

# Widespread introduction of market mechanisms in developing cooperative relations in agriculture in Uzbekistan

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**ABSTRACT**--*The method of prediction is the use of the system of co-operative and integrated systems in agropromyshlennom complementary, which is the objective of the objective mindset of the current, the practical and the non-negotiable. monographicheskogo, abstract-logicheskogo, economical-statisticheskogo, methodical analogues and organizational-economics. Theoreticheskoye and methodological equipments in the region and region of the cooperative and agro-economical integration. Существенный вклад в разработку научных основ развития сelskoxozyaystvennoy cooperatives в переходный ученые: А. А. Nikonov, I. N. Vuzdalov, V. D. Martynov, A. V. Petrikov, E. V. Serova, G. I. Schmelev, R. G. Janbyx. Возрождая насочное наследие А. В. Chayanova, N. D. Kondratyeva, M. I. Tugan-Baranovskogo и других русском ученых и cooperatives In many developed countries, agriculture is predominantly farming. In a number of countries, 100% of farms provide this type of activity. Farms are merged into cooperatives to increase efficiency. Cooperative is a special tool to help improve economic performance. Analysis of the best practices in the production, storage, processing and sale of fruit and vegetable production in Uzbekistan demonstrates the need for effective stimulation of cooperation among producers of these products.*

**Keyword**--*agriculture, cooperative, agricultural cooperative, agricultural Economics.*

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## I. INTRODUCTION

Agricultural cooperative is an organization established by farmers, dehqan farms and homeowners who are agricultural commodity producers on a voluntary basis to combine their material and other needs for joint production or other economic activities.

A distinctive feature of the cooperative is that agricultural objects appear as independent entities operating in their area. The cooperative promotes protection of the rights and interests of farmers before the state. Agricultural cooperatives make up the largest group of agricultural enterprises. Accordingly, the role of agricultural cooperatives should be defined as protecting their interests.

Positive economic results can be achieved with legal protection of agricultural cooperatives.

There are many unresolved problems with the establishment and effective functioning of agricultural cooperatives in Uzbekistan. In particular, in the Address of the President of the Republic of Uzbekistan Sh.Mirziyoev to the Oliy Majlis of the Republic of Uzbekistan on January 24, 2020, the following mistakes were made in agriculture:

One of the most important sectors for the development of our economy, employment and income growth is the development of agriculture, based on strategic approaches.

- We are not satisfied with the current growth rates in the industry. Unless there is a widespread introduction of market mechanisms in this regard, we will not expect much change for farmers and farmers. Therefore, we will abolish the state order for cotton and grain production and gradually move to the system of purchasing these products on market principles.

If we do not follow this path, our farmers and peasants will not have the freedom to grow their produce, they will not receive the benefits they expect, and the way of governors will not change.

- Reforming the Fund for State Support of Agriculture and highlighting the provision of affordable loans to other sectors of the agricultural sector;

The passage of the new Law on Cooperative, which is the legal basis of our reforms, will enhance the development of cooperative relationships through the establishment of market mechanisms in agriculture.

Under the favorable conditions, agricultural cooperatives are able to solve the financial problems of households and at the same time increase the economic efficiency of the entire agricultural sector.

The Decree of the President of the Republic of Uzbekistan dated March 14, 2019 "On measures to develop agricultural cooperation in the fruit and vegetable sector" was signed. According to the decision [3]:

- Creation of a cooperative association of independent and interconnected agricultural enterprises, farmers, dehqan farms and homeowners on the principles of voluntary and share participation;

- Agricultural associations will be established in Gallaaral, Zaamin, Bulungur, Urgut, Altyaryk, Kuva, Kibray and Parkent districts to carry out joint activities for the production, preparation, storage and sale of fruit and vegetable products in pilot trials in 2019-2020;

- By December 1, 2020, based on the results of the pilot study, a proposal will be made to promote the Cooperative Unification of Agricultural Unions in other regions.

Lands of the members of agricultural associations cannot be optimized or withdrawn. In cases provided by the Land Code, confiscation of members' land is possible only by a court decision [1].

Agricultural associations independently decide on the placement and replacement of agricultural crops.

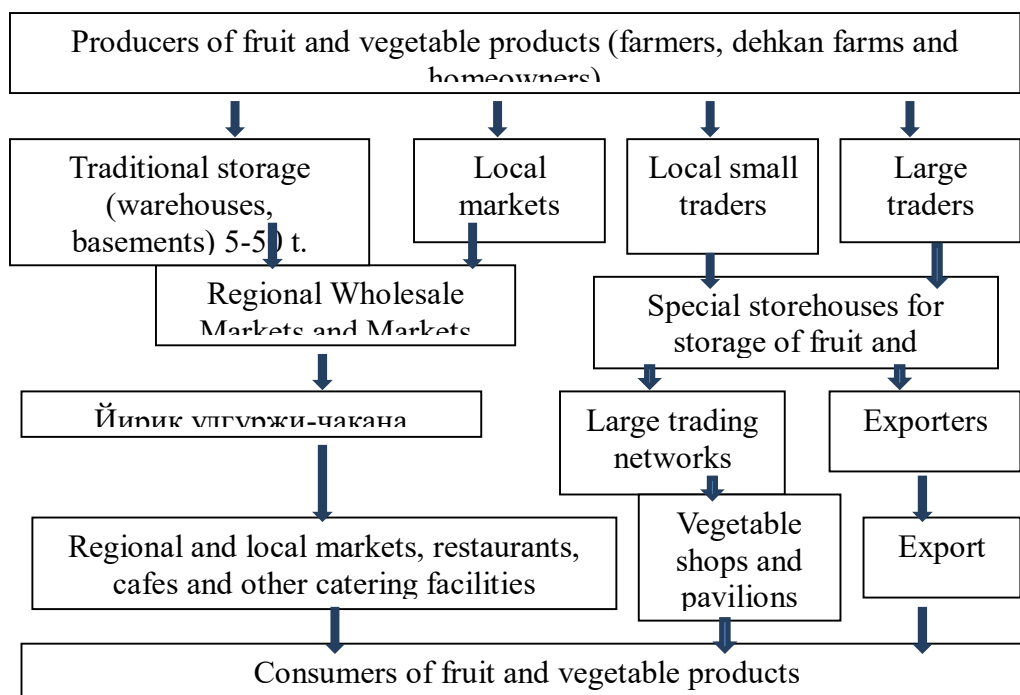
Agricultural cooperative practice was widespread in Uzbekistan in the 1990s. However, due to the transformation of the economy and transition to market mechanisms, agricultural cooperatives have become unprofitable. On the other hand, over time, the regulatory framework has become obsolete. This allowed the state to take specific measures to "revitalize" this form of economic activity.

Let us analyze the current situation in the agricultural sector, including the production, processing and sale of fruit and vegetables, due to the incomplete integration of small producers in the agricultural sector in Uzbekistan, and the lack of organizational and regulatory mechanisms.

In recent years, the agricultural sector has undergone an active reform. However, while the global market for fruit and vegetable products is \$ 205 billion, the share of the republic in this market is less than one percent. The share of these products in the country's exports is only 7%.

Uzbekistan has a great potential in the production (production) of fruits and vegetables and their export to foreign markets. However, it is important to remember that capacity and its realization are two different concepts. Growth in production does not automatically increase exports. In export, first of all, it is important to understand what products the potential consumer needs and needs. It should also answer questions such as who the real consumer is and where he or she lives.

Fruit and vegetable producers in Uzbekistan (farmers, dehkan farms and homesteaders) are not consolidated into cooperatives, as a result of the natural processes being delivered to consumers. (Graph 1).



**Figure 1 :** The process of moving from producers of fruit and vegetables to consumers

Here, let's focus on the problems of small producers (farmers, dehkan farms and household plots):

- high costs and lack of financial resources for the purchase of seeds, fertilizers, fuel and lubricants, feed, etc. ;
- Lack of own agricultural machinery, equipment, vehicles and rent;

- inadequate sale of manufactured products and impossibility of their delivery to the market or processing enterprises;
- low prices that do not cover invested funds;
  - lack of state support measures (investment subsidies, concessional loans, etc.) due to production volumes, livestock, collateral and other criteria;
  - Lack of qualified specialists (agronomists, veterinarians, etc.); - lack of knowledge, skills, information about new agrarian reforms, regulatory documents, forms of labor organization, advanced production technologies, measures of state support.

The solution to the above mentioned problems can be seen in:

- to sell jointly produced products directly to the market or to the processing enterprises (dairy products, meat processing plants, etc.) without intermediaries;
  - joint arrangement of storage and processing of products (vegetable store, milk collection point, feed station, grocery store, etc.);
  - joining the cooperative in the joint use of land, agricultural machinery, advanced technology, transport and so on;
  - joint procurement (wholesale) of fuel and lubricants, fertilizers, seeds, feeds, etc .;obtaining of investment subsidies for the purchase of agricultural machinery, technological equipment and other state-supported instruments, as well as the possibility of centralized preparation and submission of documents to the executive authorities.

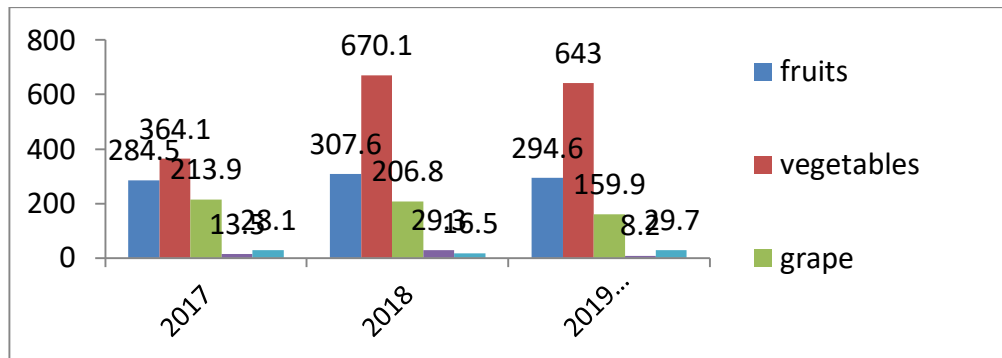
Due to the nature of Uzbekistan, the climatic conditions, the available labor resources and geographical location, the large potential of the country's economy in producing high-quality fruits and vegetables is hardly anyone's doubt. However, the existing potential and its implementation in life is a different concept.

For example, in the European Union, today there is practically no demand for fruits and vegetables that are not in the "premium" category. The same is true in the US and many other developed countries. In addition, in each country, there are requirements and requirements for the different characteristics of the fruit depending on their color, taste, caliber and other characteristics.

In other words, every entrepreneur should start with strategic decisions on export, with proper understanding of the market. Otherwise, its products may not be in demand at all. Such cases are common in Uzbekistan. But production is not even half the job. In fruit and vegetable production it is important to take into account factors such as their quality delivery to consumers (with or without loss of properties), storage and packaging. In most cases, the costs and investments in the post-harvest process are greater than the cost of cultivation, and often these costs are ignored.

It is important to think about this in light of the current climate. Uzbekistan can produce unique products. But there is no point in growing apples for export, except for some early varieties of apples. Another important factor in this regard is that Uzbekistan is geographically distant from all foreign markets (for export of fruits and vegetables). This means that the cost of delivering goods to customers, that is, logistics costs, will always be higher. Therefore, exporting low-cost products is meaningless - the margin for profitable exports may not be sufficient. In addition, a sufficient number of manpower should be used in the country - the more labor-intensive and the more cost-effective the harvesting process, the greater the potential of Uzbekistan to export this product. Of course, the

quality, safety and security of the product depends on the availability of the necessary infrastructure and knowledge.



**Graph 2:** Dynamics and Structure of Exports of Fruit and Vegetables (thous. Tons).

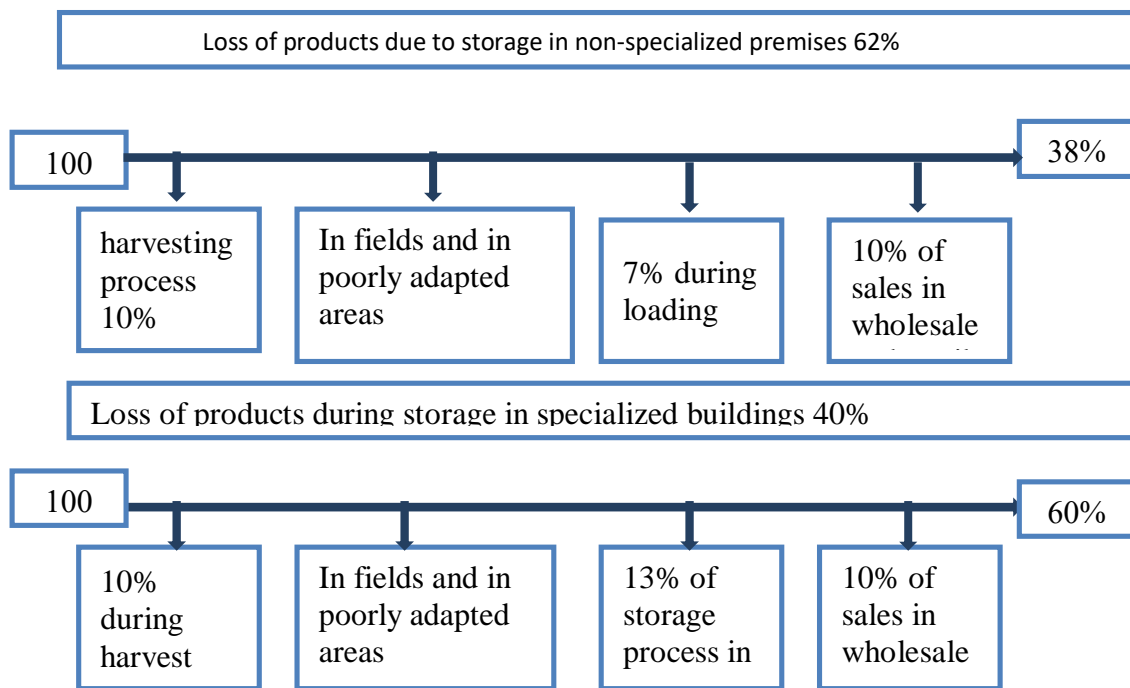
## II. RESULTS

As can be seen from the data, exports of fruits and vegetables tend to grow. From the outside, it's all right. This is because, according to official data, both production and exports increased significantly than in previous years. If there is growth, then there is a benefit. This is a fact that does not require proof.

Although the results are positive, a closer look at the real situation on the ground will make you realize that the situation is not the same as we thought it would be. Unfortunately, due to the inadequate access to the available resources and the inadequate system for storing and exporting products, unfortunately, the hardships that come from hard labor are disruptive.

The United Nations Development Program in Uzbekistan reports that 25 to 40 percent of all production is lost due to improper handling during harvesting and storage during transportation from crop to end user, citing data from developing countries.

In particular, the following is the analysis of fatalities in the production, storage, processing and delivery of fruit and vegetable products in Uzbekistan.



**Figure 3:** Losses in fruit and vegetable production from consumer to producer

We think that the above analyzes will help to create and promote agricultural cooperatives in the country.

If agricultural cooperation in Uzbekistan is fully established, the output of fruit and vegetables exported in Graph 2 will be 294,600 tonnes in the first 9 months of 2019, with approximately 40% of losses being eliminated. 117 thousand tons, vegetables - 267 thousand tons, grapes 24 thousand tons, walnuts - 3.2 thousand tons, melons and watermelons - 12,000 tons, or 417,200 tons more. Or, in 2019, Uzbekistan will receive \$ 2 billion. US \$ 3 billion worth of fruit and vegetables was exported, and exports increased by 40 percent as a result of cooperative relations. dollars. It should be noted that this analysis does not address a number of indicators, such as productivity, intensive development.

In Uzbekistan, agricultural producers and exporters make some mistakes. Specifically:

- First of all, most of the agricultural sector's business plans focus on production (production) costs. However, the cost of infrastructure for storing products and turning them into finished products for consumption is usually more expensive than creating a garden per hectare. Many do not understand.

- Second, any business plan does not include marketing costs. It is assumed that the products will be sold spontaneously, as was the case with the product deficit in the Soviet Union. Many in Uzbekistan expect state support or certain support in this regard. Both approaches are wrong. Only effective marketing can help generate income, and the rest are costs. It should be understood that today there is no deficit of products in any part of the world. But marketing is not free - it requires certain costs. For example, participation in exhibitions, visits to business partners, negotiations, etc. Not all of these are cheap.

- Thirdly, to “impose” business costs on marketing, marketing, consumer-ready products and marketing. First and foremost, products that need to be stored should be stored in warehouses close to the field, as each hour is a waste of time. If these products are not stored in special warehouses soon after harvest, their quality may decline. Therefore, storing products is not a separate business - special warehouses all over the world are owned by agricultural producers or their cooperatives. In other words, it is under the control of business manufacturers. If

the number of special warehouses is sufficient, there is little chance of earning extra income by storing the product. Under these conditions, product prices remain stable throughout the season.

If the marketing costs are "burdened" to the business intermediary, almost all the profits remain. If this approach is acceptable, then it is possible to continue doing so.

- Fourthly, we pay much attention to the statistics of agricultural production (production) in our country, which is difficult to calculate in Uzbekistan. In addition, agricultural production figures do not in any way directly affect their export volumes, since usually only exports are processed and to a certain degree of high quality. Currently, the share of such products in Uzbekistan is increasing.

One such economically viable option is cooperation. In countries with developed market economies, the cooperation of agricultural entities involves the involvement of voluntary equal partnerships to maintain the economic independence of private farms, as well as responsibility for managerial decisions.

At the same time, cooperatives can protect the interests of farmers and increase their competitiveness in the market, despite the presence of strong agribusiness companies [3, 4].

In foreign practice, the state has established a special legal framework related to the activities of such cooperatives, which in turn regulates the activities of farmers. However, this approach is not uniform in the cooperation of agricultural entities in different countries. The countries of Western Europe are distinguished by the availability of documents, which detail the activities of agricultural cooperatives on this issue. In this context, it is worth mentioning the Finnish experience, particularly where agriculture is almost 100% established by agricultural cooperatives [8, 9].

At the same time, the United States should emphasize that there are only general guidelines and regulations regarding their activities. But at each state level, there is a more detailed program of cooperatives.

In the United States, there are about 2.2 million farms registered in cooperatives and they own 89% of all agricultural land.

Foreign experience in various countries of the world shows that agricultural cooperation is supported by separate documents. Specifically:

1. The activities and legal framework of cooperatives in countries such as Portugal and Italy are enshrined in the Constitution;

2. Laws and Regulations. Similar laws on cooperatives are available in many countries: Portugal, Great Britain, France, Germany, Japan, Belgium, Switzerland, Austria, and Russia.

The activities of agricultural cooperatives in the Russian Federation are governed by the Federal Agricultural Law.

Also, regardless of the type of document regulating the cooperative, its content implies that there are aspects that determine the exclusive status of the cooperative [11, 12]. In this regard, the goals of the agricultural cooperatives are also set.

1. Protection of farmers' interests.
2. Increase in income of associations.
3. Meeting the material needs of the participants.
4. Development of agriculture.

Management in agricultural cooperatives is defined by normative documents regulating the internal behavior of all participants. The charter regulates the cooperative's rules, such as the number of participants, conditions for joining the association, management structure, amount and timing of contributions, general operating rules.

<b>Internal factors</b>	<b>External factors</b>
<i>Strengths</i>	<i>Opportunities</i>
Regional convergence of consumers and partners High flexibility and ability to master quickly Low costs Ability to use small mechanization Ability to join forces	Concessional lending Ensuring sustainable development in rural areas Increasing rural employment Increased incomes as a result of co-operation and diversification
<i>Weaknesses</i>	<i>Risks</i>
Mechanisms of financial resources and government support lack of Weak sales of products, logistics and information and consulting services Low mechanization (high level of manual labor) Weakness of social protection	Control procedures of public authorities Lack of quality and timely resources Price uncertainties Agricultural machinery and equipment (breakdown of machinery and equipment), repair. deficiency

**Figure 4:** SWOT-analysis of the cooperative potential of small commodity producers in agriculture

### III. CONCLUSION

In our opinion, it is advisable to implement the following organizational and economic measures for the long-term development of cooperation of small producers in rural areas:

- (a) The establishment of a legal framework for supporting rural cooperatives of small businesses, including targeted development of regional programs;
- b) establishment of mechanisms to support the activities of small businesses and agricultural cooperatives, and systematic monitoring in terms of regional cooperation development;
- c) development of the system of private public partnerships in the establishment, modernization, and formation of regional order for the production of agricultural cooperatives;
- e) Attracting domestic and foreign investors to develop partnerships at national and international levels

Based on the aforementioned comments and conclusions, the following conclusions and recommendations are reached:

As a representative organization representing the interests of agricultural cooperatives in our country, it is necessary to make Uzbekistan a priority for the Council of Fertilizers, Dehkan Farms and Farmers;

According to the experience of developed countries, the Ministry of Agriculture in the future will completely abandon the old methods of work, such as directing, allocating resources, setting plans, becoming a ministry service



organization, identifying private land and seed choices, combating pests, financially. We need to provide assistance in finding product markets.

It is necessary to ensure access to preferential credit resources through the development of agricultural cooperatives as a priority;

In the future, as a result of the development of agricultural cooperatives, they will form the largest group of agricultural enterprises. Accordingly, the role of agricultural cooperatives should be defined as protecting their interests;

It is possible to create an effective incentive for the newly established agricultural cooperatives in the first three years to exempt all taxes related to economic activity and to abolish customs duties on imported equipment and equipment.

Positive economic results can be achieved with legal protection of agricultural cooperatives. As a result, it increases the cost-effectiveness of cooperatives. The effect of merging in a number of tasks allows small producers to solve their own production problems and improve their material status.

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