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# RESULTS OF THE AGRICULTURAL STATE ASSISTANCE PROGRAMS IN THE REPUBLIC OF ARMENIA IMPLEMENTED IN 2021

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## ABSTRACT

Agriculture is the most important branch of the country's economy, the main purpose of which is to ensure food self-sufficiency. In this respect, it is considered sponsored in almost all countries of the world; governments promote the development of agriculture with various state support tools. More than a dozen programs aimed at the development of the agricultural sector are implemented in Armenia. The article has studied in detail the programs implemented in the field of agriculture in the last 3 years, and further program proposals for the development of agriculture are presented.

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Agriculture is one of the key sectors of Armenia's economy which according to 2021 data provides about 14-9% of GDP. 97% of the gross agricultural output is provided by about 317 thousand farms, each of which has about 1.48 ha of land. 21.8% of those employed in Armenia are involved in agriculture. It is significant not only as an area from which a certain added value is obtained, but first and foremost, its quality and development level influences on food security of the population, the living standards and development opportunities of rural areas, human health and safety, place of residence and conditions, as well as life expectancy and quality of the population.

Agriculture Strategy is aimed at inclusive growth, gender equality, institutional stability in Armenia, as it is based on the following principles: aggregation, commercialization, quality orientation, youth involvement, diversification, risk management, adaptation to climate change, resilience, environment modernization of technologies.

Taking into account the above-mentioned, the efforts of the Government of the Republic of Armenia are aimed at eliminating the obstacles to the policy implemented in that sphere, developing state support mechanisms and mitigating the emerging crisis risks.

Currently, more than a dozen state support programs are implemented in the field of agriculture, the main goal of which is to increase the volume of capital investments in agriculture, to expand production capacity, to introduce modern technologies and to stabilize the incomes of farmers. It should be noted that in 2018-2021 new programs launched, at the same time many amendments were made in the existing programs, most of which were intended by farmers in new economic situations to respond to changing demand, to meet external challenges, to continue or reorganize activities accordingly, to adapt to the economic situation and to take actions to refine development strategies.

In 2021 the volume of investments in the economy within the framework of state support programs in the agricultural sector amounted to 155 bln Armenian drams, of which only the volume of capital investments is about 105 bln Armenian drams.

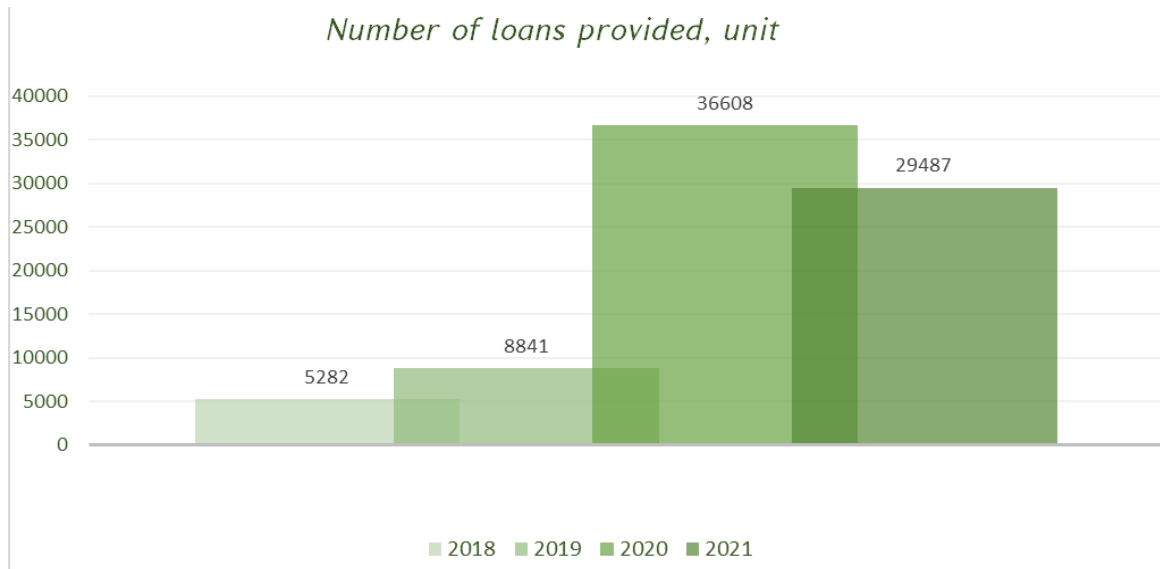
See below analysis and results of each Program.

**1. Program on subsidizing interest rates of loans provided to agricultural sector.**

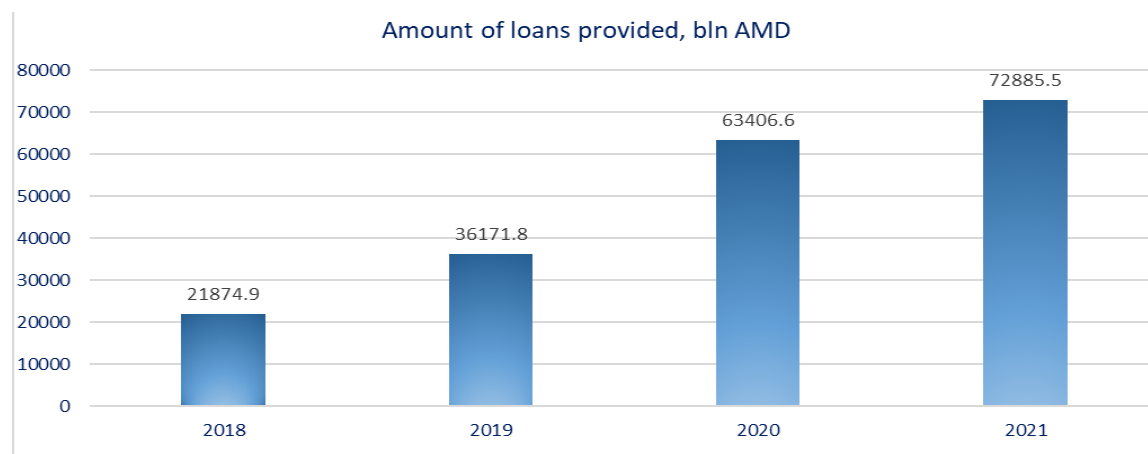
The main objective of the Program is to improve access to financial resources, capacity building, introduction of modern technologies and increase of agricultural efficiency through improving loan conditions and partially subsidizing interest rates of loans to physical and legal entities engaged in the agri-food sector of the Republic. Within the framework of program the actual interest rate on loans or leasing provided in AMD by financial institutions should not exceed 14% and the subsidy will be implemented in such a way that loans or leasing are available to beneficiaries at 0% interest rate 3-15 mln Armenian drams, for the development of sheep breeding, goat breeding and establishment of a traditional garden - 3-30 mln Armenian drams, for the development of cattle breeding, dairy buffalo - within the amount of 3-50 mln Armenian drams, loan repayment up to 5 years, for the establishment of a traditional garden up to 7 years, up to 3 years in case of loans for pig and poultry development, grace period up to 12 months in principal and in case of loans provided for the establishment of a traditional orchards with a maximum grace period of 4 years. The process of providing loans up to 1 mln Armenian drams to individuals at 0% interest rate continued until 1 October, 2021 within the framework of 2nd Measure to address economic impact of COVID-19.

Studies show that in 2021, 29.487 units of loan in the amount of about 73 bln Armenian drams were provided, and the amount of subsidy was about 9.7 bln Armenian drams. Compared to the previous year, the amount of loans provided increased by 9.5 bln Armenian drams.

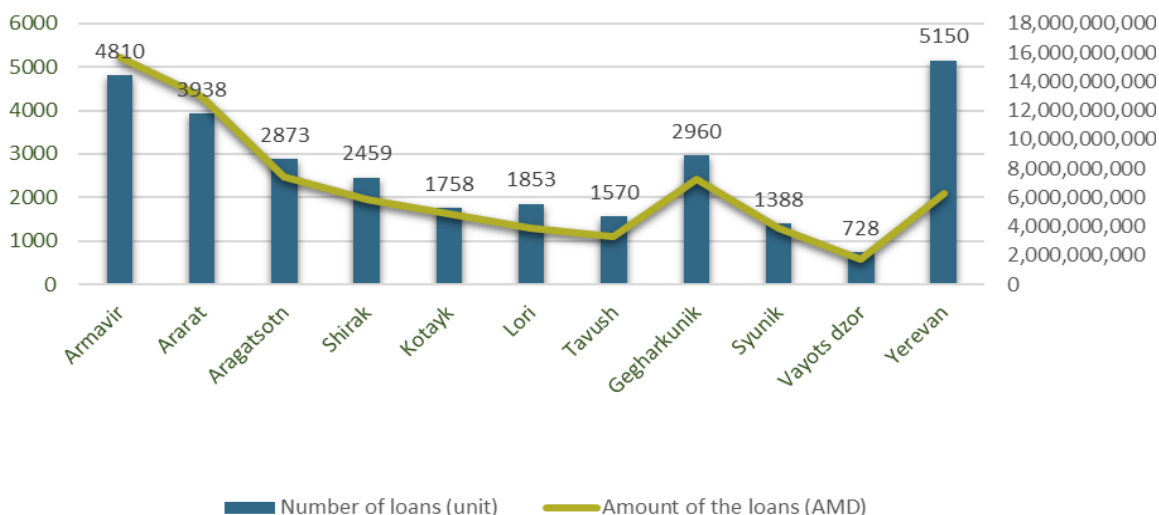
The volume, quantity and distribution of loans provided in 2018-2021 within the framework of the Program by Marzes is presented in the Charts 1, 2 and 3.



*Chart 1. Number of loans provided, unit*

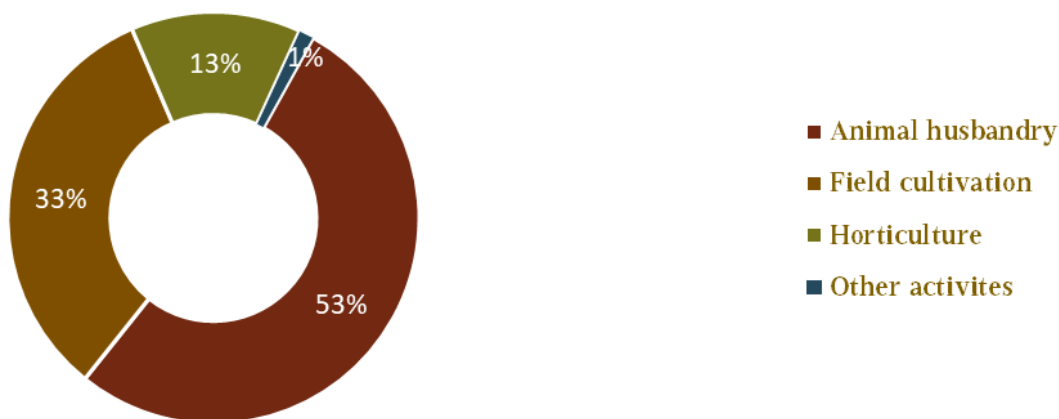


*Chart 2. Amount of loans provided, bln AMD*



*Chart 3. Number and amount of loans in 2021 by Marzes*

The results of the analysis of the indicators show that the beneficiaries of the Program were mostly from Armavir, Ararat, Shirak, Gegharkunik and Aragatsotn Marzes and also from Yerevan. Main directions of investments are presented in Chart 4.

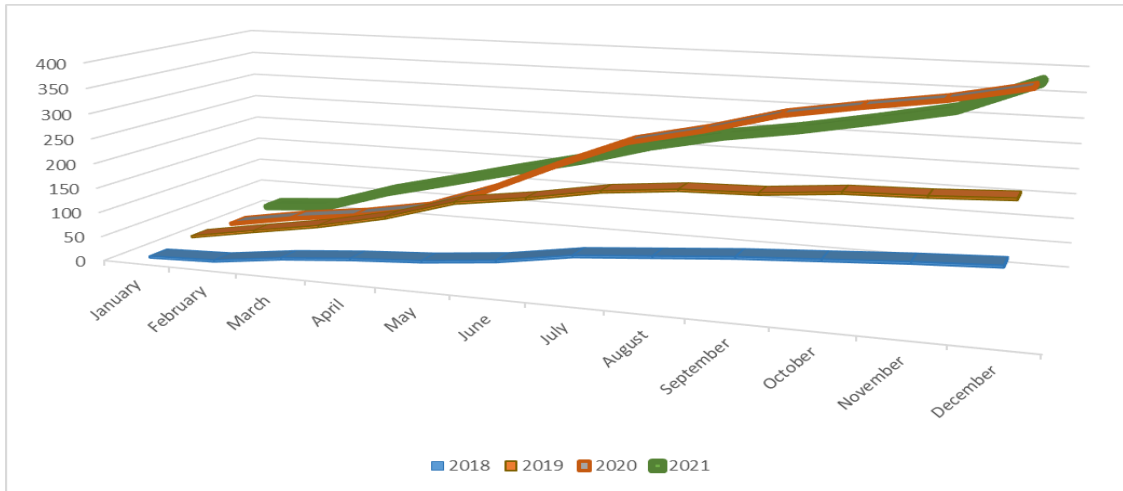


*Chart 4. Loans distribution by directions*

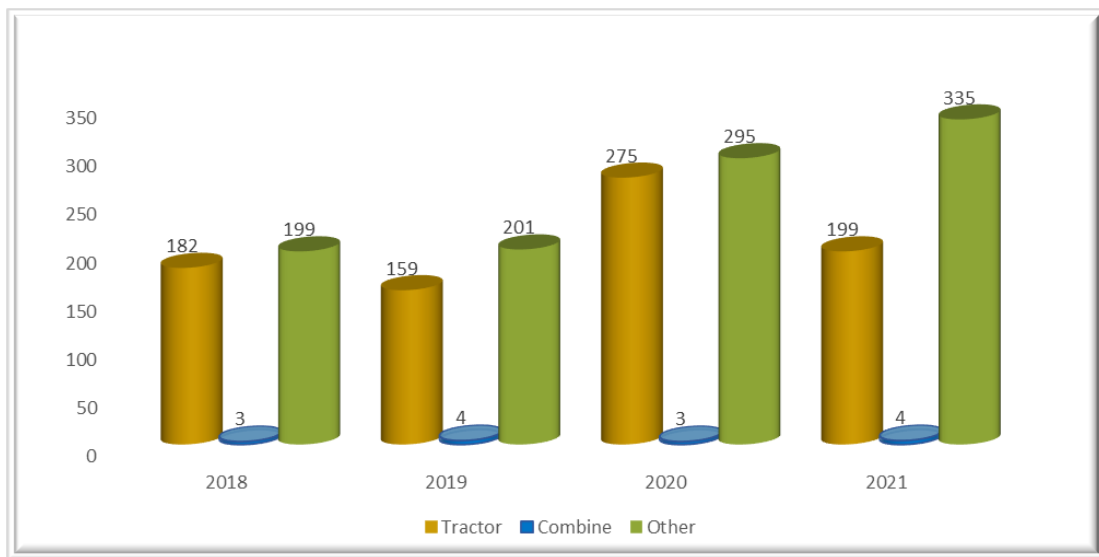
**2. State support program on agricultural machinery financial leasing in the republic of Armenia.**

The main objective of the Program is to provide farmers with agricultural machinery on affordable terms, in particular by financial leasing, thus creating favorable conditions for the efficient use of agricultural lands and establishment of goods production.

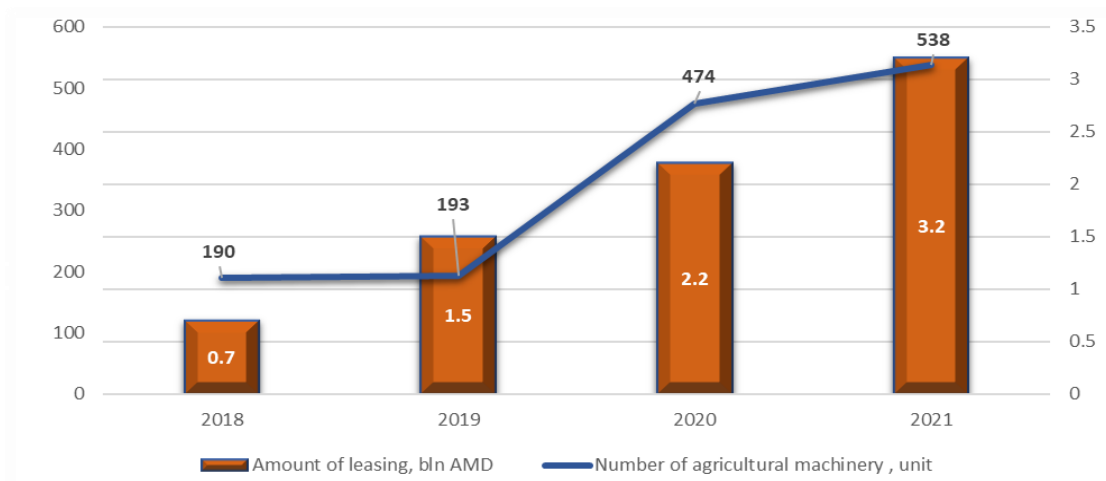
In the framework of the Program the actual interest rate on loans or leasing provided in AMD by financial institutions should not exceed 14% and the subsidy will be implemented in such a way that loans or leasing are available to beneficiaries at 0% interest rate. In 2021 under the Program, 538 units of agricultural machinery were provided to 378 beneficiaries, including 199 units of tractors, 4 units of combine harvesters, the amount of leasing was about 3.2 bln Armenian drams, and the amount of the subsidy is about 498 mln Armenian drams. The number of lessees within the framework of the Program, the number of agricultural machinery and the distribution by Marzes is presented in the Charts 5, 6 and 7.



*Chart 5. Number of lessees in 2018-2021 by months and distribution*



*Chart 6. Number of agricultural machinery purchased in 2018-2021, unit*



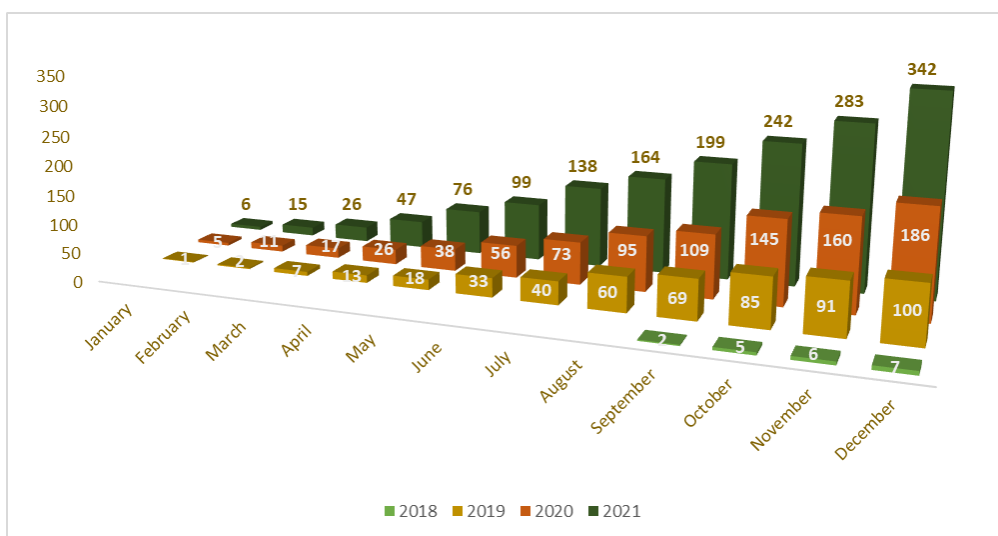
*Chart 7. Number of agricultural machinery purchased in 2018-2021 by Marzes, unit and amount of leasing (bln AMD)*

Studies show that the number of agricultural machinery purchased under the Program is increasing year by year, which contributes to the renewal of the existing set of agricultural machinery in the country, the reduction of costs and losses, and the increase of productivity.

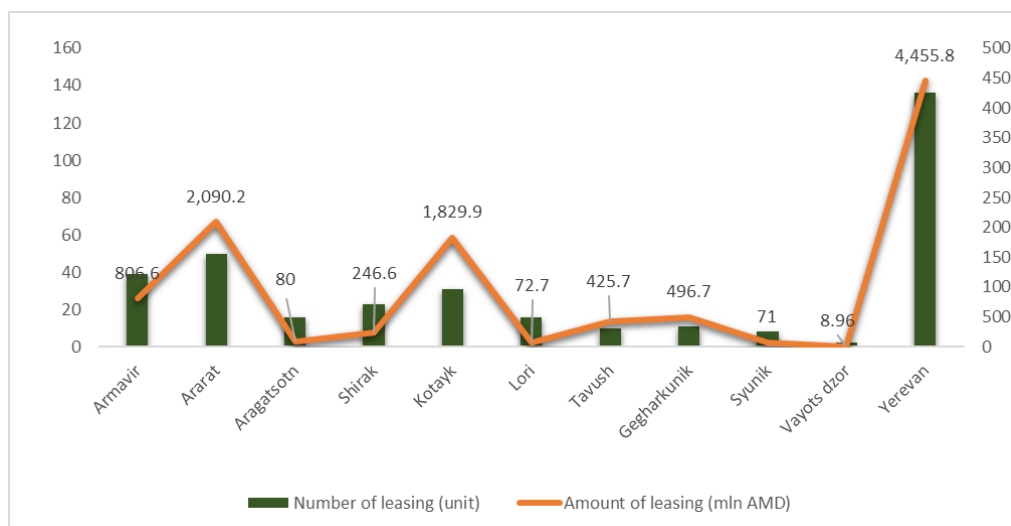
**3. State support program on financial leasing of the equipment used in agri-food sector in the republic of Armenia.**

The main objective of the Program is to provide entities in agri-food sector with equipment on affordable terms, in particular by financial leasing, which will create prerequisites for increasing production volumes of agricultural and processed products, for ensuring quality and safety requirements in line with international standards, for increasing competitiveness and export volumes, and for replacing imported products with local production.

Under the Program in 2021, 342 applications were approved in the amount of about 10.6 bln Armenian drams, and the amount of subsidy was about 985 mln Armenian drams. 776 units of equipment have been purchased within the framework of the Program this year. Compared to the previous year, the number of lessees has increased 1.8 times, the amount of leasing - 1.7 times, the amount of subsidies – 4.5 times. The distribution of the amount and number of leasing by Marzes is presented in the Charts 8 and 9.



*Chart 8. Number of lessees by months in 2018-2021*



*Chart 9. Number and amount of leasing in 2021 by Marzes*

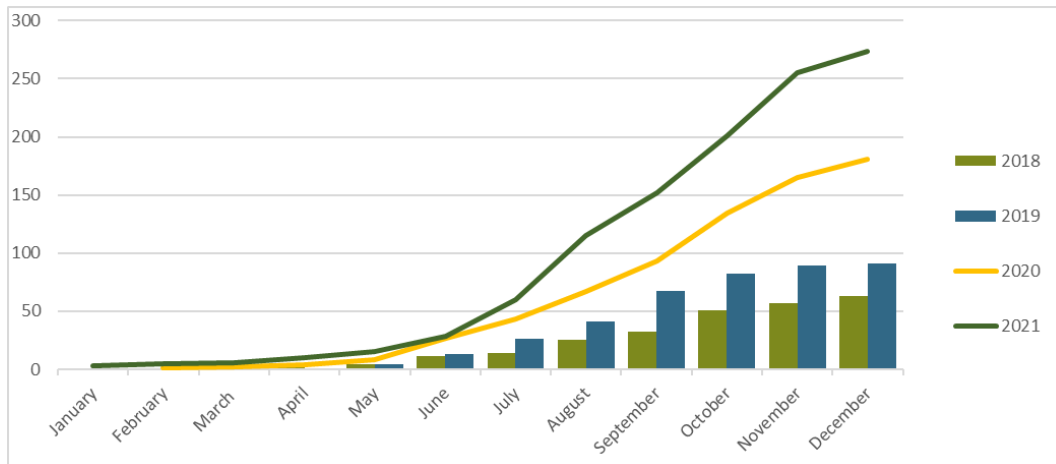
**4. Program on subsidizing interest rates of loans provided to agri-processing sector for procurement (purchase) of agricultural raw materials.**

The main objective of the Program is to increase the level of access to loans subsidizing interest rates for the legal entities and individual entrepreneurs engaged in agri-processing industry.

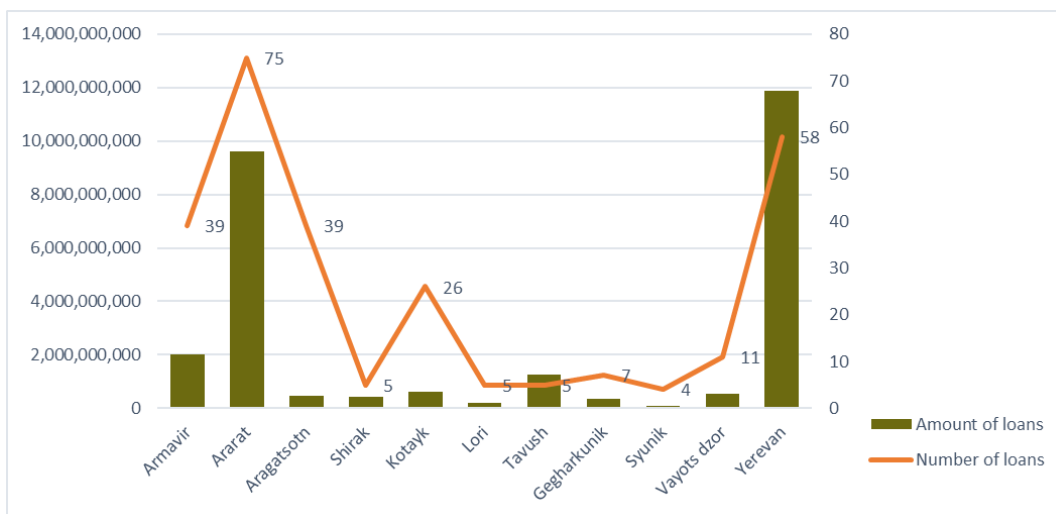
According to the Government Decree N 175-L dated on 11 February, 2021 the targeted loans provided at an annual interest rate of 0% were available to businesses as a result of state subsidies until 31 December, 2021. In case of insufficient level of collateral for loans provided to farmers for the

purchase (purchase) of agricultural raw materials, the Government of the Republic of Armenia has provided a budget guarantee of up to 50% until December 31, 2021, but not more than the value of exported products in 2020. Within the framework of the Program, 274 applications were approved in 2021 in the amount of about 27.3 bln Armenian drams, the amount of subsidy was about 2.7 bln Armenian drams. 13607 contracts were signed with farms within the framework of approved applications. Compared to the previous year, the number of beneficiaries of the Program has increased 1.5 times, and the amount of loans provided - 1.2 times.

The distribution of the number and amount of loans provided by Marzes is presented in the Charts 10 and 11.



*Chart 10. Number of beneficiaries within program in 2018-2021 by months*

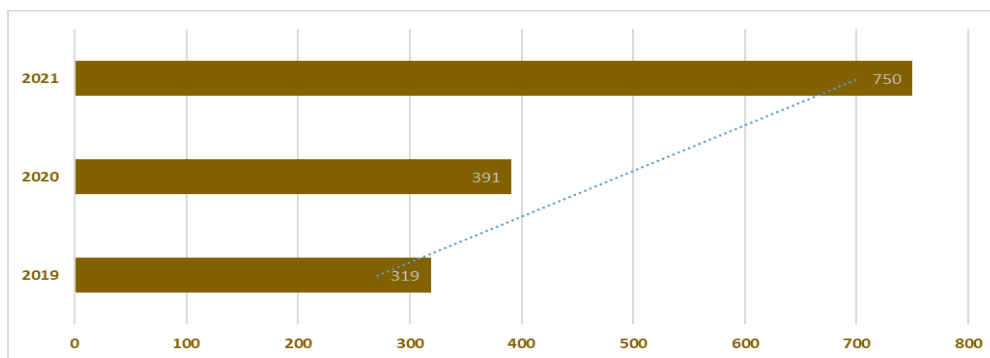


*Chart 11. Number and amount of loans in 2021 by Marzes*

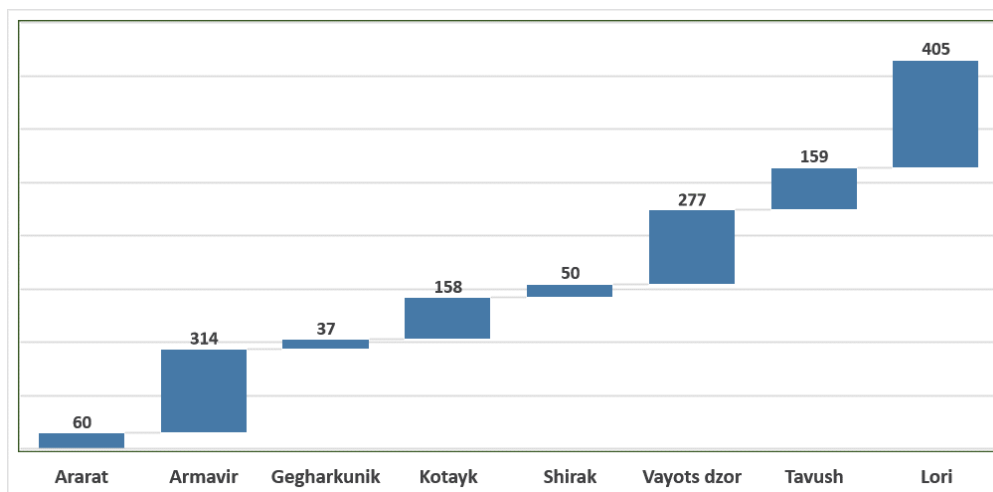
**5. Program on cattle breeding development in the republic of Armenia for 2019-2024.**

The objective of the Program is to provide cattle breeders with pedigree cattle in affordable conditions, in particular through partial subsidy on loans' interest rate. This will give possibility to supplement the herds with pedigree cattle with valuable production and economic features instead of low-producing animals of unknown origin, unfit for reproduction, as well as to develop pedigree business, to improve the productivity of local animals through inter-ethnic crossbreeding, to increase milk-meat production volumes, to reduce production costs for meat and milk making them more competitive with similar imported products.

The loan interest rates were subsidized at such a rate that the loans were provided at a 2% interest rate, and at a 0% interest rate to the beneficiaries. Within the framework of the Program, 750 heads of cattle were purchased in 2021 at a cost of 565.0 mln Armenian drams, the amount of subsidy was about 114 mln Armenian drams. The number of heads acquired by years and by regions is presented in the Charts 12 and 13.



*Chart 12. Heads of animals acquired in 2019-2021*



*Chart 13. Heads of pedigree animals acquired in 2019-2021, by Marzes*

## **6. State support program on sheep-breeding and goat-breeding development in the republic of Armenia for 2019-2023.**

The main objectives of the Program are to create favorable conditions for the development of sheep and goat breeding sectors through subsidizing interest rates and partially compensating expenses, to promote purchase of high-value pedigree sheep and goats and formation of highly productive livestock, as well as to increase of production and export volumes of products of animal origin (sheep and goat breeding).

Within the framework of the Program, it is envisaged to provide state support in 2 ways to ensure access to the acquisition of pedigree small cattle.

### **Loan Component.**

The loans are provided with preferential terms of up to 4 years, up to 1 year grace period for the principal amount, and by the RA Government Decree N 175-L dated on 11 February, 2021 the loans were available at 0% interest rate until 31 December, 2021.

### **Compensation component.**

23% of the amount actually paid (excluding transportation costs) for the pedigree animals purchased by the beneficiary up to 450 thousand Armenian drams per head was reimbursed, and 27% for pedigree small cattle acquired by the beneficiaries of the border communities included in the list approved by the RA Government Decree N 1444-N dated on 18 December, 2014 or by the agricultural cooperatives.

Within the framework of the Program, 125 heads of animals were acquired in 2021, the amount of compensation was 37.7 mln Armenian drams. The number of animals acquired within the framework of the Program by years and by Marzes is presented in the Charts 14 and 15.



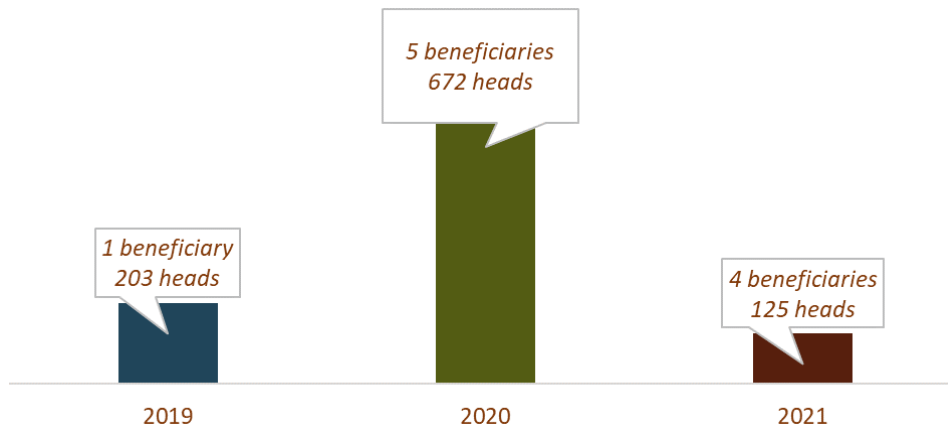


Chart 14. Number of beneficiaries and heads of acquired animals in 2019-2021

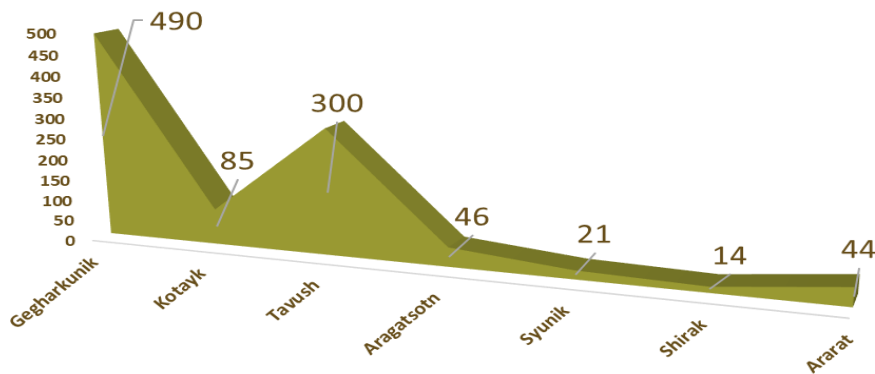


Chart 15. Number of acquired pedigree animals in 2019-2021, by Marzes, head

**7. State support program on small and medium smart cattle barns construction or reconstruction and their technological support**

The main goal of the Program is to improve the conditions of animal husbandry, as a result of which to increase the indices of animal production, within the framework of which the state reimburses the costs of the beneficiaries who built or reconstruct "smart" barns. Within the framework of the Program three models were offered: 130-280 sq.m., 281-450 sq.m., 451 sq.m. and with more production area.

Within the framework of the program, in 2021, 125 on-site inspections were carried out, 31 citizens were provided with certificates, 27 contracts in the amount of 361.2 mln Armenian drams were signed, 23 cattle barns were put into operation, 44 compensations were provided in the amount of 347.8 mln Armenian drams.

The number, amount, distribution of compensations provided within the framework of the Program by models and Marzes is presented in the Charts 16, 17 and 18.

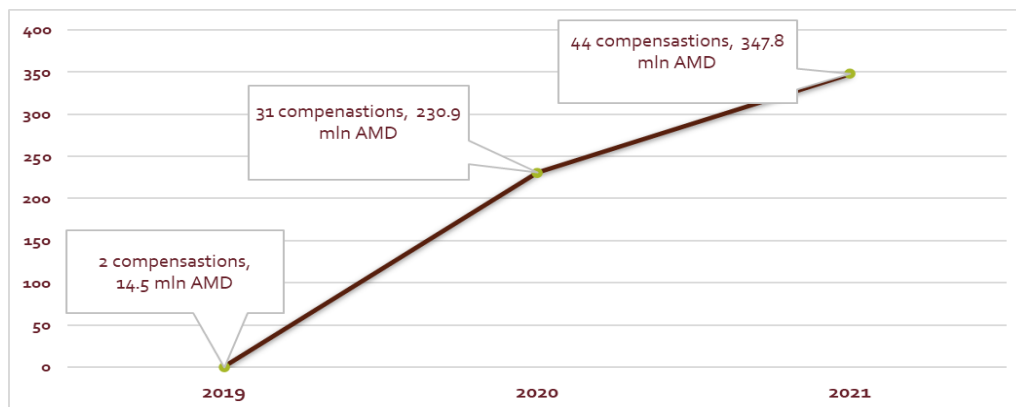
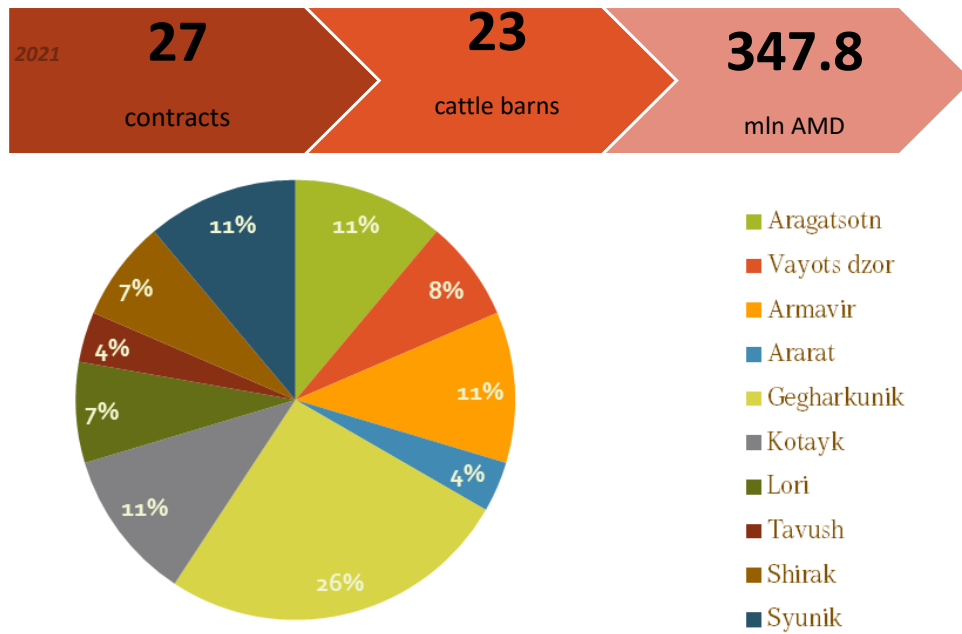
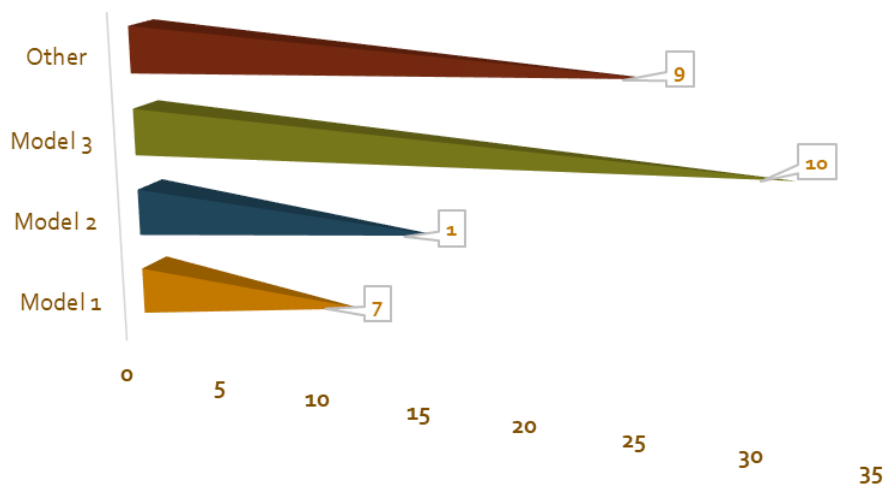


Chart 16. Number and amount of compensations in 2019-2021



*Chart 17. Distribution of signed contracts by Marzes in 2021*



*Chart 18. Distribution of signed contracts by models in 2021*

**8. State support program for promotion of intensive gardening, introduction of modern technologies and non-traditional high value crops production in the republic of Armenia for 2021-2023**

The aim of the Program is to promote the establishment of modern high-yield orchards through state support for the establishment of modern vineyards, intensive orchards, berry orchards, cultivation of non-traditional high-value crops, as well as modern irrigation systems and hail protection nets. It is also aimed at increase of production and export volumes of competitive grape, fruit and berry, promotion of non-traditional high value crops production, reduction of hail and other climatic risks, promotion of efficient use of water resources, mitigation of the impact of climate change, increase of adaptation level, as well as increase of farmers’ incomes.

The Program includes also the components of the following 3 programs implemented on 31 December, 2021: State support program on establishing vineyards, intensive and berries orchards cultivated with modern technologies in the Republic of Armenia; Interest rate subsidy program for hail protection nets in the agricultural sector; Co-financing program for the implementation of modern irrigation systems.

The Program was implemented in the whole territory of the Republic of Armenia with two components, through partial subsidization of loan interest rates and partial compensation of expenses.

**Loan Component.**

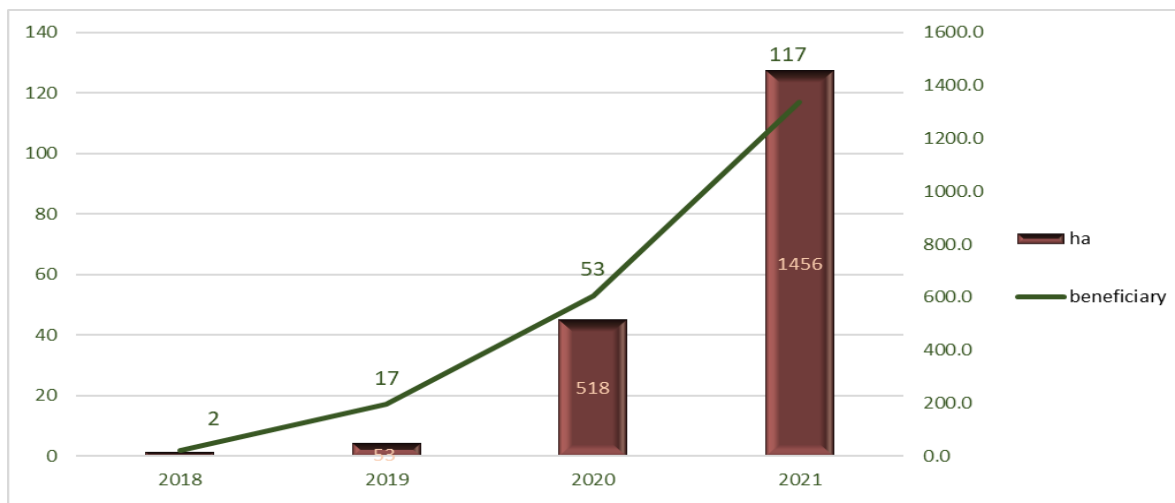
Within the framework of this Program and the State support program for the establishment of vineyards, intensive orchards cultivated with modern technologies in Armenia, 65 credits in the amount of about 32.2 bln Armenian drams were provided, for the establishment of 1322.3 hectares of orchards, the amount of subsidy was 1.07 bln Armenian drams. Compared to the previous year, the number of beneficiaries has increased almost 1.2 times.

**Compensation Component.**

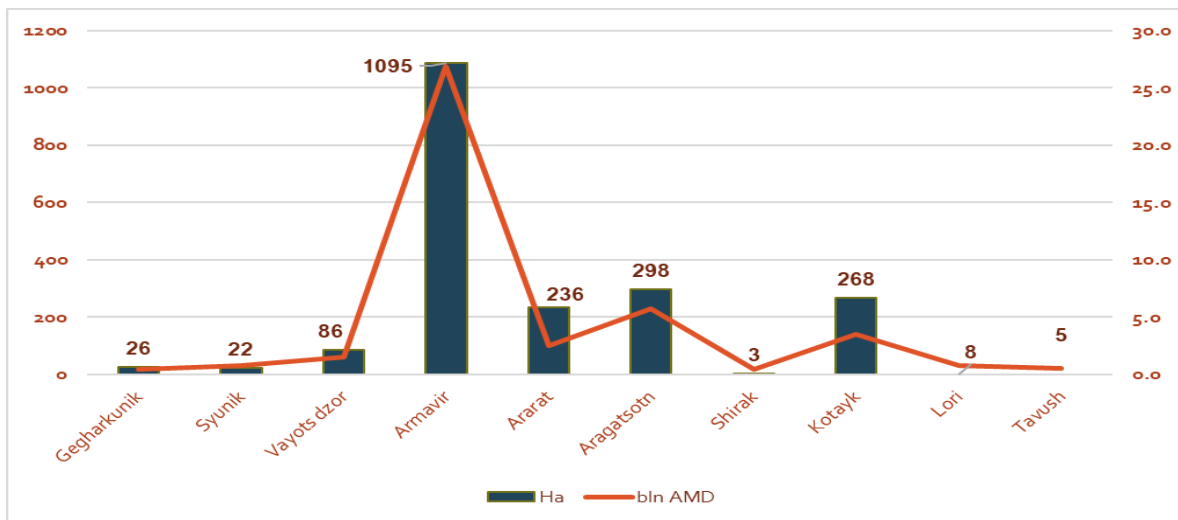
Within the framework of the program, the compensation was provided for 0.5 to 10 hectares of grapes, intensive orchards and berries, and the expenses were reimbursed for all the beneficiaries, with 50% of the establishment costs (excluding the costs of the first year of care).

In 2021, 52 compensations in the amount of 899.8 mln Armenian drams were provided for planting a garden on 134.52 ha. Compared to the previous year, the number of beneficiaries has increased about 7.4 times, and the area of intensive gardens - 13.5 times.

Within the framework of the programs, the number of beneficiaries and the areas of the established garden by years, the area of the invested gardens by regions and crops are presented in Charts 19, 20, 21.



*Chart 19. Number of beneficiaries and area of established orchards in 2018-2021*



*Chart 20. Areas of intensive orchards (ha) and the amount (bln AMD) by Marzes in 2018-2021*

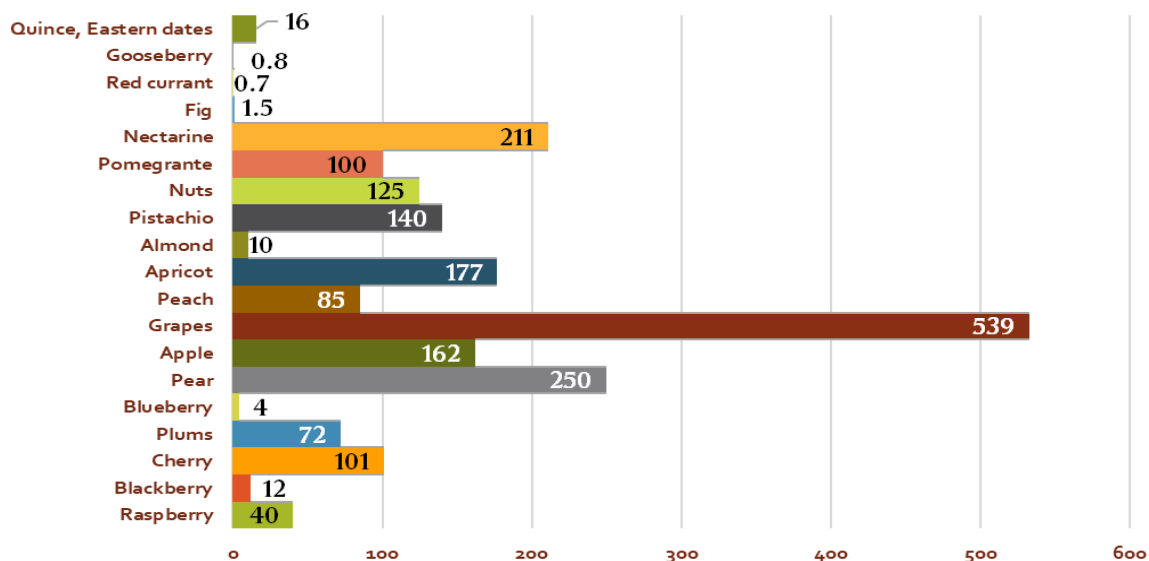


Chart 21. Area of established intensive orchards in 2018-2021 by crops, ha

The results of the study show that in 2021, compared to 2018, the number of approved garden applications has increased 72 times. The development of intensive horticulture will significantly contribute to the increase of export volumes and the increase of the incomes of the villagers.

**9. Program on co-financing of introduction of modern irrigation systems.**

The main objective of the Program is promote introduction of effective irrigation systems in agricultural lands. In the framework of the Program the state assistance is provided to physical and legal entities engaged in cultivation of agricultural crops. Assistance is provided through partially subsidizing of loans or partially compensating of expenses at beneficiary’s discretion.

Subsidized loans were provided for up to 3 years, with an annual grace period of up to 6 months, the maximum loan amount was set at 150 mln Armenian drams.

**Loan Component.**

Within the framework of the program, 14 units of loans in the amount of about 340.5 mln Armenian drams were provided in 2021, for the introduction of modern irrigation systems on 374.6 hectares of land, the amount of subsidies was about 74.8 mln Armenian drams. Compared to the previous year, the area of the areas equipped with modern irrigation systems has increased about 1.6 times.

**Compensation component.**

Within the framework of the program, in 2021, 2 compensations in the amount of 0.3 mln Armenian drams were provided for the introduction of modern irrigation systems on 2.48 ha land.

The results of the Program are presented in the Charts 22 and 23.

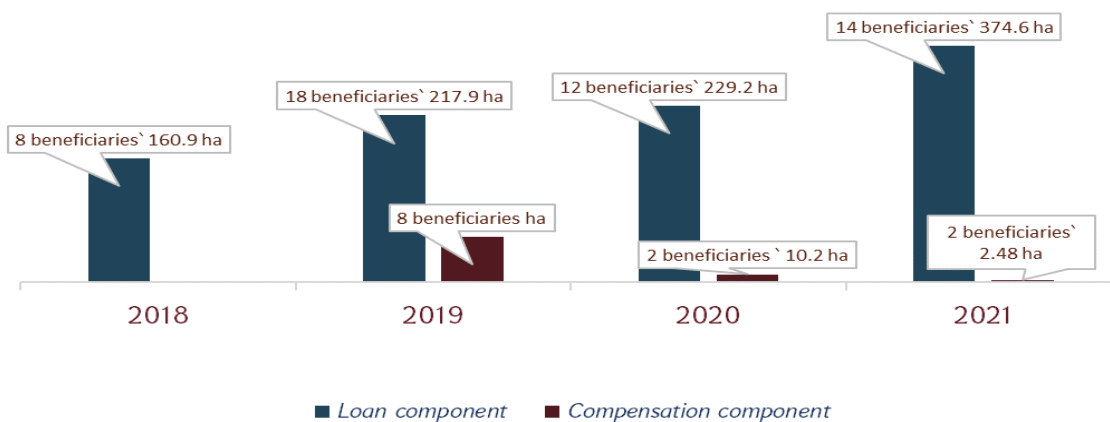


Chart 22. Number of beneficiaries of the Program and area of lands with installed modern irrigation systems in 2018-2021

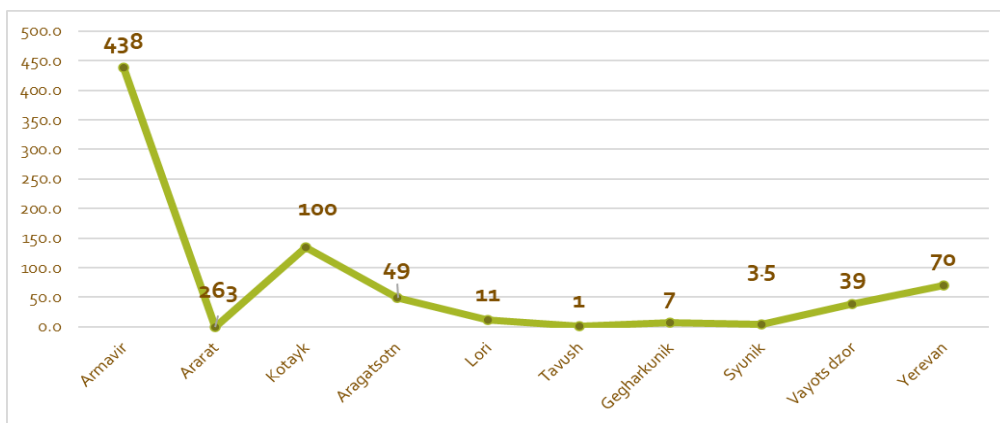


Chart 23. Area of lands with installed modern irrigation systems by Marzes, ha

**10. State support program for the implementation of pilot project for introduction of agricultural insurance system.**

The main objective of the Program is the clarification of agricultural insurance mechanisms and implementation of risk management policy in agriculture as a result of a comprehensive system introduction.

The list of crops to be insured for the 2021 agricultural year and the scope of the Marzes covered by the Program has been expanded to include potatoes, plums, watermelon/melon crops.

4279 insurance contracts were sold by insurance companies. The gross insurance premium amounted to about 474.6 mln Armenian drams, and the subsidized amount was 275.9 mln Armenian drams, and as a result of the concluded contracts, the area of orchards insured was 5832 ha. As of 1 December, 2021, the number of insurance compensations was 1517, and the amount of insurance compensation was 319.1 mln Armenian drams.

The number of insurance contracts by risk and crop, distribution by crop and by Marzes is presented in the Charts 24, 25 and 26.

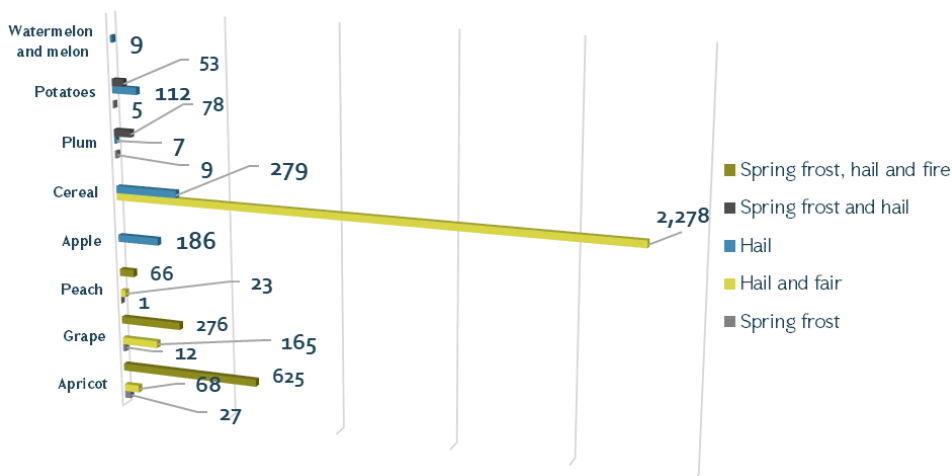


Chart 24. Number of insurance contracts by crop and risk, item

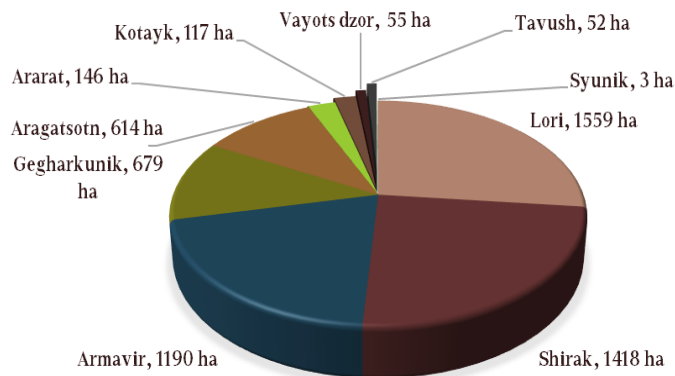
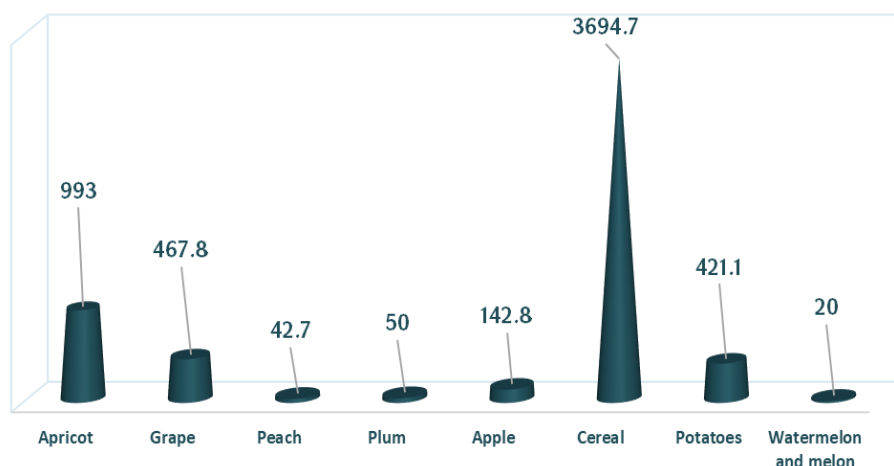


Chart 25. Area of insured orchards and sown area, by Marzes, ha

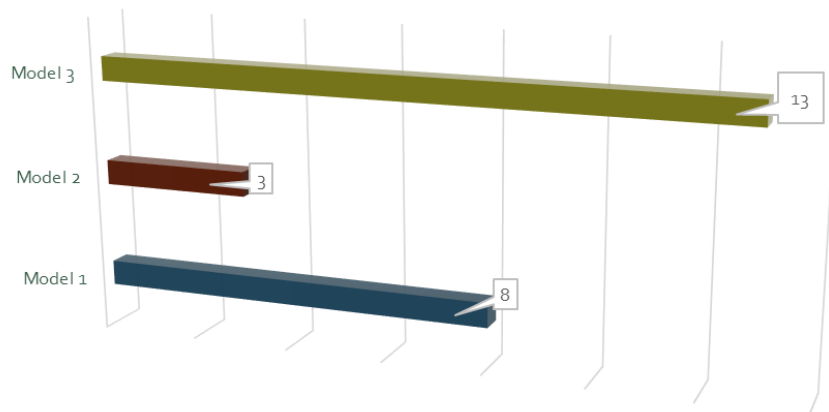


*Chart 26. Area of insured orchards and sown area, according to the insured crops, ha*

**11. State support program for establishment of small and medium greenhouses.**

The main objective of the Program is to increase the surface of greenhouses and their production volumes, as well as competitiveness of products, to promote increase of incomes of entities involved in agriculture through establishment of small and medium size greenhouses and their technological support. 3 models of greenhouses construction and their technological support are offered by the Program with corresponding compensation limits.

In 2021, a contract was signed with 24 beneficiaries in the amount of 554.4 mln. Armenian drams, compensation in the amount of 227.3 mln. Armenian drams was provided, as a result of which 8 greenhouses were built. The distribution of contracts concluded under the Program by models is presented in the Chart 27.



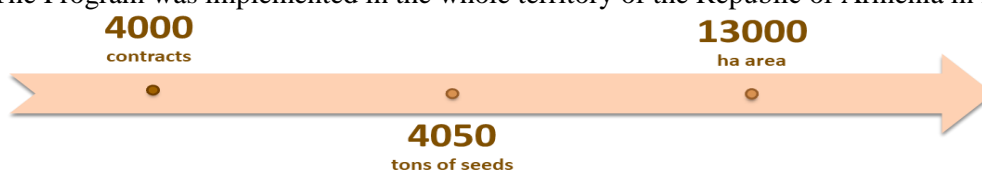
*Chart 27. Distribution of contracts by greenhouse models*



**12. State support program to promote autumn wheat production in the republic of Armenia.**

By partially subsidizing or compensating the price of autumn wheat seeds, it is envisaged to promote the availability of seeds with high agro-economic indicators, to increase the yield, and as a result to increase the volumes of local autumn wheat and incomes of entities.

The Program was implemented in the whole territory of the Republic of Armenia in 2021.

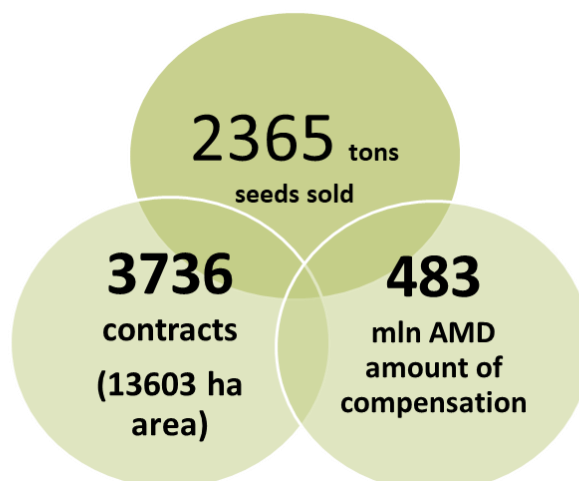


### **13. State support program to promote spring, grain and food crops production in the republic of Armenia.**

The aim of the Program is to mitigate consequences of military conflict or states of emergency, especially the problems of fodder provision as a result of used pastures' reduction and increasing the level of food self-sufficiency by partially subsidizing or compensating the price of seeds of spring cereals, legumes and fodder crops.

The Program was implemented in all Marzes of the Republic of Armenia in 2021, within the framework of which the beneficiaries were offered certified seeds of spring wheat, spring barley, oats, beech, beans, lentils, peas, alfalfa and carnation elite and/or seeds of 1st reproduction, as a result of which the seeds were purchased at about 50-70% lower prices than in the market.

All the the farmers cultivating 1-20 ha of grain and fodder crops, as well as 0.5-20 ha of legumes in all Marzes of Armenia.



Based on the research results, we can say that in the last 3 years a number of state support programs have been implemented in the field of agriculture, which contribute to increasing the level of agricultural intensification, raising the level of food self-sufficiency, forming and establishing a culture of smart agriculture. However, it is necessary to apply mechanisms in the forthcoming state assistance programs that will promote land consolidation, as one of the main keystones of our agricultural development is land consolidation.

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