

Agri-Input Market Development in Azerbaijan

First Annual Report

February 2002 – March 2003

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by

IFDC

*An International Center for Soil Fertility
and Agricultural Development*

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Acronyms and Abbreviations

AmCham	American Chamber of Commerce in Azerbaijan
AMDA	Agri-Input Market Development in Azerbaijan
CHF	Community Habitat Finance
CPP	Crop protection products
EC	European Commission
GTZ	German Agency for International Cooperation
IFDC	An International Center for Soil Fertility and Agricultural Development
mt	Metric tons
NGO	Non-governmental organization
SO	Strategic Objective
TSP	Triple superphosphate
TTC	Technical Training Center
USAID	United States Agency for International Development

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Executive Summary

This report covers the period from February 2002 to March 2003. For consistency and ease of management the report includes the quarterly activities from January 2003 to March 2003 following the format of the work plan submitted to the United States Agency for International Development (USAID). The work plan for year 2—April 2003 to March 2004—is attached. Progress is reported for each of the four main program areas: (a) Business Development, (b) Access to Credit and Finance, (c) Technical Training, Transfer and Private Sector Extension Services, and (d) Association Building.

The vision of the project “Agri-Input Market Development in Azerbaijan” (AMDA) is to increase production and productivity in the Azerbaijan agricultural sector, which will reduce rural poverty and contribute to social stability in the region. The mission of AMDA is to develop a business trade association and establish respective upstream and downstream sectoral linkages. Emphasis is placed on delivering appropriate and high-quality inputs, including best practices information, to the farming population through the input dealers. The goal is to properly position the association in order to provide educational and training programs; facilitate communication exchange with related actors such as the producers, fresh product traders, and the processing industry; and engage in advocacy to enable growth of private enterprises. Through these activities AMDA directly contributes to SO 1.3—Accelerated Development and Growth of Private Small and Medium Enterprises.

AMDA started in February 2002 and established working relations to all relevant actors concerned from the private and public sectors as well as other donor projects and NGOs active in agriculture. Having received substantial support from the USAID Office Baku, the American

Chamber of Commerce in Azerbaijan, and the American Embassy, the AMDA project was notified in March 2003 of its registration which was backdated to December 31, 2002.

The Business Development Unit established a database of 80 agri-input dealers that were in regular attendance at AMDA meetings and training programs. Group and individual meetings resulted in an increased sales turnover for the major inputs such as fertilizer (10%), seeds (5%), and pesticides (15%). In the fertilizer sector, 30% of all fertilizer sold to farmers is covered by AMDA-supported dealers. At the import level, dealers working with AMDA are responsible for 50% of all fertilizers imported into Azerbaijan.

The Credit and Financing Unit held meetings in all four project regions to introduce various financing organizations to dealers. The USAID-financed (and ACDI/VOCA-implemented) CredAgro financing organization was introduced as a potential credit source for dealers. The amount credited to input dealers in year 1 totals \$65,400.

The Technical Training, Transfer and Private Extension Service Unit held numerous seminars, demonstrations, on-farms trials, and field days attended by 1,096 participants. As a new fertilizer product, triple superphosphate (TSP) was introduced which has resulted in sales by dealers exceeding 120 mt. Furthermore, the publication and distribution of booklets, leaflets, and posters as promotional material for improved inputs reached 30,000 copies. AMDA has become known as an innovative source for modern agronomic practices, which is evidenced by requests from other agricultural development projects, private companies active in cotton growing, local consulting companies, and public offices. Media such as TV and newspapers are regularly broadcasting and publishing information on agri-inputs and best practices for farmers. In newspapers and magazines 35 articles were published and local TV stations broadcasted summaries of 18 technical trainings held in the regions.

The Association Building Unit maintains a database of 80 agri-input dealers; 64 of these dealers signed a letter of intent to become members of the prospective input dealers trade association. Bylaws have been drafted, discussed with the dealers, and reviewed for adoption according to Azerbaijan law. Networking started among dealers to exchange commodity, price,

and technical information. Special attention was given to dealers on the needs of farmers and the agri-processing industry, improving communications, and to start discussing common interests among members. Improved quality standards, production volumes, and consistency of outputs for agricultural products form the basis for cluster building both upstream and downstream.

Animal feed has been taken off the input list in the AMDA project. The three largest broiler and egg production companies are well established and smaller private production units are supported by humanitarian projects and the ACIDI/VOCA-supported Economic Opportunities for Central Azerbaijan in Ganja.

In the first year of operating, AMDA has established a high degree of trust and support with agri-input dealers and the progressive farmer communities. The foundation has been placed for a successful collaboration among the players. Demand for project services is increasing, which provides a strong indicator for the quality of the technical assistance that the project has offered. Major information requests are for pesticides (57), fertilizer (34), seed (14), drip irrigation (8), access to credit (9), and trade missions (42). In addition, farmers' access to fertilizer, seeds, pesticides, and other production inputs has increased.

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Highlights of Program Achievements

The main aim of the project is to develop a reliable and efficient private sector distribution system for appropriate agri-inputs and the technologies they embody. This will be accomplished by establishing an agri-input dealers association supported by business development advice, credit and finance facilitation, association building as well as technology transfer and private sector extension services to dealers, farmers, and related institutions and organizations.

Operations and Management

In March 2002 the AMDA office became operational and in May 2002 submitted relevant documents for project registration. In March 2003 AMDA was registered (backdated to December 2002). The work plan for year 1 was finalized, submitted, and approved by USAID. Contacts with SO 1.3 partners, various donor projects, as well as public and private organizations have been established. International and local short-term consultants (STCs) contributed to problem solving of selected topics such as fertilizer marketing, association building, and drip irrigation technology. At the end of year 1 the AMDA office is widely known as an information source for agricultural services and advice. Various agricultural projects approached AMDA to supply agronomic informational publications.

Work Plan Year 1

Business Development and Training

Indicators

1. Identification of potential customer clients.

During year 1 more than 100 dealers were contacted; thereof, 80 agri-input dealers have regularly been attending AMDA meetings in the four project regions. About half of these dealers have been very active and contribute to cost-sharing activities such as demonstrations and private sector extension services. The dealer database is regularly updated and open for new candidates.

Project staff members have remained in close contact with the five largest importers (EMA, Tovus Baltiya, AgroChemia, Sayyah Dadashov, and Rovshan Agayev). These large companies receive strong political backing and have the tendency to dominate the medium and smaller dealers. Therefore, AMDA differentiates technical support towards both groups.

Three dealers were introduced by AMDA to the EMA-company and became representatives in their respective working areas for EMA pesticides. EMA has a staff of agronomists that provide training to their regional representatives. The dealers are optimistic that they will be able to increase their pesticide sales and deliver an improved service to their clients. EMA has a good reputation and is one of the few companies trusted when it comes to the sales of pesticide products.

2. Presentation of project support.

Three initial rounds of project introduction were conducted in the four regions, and the purpose, aims and goals of AMDA were explained to agri-input dealers. For many it was the first time to collaborate with a development project, and the principles of assistance for “self-help” that the project was able to provide had to be explained several times in detail.

3. *Training of customer clients.*

Several technical (44), association (10), and management (10) trainings were held in the four project regions (see as well Association Building, Technology Transfer, Access to Credit and Finance). Emphasis in Business Development was provided on marketing-related aspects of purchasing and selling fertilizers. The importance of gross margin calculations was presented in all four project regions to more than 80 participants, including dealers, farmers, private extension agencies, staff members of financing agencies, and regional staff members of the World Bank Extension Offices. Refresher courses for 2003 are deemed necessary to sustain this basic business development concept.

4. *Development of business plan.*

Business plans have been developed for nine dealers to submit to various credit and finance agencies. Fifty-nine dealers each received a steel container to be used as marketing outlet facilities in rural villages.

5. *Collection of agri-input market information.*

In collaboration with Land O'Lakes, a price bulletin was published on a monthly basis. Each monthly bulletin has a circulation of 500 copies. Furthermore, a trade mission to Rustavi, Georgia, took place to improve working relationships with the JSC Fertilizer Plant. According to a statement from JSC Fertilizer Plant representative in Azerbaijan the sales turnover increased by 15%. Encouraged by AMDA and later based on the dealers' own initiative, fertilizer price information is being exchanged throughout Azerbaijan.

6. *Processing of international importation price requests.*

Fertilizer imports have started to take place from Georgia and Russia, and additional contacts have been established with international suppliers. The JSC Fertilizer Plant in Rustavi, Georgia, was visited with dealers from southern Azerbaijan. Topics of discussion with the Marketing Manager concentrated on pricing, packaging, and quality analysis. JCS was recently bought by the Russian company ITERA and is in the process

of undergoing technical and managerial changes. At the time of the visit the plant had temporarily stopped operations.

7. *Arranging of imports.*

The large importers are currently arranging imports. Due to the shortfall from Georgia, all imports were primarily coming from Russia. Major constraints are reliability and keeping of contracts from Russian suppliers. The large importers currently do not disclose their business operations to the AMDA project. Project staff members are still working on improving the trust relationship with these companies.

In collaboration with the German potato seed breeder EUROPLANT and Tovus Baltiya, 60 mt of high-yielding seed potatoes were imported through the initiative of the AMDA project. AMDA used 5 mt of these seed potatoes for demonstration plots to input dealers and their member clients. The project initiated the contacts; Tovus Baltiya paid for the transport costs amounting to \$24,000 and took on the task to register the various varieties delivered. The value of seed potatoes delivered amounts to \$27,000.

8. *Accomplishment of training workshops.*

A local source of TSP was found, and the fertilizer was introduced to the dealers. Dealers purchased 120 mt of TSP on the basis of demand from farmers and through promotion via demonstrations and field trials conducted by the AMDA project. The AMDA project supported an increase in the demand for TSP by publishing leaflets that were distributed at dealers' shops. Technical trainings were held on TSP related to timing of application, effectiveness, and quantities to be used in open field production. Dealers created a retail distribution network to supply TSP throughout the country.

The STC Hiqmet Demiri gave presentations on best field practices on wheat growing in the Sheki/Ismailli region. In conjunction with the field practice, a meeting was conducted with progressive farmers, agri-input dealers, and the milling industry to promote networking and intensify communication for an integration of vertical demands from each level concerning quantity and quality of production.

The dealer Firdouzi in Ganja was supported in his collaboration with the vegetable supplier SEMINIS from The Netherlands. Vegetable seeds sold are from the following companies: Asgrow, Petoseed, Bruinsma, and Royal Sluits.

The IVP program sent one dealer to the United States on a study tour emphasizing input supply, private extension services, and demand creation at the farmer level.

Access to Credit and Finance

Indicators

1. Developing a compendium of providers for agricultural credit.

An overview of agricultural financing and credit organizations/banks was developed. Interest rates range from 18% to 36%. The lower interest rate is charged for production credit whereas the higher interest rate is charged for trading purposes. Banks providing credit for the agricultural sector are located in Baku, thus making it very difficult for farmers, dealers, and processors to have access to their services. Only finance organizations set up by development projects such as the USAID-supported CredAgro and the EU-Tacis Rural Foundation Fund have established offices in the potential agricultural regions. AMDA decided to collaborate closely with CredAgro because: (a) branches are established in the AMDA working regions, (b) interest rates are reasonable (18%-24%), (c) their staff members provide in-house knowledge about agricultural activities, and (d) they are closely monitoring their clients.

2. Identification of credit tools.

In collaboration with CredAgro a common approach was developed regarding how dealers should approach CredAgro and which preconditions need to be fulfilled.

3. Conducting training workshops.

In all four project regions, meetings were held in collaboration with CredAgro to introduce and establish regular credit information exchange between agri-input dealers and their credit provider.

4. *Preparation of credit applications in collaboration with dealers.*

In total, 8 regional group meetings and 24 individual meetings were held with agri-input dealers to prepare credit applications.

5. *Number of credits awarded to clients.*

During the first year, nine agri-input dealers were granted credit amounting to \$65,400. All dealers who received credit through AMDA support were visited and reminded to pay their installments in due time. No dealer defaulted and all of them promised to make their payments on time.

An investment survey of dealers was conducted to analyze their current business activities. The total investment by AMDA dealers during the first year amounts to \$92,130. This clearly indicates that a large number of dealers see their future in agri-input supply and are willing to invest their own capital in expanding their businesses. Nearly all funds were used to either renovate shops or erect new storage facilities. This is a sign of a positive vision leading to economic development in rural areas. The AMDA project is planning to use this momentum to provide targeted support to the growing dealer network.

Marketing—The Credit and Finance Unit and the Business Development Unit are also working with dealers on input marketing. In all four project regions, the concept of marketing was introduced by giving practical examples on how to promote fertilizer sales, and networks have been created for the purchase of TSP. Moreover, group purchases were discussed that resulted in economies of scale as regional dealers joined together to purchase TSP.

Discussions with Rustavi JSC in Georgia have been started in order to improve business relations. Projections of fertilizer demand, quality, packaging, pricing and timing of AN were discussed with the marketing manager of Rustavi JSC in Georgia during a visit at the plant.

Technical Training, Transfer and Private Extension Service

Indicators

1. Increased types of input products available through dealers.

TSP was introduced for the first time in Azerbaijan through networking of private dealers to promote the use of this fertilizer. Furthermore, the use of N, P, and K as a complex fertilizer has been demonstrated in various demonstrations and on-farm-trials in crops such as wheat, tomato, cucumber, potato and apples. In addition, dealers have become more advanced in the use of complex fertilizers on onions, cabbage, carrots, eggplants, and citrus.

Furthermore, various new environmentally friendly pesticide products were introduced, and emphasis was to strictly keep applications rates as recommended by the manufacturer. After consultation with the major pesticide importer EMA, it was agreed that they would start a series of label translations because many farmers are unable to read and understand the label explanations.

Note: AMDA does not purchase or apply any CPP. All CPP use is at the discretion and under control of the landowners of the TTC.

2. Field days for dealer clients.

In 2002, field days for tomato and apple production were conducted with 72 dealers participating. For the 2003 season, 15 field days were provided in tomato, apple, wheat, potato, fertilizer and pesticide application, new high-yielding seed varieties, and drip irrigation. In collaboration with AMDA, dealers established demonstration plots and on-farm trials. AMDA also collaborated with dealers to identify those field crops that have a regional comparative advantage under improved agronomic practices. Eight training seminars, two field days, and four demonstrations were designed and implemented (totaling 39 units).

The apple orchard demonstration resulted in such high-quality production that within 2 weeks after harvest 80% of the apples were sold to the Russian export market.

3. *Field days for farmer clients.*

In collaboration with dealers, field days for tomato, apple, and potato production were conducted. In total 79 progressive farmers participated.

4. *Introduce private sector extension concepts and techniques to dealers.*

Technical training centers have been established in Guba, Masalli, Ganja, and Ismailli regions. Numerous demonstrations were held for fertilizer use, introduction of new seed varieties (potato, wheat, vegetables), and application of new pesticides. One on-farm-trial involving 220 farmers and 20 dealers introducing TSP in wheat production started in October 2002. In all four project regions the concept of private sector extension services was introduced to strengthen the relationship between dealers and farmer clients. A total of 84 dealers participated in these meetings.

In addition, more than 30 different leaflets, brochures, posters, and background information material were produced by AMDA. Dealers exclusively distributed these publications to their farmer clients. Farmers not only purchase a product from dealers but also receive product information or information necessary to increase their production and productivity. More than 30,000 copies were published by AMDA on 21 different topics such as best growing practices, controlling pests and diseases in field production, and crop rotation. These publications are an important part of the dealers' private sector extension system.

Moreover, weekly publications in one newspaper (with a distribution of 4,500 copies) and one agricultural magazine (with a distribution of 1,500 copies) were launched. Some of the topics included the proper handling, storage, utilization, and application rates of fertilizer. Local television stations in the four project regions broadcast 24 television transmissions on a variety of topics and meetings.

5. *Introduce safety training in handling CPP, storage, and application.*

A booklet was published (1,000 copies) providing practical information on safety handling of CPPs. In addition, two newspaper articles on safety handling have been written for *Yeni Azerbaijani* (with a distribution of 1,500 copies). Dealers and farmers are made aware of the utilization of environmentally friendly pesticides through several

means. During technical trainings for best growing practices, the concept of integrated pesticide management was introduced.

Association Building

Indicators

1. Association organizational meetings.

Three organizational meetings have been held in all four project regions to introduce the concept and strategy of a dealers' trade association. Benefits and characteristics of an association were explained in detail. The longer the cooperation between AMDA and dealers continued the more the dealers expressed their interest in an input dealers' trade association. Sixty-four dealers signed a letter of interest to become association members and key dealers were identified as prime movers of the association.

2. Association registration and elections.

Local elections for regional vice presidents and members for the executive council were conducted in the four project regions. The 12 executive council members and 5 regional vice presidents called for the constituent assembly of the association in April 2003.

3. Association advocacy, media events, and position papers.

In regional meetings the association bylaws were discussed and approved. Advocacy, media events, and position papers will be developed after the working committees are elected.

4. Association business plan.

Preparations for developing an association business plan were made. The first meeting will be held in April 2003.

5. Trade missions to Turkey, Albania, and Greece.

One trade mission to Georgia was conducted with each participating dealer paying \$50 into the association fund for covering the costs of organizing the tour. Seven dealers from southern Azerbaijan received an overview of potato input supply, production, and

marketing in Tbilisi. In addition, potato and vegetable wholesale markets were also visited in Tbilisi. Discussions with Georgian dealers led to business contacts and trading of potatoes in the Red Bridge Market at the border between Azerbaijan and Georgia.

Leveraged Support and Cooperation

Since inception of the project, AMDA has maintained regular relationships with SO 1.3 partners, international donor projects, public offices, and national and international private companies.

- Continuously developed international contacts and fostered relations with the private sector for seed and fertilizer supply such as Europlant, potato seed, Germany; Seminis, vegetable seed supplier (Asgrow, Petoseed, Royal Sluit, Bruinsma), The Netherlands; Jecot, fertilizer supplier, Switzerland; Rustavi Chemical Plant, fertilizer supplier, Georgia.
- Close collaboration with the ACDI/VOCA-supported CredAgro financing organization to increase availability of credit to dealers.
- Close collaboration with Land O'Lakes and Community Habitat Finance (CHF) on association building and publishing the Agricultural Commodity Price Bulletin.
- AMDA has maintained regular contacts with the European Commission (EC) Food Security Program and the German Agency for International Cooperation (GTZ) on issues pertaining to agricultural policies.
- Collaboration with the International Federation of the Red Cross in developing information material for farmers concerning crop rotation and soil fertility.
- Support to the World Bank extension project located in the Ministry of Agriculture for developing best agronomic practices for farmers.
- One AMDA staff member participated in a survey about wheat production in the Sheki region organized by the Norwegian Humanitarian Enterprise.

Cost Sharing Contribution

The cost sharing contributions are a critical factor in ensuring the sustainability of networking and the business trade association. Cost sharing is divided into direct and indirect contributions made by dealers. As of March 31, 2003, the total cost sharing amounted to \$288,466 (details of the contributions can be found in past monthly and quarterly reports).

An ever increasing number of dealers have contributed to the demonstrations and on-farm trials implemented by the Technical Training, Transfer and Private Extension Service Unit. For year 2 the number of demonstrations will increase based on requests received from dealers. Emphasis is placed on crops with either a good return calculated by gross margin (vegetables, potatoes) or existing demand for export (potatoes, tomatoes, cucumber, apples). Field days will also increase as requests for several on-farm trials have been received from dealers and farmers.

Due to a stronger commitment and a more positive outlook for company viability, dealers have started to build new storage facilities and shops at central locations in their regions. This is an indication that agri-input dealers see their economic future in supporting the agricultural sector in Azerbaijan.

Credit is an everlasting topic for dealers. Claims that interest is too high—25% for trading—are followed by hesitant credit applications. Nevertheless, in total \$65,400 worth of credit has been approved.

Dealers are not accustomed to the use of media for promotion of their business activities. They are afraid that the local tax offices will approach them for higher tax payments. Therefore, dealers were not willing to be mentioned by name or shop when the offer was made to go public and announce in media outlets such as newspaper and TV spots to the farming population about their business activities. Even the large importers do not want to be named in public media events.

Membership dues and fees are related to association registration. Given the slow processing of association registration by the Ministry of Justice, the AMDA project expects that this will be delayed. However, starting in July 2003 internal rates will be applied for services received.

International supplier representation should increase after having conducted the study tours and trade missions. Grants are subject to goodwill from donors and international suppliers.

Cost Sharing Contribution
October 2002 – December 2002

Value of Cost Sharing in US Dollars, 2002

No.	Activity	Feb.	Mar	Apr	May	June	July	August	Sep.	Oct.	Nov.	Dec.	Total
1	Association meetings/ member visits				502.50	198	610	2,177	395	1,260			5,142.50
2	Field days/advisory visits	400					682		480	945	8,500		11,007
3	Seminar/ business counseling								3,560	250	3,000		6,810
4	International supplier presentation										2,300		2,300
5	Transportation							800	300	600	2,000	400	4,100
6	Trade missions/study tours												-
7	Media coverage						400	50	1,500	100	1,750	650	4,450
8	Credit obtained								7,000	21,400	37,000		65,400
9	Grants obtained							7,500	2,500	3,000	10,000	2,000	25,000
10	Investment by dealers												
11	Membership registration dues												
	Total US \$/Month	400			502.50	198	1,692	10,527	15,735	27,555	64,550	3,050	124,209.50
	Grand Total US \$												124,209.50

Appendix 2
Cost Sharing Contribution
January – March 2003
Value of Cost Sharing in US Dollars, 2002

No.	Activity	Jan	Feb	Mar	Apr	May	June	July	August	Sep	Oct	Nov	Dec	Total
1	Association meetings/ member visits	1,820	780	2,005										
2	Field days/advisory visits	992		1,790										
3	Seminar/business counseling													
4	International supplier presentation/supplies			27,000										
5	Transportation	2,000		24,000										
6	Trade missions/study tours			1,090										-
7	Media coverage	150	300	200										
8	Credit obtained													
9	Grants obtained	10,000												
10	Investment by dealers	92,130												
11	Membership registration dues													
	Total US \$/Month	107,092	1,080	56,085										
	Grand Total													
Accumulated total from February 2002 – to last month reported: \$288,466														

Results Statement IFDC/AMDA Project

No.	Results	Unit of Measure	Base	Annual Cumulative	Cumulative Since Inception of Project
1	Sales volume of fertilizers	Dollars	4,000,000	5,000,000	1,000,000
		mt	40,000	50,000	10,000
2	Sales volume of improved seeds	Dollars			
		mt	40	55	15
3	Number of farmers purchasing fertilizers	No. of farmers			
	Number of farmers purchasing improved seeds	No. of farmers			
	Number of farmers attending field days	No. of farmers		313	313
4	Credit: Total value of loans	Dollars	-	65,400	65,400
	Number of borrowers	No. of borrowers	-	9	9
5	Number of new products or services introduced	No of enterprises	-	4	4
6	Number of enterprises that enter new markets	No. of enterprises	-	7	7
7	Number of people/enterprise employees trained	No. of people	-	888	888
8	Number of people/enterprise employees who report applying training skills	No. of people	-	320	320
9	Number of enterprises adopting and complying with accepted standards	No. of enterprises	-	45	45
10	Number of new opportunities for receiving market information	No. of new opportunities	-	2	2
11	Membership of associations created	No. of members	64	64	Signed letter of intent
12	Number of associations that collect membership fees	No. of fee paying members	-	-	-
13	Total dues, service fees and other assoc. revenue	Dollars	-	-	-

Note: Reliable statistical figures are not available. Figures provided are based on project information and / or project estimates.

Developing an Agribusiness Market Economy in Azerbaijan

The project strategy is to enhance the skills and entrepreneurial abilities of input dealers as a competent and vital link in the agricultural sector. Therefore, strong linkages are created among dealers and dealers-suppliers, agro-processing industry, farmers, and public authorities to foster the development of a commercial, demand-driven agricultural production system. These linkages will be strengthened by expanding the use of appropriate technologies, added value in production, processing, and increases in marketing activities. Furthermore, utilization of modern agricultural inputs increases productivity and, hence, competitiveness of production will result in import substitution for the agricultural output market.

Agriculture input demand, including demand for fertilizer inputs, is a derived demand for such agricultural products as food, fiber, fruits, vegetables, and fodder. The forces driving the input markets in open and competitive economies emanate from the agricultural sector. In Azerbaijan the demand for agricultural products for domestic consumption is likely to increase with growth in population and increased incomes anticipated from future oil revenues. This could lead to efforts directed at attaining self-sufficiency in agricultural products, with import substitution as a key strategy. Large tracts of fertile land (partly irrigated), diverse agro-climatic conditions, and the geo-strategic location between Europe and Asia provide a potential for the export development of vegetables and fruits from Azerbaijan.

Project demonstrations and trials aim at increasing productivity by using quality inputs. As the inputs used determines the quality of the outputs, dealers and progressive farmers are trained to produce a standard quality in sufficient quantities to attract fresh product traders and the processing industry. In the first year, AMDA has concentrated on crops with high gross margins and/or export demand. These are apples, tomatoes, cucumbers, and potatoes for the Russian export markets. In addition, potatoes achieve high prices on domestic markets given that early varieties are commonly grown. Wheat is considered a strategic crop; however, it has to be grown on large fields due to the low gross margin per land unit area. This means that wheat is not a crop for small-scale farmers unless these farm families produce primarily for subsistence purposes.

By training dealers and the 25% progressive farmers, a spillover effect to the approximately 800,000 farm families is targeted. Output markets are, however, not yet fully developed. Grading and packaging facilities are lacking and farmers' managed collection points and climatic-controlled storage facilities do not exist. It is not the mere supply of modern agricultural inputs but the competitive production of standard quality by a well-trained farming population that leads to a sustainable agricultural sector. AMDA has taken the first steps to support this objective.

Future Outlook Year 2

Farmers do not have sufficient knowledge of modern agricultural practices. Most information known was provided during the Soviet days and is not suitable for today's farming system. Farmers are not aware of inputs such as different types of fertilizers and the new generation of CPPs not to mention concepts such as Integrated Pest Management, Farm Management, or Gross Margin Calculation. Output markets are fragile and imperfect. Organizational approaches to farming activities at all levels, such as farmers' collection points, wholesale markets or cold storage facilities, do not exist. While there are good intentions and agricultural policies on paper, implementation remains weak.

The process of dealer training through workshops, demonstrations, seminars and trade missions will be continued. It is positive to note that, after 1 year, dealers have acknowledged receiving a great deal of useful, practical information. Networking among dealers from different regions has started to take place. Future areas of focus for intervention by AMDA are:

- Refresher and more detailed training on fertilizer product knowledge.
- Basic training in modern technology packages of major crops for introduction of high-value crops suitable for the area.
- Market knowledge—information on crops and fertilizer use in Azerbaijan and the region, potential demand by region and crop, supply sources from neighboring countries, and international prices.

- Business knowledge—training in basics of marketing including market planning, promotion and agricultural services, pricing, handling and storage, selling skills, and customer record keeping.
- Association Building—training in basics of associations and in the running of associations.
- Farmer training—limited to progressive farmers of the area—through field days and combined dealer/farmer meetings.
- Accelerate credit facilitation to dealers with the support of suitable credit organizations.
- Train and inform public authorities about needed policy changes for seed certification and value-added tax on fertilizers.
- Private Sector Extension Services promoted in collaboration with importers and regional dealers at customer and supplier level.

With the collapse of the Soviet Union, many required public sector services, such as agricultural extension and advisory services to the farmers, are no longer being provided. AMDA emphasizes the importance of these activities in market development and sales promotion.

Conclusion

At the end of the Work Plan Year 1 it can be summarized that agri-input dealers highly welcomed the support received by AMDA. Dealers' main interest centers on technical information and requests for low interest rate credits. The first was addressed by the project the latter is beyond AMDA control. All preparations were made for the April 2003 constituent assembly of the association. Trade relations of dealers were channeled through the group approaches. In future the association will take on this responsibility. Dealers were connected through field days and technical meetings with farmers and on targeted base with the processing industry. Knowledge transfer on sustainable agriculture practice was provided through technical trainings including participation of Azeri research institutes. The development seeds have been planted. In Work Plan Year 2 the seed will receive support to grow.