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Leibniz Institute of Agricultural Development
in Transition Economies

Comparative Analysis of Wheat Supply Chains in Armenia and Uzbekistan

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- Introduction
- Data and Methodology
- Wheat producers
- Mills
- Bakeries
- Stores
- Conclusion

- Wheat is considered as an essential commodity in the region
- Grain self-sufficiency policies pursued by both countries to ensure national food security, but with different forms
- Different wheat production and self-sufficiency rates as well policy intervention methods
- Advantages and shortcomings of the implemented policies by these countries are not yet investigated

Development of wheat sector

Figure 1. Wheat consumption and stocks in Armenia

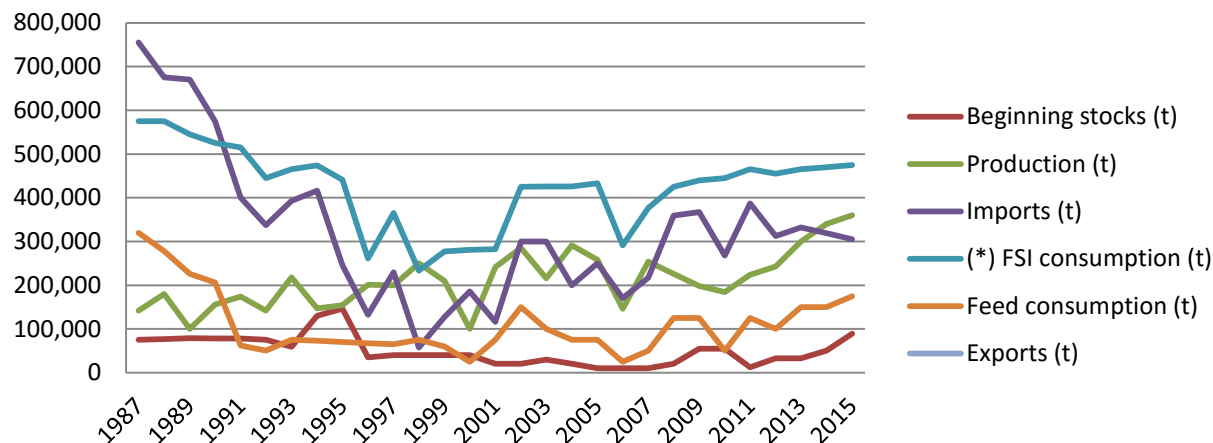
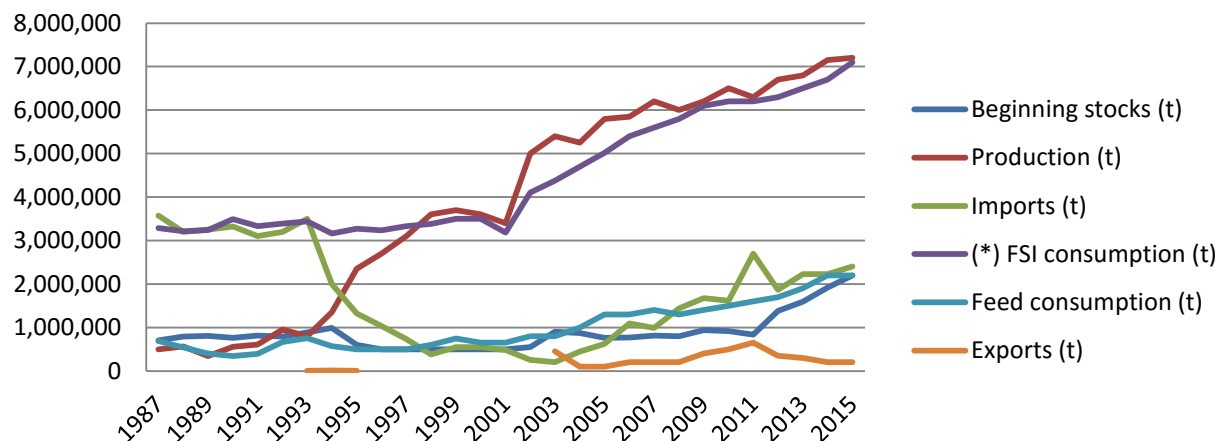


Figure 2. Wheat consumption and stocks in Uzbekistan



- Semi-structured interviews with stakeholders in the supply chain carried out
- Purposively sampling in order to present the largest diversity of cases

Interview regions:

- Shirak region (Armenia)
- Samarkand region (Uzbekistan).



- Average wheat sown area in Armenia 17 hectares and in Uzbekistan 41.25 hectares
- Main buyer of the wheat is middlemen **vs.** the state
- Type of payment form: cash **vs.** transfers and cash
- Producers in both countries face limited marketing options
- Average wheat price (USD/kg) received in 2014: 0.30 **vs.** 0.18
- Competition with imported wheat: compete **vs.** do not compete
- Farm assistance received: Armenian wheat producers receive state subsidies; Uzbek producers receive inputs and prepayments from company in the supply chain, the state credits and extension services.

- Average processing capacity per day: 117 tons in Armenia vs. 1,216 tons in Uzbekistan
- Yearly average percentage of imported and local wheat in the total amount of produced flour: local 50% and imported 50% in Armenia vs. 100% local in Uzbekistan
- Countries of origin for wheat imports in Armenia: 100% from Russia
- Average wheat purchasing price (USD/kg) in 2014: 0.31 vs. 0.18
- Average flour price (USD/kg) sold in 2014: 0.48 vs. 0.35
- Main wheat buying method: spot market vs. contract basis
- Determination of wheat price when it is bought from supplier: market prices vs. the state price
- Provision of assistance to suppliers: mills in Armenia do not provide any assistance, but mills in Uzbekistan provide credits, inputs and other forms of support during harvesting

- Average company's turnover per year: 142,717 USD in Armenia vs. 1,162,891 USD in Uzbekistan
- Type of flour used: mainly local flour in both countries
- Main suppliers: mills vs. OJSC "O'zdonmahsulot" enterprises
- Determination of flour price when flour bought from supplier: market prices vs. the state price
- Buying method: spot market vs. contract basis
- Assistance to suppliers: no assistance vs. prepayments
- Own distribution stores: no vs. yes
- Determination of price for end product: based on production costs vs. the state price
- Receipt of State subsidy: no vs. indirect subsidies

- Average store's turnover per year: 50,319 USD in Armenia and 206,882 USD in Uzbekistan
- Type of products sold: wheat, flour, pasta , bread and other baked products vs. bread products of about 20 types
- The average sales price of products in 2014: pasta 0.85 USD, flour 0.58 USD/kg and bread 0.084 USD/100g vs. local flour 0.39 USD/kg, imported flour 0.74 USD/kg and "Social" bread 0.043 USD/100g
- Buying method: spot market vs. contracts and spot market
- Assistances provided to suppliers: no assistance vs. prepayments
- Both sides do not receive state subsidies

Figure 3: Movement of local wheat products through supply chain stages in Armenia

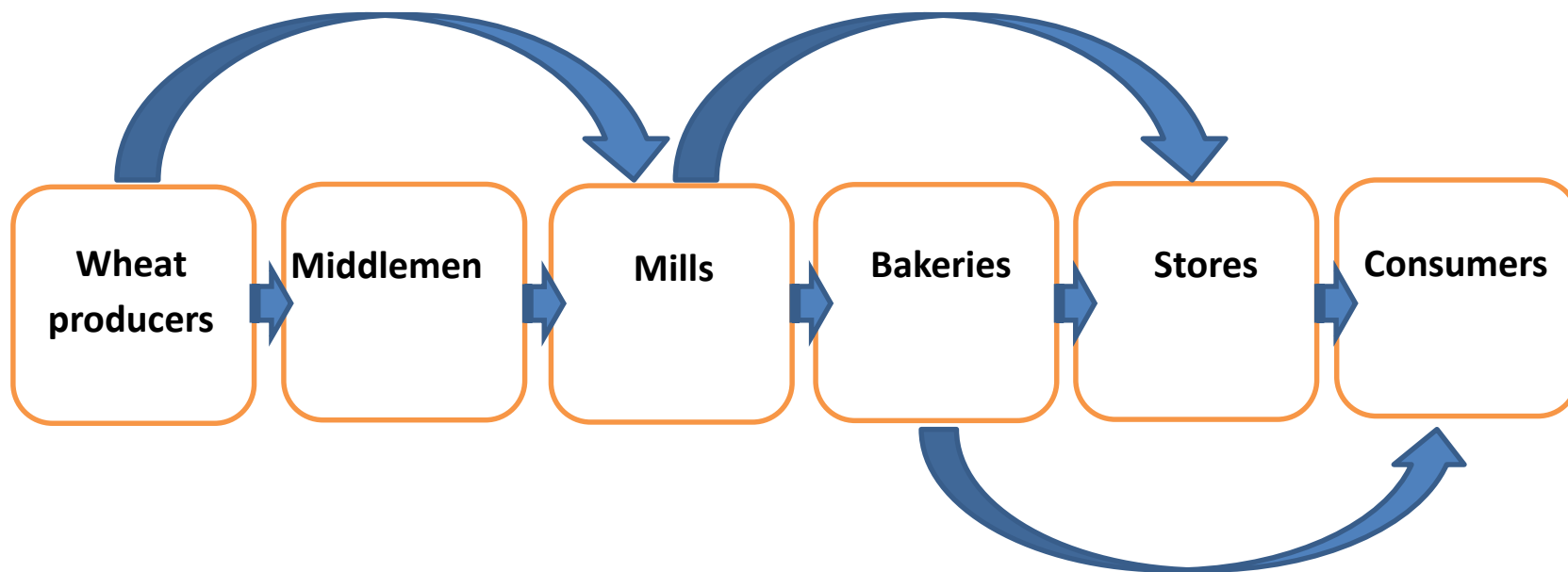
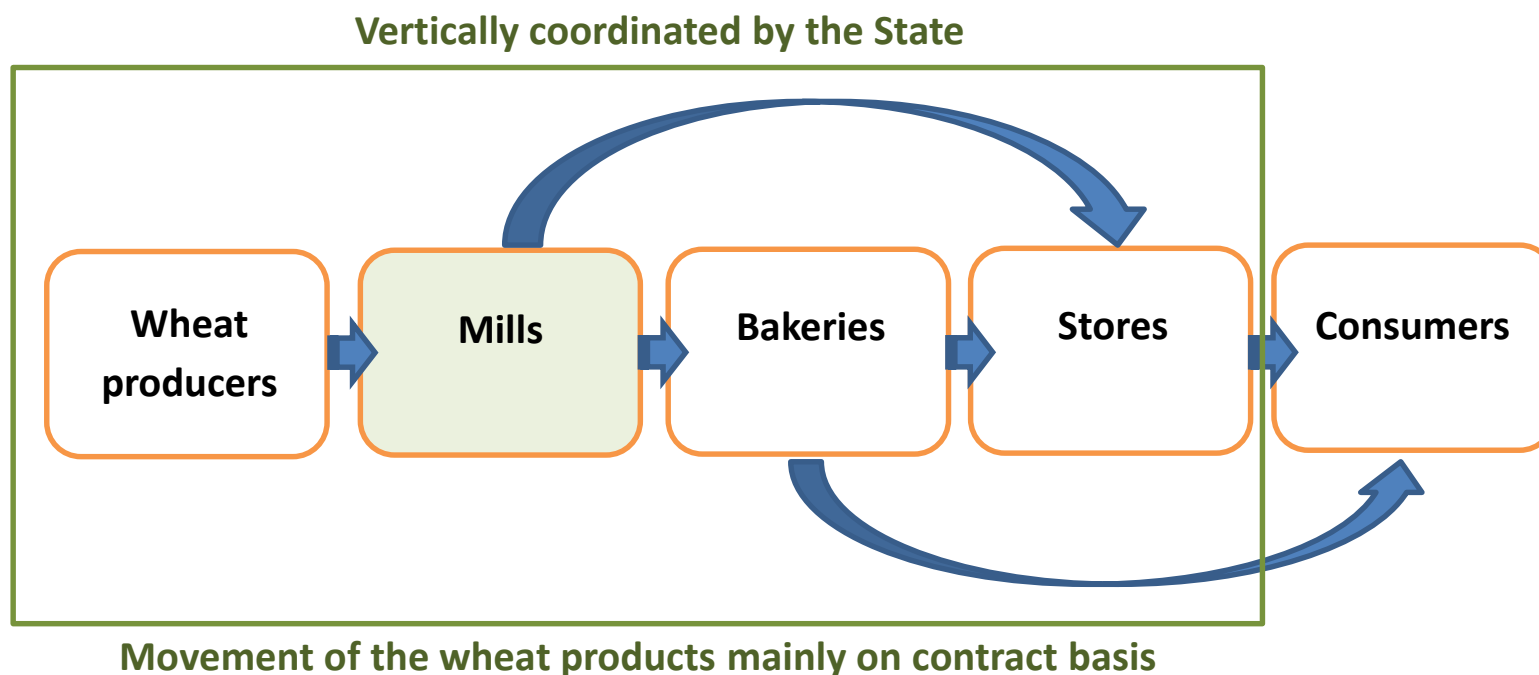


Figure 4: Movement of local wheat products through supply chain stages in Uzbekistan



Armenia:

- Armenia provides less support to wheat producers
- Wheat products' prices are not stable, vary depending on prices of imported wheat
- Production of local wheat depends on prevailing prices

Uzbekistan:

- Achievements as: support for local wheat producers and constant supply for the consequent levels of the wheat supply chain.
- The transaction costs are at the minimum levels and prices are stable due to vertical coordination of wheat supply chain by the State.
- Low farm gate price remain largest challenge for wheat growers in Uzbekistan



Thank you for your attention!!!