



## The Role of Procurement and Supply of Agricultural Products in the Market Economy of the Country

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### Summary

*Ensuring food security of the state is one of the most important issues in modern conditions. Effective state regulation of the agricultural sector, which is considered one of the most important and priority sectors of the economy, is considered one of the market relations in modern times, as in different periods. The agricultural sector is also the basis of food security. Preventive measures taken by the state envisage the establishment of food independence in the Republic of Azerbaijan. The "Strategic Roadmap for the National Economy", adopted on December 26, 2016, envisages a plan for the sustainable development of the agricultural sector. The establishment of the Procurement and Supply OJSC under the Ministry of Agriculture on December 14, 2018 was established to ensure that the product is collected, supplied and exported to the internal and external markets without losses.*

*In general, the objective necessity of purposeful regulation of the agricultural sector is mainly to ensure its protection from various natural and economic cataclysms and possible crisis situations.*

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Meeting the needs of the population in food products today is one of the main factors of social and economic stability of the country. The existence of a well-grounded concept of the transition of the Azerbaijani economy from an administrative command system to market relations has led to the formation of an economically efficient structure of the agro-industrial complex, and the state policy in the field of procurement and supply of agricultural products to the population has also changed. There was a (systematization) of the formation of a procurement system and supply of the population with agri-food resources mainly on a market basis. The analysis shows that after the establishment on December 14, 2018 of the OJSC Procurement and Supply of Agri-food under the Ministry of Agriculture of Azerbaijan, procurement and procurement in the country received an improved

mechanism for the formation and development of the agri-food market based on an integrated approach to solving the problems of production and sale of agricultural products, taking into account the focus on ensuring food independence of the country. In the final stage, this will contribute to the production and not only the full satisfaction of the needs of the population in agri-food products, but also the expansion of their exports to other countries. By creating a separate agency for procurement and supply under the Ministry of Agriculture of Azerbaijan in 2018, our President set tasks for the government, firstly, to solve the food security of the country in a short time and, secondly, to use the favorable geographical position to export surplus food to other countries by developing the non-oil sector of the economy.

Agriculture is one of the few industries that continued to show growth during COVID-19. The agro-industrial complex did not stop working during a pandemic, unlike, for example, catering.

The experience of 2019 shows that, even at the peak of customer demand, the shelves in stores were not empty, and the export of agricultural products surpassed official forecasts, Azerbaijan's integration into world products has an impact on food prices within the country. Despite certain difficulties in agriculture, Azerbaijan fully provides its market with basic food products of its own production. For example, self-sufficiency in meat and meat products, vegetables, fruits and some other products is planned at 100%, vegetable oil 100%, sugar 100%, fish 100%, potatoes 90%

The stable development of the Azerbaijani agricultural sector in recent years can be seen with the naked eye, but this process is not without problems.

We need a centralized program for creating an agrological infrastructure, receiving a new format infrastructure that would combine the functionality of sales, logistics, and a single information space. The pandemic has only exacerbated these difficulties, since in fact it has further skewed supply and demand depending on geography and imports.

On the other hand, despite the good development of animal husbandry in Azerbaijan, news of an increase in butter prices, mainly from New Zealand, caused a huge resonance in early 2021.

Favorable exports, expensive imports and specific factors of the coronavirus year played against affordable food prices on the domestic market.

According to the specialists in the development of the agrarian development of the agrarian sector, there is a need for a flexible system of support for our agricultural sector, the creation of processing facilities, so that it would be profitable for exporters to supply finished products abroad, and not cooked.

The rise in prices is an unpleasant consequence of persisting problems that need to be addressed systematically.

Food independence in modern conditions has become one of the main elements of the national security of states. Its definition is based on the indicator of food independence, calculated on the basis of the volume of production in the country to the volume of its personal and industrial consumption. Within the framework of the adopted Roadmap for food security of the Republic of Azerbaijan, approved by the President of the Republic of Azerbaijan, the state has undertaken to provide the population of the country with food that meets certain requirements, and specific indicators of consumption indicators of food consumption that meet certain requirements, and specific indicators of food consumption to bring to a level not lower than average world standards

By the main type of food for the period 2015-2019, the level of their production and their procurement has increased, which has created opportunities to ensure the export of some agricultural products to other countries, and the percentage of imports for some goods will decrease.

It should be noted that in 2020, under the impact on agricultural markets of the COVID-19 pandemic, it led to a slight decrease in the level of food production. At the same time, the country's agriculture "suffered" from the spread of the coronavirus in the regions of Azerbaijan not as significantly as a

number of other sectors of the economy, for example, tourism, auto and air travel, and others. This is partly due to the fact that key agricultural enterprises did not stop food production even in 2020. The Ministry of Agriculture of the republic constantly monitors the activities of the backbone enterprises of the agro-industrial complex, logistics, the quality of food products within the country and between regions.

However, in 2020. The problems associated with the disruption of the existing logistics and production chains have become aggravated. Food balances have always been achieved through the coordination of volumes between market participants - producers, processors, wholesale organizations, trading families, therefore any significant changes in the supply or demand of food, including the import-export ratio in food resources, led to the need to restructure logistics, which was accompanied by additional costs.

It should be noted that the roadmap for food security of the country can be implemented subject to the development of rural areas, providing manufacturers with modern technology, supporting agricultural science, and expanding trade.

The cost of non-oil exports of Azerbaijan in the first quarter of this year compared to the corresponding period last year increased by 16.4% and amounted to 501 million. US dollars.

This is an indicator of the stability of the Azerbaijani economy during the coronavirus pandemic (COVID-19).

The volume of non-oil exports in January-March 2021 is a record compared to the same period in the years of independence

The EAEU countries continue to be important partners of Azerbaijan in agri-food trade. In the structure of Azerbaijani supplies to the EAEU markets, products of the agricultural sector prevail. The outlined positive dynamics of trade complementarity indicators indicate an improvement in the conditions for Azerbaijan to realize its export potential not only to the EAEU countries, but also to other countries

More than two-thirds of the supplies of Azerbaijani agri-food products go to the Russian markets, and the rest to other EAEU countries. And in this regard, the PCA index as applied to Azerbaijan's partners in the EAEU except Russia, taking into account the low capacity of their markets, does not allow an accurate assessment of the prospects for the development of exports of agri-food products. The Russian market for Azerbaijan makes it possible to give very great prospects for the development of exports of all types of agri-food products. The peculiarities of mutual trade with the EAEU countries are due to specific socio-economic characteristics and advantages within the framework of regional economic integration.

The greatest potential for the growth of Azerbaijani supplies to the EAEU countries is possessed by goods with identified comparative advantages, such as tomatoes, cucumbers, greens, apples, eggplants, bell peppers, flowers, etc. and in the future the eastern countries of Europe.

The imbalance of export-import operations with Turkey and Israel necessitates the development of trade communications based on the integration of joint production chains by partners for exporting products to third countries, including the Middle East, China, the Gulf State and the European Union. This approach will reduce the cost and will contribute to the sustainable development of the national agro-industrial complex.

In general, the export potential of Azerbaijan for agri-food products in the countries of the Near Abroad is highly realized. Restraining factors are border crossing difficulties in the passage of goods, their unreasonable delays and some other problems.

The sustainability of the procurement and supply of agri-food systems depends on the diversification of the rural economy, the absence of trade restrictions, the development of social support and digital communication systems, and other opportunities.

Characterizing the dynamics of the development of the agrarian systems of Russia in the countries of Central Asia and the South Caucasus, Azerbaijan is the only state in the region that has practically managed to triple the rate of procurement of goods in the agricultural sector.

Evaluating in the field of food procurement and strengthening the food security of the country thanks to government measures to develop irrigation systems, good results are expected. This is a consequence of the high economic availability of food due to the high development of the agricultural sector of the economy. Today the task set by the President of the country is to achieve the world average level in the agricultural sector of the economy. However, the prevalence of overweight and obesity among the adult population, which is a factor in the development of non-communicable diseases, is also of serious concern in society. Moreover, obesity occurs more often in women, however, mortality from causes associated with obesity is higher in men. In this regard, it is necessary to orient national systems to ensure nutritious and healthy nutrition, including the promotion of a healthy lifestyle.

In the whole country, thanks to the adopted in the agricultural sector of the economy and the necessary timely measures of the state, food security has been created until it has reached the world average

Knowing that the stability of production and productivity in agriculture is influenced by land degradation processes, the state is taking the necessary preventive steps. For this, the state is actively introducing sustainable management of land and water resources, including improving the state of land reclamation systems, conducting adaptive landscape farming, and using agro-ecological practices. Particular attention is paid, first of all, to the creation of a soil information system in the regions of the country based on scientific data in the calculation of such indicators as the recommended dose of fertilization, standard yield, soil carbon stock.

As noted above, an important component of food systems is their procurement and trade. In addition, the development of agri-food exports is one of the main priorities of the country's national agri-food policy. In this regard, it is necessary to pay attention to the fact that all agricultural regions of the country are exporters of agri-food products.

To a small extent, Azerbaijan is dependent on imports of agri-food products. to a large extent, improvement in this depends on a clear arrangement of affairs in the system of procurement and supply of agri-food products in the regions of the country. However, during a pandemic, procurement of agri-food products. from the regions of the country and the supply of the country's markets and exports were growing. Pandemic shocks have a significant impact on stability and food security and rising food prices. Imported food products are especially strong.

A prerequisite for the formation of inclusive food systems in the country is the increase in rural employment. In comparison with the recent past, at present, there is a slow but stable return in the past of villagers to the districts. The rural population of Azerbaijan continues to grow every year. The truth is mainly in many areas is growing for rural women. Moreover, the unemployment rate among women is higher than among men. The unemployment rate is especially high among young women. In this regard, it is necessary to expand employment opportunities could diversify the rural economy, including stimulating the development of agricultural processing, activities for servicing production and procurement chains (logistics and warehouse services), production of agricultural products with higher added value (fruits and vegetables; canning; organic products). In addition, the Covid-19 pandemic has highlighted the need to develop social support systems and digital communications to mitigate the impact of such shocks on the most vulnerable groups of the population, as well as to introduce digital technologies in order to increase the competitiveness of agricultural production and the sustainability of food systems and their procurement system. In this regard, the state has done a lot to support the

vulnerable part of the country's population, one hundred and ninety manats have been allocated monthly to each family.

Prospects for Azerbaijan's agri-food exports to countries that are the main significant trading partners in the non-oil sector of our country's economy.

International economic relations in trade, in particular, is the theory and practice applied to study the economy of the modern interdependent world. It is based on the theory of the market economy, develops it and is the most important link. With growing economic interdependence, the importance of international trade goes far beyond this framework. In this case, a pleasantly narrower definition of international trade as part of the theory of a market economy, which studies the patterns of interaction between economic entities of different nationalities in the field of international exchange of goods, the movement of goods and the formation of international economic policy of the state.

The method of analysis used in domestic and foreign practice is based on the idea of a general economic equilibrium of aggregate supply and demand as a kind of ideal state of the international economy.

The development of the market infrastructure on an information basis should contribute to a significant reduction in the huge number of intermediary chains between the manufacturer of goods, to accelerate the movement of goods and to increase production volumes. Creation of OJSC under the Ministry of Agriculture of Azerbaijan on December 14, 2018. Agrarian procurement and supply and regional offices are facilitated by the delivery of agri-food consumer goods without unnecessary intermediaries, most importantly, without overpriced. The number of modern warehouse facilities in the regional centers of the republic is increasing every year.

The Pulinvest company together with the NART logistics company is implementing an innovative agricultural park project, which will be the first in Russia. The new production and warehouse complex of the project, which provides for the use of European and world experience in storing fruits and vegetables, will occupy an area of 157 hectares.

A large wholesale center is planning to rent premises with a total area of 180 thousand square meters. The co-author of the project, the founder and central director of the Pulinvest company with extensive experience in the agro-industrial sphere, our compatriot from Elbrus Mamedov, thanks to joint work, we managed to optimize all technological processes of the future complex. Similar manufacturing plants operate in Europe, Africa, America and other advanced countries. The technologies of these enterprises allow to extend the period of sale of goods. Maintain different temperature conditions in the warehouse (from 1 to +14 degrees). Our goal is to create the most modern functional Agrocomplex in Azerbaijan with the participation of such entrepreneurs as our compatriot.

The project is a moment to give additional opportunities to our citizens living in small cities of our country, additional jobs and to increase the export opportunities of the state.

Such enterprises will help create conditions for the creation of small medium-sized businesses in rural areas of Azerbaijan and support them. It should be noted that the project under consideration takes into account the Dutch and French technological experience of preserving products in warehouses.

The complex includes eight multipurpose warehouses, as well as industrial, various and warehouse and office departments, a shopping gallery with an area of more than twenty thousand square meters, a business center with a farm and rows, a hotel and a restaurant, a bank branch, customs and an intermediary department. According to the project, there will also be special zones where mini plants for processing and packaging of vegetable products will be located. The capacity of the future wholesale trade center is processing more than 2.5 million tons of fruits and vegetables per year, and the machine capacity of the entire complex is 4 thousand tons per day.

One of the main features of the project is that it is intended for all participants in the food market, both Russian and Azerbaijani producers, importers, including various sellers. In this complex, which will take into account the individual wishes of partners, the owners of farms will have the opportunity to sell them without placing them in warehouses and without intermediaries. The type of such small but small complexes can be created in Shamkir, Masalli, Lankaran, Khachmaz districts.

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