



LIBERALIZATION IS A CRUCIAL CONDITION FOR CREATING MODERN AGRICULTURE IN UZBEKISTAN

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ABSTRACT

The article examines the issues of liberalization and strengthening of the market orientation of agricultural production at the current stage of socio-economic development.

KEY WORDS: *liberalization, modern agriculture, economy, development.*

DISCUSSION

During the years of independence, Uzbekistan has made significant progress in its economic development. Basic industries are developing steadily, and the country has achieved energy independence. A modern construction industry has been created. Processing industries began to occupy a crucial place in the country's exports. The value chain is gradually being formed in many industries. The share of the service sector in the GDP structure is growing at an accelerated pace. Tourist services are successfully and rapidly developing in its structure.

The country's socio-economic development has accelerated significantly in recent years. We can talk about the beginning of a new historical stage in the development of Uzbekistan as a very serious subject of the world economy, the development of which will have a significant impact not only on the countries bordering it. These achievements are crucially linked to the consistent implementation of market reforms. However, due to historical and other circumstances, market transformations have affected agriculture less than all sectors of the economy. Until recently, more than 80 percent of the irrigated land, and the most fertile, was allocated for cotton and grain crops, and this was legally fixed. Farmers were required to grow these crops and sell the resulting products to the state at fixed prices that did not cover the actual costs of producers. From time to time,

agricultural producers were reorganized. However, the real economic conditions remained the same and, accordingly, the economic situation in agriculture did not improve.

In Uzbekistan, the adoption of an action Strategy for further development of the Republic of Uzbekistan in 2017-2021 should be recognized as the real beginning of liberalization of economic relations in the agricultural sector of the economy. It provides for deepening structural changes and consistent development of agriculture, further strengthening the country's food independence, expanding the production of environmentally friendly products, and significantly increasing the export potential of the agricultural sector. This should be done by optimizing the acreage by reducing cotton and grain crops, placing potatoes, vegetables, fodder and oilseeds, and new intensive orchards and vineyards on the released acreage (1).

It is obvious that without the liberalization of agricultural relations, the course of modernization of production will most likely be declarative, because it is the material interests of producers that are the driving force in any sector of the economy. On the other hand, the ultimate goal of the ongoing reforms is to achieve a decent standard of living for the country's population. Since 2017, agriculture in Uzbekistan is increasingly focused on ensuring food security and well-being of the rural population. The



decree of the President of the Republic of Uzbekistan "on measures to further ensure the country's food security" clearly outlined further actions necessary to fully meet the demand of the population for high-quality food products available to the population (2).

Food security is the basic point in ensuring the well-being of the population. It is important not only to achieve an appropriate level of food consumption, but also to ensure the sustainable and guaranteed production of basic food products in a country, especially if it does not have transport links that go directly to the world's waterways. Uzbekistan is in this position. This is why agriculture must provide specific volumes of certain types of food products, i.e. it is not only the total volume of agricultural production that matters, but also its structure.

It is known that the functioning of the agricultural sector of the economy in developed countries is primarily aimed at providing food for the population and food security. Agricultural policy is implemented with this in mind, and other tasks are not implemented to the detriment of this priority goal. Already in the first years of independence, Uzbekistan achieved food security for the population mainly due to domestic production, although significant amounts were imported food products. Uzbekistan has fully covered the needs for food grains through its own production. Vegetable growing and horticulture developed, which not only provided for domestic needs, but also aimed at export.

In 2018 in Uzbekistan were produced 6124 tonnes, 2300 tonnes of raw cotton, 8661 thousand tons of vegetables, 1607 tons of melons, 2411 thousand tons of potatoes, 2100 thousand tons of fruits, 1314 thousand tons, 18 thousand tons of cocoons. The total volume of fruit and vegetable products, melons and legumes amounted to more than 16 million tons. Meat production reached 1.5 million tons and milk production reached 10 million tons. According to official data, per capita consumption of vegetables per year exceeds 270 kilograms, fruit-140, potatoes-55, meat and meat products-40, sugar-30, eggs-210 pieces, milk and dairy products-270 liters, vegetable oil-25. According to the recommendations of the world health organization, the consumption rate of fruits and vegetables for an adult is 400 grams per day. According to this indicator, the diet of residents of Uzbekistan is five times higher than this norm, which is also due to the historical traditions of national food consumption.

Another aspect of this issue is that at each stage of socio-economic development of the country, a specific structure of food consumption is formed, due to the level of income of the population. Thus, in Uzbekistan in the early 1990s, bread products dominated the diet of the population, and the share of animal products was low. The 2010s are characterized

by a decrease in the share of bread products in consumption and a rapid increase in the consumption of animal products, the most valuable types of vegetables and fruits. Accordingly, the meaning attached to the concept of food security is changing, it is not a concept frozen in time. In the first years of independence in Uzbekistan, the first necessity was to ensure the minimum necessary volumes of grain production, achieving grain independence. Indeed, in 1991, there was a period in Uzbekistan when the country had grain reserves for only 7-10 days and the situation was very critical.

With the current volume and structure of agricultural production, the task of ensuring and maintaining food security is set wider and deeper, i.e. in the following areas:

- production of the most important types of products in stable volumes, its steady growth;
- competitiveness of products in domestic and foreign markets, preservation and strengthening of export orientation;
- increase of production efficiency based on innovative development (new technologies and agricultural equipment, variety exchange, introduction of organic products production, water and energy saving, higher culture of agriculture);
- ensuring the harmonization of agricultural development with environmental requirements.

The solution of all the above issues is based on creating real economic incentives for producers, in other words, providing economic freedoms. Therefore, effective measures to liberalize the agricultural sector are provided for in the Strategy for agricultural development of the Republic of Uzbekistan for 2020 – 2030. It defines the following tasks for the liberalization of agro-economic relations:

- complete rejection of public procurement, except for the volumes necessary for the implementation of interventions of grain crops aimed at ensuring price stability in the domestic market;
- improvement of financial support mechanisms for agricultural producers from the state, including subsidizing the interest rate of commercial loans allocated for the production of certain strategically important agricultural products;
- improving credit and insurance mechanisms in accordance with the strategic priorities and needs of the agri-food sector;
- improving the activities of the state entrepreneurship support Fund under the Agency for the development of small business and private entrepreneurship;
- introducing the mechanism of "warehouse certificates" for lending to agricultural producers;
- expanding the activities of the Uzbek Republican commodity exchange in terms of trade in agricultural products;



- development of transparent partnerships by introducing additional mechanisms and financial instruments, as well as ensure equal access for market participants;
- increasing competition in the market of resources and services through privatization of non-strategic state enterprises in the supply of resources and services;
- the abolition of the practice of providing resources and services through preferential loans;
- assistance and promotion work on the basis of futures contracts between the subjects of agro-industrial complex;
- improvement of the mechanism for using land use rights as collateral by revising the procedure for determining the market value of the right to lease land plots;
- development of an investment program to ensure the targeted attraction of credit lines from international financial institutions;
- improvement of mechanisms for commercial banks to assist in providing credit resources for dehqan farms and owners of homestead lands;
- revision of the procedure for placing agricultural crops;

- improvement of the system for stimulating the introduction of intensive innovative technologies in agriculture (3). In modern conditions, the production of food of agricultural origin should have an export orientation, which implies the competitiveness of products. The structure of agricultural exports has undergone significant changes in recent years. The export of cotton fiber has not only ceased to be a crucial item of national exports. The course is taken to completely abandon the export of cotton fiber and replace it with the export of finished products with high added value. Currently, export diversification is becoming important, i.e. it is necessary to expand the range of agricultural products sold abroad, as well as to overcome the predominance of certain types of goods in the export structure. In this regard, it is important to expand the geography of exports, which significantly reduces market and other risks associated with the sale of goods. In Uzbekistan, the main part of food agricultural products, except for grain, is produced in dehqan farms and homesteads, which are allocated less than 5 percent of irrigated land. However, the official agricultural policy and land legislation is based on complete disregard of this fact. The high efficiency of this sector is due to the fact that it operates in real market conditions. It is almost impossible to restrict market freedom, although from time to time attempts to restrict them take place. Of course, we cannot deny that there are favorable natural and social conditions for the production of sufficiently competitive agricultural

products, including fruit and vegetables, fruits and grapes. This is reflected in the fact that:

- a) historical traditions, agrotechnical culture and skills of growing fruit and vegetables and grapes are preserved and continue in households;
- b) there are specialized farms and dehqan farms in this direction;
- c) there is a gradual reorientation of many other farms in this direction; observed acceleration of agroindustrial integration in the production of vegetables, fruit and grapes (farmers tend to recycle products in their own farm, get the rise of micro-technologies);
- g) increasingly manifest positive trends in agrotechnical and technological upgrading of the industry;
- d) significantly expand lending to farmers and small farmers, rural family entrepreneurship;
- e) gradually introduce a soft diet of taxation;
- g) productive infrastructure of agriculture is mainly financed by the state;
- h) the availability of market infrastructure for the sale of products in the industry;
- i) the availability of demand for products in the domestic and foreign markets;
- k) the products of the industry at cost and consumer qualities are competitive in the domestic and foreign markets (4). The researchers note that the progressive development of the industry implies sufficient market competition among both producers and buyers (5, 6). Insufficient development of the competitive environment of buyers is one of the reasons for incomplete use of manufactured products (6). In Uzbekistan, only 15 to 20 percent of the industry's products are subjected to industrial processing. The loss of production reaches 30 percent, which is also due to insufficient development of agricultural statistics. Currently, mainly for this reason, only 3 to 4 percent of the vegetables produced and 11 percent of the fruits (7) are exported. As you know, the demand from processors is crucial for the production of most types of agricultural products. On July 29, 2019, the Decree of the President of the Republic of Uzbekistan "on additional measures for the further development of in-depth processing of agricultural products and food industry" was adopted. It provides for the implementation of 174 investment projects for processing agricultural products, as well as 24 major investment projects for the production of import-substituting products based on local raw materials, which should lead to a significant increase in demand for agricultural food raw materials (8). It is hoped that increased demand and real competition from buyers of raw materials will provide significant economic benefits for producers.

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