

Agricultural Sector of Uzbekistan: Market Overview

Agriculture is an important sector of Uzbekistan's economy, accounting for approximately 25% of GDP and employing about 26% of the labor force. Cotton and grain are the country's principal crops, but the elimination of quotas and price controls in 2020-2021 is facilitating a shift to higher-value fruit and vegetable cultivation. To continue the sector liberalization and reflect a steep rise in global wheat prices in 2022, the state switched to market prices starting from June 1, 2022, when purchasing and selling grain. Exports of agricultural products contributed approximately 8.3% to Uzbekistan's external earnings in 2021.

In June 2021 Uzbekistan and Russia signed an agreement and in November 2021 launched Agroexpress logistical corridor project, which will allow the delivery of agro-food products in refrigerator container trains within 4-7 days. In February 2022, the prime ministers of EAEU countries approved the implementation of the Eurasian AgroExpress project to facilitate trade with and expedited delivery of agro-food products to Uzbekistan and China.

The government hopes to increase farmers' income by twice at least and ensure a minimum 5% annual growth of agriculture in 2022-2026 through intensive development programs, application of advanced scientific achievements, digitalization, and adoption of new technologies. The further development of processing and packaging capabilities to add value to domestic and export products also remains a priority. Support for creation of vertically integrated clusters, 463 of which had been registered as of September 2021, and a cooperative system providing a complete production chain "from the field to consumer" to improve productivity, are a primary focus of ongoing agriculture reforms. Loans and grants in the amount of \$600 million will be attracted to digitalize agriculture, increase land fertility, and introduce modern agricultural technologies. Agricultural Knowledge and Innovation Centers will be created in 2022-2026 in all regions, providing more than 100 types of agricultural services on a one-stop shop basis, including such important services as improving soil conditions, combating plant diseases, and selecting seeds. Uzbekistan also needs to invest in modernization of the existing infrastructure: it is estimated that \$826 million will be spent on modernization of 299 pumping stations in 2021-2026. The government plans to double textile production by 2026, improve the value-added chain and hence process more of its own raw cotton into intermediary or consumer goods for export. Agriculture consumes 90% of water resources of Uzbekistan. The state is subsidizing the adoption of water-saving technologies and plans to save at least 7 billion cubic meters of water by 2026 through efficiency improvements. Uzbekistan currently ranks among the bottom 20 countries in the world in terms of water productivity, according to the World Bank, and produces only \$0.6 per cubic meter of water compared with a global average of \$15 per cubic meter.

To improve the country's food security, the Government of Uzbekistan has emphasized wheat production and supported poultry and animal farming over the past few years. Moreover, the profitability of fresh fruit and vegetables has increased in recent years, and local farmers have aggressive plans for developing export markets for these products. In 2022-2025 the government will offer small family farms ten-year horticulture leases on 200,000 hectares of cotton and grain land transferred from large farms and clusters, and allocate \$100 million for supporting loans.

Grain production

From the 90s to this day, the area occupied by cotton has decreased from 1900 thousand hectares to 1400, and wheat (with irrigation) increased by 5.5 times. It should be noted that the country gained its grain independence and became one of the exporters of this crop. The yield growth was influenced not only by the increase in crop areas, but also by increased yields. Currently the yield of these crops (average) in the republic has reached 45.2 cwt/ha. This is almost 2 times more than in 1991. According to the Ministry of Agriculture, farms of all categories grew more than 5 100 thousand tons of grain in the first half of 2020, which is 2.3% more than the same period in 2019. It is important to note that more than 82% of gross grain production in the Republic in 2020 was accounted for by farms.

Fruit and vegetable growing

Over the past 10 years, the production volume of fruit and vegetable products and grapes has increased by 2.4 times. The share of these products' processing exceeded 20 per cent of its total output. This industry has become the leading sector of the country' food security, it is increasingly implementing innovative technologies. Only in 2021, 740 new innovative greenhouses with a total area of 2330 hectares were be introduced. An important direction of the industry's development is the creation of intensive horticulture, the use of special types of dwarf fruit trees of high yield and their short-term (within 5 years) usage. According to the State Committee for Statistics of the Republic of Uzbekistan, the gross volume of fruit and vegetable products' exports amounted to 1485,0 thousand tons in 2020, in value terms it exceeded 1,008.6 M US. dollars. At the same time, the republic exported 402 thousand tons of fruits and berries for 353 million dollars and 768.3 thousand tons of vegetables for 400.0 million dollars. According to the Ministry of agriculture of Republic of Uzbekistan, the largest importer and consumer of Uzbek fruits and vegetables is the Russian Federation. The main and strategically important markets for the sale of fruit and vegetable products of the country are the markets of the Russian Federation, the Republic of Kazakhstan, Kyrgyzstan, and Pakistan. New markets are being developed - the states of the Eurasian Economic Union and the European Union. In recent years, Uzbekistan has become a major exporter of more than 150 types of fresh and processed fruit and vegetable products. The annual export potential of the Republic is estimated at more than \$5 billion.

Processing of fruit and vegetable products

The country has recently been increasing the volume of agricultural products' processing, the gradual development of the processing industry, equipping it with new modern equipment and innovative technologies, as well as the expansion of the agricultural products' range due to the development of new types of agricultural products. At the same time, the integration of producers and processors of agricultural products increases, the relationship between them is improving. As a result of the measures taken over the past 10 years, the volume of fruit and vegetable products and grapes processing has increased by 3.5 times, including the production of canned fruits and vegetables by 2.5 times, dried fruits - 4 times, natural juices - 7 times.

Animal husbandry

With Uzbekistan's independence, animal husbandry has not lost its sustainability. The fact is that a significant number of cattle were in the personal farms of citizens. The share of the industry in the total volume of agricultural production reached 51.6%. Persistent implementation of measures to steadily increase the export potential of this industry, systematic state support affected the growth of livestock, including through the introduction of new highly productive breeds, filling the consumer market of the republic with products on this basis and increasing the supply of products for export.

Poultry farming

Currently, more than 48.7 million birds are cultivated in the country, some of them are of new breeds. This is 1.1 times more than at the beginning of 2020. About 530 new projects are planned to develop the industry and increase production this year. To increase the number of birds, the government of the Republic granted tax and customs benefits to producers. As a result, the Republic experienced a significant increase in egg production in 2020. The growth of agricultural production in Uzbekistan makes it possible to meet the needs of the population, increase its supply for export.

Conclusions

Uzbekistan confidently took a course on innovative economy's development based on the wide use of advanced technologies and creation of investment attractiveness for foreign investors. In recent years, the country has become a major exporter of more than 150 types of fresh and processed fruit and vegetable products, its annual export potential is estimated at more than \$5 billion US dollars. The development strategy of agriculture of the Republic of Uzbekistan for 2020-2030 set the task of increasing the volume of agricultural products' processing by 30% due to the introduction of new equipment and innovative technologies by 2030, expansion of its range through the introduction of new types, increase of products' exports up to 20 billion US dollars. At the same time, it is planned to develop new markets for products - the

states of the Eurasian Economic Union and the European Union. The results of 2017-2020 give confidence in the achievement of the goals set by the Strategy.

Nevertheless, persistent work is required to further increase the export potential of the agro-industrial complex of the Republic, improvement of the complex's state management, implementation of market management mechanism, improvement of interactions between sectors of the complex, introduction of innovations, digitalization of enterprises' activities. At the same time, an important innovative development direction of some agricultural branches of the republic is their transfer from small-scale production (dehkan farms) to industrial basis (large farms).