



# GLOBAL PRACTICE OF STATE-SUPPORTING THE AGRICULTURAL PART OF THE NATIONAL ECONOMY AND ITS APPLICATION TO UZBEKISTAN

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Article history:	Abstract:
<b>Received:</b> 26 <sup>th</sup> January 2023 <b>Accepted:</b> 26 <sup>th</sup> February 2023 <b>Published:</b> 30 <sup>th</sup> March 2023	The article examines in detail the world experience of state support for the agro-industrial complex, assesses the possibilities of its application in Uzbekistan in modern economic conditions. The subject of the research is the state agrarian policy of economically developed countries. The object of the study is the international practice of implementing programs and measures of state support for the agro-industrial complex. Particular attention is paid to the most effective tools and mechanisms of state support for agriculture in various countries of the world.
<b>Keywords:</b> Economics, Agriculture, Agribusiness, Agro-industrial complex, State Policy, Agrarian Policy, International Practice, Global Experience, Food Security, Modernization	

## I. INTRODUCTION

In the contemporary ever-changing and dynamic world, state regulation and support of the branches of the agro-industrial and agricultural complexes are priority areas of the economic policy of the developed countries of the world. The effectiveness of such a policy is an important factor in the well-being of the state and the basis for properly sustainable socio-economic development.

World agriculture is becoming increasingly dependent on market conditions, whereas before it developed mainly under the influence of protectionist policies. In this way, developing countries are now in a position to take advantage of investment and reap economic benefits, given the growing demand for food in these countries, the potential for increased production and comparative advantages in many world markets. Accordingly, the sustainable development and modernization of agriculture is a key priority of any macroeconomic development strategy of the country, aimed at economic growth and improving the welfare of the population.

Consequently, in 2017-2020, fundamental reforms were carried out in the agriculture of Uzbekistan, the results of which have already made it possible to ensure sustainable growth of the industry and improve resource efficiency. In the future, they will serve to the fullest use of the existing potential of the republic in agricultural development and make Uzbekistan one of the world leaders in the production and export of agrofood products. Ultimately, this particular article aims to study the global practice and

international experience in implementing state policy in agricultural sector of economy and how Uzbekistan could benefit and further implore the reforms.

## II. MATERIALS AND METHODS

In fact, the relevance of the study is related to the need to improve the system of state support for enterprises of the Uzbekistan's agro-industrial complex in the face of new external risks, geopolitical pressure and, in this regard, the formation of an import substitution strategy. The purpose of this work is to summarize and analyze foreign experience of state support for the agro-industrial and agricultural complex in order to develop a set of recommendations for improving the forms and tools of state support for agricultural manufacturers in the Republic of Uzbekistan.

The introduction of foreign experience in the regulation of agricultural enterprises is necessary to stabilize the agricultural industry, which, in its turn, allows introducing modern technologies, protecting the manufacturers and producers in the domestic market, stimulating the export of agricultural products, and ensuring the development of industrial infrastructure. A comparative analysis of trends in the state agrarian policy of the countries of the world will allow using their experience in order to adapt state support for Uzbekistan agriculture to international requirements and standards through cross-country evaluation and assessment.



### III. RESULTS AND DISCUSSION

In particular, agriculture in the United States has played a key role since the founding of the country. For migrants who moved to new land, mainly from Europe, farming was, above all, a guarantee of successful development, because food was a commodity of guaranteed sale, and land ownership secured future prospects. However, over time, this advantage turned into a disadvantage leading to the problem of over-production.

From time to time, the farming business also suffered from crop failures, which significantly hit the farmers' pockets. In order to support the industry, which contributed to the creation of jobs, gave, without exaggeration, strategic profits to the budget, and encouraged the development of the transport system, the US government introduced various types of assistance. Mostly, they came down to direct subsidies to farmers.

In 2014, the usual direct budgetary assistance was replaced at the legislative level by another instrument - risk insurance. Farmers do not know what the cost of their crops will be and what the weather will be like next season. Livestock owners also cannot be sure about the prices of their products due to the risk of losses due to adverse weather conditions or livestock disease. In general, US farmers can choose from two major marketing and insurance support schemes – such as Farmers Price Fall Insurance (PLC) and Agricultural Risk Insurance (ARC).

The first program is based on Farmers Price Fall Insurance (PLC), which provides compensation if crop prices fall below predetermined levels. The second program is related to Agricultural Risk Insurance (ARC); it provides payments to farmers in the event of a decrease in income below the national average.

Agricultural sector in Germany is virtually entirely represented by family farms. The state supports the agricultural sector, but not through subsidies or direct allocation of funds. The fact is that state aid is prohibited in the EU in accordance with paragraph 1 of Article 107 of the Treaty on the Functioning of the European Union, as it hinders free competition in the internal market. However, there are some exceptions to this fundamental prohibition. In particular, state assistance of a social nature is possible to individual consumers, humanitarian assistance and grants to farms that have suffered losses after the restoration of Germany.

For instance, let us consider the main instruments of state support for agriculture in other EU countries. For example, in Spain, support is provided

through the agricultural risk insurance mechanism. In Italy, the main element of support is the system of credit cooperation. In Greece, tax incentives are used, according to which agricultural producers are generally exempt from taxation. In Denmark, the state provides guarantees to farmers for their loans and soft loans to young farmers who have purchased their own farm.

Having analysed the international practice of state support for agricultural enterprises, it should be noted that Australia ranks fourth among the world's exporters of agricultural products. Once, the country declared a fight against discrimination of its products on the market of the EU countries and, obviously, did not lose. Thus, the Cairn Group, created in 1986, where Australia is in the lead, currently unites 19 countries producing agricultural products, they account for 20% of world exports.

Among the priorities of the Australian agricultural policy, as well as in New Zealand, is the protection of the income of efficient farmers in the face of instability in the markets and adverse weather conditions. Financial support from the Australian government is provided to farmers, as a rule, to compensate for losses caused by natural or man-made factors - mainly long periods of drought (irrigation and dry farming are combined throughout the country), floods, fires or other natural disasters.

Nowadays, the State of Israel also provides huge multi-level support to its farmers. Farmers are provided with the state loans at 10% per annum for up to 20 years, as well as quotas and are compensated for the cost of two-thirds of the fresh water used in agriculture. Furthermore, the state has developed a full-fledged system of incentives for those who introduce new technologies and innovations in Israel's agriculture. So, a farmer who has built a modern modernized greenhouse, the cost of which, for example, is 500 thousand US dollars, the state pays 30% of its cost, or a third of the construction loan is repaid. This approach is also important, because it is a powerful incentive for the development of agriculture in Israel.

On the other hand, for example in Canada, agriculture receives significant government support (annually varies between 6-8 billion US dollars), although it is several times less than in the EU countries. However, such low performance is explained by the unique Canadian system of state monopoly on the purchase of milk, cheese, eggs and poultry called "supply management". Specially created state-owned companies regulate the supply of these goods on the market, controlling domestic production and restricting imports with high duties that can reach 200%. Such a



system, on the one hand, allows Canada to avoid direct subsidies to the agricultural sector, and on the other hand, it harms consumers, because due to government regulation, prices for the final product in Canada are 30 to 300% higher than in other countries. Thus, buyers out of their own pocket support the national producer with high prices.

#### **IV. CONCLUSION**

In fact, having conducted a comparative analysis of state support programs for the agro-industrial and agricultural complexes in Uzbekistan and Canada, it can be concluded that state programs in Canada are much better developed. The state provides funds not merely for financial support of enterprises, but also for comprehensive assistance to the management of agricultural producers in order to maximize the quality of products, competitiveness of agricultural enterprises and their financial stability. As a result, the level of well-being of the Canadian population living in rural areas, which is employed in the agro-industrial sector, is significantly higher than those in Uzbekistan. It should be noted that the global practice of state support for Canadian agro-industrial and agricultural enterprises is of considerable interest for studying the possibilities of its application in Uzbekistan. However, in modern economic conditions, the development and implementation of such a set of programs in Uzbekistan can be very difficult due to the lack of an adequate level of training for specialists in the agricultural sector of the economy.

Thus, the creation of a competitive agricultural complex is impossible without strengthening the role of the state and supporting this sector of the economy. World experience shows that each country develops its own approaches to agrarian policy, has a certain system of state support, taking into account the features and traditions that have developed over the centuries and reflect the specifics of the country, the ecological and geographical features of the territories, the economic and social conditions of different regions, the traditions of peoples, the combination norms of social life and mentality. In developed countries, a key aspect in the development of farms is the state policy aimed at supporting agricultural production. Government support around the world is due to the strategic importance of this industry for the domestic economy and food security, as well as in order to keep the population in rural areas.

With respect to the conditions of the agricultural complex in Uzbekistan, the country is pursuing an active policy of reforming the agricultural

sector. The rejection of cotton exports and emphasis on food production, the formation of clusters instead of scattered farms, and the integration of the agricultural sector with processing production are the main directions of agricultural policy during the reform period.

In addition, low-income countries have their own comparative advantage, specifically in agriculture, which makes agriculture a priority sector for growth in an open economy. As leading economic development scholars point out, agriculture offers comparative advantage in the short term and, through the agro-industrial complex, a path to industrialization in the long term. For these countries, investment in agriculture may be the most cost-effective growth strategy towards industrialization and successful structural transformation.

Thus, using the potential of agriculture to develop the economy and increase the welfare of the population, choosing more effective approaches to using these potential and developing tools for the effective use of agricultural resources for development is the main task of the state policy of countries with a relatively low-income level, such as Uzbekistan.

In this sense, Uzbekistan is highly focused, as an emerging market, to implement a proper policy on state support of agriculture and agribusiness with an eye to accomplish such goals as:

- provision of the state and society with high-quality food and food products;
- stable situation in agriculture and processing industries;
- limitation of excess production;
- protection of the domestic market;
- guaranteeing the competitiveness of domestic agro-industrial enterprises.

The experience of developed countries proves that only highly effective mechanisms of state regulation of the agrarian sector of the economy can ensure high efficiency and competitiveness of the agro-industrial complex.

The analysis showed that there is a one-way content of the mechanism for implementing agrarian policy in the countries under consideration. Trends in Uzbekistan state support for agriculture generally correspond to the changes taking place in the countries of the world. The modern agrofood policy of Uzbekistan is gradually adapting to international requirements and standards. The structural restructuring of the agrofood complex should be facilitated by import substitution. An important direction in the implementation of the import substitution policy should be the capitalization of the



competitive advantages of Uzbekistan regions with a high share of agrofood activities, turning them into a growth factor.

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