

## AZPROMO PROJECT PLAN

### PROJECT: Development of Freshwater Trout Fisheries in Sheki region

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## 1) *Background and Sector review*

### Aquaculture in Azerbaijan

Azerbaijan has 8359 rivers, of which 3218 flow directly into the Caspian Sea. The largest rivers (the Araz and Kura) and reservoirs (the Mingachevir and Shamkir) of Azerbaijan are in use for commercial fishing. Lake Sarysu, the largest lake in the country, is also used for commercial fishing. Smaller waters are not used for commercial fishing because they are not capable of sustaining a fish population on which commercial fisheries can thrive.

The current commercial output from rivers, lakes and reservoirs is under-capacity. Investment opportunities exist to increase the output, through investment in management and stocking programmes. By optimizing fish production in these waters, much greater production from fishery activities can be achieved.

Azerbaijan has an estimated 65 900 km of irrigation canals which offer excellent possibilities for the expansion of aquaculture practices. In addition to the exploitation of the existing irrigation canals, new techniques could be developed to start aquaculture in mountainous areas (raceway systems) and in lakes (caged culture).

### Freshwater Fish production in Azerbaijan

A growth in investor interest in aquaculture has been observed in recent years. This has been due in part to the increased attention the State has given to this sector as a food-producing sector, especially because it is also part of the State Programme to Ensure Food Security. In addition, the high consumer prices for fish and the growth in the population's purchasing power against a backdrop of high growth in the economy have encouraged greater interest in fisheries.

Farmers have become interested in fish farming because of its potential for high profits.

Today, local fish farms supply over 40 percent (approximately 22,000 metric tons), and production is increasing as farmers expand and diversify their product line.

Trout is a species that requires cool, oxygen rich water, which makes it an excellent species to be farmed in the mountainous areas of Azerbaijan.

The transition of the farms from the Soviet system to the private sector, led to many farms functioning far below their capacity. Investors seeking to update equipment and fixed assets can benefit from increased productivity.

### *Project Objective*

- To increase the production in the Sheki region.

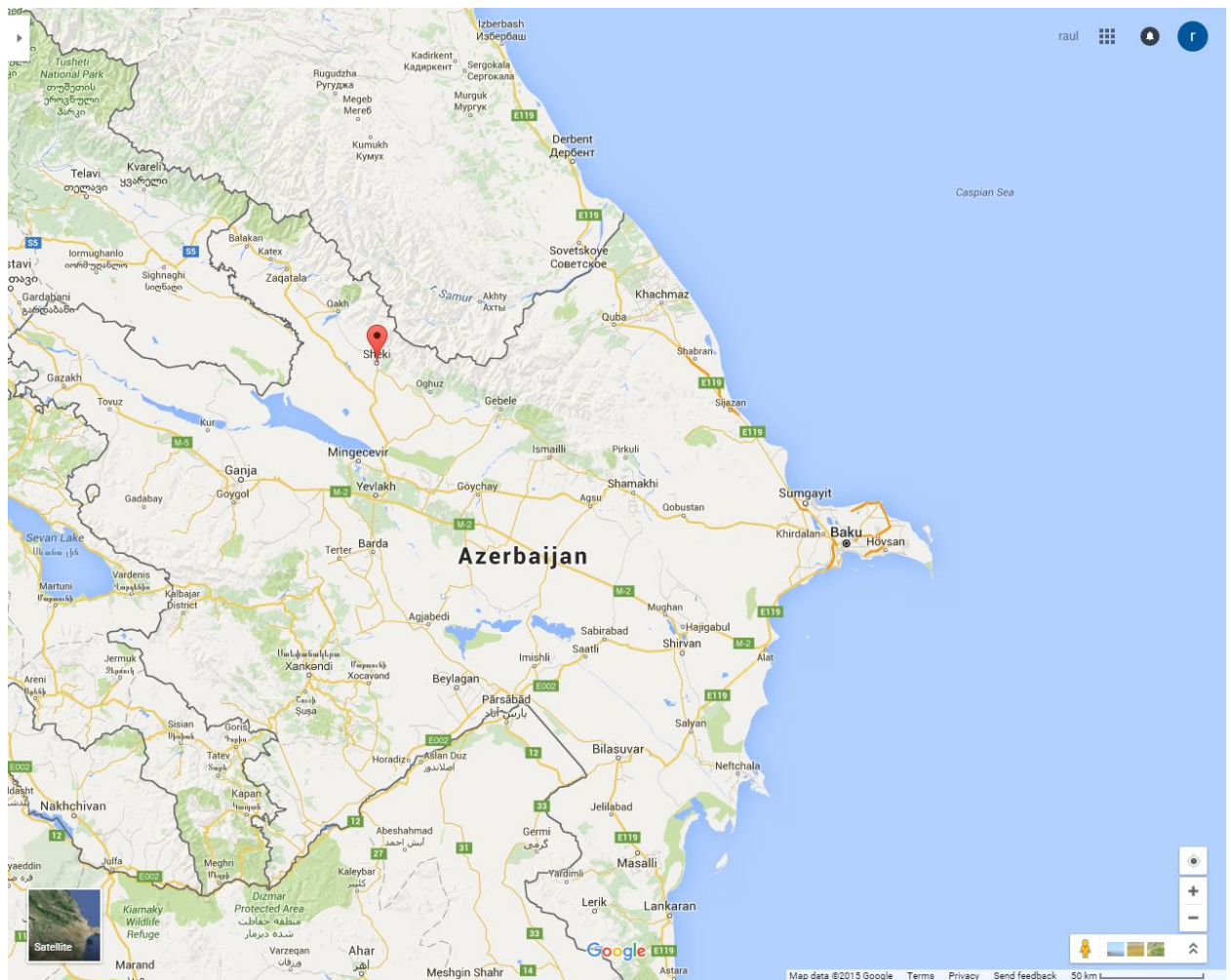
### *3) Project Description*

The project will increase production of fishery products, and increase the efficient use of water by the installation of equipment to meet international standards

#### 4) Location Description: Sheki region, Azerbaijan

Sheki is ideally suited for production of trout fish. Trout is a species that requires cool, oxygen rich water, which makes it an excellent species to be farmed in the mountainous areas of Azerbaijan

The map below shows the location for trout production



#### 5) Marketing Strategy

**Market Size:** Average annual fish consumption in Azerbaijan has been less than 1 kg per capita. This is below the global average for per capita fish consumption, which was about 17 kg in 2010 (FAO, 2010). In the past three years there has been a change in the dietary priorities of the inland population, as these regions have begun to consume more fish and fish product.

In Azerbaijan, most fish is consumed in the cooler months of the year in restaurants during holidays and celebrations. During the summer season, fish consumption is at its lowest point. Fish is mainly eaten fried, boiled, salted or smoked. During Novruz Bayram (the lunar New Year celebration), a traditional

meal of kutum (*Rutilus frisii*), stuffed with nuts, raisins and spices and served with rice, is prepared. In the coastal regions of the Caspian and in the regions adjacent to the main inland waters, fish and fish

Key Customers: The demand for fish and fish products in Azerbaijan is primarily met by national production. However, to provide a greater diversity of products, an estimated 15 percent of the total supply of fish and fish products is imported from other countries (the Baltic States, Kazakhstan and the Russian Federation). These imports are usually in the form of processed fish and fish products and rarely in the form of live or fresh fish

Key Competitors: Imported fish and fish products come mainly from the Baltic States, Kazakhstan and the Russian Federation. Table 26 provides an overview of import and export data (value and volume) from 2003 to 2009. On average, 100 tonnes of live fish is traded annually within Azerbaijan.

Competitive Advantage of Azerbaijan: The key advantages for the production of trout in Azerbaijani are :

- The part of the Caspian Sea coastal zone under the authority of Azerbaijan is a productive area of the sea.
- The Kura River, which has maintained its value in terms of being a freshwater source, provides a habitat for many fish species, as well as a preserved natural spawning area for sturgeon.
- The availability of inland fish producing ponds, fish hatcheries for artificial breeding (of sturgeon, salmonids and cyprinids) and the scientific capacity available in fisheries.
- The fisheries sector encompasses more than 60 enterprises of different forms of ownership.
- In the national economy, the fisheries sector plays an important role as a supplier of food, fodder (fish flour and oil, fish fodder for livestock, agar-agar, various biological active substances, etc.) and technical products.

## 6) Production, Manufacturing Operations Overview

The production will occur on the existing operations of the Girkhbulag Trout Fishing company.

## 7) Project Management and Organization Structure

The Project will be led by the 'Girkhbulag Trout Fishing Farm' company, with support from AZPROMO.

The proposed financial scheme and share distribution is negotiable. The project envisages 49% of the financing from the investor.

## 8) Project implementation schedule

The project will take up to 1 years to be implemented with a return on investment (project payback) period of 5 years,

Project Implementation				
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	Year 0,5	Year 1	Year 1,5	Year 2
Project Team				
Location review and acquisition				
Site operations				
Equipment Procurement				
Equipment Testing				
Training				

### 9) Estimated Budget and balance sheet

Trout Project Balance Sheet					
	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Assets US\$ 000</b>					
Cash	30	30	30	30	30
Land	200	200	200	200	200
Building	100	100	100	100	100
Equipment	800	800	800	800	800
Training and technical assistance	400	400	400	400	400
Total Assets					
<b>Liabilities</b>	1000	1000	1000	1000	1000
<b>Owners Equity</b>	540	540	540	540	540

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