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## **EVALUATION OF THE ACTIVITIES OF AGRICULTURAL PRODUCTS PROCESSING ENTERPRISES IN AZERBAIJAN AND DIRECTIONS OF THEIR DEVELOPMENT**

Agriculture, as one of the key sectors of economic activity, provides the world's population with food, raw materials, and various other resources. It is this sector that supplies people with essential products vital for daily existence, including grains, meat, fruits, vegetables, milk, and other food items. Without the agricultural industry, feeding the entire planet would be impossible, and many people would face hunger. Additionally, agriculture serves as the foundation for the production of many goods, such as paper, textiles, plastics, and cosmetics, most of which are made from plant raw materials sourced from this sector. It is clear that agricultural products act as a raw material base for many processing enterprises. Instead of exporting these products as raw materials, utilizing them domestically can make a significant contribution to the national economy. Thus, the expansion of processing enterprises in the agricultural sector will lead to an increase in budget revenues, a higher volume of exports of finished products, the creation of new jobs, and, most importantly, an improvement in the self-sufficiency of the country's population in essential food products, thereby enhancing food security. All of this demonstrates the significant importance of developing and expanding processing enterprises in the agricultural sector.

***Relevance of the topic:*** In a number of dominant countries around the world, agriculture, as an important sector of the economy, not only provides the population with basic food products but also offers other opportunities. Agriculture is one of the main sources of employment. The availability of jobs is a crucial factor for the development of specific regions within a country, contributing to

the improvement of economic stability and the standard of living in these areas. Agriculture actively stimulates the development of science and technology, including biotechnology, genetic research, the development of fertilizers and pesticides, and new methods of soil cultivation, all of which help increase productivity and improve crop quality. It plays a crucial role in ensuring global sustainable development, as it is vital for the stable progress of humanity. For example, this may include the conservation of natural resources and biodiversity, which can be achieved by reducing the use of chemicals and water in crop rotation and adopting sustainable farming methods—one of the environmentally friendly production techniques. Therefore, evaluating the current state of agricultural processing enterprises and continuously investigating development directions is one of the main research objectives.

**The purpose of the article** is to determine the role played by enterprises operating in the agricultural sector in Azerbaijan and engaged in the processing of agricultural products in the country's economy, to evaluate the current state of their activities and influencing factors. Additionally, the article aims to justify the role of the state in the development of these enterprises, review the mechanisms of state support, strengthen competitiveness for the expansion of their activities, investigate the directions for expanding market opportunities, and provide recommendations on all of these aspects.

**Research methods:** grouping, generalization, systematic approach, development dynamics, synthesis and analysis, comparative analysis, factor analysis, economic-statistical analysis

**Scientific innovation:** The article justifies the need to reveal and evaluate the economic potential of processing enterprises in the agricultural sector in Azerbaijan, with certain methodological principles serving as the foundation. It emphasizes the need to increase the efficiency of utilizing economic potential and develop a strategy for the development of processing enterprises, adopting a systematic approach. It has been determined that the sustainable development strategy of the enterprises studied aligns with the general development strategy of the industry, the region, and the country's economy as a whole.

**Keywords:** *agriculture, processing plants, agricultural products, competition, innovation, export, evaluation*

**JEL classification:** *Q1, Q13, Q14*

Сільське господарство, будучи однією зі сфер господарської діяльності, забезпечує населення планети продуктами харчування, сировиною та іншими різноманітними ресурсами. Саме ця сфера забезпечує людей основними продуктами, життєво необхідними для їх повсякденного існування, включаючи зерно, м'ясо, фрукти, овочі, молоко та інші продукти харчування. Без сільськогосподарської промисловості було б неможливо прогодувати всю планету, і багато людей померло б від голоду. Крім того, сільське господарство є основою для виробництва багатьох товарів, таких як папір, текстиль, пластик, косметика тощо, більшість із яких виробляється на основі рослинної сировини, отриманої з цієї території. Очевидно, що сільськогосподарська продукція відіграє роль сировинної бази для багатьох переробних підприємств. Замість того, щоб експортувати ці продукти за кордон як сировину, їх використання всередині країни може зробити всебічний внесок у національну економіку. Таким чином, за рахунок розширення переробних підприємств аграрного сектору це призведе до збільшення надходжень до бюджету, обсягів експорту готової продукції, створення нових робочих місць, а головне – рівня самозабезпеченості населення країни найважливішими і необхідними продуктами харчування, а отже, продовольчу безпеку. Усе це свідчить про велике значення розвитку та розширення переробних підприємств в аграрному секторі.

**Актуальність теми:** У ряді домінуючих країн світу сільське господарство, як важлива галузь економіки, не тільки забезпечує населення основними продуктами харчування, а й має інші можливості. Сільське господарство є одним із основних джерел робочих місць. Наявність робочих місць є важливим фактором для розвитку регіонів конкретної країни, що дозволяє підвищити економічну стабільність і рівень життя в цих регіонах. Сільське господарство активно стимулює розвиток науки і техніки, включаючи біотехнології, генетичні дослідження, розробку добрив і пестицидів, нових методів обробітку ґрунту тощо, які сприяють підвищенню продуктивності та покращенню якості врожаю. Воно забезпечує глобальний сталий розвиток, оскільки має велике значення для стабільного розвитку людства. Наприклад, це може включати збереження природних ресурсів і біорізноманіття, чого можна досягти шляхом зменшення використання хімікатів і води в сівозміні, а також використання методів сталого землеробства,

одного з екологічно чистих методів виробництва. Тому оцінка сучасного стану переробних підприємств сільськогосподарської продукції та постійне дослідження напрямів розвитку є одним із основних об'єктів дослідження.

**Мета статті:** визначити роль в економіці країни підприємств, що працюють в аграрному секторі Азербайджану і займаються переробкою продукції цієї галузі, оцінити поточний стан їх діяльності та фактори впливу. Також обґрунтувати роль держави для розвитку цих підприємств та переглянути механізми державної підтримки, посилити конкурентоспроможність для розширення їх діяльності, дослідити напрями розширення ринкових можливостей та підготувати рекомендації щодо всього цього.

**Методи дослідження:** групування, узагальнення, системний підхід, динаміка розвитку, синтез і аналіз, порівняльний аналіз, факторний аналіз, економіко-статистичний аналіз.

**Наукова новизна:** у статті обґрунтовано необхідність виявлення та оцінки економічного потенціалу переробних підприємств аграрного сектору Азербайджану та взято за основу певні методологічні принципи. Наголошено на необхідності підвищення ефективності використання економічного потенціалу та розробки стратегії розвитку переробних підприємств, причому перевагу надано системному підходу. Визначено, що стратегія сталого розвитку досліджуваних підприємств відповідає загальній стратегії розвитку галузі, регіону та економіки країни в цілому.

**Ключові слова:** сільське господарство, переробні підприємства, сільськогосподарська продукція, конкуренція, інновації, експорт, оцінка

**JEL classification:** Q1, Q13, Q14

## Introduction

Agriculture, one of the main sectors of Azerbaijan's economy, plays a significant role in the lives of the country's entire population. As a highly promising industry, it serves as a primary driving force for the development of the country's economy and the improvement of the population's welfare. Providing the population with agricultural products is not only a basic condition for survival but also one of the most important factors contributing to social stability.

The research conducted by I.H. Ibrahimov revealed that the increase in agricultural product production in our country enabled the creation and expansion of processing enterprises for these products, as well as the diversification of many food products through the use of new technologies. The growth in agricultural production, the number and potential of processing enterprises, and positive trends in their supply of raw materials have led to an increase in the share of processed products in the country, as well as the expansion of export markets [1, p.88].

Currently, private entrepreneurs have started to pay more attention to the processing of agricultural products. The organization and further expansion of production in this

area means additional job opportunities for the working population. It also creates a significant opportunity for regional self-sufficiency in food products by attracting additional investments into the expansion of agricultural production. If the production and processing of agricultural products are efficient in the country, it signifies the development of the sector.

**Research methods:** One of the main objectives is to assess the current state of processing enterprises operating in the agricultural sector of Azerbaijan and to identify ways for their development. To achieve this, the article employs methods such as grouping, generalization, systematic approach, analysis of development dynamics, synthesis and analysis, comparative analysis, factor analysis, and economic-statistical analysis.

## Discussions and conclusions

### 1. Assessment of the current state of processing enterprises in the agricultural sector

The development of processing enterprises depends on the extent to which all types of resources are utilized. Therefore, the performance of such enterprises is influenced by their resource potential. Resource potential is characterized by the volume of manufactured products; the volume,

composition, and structure of fixed and circulating assets; and the quality of these assets managed by enterprises to achieve their objectives. Product manufacturing requires both labor and capital; hence, labor resources are also considered part of the resource potential of processing enterprises. The scale of the resource potential in the agricultural processing sector is important for various stakeholders. It is evident that when sufficient resources are available and their structure is rational, the necessary conditions for production activities in agricultural enterprises are established, enabling the achievement of planned development targets and ensuring economic efficiency.

The economic potential of processing enterprises in the agricultural sector is influenced by several factors, including development goals and strategies, the field of activity, the size of the enterprises, the variety and quality of products, and the structural elements of the potential. When evaluating their economic potential, it is important not only to consider the availability of resources but also to efficiently organize their operations, produce and sell products, and forecast future development. Therefore, it is essential to distinguish two groups of factors within the structure of the economic potential of processing enterprises in the agricultural sector:

- first, the set of resources used directly for production (fixed and circulating assets, labor resources);

- second, factors (services) that ensure efficient use of enterprise resources in the process of product production.

The economic potential of agricultural product processing enterprises includes the following structural elements: management, export, information technology, marketing, investment, and innovation potentials. Currently, the assessment of these potentials is considered one of the main tasks.

When evaluating the economic potential of processing enterprises in the agricultural sector, it is necessary to base the evaluation on certain methodological principles, which include:

1) the principle of complexity – This involves the creation of a system of indicators, assessment methods, and models that correspond to the content and structure of economic potential, allowing for a unified perception of its existence and use;

2) the principle of efficiency – This implies the existence of a development strategy implemented at all levels of processing enterprises, maintaining the efficiency of economic potential use. It is based on the alignment of goals, tasks, and mechanisms for economic potential with changes in internal and external conditions, while also considering opportunities to protect the efficiency of economic potential by taking environmental factors into account, with the aim of ensuring the competitive advantages of processing enterprises in that sector.

3) the principle of innovativeness refers to the formation of efficient, market-oriented business structures with the potential for self-development in processing enterprises within the agricultural sector. The application of this principle involves both internal competitive advantages and external advantages related to changing market conditions. Addressing these issues enables enterprises to enhance their innovation and investment activity, which is crucial for developing their growth strategy.

Y.F. Gudz notes that the development of processing enterprises in the agricultural sector depends on their successful performance in the agricultural market. To succeed in the market, it is not enough for processing enterprises to have only material and financial resources; they must also possess internal capabilities. Such enterprises should focus not only on studying customers, competitors, suppliers, intermediaries, or the environment, but also on their unique internal capabilities that provide a competitive advantage. By doing so, they can assess their economic potential and effectively manage that potential [2, p.36].

Let's focus on the following tables and pictures to assess the state and economic potential of enterprises in the agricultural sector in Azerbaijan.

The conducted studies show that between 2015 and 2022, there was an increase in the total production of agricultural products in Azerbaijan. This growth contributed to higher total profit, increased profitability, sales revenue, and overall profitability. Additionally, the rise in agricultural product output has led to an increase in food product

production due to the processing of these products, as illustrated in Figure 1.

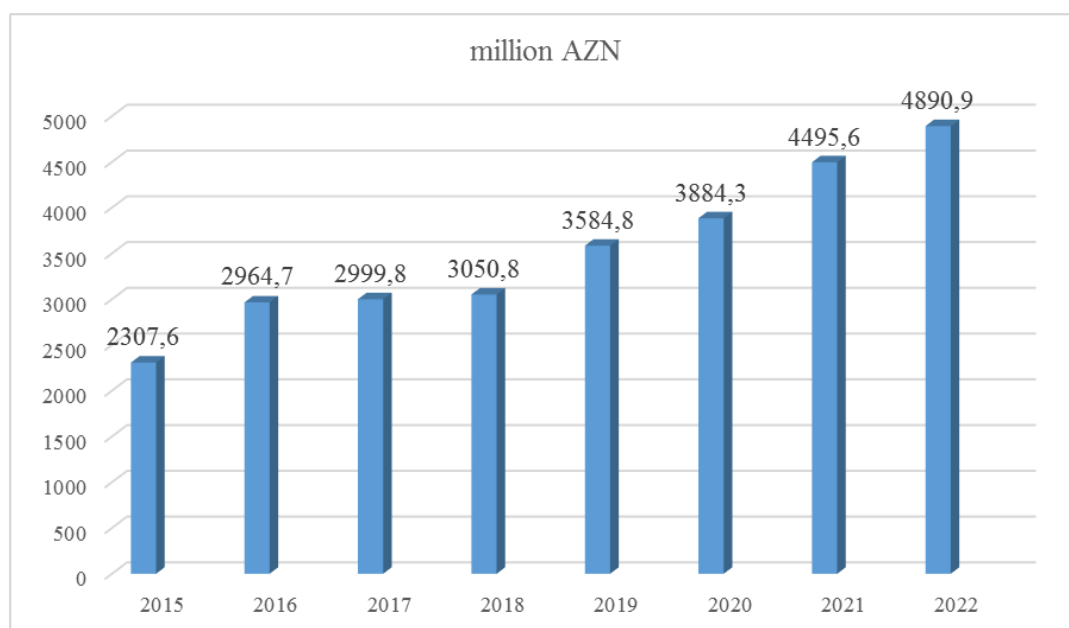
A comprehensive assessment allows for determining the efficiency of utilizing economic potential. This potential determines the competitiveness of processing enterprises in the agricultural sector and serves as an important criterion for making management decisions.

Table 1

**Assessment of the main indicators affecting the economic potential of agricultural enterprises in Azerbaijan**

The name of the indicators	2015	2016	2017	2018	2019	2020	2021	2022
Number of enterprises	1659	1592	1608	1641	1471	1024	1035	1047
Total profit, thousand AZN	39763	75246	62814	96918	92696	104016	171197	310012
Total profitability, in percent	11,3	20,3	14,1	20,1	17,2	19,4	27,2	37,9
Income from sales, thousand AZN	391801	441505	504031	558807	622035	637351	794863	1104580
Profitability of sales, in percent	11,3	19,4	12,9	16,2	15,3	19,0	26,4	35,0
On crop products	36,0	43,5	25,5	40,4	35,7	29,2	51,7	51,9
On livestock products	7,1	11,8	8,0	5,9	3,4	9,5	8,5	23,6
Total agricultural product, thousand AZN	374320	408711	383157	384958	615203	814426	988366	1172861

Source: [3]



**Fig. 1. Production of food products in Azerbaijan**

Source: [3]

The evaluation of the economic potential of processing enterprises should be based on a systematic approach. This approach offers certain advantages: it is characterized by ease of use and accessibility, as it relies on statistical data for implementation. It also allows for the identification and evaluation of the structural elements of economic potential, taking into account the operational characteristics of these enterprises and assessing their economic potential to determine the actual and forecasted level of development of industrially oriented processing enterprises.

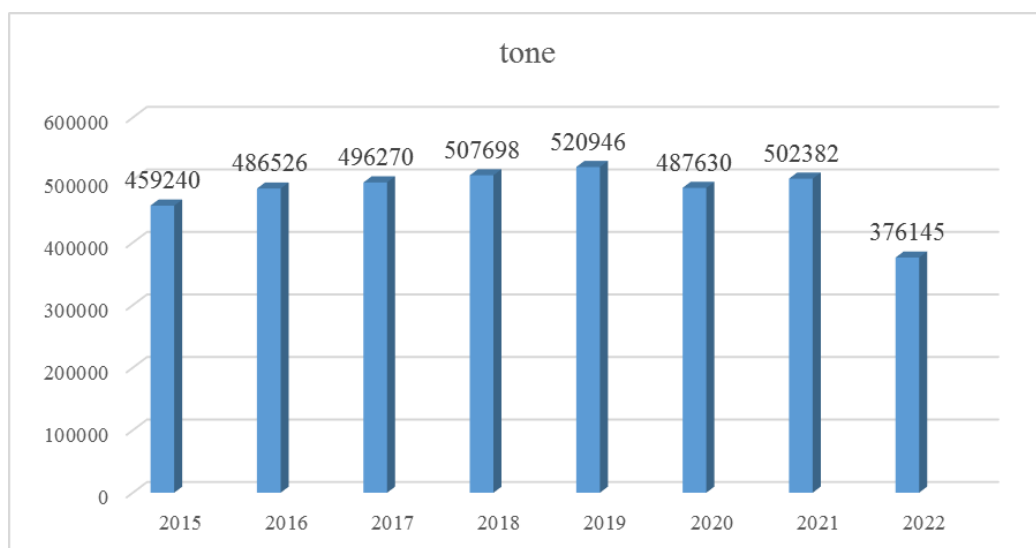
In general, providing the population with essential agricultural products and ensuring food security are of particular importance in our country. Therefore, the production, storage, and processing of these products should be carried out across all regions of the country. From the perspective of food security, priority should be given to the production of cereals and grain legumes. In this regard, increasing the production of these products in the regions of Azerbaijan is a key condition.

It is known that Azerbaijan is divided into 14 economic regions, each with its own economic potential for the production of

cereals and grain legumes. For instance, the Sheki-Zagatala economic region stands out, as the production of these products there exceeds that of other regions. However, the production volume in this sector decreased in 2022. Specifically, the decrease was 38.5% compared to 2019, 29.6% compared to 2020, and 33.6% compared to 2021.

The highest production was in 2019, with 520,946 tons, accounting for 14.5% of the total cereal and pulse production in the country. In 2022, this figure decreased to 11.9%. While the Sheki-Zagatala region held the largest share of cereal and legume production in previous years, in 2022, the Karabakh region (409,671 tons, or 13.0% of the total production in the country) and the Central Aran region (390,961 tons, or 12.4% of the total production) accounted for a larger share.

V.H. Abbasov and T.K. Gorchiyeva note that the location and activities of processing enterprises in different economic regions should play a significant role in the development of agriculture. In the pre-independence period, processing enterprises were distributed across all natural-climatic zones of the country, based on the level of agricultural specialization, and provided



**Fig. 2. Production of cereals and grain legumes in the region of Sheki-Zagatala**

Source: [3]

the population with relevant products in a timely manner. However, due to financial difficulties in the early years of independence, enterprises located in various economic regions could not operate normally, and new ones were established in areas closer to industrial centers [4, p.129].

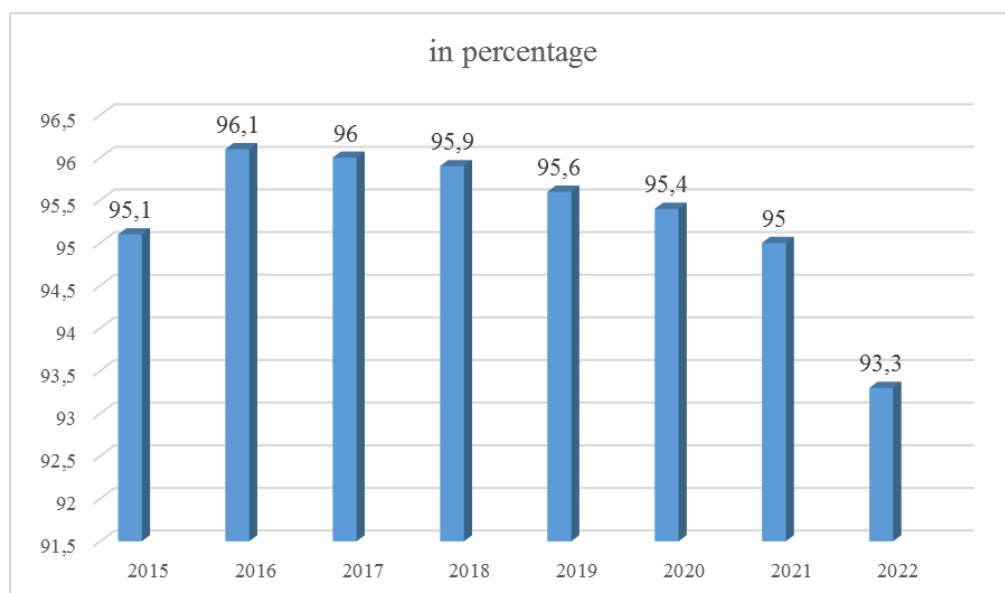
Currently, the balanced development of agricultural product processing enterprises is driving the emergence of new economic forms, such as production, processing, service, marketing, and more. This can positively influence the development of cooperation and integration between industries and other economic entities. When food industry enterprises are located in various economic regions, it is essential to consider factors such as the climate and soil conditions, the development of labor resources, energy sources, and the infrastructure of agricultural areas.

In terms of food security in Azerbaijan, processed flour and its various types play a crucial role. The self-sufficiency level of our country in these products is shown in Figure 3.

It can be seen from Figure 3 that, in 2022, the decrease in cereal production in Azerbaijan compared to previous years led to a decline in the self-sufficiency level of flour.

A wide variety of agricultural products can be cultivated in many regions of Azerbaijan, and the storage and processing of these products could transform the area we are studying into a highly profitable sector. The growing demand for these products, coupled with simple production technologies and readily available raw materials, can attract new entrepreneurs to the agricultural product processing industry. To achieve this, it is essential to improve the efficiency of utilizing the economic potential of these enterprises and to develop a comprehensive strategy. This strategy should include the preparation and justification of specific actions and plans that account for resource, export, management, marketing, information technology, innovation, and investment potentials to reach the ultimate goal, namely:

1. Defining the mission of processing enterprises, establishing strategic goals, analyzing their activities, and evaluating their competitiveness.
2. Assessing current and future-oriented activities in the field of resource economy.
3. Studying the external environment.
4. Identifying prospective development directions for processing enterprises.



**Fig. 3. Self-sufficiency level of Azerbaijan with flour**

Source: [3]

5. Preparing concrete tasks and strategic plans.

A.N. Jafarov considers cooperation and integration relations to be one of the main directions in the development of agricultural processing enterprises. In his view, such relations, as a factor in the stability of the development of processing enterprises in the agricultural sector, should be aimed at effectively utilizing the production capacities of these enterprises, increasing the productivity of agricultural plants and animals, raising the share of field products in GDP, applying new production techniques, reducing losses at each production unit, addressing social issues in rural areas, increasing the income of rural workers, and improving their standard of living [5, p.8].

## **2. Development directions of agricultural products processing enterprises in Azerbaijan and state policy in this field**

Currently, the existing level of state support in Azerbaijan improves the results of processing enterprises in the agricultural sector but does not ensure an appropriate level of profitability and competitiveness. The current subsidies and additional payments for the production of livestock products should be characterized by increasing efficiency. To achieve this, the number of livestock, as well as the volume of production and processing of livestock products, should be further increased.

A strategic roadmap has also been prepared to ensure the rapid development of processing enterprises in the agricultural sector in Azerbaijan. Stimulating the integration of interested parties through public-private cooperation to ensure the sustainability of processing enterprises in this sector is one of the key tasks outlined in the strategic roadmap. It highlights that attracting private investments to processing enterprises, as well as implementing complex projects in these fields, can stimulate rapid development and ensure the consistent growth of the processing industry along the entire value chain. Additionally, promoting comprehensive public-private cooperation will contribute to increasing the production

and processing of export products, reducing dependence on imports, and revitalizing traditional industries. The creation of integrated public-private sector cooperation in Azerbaijan will be supported through three key mechanisms: financing, land, and infrastructure [6, p.74-75].

On April 11, 2017, the President of Azerbaijan, I. Aliyev, signed a decree on additional measures related to the development of agriculture in our country, aimed at accelerating the implementation of tasks outlined in the strategic roadmap. The decree primarily focused on improving the financing mechanisms of the agricultural sector, including the development of agricultural insurance and promoting investments in the sector [7].

In general, a number of legislative acts, particularly state programs, have been adopted alongside the strategic roadmap to foster the rapid development of traditional agricultural areas such as cotton growing, silkworm breeding, and tobacco cultivation, among others, in Azerbaijan. Furthermore, significant steps have been taken to increase the country's export potential, enhance the innovative capacities of businesses in the production and processing of agricultural products, achieve higher labor productivity, and expand integration relations between producers, processors, and consumers.

P.F. Aliyev notes that one of the main goals of the state policy implemented in the field of the development of processing enterprises in the agricultural sector of Azerbaijan is to increase the specific weight of field products in the total export of the country. For this purpose, agricultural parks with large processing potential are being created in different regions of Azerbaijan, special support is given by the state to the rural entrepreneurship, as well as production of processing-oriented products such as tobacco, sugar beet, cotton, etc. [8, p.70].

The state can influence the activities of enterprises processing agricultural products through various financial and credit instruments, with bank lending being the most common. An effective bank lending mechanism will help increase the share of

credit resources in processing enterprises and stimulate agricultural production. The main instrument of the state's financial and credit support for agriculture is enhancing the accessibility of loans to enterprises in this sector. Various factors affect the credit provision of these enterprises, the most important of which are internal:

- 1) the financial situation of enterprises;
- 2) the development of non-bank financial and credit organizations;
- 3) the state policy in the field of crediting agricultural enterprises;
- 4) the credit policy of banking institutions in relation to the agricultural sector of the economy, etc.

It is important to improve the taxation system for agricultural product processing enterprises. Taxes, when applied in optimal forms and rates, are more effective and stimulate inflation to a lesser extent than other financial instruments of the state. The tax effect on agricultural production is one of the most important methods of price regulation at the macro level. This demonstrates that the improvement of the taxation system for agricultural producers and the processing industry should be carried out by the state, taking into account the specific features of the regulatory function of taxes.

According to N.A. Gasimova, the development of processing enterprises in the agricultural sector requires stimulating the development and export of products from this field. To achieve this, investments should be increased in the renewal of production technology, the acceleration of training for highly qualified personnel, and the expansion of the range of processed products. Additionally, organizing production based on the demand for raw materials is essential. Furthermore, forming and promoting contractual obligations between producers and processors, along with establishing a mechanism for selling products, is advisable. Addressing these issues will enhance product competitiveness and expand the geography of product exports by increasing the service areas of processing enterprises [9, p.105].

Their competitiveness in the world market can be achieved by increasing

labor productivity in processing enterprises within the agricultural sector. This reflects the efficiency of labor resource utilization through the application of modern technologies, which enhances the organization of production processes. Achieving this requires an increase in own funds to renew the material base and improve employee qualifications. The level of labor productivity is influenced by factors such as the techniques and technologies used, the development of the production and technical base, personnel potential, organizational management, and others.

The efficiency and competitiveness of processing enterprises are also influenced by the quality, production costs, and consumption costs. To improve quality and reduce costs, it is essential to employ functional cost analysis, optimization, forecasting, modeling, and other modern scientific approaches and methods.

Since each enterprise in the agricultural products processing sector has its own characteristics, it employs specific methods and means to shape its competitiveness. However, despite the individuality of approaches and ways in which processing enterprises in the agricultural sector form their competitiveness, strategies for competitiveness development are based on certain conceptual and organizational principles. The most appropriate and effective solution to the problem of forming and developing the competitiveness of agricultural products processing enterprises is the application of modern management concepts that integrate various approaches. The concept of shaping the competitiveness of these enterprises is a set of views and methods that determine its structure, guiding principles, tasks, tools, and development strategies.

The formation of competitiveness for agricultural products processing enterprises can be presented as a process characterized by appropriate methodologies and tools. It is appropriate to consider the formation of competitiveness in these enterprises as a complex system. Such a system is characterized by the presence of a goal, elements, and their relationship with the external

environment. The system of competitive advantages forms the basis for the development of the organizational mechanism for managing the competitiveness of processing enterprises in the agricultural sector.

The mechanism for managing the competitiveness of processing enterprises should be aligned with modern requirements, take into account the dynamics of the market situation, be based on the principles of adaptation, and create flexible opportunities.

The concept of competitiveness formation implies the following:

- the use of a general methodological approach and principles in the process of forming and managing the competitiveness of processing enterprises;
- the use of tools for building competitiveness in processing enterprises;
- the assessment of the elements that constitute competitiveness.

Thus, the analysis of competitiveness is important for identifying resources that contribute to the development of processing enterprises in the agricultural sector. Researchers N. Strochenko and O. Kovalyova have suggested the following main directions for strengthening the competitiveness of agricultural enterprises [10, p.119–120]:

- implementing an effective state support mechanism for agriculture by optimizing targeted budget programs;
- creating a favorable innovation and investment environment in the country to expand investment processes;
- provision of information support by the state and strengthening of consulting services at the regional level on marketing and management issues, etc.;
- implementation of effective entrepreneurial strategies for the development of agricultural enterprises based on the improvement of production organization;
- study of consumer demand and analysis of competitors to implement an effective advertising policy and realize the marketing concept aimed at creating and improving new products;
- organizational, technical, and technological renewal of agricultural production based on innovation;

- increasing the efficiency of using the existing resource potential of enterprises;

- strengthening personnel motivation in agricultural enterprises as a key factor in enhancing resource potential and labor productivity;

- increasing specialization and concentration through the use of resource-saving technologies in line with the requirements of sustainable (green) production;

- deepening vertical and horizontal integration across different sectors of the agro-industrial complex and forming clusters to ensure the effective processing of agricultural products;

- increasing the volume and variety of products supplied to different markets;

- continuous monitoring of agricultural product markets, etc.

A balanced state support system plays a decisive role in increasing the competitiveness of processing enterprises. One of the main directions for enhancing the competitiveness of such enterprises is the improvement of the financial and credit mechanisms governing their activities, particularly in the areas of taxation, credit, investment, innovation, and insurance.

Enhancing competitiveness can lead to the expansion of market opportunities for products in this sector. Work should be carried out in two directions to expand the marketing opportunities for processed products of agricultural enterprises:

- creation of a network of wholesale distribution centers for consolidating large quantities of food products and distributing them to the domestic market and for export. The establishment of such centers will help increase producers' income and reduce the number of intermediaries in the supply chain. Creating wholesale distribution centers with the involvement of private investors, including foreign investors, can be particularly beneficial;

- development of an electronic trade system for agricultural products. In the era of digitalization, effective marketing of these products can be achieved through the use of digital technologies. One example

is the creation of an electronic platform that eliminates geographical limitations in agricultural trade and reduces the costs associated with maintaining physical retail space. Involving international experts in the implementation of this program could prove valuable.

Currently, the main factor in increasing the competitiveness of processing enterprises is innovative activity. A key condition for the successful introduction of innovations is the presence of an effective marketing and sales system that connects the enterprise with end consumers. Innovation plays a central role in implementing the development strategy of the processing industry. This strategy envisions the systematic advancement and intensification of innovative activity in industrial areas. In order to expand innovative activity, the following priorities are defined:

- in the economic field – improvement of key financial and economic indicators as the main condition for transitioning to an innovation-based development model for processing enterprises;

- in the institutional field – development of cooperation and integration relations, along with the introduction of new technical regulations and standards;

- in the field of scientific and personnel provision – formation of the industry's innovative core;

- in the social sphere – increasing the wages of production and technical workers to encourage highly productive labor and ensure the protection of labor resources.

When choosing the development strategy for processing enterprises, it is essential not only to examine their position in a particular market but also to consider their financial and economic situation, as well as the characteristics of the products they manufacture. These factors will allow for a more accurate determination of the development strategy for agricultural processing enterprises.

In general, the current stage of development for processing enterprises is characterized by competition, making

it necessary to establish mechanisms that ensure their sustainable development. The sustainable development strategy for processing enterprises should align with the overall development strategy of the industry, the region, and the country's economy as a whole. The assessment of such a strategy should be carried out by considering its compatibility with the objectives, market position, and financial and economic situation at both the selection and implementation stages.

Currently, the following factors can enable the development of enterprises processing agricultural products:

- the necessary level of technological equipment, which allows for the production of high-quality products that meet European standards, reduces production costs, and prevents moral and physical obsolescence;

- providing low-interest loans to producers;

- adapting the quality standards of manufactured products to international requirements;

- forming an effective procurement system.

In the near future, the main task for the development of processing enterprises in the agricultural sector should be to focus on the restoration and development of agricultural raw material processing, and to eliminate the technological and technical backwardness of processing enterprises. In general, agricultural processing enterprises should aim to increase the production of products with high added value, improve the quality of manufactured products, stimulate the adoption of innovative technologies for production and sales, and create new market structures.

### **Conclusions**

In conclusion, we can say that the development of agricultural processing enterprises in the country should be based on the following principles:

- providing a flexible investment approach to the development of the processing complex and directing investments towards the full use of production capacity;

- optimally combining the interests of various participants in the agricultural products market in order to eliminate intra-production economic contradictions;
- gradually strengthening new economic structures based on the application of effective labor practices;
- eliminating inequality in the prices of agricultural products;
- ensuring the technical reconstruction of all stages of production in a short time, expanding existing enterprises and workshops, and constructing new ones, while utilizing advanced resource-saving technologies to improve the quality of food products and expand their range;
- acceleration of the renewal of the main production assets of enterprises involved in the processing, storage, and transportation of products;
- development of integration and cooperation across all sectors of the agro-industrial complex;
- expansion of deep and complex processing of agricultural raw materials, with a focus on producing new types of food products to meet the growing demand of the population;
- development of agricultural entrepreneurship and the formation of new motivational behaviors among employees working in agribusiness, etc.

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## EVALUATION OF THE ACTIVITIES OF AGRICULTURAL PRODUCTS PROCESSING ENTERPRISES IN AZERBAIJAN AND DIRECTIONS OF THEIR DEVELOPMENT

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Agriculture, as one of the key sectors of economic activity, provides the world's population with food, raw materials, and various other resources. It is this sector that supplies people with essential products vital for daily existence, including grains, meat, fruits, vegetables, milk, and other food items. Without the agricultural industry, feeding the entire planet would be impossible, and many people would face hunger. Additionally, agriculture serves as the foundation for the production of many goods, such as paper, textiles, plastics, and cosmetics, most of which are made from plant raw materials sourced from this sector. It is clear that agricultural products act as a raw material base for many processing enterprises. Instead of exporting these products as raw materials, utilizing them domestically can make a significant contribution to the national economy. Thus, the expansion of processing enterprises in the agricultural sector will lead to an increase in budget revenues, a higher volume of exports of finished products, the creation of new jobs, and, most importantly, an improvement in the self-sufficiency of the country's population in essential food products, thereby enhancing food security. All of this demonstrates the significant importance of developing and expanding processing enterprises in the agricultural sector.

**Relevance of the topic:** In a number of dominant countries around the world, agriculture, as an important sector of the economy, not only provides the population with basic food products but also offers other opportunities. Agriculture is one of the main sources of employment. The availability of jobs is a crucial factor for the development of specific regions within a country, contributing to the improvement of economic stability and the standard of living in these areas. Agriculture actively stimulates the development of science and technology, including biotechnology, genetic research, the development of fertilizers and pesticides, and new methods of soil cultivation, all of which help increase productivity and improve crop quality. It plays a crucial role in ensuring global sustainable development, as it is vital for the stable progress of humanity. For example, this may include the conservation of natural resources and biodiversity, which can be achieved by reducing the use of chemicals and water in crop rotation and adopting sustainable farming methods—one of the environmentally friendly production techniques. Therefore, evaluating the current state of agricultural processing enterprises and continuously investigating development directions is one of the main research objectives.

**The purpose of the article** is to determine the role played by enterprises operating in the agricultural sector in Azerbaijan and engaged in the processing of agricultural products in the country's economy, to evaluate the current state of their activities and influencing factors. Additionally, the article aims to justify the role of the state in the development of these enterprises, review the mechanisms of state support, strengthen competitiveness for the expansion of their activities, investigate the directions for expanding market opportunities, and provide recommendations on all of these aspects.

**Research methods:** grouping, generalization, systematic approach, development dynamics, synthesis and analysis, comparative analysis, factor analysis, economic-statistical analysis

**Scientific innovation:** The article justifies the need to reveal and evaluate the economic potential of processing enterprises in the agricultural sector in Azerbaijan, with certain methodological principles serving as the foundation. It emphasizes the need to increase the efficiency of utilizing economic potential and develop a strategy for the development of processing enterprises, adopting a systematic approach. It has been determined that the sustainable development strategy of the enterprises studied aligns with the general development strategy of the industry, the region, and the country's economy as a whole.

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