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## **How New Export Control Will Affect Food Security in Azerbaijan?**

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## A Global Look

The ongoing climate change and recent geopolitical tensions could spark a global food crisis with simultaneous disruptions to supply-chain systems that drive up the economic shock waves throughout the world. Following the conflict between Russia and Ukraine, the upsurge in the price of agricultural commodities and broken supply chains are undeniably vivid. Both countries are exporters of vital commodities such as wheat, oil, corn, sunflower oil and corn, and disturbances to production affect the import-reliant countries. Moreover, rising energy prices act as an additional burden on fertilizer prices and transportation costs shrinking further these key components of agricultural production. Taken together, wheat trade in both countries makes up more than a quarter of the global and they account for approximately 30% of international wheat exports. Russia is also a top exporter of fertilizers. While Russia warned fertilizer producers to temporarily cease exports, Kyiv also halted exports of wheat. According to the estimations of the UN Food and Agriculture organization, food prices could surge by 20%. Since international food markets were already exposed to strains by the recent pandemic, the negative economic consequences of the war could be particularly difficult for import-reliant countries on Russia and Ukraine if precautionary measures are not taken in a timely manner. Almost 50 countries including Azerbaijan rely on Russia and Ukraine for at least 30 percent of their wheat imports, and 26 depend on them for more than half of their imports<sup>1</sup>. The spillover effects of the crisis could even spread to the countries with indirect imports from Russia and Ukraine because of an increase in associated costs such as fertilizer, inputs, packaging, transportation, and etc. that are imported from Russia and Ukraine to the countries of direct-trade.

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<sup>1</sup> <https://foreignpolicy.com/2022/03/24/russia-war-ukraine-food-crisis-wheat-fertilizer/>

The world may fall into an exacerbated situation of the potential food crisis coupled with rising energy prices. Some countries that import from Russia and Ukraine found their contracts eliminated that shift them to enter other markets to pay a premium to substitute the supply<sup>2</sup> leading to a bid up in prices. In traditional markets, the next harvest is in doubt. The problems occur, in particular, with regard to disrupted logistical lines, shortage of seeds, fuel, fertilizers. The sanctions imposed on Russia incapacitated Russian farmers to receive financial transactions for trade. Eventually, these aforementioned factors stipulate countries including Azerbaijan adopt precautionary measures to build the resilience of the economy and ward off possible food shortages maintaining food security.

### **How Azerbaijan Reacted**

Both Russia and Ukraine occupy a special place in mutual trade relations of Azerbaijan with a long period of import and export structures. By all accounts, repercussions of the conflict and the ongoing climate change can affect Azerbaijan. Contingent upon the existing circumstances, the Azerbaijani government imposed some restrictions on the export of certain food products from the country and the Cabinet of Ministers of Azerbaijan adopted a decision “On measures to regulate the export from the country of a number of basic food products included in the minimum consumer basket, and goods used in their production”. As mentioned earlier, with climate change and recent geopolitical processes, an increase in the price of basic food products as well as problems in the supply chain of these goods in neighboring markets is observed.<sup>3</sup> According to the decision, in particular, the export of grain, meat and meat products, milk and dairy products, butter and

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<sup>2</sup> <https://www.voanews.com/a/ukraine-war-pushing-food-prices-even-higher/6497951.html>

<sup>3</sup> <https://nk.gov.az/az/documents/1/>

vegetable oils, raw materials for sugar production and other food products from the customs territory of Azerbaijan will be regulated until December 31, 2022. The exports of these products will be implemented taking into account the available stocks inside the country upon the positive conclusion of the Ministry of Economy. Table 1 illustrates a summary of the list of the regulated products.

**Table 1: The summary of regulated products**

Cattle, sheep, goats, lambs, and their meats.	Milk products
Fresh or chilled meat of domestic chickens	Sunflower oil, crude oil
Chicken products	Sugar
Eggs	Foods for young children prepackaged for retail sale
Fresh and chilled potatoes(excluding greenhouse-grown early potatoes)	Pasta products
Butter and oil products	Remains and waste of the food industry; prepared animal feed
Cereals	Other oils and their fractions obtained only from olives, whether or not refined but not chemically modified
Flour products	Fruits and grains

**Source:** The Cabinet of Ministers, 2022

Table 2 illustrates trade list of Azerbaijan on food products in the period of January-December 2021 by product categories. The value of the total imported food products amount to 11705786,7 USD, while exports constituted the figure 22206671,12 USD. Based on the statistics, it is shown that the regulated products to Azerbaijan is majorly imported and in many of them we are import-reliant that proves the recent strategic decision to be right in statistical terms as well.

**Table 2: Statistics on import and export of food products in 2021 in USD**

Product Category	Import	Export
Live animals, animal products (meat, fish, eggs, milk, honey and etc)	313775,77	16124,55
Plant products (cereals, fruits, vegetables and etc)	788800,45	658637,16
Animal butter and plant oils	221847,83	32230,22
Prepared Food Products, Alcoholic and non-alcoholic drinks, vinegar, tobacco	890433,75	109234,59

**Source:** Statistics Committee of Azerbaijan, 2022

These measures unanimously aim to protect the internal market and maintain the security of the supply. It should be specifically noted that, currently, Azerbaijan does not face any serious concerns regarding food security taking the situation under full control. Nonetheless, in the face of ongoing upheaval in the world, creating this control mechanism the country adopts appropriate decisions to adjust itself ahead of time to any scenario that might occur in the upcoming period.

In the structure of the goods imported from Russia and Ukraine, wheat, fertilizers, forest materials are the main goods in import from Russia, while Ukraine provides Azerbaijan with tobacco, beef, cigarettes and other important

food products<sup>4</sup>. The value of the regulated goods by this resolution in total export structure accounts for 88.3 mln US \$, and, in percentage as part of non-oil sector exports, it makes up 3.3%<sup>5</sup>. Although the impact will be at a minimum level, a shrinking level of non-oil exports in 2022 can be expected since Russia is a significant trade partner. This period of volatilities indicates that the war can pose challenges to the consumption of vital food products in the region, and the import-reliance on Russia stipulates the need for Azerbaijan to enhance the domestic production of the respective goods to meet the internal demand by national capacity. The adopted regulation will not affect the total export value of Azerbaijan, however, a lack of supply may occur under the unregulated state of affairs.

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<sup>4</sup> <https://cesd.az/y/publications.php>

<sup>5</sup> [https://www.stat.gov.az/source/system\\_nat\\_accounts/](https://www.stat.gov.az/source/system_nat_accounts/)

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