

Summary

Analytical report “Improving Productive and Export Potential of Fruit and Vegetable sector of Uzbekistan: Challenges and Perspectives” is prepared by the Center for Economic Research with support of UNDP’s Aid for Trade Project. The report examines existing challenges that reduce the effectiveness of the policy of promoting fruit and vegetable sector and exports development and proposes recommendations aimed at improving the regulatory framework and work of institutions responsible for implementation of policies in this area.

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 19 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. This facilitates the uninterrupted supply of main agricultural products to the population and exports expansion. The transport infrastructure is also developing dynamically, while efforts are taken to create interconnected logistics networks; foreign trade relations are expanding and increasing the sector’s exports potential.

In addition to excellent taste parameters, the agricultural products of Uzbekistan have low production costs. At the same time, Uzbekistan has significant potential to reduce the production costs by improving yields for all major fruit and vegetable crops.

The key objective of the agricultural sector development strategy of the country is modernization of agriculture, dynamic development of agricultural production, strengthening the country's food security, a significant increase in the export potential of the agricultural sector. The social effect from implementing of the programme is to increase employment, income of the rural population and the quality of food consumed in the country.

At present, the key problem in exports of horticultural products is its non-diversified nature (represented by a narrow list of importing countries and dominated by a few products). This situation poses a number of challenges. First, a deterioration of the economic situation and fall in demand for fruits and vegetables in the main importing countries can cause serious problems for the entire sector. Secondly, monopsony power of importing countries can lead to a situation where importers-buyers have the opportunity to dictate prices for Uzbek products.

At the same time, developed countries and geographically close large markets (EU, Japan, Korea, China) are attractive in terms of greater purchasing power. Uzbek producers can and should expand the geography of exports of fruits and vegetables, in particular, through increasing supplies to the EU, East Asia (China, Japan, Korea) and other regions of the world, while simultaneously diversifying the product structure of fruits and vegetables.

This, however, will require well-coordinated efforts to improve institutional and regulatory framework of production, procurement, storage and exports of fruit and vegetable products.

The most important tasks would be the following.

1. Diversification of exports of fruits and vegetables - as a prerequisite for ensuring the growth of export volumes - requires dedicated efforts to create a modern logistics system through creation of multimodal trade and logistics centers and a new system for certification and standardization of fruits and vegetables, expanding the range of exported products, active marketing policy to promote national fruits and vegetables to new promising markets.

2. Increasing agricultural land devoted to fruit and vegetable crops. At the same time, it is necessary to ensure specialization / zoning of production of fruits and vegetables based on climatic, soil and demographic characteristics.
3. Moving to market based approaches in the system of procurement / stocking fruits and vegetables that provide incentives for farmers and reduce the monopsony of processing enterprises.
4. Improvement of the institutional environment in the production and procurement of fruits and vegetables, with emphasis on creating large diversified and multi-purpose farms, while creating an environment for the development of specialized small farms based on the specifics of each region / territory (availability of land, irrigated water, climatic conditions for cultivation of specific varieties of fruits and vegetables).
5. Supporting voluntary association of farmers into production and marketing cooperatives, which by combining resources of individual member producers, will be able to provide better conditions for production of demanded and quality products, product storage, processing and marketing.