

Export Potential Development and Export Diversification of Fruit and Vegetable Products in Uzbekistan`S Economy

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Abstract

This article presents development challenges of vegetable and fruit production sector in Uzbekistan. The cultivation of fruit and vegetables occupies an important place in the Republic's agriculture. The paper reviews several problems with developed support system and further development of fruit and vegetable production in Uzbekistan. The paper is aimed to describe the main problems and challenges and suggest their possible solutions. The purpose of this research is to investigate the existing constraints and opportunities to improve the availability and accessibility of fruit and vegetables. The paper consist of econometric analysis on the economic factors influencing the export of fruits and vegetables. Econometric analysis is based on periodic sequential data, which is generated by regression analysis, adding model controlling determinants.

Keywords

Vegetable and fruit production, fruits and vegetables export, normative documents on fruits and vegetables, domestic and foreign markets, agrarian sector, The econometric model, main fruits and vegetables producers, development of export.

Introduction

Uzbek fruit and vegetables are renowned for their excellent taste and the abundance of vitamins. Uzbekistan has very favorable natural conditions for cultivation of the most valuable varieties of thermophile grapes and fruits, including apricots, peaches, pomegranates, figs, cherries, apples, pears, almonds, quinces, plums etc. Five priority directions of the development of the Republic of Uzbekistan in 2017-2021 is the Strategy for Action, which envisages the rapid development of the economy and measures to increase the export potential. For the purpose of raising the competitiveness of fruits and vegetables export, including the establishment of export credits, insurance systems and export guarantees, the main directions of government support for the fruit and vegetable growing sector are the legal - the normative documents. According to the Decree of the President of the Republic of Uzbekistan from September 19, 2016 "About additional measures on stimulation of export of fruits, vegetables, melons and gourds" № PP-2603 and June 21, 2017 "Local export the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan № PP-3077". [1] On further measures for further support of organizations and improvement of foreign economic activity" further liberalization of foreign economic activity, stimulation of increase of export deliveries, increasing the competitiveness and financial sustainability of businesses, overcoming excessive and obsolete permits, and improving the business environment. From July 1, 2017, they are changes in the order of export of fruits and vegetables:

- Business entities are permitted to export direct fruits and vegetables, grapes and melons and gourds, on a contract basis, with pre-payment of 100%;
- exports of machinery, equipment and machinery that have been in use for a period of five years from the time of their manufacture are issued without government approval;
- terms of registration of the issued and produced goods conformity certificate have been reduced to three working days.

Over the last 20 years, world consumption of fruits and vegetables has grown by an average of 5-7% per year. Uzbekistan produces more than 20 million tons of fruit and vegetable products annually and around 700,000 tons of which are exported. Currently, over

160,000 farms operate in the country, which supply domestic and foreign markets with quality fruits and vegetables. Overall capacity of the country's storage facilities is 975 thousand tons of products, including storage capacity of 502 thousand tons provided by modern cold storage facilities[2]. Uzbekistan, not coincidentally, became one of the 14 countries that have received awards for achieving the Millennium Development Goals in the area of food security by the Food and Agriculture Organization[3].

Literature review

The problem was discussed by ElchinSuleymanov, VardanUrutyann, Natalya Kireenko, AleksandruStratan, Viktor Moroz and Darya Ilinas in the analytical bulletin "Review of agrifood trade policy in the post-Soviet countries 2014-15". It details the agrarian potential of each CIS country, import and export analysis in the agrarian sector.

Francois Laurens, Lech Michalczuk, Deborah Rees, Florin Stanica, BrunellaMorandi, Hanne LakkenorgKristensen and others point out that the annual fruit and vegetable sector, which includes the "Strategic Innovation and Research agenda for the fruit and vegetable sector euphrinefreshfel 2016 year" deep analysis. Problems of Fruit and Vegetables The research was conducted by Marie Violaine, Dominique Fournier, Benoit Jeannequin, Françoise Dosba, an employee of the National Institute of Plant and Agricultural Research of France (INRA).

Scientific and practical aspects of this problem in Uzbekistan Sh. Abrorov, R. Gulyamov, S.Topildiyev, T.Salimov, N.Akramova, M. Choriyev, Sh. Nishonov, U. Mukhitdinova. D. Saidova, I. Rustamova, Sh. Tursunov studied the "Agrarian Policy" direction. Great scientific interest here are the works of modern agricultural economists, in particular, AbdievM.Zh., AgirbovaYu.I., Karasev V.N., Kovyrshin M.A., Buzdalova I.N., Gaysina P.C., Gataulina A.M., Gryadova S. .I., Zinchenko A.P., Klyukacha V.A., KovalenkoN.Ya., Lichko K.P., Petrikova A.B., Serkova A.F., Tushkanova M.P., Ushacheva I.G., Ubaidullaeva R.A., Salimov A.T., Avazkhodzhayeva D.M., Sirozhiddinov K.I., Khuzhakhonov M. Kh., DadamirzaevM.Kh., Murodova Ch.M., FormonovaT. Kh., Khasanjanova K.A., KhusanovaR.Kh., Khushmatova N.S., ShodievT.Sh., Gulyamov S.S., Shokirova A.A.

Material and Methods

The econometric model was used to analyze the variability in the export of fruits and vegetables to different economic indicators in order to determine the potential for fruits and vegetables in terms of sensitivity to other economic indicators and criteria. Factors to analyze and verify are 1998 to 2017. Econometric analysis is based on periodic sequence data and is generated by regression analysis by adding model controlling determinants. The first econometric equation is as follows:

$$\ln y_i = a_1 + \ln b * x_1 + \gamma_1;$$

During the analysis, the next determinants are added to determine which factor is most affected and how much. We use Stata econometric software to process data and get approximate values (elasticity measurements). Data on analytical objectives are based on statistical data of the World Bank and JSC "Uzagroeksport". The following analysis was conducted to assess the factors affecting export-oriented fruits and vegetables in Uzbekistan:

- The annual growth of Russia and Kazakhstan in the GDP
- Import tariffs for Russia and Kazakhstan
- Annual rate of growth of currency rate Sum / USD

It was found that the above factors have the greatest impact on the changes in exports of fruits and vegetables.

Variables	(1) Fruit and vegetable export growth
KazUzbtariff	-0.187 (0.125)
RussUzbtariff	-0.665*** (0.186)
Rus GDP	0.0288 (0.0164)
Kaz GDP	0.0202 (0.0218)
Currency exchange rate	0.598*** (0.0706)
Constant	9.230*** (0.592)
Observations	19
R-square	0.962

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Regression analysis results

Growth of GDP as the most productive indicator of the economy will increase the production of any kind. According to the first regressions, 1 percent of Uzbekistan's exchange rate has a 1 percent confidence level in Uzbekistan's exports of fruit and vegetables by 0.59 percent. It is economically more logical and statistical.

$$\ln(\text{export of fruit and vegetables})_i = 9.2295_1 + \ln(\text{exchange rate SUM/ USD})_i * 0.5979_1 + (\text{GDP growth KAZ}) * 0.0201_1 + (\text{GDP growth RUSS}) * 0.0287_1 - (\text{growth}_{\text{Russ}}^{\text{Uzb}} \text{tariff}) * 0.6653_1 - (\text{growth}_{\text{Kaz}}^{\text{Uzb}} \text{tariff}) * 0.1865_1 + \gamma_1;$$

Additionally, Kazakhstan and Russia have undergone another surplus of GDP growth. In this case, Kazakhstan and Russia have a statistically significant impact on GDP growth, with 1% change

in GDP in Kazakhstan and Russia 0.02% and 0.02% in fruit and vegetable exports .

Overview

Agriculture of Uzbekistan has great potential, and today the country produces more than 20 million tons of fruits and vegetables a year. Fruit and vegetable produce not only meets the needs of the population of the country, but also goes abroad. On January 2018, exports of fruits and vegetables totaled 4.2% of total exports. The export of fruits and vegetables amounted to 62.3 mill.dollar or 36.8% more than in the same period of 2017[4]. The table below describes the main types of farming (fruit and vegetable) production:

Table 1 : The main typescultivation of agricultural products (fruit and vegetable) of Uzbekistan (2017)

Products	Million tons	As compared to 2016
Potatoes	3014,6	101,9
Vegetables	11433,6	101,4
Legumes	2094,8	102,4
Fruitandberries	3076,3	101,1
Grape	1748,9	100,8

Source: Economic Information and Analytical Bulletin of the Republic of Uzbekistan, 2017, p. 13 / Tashkent – 2018

In 2017 cultivated 3 million tons of potatoes, 11.4 million tons of vegetables, 2.1 million tons of melons, 3.1 million tons of fruits and berries and 1.7 million tons of grapes. The geography of export increases year by year and is renewed with new participants, and the most important of them is Kazakhstan[9]. Figure 1 below illustrates the share of fruit and vegetable products in the largest partner countries in exports:

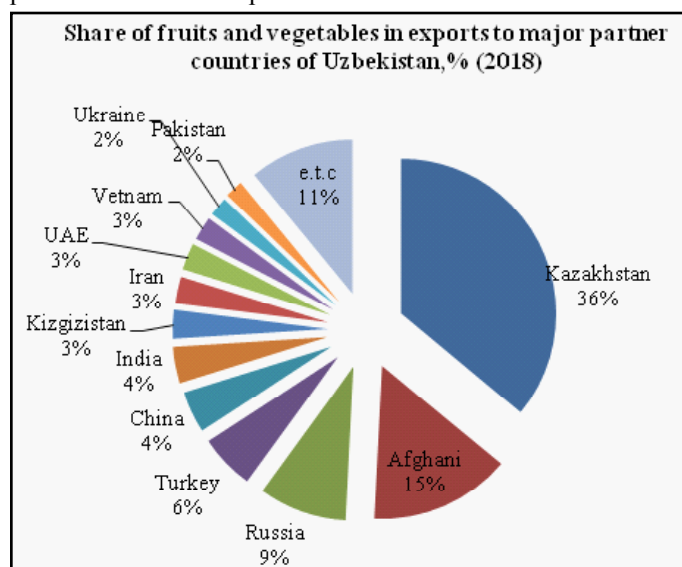


Fig.1 : Percentage of fruit and vegetable products in Uzbekistan by major partner countries

Source: State Statistics Committee of the Republic of Uzbekistan / Foreign Trade January-February 2018

The main fruits producers in the world are China, India, and Brazil. China, Thailand and the United States are the exporters. Israel also ranks 15th in the world in terms of fruit and vegetable exports

in 2016[5]. Israel sells various oranges, grapefruits and lemon, as well as exotic citrus fruits. The main citrus product of Israel is the traditional orange. More than half of Israel is desert, nevertheless Israel is producing 95% of its food requirements. The success of Israel's agricultural sector is agricultural machinery.

For many years in China, the agrarian sector serves as a donor - network for low - cost procurement by the state. China's 2017 fruits and vegetables exports reach \$ 3.5 million tons and 4.89 billion dollars[6]. Primarily forming agricultural centers around major cities and the using of foreign capital and technology is a new direction of China's agrarian strategy.

In recent years, the system of delivery of the product to the consumer has significantly changed in Turkey. Agriculture sector in Turkey is 8%, and GDP of Turkey is estimated at more than \$ 800 billion in 2016. Turkey is the way increasing the production of fruits and vegetables created a network of hypermarkets to freeze the supplied fruit and vegetables.[7]

For the development of export, first of all, it is necessary to produce products that will be attractive for foreign consumers with their quality and appearance. Nowadays the establishment of an effective system of certification of export products plays an important role in increasing the competitiveness of national fruits and vegetables in foreign markets in Uzbekistan. In Uzbekistan the lack of competitiveness of many fruits and vegetables is largely due to the fact that they do not comply with the requirements of international standards of quality, in particular with the requirements of new criteria for safety and environmental cleanliness.

Conclusion

Recommendations on modern directions of fruit and vegetable production development in Uzbekistan are :

1) Fruit and a modern logistics system should be created by creating geographically close multimodal trade and logistics centers in major vegetable production centers.

2) 5 main products (cherries, plums, peaches, grapes, dates) are less than 10% of Russian imports, but there is an opportunity to increase this index. For example, diversification of fruit and vegetable exports include greenery:

- only rice, salad leaf and more, except for eggplant and parsley;

- from melons and gourds, it is necessary to multiply the "kantalupa" or "hanuydu" type, which is not a demanding melon's "mirzachel" type;[8]

- diversification among the Algerians should be imported from beef, walnuts and beans, as Uzbekistan exports 200 thousand tons of wheat annually, the main market is Afghanistan and Iran. At present, the price of 1 ton of wheat is \$ 170-180, and legumes (corn, walnut, beans) cost \$ 500-800;

3) The "Made in Uzbekistan" brand is widely available in the CIS, but few know about the taste of Uzbek products abroad. Potential markets for Uzbek products can be Western European, Scandinavian and Persian Gulf, Eastern and South-East Asia.

4) It is necessary to create a new system of certification and standardization of fruit and vegetable products and laboratories under the joint-stock company "Uzagroeksport".

5) Based on the experience of Israel, the agricultural sector should be based solely on science-dependent technologies, together with government agencies, academic institutions, industrial and cooperative organizations.

6) Based on its experience in Turkey:

- considerably alter the system of delivery of the product from the field to the consumer;

- Creating a network of hypermarkets, which can freeze the supplied fruit and vegetables;

- the government will work to attract private equity to this sector;

- Providers can provide advance payment to producers and other types of assistance, agree on the purchase of fruit and vegetable products, conclude contracts with foreign buyers in the market during harvesting of fruit and vegetable products.

7) Based on Chinese experience:

- Increase in production of fruits and vegetables, due to the reduction of the amount of low-income grain;

- the use of foreign capital and technologies, mainly the formation of advanced agricultural centers around major cities;

- First of all, selection of fruits and vegetables that are possible to grow traditional crops;

- Providing mainly fruits and vegetables with state-owned companies in large cities, relatively small settlements should be based on the supply of local markets.

8) Most of Uzbekistan's fruits and vegetables exports to Kazakhstan and Russia because they have a number of privileges and preferences on Eurasian economic cooperation. Another key offer is to formulate a "green path" economic agreement between Russia and Uzbekistan and create favorable fruits and vegetables.

9) Uzbekistan is very useful for the development of agro-tourism, and it is necessary to increase the interest of tourists to fruit and vegetable production.

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