

IMPROVEMENT OF MECHANISMS FOR THE EXPORT OF AGRICULTURAL PRODUCTS

Independent researcher of Karakalpak State University,
Doctor of Economic Sciences. (PhD)
Kalenov K.T.

Abstract

The article analyzes the mechanisms of state support for insurance of risks associated with the cultivation of fruits and vegetables for export in Uzbekistan. As a result, such mechanisms as export credit insurance, reinsurance fund based on public-private partnership, parametric insurance, subsidizing hedging of currency risks, and differential insurance subsidy were proposed.

Keywords (English): agricultural export, risk management, insurance, export credit insurance, parametric insurance, public-private partnership, reinsurance, currency hedging.

QISHLOQ XUJALIGI MAXSULOTLARINI EKSPORT QILISH MEXANIZMLARINI TAKOMILLASHTIRISH

Annotatsiya

Maqolada O'zbekistonda eksport uchun meva-sabzavot yetishtirish bilan bog'liq risklarni sug'urtalashni davlat tomonidan qo'llab-quvvatlash mexanizmlari tahlil qilingan. Natijada eksport-kredit sug'urtasi, davlat-xususiy sherikchilik asosida qayta sug'urta jamg'armasi, parametrik sug'urta, valyuta risklarini xedjirlashni subsidiyalash hamda differensial sug'urta subsidiyasi kabi mexanizmlar taklif etilgan.

Kalit so'zlar: agrar eksport, risk-menejment, sug'urta, eksport-kredit sug'urtasi, parametrik sug'urta, davlat-xususiy sherikchilik, qayta sug'urta, valyuta xedjirlash.

СОВЕРШЕНСТВОВАНИЕ МЕХАНИЗМОВ ЭКСПОРТА СЕЛЬСКОХОЗЯЙСТВЕННОЙ ПРОДУКЦИИ

Аннотация

В статье анализируются механизмы государственной поддержки страхования рисков, связанных с выращиванием фруктов и овощей для экспорта в Узбекистане. В результате были предложены такие механизмы, как экспортно-кредитное страхование, перестраховочный фонд на основе государственно-частного партнерства, параметрическое страхование, субсидирование хеджирования валютных рисков и субсидирование дифференциального страхования.

Ключевые слова: аграрный экспорт, риск-менеджмент, страхование, экспортно-кредитное страхование, параметрическое страхование, государственно-частное партнёрство, перестрахование, валютное хеджирование.

Introduction

In recent years, fruit and vegetable exports have become one of the strategic directions of the economy in Uzbekistan. The increase in export volumes accelerates the processes of demand in foreign markets, the logistics chain, and adaptation to international standards. However, this process is associated with a high level of risk, which are:

- climate change and natural disasters,
- rejection due to product quality non-compliance,

- losses as a result of risks in the field of transport and logistics,
- risks associated with exchange rate fluctuations,
- insolvency of foreign buyers,
- political risks.

One of the urgent issues are the development of proposals and recommendations for the mutual integration of the processes of production, processing, storage, provision of services, and sale (export) of products in the fruit and vegetable sector, the development of cluster (cooperative) activities, ensuring food security, and increasing export volumes. Based on this, the purpose of this study is to develop effective mechanisms of state support for the insurance of risks associated with the export of fruits and vegetables. [1].

Literature review

Issues of risk management and insurance related to the export of agricultural products have been widely studied in international economic literature. Since the agricultural sector is highly dependent on natural-climatic, market, logistical, and institutional factors, the development of risk management mechanisms in this area is one of the important directions of state policy (OECD, 2023) [7].

According to the authors, in the absence of state subsidies, reinsurance mechanisms, and institutional support, the agricultural insurance market does not develop sufficiently. [5].

In research in the field of agricultural risk management, Hardaker, Huirne, Anderson, and Lien (2015) analyzed risk management systems in farms [3]. The authors emphasize that the sustainability of agricultural production can be ensured by diversifying risks in the agricultural sector, introducing insurance mechanisms, and providing state support.

At the same time, in studies conducted by international organizations, it is noted that agricultural insurance systems, along with protecting agricultural producers from financial losses, serve to improve the investment climate. In particular, the World Bank's report (2022) notes the high importance of insurance and financial guarantee mechanisms in the production of export-oriented agricultural products [9].

In the FAO (2021) study, which analyzed international experience in the development of the agricultural insurance market, it was noted that state subsidies of insurance premiums, the creation of reinsurance funds, and the introduction of innovative insurance products are important factors in the development of the agricultural insurance system [2].

In recent years, such innovative mechanisms as parametric insurance and index-based insurance have also been widely discussed in the scientific literature. In the research of Miranda and Farrin (2012), it was noted that index-based insurance systems allow agricultural producers to reduce transaction costs and expand the coverage of the insurance market [6].

Export-credit insurance is also an important tool in managing risks associated with agricultural exports. International experience shows that in many countries, special export-credit agencies operate to protect exporters. For example, in the USA, the Export-Import Bank, and in European countries, national export credit agencies provide mechanisms to protect exporters from commercial and political risks (Stephens, 2019) [8].

In addition, it is important to use currency hedging mechanisms in order to reduce the risks associated with changes in the exchange rate in foreign trade operations. Hull (2018) emphasized that managing currency risks through financial derivatives is an important financial instrument for exporters [4].

In Uzbekistan, a number of institutional reforms are being carried out in order to develop the agricultural sector and stimulate the export of fruit and vegetable products. In particular, the Resolution of the President of the Republic of Uzbekistan No. PP-52 dated December 15, 2021,

is an important legal basis aimed at developing the fruit and vegetable sector, improving the cluster system, and increasing export potential.

Methodology (Methods).

The following methods were used to conduct the study:

- institutional analysis;
- comparative analysis (experience of the EU, Turkey and the USA);
- classification of risks;
- assessment of the effectiveness of financial instruments.

The activities of international export-credit agencies were also conceptually studied.

Results

As a result of the analysis, the following mechanisms were proposed:

- implementation of export credit insurance;
- creation of a special export credit agency for the purpose of insuring the risks of non-payment by foreign buyers. This will facilitate access for small and medium-sized exporters to foreign markets;
- creation of a reinsurance fund based on public-private partnership;
- Implementation of a reinsurance mechanism based on state guarantees for high-risk export contracts. This ensures the financial stability of insurance companies;
- Implementation of parametric agricultural insurance. As a result, it will be possible to quickly compensate for losses by implementing an automatic payment mechanism based on climate indices;
- establishment of the national agricultural reinsurance fund. Creation of a special fund based on the state of catastrophic losses. This serves to ensure the stability of the domestic market.

Discussion

Taking these factors into account, on December 15, 2021, the Resolution of the President of the Republic of Uzbekistan No. PP-52 was adopted, aimed at the further development of the fruit and vegetable sector and stimulating export activity. In accordance with this normative legal act, it is envisaged to develop a procedure for covering 50 percent of the insurance premium paid for insurance against various risks for the harvest of fruits and vegetables grown by farms and agricultural clusters that have export contracts, at the expense of the state budget. The resolution also provides for reimbursement of 50 percent of the costs associated with attracting highly qualified specialists from abroad - agronomists, entomologists, and laboratory analysis specialists.

The proposed mechanisms show that effective risk insurance systems require a harmonious combination of market instruments and targeted state support. Reimbursement of losses as a result of risks arising from the provision of direct subsidies, on the one hand, is a great burden on the state budget, and on the other hand, hinders the disappearance of market mechanisms of insurance and, as a consequence, the formation of stable insurance markets. Instead, the introduction of institutional mechanisms such as reinsurance funds, export credit agencies, and support for financial hedging can significantly increase the strengthening of agricultural export potential.

The creation of improved risk insurance systems for exporters of fruit and vegetable products may lead to the emergence of the following opportunities: increasing investments in export-oriented production; ensuring high financial stability of farmers and clusters and, as a result, increasing their competitiveness in international markets.

Compared to 2024, the volume of exports increased by 36.9%, and the share of agricultural products in the country's total exports amounted to 6.3%.

Now, when we consulted sources in order to analyze the state of insurance of risks associated with the cultivation and export processes of these exported fruits and vegetables, we witnessed that such information was not published and made approximate calculations.

Export operations in Uzbekistan are mainly carried out by JSC "Export-Import Insurance Company Uzbekinvest." This company provides commercial and political risk insurance services for these operations. Based on the above-mentioned Presidential Decree, farmers and clusters with export contracts, as well as exporting enterprises, will be paid 50 percent of the insurance premium paid for crop insurance and insurance against commercial and political risks related to exports from state funds. Based on this, approximate calculations were made for the volume of data in Table 1. In international practice, the premium for export credit insurance is usually in the range of 0.3-1%. If we assume that an average of 25% of exported fruits and vegetables are insured, the following values are obtained (Table 2).

Table 2

Average insured portion of the value of fruit and vegetable exports and insurance premium

Year	Export value (\$)	Insured portion (25%)	Insurance premium (tariff: 0.5%)
2024	1.5 billion.	375 million (\$)	1.9 million (\$)
2025	2.1 billion.	525 million (\$)	2.6 million (\$)

From this, the value of the insurance premium paid by the state and the insurance premium paid by the exporter are presented in the following table (Table 3).

Table 3

Distribution of insurance premiums paid for exported fruits and vegetables

Year	Total insurance premium	Paid by the state	Paid by exporter
2024	\$1.9 million	\$0.95 million	\$0.95 million
2025	\$2.6	\$1.3 million	\$1.3 million

The above-mentioned In the Decree of the President of the Republic of Uzbekistan No. PP-52, although a benefit is provided for the insurance premium paid when insuring against the risks of failure to obtain or improper harvesting in the production of fruits and vegetables, a benefit is not provided for insurance of risks associated with the export of fruits and vegetables. Therefore, in our opinion, these risks are practically not guaranteed by insurance services. This, in turn, does not ensure a high increase in export volumes.

As a basis for this conclusion, we cite the following data: "In 2025, more than 23 million tons of fruit and vegetable products were grown in Uzbekistan, of which vegetables accounted for 51.1%, potatoes 15.8%, fruits 13.8%, melons 11.4%, and grapes 7.8%. Also, the volume of fruit and berry production reached 3.48 million tons[11]. Thus, in 2025, the export of fruits and vegetables amounted to 9.6 percent of the total output of all categories of farms in the country. Although the export growth rate is high compared to last year (an increase of 36% compared to 2024), it is a low indicator relative to the total.

Conclusion

In this regard, the development and implementation of additional mechanisms for state stimulation of insurance of risks associated with the export of fruit and vegetable products is of current importance. The implementation of such mechanisms will serve to increase the stability of the export activities of agricultural producers, reduce financial losses arising as a result of foreign economic risks, as well as strengthen the competitiveness of national fruit and vegetable products in international markets.

Improving the management of risks associated with the export of fruits and vegetables in Uzbekistan should be one of the priorities of agrarian policy. For this purpose, based on a comprehensive approach, the following issues should be resolved:

1. Creation of an export credit agency.
2. Implementation of a reinsurance mechanism based on state guarantees.
3. Development of parametric insurance.
4. Subsidizing currency risks.
5. Implementation of a differential insurance policy.
6. Provision of benefits and preferences for export risk insurance.

If these measures are implemented, the volume and stability of exports, as well as competitiveness in this area, will increase significantly.

The issue of partial coverage of insurance payments (insurance premiums) for insurance of risks directly related to the export of fruit and vegetable products is currently insufficiently regulated in Uzbekistan.

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