

AZERBAIJAN



Report on the Status of
Organic Agriculture and
Industry in Azerbaijan

Gefördert durch



aufgrund eines Beschlusses des Deutschen Bundestages



Imprint

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Deutschen Bundestages

Disclaimer

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This report has been prepared to the best of our knowledge and belief. We cannot however accept any guarantee for the accuracy, correctness or completeness of the information and data provided.

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Azerbaijan: Figures, Data and Facts

Map

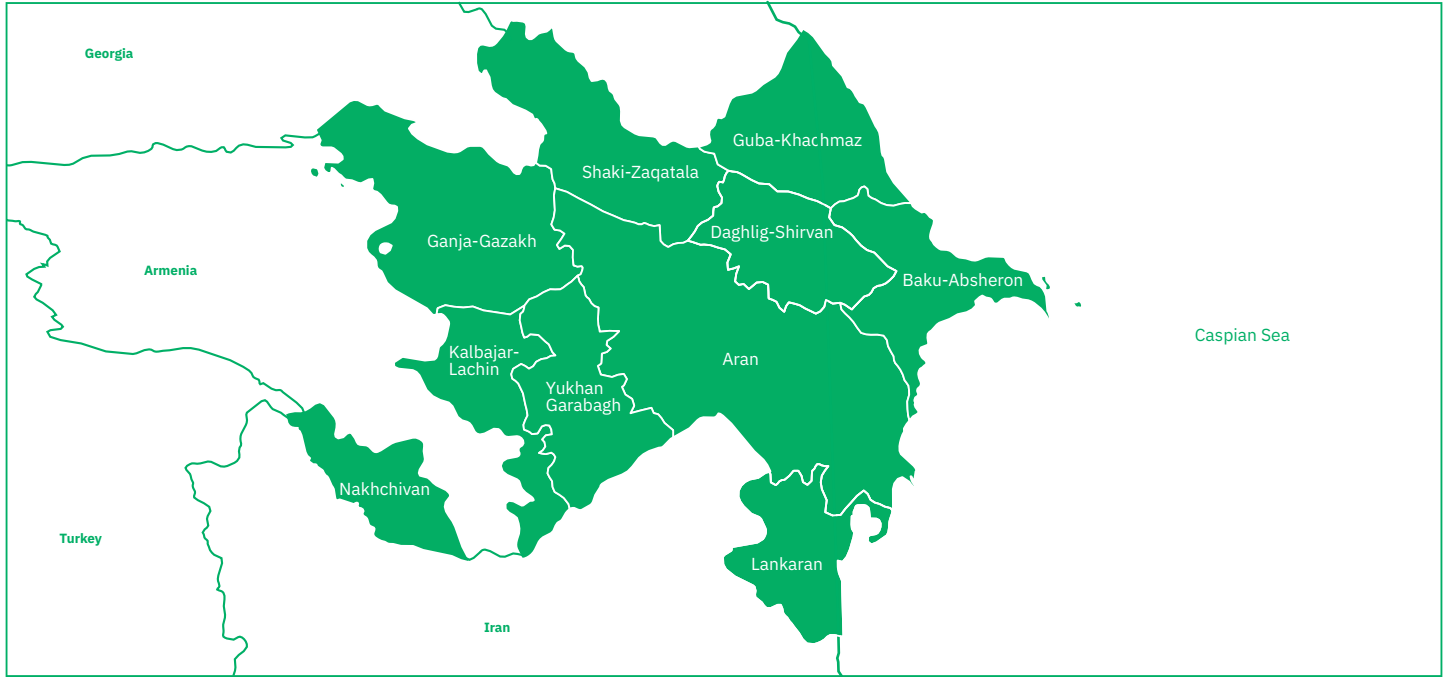


Figure 1: Map Azerbaijan

Azerbaijan is located in Asia and, with a small part north of the Caucasus chain, in Europe. It borders Russia and Georgia to the north, Iran to the south, Turkey and Armenia to the west, and Turkmenistan and Kazakhstan on the Caspian Sea to the east.

The Republic of Azerbaijan also includes the Nakhchivan Autonomous Republic, which has its own constitution and organs. The official language is Azerbaijani, spoken by 90 %, followed by Russian (2 %).

Country Statistics

86,600 km²

Land Area

10.4 Mio.¹

Population (2022)

30.3 years¹

Average age of the population

Azerbaijani Manat (A.M.)²

Currency

1 The data on the average age of the population of Azerbaijan are estimates by Countrymeters.

2 1 AZN: 100 Qapik; € 1 = 1.74 Manat (August 2022);
1 Manat: € 0.58 Ø

Economic Situation

12,180 A.M.

GDP per capita (2022, nominal)³

26.4 %

National debt (% of GDP, gross, 2021)

6.0 %

Unemployment rate (2021)

708 A.M.

Average wage gross, A.M. / month,
Annual average (2020)

12.3 %

Inflation rate (2022)³

6.7 %

Inflation rate (2021)³

Trade Relations

- WTO membership: No (observer status)
- Free trade agreement: No agreement with the EU, CIS free trade agreement (since 10.12.2003).
- on bilateral agreements see www.wto.org (↪).⁴

EU relationship with Azerbaijan (bn euros)

	2019	%	2020	%	2021	%
Import of the EU	10.6	5.9	6.4	-39.5	10.4	62.5
Export of the EU	1.8	15.1	1.5	-16.7	1.5	0.0
Saldo	-8.8		-4.9		-8.9	

Figure 2: EU27 foreign trade (deviations due to rounding)

Germany's relationship with Azerbaijan (million euros)

	2019	%	2020	%	2021	%
German import	1.348.3	-6.5	734.1	-45.6	705.3	-3.9
German export	443.1	2.2	358.8	-19.0	304.2	-15.2
Saldo	-905.2		-375.3		-401.1	

Figure 3: Foreign trade (deviations due to rounding)

German imported goods by SITC (2021³ | %)

Oil	96.4
Food	2.0
Iron and steel	0.3
Raw materials (excluding fuels)	0.3
Machines	0.2
Cars and parts	0.1
Chemical products	0.1
Electronics	0.1
Others	0.5

Figure 4: German import goods by SITC (% of total imports)

3 Cf. GTAI Economic Data Compact Azerbaijan (May 2022); German-Azerbaijani Chamber of Foreign Trade; Country Information.

4 See: Trade Topics, Regional Trade Agreements, RTA Database, By country / territory

Main supplying countries

(2021** | %)

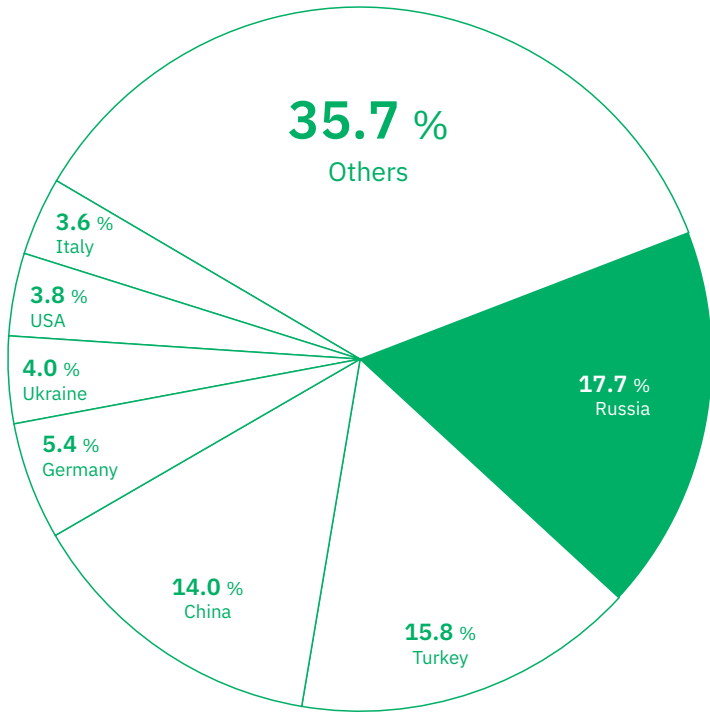


Figure 5: Germany Trade & Invest, 2021

Main consumer countries

(2021** | %)

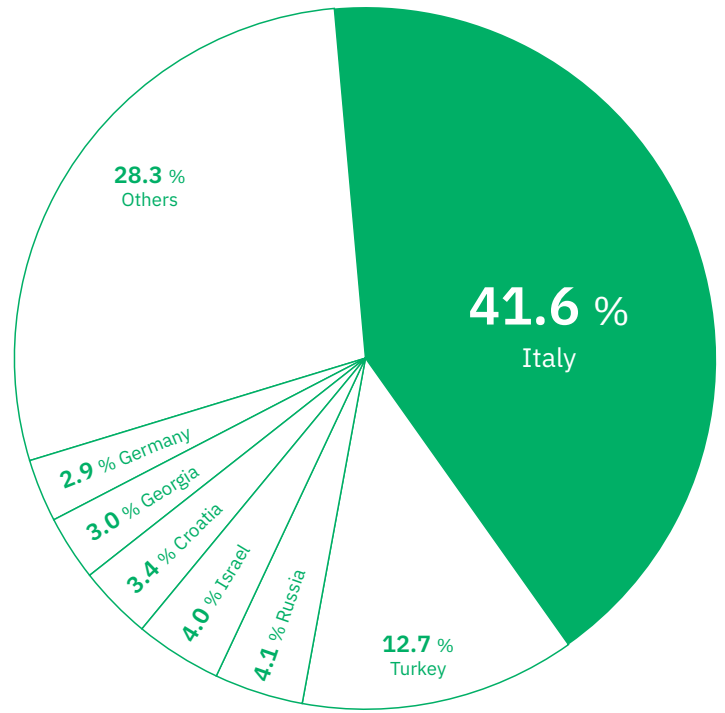


Figure 6: Germany Trade & Invest, 2021

Climate

Azerbaijan has nine of the eleven climatic zones that exist worldwide. This leads to large regional differences, including a subtropical climate as well as a semi-desert

and steppe climate (Kura Plain). Warm, dry climate prevails in the plains. The average annual temperature is 13.1 °C.

Land Use

With an area of 86,600 km², Azerbaijan is slightly larger than Austria. 58 % of the national territory is mountainous and 42 % is lowland. Of the 86.6 thousand square kilometres of land, 12.0 % is covered with forests and 4.6 % is covered with water. Approximately 4,800 thousand hectares are used for agriculture, 43 % of which is arable land, 50.6 % – hay meadows and pastures and 5.7 % – permanent crops (as of: 1.01.2021).⁵

Azerbaijan is rich in natural vegetation, especially in forest areas. The Ministry of Environmental Protection is responsible for forests, including agricultural and food production, in the areas it administers. These areas in-

clude National parks (9 with a total area of 220,000 ha) and protected areas (17 with a total area of 117,000 ha). In these areas, among other things watermelons (2,000 t), honey (3,000 kg), pomegranates (300 t), chestnuts (100 t), hazelnuts (200 t), persimmons (80 t), walnuts (80 t) and potatoes (50 t) are produced.

These products do not receive synthetic inputs and are marketed through the Ministry of Environmental

5 Cf. Statistical Yearbook of Azerbaijan: 2021

Protection. After the oil and construction sectors, agriculture is the third most important sector of the country's economy. 99.8 % of the farms are privately

owned, of which 66.8 % are family farms and 32.8 % are subsistence farms.⁶

Land use (2018–2020 | km² | %)*

	Agricultural land	Arable land	Fallow land	Permanent crops	Crops a. hay meadows
2018	4779.5	2057.9	40	255	2426,6
2019	4779.7	2056.5	39.5	260.3	2423,4
2020	4780.1	2045.2	39.2	272.7	2423
	Agricultural land				
2018	100	43.1	0.8	5.3	50,8
2019	100	43	0.8	5.5	50,7
2020	100	42.8	0.8	5.7	50,7

Figure 7

Gross agricultural production (2017–2020 | Manat mio. | Euro bn.)⁷

	Total	Euro bn.	including	
	current prices, Manat mio.		plant products	animal products
2017	6580	3.816	3019	3561
2018	7010	4.065	3186	3824
2019	7836.7	4.545	3751.2	4085.5
2020	8428.9	4.888	4028.4	4400.5

Figure 8



Figure 9: Fruit trees, forest and snow-capped mountains in Azerbaijan



Figure 10: Traditional dish in Azerbaijan

⁶ Cf. State Statistical Committee (SSC) of the Republic of Azerbaijan.

⁷ 1 manat = € 0.58, 1 mio. manat = € 580,000

* (1 km² = 100 hectares)

The Organic Sector in Azerbaijan

Since 2008, there has been a legal framework in the Republic of Azerbaijan for “ecologically clean agriculture”. The stakeholders of the Ganja Business Association (GABA) participated in the process. What is missing so far is an independent organic farming association.

History

An organic association such as **ELKANA** in Georgia does not yet exist in Azerbaijan. The **Ganja Agribusiness Association (GABA)** – inspired by the soil scientist Professor Amin Babayev – plays an essential role in the development of organic agriculture. This association is the initiator and leading force of the **Azerbaijan Federation of Organic Agriculture Movements (AzFOAM)** and has been a member of the **International Federation of Organic Agriculture Movements (IFOAM)** since 2002.

In 2017, Amin Babayev received the **One World Award** from the company **Rapunzel** ([↗](#)) for extraordinary services for the organic movement. Besides advising and mobilising interested farmers, Professor Babayev also produces compost of the highest quality, supports beekeeping and carries out scientific research in his own organic research centre. Meanwhile, his son Vugar Babayev is the chairman of GABA and his younger brother Shahrivar is responsible for marketing.



Figure 11: Prof. Amin Babayev, pioneer for organic agriculture in Azerbaijan

Info

**Azerbaijan Federation of Organic
Agriculture Movements (AzFOAM)**

www.eng.gaba.az/organic-agriculture/azfoam/

National Legal Frame

Already in 2005, GABA started preparing a legal framework for organic agriculture in Azerbaijan. In 2008, the Law of the Republic of Azerbaijan on Ecologically Clean Agriculture was adopted. Since 2008, “ecologically clean” has been used as a synonym for organic or biological. (Cf. Law of Azerbaijan Republic on Organic Agriculture, No 650-IIIQ / 13 June 2008 (↪))

Despite the existing law and its regulations, there is a gap in the practical implementation, e.g. in the registration or supervision of inspection and certification bodies. Therefore, all control and certification functions are carried out by foreign control bodies (Certification bodies).

The **draft guidelines for the production, processing, labelling and marketing of organically produced food** cover organic plant and animal produc-

tion, beekeeping, aquaculture, packaging and transport. The draft also contains a list of permitted inputs. (Cf. Draft Guidelines for the production, processing, labelling and marketing of organically produced food, 2014)

Support Instruments

For the agricultural sector, the 2022 national budget includes subsidies and grants amounting to 587 million US dollars (US\$). This is 5.8 % more than in 2021. Of this, around US\$ 270 million go to securing food supplies and irrigation farming. In many projects for the South Caucasus, e.g. the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH (↪), Azerbaijan is involved together with Georgia and Armenia (see “Donor Projects”).

Associations and Marketing Organisations

Ganja Agribusiness Assoziation (GABA)



Ganja Agribusiness Association (GABA) is the main organisation promoting organic agriculture in Azerbaijan. For farmers struggling to convert collective farms into individual farms in 1996, organic farming was a feasible option to create an environmentally sound and economically viable and sustainable agricultural production system. Since 2000, more than 2,000 farmers have been trained in organic farming methods and 332 farmers have applied for organic certification for their products. In 2010, it organised participation in the world-renowned BIOFACH trade fair in Nuremberg. GABA has been publishing the organic farming magazine and providing training for farmers since 2006.

“In the period 2005–2012, we became Georgia's partner for the **Green Caucasus project** (↪). The main objective was the development of organic farming and the sustainability of this practice in the Caucasus. After 2012 we could not continue our contacts due to political measures and continued our way with IMO from Switzerland.” [formerly: Institute for Market Ecology, today: Ecocert Swiss AG (↪)] (Vugar Babayev, 2022)

www.developmentaid.org/organizations/view/26227/gaba-ganja-agribusiness-association

www.eng.gaba.az/organic-agriculture/in-azerbaijan

www.facebook.com/gaba.az

Marketing organisation AZ-Organic LTD

This certified marketing organisation is based in Ganja and trades mainly hazelnuts, pomegranates and persimmons.

- Director: Shahriyar Babayev
- Contact: director@azorganic.az

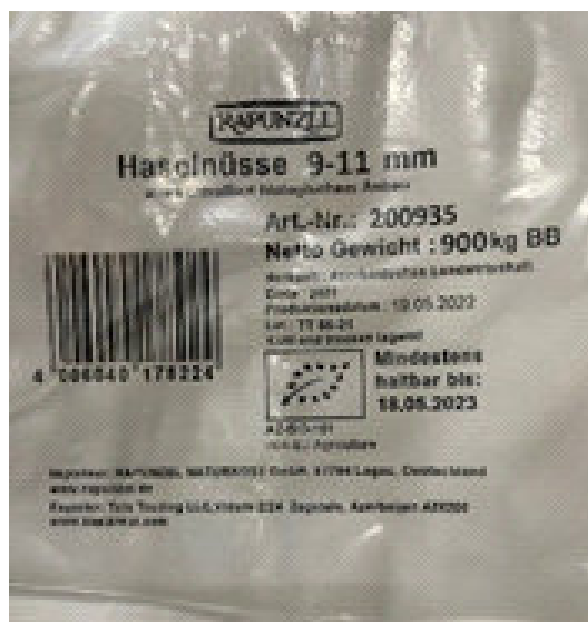


Figure 12: Label organic hazelnuts from the company Rapunzel / Germany

Business Promotion

German-Azerbaijani Chamber of Foreign Trade



Since 2012, the **German-Azerbaijani Chamber of Foreign Trade**, as the official representation of German business in Azerbaijan, has been informing and supporting companies in exploring markets and doing business. The German-Azerbaijani Chamber of Foreign Trade emerged from the **German-Azerbaijani Business Development Association**, which was founded in 1999. With 160 member companies (as of 14.12.2021), the German-Azerbaijani Chamber of Foreign Trade is the strongest European business association in Azerbaijan.

As a modern consulting company, the German-Azerbaijani Chamber of Foreign Trade supports the market interests of German and Azerbaijani companies with market-oriented and customer-oriented services. The range of services offered by the German-Azerbaijani Chamber of Foreign Trade extends from advice on market entry and the procurement of cooperation partners to the organisation of local business presence. The German-Azerbaijani Chamber of Foreign Trade is the official representative of Messe München in Azerbaijan and Georgia, provides information on all trade exhibitions and events and helps with the selection of suitable trade fairs. It also represents the **Senior Expert Service (SES)** project in Azerbaijan. (↪)

www.aserbaidshchan.ahk.de

www.facebook.com/AHKAZzerbaijan

www.instagram.com/ahk_azerbaijan

Germany Trade & Invest (GTAI)



With more than 50 locations worldwide, **Germany Trade & Invest (GTAI)** supports German companies on their way abroad, promotes Germany as a business location and assists foreign companies in establishing themselves in Germany.

GTAI also reports on economic development in the South Caucasus (Georgia, Armenia, Azerbaijan). The GTAI country page on Azerbaijan contains up-to-date information on the economic environment, industry developments, legal and customs issues, tenders and development projects. (↪)

www.gtai.de

Organic Certification

GABA had launched an initiative to establish a national control body, Azekosert. This was established with financial and technical support from the Strengthening Organic Agriculture in the South Caucasus project and registered by the Ministry of Justice on the 5th of December 2005.

Azekosert Ltd is the only private organic certification body in Azerbaijan dealing with inspection and certification of organic food and agricultural production.

Azekosert Ltd has so far failed to gain influence due to lack of legal support and is currently largely inactive: “As far as the local certification body is concerned, I can emphasise that we will wake up Azekosert starting this year”. (Subhan Mammadov, Master's thesis (2022): Expert interview with Vugar Babayev).

The organic products are mainly certified according to EU legislation by foreign companies and thus enter the European market. There are also products destined for the USA and certified according to the **National Organic Program (NOP)**.

The most important certified organic products are rose oil, pomegranate, persimmon and hazelnuts, as well as fruits, berries and wild-collected medicinal and aro-

matic plants. The **Institute for Marketecology (IMO)** – **Ecocert Group** since 2013 – had started a project to promote social standards in organic wild collection; these activities were not continued after the project in Azerbaijan ended.

Info

GABA

www.eng.gaba.az/organic-agriculture/azfoam

Azekosert Ltd

www.eng.gaba.az/services-2/certification

Ecocert Group

www.ecocert.com/de-DE/home

Research and Consulting

Azerbaijan State Agricultural University in Ganja



In 2007, a new field of study was established at the **Azerbaijan State Agricultural University (ASAU)**: Ecological Agricultural Management. This new course was designed to support education and training for future careers in the organic sector. At present, this subject is not offered.

Since 2020, there has been a “Soil Science” department with a modern equipped laboratory. The scientists in this department are to work on increasing soil fertility under the new agricultural conditions and the possibilities for producing organic products. (↔)

www.adau.edu.az/en



Figure 13: Modern laboratory at the Azerbaijan Agricultural University in Ganja

Regional Experimental and Resource Center on Organic Agriculture (Gakh)



In 2015, the Regional Experimental and Resource Center on Organic Agriculture was established in **Gakh** at the Institute of Botany of the Academy of Sciences to promote organic agriculture in the Shaki-Zaqatala region.

The main reason for establishing the centre in this region is the clean and rich natural resources.

The centre with its trained staff prepared an action plan with the following objectives: preserving local varieties that are well suited to the region, helping farmers to convert to organic farming and setting up a high-tech laboratory for soil, water and plant analysis. Only a few soil and water analysis laboratories with limited analytical scope are available for the analysis of agricultural and food products.

Since 2018, the centre has been carrying out inspections of the economic activities of organic farmers, which they have concluded on the basis of mutual cooperation agreements with **AZ-Organic LLC**, a company operating in Azerbaijan, and **Rapunzel** – a German company. These inspections are a difficult process and were carried out at the level required for farmers to obtain “organic farming” status from European certification bodies. At the end of May 2019, 200 farmers received European certification. 400 people or 80 groups of farmers had participated in training and seminars on organic farming.

- Address: I. Mustafayev 93, Gakh, Azerbaijan
- Phone: +994 50 271 71 01, +994 77 477 00 00
- Email: amin.etkt@mail.ru



Figure 14: The team of the "Regional Experimental and Resource Center on Organic Agriculture" in Gakh



Figure 15: Experimental field of the "Regional Experimental and Resource Center on Organic Agriculture" in Gakh

Education and Training

In Azerbaijan, the average adult literacy rate (age >15) was 99.81 % in 2015 (see World Data Atlas, 2017). The net secondary school enrolment rate (7 years) was 84.2 % for males and was similar for both genders. This is an advantage for vocational training programmes in the agri-food sector, as the overall employment rate in the country was 63.2 % in 2014 (cf. *ibid*).

Several projects supported by the EU, GIZ, USAID and TIKa have provided short training programmes in environmental protection and organic agriculture.

The project **GCP / AZE / 006 / TUR – Organic Agriculture Development and Institutional Capacity Building in Azerbaijan** (2016–2018) focused on training and awareness raising on for organic farming (see „Donor Projects“).

Volunteer Programme

LOGO e.V.



The LOGO programme organises internships and seminars on organic agriculture for students. They usually last six months, but can be extended to twelve months. They start annually from the end of February, April, August and October.

– Contract with Ganja State Agricultural University ([↗](#))

www.logoev.de/de

Donor Projects

Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH



- “Promoting land use management and more sustainable energy production in the South Caucasus” (ECOserve)
- Theme: Natural resource management and conservation of ecosystem services for sustainable development in the rural areas of the South Caucasus.
- Commissioned by: German Federal Ministry for Economic Cooperation and Development (BMZ)
- Lead executing agency: Armenian Ministry of Territorial Administration and Infrastructure, Ministry of Agriculture of the Republic of Azerbaijan, Georgian Ministry of Environmental Protection and Agriculture
- Overall term: 2018–2022
- Contact person: Anja Waldruff (ECOserve@giz.de)

www.giz.de/de/weltweit/76256.html

Integrated Biodiversity Management in the South Caucasus (IBIS)

- Commissioned by: Federal Ministry for Economic Cooperation and Development (BMZ)
- Country: Armenia, Azerbaijan, Georgia
- Lead executing agency: Ministry of Territorial Administration and Emergency Situations in Armenia, Ministry of Ecology and Natural Resources in Azerbaijan, Ministry of Environment and Protection of Natural Resources in Georgia
- Total term: 2015–20219

www.giz.de/de/weltweit/20319.html

www.giz.de/de/downloads/giz2015-de-integriertes-biodiversitaetsmanagement.pdf

Food and Agriculture Organization (FAO), Azerbaijan



Azerbaijan has been a member of **FAO** since 1995. **FAO** has had an office in Baku since 2015. **FAO** advises and implements some projects in Azerbaijan in the fields of agriculture, regional development, rural development, animal husbandry, forestry and fisheries.

- FAO-implemented project GCP / AZE / 006 / TUR: Organic agriculture development and institutional capacity building in Azerbaijan.
- Funding: Turkish Republic
- Overall term: 2015–2017
- Online-publication: “ECOLOGICAL AGRICULTURE IN ASERBAIJAN” – current status and potentials for future development”, Food and Agriculture Organization of the United Nations, FAO, Ankara, 2017. ([↗](#))

www.fao.org/home/en

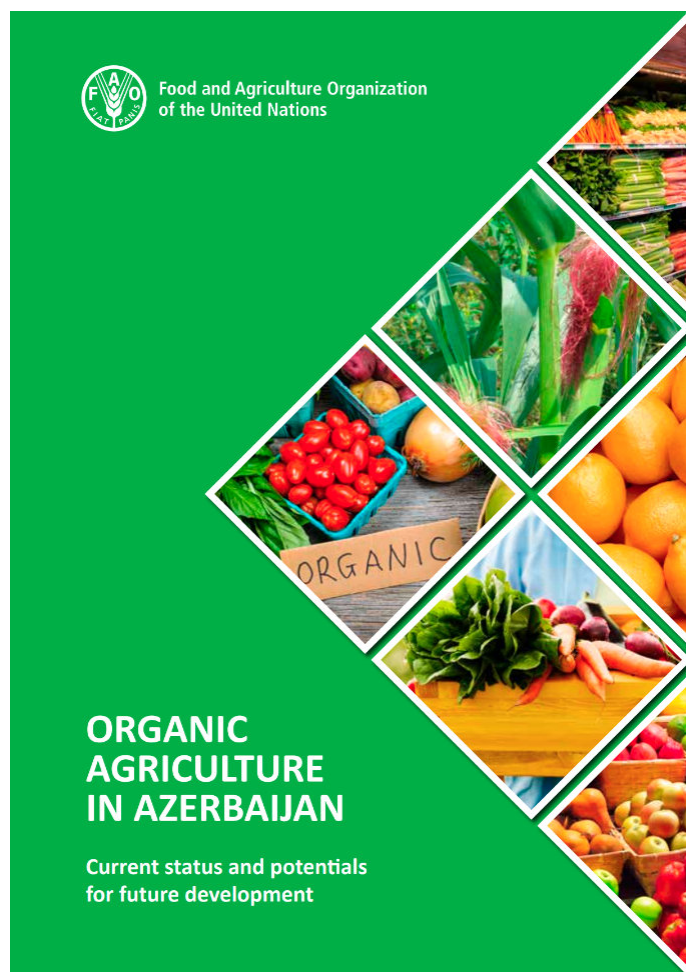


Figure 16: Final report: “ECOLOGICAL AGRICULTURE IN AZERBAIJAN”

Organic Farming

In Asia, Azerbaijan ranked tenth in 2019 with its approx. 40,000 ha of certified organic area. Besides purely agricultural crops, aquaculture and wild collection play an important role. Exact figures on the area and distribution of organically produced food are not yet available.

Certified Farms and Areas

According to IFOAM and FIBL statistical data, there were a total of 40,779 ha certified as organic in Azerbaijan in 2020. Of these, 38,080 ha were agricultural land (including conversion land), 2,126 ha were wild collection of fruits, nuts, berries and aromatic medicinal plants and 573 ha of aquaculture (cf. FiBL & IFOAM-Organics International, 2021).

Azerbaijan's global share of organically farmed agricultural land is 0.05 %; its share of organically farmed agricultural land in Asia is 0.216 %. Azerbaijan is one of the ten countries in Asia with the highest share of organic agriculture in the total agricultural area.

In 2020, there were 466 producers and processors. No importers or exporters are reported. In 2020, domestic sales of organic products amounted to about 3 million euros, which corresponds to about 0.3 euros per person (cf. Willer and Lernoud, 2016). As there is no reliable data collection system in Azerbaijan, these figures can provide some guidance, but need to be updated and based on trustworthy data sources.

In Azerbaijan, mainly annual or perennial crops are produced organically. Cereals rank first in terms of organically certified areas; however, the share of certified organic fruit in total production is higher. Fruit orchards in conversion are expected to contribute to the future growth of fruit production in Azerbaijan.

There is a lack of precise data on the exact distribution of organically produced agricultural crops.

Worldwide ecological areas: Agricultural areas (incl. areas in conversion) and other organic areas by country (2020 | selection)

Country	Agriculture (ha)	Aquaculture (ha)	Wild collection	Total (ha)
Armenia	566	-	3652	4,218
Azerbaijan	38,080	0,7	50	40,779
Bulgaria	116,252	-	-	116.252
Austria	679,872	-	-	679,872

Figure 17: Cultivated area in organic farming (ha)

Main crops produced in Azerbaijan and certified as organic (including those in conversion) (2014)

Culture	Organic area (ha)	Organic share (%)	Fully converted area (ha)	in conversion (ha)
Cereals	1,598	0.2	0	1,598
Oilseeds	126	0.7	50	76
Protein crops (dried legumes)	6	0.005	2	4
Citrus fruits	21	0.9	2	19
Grapes	41	0.3	1	40
Olives	13	0.7	5	8
Fruits	754	1.5	112	642
Subtropical Fruits	495	4.8	180	315
Vegetables	213	0.2	55	158

Figure 18



Figure 20: Hazelnut plantation. The grass is mulched

Certified Growers

Hazelnut production in Azerbaijan is estimated to exceed 60,000 tonnes in 2021. Azerbaijan currently exports hazelnuts to 25 countries.



Figure 19: Hazelnut growers in the Zaqatala region



Figure 21: Assessment of hazelnut bushes by advisors and traders (from right to left: Shahriyar Babyev (Az-Organic), hazelnut grower, advisor Zakir Mammadov of the Centre for Organic Agriculture, Gagh

Export of Organic Raw Materials

Azerbaijan has already started producing certified organic products and exports them mainly to the EU and the USA.

Considering the areas under conversion, it can be assumed that organic production has a potential, especially for cereals, fruit and vegetables (see Chapter D “Processing, Production and Trade of Organic Products”).



Figure 22: GABA stand with Azekosert inspection body

Processing, Production and Trade of Organic Products

Organic hazelnuts and pomegranate juices are exported mainly to Europe and to the USA. One company has specialised in soil improvers such as organic fertilisers and pesticides. The products are sold both in Azerbaijan and in the European Union.

Organic Certified Companies

One of the most important export areas for organic food from Azerbaijan is **hazelnuts**. Hazelnuts are exported in USD dollars.

Two companies, **Rapunzel** and **Ortlieb Organic** from Germany, are involved in the trade with hazelnuts. Ortlieb Organic sources its organic hazelnuts from Azerbaijan. The processing into organic hazelnut products takes place in Germany.

In Zaqatala, the company **Kaslar LLC** receives the organic hazelnuts, checks the quality, dries the delivered goods and stores them. The hazelnuts are sorted into different size classes and transported in sealed big bags.



Figure 23: Receiving and drying organic hazelnuts in Zaqatala



Figure 24: Label hazelnuts from Azerbaijan of the company Rapunzel

Info

Rapunzel



www.rapunzel.de/anbau-projekt-aserbaid-schan.html

Ortlieb Organic



www.ortlieb-organic.de

Kaslar LLC



www.kaslarnut.com

Example of the organic hazelnut value chain in the Zaqatala region



Figure 25: Generic model of the organic value chain for Hazelnuts

The **pomegranate** is also called the “fruit of kings” or the “love apple”. Pomegranate juice is said to have a special healing effect: it is said to kill cancer cells and inhibit inflammation.

More than 2,000 tonnes of fruit are harvested annually on 2,000 hectares. The **AZNAR** factory is located in Goychay, Azerbaijan. 100 % directly pressed pomegranate juice is produced there, certified by bio.inspecta.

AZGRANATA has 450 hectares of vineyards and 400 hectares of pomegranate orchards. AZGRANATA pomegranate production (pomegranate juice and concentrate) is certified as organic by **KIWA BCS**, Germany (🇩🇪). The plant is located in Ağsu and covers an area of 8.8 hectares. The pomegranate juice is distributed into 7 countries, within and outside Europe. The company Granata GmbH & Co KG has its headquarters in Berlin.

AZERSUN Holding is based in Imishli, Azerbaijan. According to the company, a total of 885 tonnes of pomegranates grow on 190 ha on average every year.



Figure 26: Organic pomegranate juice at the Caspian Agro fair, Baku 2022

Certification is carried out by the CERES inspection company. The website is currently under reconstruction (as of **01.09.2022**). The company presentation can also be found there.

Agri Bio Eko Tech was founded in Azerbaijan in 2005. It produces a wide range of biotechnological products such as the organic fertiliser **BIOHUMUS®**, which is produced with the help of “Fermentstart®”. The products are also exported to Germany.

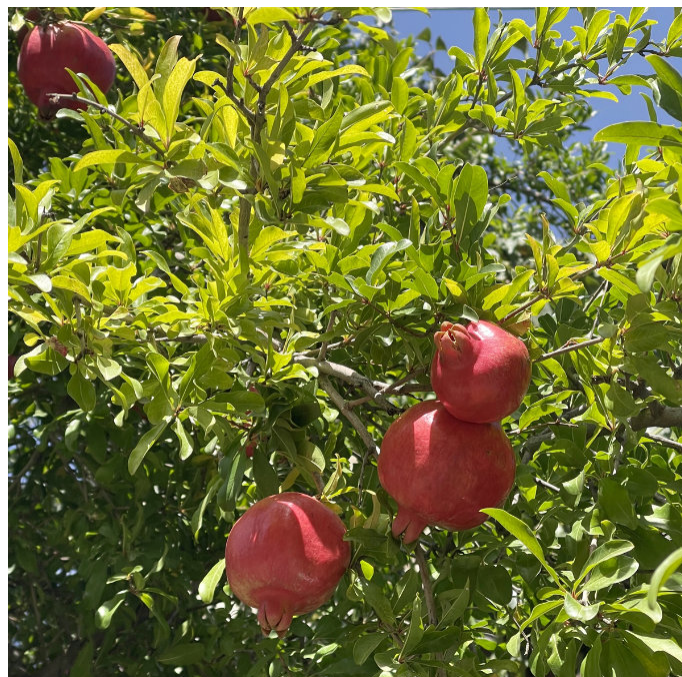


Figure 27: Pomegranate

Info

AZNAR



www.aznar.az/en/

bio.inspecta



www.bio-inspecta.ch/de/home

Kiwa BCS Öko-Garantie GmbH



www.kiwa.com

AZERSUN



www.azersun.com/

www.facebook.com/azersunholdingofficial

Since its foundation in February 2016, **AZ-IMPORT Ltd** has been importing food from Azerbaijan to Germany and the European Union. The partner companies in Azerbaijan and the cooperating factories are equipped with the most modern machines. This includes, among other things filling machines from the European Union.

The exclusive products are available in “MIX markets” only.

Bio Azerbaijani MMC offers certification services for the import and production of agricultural products.



Figure 28: Ali Zaur Aizada, founder of AgriBioEcotech



Figure 29: Organic fertiliser: organic humus

Info

AGRI BIO EKO TECH

www.agribioeko.com/



AZ-IMPORT Ltd

www.az-import.de/



Bio Azerbaijani MMC

www.bioazerbaijan.com/index.php



Import of Organic Products

As far as the import of organic products is concerned, there is no precise data in the database of the customs authorities of Azerbaijan either. According to the information from Ganja Agribusiness Association (GABA), the shelves of supermarkets offer e.g. chocolate, juices, pasta from Italy and some clothes made of organic cotton.

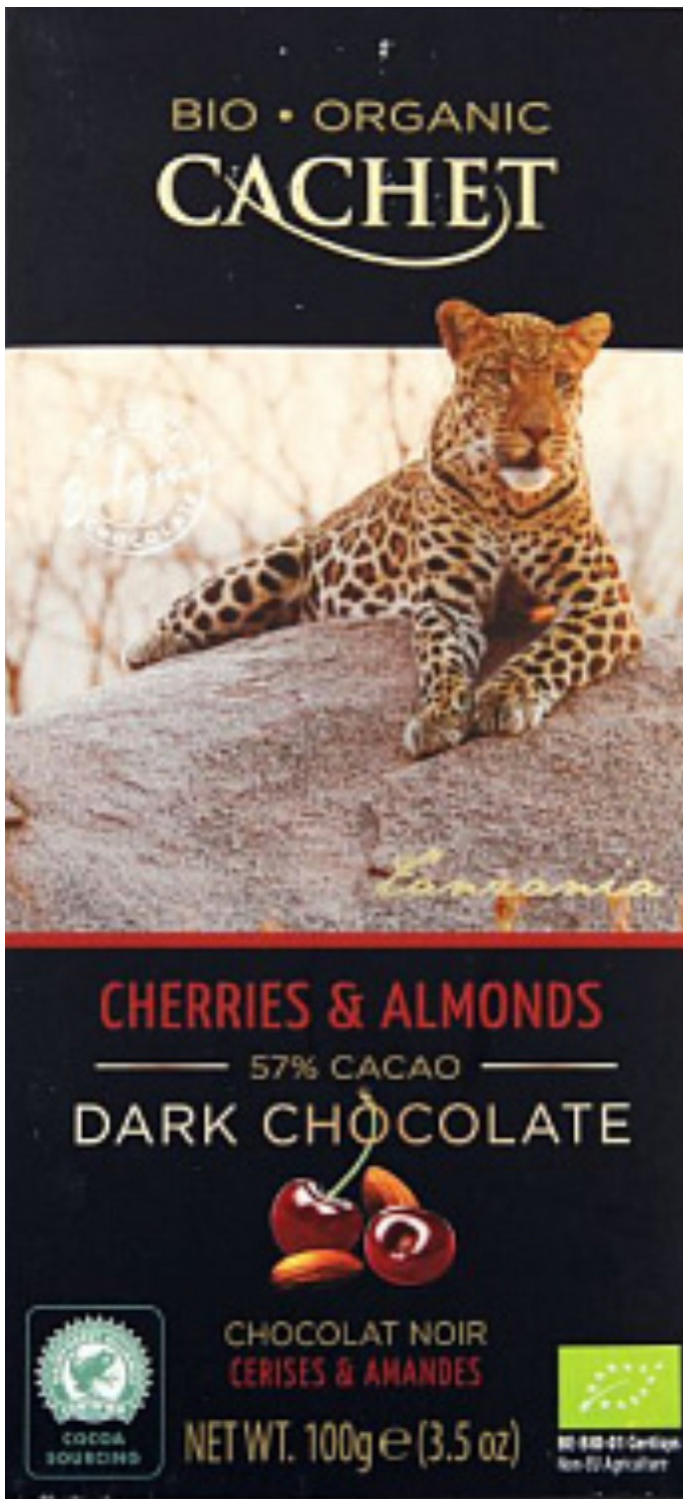


Figure 30: Organic chocolate from Belgium in supermarkets e.g. in Baku

Info

**GANJA AGRIBUSINESS ASSOCIATION
(GABA)**

www.eng.gaba.az/services-2/marketing

The Organic Market in Azerbaijan

Retail sales of organic products in Azerbaijan are estimated at 3 million euros per year. With a relatively high inflation rate of approx. 12.3 % and a low purchasing power, the main focus must be directed on exports.

Organic Products Supply

An assessment of the market for organic products was carried out as part of the micro-project “Assessment of Local Markets for Organic Agricultural Products” by marketing specialists and experts from GABA.

As part of the project, there were interviews in the markets of Baku, Ganja and Shaki. In total, 50 sellers, 50 buyers and 300 other people took part in the survey.

84 % or 126 people said that they buy organic products in supermarkets, markets and production sites. They mentioned that it is necessary to create an extra supermarket for organic farming products. Other consumers stated that they buy products at special markets, such as e.g. Ivanovka, Azeri Market, Elit in Baku; Nekshi-Jahan, Bizim Market, Sevimli Dad in Ganja; and Halvachi Mahmud and Reshad in Sheki.

Market Volume

The value of retail sales was calculated at 2.6 million euros and per capita consumption at 0.3 euros in 2011 (Cf. Willer and Lernoud, 2014).

A similar rough figure of 3.0 million euros is expected for 2014 and 2015 (Cf. Willer and Lernoud, 2016; 2017).

There are some cosmetics shops that sell various imported organic cosmetic products.

Marketing Channels and Stakeholders

Various studies show that domestic marketing chains in Azerbaijan operate through four different channels.

1. Direct marketing of organic products from farmer to consumer. Although this type of marketing can be advantageous to both farmers and consumers, as it offers marketing margins and greater freshness, it has limitations, especially when there are long distances and / or inadequate infrastructure between production and consumption areas.
2. In the second marketing channel, retailers buy the products from farmers and sell them to consumers.
3. In the third form of marketing chain, there are two different intermediaries – wholesalers and retailers.
4. There are a total of three intermediaries here: wholesalers, traders and retailers until the products reach consumers. This form probably has the highest marketing margins, which means that prices decrease at the farm level, and consumer prices increase. Storage after the harvest can become a real problem and the original product quality can be lost. If there are bottlenecks in the chain, the whole system is affected and sustainable marketing is at risk. Traders who collect and distribute products on a large scale also target foreign markets.

Marketing channels for organic food in Azerbaijan from the farmer to the consumer

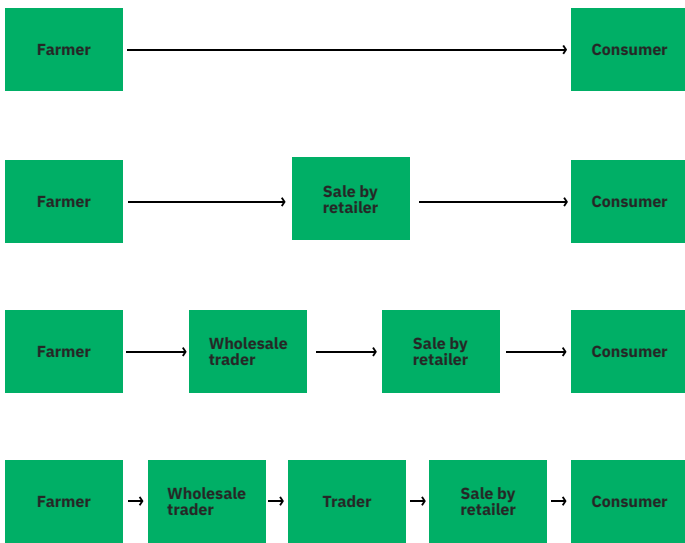


Figure 31: Marketing channels for organic food in Azerbaijan

Supermarkets

A brief survey in supermarkets revealed that there are certified and labelled organic products, either displayed on a special shelf or as scattered products imported from different European countries. In Baku supermarkets, organic products range from pasta from Italy to olive oil from Greece and ketchup from Poland.

Some international brands have organic cotton garments in their displays. All these products are certified and labelled. It can be seen that general consumer awareness of organic products is not yet fully developed.



Figure 32: Organic products in the supermarket

Opportunities and Risks

Russia's war in Ukraine has had a significant impact since the end of February 2022 on the former Soviet republics in the Caucasus and Central Asia. Both countries were previously important supply and sales markets. In addition, many migrant workers from the Caucasus states and Central Asia live there, who make an important contribution to private consumption with their money transfers back home.

Potentials for Trade

The exchange of goods with Russia and Ukraine has plummeted due to the war. However, this also offers new business opportunities at the same time, because companies all over the world are looking for new sales markets and production locations. The region around the Caucasus and the Caspian Sea could benefit from this, believes Gerit Schulze from Germany Trade Invest (GTAI).

All countries in the region are likely to achieve growth as early as 2022, although this will still be hampered by high energy prices, inflation and the collapse of the Russian market.

Investment Climate

In Azerbaijan, the high prices for oil and gas are driving growth and thus also inflation. During the Corona pandemic, private households postponed many purchases.

"This consumption is now being made up for and is boosting the economy even more," says Gerit Schulze. Purchasing power remains weak. Only a few households

can afford expensive consumer goods from Germany. Monthly per capita retail spending in Azerbaijan in 2021 amounted to modest US\$ 217 (approx. EUR 200). Approximately half of this was spent on food. In neighbouring Georgia, the value is 120 EUR and in Uzbekistan – only 50 EUR.

Market observers point out that many home-made problems stand in the way of a permanently stable and

Economic forecasts for Eastern Europe and Central Asia (2022 | GDP growth in % | adjusted)

	2022	2023
Armenia	1.5	4
Azerbaijan	4.5	2.5
Georgia	3	5
Kazakhstan	2	2.5
Uzbekistan	4	5
Kyrgyzstan	1	4

Figure 33

sustainable socio-economic development of the country. For foreign investors, the strong dominance of state-owned and oligarchic corporate structures in many sectors is an obstacle and restricts free competition. The lack of an independent judiciary and the large shadow economy are clearly noticeable. In addition, the banking and financial crisis still casts its shadow.

Azerbaijan has a total of 63 wholesale markets and 87 retail markets for agricultural products. These markets could also be used for the sale of organic products.

Russia has introduced import restrictions on agricultural products from Western European countries and Turkey. This could offer new opportunities for the agricultural sector in Azerbaijan.

Vugar Bashirov from the Azerbaijan State Agricultural University points out two factors that should be paid special attention to in order to develop exports in the economy and gain an advantage in international competition: 1. price and 2. quality.

By using the price factor, cheaper goods should be produced compared to competitors. The quality factor is important because consumers in today's developed markets prefer to buy "environmentally friendly" products.

Tobias Baumann, Managing Director of the German-Azerbaijani Chamber of Foreign Trade in Baku, points out that when exporting to the European market, the required standards must be met.



Figure 34: GABA eco-products as a whole on a supermarket shelf

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