

Agri-Input Market Development in Azerbaijan (AMDA)

Quarterly Report

April – June 2004

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by

IFDC

An International Center for Soil Fertility and Agricultural Development

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Summary

The April to June 2004 quarter focused on the registration of the Azerbaijan Agri-Input Dealer Association (AKTIVTA) and the 2nd Annual Assembly in May. AKTIVTA is the first business association of its kind in the Azerbaijani agricultural sector and the first association officially registered with support from a USAID partner project in Azerbaijan. AKTIVTA membership stands as of June at 92 fee-paying members. The registration received national-wide appreciation when AKTIVTA presented itself at a national TV-station during the well-known TV-series Dialogue addressing the development of economic issues.

Viewing the end of the project phase in January 2005 AKTIVTA requires additional and different support beyond the current project phase. The same applies for activities supporting the economic development of the agricultural sector in relation to AKTIVTA. Therefore, an extension proposal for IFDC/AMDA project will be prepared during July 2004.

The 92 AKTIVTA members are supplying more than 42,000 Azerbaijani farmers on a regular basis with farm inputs according to a dealer and farmer survey carried out in April and May. The comprehensive survey analysis will be completed in July.

A trade mission to Turkey was undertaken in June with 9 dealers participating. This resulted in increased quality imports from the Turkish suppliers particularly concerning crop protection products and motorized pesticide sprayers.

Dealers' self-investment during the period January to June amounted to \$50,170. Contacts with Russian fertilizer traders and manufacturers initiated by IFDC/AMDA resulted in new business relationships with the import of 2,000 mt AN fertilizer amounting to \$200,000 by one dealer.

During the reported period 17 seminars and open field days were conducted attended by 180 agri-input dealers and 362 progressive farmers. Farmers' response to IFDC/AMDA field demonstrations and related farmers' best practice publications and media events on TV are receiving an increasing high appreciation by the Azerbaijani farming population.

Highlights of Project Achievements

Business Development and Training

Market price information on agri-inputs is distributed to association members on regular weekly and monthly intervals. A dealer survey and a farmer survey were conducted during April and May 2004. Presently, the survey is being analyzed and respective reports should be accomplished in July/August. Major survey findings are that the utilization of fertilizers increased from 20,000 Mt in 2001 to over 60,000 mt in 2004. Although still 80% of the fertilizer used is ammonium nitrate other fertilizer use such as TSP, UREA, and Kalium increased. This is a direct result of the AMDA project which initiated numerous field demonstrations and on-farm trials in collaboration with agri-input dealers and farmers.

Moreover, the 90 members of the Azerbaijan Agri-Input Association (AKTIVTA) supply as per May 2004 more than 42,000 farmers on a regular basis with agri-inputs. This is to say that the number of regular farmer customers purchasing quality inputs at the agri-input dealer shops increased by more than 100% compared to baseline survey 2002.

In May 2004 the Interfood Fair in Baku took place. Several national and international companies promoted their products. The most interesting company for the dealers was a supplier of equipment to control temperature and humidity for storage of agriculture products.

The agriculture machinery fair organized by the Ministry of Agriculture in Ujar District was visited by 17 dealers. Machinery displayed was manufactured in Turkey or Russia and included: pesticide sprayers, tractors, combine harvesters, wheat seed cleaner, plows, potato harvester and planter, drilling machines, etc. Prices for machinery were very high compared to offers from individual suppliers purchasing and trading directly from the manufacturing source. The reason for this is the monopoly creation by the Turkish/Azerbaijani fair organizer AGROLOGISTIKA as machinery could only be purchased from them. No purchases were made due to the high prices.

A trade mission to Turkey took place from June 7 to 14. In total 9 agri-input dealers participated. Following supply companies delivering inputs to Azerbaijan were visited: TARAL

(pesticide sprayer production), MAY (vegetable and corn seed producer), SAFA TARIM, KORUMA and HEKTAS (agro-chemical producers), ORTUGRUL (potato planter and harvester producer) and DOGA (seed potato and apple rootstock producer). The visited companies agreed to extend their collaboration with the dealers and conduct demonstrations in Azerbaijan for new products entering the markets. Each dealer paid \$200 as a contribution to the association fund.

The dealer, Nazim Mammedov, experienced problems with payment for apples delivered to Catermar Inc. a US-based Company. Although \$18,000 was paid (delayed) an amount of \$2,000 is still outstanding since March 2004. Business relationship building concerning contract reliability and payment in time remains problematic. Not necessarily the problems are created by producers and dealers but as well caused by processors and traders. The reason for this is the risk shift (expressed in delayed payment) until the final product has been sold by the processor or trader. Both purposely wait until they are paid by the final consumer. This may take up to 18 months for instance with tomato paste sold to Russia.

When preparing business plans it is common that no provisions are made for working capital. This is resulting in owning a well equipped processing factory but no working capital is available to pay farmers for the delivered raw material (vegetables, fruits, etc). The inability of creating a trust based relationship between business development advisor (local consultant or development project) and processor is the main reason. In addition, farming and farmers are looked upon as deliverer of raw material which is considered to be of low priority. Visiting a number of processors none of them has an outreach division providing extension to farmers. The logic that output is only as good as input in relation to a qualitative market chain (input supply, production, processing, marketing) has not been realized by most of the processing companies.

Credit, Finance, and Marketing

The Business Development Unit was assisted in conducting and computing the dealers and farmers survey. A format for calculation of gross margin and greenhouse investment was developed and figures are successively computed. Firuz Teymurov, JSOT “Lenkeran Konserv”, repaid \$1,000 for his greenhouse and has a remaining balance of \$1,100. Regular price information on international fertilizer prices are distributed to the importers.

Arzu Shahnazarov was accompanied to the FMB Fertilizer Conference in Moscow, Russia, during July 16 to 19. Arzu has been supported since June 2003 to obtain new contacts with fertilizer manufacturers as his previous supply source in Georgia appointed a new distributor in Azerbaijan (AgroKimya). Arzu imported during January – June 2004 an amount of 2,000 mt of AN at \$200,000 from Asterix, a Russian AN manufacturer.

During the FMB Fertilizer Conference Arzu met for the first time in person representatives of Asterix Company. An agreement was reached to continue collaborating in future, increasing the import volume. Moreover, Arzu met representatives from PHOSAGRO and TRANSAZOT for the supply of ammonium nitrate and phosphate fertilizers and strategic supply and transport plans were elaborated. The Italian company VALAGRO asked Arzu if he wants to become their Azerbaijani country representative. No conclusions were reached as Arzu first has to conduct a market research for products offered such as micro-nutrients, bio-stimulants and foliar fertilizers which are not commonly used in Azerbaijan.

Dealers' self-investments from January to June 2004 reached \$50,170 thereof \$19,700 was used for building and shop renovation and \$30,470 was used to purchase various agricultural machinery (tractors, combine harvester, drill machine, pesticide sprayer, fertilizer spreader, etc), water pumps and irrigation equipment. These trends indicate that dealers have learned their lesson well and invest money in farm production.

Association Building

On April 13, 2004, the Agri-Input Dealer Association (AKTIVTA) was officially registered and respective documentation was handed over by the Azerbaijani Ministry of Justice. AKTIVTA is the first association registered of its kind in Azerbaijan and the first supported by an USAID partner project (IFDC/AMDA). During the 2nd National Annual Association Meeting this achievement was highly appreciated by the AKTIVTA members and invited guests from USAID Office Baku, Ministry of Agriculture, Ministry of Economic Development, European Commission Food Security Program, German Agency for Technical Cooperation, ACIDI/VOCA, RECP Program, CredAgro, World Learning, Agro Meshlehet (local consulting company), EMA, AgroKimya, ASIF, and May Sema (all agri-input importers) with whom the IFDC project and

AKTIVTA are having active cooperation and collaboration. In total 82 fee-paying dealers participated at the second annual assembly.

Invited guests addressed AKTIVTA members and appreciated the work accomplished during the last year. The assembly received high media coverage and a number of journalists from various newspapers interviewed AKTIVTA members.

During the assembly the association decided to raise the annual membership fee from \$30 to \$40. One new Executive Council member was elected and the term of the present Executive Director extended.

During the reported period a seed law policy paper was written (variety testing, registration, distribution networks, and truth in labeling) and discussed with the Technical Committee and Executive Council. After improvements the policy paper was presented by the Chairman of AKTIVTA Technical Committee and the Association Specialist to the Agrarian Science Department of the Ministry of Agriculture.

The seed law policy paper was based on attending a meeting organized by the European Commission Food Security Program on improvements of current seed laws in Azerbaijan during April 2004.

The Association Executive Council conducted their second meeting this year in May. During the meeting AKTIVTA by-laws, Standard Operation Procedure Manual, and the Business Plan was approved, compiled in one file and distributed to all AKTIVTA members. The official AKTIVTA registration motivated the Executive Council Members and the selected Chairmen of the Technical Committees to present AKTIVTA on May 14 for one hour in well-known interactive TV-series (Dialogue) addressing economic issues in Azerbaijan. During this presentation more than 1,000 viewers phoned the national TV-station and wanted to know details about AKTIVTA, their activities, and how AKTIVTA can support the farming population. This demonstrates the high interest of transferring information and know-how regarding agricultural topics. Most questions were related to credit, disease control, and farmers' best practices.

A two-day training on Strategic Association Planning was conducted by Jim Stanelle from IFDC. Participants were Executive Council members and Regional Vice Presidents. The group was presented the monitoring and evaluation results of the last two years including association goals, objectives, and AKTIVTA activities. New objectives were added as participants understood better the goals-objective activities while the vision and the mission statement remained the same.

Barda District was visited – until now not a targeted region - and 10 dealers met who were given an introduction of the AKTIVTA principles and work. As a result of the promotional visit 4 new dealers joined the association. The number of association members increased to 92 as per end of June 2004.

From April to June 2004 three regional seminars were conducted in Guba, Ismailli, and Ganja with 31 dealers attending to explain association members the strategic plan of the forthcoming year.

Technology Transfer and Private Sector Extension

Three potato field demonstration plots were harvested and respective data computing is being done. As a result of frost in March the yields were not excellent (35 mt/ha); however, way beyond the national average of 12 mt/ha. Distinctive differences in yield levels appeared (up to 80%) in plots where NPK was used compared to plots with AN application only. Both dealers and farmers realized that sound application of multi nutrient-fertilizers increased their yields and quality of potatoes. NPK fertilizers were used for the first time after 10 years and 132 dealers and farmers raised many questions during the open field days.

One open field day in Sheki was held concerning improved wheat production. The demonstration plot focused on different fertilizer application rates especially NPK and TSP. In total 68 dealers and farmers as well as extension agents from the World Bank financed Sheki Regional Advisory Center, and the Seed Research Station participated.

Nine maize on-farm trials were prepared in Zagatalla in early May. Among them two new varieties from Georgia were introduced. The purpose is to demonstrate the higher yielding capacity of open pollinated varieties.

Two drip irrigation units, one for fruit trees and one for vegetables, were installed at the vegetable garden at Lenkeran orphanage. Children, particularly the girls, show great interest and are very active in taking care of the vegetable garden. One AKTIVTA member in collaboration with one local IFDC staff is supervising the activities at the orphanage.

The series of agricultural know-how transfer through meetings organized by regional dealers in cooperation with IFDC/AMDA project continued and attracted in total 188 farmers and dealers. Targeted regions are Sheki, Jalilabad, Guba and Shamkir. Topics included: Weed Control in Wheat Production; Disease Control in Potato Production; Foliar Fertilizer Use and Disease Control in Apple Orchards; and Farmers' Best Practices in Onion Production. A major topic in all technical meetings is disease control in the various crops grown. Due to limited project resources AMDA project is not able to address all relevant topics as requested by dealers and farmers (all technical meetings are held on demand oriented requests from dealers and farmers).

Greenhouses and Drip Irrigation

In the four greenhouses respective tomatoes and cucumbers are harvested and respective figures are computed. Greenhouse operators received on-the-job training especially in disease control. However, due to managerial problems in this start phase yields are not as high as expected. The seasonal STC for greenhouse production left for an USAID partner project in Kyrgyzstan and will return in early August.

In the meantime interest to purchase three large and two small greenhouses were received and respective contacts made with the Israeli supplier. Final orders will be agreed upon in July.

Public Relations

The following leaflets, brochures, and media events were published / broadcasted:

No.	Publication/Media	Date	Copies
Leaflets/Brochures/Booklets/Posters			
1	Avoiding Damages in Potato Production, booklet	May	500
2	Foliar Fertilizers, leaflet	May	500
3	Quality Standards in Potato Production, booklet	May	500
	Total		1,500
Leaflets/Brochures/Booklets/Posters			
1	Agricultural Commodity Report (each 150 copies)	April, May, June	450
2	Project Newsletter No. 6	May	500
	Total		950
Newspaper/Television			
1	TV-documentary “Controlling Pests in Wheat Production”, AzTV	April, 01	18 minutes
2	“Agricultural Calendar”, AzTV 1	April, 01	4 minutes
3	Technical Innovation in Farming: Greenhouse Production and Drip Irrigation, Baku Sun	April, 30	1 article
4	Technical Innovation in Farming: Greenhouse Production and Drip Irrigation, The Azeri Times	April, 30	1 article
5	“Pests and Diseases in Potato Production”, TV-documentary, AzTV1	May, 19	25 minutes
6	Live Discussion in Dialogue about AKTIVTA activities, AzTV1, Dialogue	May, 14	60 minutes
7	AKTIVTA 2 nd Annual Assembly, Space TV	May, 24	5 minutes
8	AKTIVTA plays an important role in integrating Azerbaijan Agriculture into the World Economy, Azeri News	May, 25	1 article
9	Once upon a time in Guba Hall: AKTIVTA Activities, CBN Extra	May, 26	1 article
10	Fertilizer Dealers Highlight Tasks and Targets, Turan News	May, 25	1 article
11	Dealers as Propagandists, Azerbaijan Izvestiya	June, 01	1 article
12	AKTIVTA Activities, documentary, AzTV1	June, 25	25 minutes
	Total		6 newspaper articles; 6 TV documentaries

In total, 2,450 publications were disseminated, 6 articles in various newspapers published, and 6 television documentaries broadcasted at regional or national level.

Appendix 1. Project Meetings Held with Agri-Input Dealers April – June 2004

Title	Venue/Date	No. of Participants
Technical Issues for Executive Council	Baku, April 23-24	9
Public Relations and Executive Council	Baku, April 22-23	11
Work in Technical Committees	Baku, April 23	3
Annual Assembly of AKTIVTA	Baku, May 23-24	82
Strategic Planning in Associations	Guba, May 25	7
Strategic Planning in Associations	Ismaili, May 26	11
Strategic Planning in Associations	Ganja, May 27	13
Seminar: Weed Control in Wheat Production	Sheki, May 7	20
Seminar: Pest and Disease Control in Potato Production	Jalilabad, May 4	21
Seminar: Foliar Fertilizer Use and Pests and Diseases in Apple Orchard	Guba, May 20	66
Seminar: Onion Production	Shamkir, May 27	30
Seminar: Onion Production	Shamkir, June 30	60
Trade Mission to Turkey	Turkey, June 7 – 14	9
Open Field Days in Potato and Wheat Demonstration Plots	Jalilabad, June 11, 17, 23 Sheki, June 30	200
Total:		17 seminars attended by 180 dealers and 362 progressive farmers

Appendix 2. Cost Sharing Contribution

April 2004 — June 2004

Value of Cost Sharing in U.S. 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								11,075
2	Field days/advisory visits	360	3,690	210	1,150	8,120	14,300							27,830
3	Seminar/business counseling		2,265			1,875	21,500							25,640
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							12,500
8	Credit obtained		10,500	5,000										15,500
9	Grants obtained													
10	Investment by dealers						50,170							50,170
11	Membership fees and dues			30	90	150								270
12	Association Service Fees		604	1,100										1,704
	Total US \$/Month	2,180	25,909	7,560	2,370	29,690	94,820							162,529
	Accumulated total from February 2002 to last month reported: \$899,859													

Appendix 3. Contact List

USAID Partners	
Jeffrey R. Lee	USAID Office Baku, Deputy Country Director
John Brannaman	USAID Office Baku, Agricultural Development Officer
Doyle Petersen	RECP, The Pragma Corporation, USAID Partner Project
Warren Becker	RECP, The Pragma Corporation, USAID Partner Project
David Yurosek	RECP, The Pragma Corporation, USAID Partner Project
Paul Hamlin	ACDI/VOCA, Credit Advisor to CredAgro
Eldar Jafarov	CredAgro, Baku, Director
S. K. Reddy	USAID Regional Office Georgia, Tbilisi
Khatuna Ioseliani	USAID Regional Office Georgia, Project Management Specialist, Tbilisi
Laura P. Hruby	US Embassy Baku, Political Officer
Other Donors	
Dr. Aloys Grosse-Rueschkamp	GTZ, STC on Input Supply
Dr. Reinhold Schuette	GTZ, Head of Project, Agricultural Policy Project
Steffi Lintzmeyer	GTZ, STC on Seed Law
Dejan Burckhard von Roman	GTZ, Food Security, Regional Cooperation & Stability in Southern Caucasus
Anthony J. Treen	GTZ, STC, IPM Specialist
Ms. Noy Siackhachanh	Asian Development Bank, Director Governance, Finance & Trade Division, Manila, Philippines
Betty Wilkinson	Asian Development Bank, Micro Finance Specialist, Manila, Philippines
Igor Gorashov	World Bank, General Director of Consolidated Agric Project Unit, Moldova
Jorge L. Daly	Management Systems International, Director Private Sector Development, Washington, USA
Leo T. Surla Jr.	Metra Metrics, President, Planning Research and Evaluation, Washington, USA
Basil Kotchoubey	European Commission, Policy Advisor to Ministry of Agriculture
Philippe Bertrand	European Commission, Budgetary Support Program to Ministry of Finance
Natavan Aslanova	European Commission, Economic and Financial Assistant
Ehud Kazenelenbogen	Ein-Tal, Irrigation and Greenhouses, General Director, Israel
Susan Smith Nelson	Excelsior College, Associate Dean, Albany, Columbia, USA
NGO and Local Organizations	
Yeggana Guliyeva	Agro Information Center, Deputy Director, Baku
Ahmedov Mohtasin Guresh	Institute of Agriculture, Deputy Director
Mamedov Fuad Huseyn	Scientific Research Institute for Vegetables, Director, Baku
Rafil Huseynov	Ministry of Agriculture, Head of Department of Program and Project Expertise
Shahverdi Ahadov	Ministry of Economic Development, Agro-Industry Department, Baku
Mahir Sheydayev	May Sema, Seed Company, Baku
Rufat M. Kasumov	ATA-Holding, Chairman, Strategy & Business Development Committee, Baku
Others	
Dr. Adel El-Beltagy	ICARDA, General Director, Research in the Dry Areas
Sarath Ilangantikele	CGIAR, Future Harvest, CIP, Regional Leader, South & West & Central Asia, New Delhi, India
Dr. Hubert Zandstra	CGIAR, Future Harvest, CIP, Director General, Lima, Peru
Dr. Raj Paroda	CGIAR, Head of Program for Central Asia and Caucasus, Tashkent, Uzbekistan,
Alexei Morgounov	CIMMYT, Regional Representative Breeder for Central Asia and Caucasus, Almaty, Kazakhstan