

The Role of Economic Reforms in the Development of the Livestock Sector in Uzbekistan

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Abstract

All reforms in Uzbekistan were undertaken with human interests as the primary goal. In particular, the attainment of independence in order to reform agriculture has brought about more than 100 laws and decrees. Due to reforms in livestock, the livestock population has increased with the current figures standing at 10.9 million cattle, 18.4 million sheep and goats and 56.1 million heads of poultry. As a result, the proportion of the population with animal products increased to the minimum acceptable standards. This paper analyzes the economic reforms in the country's livestock sectors and the activities related to the corresponding agro service. In the future, consistent with the continuation of reforms in the livestock sector, researchers will offer support programs for multi-state livestock complexes and to increase the number of breeding cattle.

Keywords

Livestock, Agricultural Policy, Services, Agricultural Products, Reform, and Development

1. Introduction

Livestock is one of the leading sectors in the economy of Uzbekistan. One of the priorities of the country's agricultural policy, which is to develop and increase livestock population, is to provide the population with food products rich in protein and fat as well as the provision of raw materials for other industries. In fact today, the rate at which livestock products are supplied to the people is higher than the growth rate of the population.

The President of Uzbekistan I. A. Karimov, in one of his speeches mentioned that in order to expand consumer demands, there a need to first develop the social sphere through raising the salaries of the working force, developing the infrastructure and greater investments in the transportation and communication systems. Indeed, in all regional centers, including in the Samarkand region, economic reforms has been undertaken to expand and improve the quality of agro-service.

"The agricultural reforms which caused the transition from traditional large-scale enterprises to individual private farms – shirkat and dehqan – has produced remarkable results in terms of production growth in agriculture" - ZviLerman. 2008. What about the change in the cost of agricultural

services as compared to the total cost and what should be done to lower the costs? Finding the solutions and answers to this is the main objective of this paper. Accordingly, some reforms have to be introduced.

2. Main Part

Independence has brought about opportunities for the development of the agricultural industry with the establishment of the private sectors. Year after year, competition has been increasing within the industry. But these opportunities are not completely feasible for livestock farms to capitalize on.

The first phase of economic reforms in the agrarian policy (1990-2000.) caused unprofitable state and public sector services to cease operations, and in its place, shirkats and dekhkan farms were created. One of the key events in the transition to a market economy was the adoption of "Property Law" which was signed on 31st of October in 1990.

In order to improve the economy a market economy was necessary. The improvement of more dehqan farms and the involvement of citizens in private businesses were essential in facilitating the mechanisms of a market economy.

But the hasty privatization of public and state farms did not benefit the livestock sector. In fact productivity and

economic indicators decreased. This is because rapid privatization did not take into account for the incompetency among citizens and this resulted in the dramatic decrease in the number of cattle.

The new working staff in these farms were not able to meet the expected standards. This was a clear sign of the organizational, economic, financial and legal problems in the farms. In the midst of the transition to the market economy, it is not uncommon to observe large backlogs in the newly privatized farms as compared to today.

In 1998, a number of laws – “Land Reform”, “On Dehkan Farm”, “On Farming” and other concepts –were adopted in order to organize farms legally and restructure them based on their economic and financial independence. Additionally, along with the rights of farmers, other obligations were also introduced. Some of which are as seen below:

- According to the law, the use of the land should be rational and effective as stated in the contract;
- Compliance with environmental laws;
- Amelioration of land, conduction of measures to preserve and increase their productivity, the allocation of funds for activities has to be accounted for when drawing up business plans
- The use of water resources has to be in line with the agreement on the use of water resources and has to be used efficiently and rationally;

- Compliance with labor documents in accordance with legal requirements, ensuring safe working conditions for their employees;
- Timely payment of direct and indirect taxes and other payments.

The shirkats and dehkan farms implemented a set of measures for the use of resources and equipment. The main focus is on restructuring the payment system and to better facilitate the market economy mechanisms.

Analysis of the results of the second phase of the economic reforms - 2001-2011 y.y., showed that farms and farmers have become a powerful driving force for the economy. Over the year, we have made the following observations:

1. Instead of unprofitable farms, low-profit shirkats were established on a competitive basis. In the case of the shirkats, farmers were allocated plots of land for rent with a term of 50 years and the right for succession;
2. Shirkat farms sign contracts to provide agricultural products to the markets, marked by the rules of implementation monitoring;
3. Financial resources have been allocated for the development of barren land from the state budget to support the farmers, ensuring that the needs of the population for agricultural products are met;
4. Critical evaluation of the inventory activities and optimization of land-based farms.

Private farms unit (thousand)

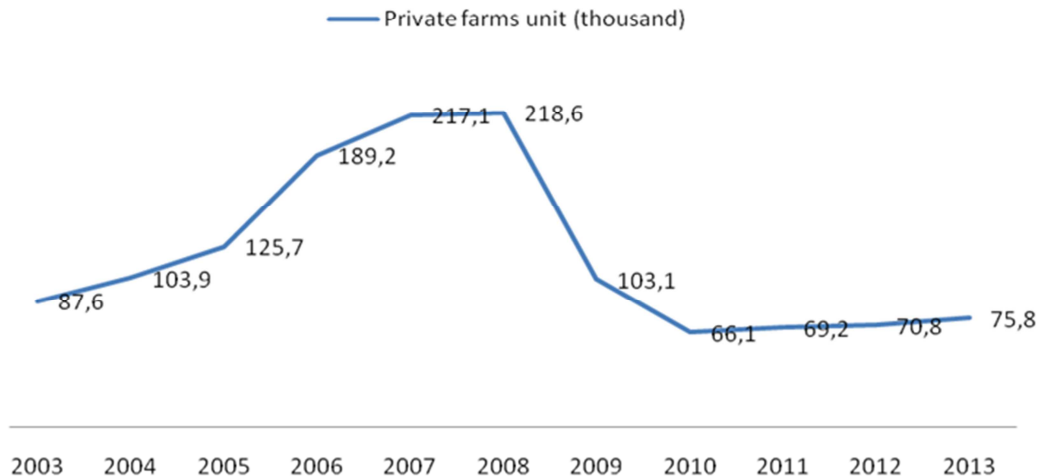


Fig. 1. Dynamic change of farm's number in Uzbekistan. (Source: Annual stat. 2013)

As a result of the optimizations, the number farmers decreased from 220,000 to 76,000. Despite the decrease, over the next 10 years, the total area of these crops still increased by 2.7 times. In 2003 there were 2148.1 hectares of land being cultivated but in 2013 it reached 5854.3 hectares.

The President of Uzbekistan passed decrees to increase the number of cattle and the development of the livestock industry. The first, Resolution Number 308 titled “On measures to stimulate the increase of cattle amongst private farmers” was passed in 23rd March 2006. Following which, the second one, Resolution Number 842 was passed on the

21st April 2008 and it was titled “On additional measures to increase cattle population, strengthening competition and increasing the production of animal products in private farms”. Resolution number 308 was active from 2006 – 2010, which ordered for an increase in the number of cattle, more organized veterinarians and more artificial insemination.

Resolution number 842 called for the strengthening of the food base from agriculture. For this to happen, there is a need to expand the acreage of forage crops, to organize planting intercropping and to increase the accessibility for the feed for

cattle and areas of slaughter. For this reason it is necessary to develop livestock in two directions:

- Banks to allocate soft loans to various organizations that support poultry farming, fish farming and bee keeping;
- To improve forage crops, there is a need to intensively use fertile land so as to increase the yield of food crops. To arrange the sale of animal feed.

In recent years, there has been systematic work such as the provision of equipment and training of staffs in the area of veterinary services in order to improve the provision of services in the area of agricultural services. We believe that in the future, to develop and increase the number of cattle, it is necessary to take measures to improve the species composition of the cattle. For this purpose, it is necessary to use more frozen bull semen, to export livestock products, to improve seed production of forage crops, expand acreage, increase the allocation of funds for lending and to improve the culture of paid services.

Currently, this process is mutually connected with specialized farms that breed animals. This requires the creation of large specialized farms.

In our opinion, along with the expansion in the provision of services to the livestock, there is a need to focus on the

organization of auctions. The auction in the Samarkand region initially planned to sell 1800 heads of pedigree cattle but in fact it managed to sell 1509 heads.

In developed countries, the operation for the implementation of livestock auctions have already been in place for a long time. Farmers engaged in livestock or those who wish to deal with livestock auctions, can buy the desired animals at these auctions. The experience of developed countries show that many livestock farmers engage in the cultivation of young bulls in the winter months. This gives them the opportunity to work and earn in the winter. First of all it does not diminish the quality of animal products and does not affect its shortage and cost, which is especially volatile in rural areas.

In 2007 alone, more than 350,000 citizens engaged in cattle breeding have been given employment records. This gave them the opportunity to obtain legal and social protection. The total number of registered private and dekhkan farms which breed cattle have exceeded one million.

The figure below shows the changes in the cattle farms with respect to the different farm systems. As seen in the figure, the number of cattle has increased in response to the economic reforms, mainly in farming enterprises.

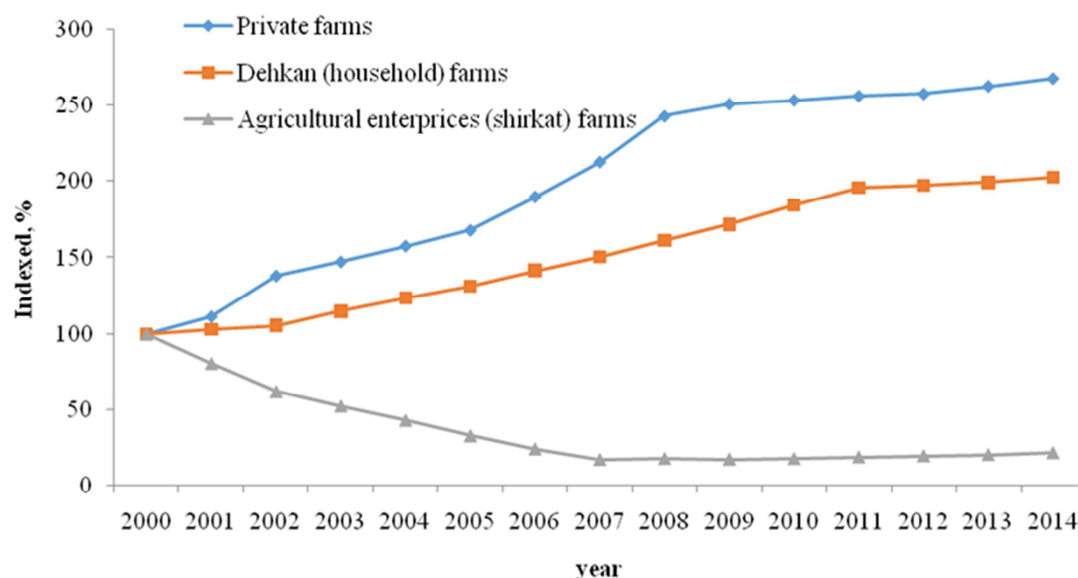


Fig. 2. Dynamic change of cattle heads by categories of farms in Uzbekistan. (Source: MAWR, 2015)

The increase in the number of cattle in dekhkan farms was 10994.6 heads, or 93.9%, in private farms, 545.2 heads or 4.9% while in agricultural enterprises, the increase was 121.3 heads or 1.2%. Over the past 15 years, the number of cattle has increased, particularly in the private farms and, in practice, especially in the dekhkan farms.

This is the result of favorable conditions and advantages in the agricultural sector. Last years, the population of pure bred cattle has increased. There has also been imports mainly from Germany, Holland, Ukraine, Belarus and Kazakhstan of the Holstein Fries, black-motley and red-steppe breed. As a result, local breeds have been enriched. This increased the productivity in the industry and enabled the establishment of

large-scale agriculture and livestock complexes. However, the growth in this short period of time has created strong challenges in providing food services for the cattle.

Livestock production has not increased in recent years as livestock productivity remains stagnant even though the livestock population is sufficient. The performance of productivity in Uzbekistan is several times less than developed countries but it is still encouraging in comparison with indicators of the CIS countries. The “Reform of Agriculture” in 2012 was a turning point.

The President of the Republic of Uzbekistan adopted a decree titled “On measures to improve the organization of the farming activities and its further development” on the 22nd of

October 2012. The adoption of this decree gave rise to a new stage of development for livestock farming which has become the driving force.

This decree was taken to improve the welfare of the people and to ensure that the role of farms remain important. In light of this, the Farmers' Union of Uzbekistan was created to replace the existing system. Before this, there were a number of issues:

- tax dodgers punished with fines and their cases transferred to court.
- legal entities that were engaged in drip irrigation, would be exempted from the single land tax for a period of 5 years.
- provide statistical, financial and tax reports of farms; ensure payment of taxes and compulsory payments; carry out the process of registration and authorization to issue loans; allocate land for the construction of processing facilities; service and other service facilities, industry utilities to be transferred to the electronic system; also agricultural activities to use information and communication technologies. Providing needed technical and material resource, primarily fertilizers and fuel materials to suppliers, simplifying the calculation of the payment system, increase the use of modern electronic payment system.

A plan to "increase the volume of food production in 2013-2014" was carried out. In 2014 there were 54 projects, 13 of them for the production and processing of meat products, 21 for the production and processing of dairy products.

1. One of the aim of the project was to improve the working environment of the farmers through the creation of a business environment which are as follows:
 - Providing financial support to the farmers. Banks play an important role in this. On top of this, the Ministry of Finance of Uzbekistan and the Computing Department of the Tax Inspectorate also helped in providing 3% loans.
 - The loans were provided with the following conditions: 3 months to 3 years tenor, in the form of 300 times the minimum salary, 12 months tax and then, after 18-24 months, payment of the principal.
 - Buying hardware is based on a lease agreement. The initial purchase amount is 15% of the cost while the remaining 85% is paid over the next 7 years (for 1 year, you can get 0.5% of 85%).
2. Tax exemption, products export, investment, a program for the modernization of production, production technology and raw materials that are not produced in the country. This includes the production and processing of meat and dairy products.
3. Starting from January 1, 2015. Tax Code article 369 was amended: Three times payment reduced to two times. 30% to be paid by 1st September and the balance is paid in December. The single tax rate for farms was 25% but since January 1st 2014, it is 15%.

3. Conclusion

Therefore, economic reforms in this area were carried out with the main aim of developing private farms and farms. Based on the results of scientific research, these are some recommendations:

1. Continuously adopting reforms regarding the development of the livestock sectors in the country.
2. The increasing of food crops fields with good nutrition in every single cattle farms.
3. The establishment of veterinary stations with systematic records of the number of animals, their health status, date of insemination for the prevention of animal disease.
4. Establishment of more dairy farms and meat processing enterprises as well as government support programs for the development of the sector.
5. The implementation of economic reforms in agriculture has to be carried out timely and effectively according to how it is stated in the legal documents.

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