

AZPROMO PROJECT PLAN

PROJECT: Development of Grape Growing

Contents:

- 1) Background and Sector review
 - 2) Project Objective
 - 3) Project Description
 - 4) Location Description
 - 5) Marketing strategy, (including market review, target customers, and communication strategy)
 - 6) Production, Manufacturing Operations Overview
 - 7) Project Management and Organization Structure
 - 8) Project implementation schedule
 - 9) Budget and balance sheet
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- The image contains a large, semi-transparent watermark of the AZPROMO logo. The logo features a stylized orange 'O' with a small leaf-like shape on top, and the word 'azpromo' in a grey, lowercase, sans-serif font below it.

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 Production in Azerbaijan

Azerbaijan has favorable natural and climatic conditions for grape 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.

However, production yields could be improved with an upgraded irrigation system. The new irrigation system will increase water savings, contributing to increased yields. Due to the geographic location of Qakh, the change from the existing pumping system, to a gravity system, will be the most appropriate, .

2) Project Objective

- To produce grapes in the Qakh regions, for the export market.

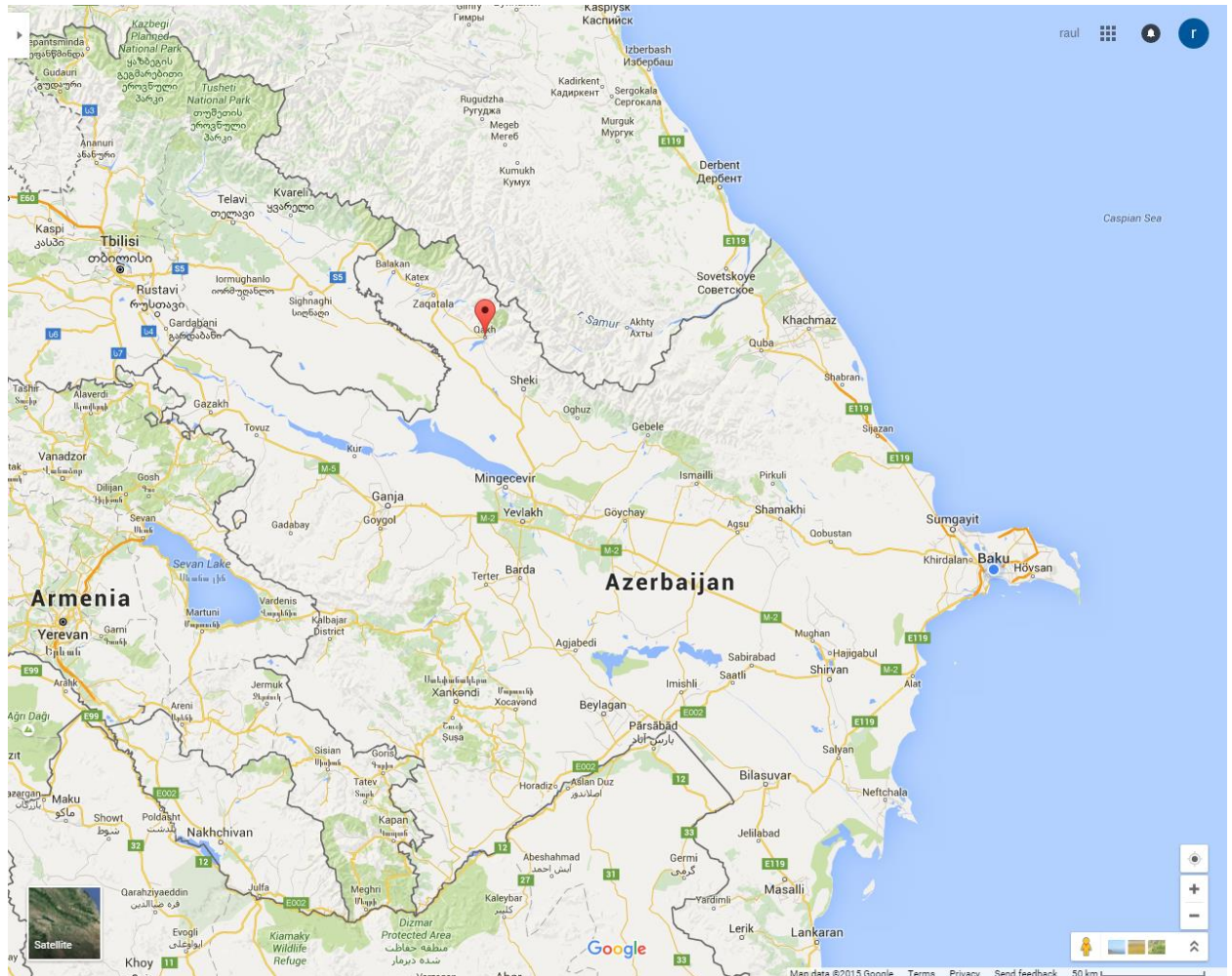
3) Project Description

- To develop a new irrigation system for the Qakh region. The proposed size of 200 hectares, will require an investment of USD 600,000. The cost to implement a gravity irrigation system is about US\$3000 per hectare.

4) Location Description: Quba region, Azerbaijan

Quba is ideally suited for production of grapes.

The map below shows the location for grape production



5) Marketing Strategy

Market Size: Although small, the regional market for Azerbaijani grapes is growing. According to the UN Comtrade, the export market for grapes has grown from a small US\$32,000 in 2011, to US\$345,000 in 2014. 2013 was a very good year with exports of US\$1.2 Million. Azerbaijani exports of Wine is small, but growing. Since 2010, Azerbaijan has exported US\$5-7 Million of wine, mainly to the Russian market.

Key Customers: The main consumer of Azerbaijani grapes is the Russian federation. It consumed 98% of Azerbaijani grape exports in 2014. However, there is growing demand in Kazakhstan and other CIS markets.

Key Competitors: The main regional competitor is Georgia. In 2014, Georgia exported US\$40,000 of grapes. Most Georgia grapes are supplied to the wine production industry, for domestic and export markets. In 2014, Georgia exported US\$180 Million of wine.

Building	1500	1500	1500	1500	1500	1500	1500
Equipment	1000	1000	1000	1000	1000	1000	1000
Irrigation	600	600	600	600	600	600	600
Total Assets							
Liabilities	1350	1350	1350	1350	1350	1350	1350
Owners Equity	4050	4050	4050	4050	4050	4050	4050

