650	9,920		5,850	42,060
4	International supplier presentation		7,000			1,190	4,950							13,140
5	Transportation													
6	Trade missions/study tours		1,100				3,600							4,700
7	Media coverage	600	300	500	350	10,450	300	600		1,800		100		15,000
8	Credit obtained		10,500	5,000				6,000	82,000			20,000	3,500	127,000
9	Grants obtained													
10	Investment by dealers						50,170						59,580	109,750
11	Membership fees and dues			30	90	150				2,920				3,190
12	Association Service Fees		604	1,100										1,704
	<b>Total US \$/Month/Year</b>	<b>2,180</b>	<b>25,909</b>	<b>7,560</b>	<b>2,370</b>	<b>29,690</b>	<b>94,820</b>	<b>10,620</b>	<b>82,940</b>	<b>10,510</b>	<b>11,020</b>	<b>32,890</b>	<b>70,120</b>	<b>380,629</b>
	<b>Accumulated total from February 2002 to last month reported: \$1,117,959</b>													

Appendix 3: Contacts and Visitors

<b>No.</b>	<b>Name</b>	<b>Organization</b>
1	Jeff Lehrer	USAID Tbilisi, Director of Economic Growth Office
2	Jeffrey Lee	USAID Baku, Deputy Country Coordinator
3	John Brannaman	USAID Baku, Agriculture Development Officer
4	Rena Effendi	USAID Baku, CTO
5	Rose Wellington	IRC, RED Program (USDA monetization project)
6	David Blood	IRC, RED Program, Project Director
7	Jason Scarpone	East-West Management Institute, New York
8	Vasile Munteanu	CNFA, Program Director, Chisinau, Moldova
9	Tom Lemly	IRC, COP RABD, Baku
10	Mark Pommerville	IRC, RABD Grant Manager
11	David Yurosek	AAC, Processing Specialist
12	Basile Koutchoubey	EU, Food Security Program, Head of Office
13	Natavan Aslanova	EU, Food Security Program, Economic Assistant
14	Ahmed Aliyev	EU, Food Security Program, Coordinator
15	Dr. Franz Heinzmann	GTZ, Agriculture Policy Advisor, Baku
16	Ibrahim Ismailov	GTZ, Agriculture Policy Project, Coordinator
17	Gerald Meier	ADRA, Project Manager Ganja
18	Randy Purviance	ADRA, Country Director Azerbaijan, Baku
19	Dr. Nina Parkinson	British Standard Inspection Office, Regional Manager Caucasus Countries, Baku
20	Dr. Carlo Carli	CGIAR, Regional Seed Specialist, Tashkent, Uzbekistan
21	Dr. Zakir Khalikulov	CGIAR, Consultant Scientist, Tashkent, Uzbekistan
22	Florian Schroeder	GTZ, Economist, Baku Office
23	Dr. Evelyn Landry	EngenderHealth, Regional Director, Bangkok
24	Rahim Huseynov	Center of Economic Reforms, General Director
25	Mustafa Mammadov	Center of Economic Reforms, Director Marketing
26	Firdovsi Rzayev	Center of Economic Reforms, Director Training