



# DEVELOPMENT OF EXPORT POTENTIAL OF AGRICULTURAL PRODUCERS IN THE CONTEXT OF ECONOMIC INTEGRATION

**K.Sirojiddinov**  
Assistant of Professor

**A.Mirsoliev**  
Master Degree, Namangan state University

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## ABSTRACT

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*The development of the export potential of agriculture is an integral part of the state's economic policy. It determines the ability of the national economy and its individual sectors to export goods and services in the right quantity and quality, which corresponds to the demand of consumers in the domestic and foreign markets. The low price of products on the domestic market relative to the world market, provide the manufacturer with competitive advantages. At the same time, we must not forget about the rules of international trade and integration.*

**KEYWORDS:** *trade, export, export potential, agricultural products, market, foreign trade.*

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## DISCUSSION

As you know, the main goal of regulating export potential is to ensure the long-term development of the national economy and macroeconomic stability. At the same time, there is a need to study indicators of macroeconomic development, research trends that are observed in the national economy. From the point of view of socio-economic development of the country, the formation of the export potential of food should be considered in close relationship and taking into account the needs of the development of the domestic market. A significant impact on the development of exports is not only the production potential of agricultural sectors, but also the saturation of the domestic market for all types of food and the level of solvency of the population. The development of food exports is to some extent a macroeconomic indicator of the welfare of the country, in that case if its volume increases due to the shrinking of the internal market, as a result of production growth, providing personal and production domestic consumption and external demand. At the same time, we can list many factors that negatively affect the export potential of farmers. In our opinion the main factors that negatively affect the volume of agricultural exports are:

1. Imperfection of national legislation, rules, procedures and standards governing export operations is one of the main constraints for any agricultural producer. Since compliance with the established rules is required in both domestic and

target markets. For most foreign markets, it is important to have a phytosanitary certificate that meets the specific requirements of the destination country.

2. Sanitary and hygienic requirements or standards are one of the main factors in the export of fruit and vegetable products. In most developed countries with retail markets, the main requirement for products is a system of risk analysis and critical control points (HACCP), however, many markets require certification for fresh products according to the Global GAP standard. Many countries around the world require GFSI (Global food safety initiative) certification, including BRC (British retail consortium), SQF, BRC, IFS, and the certification scheme for food safety systems 22000 (FSSC 22000), or certification in accordance with national standards that are stricter than government requirements.

3. Socio-cultural and language barriers: given that businesses need to maintain constant contact with their partners, Socio-cultural and language barriers can be a major barrier to comfortable communication.

4. Rational planning: as a rule, exporting producers have to adjust their production processes in order to enter export markets. For export, farmers must harvest during the ripening process. And for local consumers, these products are sold after full maturity. The seasonality of agricultural production entails both opportunities and challenges. According to the geographical location of the regions, individual



countries get their crops earlier than others that are located relatively in the North. In this scenario of opportunities, it is crucial to take advantage of opportunities in key markets in the light of the production characteristics of other countries. It is especially important to study and monitor weather conditions in competing countries and importing countries, as weather conditions can change the degree of opportunities, and harvesting a few days earlier or Vice versa can open up great prospects.

5. all other things being equal, fluctuations in the exchange rate of a foreign currency can become a major obstacle to the export process, resulting in losses if not properly controlled. Manufacturers who plan export activities should carefully plan the sales and shipment period.

6. International payment methods that are different than in the case of the sale of goods on the domestic market. Mastering these methods is crucial for maintaining competitiveness and minimizing risks in international trade.

7. The system of protection of intellectual property rights: trade names and service marks trade secrets and a genetic profile is protected by national and international laws. Compliance with the rights of other business entities is a major factor in achieving success in the international market.

8. Efficient logistics system: not all cases, the cost and efficiency of production determine the success of a product in a particular market. Today, the decisive factor that determines the successful sale of a product on the local and global market is its competitive advantage over other products. Competitive advantage is primarily based on the cost and availability of the product. The amount of transportation costs, as well as the efficiency of the logistics system, are crucial factors in achieving high sales volumes. In such situations, it is advisable to analyze the packaging to maximize the weight and / or volume in the shipment, which will significantly reduce the price per unit. Thanks to economic reforms in Uzbekistan, many local agricultural producers are able to compete in the international market. In order to benefit from participation in international trade, a country must have a clearly oriented macroeconomic policy, the necessary institutions, such as tax, customs, legal, financial, marketing, and a favorable infrastructure - transport, logistics, communication, and information. Starting

in the fall of 2019, discussions have intensified in Uzbekistan about the country's integration into international economic associations, primarily the EEU and the WTO. However, the issue of Uzbekistan's entry into the EEU remains open. The Parliament is studying the feasibility of possible membership in this organization. The meeting participants were also provided with detailed information on the impact of changes in trade policy on the macroeconomic indicators of Uzbekistan in the event of possible accession to the EEU. It was noted that the total effect of joining the EAEU will increase the GDP growth rate of Uzbekistan by 0.9 percent, according to the Center for economic research and reforms, the Russian Gaidar Institute for economic policy by a percentage, and the independent consulting company Berlin Economics (analytical center) by 0.23 percent.

In conclusion, it was said that without export support and access to new markets, sustainable economic growth will not be achieved. Under these circumstances, President of Uzbekistan Shavkat Mirziyoyev announced the need to reset the foreign policy and foreign economic strategy in order to create favorable conditions for exporting goods to world markets.

Upon joining the EAEU, Uzbekistan will become part of the common customs space, where the unified customs tariff (ett) of the EAEU operates. From January 1, 2020, the average rate of import customs duties in Uzbekistan on agricultural products will be 11.4%, while the current average rate in the EAEU is 6.8%. Reduction of import customs rates for fruit and vegetable products in Uzbekistan to the level of the EAEU (may lead to an increase in imports).

However, given that Uzbek fruit and vegetable products are highly competitive both in quality and price (for vegetables and fruits, the difference between retail prices in Uzbekistan and the EAEU reaches 60%), a significant increase in imports of agricultural products from third countries is not expected. But imports of products that are not produced in Uzbekistan, such as citrus fruits, dates, bananas, etc., will increase.

**Table 1**  
Retail prices for certain agricultural products in Uzbekistan and the EAEU countries in 2019  
(USD per 1 kg)

Наименование продукции	Средняя цена за 1 кг продукции		
	Узбекистан	ЕАЭС	Разница в ценах (Узбекистан vs ЕАЭС)
<b>Овощи</b>			
Помидоры	0,6	1,2	ниже на 50%
Морковь	0,2	0,5	ниже на 60%
Лук репчатый	0,2	0,3	ниже на 33,3%
<b>Картофель</b>	0,3	0,3	нет разницы
Капуста	0,2	0,4	ниже на 50%
<b>Фрукты</b>			
Яблоки	0,8	1,2	ниже на 33,3%
Абрикосы	0,7	1,2	ниже на 41,7%
Персики	0,8	1,5	ниже на 46,7%
Черешня	1,6	3,1	ниже на 48,4%
<b>Виноград</b>	0,8	1,1	ниже на 27,3%

The main competitors of wheat and flour producers in Uzbekistan are the producers of Kazakhstan. Consequently, when joining the EEU, there will be an increase in flour imports from Kazakhstan due to a lower cost (by more than 5%). At the same time, Uzbekistan will have the opportunity to increase flour exports to Afghanistan while maintaining the current tariffs for railway transportation.

In Uzbekistan, domestic needs due to its own production are not covered not only in wheat, but also in rice and cereals. Uzbekistan provides 76% of domestic rice needs. Currently, Uzbekistan has zero customs duties on rice imports. In the EAEU, the customs duty rate on rice imports from third countries is 10%. Consequently, there is a risk of lower imports of cheap rice from third countries and an increase in rice supplies from the EEU.

It is also expected that prices for imported agricultural machinery, technologies, seeds, fertilizers, chemical protection products, medicines for animal husbandry and other means necessary for the development of agriculture will decrease, which will lead to a reduction in the cost of domestic agricultural products.

When Uzbekistan joins the EEU, the logistics of cargo delivery will improve and the delivery time of agricultural products will be reduced due to the elimination of unnecessary requirements and barriers at the borders, which will help increase the export of fruit and vegetable and processed agricultural products to Uzbekistan.

The expansion of export opportunities

The EAEU countries are the main external markets for Uzbek fruit and vegetable products. Uzbekistan's exports by main commodity groups of agricultural products in 2018 (excluding cotton fiber) totaled \$ 992.7 million. Of these, \$ 652.6 million is sent to the EAEU countries, and \$ 340.1 million to third countries. In the export of agricultural products of Uzbekistan, the share of the EAEU countries is 17.2%, in imports-9.7%. In particular, according to the state statistics Committee of the Republic of Uzbekistan, Russia accounts for 25.7% of fruit and vegetable exports from Uzbekistan to the EAEU countries, Kazakhstan for 60.6%, and other EAEU countries for 13.6%.

**Table 2**  
Export of agricultural products from Uzbekistan in 2018 and in January-September 2019 (million dollars)

	Экспорт					
	2018 г.			январь-сентябрь 2019 г.		
	Всего	ЕАЭС	третьи страны	Всего	ЕАЭС	третьи страны
<b>Сельскохозяйственная продукция (млн.долларов)</b>	992,7	652,6	340,1	1072,8	708,7	364,1
Доля с/х продукции в общем объеме экспорта (%)	7 %	17,2 %	3,3 %	7,8 %	20,1 %	3,6 %

Source: State statistics Committee of the Republic of Uzbekistan and the Ministry of economy and industry of the Republic of Uzbekistan.



Thus, there is significant potential to increase exports of fruit and vegetable products, including processed on the EEU markets due to the significant volume of imports of the EAEU of fruits and vegetables. So, in 2018, the volume of the fresh fruit market in the EAEU amounted to about 1.26 billion dollars. Of these, in the supply of apricots, cherries, peaches, plums, etc. in the EEU, Uzbekistan accounted for 33.4% (\$703.9 million) and other fresh fruit for 7.4% (\$40.9 million).

Given the steadily growing demand for horticultural products to the Eurasian economic Union's accession to this organization can increase exports of fruits and vegetables due to: the access of domestic enterprises to public procurement the EEU; the abolition of non-tariff trade barriers; reduction of transport costs; the facilitation of trade and transit of perishable goods through the territory of the EAEU.

The implementation of the unused export potential of processed fruit and vegetable products of Uzbekistan in the markets of the EAEU countries will ensure full utilization of production capacities for processing tomatoes, fruits, apples, grapes, etc., which are currently underutilized.

Moreover, in the long term, Uzbekistan has excellent prospects for increasing exports of fruit and vegetable products to third countries due to the transition to the EEU standards, which are recognized in third countries (Russia, Kazakhstan, Kyrgyzstan and Armenia are WTO members). Consequently, in the long run, domestic producers and exporters will have greater access to third countries. Due to this, the export of fruit and vegetable products can increase by 3 times.

Unfortunately, one of the factors constraining the export of fruits and vegetables remains the monopolization of the export of fruits and vegetables. A limited number of business entities have a license for this activity. This allows them to put the emerging economic risks entirely on the shoulders of producers, which significantly reduces their financial and investment opportunities. In our opinion, the full functioning of fruit and vegetable clusters should allow us to overcome this negative trend.

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