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## **MARKETING ASPECTS OF THE DEVELOPMENT OF AZERBAIJAN`S GOODS MARKET INFRASTRUCTURE AS EXEMPLIFIED BY THE FARM PRODUCTS**

The article deals with marketing aspects of development of infrastructure of the commodity market of Azerbaijan in terms of agriproducts. Particular attention is paid to the current characteristics of the economy in the post-oil period and an ultimate goal of reduction of import dependence. For making a sound judgment, the current challenges in realization of agricultural products are examined and importance and additional value of utilization of the marketing that is currently rarely used. Another point of departure is a centralized nature of the sale of the agriproducts. In order to address the challenges in the farm products segment, it is suggested to apply the marketing methods within the marketing strategy and establish a governmental agency for the infrastructure.

**Key words:** goods market, marketing aspects of development of infrastructure, agriproducts, arm products segment, marketing strategy, establish a governmental agency for the infrastructure.

### **Introduction**

The market includes not only the relations of sale, but also social and economic relations, as well as organizational and economic relations. This gives grounds to consider the market through the lenses of the functioning economic system as an independent subsystem. The whole economic system is a collection of various subsystems in close interrelation and interdependence<sup>1</sup>.

At the dawn of economic relations between the market players, the infrastructures operating organizational and regulatory functions are essential. It is known that the infrastructure has several forms. We believe the commodity market is an example of the basic infrastructure and its operations are fundamental to the effective operation of manufacturers for the sale of the products. The farmers face various problems in the implementation and the formation of prices. Therefore, the present research is relevant.

### **Marketing aspects of the development of Azerbaijan`s goods market infrastructure**

It is possible to outline the following basic functions of the commodity market infrastructure:

- promotion of the economic interests of the market players;

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<sup>1</sup> Видяпина, В.И., Добрынина, А.И. (2007). *Экономическая теория: Учебник*. Москва, 2007, 62.

- organization of clearance of commercial and economic relation transactions between the partners;
- provision of legal, financial, insurance and audit services;
- familiarity with competitors, brokers, consumers and the state of the commodity market;
- trade, commercial and economic activities;
- intermediary activity in the sale of goods, organization of trade and economic relations;
- utilization of the fuel and energy complex, transport, communications and storage.

Azerbaijan carried out essential work for the development of market infrastructure. Over the past ten years, the government exercised the implementation of major infrastructure projects along with impressive projects dedicated to diversifying the economy. The above creates the favorable conditions for export, provides access to new markets and reduces the dependence on imports. Purposefully, the Government has carried out structural reforms in order to reduce dependence on oil.

The economy of Azerbaijan, the foundation of which was laid by the national leader of Azerbaijani people Heydar Aliyev, developed rapidly in recent years and the economic reforms and diversification of the economy were aimed to ensure the development of non-oil sector to create an opportunity for significant progress in this area.

On March 16, 2016 the President of the Azerbaijan Republic Ilham Heydər oğlu Aliyev signed a decree approving the "Main directions of strategic road map for the national economy and the main sectors of the economy"<sup>1</sup>.

The purpose of the Decree is a deep analysis of the current state of the economy and the preparation of a new economic development strategy for the sustainability of implemented economic policy and reforms. According to this document, a strategic road map will be prepared by for the priority sectors of the economy, including agriculture, logistics and trade.

It is known that the agriculture industry is labor-intensive and largely depends on climate conditions, soil fertility, processing professionalism. However, commodity market infrastructure plays also an important role in the efficient operation of the branch. The individual elements of the market infrastructure, including logistics, marketing centers directly affect the successful implementation of the manufactured products. In this regard, the activities of one of the types of marketing i.e. agro marketing activities are of great interest, and we believe that Azerbaijan needs to pay more attention to this issue. A deep knowledge, know-how and culture methods of agro marketing are important for entrepreneurs working in the agricultural sector.

Agro marketing is a form of purposeful creative foresight, planning, organization and management of satisfaction of consumers demand for goods, services and ideas through the exchange of agricultural production<sup>2</sup>.

Definite influence on the management of the organization is reserved by the particular production technology associated with living organisms, plants, animals, micro-organisms, which imposes special requirements for storage, transportation and marketing of products<sup>3</sup>.

The Government of Azerbaijan has carried out various projects in rural areas for infrastructure building that complies with the modern standards along with the projects dedicated to the support for farmers and further development of the agricultural sector. As a result of the restoration of rural roads, the access to road networks and to market increased that in turns had reduced the cost of delivery time to market.

It should be emphasized that the length of roads that are in common use has dramatically

<sup>1</sup> Распоряжение Президента Азербайджанской Республики об утверждении «Главных направлений стратегической дорожной карты по национальной экономике и основным секторам экономики» и вытекающих из этого вопросах. Официальный сайт президента Азербайджанской Республики. <<http://ru.president.az/articles/18121>>

<sup>2</sup> Цыпкин, Ю.А., Люкшинов, А.Н., Эриашвили, Н.Д. (2000). Агромаркетинг и консалтинг. Москва, 43.

<sup>3</sup> Королев, Ю.Б., Коретнев, В.Д. (2003). Менеджмент в АПК, Москва, 107.

changed from 18759 km in 2000 to 18,859 km in 2014<sup>1</sup>.

Azerbaijani President Ilham Aliyev has repeatedly noted that Azerbaijan has specific approaches on all issues. Adoption and implementation of state programs in Azerbaijan again proves it. The state program "Socio-Economic Development of Regions of Azerbaijan for 2009-2013." has been implemented and another program was adopted for 2014-2018 years. Progress in the implementation of the measures imposed by the Ministry of Agriculture shows that there is a systematic approach to agriculture.

Azerbaijan has recently strengthened support for the agricultural sector. Below is information about the means allocated to agriculture and the development of infrastructure projects by the National Entrepreneurship Support Fund (Table 1).

*Table 1.*  
**Data on the use of the National Entrepreneurship Support Fund of Azerbaijan Republic in 2014. Economic sector (thousand manat, AZN)**

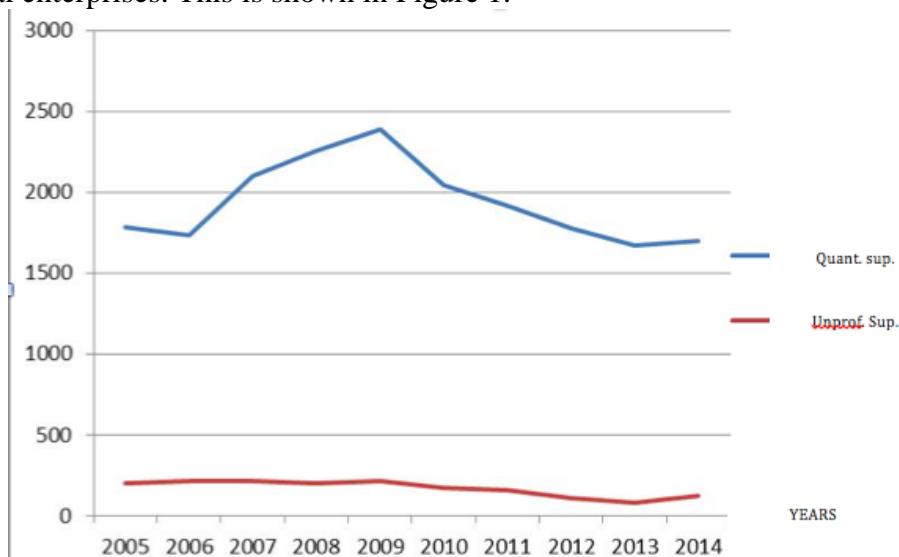
N	Branches of economy	Loans, amount	Share (%)
1.	Production and processing of various industrial products	50981.5	17.3
2.	Processing of the agriproducts	22204.5	7.5
3.	<b>Production of agricultural goods</b>	164191	55.7
4.	The development of services (infrastructure)	57623	19.5
	Total:	295000	100.0

*Source: National Entrepreneurship Support Fund*

The table shows that in 2014 63.2% of the allocated funds has been directed to the production and processing of agricultural products, and 19.5% for the development of infrastructure.

According to the report of the National Entrepreneurship Support Fund of Azerbaijan Republic in 2014 82.7% of soft loans accounted for the agricultural sector. More preference is given to small amounts of credit - 98%, loans of large volumes - 1.1%, with an average volume of loans amounted to - 0.9%.

As a result of the measures to assist agriculture positive developments have taken place in the agricultural enterprises. This is shown in Figure 1.



**Figure 1. Number of agricultural enterprises and unprofitable enterprises from them.**  
*Source: key economic indicators of agricultural enterprises and individual farms. Statistical Yearbook 2015, 23*

<sup>1</sup> Avtomobil nəqliyyatı. *Azərbaycan Respublikasının Nəqliyyat Nazirliyi*.  
<<http://www.mot.gov.az/az/content/297>>

The graph shows that the number of unprofitable agricultural enterprises in 2005 was 203 companies. In 2006 - 214, in 2007 - 213, in 2010 - 174, in 2011 - 212, in 2008 - 199, in 2009. - 156, in 2012 - 109. And in 2013 the number is dropped to 79, in 2014 the number of unprofitable enterprises has increased slightly - by 124 and decreased by 38 percent compared to 2005.

An integral element of market infrastructure organizations and businesses is to provide services to agricultural enterprises and contribute to the efficient operation of the sector.

According to the Ministry of Agriculture, 382 individuals and entities received a special license necessary to obtain the right to perform a service for farmers to sell their zoo-technical preparations required in the livestock sector. The following Table 2 provides the number of companies engaged in services<sup>1</sup>.

*Table 2.*

**Quantities of agri companies and providers of services**

Years	Agri companies	Including		Providers of services
		State companies	Private companies	
2005	2182	303	1713	424
2006	2208	274	1776	310
2007	1925	264	1497	357
2008	1854	257	1507	454
2009	1913	249	1579	496
2010	1825	217	1533	511
2011	1917	254	1592	426
2012	1360	241	1045	504
2013	1337	238	1025	523
2014	1334	240	1028	535

*Source. Azerbaijan Agriculture Statistical Yearbook 2015 p. 69*

The table shows that the number of agricultural enterprises, including state-owned and private enterprises in 2014 compared to 2005 decreased, while at the same time the number of service organizations increased.

The structure of the material costs for the production of agricultural products, payments for services rendered by third parties was only 4% in 2014, significantly less than in previous years (e.g., 32.7% in 2013)<sup>2</sup>.

In Azerbaijan, the year of 2015 was declared the year of agriculture and continued support of this sector. The subsidies implemented create favorable conditions for work in rural areas, farmers are exempted from taxes, except taxes on land. Consequently, employees are motivated. There is a tendency to cooperate and create the larger farms.

However, the results of surveys, observations and realities of the present day shows that while the majority of those working in agriculture are facing difficulties in bringing manufactured products to market. Farmers from the far away areas experience difficulties in the implementation of manufactured products. The problem of the realization of production almost every year becomes a subject of discussion in the community and at various levels of state machinery. In our opinion one of the reasons for this situation is that the use of marketing and other market instruments for small farmers is difficult, the individual elements of the market infrastructure operate in solitude and not systematic, location of infrastructure does not always contribute to the convenience of customers, the majority of infrastructure projects are in the center.

Below is the wholesale trade turnover by economic regions, in particular the reduction (Table 3).

<sup>1</sup> AZƏRBAYCAN RESPUBLİKASININ KƏND TƏSƏRRÜFATI NAZİRLİYİ. <<http://www.agro.gov.az>>

<sup>2</sup> Статистический сборник. Сельское хозяйство Азербайджана 2015, 156.

Table 3.

**The structure and the wholesale trade turnover by economic regions  
(thousand manat, AZN)**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
The turnover of the country. structure %	18 950 003,1 100%	20 544 099,8 100	22 742 300,0 100	25 132 615,0 100
Baku	12 958 664,6 68,38%	14 071 374,6 68,49	15 975 231,6 70,24	17 903 378,3 71,24
Economic region Apsheron	524 157,1 2,7%	548 075,5 2,6	583 115,6 2,57	663 461,2 2,63
Gadzhi GAZakh	982 178,6 5,2%	1 012 557,0 4,9	1 090 312,6 4,79	1 170 527,5 4,65
Sheki Zagatala	563 573,0 2,9	573 632,3 2,7	599 924,9 2,63	627 532,7 2,50
Lenkoran	664 766,0 3,5%	679 681,1 3,3	721 161,2 3,17	756 852,7 3,01

*Source: Static compilation of trade within Azerbaijan in 2015. P. 128*

The table shows that almost 70% of the wholesale trade is carried out in Baku. One reason for this lies in the fact that 39% of entrepreneurs and 58.7% of legal entities carry out their activities in the center.

Today, our Azerbaijan has reached the post-oil era and all the possible reserves shall be enacted, it is vital to actively develop the economy, and in particular the agricultural sector in order to reduce import dependence, providing the population with ecologically clean products. In this direction, we will implement a number of measures. Table 4 below shows data on export and import activities for some items of food.

Table 4.

**On the export and import of certain foodstuffs**

**Import**

Item name	2010	2011	2012	2013	2014
Meat and extra. meat food (thousand US dollars)	18020.1	22511.5	15772.3	15181.4	19460.5
Dairies, poultry eggs, honey etc. food of animal origin	59175.2	76383.3	63705.7	64045.0	69068.0
<b>Import</b>					
Meat and extra. meat food (thousand US dollars)	75.2	43,9	0,0	0,0	172.4
Dairies, poultry eggs, honey etc. food of animal origin	45.9	15.1	375.9	1237.8	2215.0

*Compiled according to the Azerbaijan State Statistics Committee*

The table shows that import of such products in 2014 compared to previous years has increased, even though Azerbaijan has big export potential of agricultural products. To realize this potential and reduce import the interests of farmers must be taken into account along with the interests of the all stakeholders in the supply chain of agricultural products. It must be stressed that measure taken by the government gradually gives positive results, especially subsidies.

## Conclusion

In conclusion, we can note the positive trends in the development of market infrastructure of Azerbaijan, at the same time the level of coordination of the activities of the different elements of the market infrastructure does not meet modern requirements. It is therefore advisable to create the governmental infrastructure commission.

In our opinion, it is necessary to use marketing methods at all levels, both vertically and horizontally for the further development of infrastructure of the commodity market in order to address random and planned challenges and problems encountered in the sale of agricultural products. The strategy must meet the following requirements:

- assessment of capabilities and the environment;
- the accuracy and clarity of the objectives;
- organization of the joint work of staff and marketing specialists;
- the ability to adapt to changing market conditions etc.

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