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EMERGING PLAYERS IN THE EURASIAN WHEAT BELT REGION – UZBEKISTAN: OPPORTUNITIES AND CHALLENGES

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Poster anlässlich der 55. Jahrestagung der
Gesellschaft für Wirtschafts- und Sozialwissenschaften des Landbaues e.V.
„Perspektiven für die Agrar- und Ernährungswirtschaft nach der Liberalisierung“

Gießen, 23.-25. September 2015

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Abstract

Following the 1991 independence, Uzbekistan launched a program of national grain self-sufficiency supplemented by state subsidies and production targets. This policy measure also turned Uzbekistan from a wheat importer into an exporting country. Grounded on a throughout analysis of the post-1991 data and literature, we reconstruct the development trends in wheat sector of Uzbekistan and analyze whether it can emerge as a new player in food security in the Eurasian wheat belt region. The analysis and the discussions in the study suggest that the country has a potential to become an important supplier of wheat to neighboring countries. Although high-quality rainfed wheat is available from Kazakhstan, the central location and good road connections to the neighboring countries as well as less volatile wheat production under irrigation can provide some comparative advantages to Uzbek wheat producers. However, it is difficult to foreseen the further increase in wheat exports without the state procurement mechanism and interventions in the supply chains. Further improvement of the current procurement mechanism with introduction of market-based intensives to wheat producers is required to increase the production quality and efficiencies and the sustainability of wheat supply chain.

Keywords

Wheat production, Central Asia, Caucasus, wheat quality, climate change.

1 Introduction

In the Soviet Union, the Central Asian countries were mainly specialized in cotton production and demand for cereals were filled by production in Russia, Ukraine and Kazakhstan (RUK). This commodity exchange mechanism has collapsed in the earlier years of independence. Since, wheat is the major part of the caloric consumption in the region, the Central Asian countries boosted own wheat production. Transformation of the wheat supply chains was so intensive that some countries such as Uzbekistan, once net importer, started to export excess wheat to the neighboring regions. The majority of the Caucasian and Central Asian counties (CAC) reduced policy interventions in terms of grain self-sufficiency targets during the second decade of transition since their neighboring RUK countries boosted grain production and emerged as reliable exporters. However, high import dependency of CAC from RUK has created several challenges during the recent food crisis when the latter introduced several export restrictions. Thus almost all CAC countries reinitiated their policies towards increasing grain self-sufficiency via providing several form of subsidies to boost own production. Another important reason for increasing support towards domestic production can be the population growth and associated food demand pressure. For example, in the period from 2014 till 2050, the population of CAC and neighboring Afghanistan is project to increase by over 40%, from 113 mln people up to 160 mln. When taking the average national values of supply of wheat and wheat products in 2002-2011, without economic development, urbanization and prices changes, the projected population growth by 2050 additionally 7 mln t of wheat would be required.

This investigation of the evolution of Uzbekistan from wheat importer to wheat exporter can contribute an interesting example of transition economy which within a short time boosted domestic wheat production from self-sufficiency towards exporting to its neighboring countries. The study provides an overview of agricultural policy priorities in wheat supply in Uzbekistan which have not yet been well documented against growing number of discussions in the media. The recent development in wheat production in Central Asia can offer a completely new role for Uzbekistan's agriculture in contributing to the regional food security. In this respect, there are

few interesting questions which require further research attention. For instance, can Uzbekistan's wheat production in irrigated lowlands compete with rainfed wheat production in the neighboring countries? Can it contribute to the regional food security especially in years of weather extremes? This study attempts to provide first discussions on these topics.

2 Methodology

For our analysis we used official statistical data on cotton production at regional (oblast) level for Uzbekistan as well as Soviet statistics to reconstruct the historical wheat production and yield trends. To understand the drivers of the wheat trends in Uzbekistan, we looked at main agricultural policies as well as the existing publications such as reports and journal articles on restructuring of farms, agricultural production, and trade.

3 Results and conclusions

The data analysis shows that in Uzbekistan the agricultural sector experienced a wide range of reforms with the objective to maintain the provision of income and food security in rural areas. Among the core pillars of these changes was the national food self-sufficiency program that required the expansion of wheat production and its increasing importance for the state and agricultural producers. Prior to the independence, wheat demand was met through imports from other regions of the Soviet Union. After 1991, as wheat was declared a strategic crop, Uzbekistan has experienced enormous increase in its production mainly due to:

- adoption of high-yield wheat varieties and improved mechanisms of seed distribution,
- expansion of winter wheat cultivation area,
- increase in application rates of mineral fertilizers subsidies,
- development of milling industry and infrastructure,
- dismantling of state and collective farms and introduction of individual farms that largely specialized in grain production,
- import of modern grain harvesters.

A separate attention should be given to two facts related to wheat production in Uzbekistan. First, wheat production is under the system of state procurement where the state agencies control agricultural input supplies and farms contracted for a certain production target. Wheat supply chains are thus specialized by strong presence of the state, but at the same time allowing involvement of private entrepreneurship in all stages of the supply chains. The baking quality of locally produced wheat requires further policy attentions. As all management practices opt for quantity maximization with the given resource due to lack of proper quality award mechanisms, farmers lack intensives to improve wheat quality.

As its world market prices increased, wheat production in Uzbekistan became attractive not only within the national grain self-sufficiency program, but also as an export commodity. Comparative advantage of the country against lower quality when compared to rainfed wheat production in RUK is that wheat production in Uzbekistan is not correlated to climate change as observed in these countries. Uzbekistan could still export low price wheat in a years when RUK countries reduce their exports associated with weather extremes. Specific example could be provided from Uzbek wheat exports during the year 2008, 2010 and 2011 when RUK have introduced export quotas and export bans. However, it is important to mention that during those years Uzbekistan still imported high quality wheat from Kazakhstan. Thus, the wheat self-sufficiency program and uncorrelated production from main wheat exporters did not guarantee the isolation of local prices. Domestic wheat price remains dependent on international wheat and oil prices. This may also call for attention to improving the storage capacities since the country still requires high quality wheat to be imported for mixing with locally produced wheat.