



Center for Analysis of  
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and Communication

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# AZERBAIJAN ECONOMIC REFORMS REVIEW



# THE STATE PROGRAM ON DEVELOPMENT OF COTTON GROWING IN THE REPUBLIC OF AZERBAIJAN FOR 2017-2022



The State Program on the development of cotton growing in the Republic of Azerbaijan for 2017-2020 was approved by the decree of the President of the Republic of Azerbaijan dated March 13 July, 2017.

In recent years, the implementation of state programs aimed at promoting efficient use of the country's economic potential and promotion of export-oriented production has accelerated the development of entrepreneurship in the agrarian sector, has created the basis for more efficient use of labor resources and natural resources in the regions, modernization of the infrastructure and increase in employment rate of the population.

The fact that cotton-growing, as one of the strategic and foreign currency generating area of agrarian sector, stands out due to its labour-intensive nature and high yield rates, as well as availability of favorable natural climate conditions and traditions in cotton production in Azerbaijan, the capacity to meet the raw materials demand of the processing industry through domestic production, and export potential for cotton and its end products, makes the development of cotton-growing a necessity.

### **Current state of cotton-growing in Azerbaijan**

The current state of lands, natural climatic conditions, water resources, labor resources and agrotechnical service allow the implementation of cotton-growing in several regions. However, according to official statistics, cotton-growing lands and cotton production has decreased during 1990-2015. Only in 2015, the area of cotton-growing lands amounted to 18.7 thousand hectares, and production was 35.2 thousand tons. However, as a result of substantial actions taken in the field of cotton-growing since 2016, the are of cotton-growing lands increased by 2.7 times to 51.4 thousand hectares and cotton production increased by 2.5 times to 89.4 thousand tons compared to the previous year.

The Law of the Republic of Azerbaijan No. 1012-IIIQ "On Cotton-growing" of May 11, 2010 sets the legal, organizational and economic basis of cotton-growing, regulates the relationships concerning turnover of raw cotton and cotton products. Moreover, the concessions have played an important role in raising cotton-growing to a new quality level, have attracted interest in investment to this sector and cotton production.

Subsidy in the amount of 0.1 Manat for each kilogram of delivered raw cotton under accordance with the Decree of the President of the Republic of Azerbaijan "On State Support for the Development of Cotton-growing in the Republic of Azerbaijan", dated September 22, 2016, No.2350 as well as increase by the companies of purchase price of raw cotton have served as additional incentive for the development of this field.

### **Objectives and tasks of the State Program**

The objective of the State Program is to meet the demand for cotton products in the country, improve the raw material supply of cotton processing plants, develop the processing industry, increase the export of cotton products, strengthen the state support for cotton-growing and to stimulate the development of this field to increase the employment level of the population in rural areas.

The following tasks shall be implemented to achieve the set goal:

- Implement institutional actions for the development of cotton-growing;

- Improve the regulatory framework that regulates the activities in the cotton-growing and further enhance the scientific support and staffing potential in the cotton industry;
- Improve the cotton-growing infrastructure;
- Support the application of innovative technologies in cotton production and processing;
- Promote domestic and foreign investment in this area;
- Establish effective economic relations between cotton producers and processing enterprises;
- Promote export competitiveness and export of cotton products;
- Increase the level of import substitution of cotton products;
- Support the development of the areas related to the production of these products;
- Development of cooperation in cotton-growing.

#### **Major directions in cotton-growing**

- Implementation of relevant measures in the following areas are envisaged to achieve the objectives and task in the field of cotton-growing in Azerbaijan:

- Increasing raw cotton production and ensuring efficiency through the introduction of advanced management practices, intensive cultivation and irrigation technologies;
- Improving the supply of the cotton-growing infrastructure with modern equipment;
- Application of shifting cultivation in cotton production, identification of optimal growing area for cotton in the regions and deepening of specialization; restoration, revamping of existing cotton processing facilities supporting the establishment of new cotton processing facilities through advanced equipment and technologies; Promoting the production of deep processing products, expanding export through new cotton processing products; Taking into account the changes in conjuncture of world cotton market, including the expansion of chemical fibers in the textile industry, strengthening the material and technical basis of cotton seed farms and organizing fiber-free seed production.

#### **Funding sources of the State Program**

It is envisaged that execution of the actions under the State Program will be funded by the state budget, extra-budgetary funds, the National Fund for Entrepreneurship Support of the Republic of Azerbaijan, the Azerbaijan Investment Company OJSC, the State Service for Agricultural Projects and Credit Management under the Ministry of Agriculture of the Republic of Azerbaijan, local and foreign investments and other sources not prohibited by the legislation.

## **Results expected from the implementation of the State Program**

Implementation of the State Program will contribute to restoration of cotton-growing tradition in Azerbaijan, reduction of dependence on imports of cotton products, increase of agricultural production potential in rural areas, expansion of export opportunities and additional foreign exchange inflows. At the same time, as a result of the actions taken, cotton production and processing complex will be established based on the wide application of cutting-edge technologies, and the textile industry based on local cotton raw materials will be formed. As a result of the implementation of the State Program, raw cotton production in 2022 will reach 500,000 tons.



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