

Impact of tobacco market monopsony to income of rural population: case of Urgut district of Uzbekistan

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Objective

Explore characteristics and changes in land-use, production, and efficiency of tobacco production in Uzbekistan at pre- and post monopsony period and its impact to wellbeing of local rural.



Tobacco sector of Uzbekistan

- Uzbekistan until the mid-90's of the last century was one of the top producers of tobacco leaf among former Soviet Union countries.
- The significance of the country's tobacco industry intensified by the fact that tobacco-producing foothill and mountain areas were highly labor dense and with the most favorable soil and climatic conditions for the cultivation of oriental types of tobacco, thus making livelihood for local rural population of Urgut district .

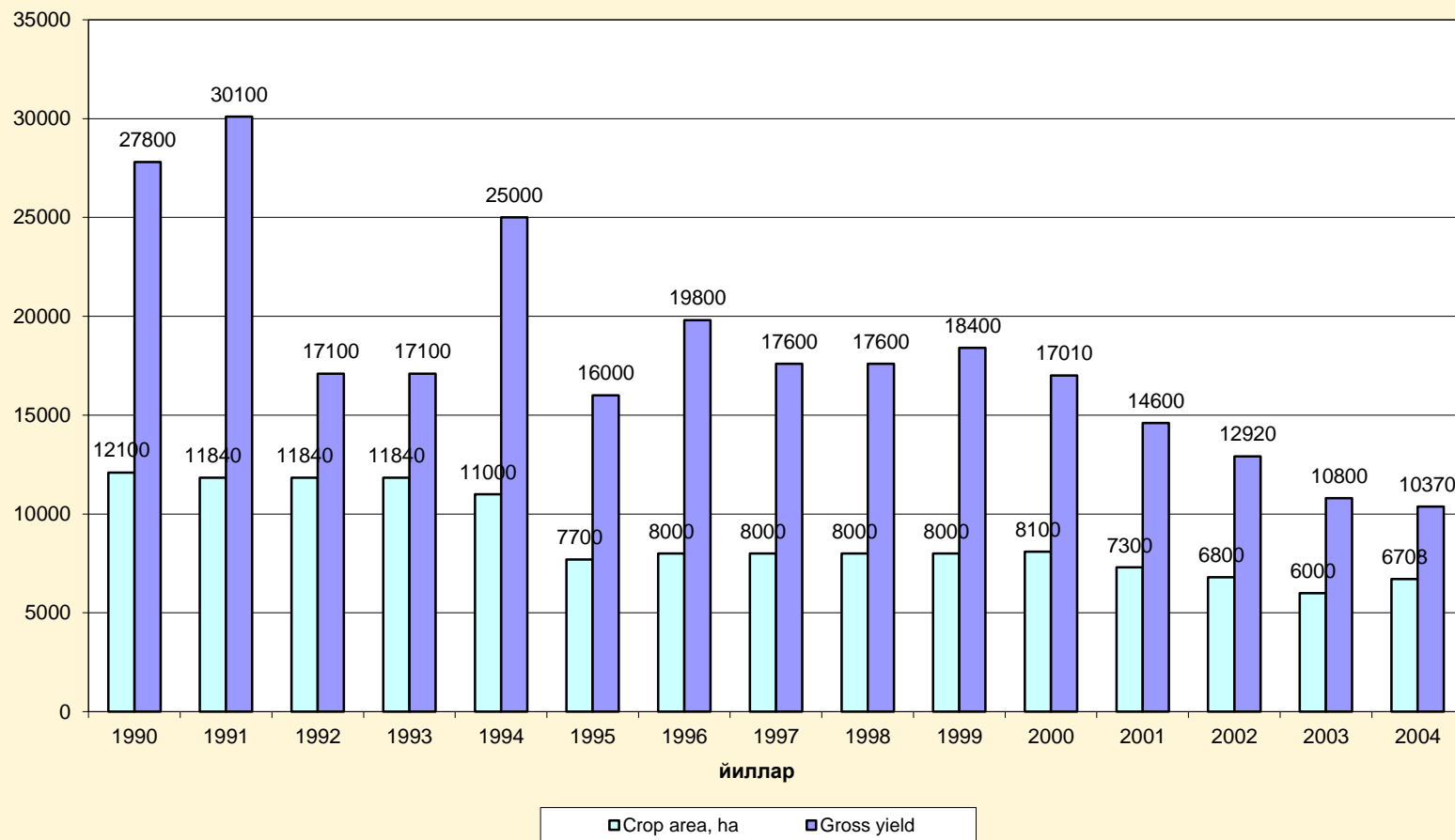
Changes of tobacco production at pre-monopsony period in Uzbekistan

Years	Crop area, ha	Yield per ha, metric centner	Gross yield (metric tons)
1929	500	6	300
1937	2000	5	1000
1956	6400	5	3200
1976	9600	26	25152
1981	10200	30	30906
1985	9700	37	35890
1985-1989*	8700	38	33321

Tobacco sector of Uzbekistan

- The high labor intensity of the tobacco industry and the specific yield per 1 ha of irrigated arable land provides a relatively high socio-economic efficiency relatively to other areas of country with similar conditions.
- High demand for oriental type tobacco, used as aromatic ingredient on cigarette production insured high prices and prosperity in socio-economic terms, the main tobacco-growing region of the Uzbekistan -Urgut district of Samarkand region.

Changes of tobacco production at monopsony period in Uzbekistan



Recent conditions of sector

- Nowadays, the primary and sole customer of the tobacco leaf in the Republic of Uzbekistan is a joint venture with British American Tobacco, which is the exclusive exporter of Uzbek raw tobacco.
- Internal distribution network of company developed lesser demand for raw tobacco leaf, giving monopsony power on the market.
- Most of product were shipped to the factories of the Russian Federation and other republics.

Impact of monopsony

- During 2008-2013, it is observed substantial increase in the price of raw tobacco varieties.
- But, these changes in prices hardly cover inflation difference.
- This is clearly confirmed if we compare the ratio of changes in the national currency - sum in relation to US dollars for the 2008-2013 period. This ratio has changed from 1600 to 2200 sums per dollar at the official rate, which is almost 1.4 times.
- The price of 1 kg of tobacco for the period increased in UZS year in 1.9 times. If we consider the market exchange rate, which lags behind the official average of 25%, this change will be quite noticeable.
- Taking into account the yield, hectare of tobacco plantation today gives about 5 thousand USD revenue, while in 1990 this value were greater for 20 thousand USD.

Crop area and gross yield of tobacco in Uzbekistan

Indicators	Years					
	2008	2009	2010	2011	2012	2013
Crop area, ha	6092	5983	6708	6773	6532	4287
Gross yield, metric tons	6514	6943	8895	8230	7337	5738
Yield per ha, metric centner	10.7	9.9	13.20	12.00	11.20	13.40

Changes of tobacco leaf prices, soums/kg

Type of tobacco	Y e a r s							
	2008	2009	2010	2011	2012	2013	2014	2015
Izmir	2733	3417	3991	4301	4197	5412	6416	7435
Basma	2297	2983	3569	4010	3858	4681	5350	6324
Dubek	1160	1642	1912	2230	2387	2878	3236	3674
Virginia	-	2245	3011	3760	3525	4223	3877	5055
Average	1975	2685	3339	3654	3652	3751	4557	5622

Number and average crop area of tobacco growing farms

Indicators	Years							
	2008	2009	2010	2011	2012	2013	2014	2015
Number of tobacco farms	1413	988	727	688	661	637	655	617
Average crop area of tobacco, ha	4,30	6,10	9,20	10,00	9,90	6,70	6,40	5,20
Number of employed rural population	14623	13352	19969	18845	17792	14133	10213	8495
Average crop area per worker, ha	0,42	0,45	0,34	0,36	0,37	0,30	0,41	0,38

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Thank you

