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Development potential and prospects of Azerbaijan's food industry

Shahin Sadikhov

Institute of Economics, The Ministry of Science and Education of the Republic of Azerbaijan,
H. Javid str., 115, AZ1143, Baku, Azerbaijan
Leading Researcher
sshahin1971@yahoo.com

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Abstract: *Purpose*. This study aims to evaluate the development potential of Azerbaijan's food industry and identify future growth directions. It investigates the effective utilization of this potential and the prospective development of the industry area. *Methodology*. The research employs statistical and comparative analysis, logical conclusion, and balance methods. It assesses the state of the food industry, examines leading enterprises in the field, analyzes the raw material base of production, and scrutinizes the structure and volume of local production and import. *Results*. *Results*. The study reveals that despite the significant weight of the food industry among processing industry fields in Azerbaijan, most domestic demand for food products is met by imports. It proposes implementing measures to effectively use the development potential of the food industry, including protecting the internal market, solving water supply issues, establishing meat and milk collection centers, and more. *Theoretical Contribution*. This research contributes to the understanding of the economic development potential of the food industry in Azerbaijan. It provides a comprehensive analysis of the current state of the industry and offers practical recommendations for future growth. *Practical Implications*. The findings of this study have practical implications for policymakers, researchers and industry stakeholders. They provide a roadmap for enhancing the competitiveness of Azerbaijan's food industry, reducing import dependence, and promoting sustainable economic development.

Keywords: sustainable development, actual use, import, export, import dependence, development potential, self-sufficiency

Corresponding author: *Shahin Sadikhov*
E-mail: *sshahin1971@yahoo.com*

1. Introduction

Despite scientists having different approaches to economic development potential, including industry and its fields, there is a unified approach to strengthening the economic potential and its effective use. In "Azerbaijan 2030: National Priorities for Socio-economic Development", the formation of a sustainable and competitive economy is set as a goal (Azerbaijan 2030: National Priorities for Socio-economic Development. February 02, 2021). Forming a sustainable and competitive economy is impossible without solid economic development potential. Bringing the population settlement to the pre-occupation level by effectively using the economic potential of the regions is one of the tasks facing the government of Azerbaijan. The development of the non-oil industry requires formation of strong economic potential in the country's regions and special attention to this issue (Ahmadova, 2022).

Azerbaijan's government aims to intensify agrarian reforms according to the program "Azerbaijan 2030: National Priorities for Socio-economic Development" (02.02.2021), and significant-scale changes in agriculture are expected in the next years. It is noted that productivity growth is to be achieved by introducing advanced agricultural technologies, economical irrigation systems, digitalization of sector management systems, and innovative development in the Karabakh region. It is also envisaged to reduce the costs of the food industry by developing agroparks, cooperatives, expanding grain farms, and to create logistics enterprises to increase imports and exports.

It is planned in Azerbaijan to strengthen the production potential of competitive agricultural and processing industry products, and to promote the products' production that have the potential to replace imports (Strategic Roadmap for the Production and Processing of Agricultural Products in the Republic of Azerbaijan, 2016). This government document emphasizes the formation of the value chain for the production of food products in Azerbaijan.

Strengthening of local production capacity for the purpose of import substitution and localization of production, stimulation of the application of innovations in the private and public sectors are strategic issues facing the government of Azerbaijan (Strategy of Socio-economic Development of the Republic of Azerbaijan in 2022—2026, Powerful state, high welfare society, 2022). In difficult times, high state and citizen solidarity, a society open to innovation and prioritizing knowledge above all else, and high economic potential formed over many years guarantee the successful implementation of the new national socio-economic development model (Shekaraliyev. A, 2022).

The level of self-sufficiency with food products, the population's living standard and physical health depend on the variety, quality, price and volume of food products produced in the regions (Kasimova *et al.,* 2022).

The government's most important task in forming a functional and efficient system of innovation activity in the food industry is to determine the priority directions of innovation activity and reveal the interaction of realized innovations and their impact on field efficiency (Babayev, 2020).

Establishing a management system that allows for improving the quality of food industry products is one of the strategic goals of enterprises. Increasing the quality of products will create demand in internal and external markets, make the products superior to competing companies, and, as a result, will cause a rise in the profit of enterprises (Ibrahimova, 2018).

In modern economic conditions, the system of state regulation of the food industry should be consistent, reflect complex measures sufficient to eliminate lag in the existing recovery and reconstruction process in this area and create the basis for rapid development. The effectiveness of state regulation of the agrarian sector depends on forming the corresponding regulatory legal framework. The main goal of improving the legislative base should be strengthening regulatory functions, supporting private sector initiatives, meeting domestic demand with competitive products, and strengthening export potential (Bagirov, 2022).

It is important to develop the agriculture sector to develop the food industry. One of the urgent issues in Azerbaijan's non-oil sector is related to agricultural production. Agricultural production is increasing, but the real potential in this sector is higher than the current output. For a lengthy period, the relatively weak agrarian sector has been unable to meet the internal demand for many food products (Karimov, 2015).

Berkum S. (2017) noted that the prediction of food consumption patterns in Azerbaijan and other countries that are potential export markets should build on the evolution of the driving forces and the consequent changes in food consumption over the last decade. The problem is that small-scale farmers are unable to use modern technologies to improve the product's quality (hygiene, cooling, storage) and increase production because of limited financial resources. As demand for high-

value food commodities increases, driven by rising income, urbanization and changing preferences, a transition towards more up-to-date technologies is necessary (Berkum, 2017).

2. Methodology

During the execution of the duties provided for in the article, statistical and comparative analysis, logical conclusion, and balance methods were used. Thus, during the analysis of statistical data given in the article, the statistical analysis method, when comparing data with previous years were used comparative analysis method. The balance method was used when determining the indicators of the actual use of specific food products and dependence on imports. The balance method was derived from the requirements of a comprehensive approach to inventory indicators at the beginning and end of the year, as well as production, import, and export data. The analysis and research data carried out with the help of the logical conclusion method were summarized, and proposals were put forward in the direction of the use of economic potential.

3. Literature review

In most studies, economic development potential is approached from a regional point of view. More precisely, economic development potential is understood as regional development potential. The region's potential is determined by the region's available resources in different periods. Potential of the industry field is an integral part of the concept of the region's potential. More precisely, the development of the industry field should be approached from the regional concept. In turn, the industry field's potential was considered a system of opportunities that exist and should be used for development purposes (Sadikhov, 2022). The main difference between the two concepts mentioned above is in potential's size. Both concepts are components of economic potential and determine its characteristic features. Ahmadova J. (2022) noted that the region's potential is the possibility of complex use of territorial resources considering the economy's current and future structural features, geographical location and other parameters.

According to Aliyev T. (2019), economic development and its potential should be approached from the context of territory, sector, and economy. According to Huseynov T (2018), the concept of economic development should be approached from both a field and a regional point of view. It would be better to mention that both of researchers examined the problems of development, innovation and clustering of the industry but did not touch on practical issues.

Asadov Z. (2022) studied the organizational and economic aspects of the development of the Azerbaijani industry. In his research, the number of existing enterprises in Azerbaijan's industry in 2015-2022 was analyzed from the point of view of ownership, and enterprises were grouped into micro, small and medium; the share of industry in the economy was introduced, the structure of industrial production and inventory were examined. The importance of preparing and implementing a sectoral perspective innovation program for industry development, accelerating the clustering process, attracting foreign direct investments, expanding entrepreneurial activity, and applying corporate management standards was suggested. It would be better to note that in-depth and detailed analyzes were not carried out in his research, and his proposals cannot be considered realistic at the level that can ensure the development of the processing industry.

Salimov H. (2019) analyzed the state of the production potential of agricultural products processing enterprises in Azerbaijan and pointed out ways of efficient use. The research is regional and based on materials from the Lankan region of Azerbaijan. In order to effectively use the production potential of agricultural processing enterprises, proposals such as the creation of agroparks, the development of farms and their inclusion in agroparks, the creation of agroclusters and the increase of the varieties of produced products were put forward by him. Despite the regional nature of the research, it can be considered appropriate and acceptable in terms of the goal, task and results.

Kazimova A. (2018) studied the food industry's development directions. In her research, the level of development of Azerbaijan's food industry was evaluated, production of some agricultural products were investigated, the production of meat, bread and bakery products were analyzed, and the issues of strengthening the material and technical base of food production. İmproving the material and technical base, modernizatin the production and processing of food industry enterprises on the base of modern technologies, increasing the investment attractiveness of the food industry enterprises in the regions, and creating high-tech networks had been put forward as proposals. The proposals mentioned in the research can provide a partial solution to the development problems of the field, but in the current conditions, the implementation of these proposals is beyond the capacity of the food industry enterprises.

Babayeva Z. (2018) evaluated the general situation of the food industry in Azerbaijan, analyzed the level of development of the relevant industry area in the regions, investigated the structure of produced products, and brought to attention of food enterprises's inefficient placement and low competitiveness. She emphasized the importance of production formation based on advanced technologies and creating new enterprises in the regions. Her approach to the development of the industry field can be considered appropriate. Unfortunately, the author did not conduct in-depth and detailed analyses, and the conclusion is not fundamental. Thus, to develop the food industry, she emphasized the need to create agricultural products processing enterprises in the regions at the expense of the government and local and foreign investors. For clarification, to inform that the government has not allocated financial resources in this direction for several years and has not planned to allocate them in the future. Attracting funds from local and foreign investors depends on profit margin, investment guarantee, and compliance with laws.

In my opinion, the potential of economic development can be approached from the scale of the territory, sector and macroeconomy. There are specific interests and potentials at each level of economic development potential. In my opinion, the potential of economic development is based on using the region's natural and labor resources and is characterized by taking advantage of demands at all levels. Both the region, the field, and the entire economy take their share of the benefit from the realization of the potential.

4. Results

In economic literature, development potential is mainly presented as economic potential, and concepts of economic potential of economy, industry, area and enterprise are found. Economic potential is the opportunity for sustainable development based on the effective use of existing resources and advanced technologies. It includes both realized and unrealized opportunities. Economic potential is a variable quantity and is determined by the following factors:

- the amount of resources involved in the economic process and available,
- quality characteristics that determine the productivity of available resources,
- conditions that ensure the realization of economic potential,
- financial capabilities of the economic system, labor, material and technical resources, infrastructure development level, and scientific and technical progress achievements.

Economic potential is the development potential of the country, region and corporations. Economic potential becomes the subject of research if the available resources are not fully utilized for various reasons. Actual productivity indicates the actual level, and potential productivity the unused level. The potential of the industry field can also be interpreted from this position.

Let's study the development potential of Azerbaijan's food industry from the point of view of its structure. First, let's get acquainted with the detailed information about the structure of the Azerbaijani industry and then the food industry. Azerbaijan's industry consists of mining, processing, "electricity, gas and steam production, distribution and supply", "water supply, waste treatment and processing". Food production, one of the main branches of the industry in Azerbaijan, plays a vital role in meeting domestic demand. To get acquainted with the information about the state of the food industry, let's refer to the information in Table 1.

Table 1: The main indicators of the activity of enterprises engaged in the production of food products

The name of the indicators	2019	2020	2021	2022
Number of operating enterprises - total	449	487	540	587
state	9	9	9	7
non-state	440	478	531	580
share of the non-state sector	98	99	99	99
Number of individual entrepreneurs registered to engage in industrial activity, person	5252	6042	6623	6924
The value of the industrial product (works, services) at the current prices of years, million dollars	2,108.71	2,284.88	2,644.47	2,877.0
Industrial production index, compared to the previous year, % (at constant prices)	110,8	97,3	112,6	108.20
The value of the industrial product (works, services) with comparative prices of the respective years, million dollars	1,980.59	1,927.12	2,169.94	2,347.86
The share of the field in the total volume of the industrial product produced in the country, %	7,6	10,4	8,1	5.7
The share of the non-state sector of the field in the non-state sector of the country's industry, %	9,3	13,3	9,8	6.5

Source: Azerbaijan Industry 2023.

It can be seen from the data in Table 1 that the production volume of food products was 2108.71 million dollars in 2019, and in 2022, this figure increased by 768.29 million or 1.36 times and reached 2,877.0 million dollars. An increase of 367.27 million dollars was observed in 2022 compared to 2019 in industry area production with comparative prices of the respective years. In 2019, the specific weight of food production in the structure of industrial production was 7.6%, and in 2022, this share decreased by 1.9% to 5.7%. The share of the non-state sector of the area in the non-state sector of the industry decreased by 2.8% to 6.5% in 2022 compared to 2019. This indicates the low growth rate non-state sector of the food production industry compared to others. The figures indicate the weak development of private entrepreneurship in the industrial area, the weak interest in the production area and the existence of problems outside the legislation in the republic. It is considered as a negative situation in the activity of this field. Compared to 2019, the increase in the value of area production in 2022 by 768.29 million dollars or more than 1.36 times, can be mainly attributed to the price increase of industry area products. This information indicates that the position of the industry field in the general position of the industry is deteriorated from year to year; it shows the low level of use of local production facilities in meeting the domestic demand and the increasing role of imports.

One of the determinants of economic development potential is the existence of leading enterprises operating in this field. In order to ensure the development of the food industry, in addition to the existing enterprises, it is essential to create enterprises that take into account the changes in the structure of the population's demand for food products and are equipped with modern technical means.

To get acquainted with the information about the existence of enterprises in the industrial field and the current food production situation, let's refer to the information in Table 1 again. From the relevant table data, it can be seen that in 2022, compared to 2019, there was an increase of 138 units in the number of existing enterprises in the food industry. This increase cannot be considered severe. It is a positive thing that this growth was on the account of non-state enterprises. Let me add that the growth was mainly observed in the number of micro and small enterprises.

For clarification, note that in Azerbaijan, micro-entrepreneurial entities mean those with an average annual number of employees of up to 10 people and an annual income of up to 117.65 thousand dollars. Small business entities are those whose average annual number of employees is 11-50 people and whose annual income is in the range of 117.66-1764.71 thousand dollars (Decision of the Cabinet of Ministers of Azerbaijan #556, dated December 21, 2018) (exchange rate 1USD=1.7AZN, The Central Bank of Azerbaijan). The question arises of whether this increase in the number of enterprises has been reflected in the increase in production in the relevant field. Unfortunately, the increase in the number of enterprises didn't show itself seriously regarding the increase in production. First, micro and small ownership entities are enterprises with weak production capabilities. As a second case, I can mention that not all newly created and previously existing enterprises did not operate in the studied period. Azerbaijan's food industry is operated leading companies such as Azersun Holding, Veysaloglu Holding, Aznar LLC, Milk-Pro LLC, Gabala Nut Processing Plant, Gabala Canning Plant, Gilan Zeytun LLC, Gilan Tea Factory, Bismak Food Industrial Complex LLC, Astara Tea Factory, Atena LLC, Azershekar LLC, Saba OJSC, Gilazi Poultry LLC, Siyazan Broiler OJSC, Sab LLC, Samux Fish LLC, Azerbaijan Fish Farm LLC, Caspian Fish Co, Az Farel LLC, Janub-Agro LLC, Northwest Hazelnut Company and so on. These companies produce milk and milk products, meat and meat products, fish and fish products, pasta, tea, chicken meat, eggs and other food products.

In order to investigate the effective use of the production potential of food products, it is essential to see information on the existing raw materials, the state of local production, and the structure and volume of imports and exports. First of all, let's see at the data on the availability of raw materials for food production, and for this purpose, refer to the data in Table 2.

Table 2: The main types of agricultural products used in the food industry, thousand tons

Name of indicators	2019	2020	2021	2022
Cereals and grain legumes	3,538.5	3,257.1	3,363.0	3,161.3
Sugar beet	218,5	233,8	177,3	210,6
Sunflower	33,7	23,9	25,2	28.30
Potato	1,004.2	1,037.6	1,062.0	1,074.3
Vegetables	1,714.7	1,738.9	1,815.5	1,823.3
Fruits and berries	1,099.7	1,133.1	1,204.9	1,253.1
Tea	0,93	0,93	1,18	1,00
Meat production, in cut weight	335.7	346.01	357.57	368.23
Milk production	2,150.82	2,192.50	2,223.43	2,264.68
Honey	5.8	6.6	6.8	7.4

Source: Agriculture of Azerbaijan 2023.

It can be seen from the data of Table 2 that compared to 2019 in 2022, a slight increase was observed in all types of agricultural products (except cereals and grain legumes, sugar beet and sunflower for grain). This slight increase cannot be regarded as a good thing. The slight increase in the volume of raw materials influenced a slight increase in food production. Therefore, the development policy in rural agriculture and related areas cannot be considered acceptable or has not been implemented at the required level.

In order to get more detailed information about local food products, let's get acquainted with the production structure. For this purpose, let's refer to Table 3.

Table 3: Production of food products

Indicators	2019	2020	2021	2022	Increase (+) and decrease (-) in 2022 compared to 2019
Meat (cut weight), tons	335,719.0	346,011.0	357,573.0	368,234.0	32,515.0
Sausage products, tons	19,333.4	25,833.6	26,669.3	29,696.4	10,363.0
Condensed, unsweetened milk, tons	4,430.1	6,404.3	2,011.2	3,901.7	-528,4
Buttermilk, tons	6,175.6	6,488.9	5,423.2	6,115.3	-60,3
Ice cream, tons	855,8	2,243.2	3,413.5	5,865.0	5,009.2
Cream, sour cream, tons	7,620.2	7,742.2	9,126.0	8,192.0	571,8
Cheese and cottage cheese, tons	51,346.0	53,472.6	59,286.9	57,904.0	6,558.0
Butter, thousand tons	25,3	25,8	27,0	25,9	0,6
Fish products (including canned goods), thousand tons	1,1	1,7	2,6	2,7	1,6
Sturgeon caviar, tons	0,1	0,1	0,6	0,9	0,8
Canned fruits and vegetables, juices, thousand tons	191,5	186,7	216,1	237,8	46,3
including:					0,0
canned fruits and vegetables, thousand tons	153,3	147,2	172,1	183,9	30,6
Pasta products, thousand tons	4,7	11,8	20,0	21,6	16,9
Vegetable oils, thousand tons	75,1	75,1	72,9	67,9	-7,2
including:					0,0
liquid vegetable oils, thousand tons	53,0	53,3	52,4	48,5	-4,5
hydrogenated oils, thousand tons	22,1	21,8	20,5	19,4	-2,7
Margarine, tons	47,269.2	49,894.2	47,587.9	59,441.0	12,171.8
Mayonnaise, tons	3,996.3	3,711.4	4,637.4	5,274.1	1,277.8
Flour confectionery, thousand tons	55,4	58,1	71,3	67,2	11,8
Sugar confectionery, thousand tons	9,7	11,6	16,7	10,7	1,0
Sugar, thousand tons	271,0	246,5	340,6	379,9	108,9
Wheat flour, thousand tons	1,781.7	1,842.9	1,498.2	1,365.1	-416,6
Bread, a thousand tons	1,256.4	1,294.6	1,278.1	1,245.9	-10,5
including commodity	790,8	845,8	816,4	800,2	9,4
Tea, thousand tons	9,8	10,6	10,2	12,0	2,2
Food salt, tons	74,672.3	74,253.3	69,458.8	75,492.2	819,9

Source: Prepared on the material of Azerbaijan Industry 2023

As can be seen from the data in Table 3, compared to 2019, in 2022, production has increased almost in kind for all types of products. The decrease was only for condensed, unsweetened milk, buttermilk, vegetable oils and wheat flour products. This increase can be considered as a positive thing. For clarification, please add that the main part of the above-mentioned products is imported; more precisely, the types of products imported in large packaging are packaged in smaller volumes within the republic. For example, most of the butter and vegetable oils, tea, condensed, unsweetened milk, and margarine products shown in the above table and marked as domestic production consists of only packaging of imported products; that is, exported products are only packaged in small volume within the republic. Domestic production of these products is a small part of the indicators in Table 3.

One of the main directions of developing the food industry and the effective use of potential is import substitution in this area. Thus, the leading role of imports remains to meet the local population's demand for food products, and the work to be done toward its regular reduction is not

adequate. I want to note that despite the year-by-year increase in the production of food products in Azerbaijan compared to 2019 in 2022, an increase in the volume of imports of some of its types is also observed. In order to confirm, let's refer to the data in Table 4.

Table 4: Structure of imports according to the International Standard of Trade Classification, in kind

Groups of food products	2019	2020	2021	2022	Increase (+) and decrease (-) in 2022 compared to 2019
bovine meat, by the ton	8,810.5	9,769.1	5,721.1	4,818.6	-3,991.9
poultry meat and its products, tons	37,713.4	29,809.3	30,924.1	34,750.5	-2,962.9
fresh and frozen fish, tons	12,159.6	9,743.8	11,448.0	12,806.4	646,8
milk and cream, tons	9,022.7	9,657.3	11,190.5	10,088.2	1,065.5
butter, other milk fats and pastes, tons	14,032.2	16,806.4	15,034.3	18,562.7	4,530.5
chicken eggs, thousand pieces	20,576.0	27,938.0	51,858.9	17,607,5	-2,968.5
tea, tons	14,095.9	13,984.9	13,965.2	14,406.2	310.3
vegetable oils, tons	141,474.0	139,928.2	130,144.2	142,489.8	1,015.8
margarine, other mixtures suitable for food, tons	24,181.7	23,549.9	23,147.8	26,468.1	2,286.4
meat sausage and other similar products, tons	3,438.2	4,656.5	5,567.1	5,235.7	1,797.5
canned meat and fish, tons	4,954.9	6,576.2	6,714.7	7,730.0	2,775.1
sugar, tons	346,4	156,2	303,7	322,3	-24,1
sugar confectionery, tons	19,657.9	22,096.2	23,110.0	24,258.9	4,601.0
chocolate and chocolate products, tons	24,173.8	26,023.3	29,023.0	27,521.4	3,347.6
pasta products, tons	13,332.2	17,274.1	16,009.0	16,912.7	3,580.5
canned fruits and vegetables, tons	20,265.9	20,049.4	23,939.7	29,009.2	8,743.3
fruit and vegetable juices, tons	3,257.3	2,634.2	3,093.0	2,704.6	-552.7
salt and salt products, tons	20,086.5	19,152.1	18,854.6	16,429.3	-3,657.2

Source: Prepared on material of Foreign Trade of Azerbaijan 2023

Import of food products was 1,070.69 million dollars in 2019, and in 2022, this indicator increased to 551.57 million dollars or 1.52 times and reached 1,622.26 million dollars. The main imported products in the relevant period were fresh and frozen fish, milk and cream, butter, other milk fats and pastes, margarine, other mixtures suitable for food, meat sausage and other similar products, canned meat and fish, sugar confectionery, chocolate and chocolate products, pasta products, canned fruits and vegetables. The import of cattle meat, poultry meat and its products, poultry eggs, sugar, fruit and vegetable juices, cooking sauce, salt and salt products has decreased (Table 4). This indicates that some imported products are regularly replaced by local production. I consider it appropriate to study the structure of imports in terms of value. The aim in looking at the structure of imports in terms of value is monitoring the flow of money by type of food products and estimating the volume of imports.

The specific weight of food products in total import was 7.83% in 2019, and in 2022, this share increased by 3.33% and reached 11.16%. Import of food products was 1,070.69 million dollars in 2019, and in 2022, this amount increased to 551.57 million dollars or 1.52 times and reached 1,622.26 million dollars. This is an indicator of the increasing role of imports in meeting the domestic demand for food products, and it indicates that the work in the development of local production, which replaces imports, is not being carried out at the required level. It would be better to add that the volume of actual consumption of food products was approximately 3,116.56 million dollars in 2019, and in 2022, this indicator increased by 1,237.39 million dollars and reached 4,353.95 million dollars. The share of imports in actual consumption was 34.35% in 2019, and in 2022, this indicator increased by 2.91% and reached 37.26%. Therefore, the share of imports in actual consumption increases while the share of local production decreases. For information, note that the price of one ton of imported meat was 1,541 dollars in 2019, and in 2022, it increased by 349 dollars and reached 1,890 dollars. İf the price of one ton of butter in 2019 was $5,314.64; in 2022, this indicator increased $510.25 to 5,824.89 dollars. It can be seen from the data of Table 5 that compared to 2019, in 2022, the volume of imports for the rest of the food products has increased in value, excluding bovine meat, chicken eggs, fruit and vegetable juices, and salt products.

Table 5: Structure of imports according to International Standard of Trade Classification, million dollars

Name of product groups	2019	2020	2021	2022
Total import	13,667.48	10,732.04	11,705.79	14,539.9
including:				
Food products	1,070.69	1,101.1	1,324.9	1,622.26
some of it				
bovine meat	28.09	36.72	22.31	21.73
poultry meat and its products	43.82	34.42	41.32	54.61
fresh and frozen fish	21.07	19.30	23.44	30.84
milk and cream	14.37	15.31	14.75	18.95
butter, other milk fats and pastes	71.58	82.61	78.86	108.18
chicken eggs	4.73	6.03	10.35	4.4
tea	55.05	56.19	61.86	75.47
vegetable oils	109.35	129.47	181.38	238.76
margarine, other mixtures suitable for food	29.42	29.06	36.91	52.51
meat sausage and other similar products	10.83	13.48	16.21	16.22
canned meat and fish	15.48	18.46	21.29	28.22
sugar	12.67	53.02	145.67	175.15
sugar confectionery	31.38	32.32	38.06	47.95
chocolate and chocolate products	70.91	72.88	87.04	95.25
pasta products	11.07	14.08	14.93	21.44
fruit and vegetable preserves	34.32	35.19	43.30	61.18
fruit and vegetable juices	4.71	3.08	3.65	3.86
salt products	2.34	2.39	2.44	1.99

Source: Prepared on material of Customs Statistics of Foreign Trade of the Republic of Azerbaijan, 12.20.2023

It would be reasonable to see the structure of food exports. The presence of exports indicates the development of the relevant field, its competitiveness and the possibility of entering foreign markets.

Table 6: The structure of food products export, in kind

n	Product's names	2019	2020	2021	2022
1	Tea, tons	1,505.9	1,357.2	1,115.7	1,779.6
2	Vegetable oils, tons	8,218.7	14,043.4	11,889.1	7,902.5
3	Hydrogenated fats and oils, tons	6,135.7	6,665.8	7,035.3	4,801.3
4	Margarine, other edible mixtures, tons	3,358.5	3,907.8	3,086.7	2,090.0
5	Sugar, thousand tons	62,1	60,6	59,1	51.9
6	Canned fruits and vegetables, tons	6,927.8	7,191.2	8,512.9	8,477.3
7	Fruit and vegetable juices, tons	9,870.2	11,856.3	12,707.7	11,159.0

Source: Prepared material of Foreign Trade in Azerbaijan 2023

It can be seen from the data of Table 6 that compared to 2019 in 2022, there was an increase in exports of tea, fruit and vegetable preserves, fruit and vegetable juices, but was decrease on exports of vegetable oils, hydrogenated fats and oils, margarine, other edible mixtures and sugar. In the studied period, the highest rate of increase in export was in fruit and vegetable preserves (22.37%), and the highest rate of decrease was in margarine and other mixtures suitable for food (37.77%). Import and export data show that local production is more developed in fruit and vegetable preserves and juices. The point to be noted is that there is a large variety of goods in imports and less in exports. This indicates the importance of restructuring the structure of local production in order to replace imports.

According to the goal, let's determine the share of local production and import of some strategic food products in actual use.

Table 7: Actual usage, local production, import and export of all types of meat and meat products, tons

N	Names of indicators	2019	2020	2021	2022
1	Actual usage	421,179.0	423,230.0	428,102.0	440,918.0
2	Local production	335,719.0	346,011.0	357,573.0	368,234.0
3	Import	72,334.0	63,627.0	56,905.0	61,544.0
4	Export	980.0	109.0	739.0	1,554.0
5	The share of local production in actual usage, in %	79.7	81.75	83.53	83.52

Source: prepared on material of Food Balances of Azerbaijan 2023.

Compared with 2019, in 2022, the volume of actual use of all types of meat and meat products increased by 19,739.0 tons or 1.05 times to 440,918.0 tons and the share of local production in actual usage increased by 3.82% and reached 83.52%. Compared to 2019, in 2022, the volume of imports of this product decreased by 10,790.0 tons or 14.92%. This is an indicator of the increase in local production capacities; note that large horned cattle are imported from Russia and Ukraine for slaughter to Azerbaijan, registered as large horned cattle in the statistics, not as meat and meat products. Cattle imported from these countries are later slaughtered within the republic and recorded in statistical data as locally produced meat products. This forms an incorrect position about the volume of local production.

According to the task, let's look at milk and milk products' actual consumption, production, and import data.

Table 8: Actual usage, local production, import and export of milk and milk products, tons

N	Names of indicators	2019	2020	2021	2022
1	Actual usage	2,551,713.0	2,675,673.0	2,673,981.0	2,787,460,0
2	Local production	2,150,817.0	2,192,497.0	2,223,427.0	2,264,678.0
3	Import	391,258.0	461,348.0	417,513.0	489,894.0
4	Export	49,595.0	27,006.0	17,450.0	37,442.0
5	The share of local production in actual usage, in %	84.29	81.94	83.15	81.25

Source: prepared on material of Food Balances of Azerbaijan 2023.

It can be seen from the data of Table 8 that compared to 2019 in 2022, the volume of actual use of milk and milk products increased by 235,747.0 tons or 1.09 times and reached 2,787,460.0 tons, but the share of local production in actual usage decreased by 3.04% and fell to 81.25%. This information indicates the decrease of local production's share in meeting domestic demand in 2022 compared to 2019 and the increase of the share of imports. More precisely, the growth rate of local production in 2022 compared to 2019 was 5.29%, and the growth rate of imports was 25.21%. Therefore, the growth rate of local production was 19.92% behind the growth rate of imports. Compared to 2019, in 2022, the export volume of this product group decreased by 12,153.0 tons or 24.5%.

In the next step, let's look at the actual usage, production and import data on fish and fish products. For this purpose, let's refer to the information in Table 9.

Table 9: Actual usage, local production, import and export of fish and fish products, tons

N	Names of indicators	2019	2020	2021	2022
1	Actual usage	80,651.0	79,052.0	80,040.0	82,121.0
2	Local production	63,084.0	61,217.0	59,513.0	59,903.0
3	Import	14,274.0	14,496.0	17,215.0	18,889.0
4	Export	49,595.0	27,006.0	17,450.0	37,442.0
5	The share of domestic production in actual usage, in %	78.22	77.44	74.35	72.94

Source: Prepared on the material of Food Balances of Azerbaijan 2023

It can be seen from the data of Table 9 that in 2022, compared to 2019, the volume of actual use of fish and fish products increased by 1,470.0 tons, the volume of local production decreased by 3,181.0 tons, and the volume of imports increased by 4615.0 tons. The share of local production in the actual usage of fish and fish products was 78.22% in 2019, and in 2022, this share decreased by 5.28% to 72.94%. This shows a decrease in the usage of local production opportunities the year-by-year. It would be better to inform that in recent years, serious work has been done by entrepreneurs in the direction of fisheries development, artificial lakes have been created, and fish species have grown. This will probably be reflected in the increase in local production in the next years.

Table 10: Actual usage, local production, import and export of vegetable oils, tons

N	Names of indicators	2019	2020	2021	2022
1	Actual usage	266,887.0	266,614.0	143,835.0	124,590.0
2	Local production	75,132.0	75,088.0	72,915.0	67,978.0
3	Import	163,918.0	162,334.0	41,753.0	46,119.0
4	Export	583	779	669	716
5	The share of local production in actual usage, in %	28.15	28.16	50.69	54.56

Source: Prepared on material of Food Balances of Azerbaijan 2023

If the volume of actual usage of vegetable oils in 2019 was 266,887.0 tons, in 2022, this indicator decreased by 53.31% or 142,297.0 tons to 124,590.0 tons. Compared to 2019, local production volume in 2022 decreased by 7,154.0 tons or 9.52%, and imports decreased by 117,799.0 tons or 71.86%. Despite this, the share of local production in actual useage increased by 26.41% in 2022 compared to 2019. This situation can be evaluated positively. The decrease in the consumption of vegetable oils can be attributed to replacing the consumption of the corresponding product with another product.

Table 11: Actual usage, local production, import and export of chicken eggs, tons

N	Names of indicators	2019	2020	2021	2022
1	Actual usage	1,862,425.0	1,941,901.0	1,893,179.0	2,055,613.0
2	Local production	1,827,072.0	1,906,198.0	1,838,816.0	2,018,146.0
3	Import	2,384.0	162	17,305.0	1,339.0
4	Export	34,920.0	-	-	11,766.0
5	The share of local production in actual usage, in %	98.1	98.16	97.13	98.18

Source: Prepared on the material of Food Balances of Azerbaijan 2023

It can be seen from the data of Table 11 that compared to 2019 in 2022, the volume of actual usage of chicken eggs increased by 193,188.0 tons or 10.37%, the volume of local production increased by 191,074.0 tons or 10.46%, but the volume of import decreased by 1045 tons or 43.83%. Despite the increase in the volume of local production in 2022 compared to 2019, its share in actual use remained almost at the same level. Therefore, the increased actual use was provided at the expense of local production. Chicken eggs are the first food product with the highest share of local production in actual consumption.

In the next step, let's look at the actual consumption, production and import data on butter. For this purpose, let's refer to the information in Table 12.

Table 12: Actual usage, local production, import and export of butter, tons

N	Names of indicators	2019	2020	2021	2022
1	Actual usage	37,555.0	41,211.0	43,182.0	46,219.0
2	Local production	24,073.0	24,622.0	26,966.0	25,883.0
3	Import	12,116,0	15,039,0	13,697,0	17,296,0
4	Export	1,573,0	388,0	256,0	1,433,0
5	The share of local production in actual usage, in %	64.1	59.75	62.44	56.0

Source: Prepared on the material of Food Balances of Azerbaijan 2023

It can be seen from the data of Table 12 that compared to 2019 in 2022, the volume of actual consumption on butter increased by 8,664.0 tons or 23.07%, the volume of local production increased by 1,810.0 tons or 7.52%, and the volume of import increased by 5,180.0 tons or 42.75%. The table shows that the growth rate of butter imports exceeded the growth rate of local production by 35.23%. Compared to 2019, in 2022, the share of local production in actual consumption decreased by 8.1% to 56%. It can be seen from the data in Table 12 that entrepreneurs prefer to import the appropriate product rather than use the opportunities of local production to meet the internal demand of the Azerbaijan.

It would be better to inform you that the actual consumption of food products in Azerbaijan was approximately 3,116.56 million dollars in 2019, 3323.85 million dollars in 2020, 3848.6 million dollars in 2021, and 4353.95 million dollars in 2022 (The Industry of Azerbaijan 2023). The annual increase in the actual consumption of food products is estimated at 5-15%. The share of imports in the actual consumption of food industry products was 33-38% in 2019-2022.

The development of the food industry is related to the development of its raw material base. Thus, the raw material base of the food industry is made up of plant and livestock products.

The development of crop production is directly related to the productivity of cultivated areas and plants, and the development of animal husbandry is directly related to the fodder base and productive animal breeds. For information, note that 1.3-1.5% of Azerbaijan is territory comprises saline soils (Land Cover of Azerbaijan 2023). Making saline soil suitable for agriculture is considered one of the important directions, and currently, works are being carried out by the state to clean it. Let's refer to the information in Table 13 to get acquainted with livestock feed supply. Since our goal is to examine the development potential of the food industry and determine its prospects, needs acquainted with precise information about the fodder base of livestock.

Table 13: Local production of livestock feed

n	Names of indicators	2019	2020	2021	2022
1	Production of corn for silage and green fodder, thousand tons	162.4	399.2	308.9	294.3
2	Production of hay, green mass on account of hay, thousand tons	4,792.1	4,595.8	4,691.5	4,726.7
4	Wheat, thousand tons	2,114.1	1,818.7	1837.2	1690.8
5	Barley, thousand tons	988.2	992.4	1116.7	1069.4

Source: prepared on material of Agriculture of Azerbaijan 2023

It is seen from the data of Table 13 that compared to 2019 in 2022, "production of corn for silage and green fodder" increased 131.9 thousand tons or 1.8 times, but "production of green mass at the expense of grass" decreased 65.4 thousand tons. The production of wheat, which is food for birds, decreased by 423.30 thousand tons or 20%, and the production of barley increased by 81.2 thousand tons or 8.2%. For clarification, most of the wheat and barley produced in Azerbaijan is used for livestock feed. The presence of a slight increase and decrease in the indicators related to livestock feed supply indicates that there is no positive progress in this area. It would be appropriate to provide import data on livestock feed supply. Unfortunately, since there is no information in kind expression in this field, only the expression of value is used to create an impression.

Table 14: Livestock feed's import, in thousand dollars

n	Name of indicators	2019	2020	2021	2022
1	Oilseeds and bar, other seeds, medicinal plants, hay and fodder	38,825.0	43,334.6	60,472.4	69,617.3
2	Natural shellac, other plant juices and extracts	878.0	978.4	928.1	1,215.7

Source: Prepared material of Foreign Trade of Azerbaijan 2023.

It is seen from the data of Table 14 that compared to 2019 in 2022, the import of "oilseeds and bar, other seeds, medicinal plants, hay and fodder" incresed by 30792.3 thousand dollars or 79.31%, while "natural shellac, other plant juices and extracts" increased by 337.7 thousand dollars or 38.46%. It can be seen from Tables 13 and 14 data that despite stability in local production on animal feed, an increase in the volume of imports was observed. This indicates a high dependence on imports for animal feed supply.

5. Discussion

The authors equate development potential with economic potential and production potential. Note that development potential has a broader content than economic and production potential. If the economic potential is related to raw materials, labor force and existing enterprises, the development potential and its formation are influenced by factors of these and outside. . The existing legislative framework plays an essential role in developing development potential. Therefore, the economic development potential is formed under the influence of both economic and institutional factors and the current situation. Economic and institutional factors are visible determinants of economic development potential. The difference between legal regulations and the actual situation is an invisible determinant. It is impossible to determine the influence of not visible factors on economic development potential, but the influence of these factors on the formation and realization of the economic development potential is greater than the influence of other factors. Institutional factors partially influence the formation of current conditions. The change in this degree of influence causes the potential for economic development to change in one direction or another.

Ibrahimova G. (2018) rated the quality factor higher for food industry enterprises than other industries. In her opinion, producing quality food products should be the main component of any food industry enterprises' general strategic plan and management system. Quality is indeed the superior aspect of the product, but it is directly related to the technical level of production and the

applied technology. Due to the small size of most of the existing enterprises in Azerbaijan, they do not have the opportunity to acquire advanced techniques and technologies. Export opportunities are minimal.

Abbasov V. & Suleymanov F. (2021) analyzed the state of agricultural production, which is the raw material base of the food industry and investigated the factors influencing market development. They pointed out the importance of increasing attention to protecting the internal market, creating a healthy competitive environment and achieving its sustainability, and attracting investments to the production process as the main directions of regulating the agricultural products market. They did not put forward suggestions based on real conditions and facts by conducting research at the surface level.

Aliyevi T. (2019) highlighted the importance of creating territorial clusters to ensure the development of the industry, including the food industry, and to use the development potential effectively. In his studies, he systematically approached the development of industry and solving its problems, and this approach can be considered acceptable.

Huseynov T. (2015) noted the importance of state investments in ensuring the development of the industry by approaching the concept of economic development from a sectoral and regional point of view. He approached the development of the industry and the effective use of the economic development potential of the regions from a more practical point of view, but proposals cannot be considered fundamental. Thus, he mentioned the importance of uniting small farms and creating large farms, but he did not indicate the economic means by which this should be done. I should note that the consolidation of small farms into large farms takes place through large farmers' purchase of small farms. One way to centralize farmers is to unite them in any regional organization or association. That is, small farms should be managed with common interests.

Babayev F. (2020) studied the innovative development of Azerbaijan's food industry and explored the existing opportunities and problems. He mentioned the importance of increasing the role of the government in the innovative development of the food industry but did not indicate in what ways this would happen. He noted importatce of organizing a system of strategically oriented measures on the creation, application, assimilation, production, commercialization of innovations, as well as the analysis of the efficiency of those processes. I would like to note that the author's research is entirely theoretical, and the results cannot be considered fundamental.

Ibrahimov I. (2021) investigated the directions of state regulation of the food industry in the liberated territories of Azerbaijan and assessed the increase in the production of agricultural products as one of the preconditions for the increase in the production of food products. According to him, the means of influence of the state in the liberated territories should be directed to the realization of strategic goals in this area and the broad involvement of economic partners in this process. Noting the importance of implementing scientifically based regulatory measures by the state, he concluded that it should be aimed at ensuring the production of competitive food products. His result can be considered acceptable.

Bagirov G. (2022) noted that the state regulation system of the food industry should be consistent, included complex measures that eliminate the lag in the existing recovery and reconstruction process in this area and create a foundation for rapid development. According to him, state regulation in the food industry should be directed to introducing new technologies and stimulating investments, creating a progressive structure in the territories freed from occupation, providing competitiveness and forming infrastructure in the territory. Although the author's suggestions seem reasonable, the ways and means of implementation were not mentioned.

Mehdiyev A. (2017) analyzed the current state of the meat and meat products market in Azerbaijan, explained the state policy in this area and revealed the current problems of the sector's value chain. The author systematically approached the issues of development of the area and determined the directions of the state policy that are important to be implemented in this field. The author's approach to researching and solving the problems of meat and meat products can be considered acceptable.

Valiyev A (2019) saw a strong economic potential at the basis of a successful social policy and commented on Azerbaijan's successes in this field. The author explained some issues of Azerbaijan's economic potential at a superficial level. I would like to note that the article supports the government's policy and attributes the achievements to its name.

6. Conclusion

The production of meat and meat products starts from the primary base of animal husbandry and ends with the retail sale of meat and sausage products. The value chain includes feeding meat animals, selling live animals, slaughtering of animals, production of meat products, delivery and sale. The value chain in the production of crop products covers the stages of production, supply,

production of products from it, delivery and sale. The Strategic Road Map noted that according to the statistical survey conducted in 2019, 46.5% of the cows in the country's farms were breed or improved breed, and 53.5% were local cows. 52.7% of the sheep were breed or improved breed, and 47.3% were local sheep (Strategic Roadmap for the Production and Processing of Agricultural Products in the Republic of Azerbaijan, 2016). Domestic breeds have low productivity in terms of both milk production and meat production (Aksoy *et al.*, 2018). As a result, to note that there are the following problems related to the development of the food industry:

- poor development of livestock fodder supply (lack of pasture, grazing and mowing areas, low productivity of fodder crops),
- high dependence on imports for animal feed supply,
- the predominance of low-yielding local breeds in the breeding stock of livestock,
- improper organization of veterinary, zootechnical and phytosanitary services;
- low efficiency of micro-scale farms;
- limited opportunities for micro-farms to benefit from advanced technologies, veterinary and zootechnical services and creation of fodder base,
- the high level of dependence on imports in the provision of crop and animal husbandry areas (breeding animal varieties, relevant technical equipment, medicinal preparations, fertilizers for plants, part of equipment service are imported),
- the presence of severe problems with the water supply of plants,
- lack of collection centers and primary processing facilities for meat, dairy and vegetable products in the regions,
- lack of transparency in providing subsidies to farmers,
- lack of modern storage and processing facilities,
- high cost of cold storage and poor service,
- weak customs control on imports,
- lack of a systematic approach to the development of agriculture and its integration with the food industry and strict control over the implemented measures by the government,
- existence of illegal interference to the activity of business entities and the creation of artificial barriers to them, as a result of the use of artesian water in irrigation and the intensive use of land, the high level of erosion of cultivated areas, including pastures,
- failure to provide state support to the development of the industry area at the level of legal requirements;
- Having problems with access to sales markets. .

7. Proposals

In order to solve existing problems and effectively use the development potential of the food industry, it would be appropriate to implement the suggestions mentioned below:

- prevention of erosion processes in pastures, hayfields and croplands,
- stimulating the activity of fodder-producing enterprises, granting concessions to the sector, establishing joint ventures with foreign companies or establishing business relations with them,
- importing meat and dairy animal breeds suitable for local climate conditions from abroad to use more productive breeds in livestock breeding,
- training veterinarians and agronomists, solving existing problems in the field of staffing,
- applying a systematic approach by the state to the development of animal husbandry and plant cultivation, implementation of systematic measures and ensuring strict control over the implementation,
- stopping illegal interference in the activities of businessmen by government institutions,
- establishment of meat and milk collection centers, primary processing enterprises in the regions,
- solving problems in the field of water supply of crop production and using modern irrigation systems,
- elimination of monopoly in the industry field,
- ensuring the rule of law,
- transparent delivery of subsidies to farmers,
- giving privileges to food industry enterprises,
- state support for the advertising of the products of local manufacturing enterprises, increasing the preferences given to locally manufactured products during state procurement,
- government coverage of 30% of the cost during the purchase of essential production equipment,
- organization of monthly sales fairs,
- implementation of a regional policy based on the raw material base, specialized in food production, and provision of a cluster approach to the production of suitable products,

- the use of land areas around the forest belt for the development of plant-growing,
- cleaning and making suitable for agriculture of salty lands, as well as more efficient use of existing areas.

Declarations

Ethics approval and consent to participate

Not applicable.

Consent for publication

Not applicable.

Availability of data and material

The data are available on request.

Competing interests

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