Improving Agricultural Productivity in Azerbaijan

Zaur Rzayev, Communications Associate in the World Bank Office in Baku, offers this story.

A few years ago, Tofiq Mammadli was the first to introduce drip irrigation in his small strawberry field in Jalilabad in the south of Azerbaijan. He did so with a US$25,000 grant for agricultural innovations. Before the new on-farm irrigation system was installed, water had to be brought in furrows between the rows, which consumed a lot of water and made it difficult to pick berries the day after watering. Tofiq says that the new irrigation system has produced such profits that he has quadrupled the area under plantation.

Many nearby farmers have followed his example and have also started using modern irrigation methods in their strawberry, potato and tomato fields—one aim of the Competitive Grants Program of the World Bank-supported Agricultural Development and Credit project. Since its start, around 100 innovative agricultural ideas from all over the country have received funding. Successful experiences are shared with other farmers for replication and development.

Azerbaijan's agriculture is mostly based on small family-owned farms that were created as a result of privatization of former collective and state farms. Nascent private farmers did not have access to inputs for productive agricultural production, nor were banks ready to finance this risky sector. Therefore, the project initially tested a group borrowing scheme under which ten or more farmers borrow together and act as each others' guarantor. These loans are small, based on market rates, and allow farmers to buy input seeds and other materials for production. Since the beginning of the project, thousands of Azerbaijani farmers benefited from the program.

Hussein Fataliyev lives in Masalli. Cattle, sheep, and chickens roam freely around his small farm. "I used the money to buy food to fatten up young cattle and then I sell them off at a profit to repay the loan and replenish the herd. I was trained to prepare a business plan and I have increased my herd by 50% in three years," says Fataliyev.

One of the challenges facing Azerbaijan's farmers is lack of capacity to store and process produce. To address the issue, the project is providing a line of credit to medium-sized producers and processors to establish and expand their operations. This line of credit is disbursed through local commercial banks and is accompanied by extensive training and capacity building programs to enable banks to finance similar projects with their own funds.

Advisory centres established by the project help farmers to grow plants that will yield a lot and to use productive farming methods. Jalal Aliyev used to produce wheat, but three years ago his local agricultural advisor suggested he switch to sunflowers, which are in high demand in Russia. He did and doesn't regret it. His revenues have tripled. In the past he could hardly make both ends meet.

It is believed that agriculture has the potential to become the new engine of Azerbaijan's growth, once oil and gas revenues reach a plateau. This will require more efforts to improve the quality and supplies of Azerbaijani agricultural products, and to enable farmers to access international markets beyond traditional export destinations. Food quality and safety standards should be strictly followed at all stages from production to marketing if Azerbaijan wants to achieve this goal. These are areas where the World Bank's global experience
Jalal Aliyev could help.