

**POTENTIAL OF PRODUCTION AND TRADE
OF AGRICULTURAL PRODUCTS IN
UZBEKISTAN**

UMIDAKHON MUKHITDINOVA

Marketing Department
Tashkent State University of Economics, Uzbekistan

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Abstract: The paper discusses issues of production and sale of agricultural products in Uzbekistan. Potential of agricultural market, both in terms of plant growing and livestock production, has not still reached its effective use level. The author describes policies in areas of agricultural production and trade to provide improvement of yields and productivity.

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Uzbekistan possesses favorable climatic, land and social conditions for development of effective agricultural production and trade. This potential provides rather large harvests of many food and technical crops, outputs of some kinds of cattle-breeding production. Along with industrial potential, Uzbekistan possesses also considerable potential for sales of agricultural product, both on internal and external markets. Constantly increasing sales volumes of foodstuffs sales and raw materials in domestic market, growth of export of agricultural production testify on the significance of agriculture in national economy. However, reached levels of production and sales of agricultural products in the country do not fully correspond to resource, labor and intellectual potentials and do not meet sufficiently increasing demand on domestic and foreign markets.

The factors positively affecting on agricultural sector include prevalence of fertile ground with rather high contents of humus, abundance of heat, long-lasting vegetation period which allows cultivate cultural plants, extensive arrays of fields, presence of corresponding material and technical base, educational institutions, providing skilled personnel to the sector. The factors negatively influencing on development of the agricultural sector in the country comprise of systematically reiterative dusty storms, water and wind erosion, partial salinity, winter thaw followed by the frost return (reducing the resistance of winter wheat crops and often causing its death), return of spring frosts in the later period (preventing flowering fruit trees and seedlings of vegetable crops). The analysis shows that impact of negative factors on development and efficiency of agricultural production of Uzbekistan has recently increased, which conditioned instability of crops yields.

Until recently, agriculture sector dominated in the sphere of material production in Uzbekistan. However, due to implementation of structural reforms during 2000-2009, the share of agricultural sector in GDP declined from 30% to 18% while the share of industry increased from 14% to 24%. Nonetheless, agriculture continues to play an important role in the national economy. It is the largest employer among all sectors and provides income to millions of workers and their families. Agricultural products and goods produced through their processing (raw cotton and food products) form the largest part of the country's exports (in 2009 -14.6%).

The existing potential provides Uzbekistan with the first place in agricultural production in Central Asia. Particularly, leadership of the country in gross collection of fruits and vegetables is clearly marked: its share in total

volume of fruits collection makes about 4/5 of total production in the region.

Reforms provided conditions for more complete utilization of agricultural potential production causing in turn the continuous increase in output volumes. The increase amounted 6.1% in 2007, 4.5% in 2008, and 5.7% in 2009. It should be noted that during this period it was the increase in production of both crop and livestock production. In 2009 the share of plant growing on total volume of agricultural production had 57.1%, while livestock had 42.9%. In the agricultural production of Uzbekistan there is clearly observed positive dynamics of growth in output, although some years in some regions there is greater dependence on the prevailing level of production of climate and environment conditions. Another noticeable trend is the gradual increase of crop share in total agricultural production.

Household agricultural producers (dekhkan farms) have occupied during 2000-2009 the highest share in the formation of gross sector output - 63.3%, while the share of farms - 34.5%, agricultural enterprises - 2.2% last year. The share of household agricultural producers in production of plant growing product (about 4/5) is more than twofold higher than in livestock production (over 1/3).

Effective use of essential potential of agriculture depends on comprehensive set of policy factors including further liberalization of production and processing, introducing innovative forms and technologies of agricultural production, improving production and delivery infrastructure, developing marketing and sales systems, training of farmers and other agricultural producers.

Increasing crop and yields in agricultural production requires for subsequent introducing new technologies. Lerman (2006) particularly argues that use of artificial insemination increases the milk yields by more than 30% in both household cows and livestock farms that can positively. He considers that to increase milk yields the one "... should focus on the basics, namely genetics, feed, and animal care. In practice, this means attention to breed selection (mainly through artificial insemination, not so much through imports), feed delivery channels, and veterinary services" (p.26).

Important instrument of increasing agricultural production efficiency is developing professional training system. It seems that local authorities and professional association must focus on training of producers how to use new technologies, advanced management for better

organization of management, production and sales processes.

Improving soil fertility requires comprehensive research and innovations. Soil resources in arable land suffered from intensive of traditional fertilizers and chemicals. Provision of soil fertility sustainability requires introducing new and ecology-friendly bio-products and fertilizers.

Despite of reforms made so far, the country could achieve higher-than-targeted agricultural growth and productivity if further steps in state procurement system liberalization will deliver farmers greater freedom to make production and marketing decisions (ADB, 2006). Cotton industry keeps essential cross-industry effect for economy if producers can get more autonomy in operational decisions. Abdullaev et al. (2009) suggest that market-driven scenario of agricultural reforms "... with all cropping restrictions lifted by the state and farmers enjoying freedom to grow whatever they want, the cotton area will further increase at the expense of irrigated wheat. Driven by increased profitability of both wheat and cotton, there will be a substantial improvement of yields, efficiency and water productivity." (p.59).

Development of transport, warehousing, distribution infrastructure of the agricultural production remains one of the critical issues. Many types of agricultural products - including fruit and vegetable - should be delivered to consumers at the shortest possible time. However, lack of sufficient operational capacity and infrastructure causes significant losses for producers. This infrastructure is designed to serve both domestic consumers (in particular, enterprises processing of food commodities to the canned food, juices and other ready to consume products; supermarkets; specialized shops selling fresh fruits and vegetables) and foreign customers.

Agriculture of the country provides many kinds of products in amounts significantly exceeding their domestic consumption. The situation is characteristic not only to the most important good such as cotton, but also to other products, including fruits and vegetables: the gross yield of the latter in 2009 exceeded 9.2 million tons (including 5.7 million tons of vegetables, 1.54 million tons of fruits and berries, melons 1.07 million tons, 0.9 million tons of grapes). This, in turn, requires adequate capacity for export promotion. Uzbekistan has traditionally been one of the main suppliers of commercial fruit and vegetable products to CIS countries, primarily in Russia: about 78% of total volume of exports of fruits and vegetables in 2007 was delivered to the country. However, the essential potential to increase exports exists on markets of other CIS countries, Eastern Europe, Asia.

Government practices some restrictions for free exporting of fruits and vegetables considering social task - providing domestic market with cheap and stable prices. However, on the other hand, agricultural producers and entrepreneurs face problems in maximizing the profits through export to foreign markets. Considering this, the more careful and rational regulation policy seems to be developed. Policy that is more flexible should find the optimal way to promote the development of agricultural sector, increase its productivity and profitability. The social effect from more liberalized agricultural export policy in this way will be more addressed as more income flows go to rural regions where unemployment remains higher than in cities.

Another thing that foreign agricultural markets are protected by tariff non-tariff barriers, also farmers are supported by subsidies. These factors impose requirements on cost-cutting for domestic producers and national exporting firms. Particularly, cost optimization schemes could be reached through improving the sales system organization. The lack of developed procurement system, high expenses on processing, marketing and transportation of products result in higher transaction costs.

Abdullaev et al. (2009) point on importance of adequate reforms in water supply management for increasing agricultural productivity. They particularly specify (p.56): "While substantial restructuring has already occurred, there is still room (and plans) for further reform. The key question related to farm restructuring and water use is whether land reform is promoted in conjunction with or apart from water management reforms. It is known from experience at present that water management structures and institutions designed for collective management do not function well on individual farms. The result of attempting land reform without water reform has been a reduction in service delivery and deterioration of systems, and thus reductions in yield, water productivity and overall water use (although not necessarily diversions)."

Reforms carried out in this very important sector of national economy have provided a gradual increase in production - both crop production and livestock production. The volume of crop production increases mainly due to intensive factors, primarily by increasing the productivity of crops. This provides entire positive effect on industry, processing agrarian raw materials, and, consequently, increases the supply of food for the population per a capita. However, potential of agriculture production is essentially underutilized and more comprehensive and long-term designed policies are needed.

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