

AZPROMO PROJECT PLAN

PROJECT: Fruit and greenhouse vegetable growing (apples)

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1) Background and Sector review

Agriculture in Azerbaijan

Agriculture is a fast growing sector in Azerbaijan. It has grown by 5-6% in the last decade, and 99.7% of produce is generated in the private sector.

Azerbaijan is strong in the cultivation of specialized, often rare, crops. As well as cotton, tea, tobacco and vegetable production. Azerbaijan produces other potentially valuable crops, including pink grapes and persimmon. 90% production of these crops are dependent on irrigated lands, which constitute one third (1,433 thousand ha) of total agricultural lands.

With the availability of relatively cheap energy, approximately 30% of irrigation (556 thousand ha) is done through mechanical and pumping means. The rest is irrigated through an energy efficient gravity system, using irrigation channels.

According to the Food and Agriculture Organisation, Azerbaijan has a comparative advantage in production of fruit (oranges, apples and pomegranates) and vegetables (tomatoes and cabbages), as well as oilseeds (sunflower) and nuts.

Food products are high on the government's agenda to encourage domestic production to meet increasing demand in neighbouring, regional markets. To improve access to these markets, technical production and processing standards are improving. Azerbaijan is a member of the International Organisation of Standardization (ISO).

Azerbaijan has continued preparation for accession to the WTO and the Codex Alimentarius, which includes an approximation to EU rules. It has developed food standards on milk and canned meat and is under-going advanced work on amendments of the food safety and hygiene laws.

Fruit and Vegetable Production in Azerbaijan

Azerbaijan has favorable natural and climatic conditions for crop production. It has a well established infrastructure and increasing consumption of the domestic and regional, means the crop production sector is increasingly attractive both for local and foreign investors.

The strategic location of Azerbaijan is surrounded by growing markets for agricultural produce, such as Saudi Arabia and other parts of the Middle East. However, this growing, regional export market is under-exploited. In 2014, Azerbaijan exported only 20 tonnes to regional markets.

Growing demand for Azerbaijani Apples in Foreign Markets.

The demand for Azerbaijani apples, has grown in regional markets from US\$19 Million in 2013 to US\$21 Million in 2014. The export volume has grown from 42,000 tons in 2013, to 47,000 tons in 2014.

2) Project Objective

- To produce apples in the Quba regions for overseas markets.

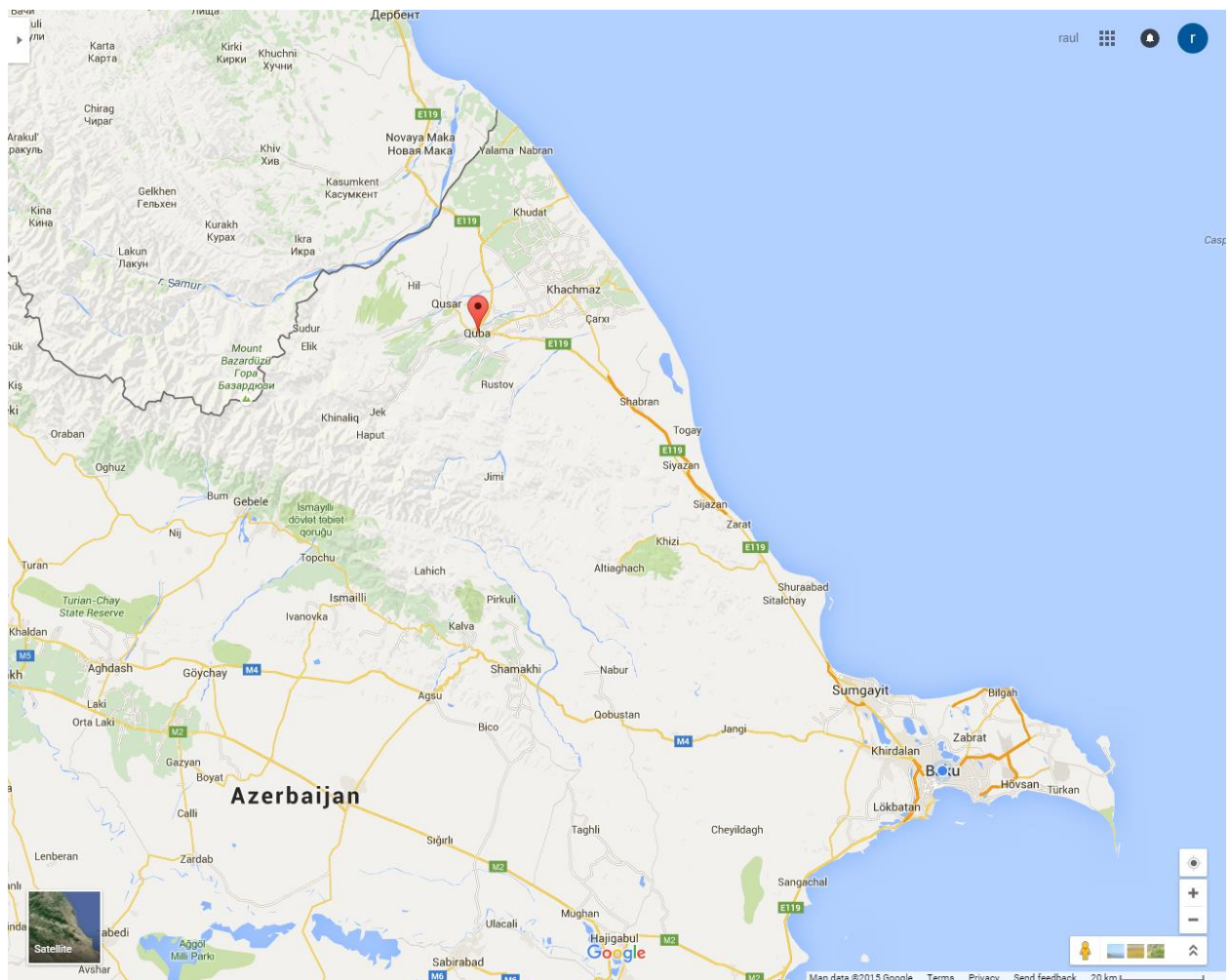
3) Project Description

- To develop a greenhouse complex over 10 hectares in land of the Orkhan Company (land of Mr Habil Veysal Mirzayev)

4) Location Description: Quba region, Azerbaijan

Quba is ideally suited for production of Apples.

The map below shows the location for Apple production



5) Marketing Strategy

Market Size: The regional market for Apples is growing. According to the UN Comtrade, the export market for Apples has grown by 10% since 2013.

Key Customers: The main consumer of Azerbaijani apples is the Russian federation. It consumed 95% of Azerbaijani apples. However, there is growing demand in Kazakhstan and other CIS markets.

Key Competitors: The main competitor is Turkey.

Assets US\$ 000							
Cash	1	1	5	5	7	7	7
Land	1	1	1	1	1	1	1
Building	2	2	2	2	2	2	2
Equipment	220	220	220	220	220	220	220
Total Assets							
Liabilities	200	190	160	130	100	60	30
Owners Equity	24	34	68	98	130	170	200

