



Leibniz Institute of Agricultural Development
in Transition Economies

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Farm restructuring for promoting agricultural competitiveness in Uzbekistan

IAMO Policy Brief 36 analyses farm restructuring in Uzbekistan and suggests the next steps for enhancing productivity and raising the competitiveness of agriculture

Halle (Saale), 18 April 2019 – Along with the plans to diversify agriculture, downsize cotton area and promote rural industry clusters, the government of Uzbekistan initiated a new wave of farm optimization in January 2019. Given the momentum of agricultural policy reform, IAMO authors Martin Petrick and Nodir Djanibekov evaluate the success of farm restructuring so far. They ask what policymakers should do next to promote agricultural competitiveness without losing sight of the social consequences of reform. The IAMO Policy Brief is based on [joint work with the World Bank](#) as a part of the Analytical and Advisory Services supporting Agricultural Modernization in Uzbekistan.

Farm restructuring in Uzbekistan has followed a non-linear path through which the agricultural sector has been converted into a reliable provider of export earnings, food staples and farm jobs. The recent optimization efforts are directed towards enlarging farm sizes and diversification from cotton to horticulture and garden farms. However, a lack of finance, absent connections to marketing channels, missing role models and the complete inexperience of farmers with alternative farming technologies impede the further expansion of crops other than cotton or wheat. Recurrent farm restructuring campaigns accompanied by weak tenure security in land have curtailed farm management and investment incentives. “The result of this is that, despite arable land is distributed mainly to individual farms, high-value crops and livestock are still concentrated in households”, says Nodir Djanibekov, one of the authors and a researcher at IAMO.

Effects of recent liberalization attempts have yet to materialize in agriculture along with the goals of diversifying the production portfolio in individual farms. The global experience points at the need for

flexibility in farming structures, especially in an Asian context with limited land area, high population density, and a rapid urbanization. “Rather than targeting a particular type or size of farm by state-directed optimization programmes, the government should provide cultivators with market signals and an optimal set of supporting public services. Operators should be entrusted to take care of their farming operations themselves”, says Martin Petrick, one of the authors and a professor at Justus Liebig University Giessen, Germany.

According to the study, a liberalized market environment in agriculture has the potential to provide more coherent signals of economy-wide scarcities, thus raising efficiency and profitability of producers. Future government support should complement the market by providing essential public services, such as water and transport infrastructure, know-how, or rules facilitating domestic and international trade. Yet, bolder reforms will be required to further enhance productivity and raise the competitiveness of the agricultural sector.

These include the abolishment of the cotton and wheat quotas to permit the “freedom to farm”. Higher farm-gate prices for these strategic crops, occupying over a half of farm land, will increase the profitability of the sector. Formalization of commercial input and credit arrangements outside of government directives and access to an optimal set of supporting public services will be essential for the successful agricultural transformation. Importantly, unpredictable interventions in land allocation should be avoided to not dilute farmers’ investment incentives. Finally, raising labour productivity in agriculture will be impossible without releasing a major share of workers from the sector. Therefore, action beyond the agricultural sector will be required.

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Further information

IAMO Policy Brief 36 „Farm Restructuring in Uzbekistan: What Next?“ has been published in German, Russian and Uzbek. The publication can be downloaded free of charge at the following website: www.iamo.de/en/publications/iamo-policy-briefs.

IAMO Policy Briefs

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About IAMO

The Leibniz Institute of Agricultural Development in Transition Economies (IAMO) analyses economic, social and political processes of change in the agricultural and food sector, and in rural areas. The geographic focus covers the enlarging EU, transition regions of Central, Eastern and South Eastern Europe, as well as Central and Eastern Asia. IAMO works to enhance the understanding of institutional, structural and technological changes. Moreover, IAMO studies the resulting impacts on the agricultural and food sector as well as the living conditions of rural populations. The outcomes of our work are used to derive and analyse strategies and options for enterprises, agricultural markets and politics. Since its founding in 1994, IAMO has been part of the Leibniz Association, a German community of independent research institutes.

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