



Baku Research Institute

Assessment of the impact of the COVID-19 pandemic on farmers

(based on in-depth interviews)



BAKU – 2021

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Introduction

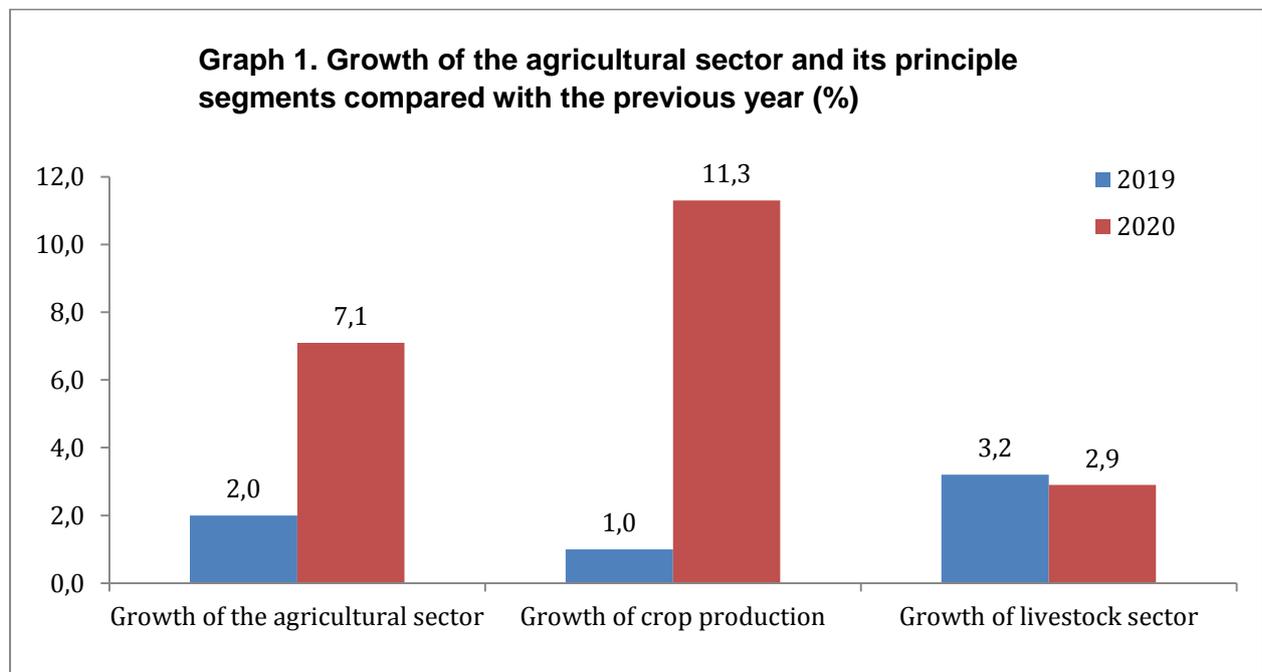
The global pandemic declared by the World Health Organization in March 2020 in response to the COVID-19 virus, which spread rapidly around the world, generated serious risks to the economy. In particular, the implementation of a strict quarantine regime and restrictions on the free movement of people, business activities, and working together have had negative impacts on all sectors of the economy. In this context, the study of the impact on agriculture, which plays an important role in terms of food security and proper nutrition in every country, is of particular interest. The agrarian sector is not directly affected by the strict quarantine regime, unlike a number of other sectors, such as various services whose operations occur primarily indoors, and industries that require collective work. Since crop production takes place outdoors in an environment where people can maintain a social distance, the restrictions imposed by a strict quarantine regime are usually either not applicable to the agricultural sector at all or are more lenient. From this point of view, agriculture has been less affected by the pandemic than other sectors.

At least some indirect effects, however, are inevitable for the agricultural sector. Taking into account these risks and concerns, the BRI expert group interviewed stakeholders to investigate the impact of the coronavirus pandemic on the agricultural sector in Azerbaijan. Due to restrictions on face-to-face meetings, all interviews were conducted by telephone.

Statistical overview of the impact of the pandemic on the agricultural sector

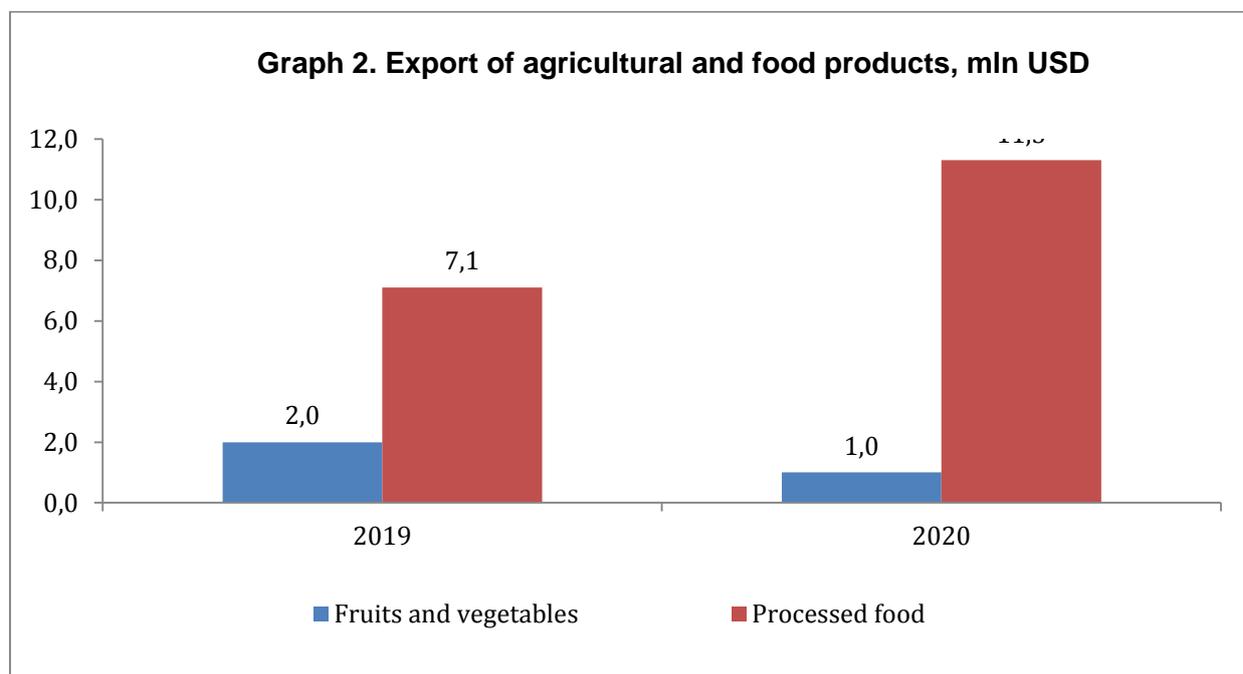
In order to study the effects of the pandemic and the strict quarantine regime on agriculture in Azerbaijan, individual interviews with various stakeholders in the agricultural sector (farmers, suppliers, wholesalers, etc.) are undoubtedly an important source of information reflecting the situation on the ground. Against this backdrop, however, it is interesting to look at the statistical picture provided by the information collected by official bodies.

According to the State Statistics Committee's (SSC) [report](#) on the outcomes of the first 11 months of 2020, the growth rate in the agricultural sector never fell to negative numbers, but it did slow down significantly compared to the previous year.



According to official statistics, in 2020, the growth rate in the agricultural sector slowed down by a factor of 3.5 and amounted to 2%. The 11.3% growth in the crop sector during the reporting period was replaced by a growth rate of only 1%. Statistics show that the situation in livestock is more stable, but this information does not correspond to the real conditions described by farmers. According to the report, there were decreases of more than 8% in the production of cereals, 0.2% in melons, 4% in fruits and berries, 2% in potatoes, 2.6% in meat, and 1.6% in milk. As for the processing of agricultural products, according to the SSC, the production of sausages decreased by 36.4%, cheese by 2.5%, butter by 1.7%, vodka by 8.4%, cream by 3.4%, and grape wine by 54.6%.

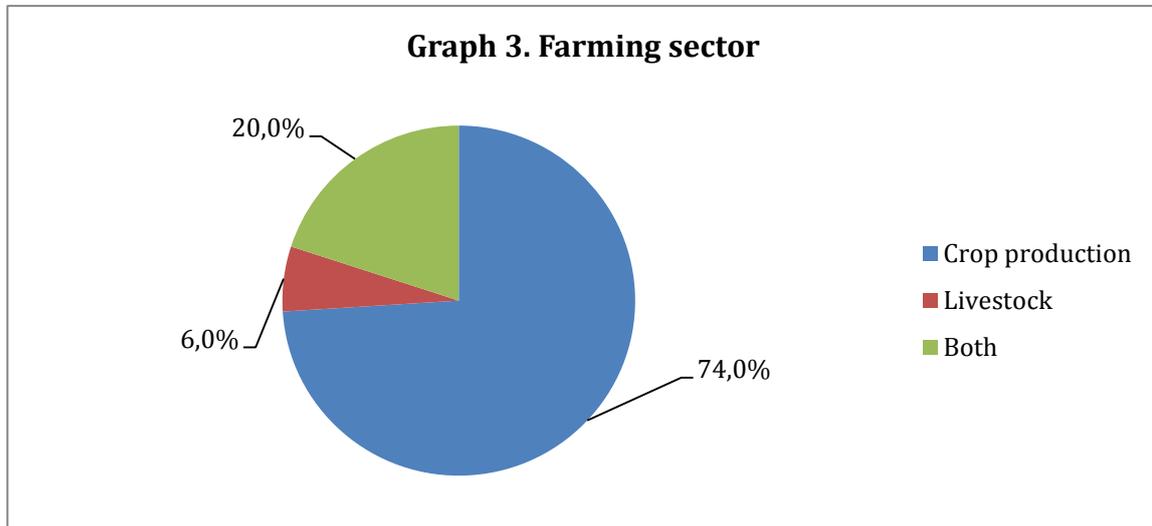
An analysis of [foreign trade statistics](#) shows that, in contrast to the decline in domestic sales, there was no decrease in the value of agricultural and processed food exports, but rather a slight increase.



According to customs statistics, fruit and vegetable exports in 2020 amounted to \$607.5 million, which is about \$2 million (0.33%) more than in the previous year. In turn, exports of processed food increased by \$5.4 million (7.4%).

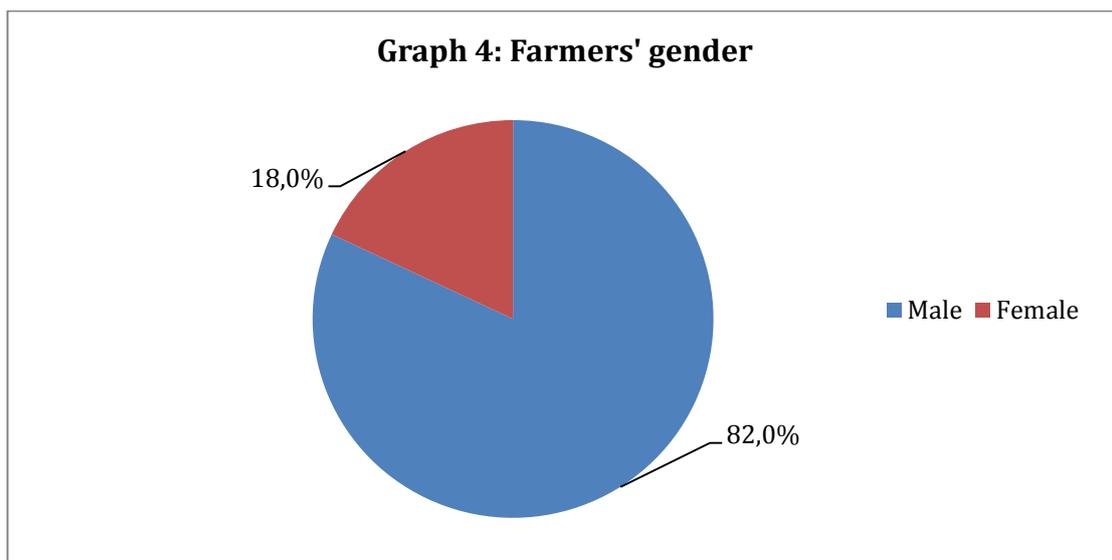
Interviews

A total of 60 people were interviewed for this assessment. Of those 60 people, 50 were farmers and 10 specialized in supplying agricultural inputs, providing various cultivation services to farmers, or selling wholesale, exporting, and processing agricultural products.

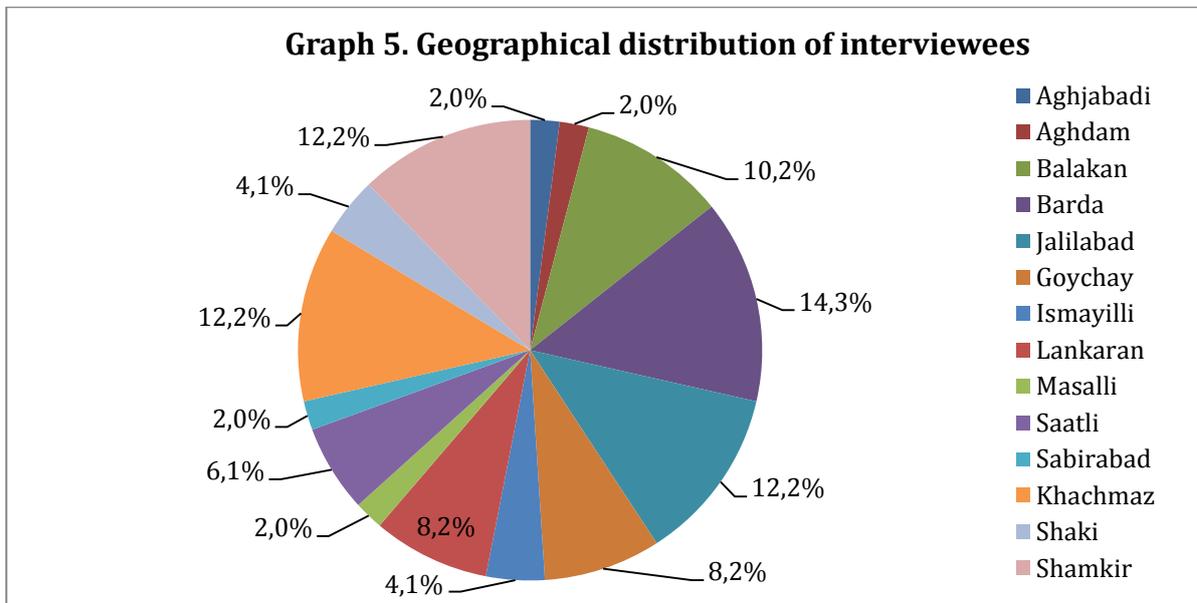


74% of the farmers interviewed said they were engaged in crop production and 6% in livestock. 20% of respondents stated that they worked in both areas. 20% of the crop farmers said they were engaged in the production of fruits and berries, 45% in vegetables, 15% in cereals and grains, and the rest in mixed production.

82% of the farmers interviewed were men and 18% were women.

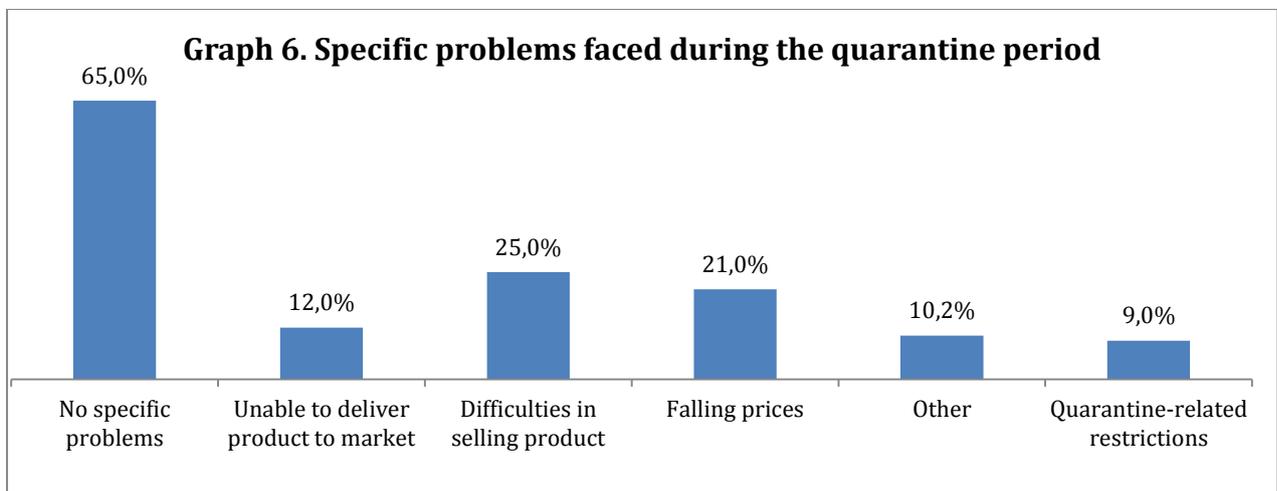


In conducting the interviews, preference was given to as wide a geographical representation of the country as possible.



The interviewees represented 14 regions in 7 different economic regions. Farmers participated from Shamkir in the *Ganja-Gazakh economic region*, Shaki and Balakan in the *Shaki-Zagatala economic region*, Lankaran and Masalli in the *Lankaran-Jalilabad economic region*, Khachmaz in the *Guba-Khachmaz economic region*, Ismayilli in the *Mountainous Shirvan economic region*, Aghdam in the *Upper Karabakh economic region*, Aghjabadi in the *Aran economic region*, Barda, Saatli, Sabirabad, and Goychay.

The first interview question was related to the specific problems they faced during the quarantine period, unlike those in previous periods. The responses show that the majority of farmers (65%) did not face any specific problems, i.e. problems generated directly by the pandemic or the implementation of strict quarantine measures. However, one in four respondents (25%) said they had *difficulty selling their product*. Among the farmers, there were those who *could not deliver their products to market* (12%), and those who noted quarantine-related restrictions on working in the field/on the farm or on hiring workers (9%) and *falling prices* (21%).



As factors making it difficult for them to sell their products, farmers noted that large wholesale markets were closed during the strict quarantine period and that therefore wholesalers did not come to the regions to buy products, especially on weekends, as well as the fact that large collective consumer facilities (tourism and recreation facilities, restaurants, mourning ceremony and wedding venues) had been closed entirely. On the one hand, these factors have resulted in the spoilage or loss of quality of produce (mainly ripe vegetables, fruits, and berries) that could not be harvested on time. On the other hand, the decline in consumption and the resulting surplus of produce has led to a fall in prices and reduced the incomes of farmers. Farmers who faced losses from the decline in prices included those engaged in the sale of fattened animals, the owners of poultry farms or fruit and berry orchards specializing in providing produce for juice and beverage processing, dairy farms, and vegetable growers. Farmers specializing in the sale of fattened animals said that while retail prices for meat did not fall during the pandemic, wholesale prices for mutton and beef fell by an average of 10-20% due to increased production and declining demand. Farmers selling large livestock said there were more serious problems because the demand for large animals comes mainly from wedding and mourning ceremony venues. The decline in demand did not spare poultry either, and as a result, both industrial poultry farms and small poultry farmers were forced to reduce production.

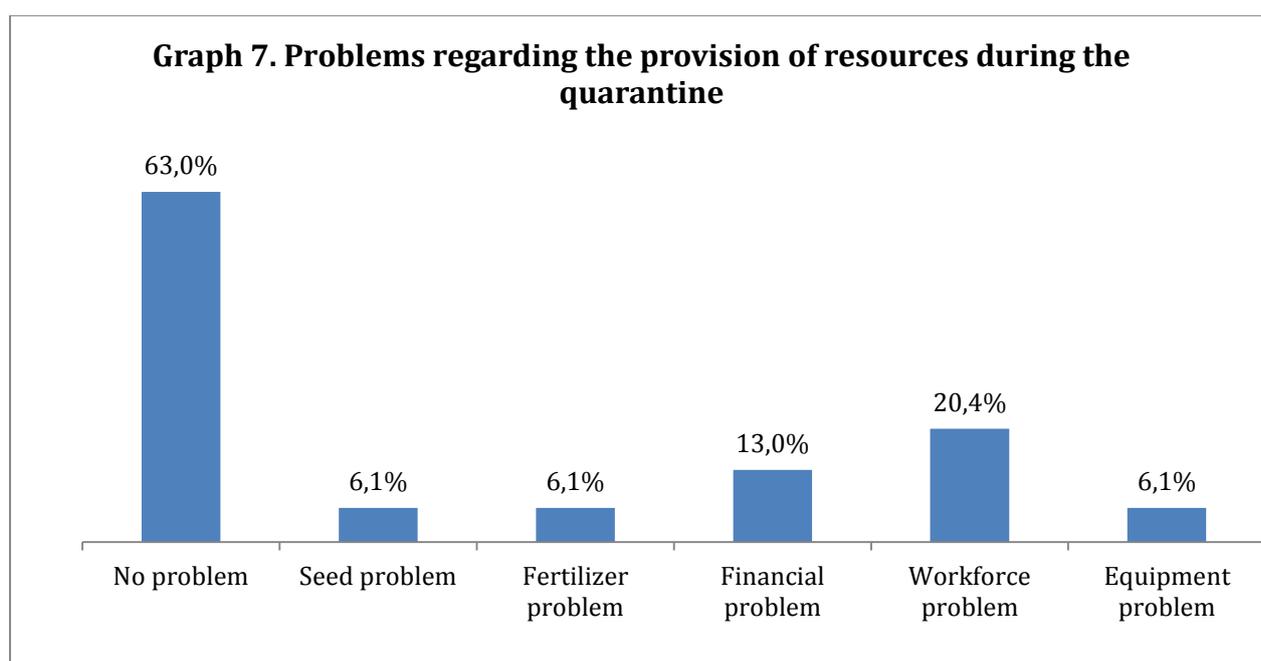
Farmers who have been growing wine grapes for processing plants for many years said in their interviews that during the pandemic they faced serious problems selling their products. Initially, processing plants generally refused to accept products due to limited export opportunities and reduced domestic consumption. The crop, which remained in the orchards for days, was severely damaged by decay and rainy weather. On the other hand, when they succeeded with great difficulty in persuading the processing plants to accept the product, they bought at a low price. Farmers noted that compared to last year, processing plants purchased each ton of grapes for 40-50% cheaper prices on average. There were also farmers who reported an average loss of 15-20% due to the untimely delivery of crops. The same situation was observed in dairy farms selling products to dairy processing enterprises. Dairy cattle breeders who took part in the interviews noted that, due to the fall in demand, processing enterprises accepted less of their products and the price of milk fell. According to interviewees, during the pandemic, the wholesale purchase price of milk by processing plants decreased by 15-20%, and milk production decreased by an average of 20-25%.

Reports of falling purchase prices were also relayed in interviews with vegetable growers. For example, cabbage producers noted that purchase prices fell by an average of 15-20% compared to the previous season.

There were farmers who said that the restriction of freedom of movement under the strict quarantine regime also affected the agricultural sector. According to the interviewees, a large number of the middlemen who buy products from farmers for large wholesale markets are not registered with the tax authorities. Without official registration, it was impossible for them to pass through the quarantine checkpoints and they lost the ability to transport products to markets. In addition, when farmers needed to go to regional capitals for supplies (seeds, spare parts, feed, pesticides, etc.), or to neighboring regions or cities if necessary, they were unable to do so in a timely way considering the need to receive permission by text message.

Wholesalers interviewed also noted problems with sales. They drew attention to three relevant points: 1) Sales and turnover decreased by 15-20% compared to the pre-pandemic period. This decline has led to declining incomes for both wholesalers and farmers; 2) Despite declining revenues and turnover, owners of wholesale markets in large cities have not made any concessions to wholesalers on the fees they pay for market services. Unchanged costs in the face of declining incomes have forced wholesalers to buy cheaper goods from farmers; 3) Declining demand in some cases led to the inability of wholesalers to sell products brought from the field in a timely manner, resulting in an increase in spoiled and lost goods. This is especially true of perishable products such as fruits, grapes, and vegetables.

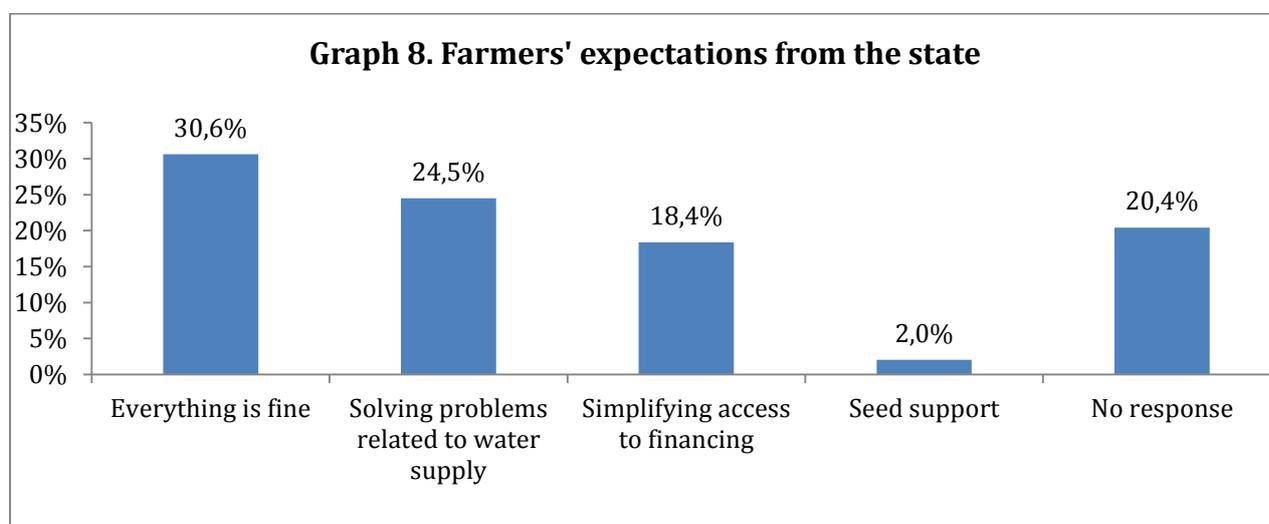
Regarding the provision of resources during the quarantine, 63% of farmers said there were *no problems*. The main problem was *the lack of manpower* (20.4%). Respondents also mentioned shortages of *seeds* (6.1%), *fertilizers* (6.1%), *equipment* (6.1%) and *financing* (13%).



Farmers drew attention to 2 separate issues with the workforce. In some cases, the pandemic has prompted people to be more cautious for some period of time, and their choice of self-isolation has led to interruptions in the workforce, especially those coming from long distances (mainly by public transportation from remote settlements). Although this was not a very common problem, it was mentioned in the farmers' interviews. However, the main problem with the workforce was the increase in the amount paid for each day of labor. In particular, after the government's increase in the minimum wage in early 2020, as well as the increase in food prices, today's day laborers have managed to increase the value of their work. Farmers in the crop sector, who need and use more labor, are affected by this problem. They note that rising labor costs have further increased the cost of their products at a time when there are difficulties in selling produce, when sales and, accordingly, revenues are in decline.

Representatives of the supply companies who were interviewed noted that there were no problems or delays in the import and sale of production supplies (whether fertilizers, medicines, and seeds, or technical equipment). They noted that although sales of medicines and fertilizers initially declined, this trend was gradually replaced by an increase starting in August.

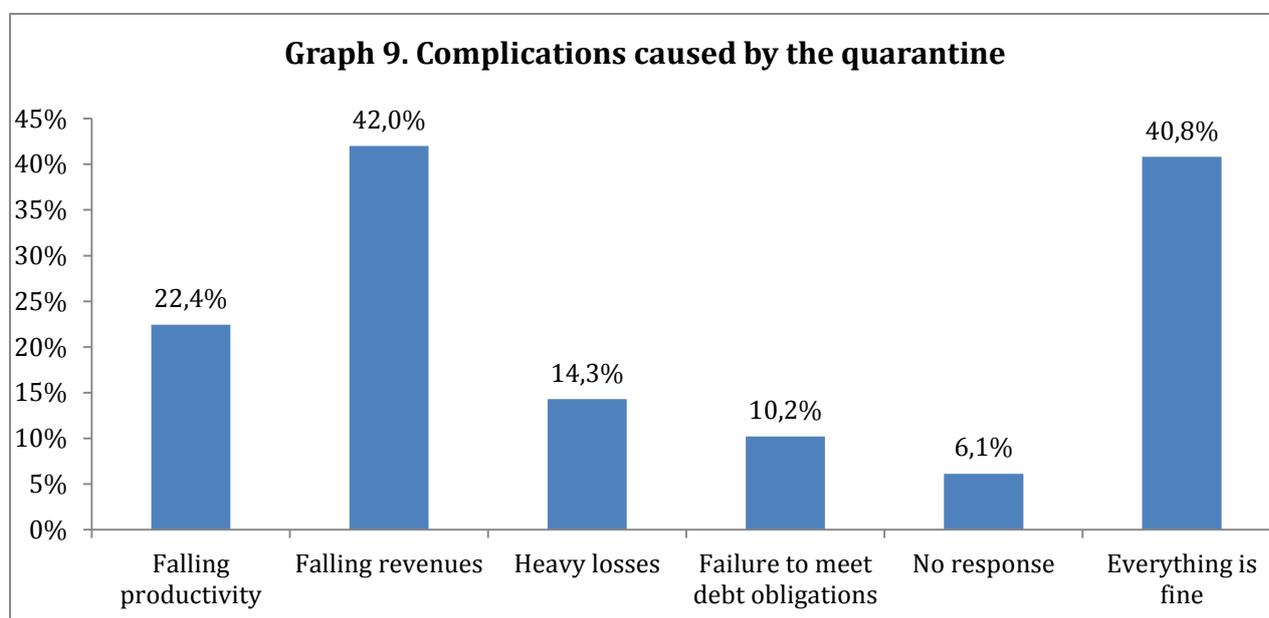
Farmers said they did not receive any government support in response to their problems, although they had expectations for the state during the pandemic and the strict quarantine regime. They stated that the main expectation was the *solution of water supply problems* (24.5%). The second important expectation was to *simplify access to finance* (18.4%). The farmers believe that the state should support them in providing soft loans. Only 2% of respondents expected *seed support* from the state. One-third of farmers (30.6%) said *there were no problems and everything was fine*, while 20.4% said they *preferred not to respond* to the question.



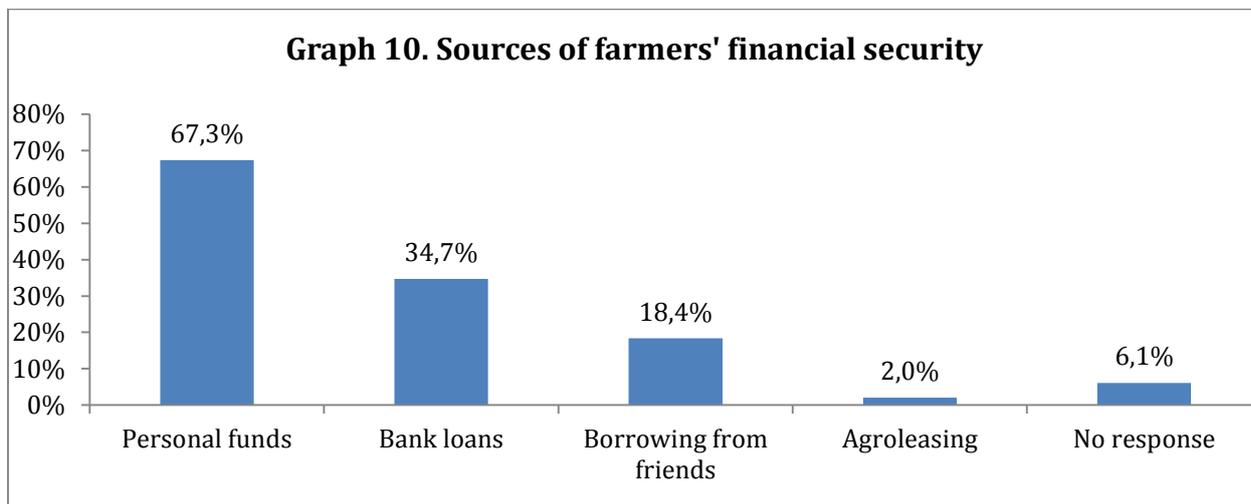
Some of the interviewees had expectations from the state regarding the sale of produce. They hoped that in the face of declining demand, the government would make public purchases directly from farmers to provide food support to poor families.

Another expectation was that local Agrarian Development Centers would regularly survey farmers' opinions to assess the effects of the pandemic and make rapid decisions. The interviewees stressed that their expectations were not met.

When farmers were asked about problems in the interview, 40.8% of them said that *everything was fine*. The rest said that a number of complications arose during the quarantine which they were unable to resolve. According to 42% of respondents, their *income decreased* as a result of quarantine. 22.4% of farmers surveyed said that their *productivity had fallen*, 14.3% had *suffered heavy losses*, and 10.2% had *failed to meet their debt obligations*.

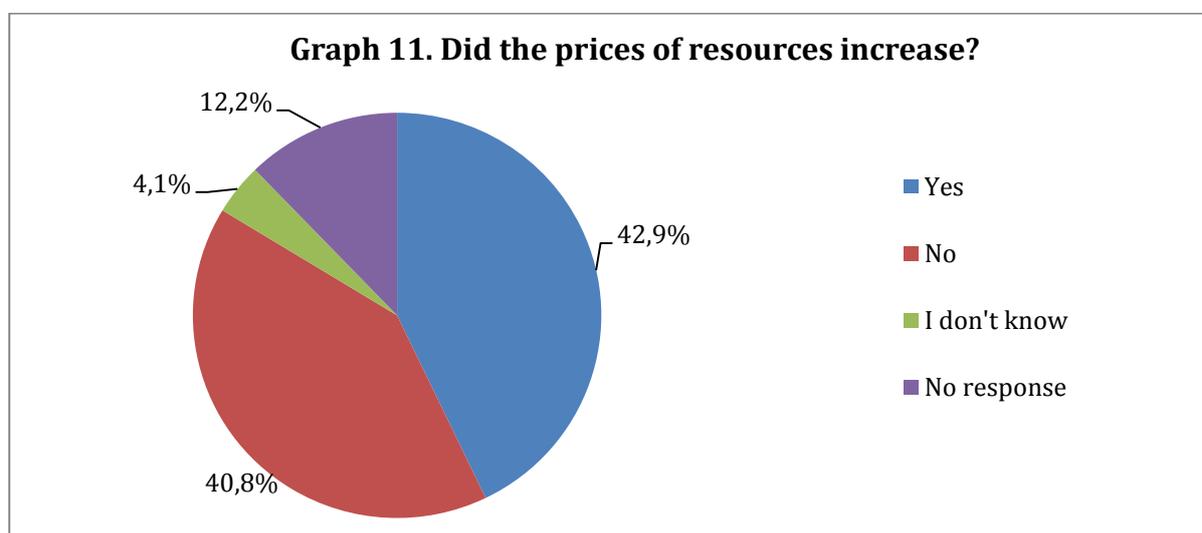


One of the questions farmers were asked during the interview was about financial security. Their response showed that the vast majority of respondents (67.3%) resolved their financial issues *at their own expense*. In the course of the interviews, it became clear that farmers did not have enough personal funds to finance themselves, and they were forced to raise additional funds. 34.7% of interviewees preferred *bank loans*, while 28.4% preferred *borrowing from friends*. 2% of respondents said they *took advantage of Agroleasing's service*.



A small number of respondents said they were able to solve the problems they had repaying funds borrowed during the quarantine period. 2% of them *repaid their old debts by borrowing from others*, and 2% took advantage of the *opportunities offered by credit institutions for debt restructuring (easing of conditions)*. 22.5% of respondents said that *none of the credit organizations made concessions*.

The farmers' responses to a question about whether there had been an increase in the prices for resources, especially production supplies, were contradictory. 42.9% of respondents said that *there was an increase in prices*, 40.8% said *there was not*. The remaining 16.3% of farmers did not confirm or deny the increase.

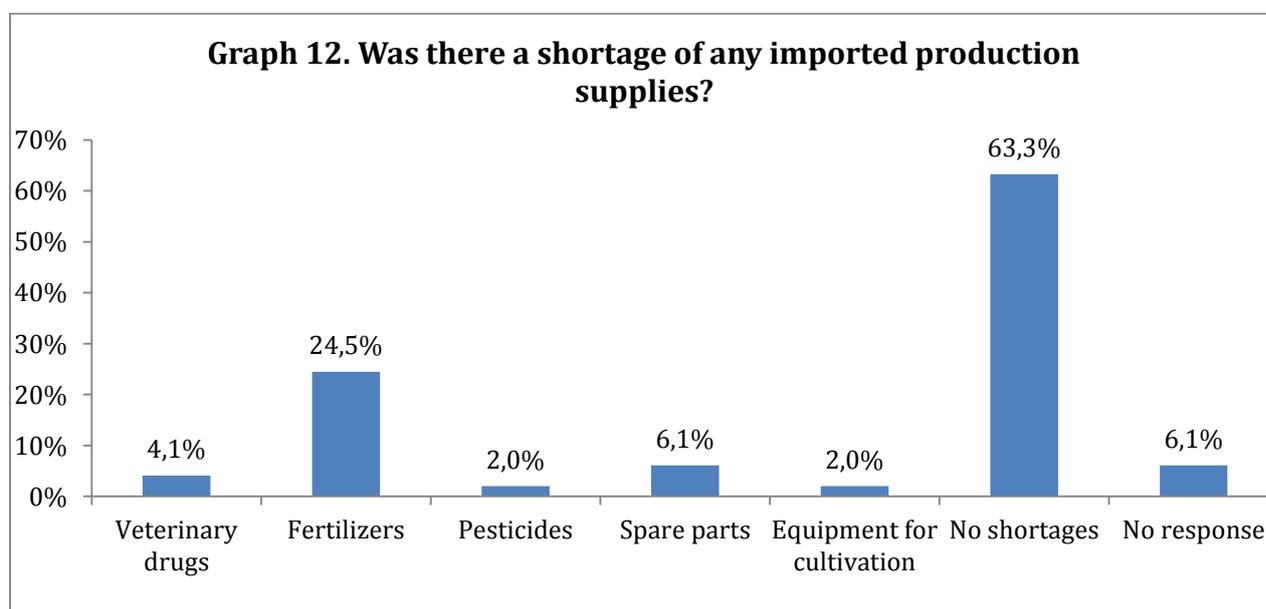


Livestock producers said they mainly suffered from rising prices for production supplies, especially barley and hay bales. It is clear from the interviews that the prices of fodder cereals (barley and wheat) rose by 20-25%, and the price of hay bales rose by an average of 40-50%. Poultry farms were particularly sensitive to the increase in costs. The price of soybeans, which are used as a staple food on these farms, has risen by 40%

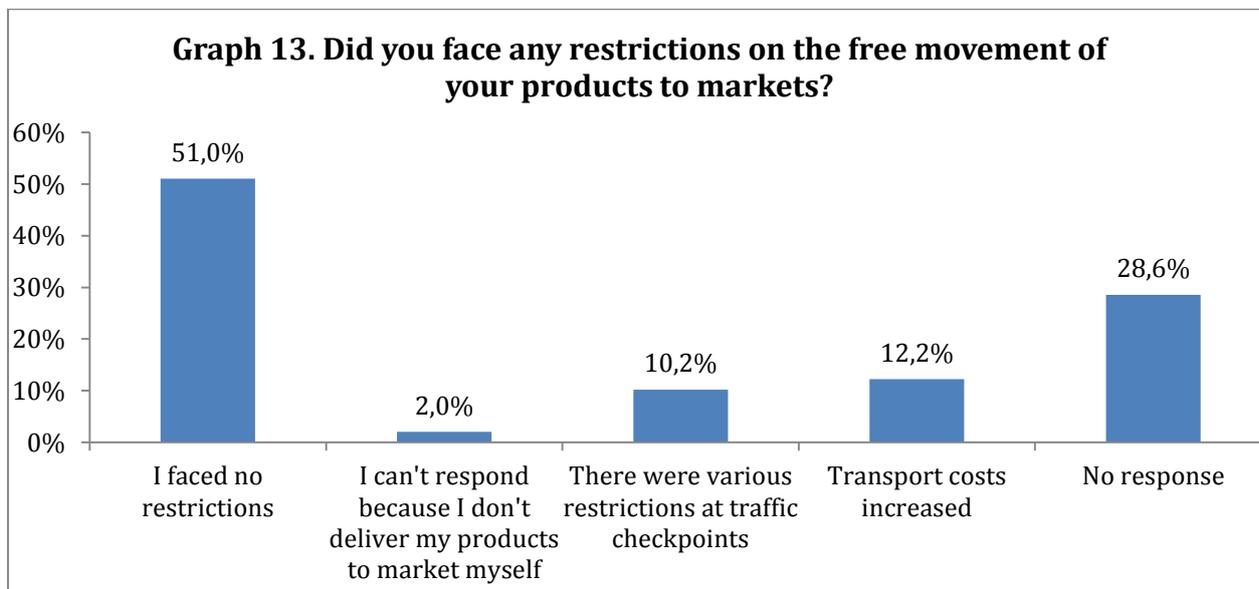
(AZN 1,250-1,300 to AZN 1,700), cereals by 25% (AZN 0.25 to AZN 0.32-0.35), sunflower seed waste by 15-20%, and corn feed by 50%.

Poultry farms say that only 2 (water and salt) of the more than 20 components necessary for production are acquired domestically. All remaining production supplies are imported, and in the year of the pandemic, almost all imported components have risen in price to one degree or another.

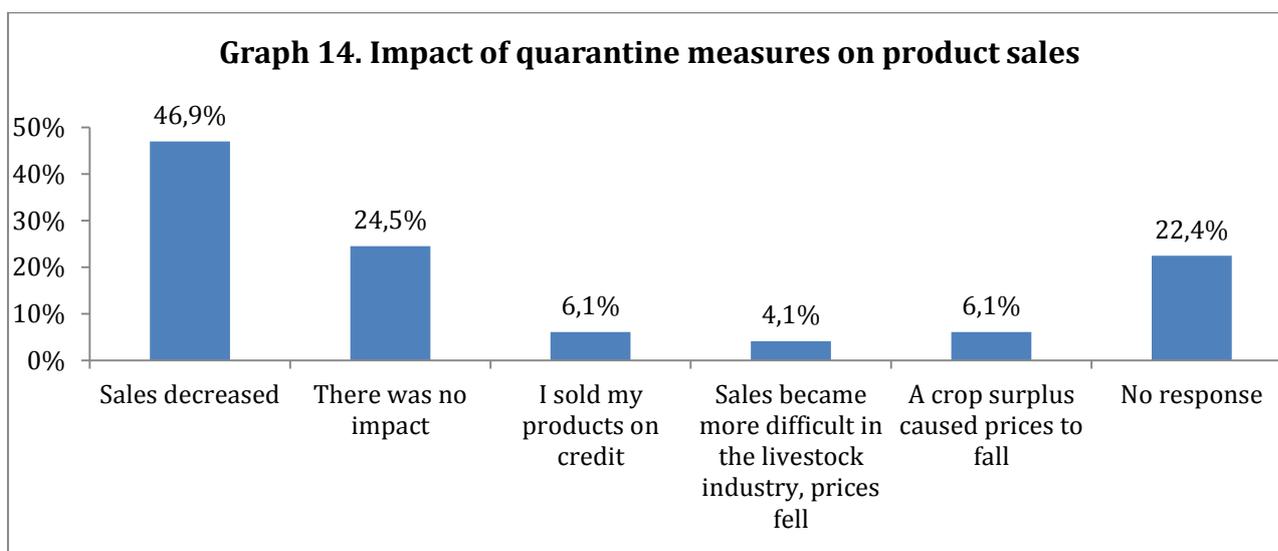
Most agricultural production supplies are imported. In the interviews, farmers were asked whether there were problems with imports during the quarantine period. The majority of farmers (63.3%) said there were no shortages. At the same time, there were those who said that some supplies were lacking. 24.5% of respondents said there was a shortage of *fertilizers*, 6.1% of *spare parts*, 4.1% of *veterinary drugs*, and 2% of *equipment for cultivation*.



About half of the farmers interviewed (51%) said they *did not face any restrictions* on the free movement of their products to markets. 2% of respondents said they could not answer the question, citing the fact that they *do not deliver the product to market themselves*. However, 12.2% of respondents complained about the *increase in transport costs*, and 10.2% about the *creation of various restrictions at traffic checkpoints*.

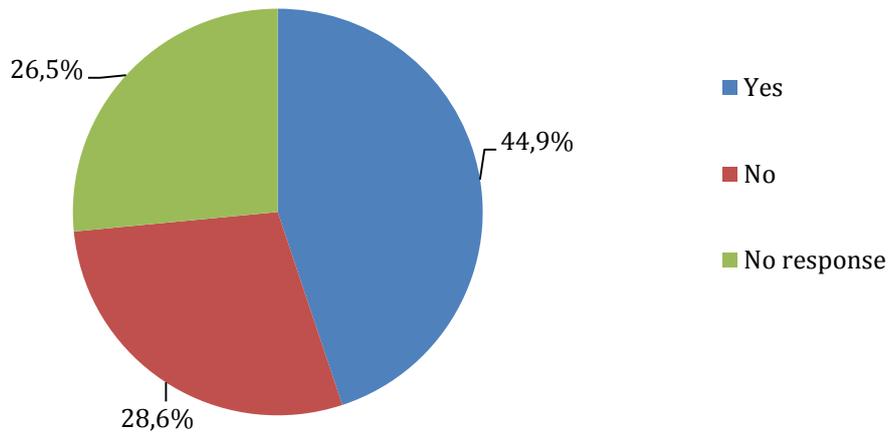


20% of farmers who experienced problems getting their products to the markets were forced to *sell their goods on the spot*. The remaining 80% returned *without doing anything*. It is clear from the responses that only 4% of farmers who faced problems when putting their products on the market *applied to the relevant government agencies*, and half of them said that *their problem was solved*.



According to farmers, the ban on various public events, the closure of the food service and tourism sectors, and the decline in the purchasing power of the population due to the quarantine have seriously affected sales of their products. 46.9% of respondents said that *sales decreased*, 6.1% sold their products on credit. Some respondents cited lower prices as a problem. 4.1% of respondents said that *sales became difficult in the livestock industry*, and 6.1% said that prices fell due to the *crop surplus*. One quarter of farmers said *there was no impact*.

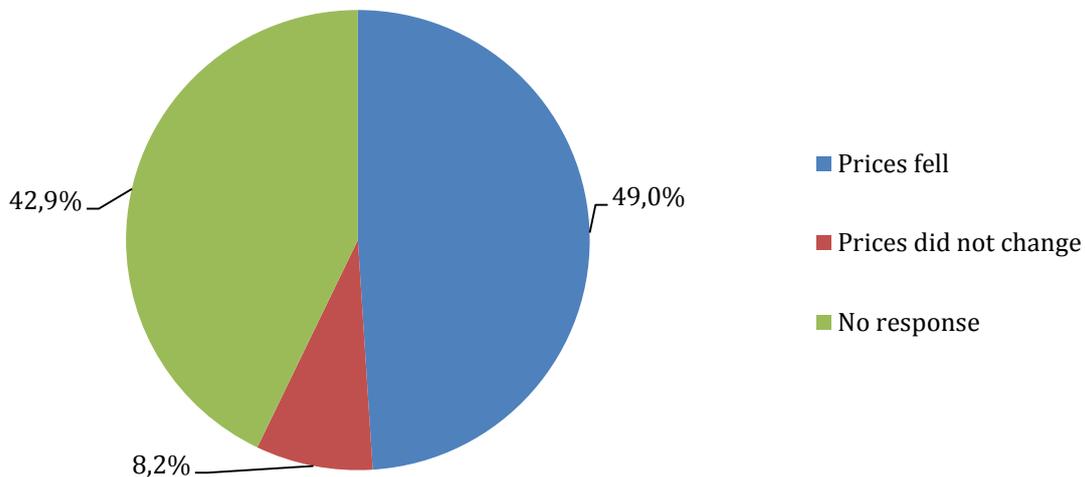
Graph 15. Was there a domestic market surplus problem compared to previous periods?



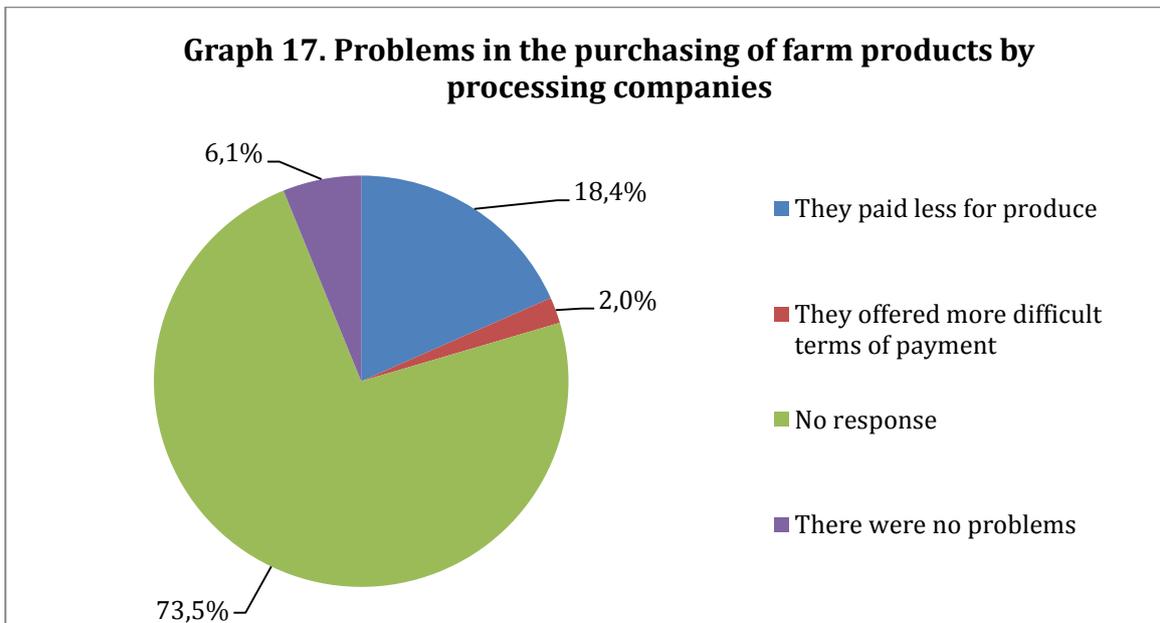
44.9% of respondents believe that compared to previous periods, *there was a domestic market surplus*, while 28.6% answered the question in the *negative*.

When asked about the impact of the surplus on the market, about half of respondents (49%) who answered in the affirmative said it led to *lower prices*, while 42.9% said it *did not have any impact*.

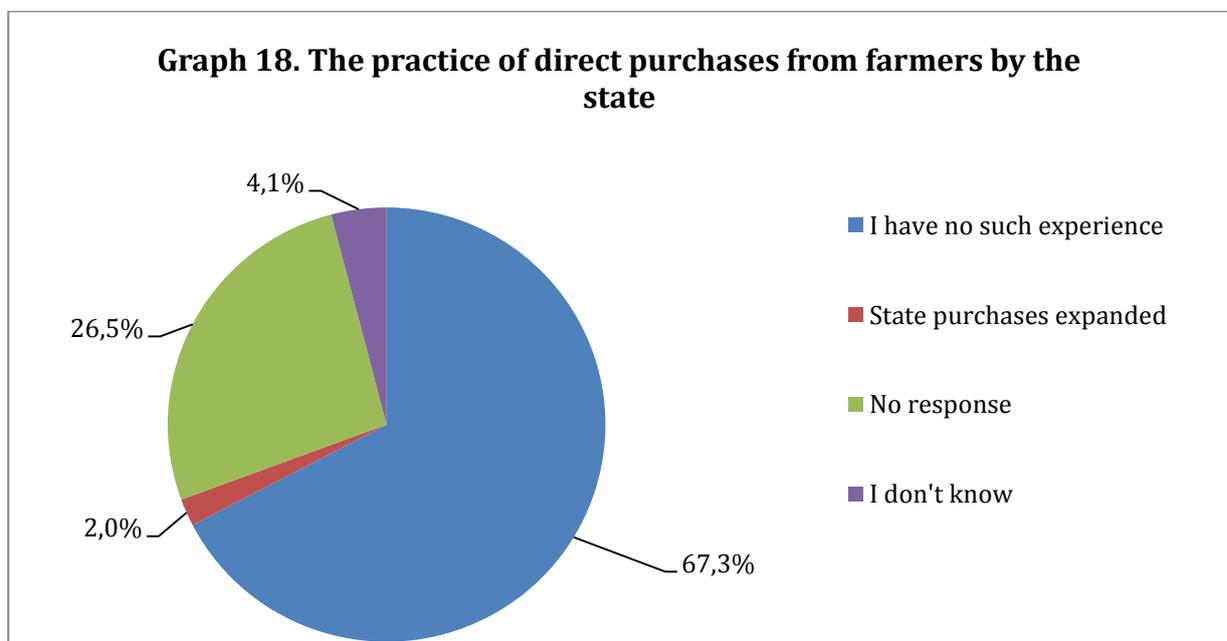
Graph 16. Impact of crop surplus on the market



According to 18.4% of farmers, processing enterprises paid less for farmers' products. 2% of respondents said that processing companies offered more difficult terms of payment, while 6.1% said that there were no problems.



One of the questions asked during the interview was whether farmers had any experience with state procurement. The question also asked whether this type of sale expanded or decreased during the pandemic. It became clear from the responses that there are problems with the supply of products to the state. 67.3% of respondents said that they had *no such experience* at all. Only 2% said had experience with state procurement and that such *purchases were expanding* during the pandemic.



When asked whether the state procurement system is profitable for farmers in terms of prices and other conditions, 8.2% of respondents answered in the *affirmative* and 4.1% in the *negative*. The rest made no comment.

Results

As a result of this study, the expert group came to the following conclusions:

- The farmers' main problem was the difficulty of selling products and falling prices.
- The cause of the difficulties in product sales was the complete cessation of the activities of large wholesale markets and large collective consumption facilities (tourism and recreation facilities, restaurants, mourning ceremony and wedding venues, etc.) during the quarantine period.
- The decline in consumption has led to lower prices and lower incomes for farmers. Farmers engaged in the sale of fattened animals, poultry farms, owners of fruit and berry orchards specializing in supplying beverage and juice processing companies, dairy farms, and vegetable growers suffered from the decline in prices.
- Farmers specializing in the sale of fattened animals said that while retail prices for meat did not fall during the pandemic, wholesale prices fell by an average of 10-20%.
- As a result of declining demand, industrial poultry farms and smallholder poultry farmers have been forced to reduce production.
- According to the interviewees, during the pandemic, the wholesale purchase price of milk by processing plants decreased by 15-20%, and milk production decreased by an average of 20-25%.
- Due to the fact that a large number of middlemen who buy products from farmers for large wholesale markets are not tax-registered, their freedom of movement (passage through quarantine checkpoints, transportation of products to markets) was limited during the strict quarantine regime.
- During the quarantine, farmers experienced no serious problems with the provision of resources. The main problem was a lack of manpower.
- There were no problems or delays in the import and sale of production supplies (whether fertilizers, medicines and seeds, or technical equipment) by suppliers.
- Although farmers had high expectations from the state during the pandemic and strict quarantine regime, they did not receive any support. Their main expectations were a solution to water supply problems and simplified access to financing.

- Farmers also expected the government to make direct public purchases from farmers to provide food support to poor families as demand declined.
- Farmers said that their incomes were reduced, productivity fell, and they failed to meet their debt obligations because they were unable to solve the problems that arose during quarantine.
- Farmers have financed their operations mainly at their own expense. In addition, there were those who applied for bank loans or borrowed from friends and acquaintances.
- Livestock producers said they mainly suffered from rising prices for production supplies, especially barley and hay bales.
- Both meat and poultry farms have experienced serious problems due to the fact that the feed base of poultry farms is completely dependent on imports, and the cost of imported feed has risen by an average of 30-40%.

Respondents' recommendations to the government to reduce the effects of the pandemic

The last question in the interview asked what steps that the government should take to reduce the impact of the pandemic on the agricultural sector. Participants made the following suggestions:

1) Increasing access to financial resources:

- Ease credit conditions and lower interest rates or ensure interest-free loans;
- Introduce mechanisms for the creation of low-interest loan programs;
- Establish state compensation mechanisms for damages.

2) Subsidies:

- Eliminate interference in subsidies;
- Increase the size of cash subsidies;
- Create the conditions for increased purchases with the funds on the subsidy card;
- Wave the practice of requesting duplicate (identical) documents for subsidies every year;
- Establish state support mechanisms for poultry breeding farms.

3) Ensuring product sales:

- Facilitate the issuance of permits for sales within the country;
- Facilitate access to domestic farmers' markets;
- Create the conditions for product exports;
- Impose restrictions on imported products in order to protect the domestic market;
- Implement the public procurement of agricultural products;
- Eliminate the problems and restrictions arising during the crossing of border checkpoints.

4) Production supplies:

- Prevent the sale of low quality seeds;
- Reduce the price of seeds;
- Ensure the certification of seed wheat;

- Facilitate access to fertilizers;
- Reduce the prices for agricultural machinery;
- Regulate the prices of production supplies;

5) *The mitigation of quarantine conditions:*

- Eliminate text message permission restrictions;
- Provide support to elderly farmers who are not allowed to work;
- Issue permits granting farmers the right to work on farms registered in someone else's name.

6) *Other:*

- Establish tax benefits;
- It would be better not to limit a farmer's production;
- Solve the workforce problem.