Master Plan Azerbaijan: Poultry Sector Assessment

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Contents

1. Introduction

The poultry sector consists of different sub-sectors of which poultry meat and egg production are the most important. Also the turkey and duck production is part of the poultry sector. In this report we focus mainly on the poultry meat sector. Production of poultry meat is mainly based on growing and slaughtering of broilers. Limited attention is given to egg production due to the lack of information and data.

In the report we use data based on official statistics. Often these statistics do not match with quantitative information from other sources or data collected during field visits. Official statistical data is leading and if these data differ much from other sources we mention this in the report.
For general information on macro-economic indicators of the Azerbaijan economy we refer to other reports written for this project.

2. Structural features of the sector

In this chapter we describe the structure poultry sector. We divide the chapter into three paragraphs: regions of poultry production, structure of broiler sector and structure of the egg sector.

2.1 Regions

The State Statistical Committee (SSC) of the Republic of Azerbaijan is publishing data on numbers of poultry (heads) and egg production (numbers) per region. Figure 2.1 illustrates the importance of the different regions for poultry and eggs. Poultry production is concentrated in the central east part of the country.

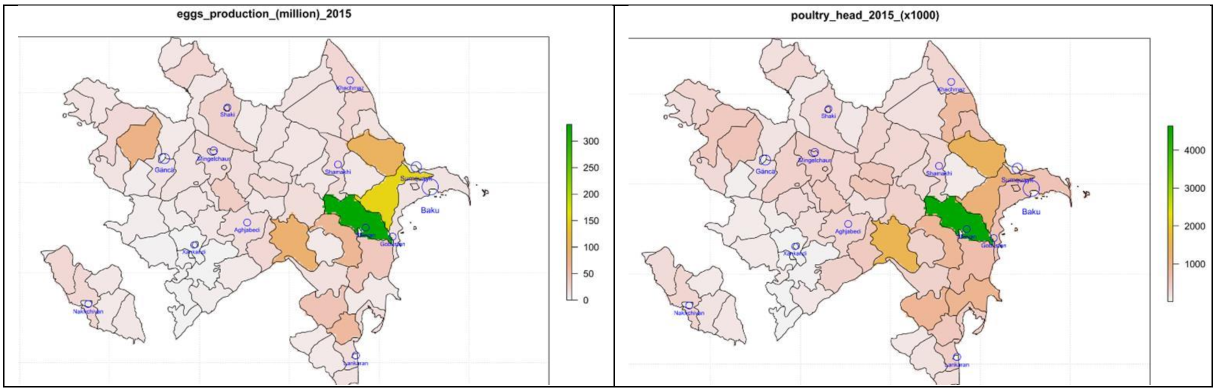


Figure 2.1. Main regions with egg production (in million eggs, left graph) and poultry meat production (in 1000 head, right graph) based on 2015 data (source: SSC).

Table 2.1 gives the top five regions for poultry meat and eggs. For both products Hajigabul region is number 1 in the ranking. Also Imishly, Absheron and Khyzy are in the top 4 for both products. The top five regions produce around 35% of the total poultry meat. In egg production the top five regions take almost 50% of the total production.

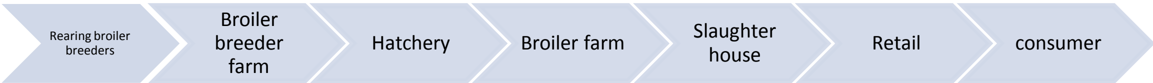
Table 2.1. Top five regions for poultry meat and egg production.

	Poultry meat (heads)			Eggs (* 1000 pieces)	
1	Hajigabul region	4,637,392	1	Hajigabul region	331,199
2	Imishly region	1,515,691	2	Absheron region	153,236
3	Khyzy region	1,418,383	3	Khyzy region	99,092
4	Absheron region	1,155,033	4	Imishly region	87,156
5	Neftchala region	910,620	5	Shamkir region	73,015

2.2 Broiler sector

The broiler sector has four larger integrated poultry companies. The estimated market share is 50 to 60%. These companies are integrated in the full production chain. The company owns broiler breeder farms, hatchery, broiler farms, feed mills and slaughterhouses. Figure 2.2 gives an overview of the production chain: rearing farms deliver young parent stock (female and males of around 20 weeks) to the broiler breeder farms, the broiler breeder farm is producing hatching hens for the hatchery, the hatchery is delivering day old chicks to the broilers farm and the broilers farm is producing live broilers for the slaughterhouse. In the slaughterhouse the live birds are slaughtered and the whole birds or cuts of the birds are sold at the market. The farms in the production chain (rearing broiler breeders, broiler breeders and broiler farms) get the concentrate feed from the in-company feed mill.

Figure 2.2: Overview of the production chain in poultry meat production.



The main players in the Azerbaijan broiler sector are:

- Siyezen broiler ASC (www.siyazanbroiler.com)
- Saba – Davaci ASC (seba.gs-host.com)
- Safa Broyler ASC (www.shefabroyler.az)
- Gilazi

About production produced by independent, non-integrated farms not much detailed information is available. There are some independent hatcheries supplying independent broilers farms with day old chicks. The small and medium size broiler farms grow day old chicks to broilers and sell the live birds to small slaughterhouses. These slaughterhouses are located in regions all over the country. In such small slaughterhouses all work is done manual whereas medium size slaughterhouses use semi-automated equipment. The independent broiler farm varies in size from 10,000 to 200,000 broilers. Many broiler farms mix their own feed. The farmers buy the feed ingredients (wheat, corn and soy bean meal) and mix the feed on their farm. In general, they add a 5 to 10% concentrate feed consisting of all essential vitamins, minerals and amino acids. These concentrates are mostly imported from Turkey or EU countries.

The SSC of the Republic of Azerbaijan publishes data on poultry meat production by farm category. The categories are a) agricultural enterprises and other organisation and b) private owners, family farms and households. Table 2.2 presents the production and percentage for both categories. The table illustrates that production has increased strongly since 2000, both by enterprises and private family farms. The share for enterprises rapidly increased between 2000 and 2015. In recent years the share for enterprises is around 60%.

Table 2.2. Poultry meat production (in live weight) by category enterprise and private owner/ family farm.

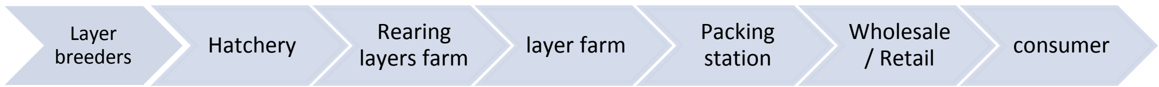
	total	Enterprises		private owner / family farm	
	1000 ton	1000 ton	%	1000 ton	%
2000	31.8	0.9	3%	30.9	97%
2005	62.0	22.0	35%	40.0	65%
2010	84.8	29.0	34%	55.8	66%
2011	95.3	40.7	43%	54.6	57%
2012	119.1	63.9	54%	55.2	46%
2013	129.6	73.5	57%	56.1	43%
2014	135.9	85.5	63%	50.4	37%
2015	132.6	77.8	59%	54.8	41%

Source: SSC

2.3 Layer sector

In egg production there are three large players accounting for a large share in the Azerbaijan market for consumption eggs. The large companies started on a former state farm location and later expanded their production. The companies are integrated which includes pullet rearing farms, layer farms, a feed mill and packing station. Also parent stock with layer breeders can be part of the company. In the packing station the eggs are graded and packed. The consumption eggs are delivered to wholesale companies or sold by the own marketing department. In the large companies mainly white layers are kept in battery cages. In Azerbaijan there is no professional egg processing industry producing egg products.

Figure 2.3: Overview of the production chain in egg production.



One of the main players in the Azerbaijan egg sector is Haciqabul poultry farming LTB.

The SSC of the Republic of Azerbaijan publishes data on egg production by category. The categories are a) agricultural enterprises and other organisation and b) private owners, family farms and households. Table 2.3 gives the production and percentage for both categories. Production of eggs has doubled between 2005 and 2015. The table illustrates that the share in production for enterprises rapidly increased between 2000 and 2005 and continued to grow to over 40% in most recent years.

Table 2.3. Egg production by category enterprise and private owner/ family farm.

	Total	Enterprises		Private owner / family farm	
	million	million	%	million	%
2000	542.6	50.9	9%	491.7	91%
2005	874.6	296.7	34%	577.9	66%
2010	1178.6	449.1	38%	729.5	62%
2011	1011	260.2	26%	750.9	74%
2012	1226.7	442.9	36%	783.8	64%
2013	1401.5	562.3	40%	839.2	60%
2014	1562.7	704.8	45%	857.9	55%
2015	1552.9	650.4	42%	902.5	58%

Source: SSC

3. Input supplying industries

Poultry farms work with a wide range of supplying companies. Most important is the supply of feed from feed mills. Also hatcheries supplying day old chicks are important for both the broiler and layer farms. Next, poultry farms need supply of energy, water, capital and labour. For these services we refer to the project's Overview report in which more general information is given on these supplies. Sufficient supply of energy, water, capital and labour is similar relevant for crops, vegetable, dairy or poultry farms. In this chapter we concentrate on the supplies of: feed (and feed ingredients), day old chicks (parent stock and breeding material) and equipment.

3.1 Feed

Azerbaijan has to import much feed ingredients to produce poultry feed. Soy bean meal is imported from South America through the Baltic route. The feed ingredients arrive by boat in Kaliningrad (Russia) or one of the Baltic States and is transported by train to Azerbaijan (3,200 km). Another route is via the Black Sea and Poti harbour in Georgia and per train to Azerbaijan. Also some import enters the country via Iran.

Supply of corn and wheat in Azerbaijan is only available by season. There is not enough storage capacity to have a year round supply. Corn and wheat is also imported from Ukraine and Russia. The route from Ukraine inland production areas is through the harbour of Odessa, by boat transport over the Black Sea to the Harbour of Poti in Georgia and then by train to its destination in Azerbaijan.

In the harvesting season there is local supply of wheat and corn. Yet, the farm size in Azerbaijan is too small to be competitive with the large farms abroad in neighbouring countries like Russia and Ukraine. In Azerbaijan there is not enough land and water available for large scale production of grains.

Table 3.1 Prices of feed ingredient (M per ton) mentioned during the field visit (May 2017)

	Person A	Person B	Person C	Person B
Corn	319	385	380	
Wheat	360	594	350	
Soy bean meal	1050	1012	920-950	1000

Prices in Azerbaijan are high compared to other countries. For instance, during the field visit in May the corn price in Russia was said to be 130US$ whereas the price in Azerbaijan was 226US$ per ton. For soy beans prices at the world market were 375US$ per ton, yet in Azerbaijan the poultry farmer had to pay 594US$ per ton at delivery on the production premise.

Prices in Azerbaijan are high due to additional cost of transport, duties, VAT tax and trade margins. Import of feed ingredients from all countries have 18% VAT tax. Import from non-CIS countries have an additional import duty of 0.5 to 3%. Import of soy beans is expensive because of high transportation costs. Part of these import are coming from South-America.

3.2 Day old chicks / breeding material

Local farms with parent stock (broiler breeders) produce hatching eggs. As Azerbaijan is not self-sufficient, part of the hatching eggs is imported. Turkey is the main supplier of these eggs.
Day old chicks of parent stock (layer breeders) are imported from the main suppliers Hendrix Genetics in the Netherlands and Lohmann in Germany. Import is either via Turkey (Hendrix) or directly from Europe (Lohmann).

3.3 Equipment

The larger poultry farms use all kind of equipment for automatic feeding, drinking, ventilation, heating and climate control. Often this equipment is produced by Turkish companies. Companies further downstream in the chain use more advanced equipment for egg packing or slaughtering of broilers. This equipment is mostly imported for North-West Europe.
Examples of Dutch equipment come across at our field trip:

- Sada is using Marelstork slaughterhouse equipment
- Parent stock in floor systems with Dutch automatic laying nest (JPE)
- Broiler breeder farms with Dutch equipment (VDL Eindhoven).

4. Production and processing

The SSC of Azerbaijan gives long-term statistics on the total number of poultry heads. Figure 4.1 gives an overview of the recent development of the poultry population.

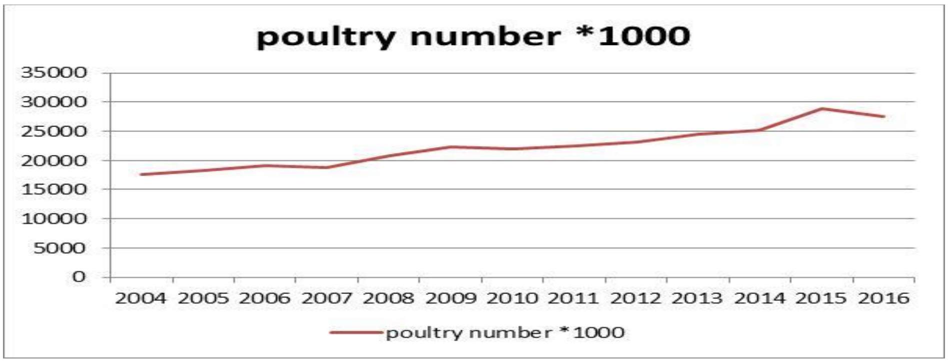


Figure 4.1. Development of number of poultry in Azerbaijan 2004- 2016. Source: SSC

Over the years there has been a steady increase in the numbers of poultry. In 2010 the number was 22.4 million and this number increased to 27.6 million in 2016. This is an increase of 23% over the whole period or 2% per year.

The production for the poultry meat sector in measured in tons of poultry meat (carcass weight). For the layer sector the output is measured in millions of eggs. Figure 4.2 gives the development for both sectors.

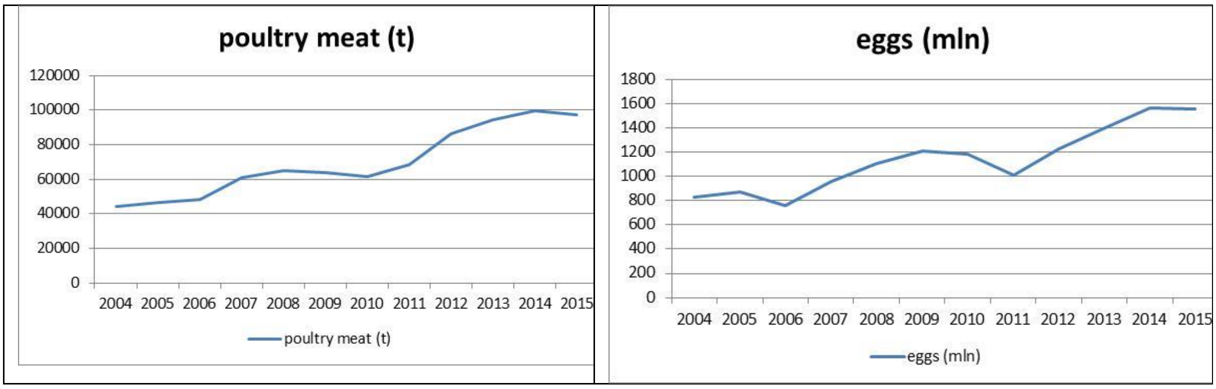


Figure 4.2. Development in production for the poultry meat sector (left graph) and the egg sector (right graph) between 2004 and 2016. Source: SSC

Figure 4.2 illustrates the rapid increase in production for both poultry meat and eggs. Between 2010 and 2016 poultry meat production grew from 60,000 ton to almost 100,000 ton. Egg production did increase from 1200 million eggs in 2010 to 1600 million eggs in in 2016.

The total production is growing based on a larger number of poultry and an increase in output per bird. For broiler production the growth rate and final live weight is increasing resulting in more kg output per bird. For egg production the number of eggs produced per layer is increasing resulting in more eggs produced per bird.

We are not aware of information on production results (performance) of broiler or layer farms on national level.

The integrated broiler companies used modern western equipment for processing.
There is no detailed information on location and size of slaughterhouses and egg packing stations.

5. Markets and marketing

5.1 Poultry meat

In table 5.1 an overview is given of production and consumption trends of poultry meat. Total production of poultry meat was around 95,000 ton in 2016. This production is directly consumed as food. There is no export of poultry meat. Import of poultry meat was low in 2013, 2014 and 2015. However in 2016 imports did increase towards 25,255 ton. This is 26% of the total domestic production. See table 6.1. Import are mainly HS code 20714 (poultry meat cuts and offal, frozen). The main suppliers are United States, Brazil, Ukraine and Turkey. Import of all countries did decrease in 2012 and 2013. From 2013 there was a rapid increase of imports again with USA and Brazil being the main suppliers. Imports from Ukraine was low in 2014 and 2015, but became the third supplier in 2016 with almost 4,000 ton export to Azerbaijan. For 2017 the imports amount will be very different as import levies were introduced at the end of 2016.

Table 5.1 Resources and utilization of poultry meat (ton)

Indicators / Years	2012	2013	2014	2015	2016
Resources of poultry meat					
Stocks at the beginning of yearton (ton)	3330	3783	3501	3402	1390
Productionton (ton)	86518	94411	99385	97211	95517
Importton (ton)	11982	1423	2155	1405	25255
Total of resourceston (ton)	**101,830**	**99,617**	**105,041**	**102,018**	**122,162**
Consumption of poultry meat					
Fodder for cattle and poultrieston (ton)	0	0	0	0	0
Directly consumed as food productston (ton)	97351	95445	100741	100130	119899
For production of food productston (ton)	116	55	35	28	63
For production of non-food productston (ton)	0	0	0	0	0
Exportton (ton)	0	0	164	0	0
Losseston (ton)	696	671	734	498	725
Stocks at the end of yearton (ton)	3783	3501	3402	1390	1538
Total of utilizationston (ton)	**101,830**	**99,617**	**105,041**	**102,018**	**122,162**

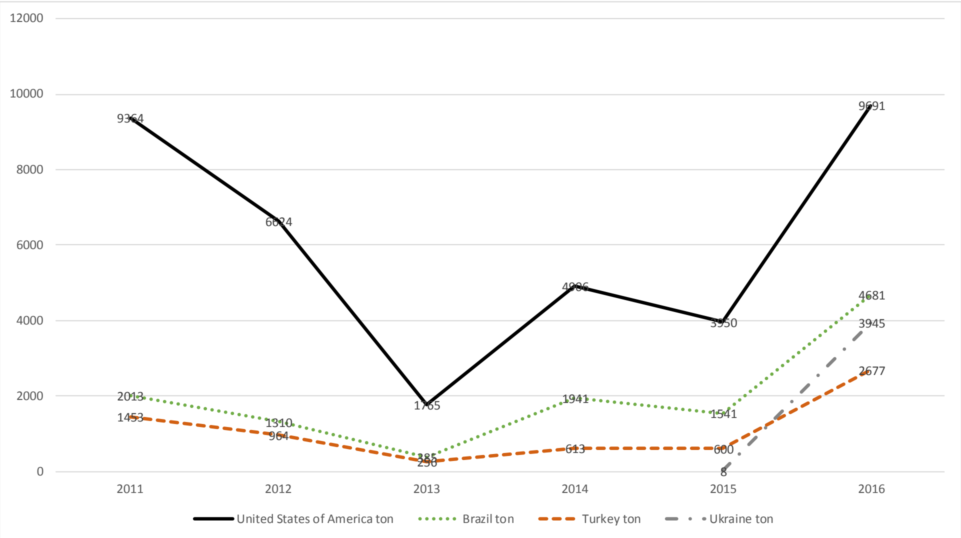


Figure 5.1 Import of poultry meat (ton) by country 2011-2016

5.2 Eggs

Table 5.2 presents an overview of production and consumption trends for eggs. Total production of eggs is steadily increasing. Almost all eggs are used for domestic consumption. In 2014, 2015 and 2016 there was no export of eggs. Import of eggs is low. In 2014 and 2015 the amount was 4.1 and 5.3 million pieces, which is around 0.3% of the total production. In 2016 the amount did increase towards 19.0 million eggs (1.2% of production). Included in the balance for eggs are hatching eggs. These are fertile eggs for reproduction in the poultry meat sector. Part of these eggs are imported. Turkey is the main supplier, with smaller amounts coming from Georgia and Bulgaria.

Table 5.2 Resources and utilization of eggs (thousand units)

	2012	2013	2014	2015	2016
RESOURCES					
Stocks at the beginning of year	25,294	24,921	27,243	30,421	7417
Production	1,226,711	1,401,472	1,562,744	1,552,916	1609812
Import	53,900	1,170	4,149	5,333	19057
Total of resources	**1,305,905**	**1,427,563**	**1,594,136**	**1,588,670**	**1,636,286**
UTILIZATIONS					
Used fodder of cattle and poultries	20,731	22,662	25,307	23,220	25976
Incubation	81,172	88,734	99,088	88,748	91708
Consumed as food products (without processing)	1,167,368	1,281,212	1,431,383	1,462,876	1503730
Export	5,212	605	-	-	
Losses	6,501	7,107	7,937	6,409	6646
Stocks at the end of year	24,921	27,243	30,421	7,417	8226
Total of utilizations	**1,305,905**	**1,427,563**	**1,594,136**	**1,588,670**	**1,636,286**

5.3 Markets

Poultry meat and eggs are mostly sold to consumers through local markets, small shops and supermarkets. In Azerbaijan regional and traditional markets are important distribution channels for poultry products. In big cities large and modern supermarkets sell all types of poultry meat and eggs. In Baku city, with almost half of the population of Azerbaijan, modern supermarkets have an important share in the sales of poultry products. As the average purchasing power is highest in Baku there is a premium segment in the country's capital with demand for high quality food products.

The market for poultry meat is partly frozen en partly fresh. There is some discussion about the share of fresh poultry meat. Some state the share for fresh poultry meat is just small. Others estimate that the market for poultry meat is 50/50 fresh and frozen. In the frozen segment is much more competition as local producers have to compete with imported frozen products. Poultry meat is mostly sold as whole birds, with poultry cuts being sold more and more. This can be breast fillet, leg meat and wings.

Figure 5.2 gives an overview of average monthly retail prices of chicken, collected by SSC. In the years 2013, 2014 and 2015 the prices for chicken was between 3.1 and 3.5 M per kg. At the end of 2016 the prices started to rise with a further sharp increase in the first months of 2017. This increase of retail prices in 2017 could be related to the change in currency exchange rate (from January 2016) or the increase import levies on poultry meat (from January 2017).

Figure 5.2. Development of retail prices of chicken in AZ, 2013 – May 2017. Source: SSC

We collected some prices of poultry meat in Baku supermarkets ourselves (see Table 6.3). Photos 6.1 give an impression of the way the products are presented in the supermarket.

Table 5.3 Chicken prices (in M per kg) in Baku supermarket in May and September 2017

	Frozen	Fresh whole
May 2017		
Whole chicken (brand name)	5	4
Breast meat		8
Leg meat		3.7
Whole chicken (brand name)	4.6	4.6
Breast meat	7.5	
Leg meat	4.8	4.5
September 2017		
Whole chicken (in bag brand name)	4.30	
Whole chicken (unpacked)		3.77
Whole chicken (in bag, brand name)		3.99 – 4.39

Photos 5.1 Pictures of chicken in a supermarket in Baku (May 2017)

Eggs are sold in a box of 10, by a tray of 20 eggs or per piece (see the photos 6.2). Average monthly retail prices are collected by the SSC. Figure 6.3 gives an overview of the prices of ten eggs. In recent years prices were in the same range. Egg prices are lower in the summer season and higher in the winter time. In 2016 egg prices were 1.4 M per 10 eggs with an increase an prices at the end of the year. Early 2017 egg prices did decrease rapidly.

Figure 5.3. Average monthly retail prices of eggs (M per 10 eggs).. Source: SSC

Prices in a supermarket in Baku (September 2017) showed 0.11 M per piece for white eggs and 0.16 M per piece for brown eggs. The photos show the display in the supermarket.

Photos 5.2. Eggs in a supermarket in Baku (September 2017)

6. Policy and business environment

See the project’s Overview report and other sector reports for a discussion on the business environment.

Government policy
We are not aware of any government policy specific for the poultry sector.

Tax
The agricultural sector is not paying any taxes. There is no VAT on agricultural products and farmer don’t have to pay income tax. Company exporting agricultural product get a 3% support. Agricultural companies don’t charge VAT on their sales.
Since January 2017 the industry has to pay VAT and additional tax. Live birds are defined as ‘agriculture’ and free of tax, but poultry meat is considered an industrial product for which companies have to pay tax. Hence, the situation for slaughterhouses is that they are paying VAT since 2017.

Import levies on poultry meat
Since January 2017 there is an import levy of 1 US$ per kg on imported poultry meat. This is since January 2017. At the centre for analysis of economic reforms it was stated that this levy has to be removed if the country becomes a member of the World Trade Organisation (WTO). However, negotiations for membership are still going on and it’s not clear when there will be any agreement on joining the WTO. No duties are charged on poultry meat imports from CIS countries (including Ukraine), only 18% VAT. Industry people state that some import from third countries enter Azerbaijan via Ukraine to avoid duties. In some regions fresh poultry meat on the market can be defrosted Ukraine chicken meat, rumours say.

Import levies on feed ingredients
The duty levels and VAT are different per feed ingredient. Also tax are different according to the source (from CIS countries or other countries). In general, 18% VAT has to be paid and on soy beans 0.5 to 3% import levy when the ingredients are from non-CIS countries.

7. Biophysical opportunities for poultry farming

The Global detector tool (Hennen, 2017) was applied with specific data for poultry production The following indicators were used:

General:
- Protected area, reservation area (nature reservation, national park)
- Height, mountain area (below 1000 meter)
- Land characteristics (rocks, forest)
- Infrastructure (roads, cities, harbours)

Poultry production:
- Temperature
  - Warmest month: preference below 30 degree C. Not above 40 C
  - Coldest month: preference above 0 degree C. Not below -10 C
- Temperature: limited difference in between day and night temperature
- Humidity
- Distance to city (more than 10 km)
- Cropland: Minimum percentage crops like corn or wheat suitable for poultry

Figure 7.1 gives the potential for poultry production for the different regions.

POTENTIAL FOR POULTRY PRODUCTION

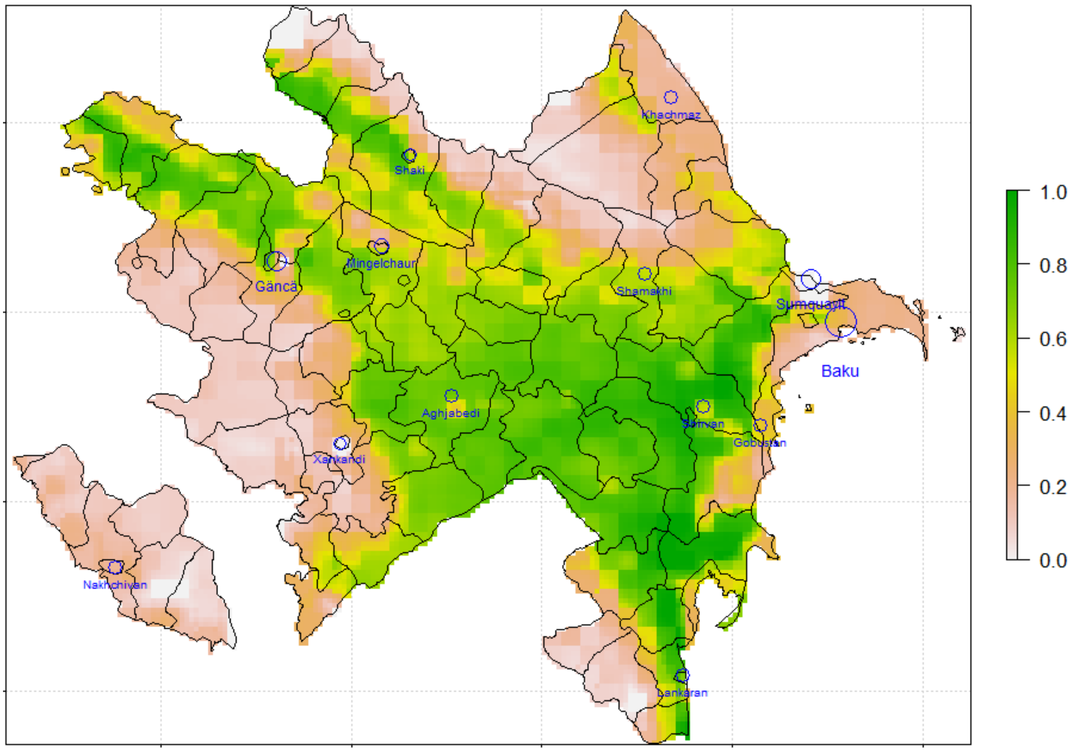


Figure 7.1 Potential for poultry production in Azerbaijan.

8. Production costs international comparison

8.1 International competition

Turkey is an important competitor in poultry meat and eggs. Turkey has good technology and knowledge to keep poultry. Turkey is also an important producer of hatching eggs and day old chicks which is input for the broiler farms (Azerbaijan is importing hatching eggs from Turkey).

The international comparison includes the following countries:

- EU: reference
- USA / Brazil: important exporters of poultry meat
- Turkey/ Russia: neighbouring countries and competitor
- Ukraine: exporter of poultry meat in the area

8.2 Production costs at farm level

Van Horne (2017) provides an overview of poultry meat production costs of a number of selected countries Azerbaijan is included in the benchmark (van Horne, 2017). Azerbaijan data are based on the interviews during the trip in May 2017.

Feed costs are 60 to 65% of the total production costs and day old chicks (doc) are 10% of the production cost at farm level (see figure 8.1). Feed and doc is expensive in Azerbaijan and as a result the production costs are high compared to, for instance, EU-countries. Feed price of broiler feed is 750 to 850 Manat per kg.

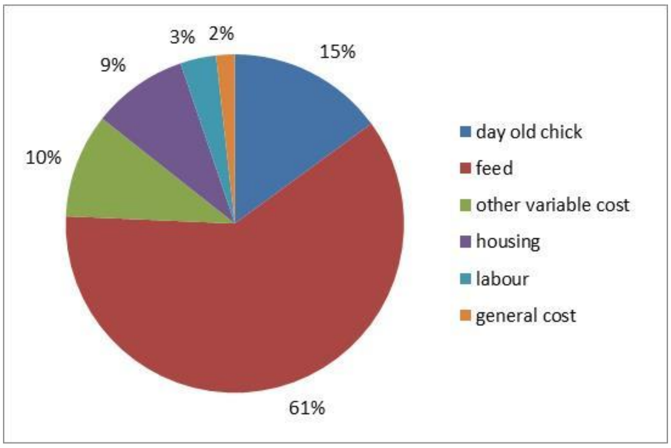


Figure 8.1. Components (%) within total production costs of broilers (farm level).

For the selected countries the production costs at farm level are calculated. The main component of the production costs are the feed costs. Feed costs are 60 to 65% of the total costs. Feed costs are a combination of feed amount (feed conversion) and feed price. In figure 8.2 the feed prices in the selected countries are given for the year 2016 (in euro per 100 kg).

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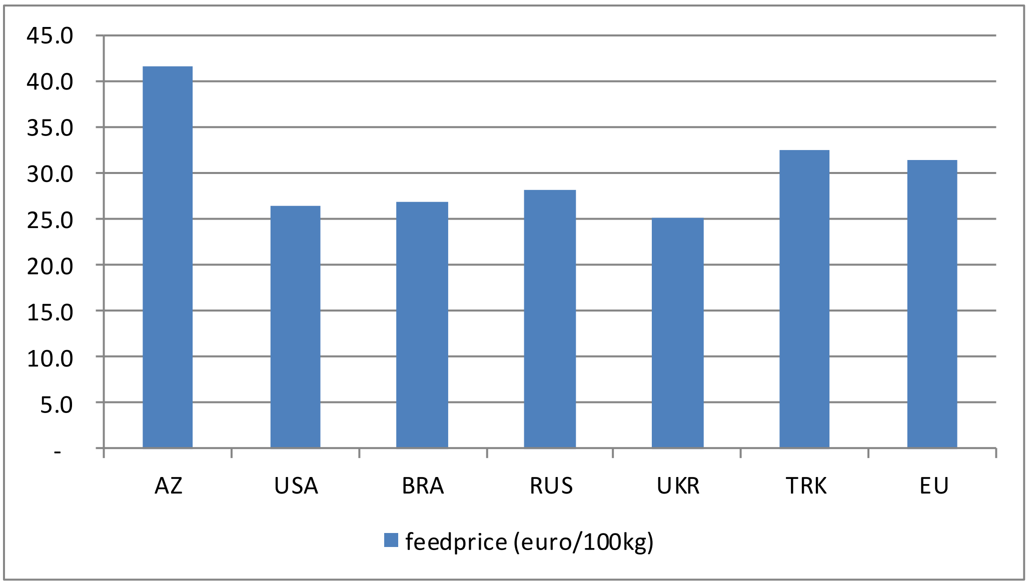

Figure 8.2 Prices of broiler feed (euro per kg) in selected countries in 2016

Figure 8.2 illustrates the large differences in broiler feed prices between the countries. Feed prices are considerably lower in Ukraine, Brazil and USA compared to Azerbaijan, EU or Turkey. The lower feed price in these countries can largely be explained by the domestic availability of sizeable quantities of feed ingredients such as maize and soy bean. Azerbaijan and also Turkey and many EU-countries depend on imports for its livestock feed ingredients, especially for soy bean or soy bean meal. The costs of storage, transport and trade margins increase the at-farm delivered price of these feed ingredients. Specifically for Azerbaijan the costs for import of soy beans or soy bean meal are a result of the long distance transport from South America under poor logistical circumstances. In addition, tax and import levies have to be paid.

Figure 8.3 shows the production costs for the selected countries. In Azerbaijan the average production costs were 110 eurocent per kg live weight in 2016. In Brazil, USA and Ukraine production costs are significantly lower than in Azerbaijan. Russia and Turkey have a more intermediate position. The calculations are based on basic assumptions for performance and prices (se van Horne, 2017).

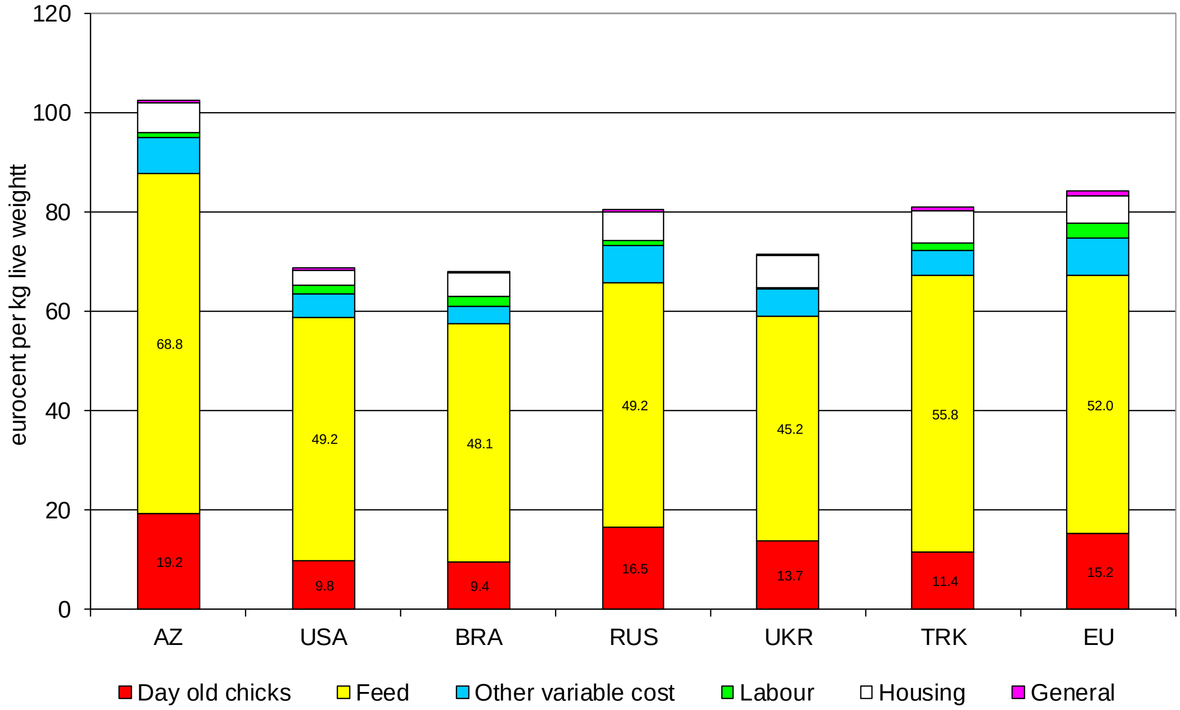

Figure 8.3 Production costs of broilers in eurocents per kg live weight in AZ and other countries in 2016.

Summary of cost price analysis for the poultry meat sector at farm level in Azerbaijan:
Disadvantage:

- high feed price
- low live weight (resulting in relative high costs per kg of live weight)
- high prices day old chicks (import of hatching eggs)

Advantage:

- low energy prices
- low labour cost per hour

Azerbaijan has expensive feed, and has to import many input goods for the poultry sector such as feed ingredients like wheat, corn and soy beans, premix, hatching eggs, vaccine and medication, next to equipment and other technology (capital inputs).

8.3 Production costs after slaughter

In addition to the costs of primary production, the costs of slaughter also play an important role in the international comparison of competitiveness. The costs of slaughter are calculated based on slaughter of broilers in a large commercial slaughterhouse. The weight of the carcass is 70% of the live weight delivered from the farm. The main components of the slaughter costs are labour, building and equipment. Other costs are transport of broilers, energy, inspection and packing. The details of the calculation are given in Van Horne, 2017 (WECR report 2017-005). For Azerbaijan an estimate was made based on data collected during the field trips in May 2017. Figure 8.4 gives the results of the total costs.

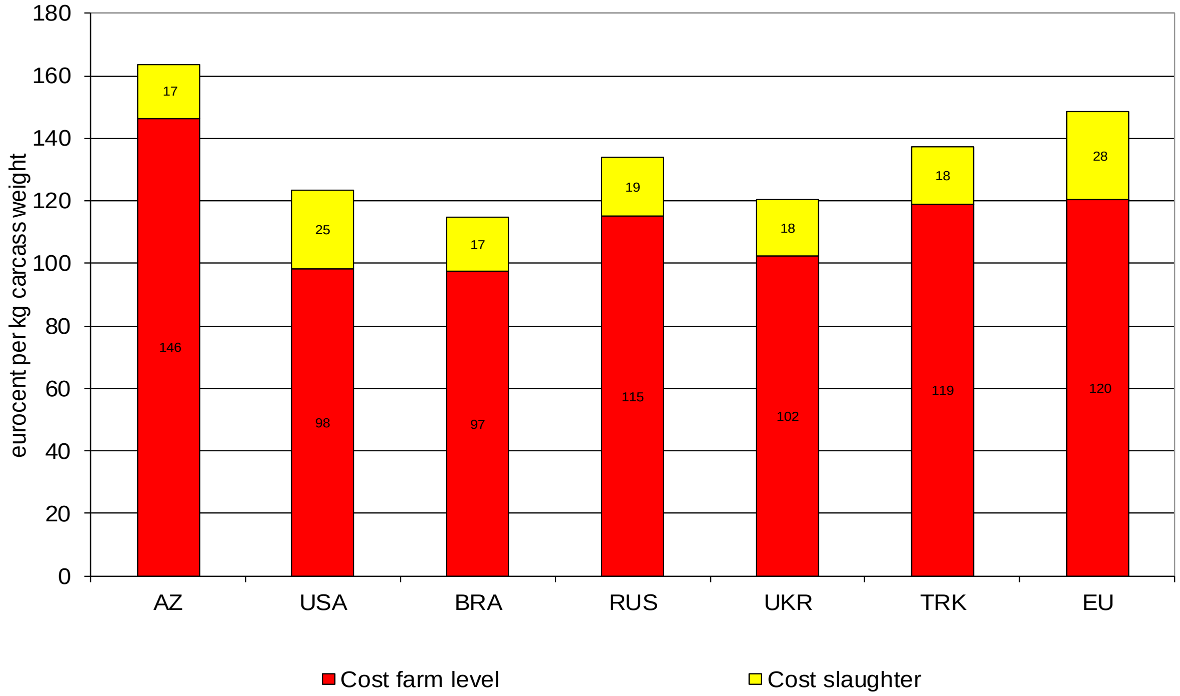

Figure 8.4 Costs of primary production and slaughter of broilers in eurocents per kg slaughter weight in Azerbaijan and other countries in 2016.

After slaughter Azerbaijan has a small advantage compared to countries with higher labour costs such as the EU or USA. When slaughter is done in modern facilities in Azerbaijan the costs are comparable with Turkey, Russia or Ukraine.

8.4 International trade

Azerbaijan has to compete with some countries in the neighbourhood. Before poultry meat is imported into AZ additional costs are made for transport and import levies have to paid. The Republic of Azerbaijan announced in September 2016 a decision to increase customs duties in a number of agricultural products. The new tariffs came into effect at the end of 2016 and remain in place for two years (USDA, 2017). For poultry meat imported as whole carcass or poultry cuts in fresh, chilled or frozen condition the rate of duty is 1 US dollar per kg (90 eurocents). Figure 8.5 illustrates the impact of the transport costs and the import levies. From this graph it can be read that import levies of 1 US dollar protect the Azerbaijan poultry sector from large amounts of imports.

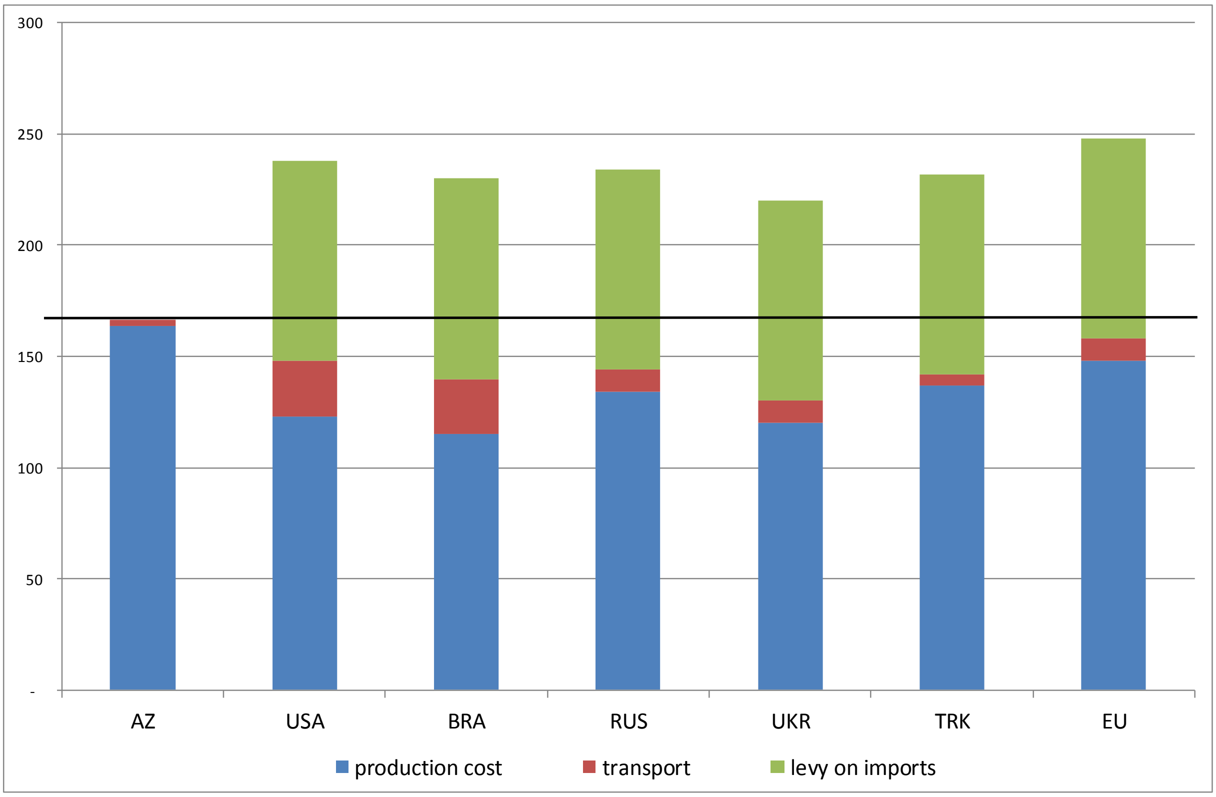

Figure 8.5 Offer price of poultry meat in Baku, Azerbaijan (horizontal line) and other countries in eurocents per kg carcass weight.

9. Conclusions

The poultry sector is dominated by a few large scale and integrated companies in the broiler sector and the layer sector as well. These larger companies account for about 60% of poultry meat and 40% of egg production. Compared to other countries, production costs of poultry farming in Azerbaijan are relatively high. This is mainly caused by high feed costs (due to expensive imports of proteins/soy and other nutrients/feed ingredients), low live weights and high prices for day old chickens. Slaughtering costs are relatively low due to cheap labour and energy prices. However, domestic production of poultry meat is only competitive as the domestic industry is protected by import tariffs from foreign competition. For sustained future prospects the sector needs to invest in modern technology that leads to better economic performance. Important elements are more efficient feed use (e.g. lower feed conversion), improved genetics and climate control in the poultry houses (reducing mortality rates and contributing to overall wellbeing of the animals that ultimately increases productivity and profitability).