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Prospects For Cotton and Textile Clusters in Uzbekistan

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ABSTRACT

Clusters have indeed been important in eliminating state planning and ordering in cotton production and in maximizing economic benefits along the entire cotton value chain. Clusters are organized to benefit both producers and processors. On the one hand, producers can benefit from guaranteed access to the market, advisory services, and modern technology. On the other hand, textile workers get access to raw cotton in agreed quantities and quality.

Keywords: clusters, investments, cotton and textile industry, cotton processing, farms.

Introduction: To be responsible investors, cluster organizers need to work harder on the following:

1. Fulfilment of investment and responsible cotton production commitments: Clusters must fulfil their investment and compliance commitments related to sustainable cotton production, processing and value chain development. Many clusters have large investment plans, and some may be exaggerated. It is important for the Government to monitor the implementation of investment plans and, if necessary, make adjustments to the size of clusters. Some clusters may be too large and should be split up. This would also be good for increasing local competition. Overall, meeting investment commitments and responsible cotton production is an important task for the Government to increase confidence in clusters.
2. Focus on Core Business: Cotton-textile clusters should prioritize investments in their core business of cotton production and processing. They were created to benefit both cotton producers and cotton processors. However, many clusters, often spurred by proposals from various ministries and agencies, have grandiose plans to invest in everything from cotton processing and textile manufacturing to grain storage facilities, greenhouses, vegetable oil production, and livestock farms. Such extensive investment plans distract clusters from their core cotton-textile business, increasing the risk of failure and contributing to their long-term dependence on government funds to finance cotton production and purchase.
3. Providing efficient services to farmers: Farmers expect technical and financial support in exchange for their work in cotton production, which generates income for many actors in the value chain. Many clusters already employ local and foreign agronomists to help farmers adopt new technologies and farming practices. Other clusters should do the same. Importantly, this support should not be seen as a directive from above: the final decision on which inputs and technologies to adopt should rest with farmers. Particular attention should be paid to improving seed quality:

clusters should be involved in the production, procurement, processing, storage and marketing of cotton seeds.

4. Paying a fair price for raw cotton: Without government procurement prices and in the absence of a free market pricing mechanism for raw cotton, farmers and textile mills will have to negotiate their own prices for raw cotton. Expected prices based on production costs and international prices to be published quarterly, as specified in Presidential Decree No. DP 4633, will inform these negotiations. Actual farm gate prices for raw cotton may be lower or higher than the export parity price, depending on the package of services provided by the clusters. If services are not provided, there is no reason why the actual price should be lower than the export parity price. If services are provided, the price may be lower, but cluster organizers must explain and negotiate with farmers to find a solution acceptable to both parties. Setting the price of raw cotton is one of the biggest risks for the cluster model, as without financial incentives, farmers will not be motivated to increase raw cotton production and improve its quality, which is an urgent task.

5. Avoiding old-era restrictions: The government and cluster organizers should avoid setting mandatory yields for farmers, such as minimum yields based on soil quality, as this would be the same as maintaining the state production plan and using it to terminate the land lease. Minimum or optimal yields calculated in Soviet times are not only outdated, but also do not reflect the real economic and social situation of farms. What is technically optimal may not be economically feasible. Estimates of optimal yields use an ideal scenario of input use, irrigation, and yield response to fertilizers and plant protection products. Reality is often different. With high input prices and poor irrigation, it may be more profitable for farmers to have lower than technically optimal yields. Soil fertility may be lower than the estimate made by the State Land Resources Committee several decades ago. And the quality of fertilizers and other resources may be worse than what is written on the bags of these products. Therefore, yields in contracting agreements should have an informational role, not a mandatory one, for failure to fulfill which the farmer will be held accountable.

Conclusions and suggestions.

The success or failure of clusters will also depend on the design and implementation of government support programs, including the following:

- Ensuring that hokims stop interfering with the production and marketing decisions of farmers and clusters: Presidential Decree No. DP-4633 prohibits hokims from interfering with the process of raw cotton production, the selection of varieties and other material and technical resources, and the use of loans by farmers and clusters. Time will tell how this new rule will be implemented. But without strict implementation, the cluster model will be discredited;
- prevention of cases of illegal seizure of land plots: In order to guarantee favorable conditions for producers, including to prevent cases of illegal seizure of land plots, it would be advisable to transfer the khokim's decisions on termination of the lease agreement for land plots for cotton production to special working groups consisting of the Chamber of Commerce and Industry, the Council of Farmers, Dehkan Farms and Owners of Household Lands and other relevant agencies for legal review;
- continued emphasis on the contract farming cluster model, especially where professional farms are sufficient: The government should continue to emphasize the promotion of the contract farming cluster model. This model is inclusive of the rural population and will allow for the cluster model to be easily phased out/modified in the future, if necessary, without harming the agricultural sector. The direct farming model is only necessary in areas with low population density, where farmers are unlikely to be able to grow cotton profitably because they cannot afford the investment in irrigation and drainage infrastructure and land management required for mechanized cotton growing and harvesting;
- implementation of a comprehensive program to promote the mechanization of cotton growing:

Subsidizing the purchase of locally produced cotton harvesting machines alone will not lead to a significant increase in mechanized cotton harvesting; additional government programs to increase capacity and investment are needed: a) farmers should be trained in cooperation in the field of weed control and the synchronous use of modern technologies to prepare cotton fields for harvesting with defoliant and stimulants; b) assistance is also needed in the construction of internal farm roads to enable large equipment to move between farm fields. Without such additional programs, the growth of mechanization will be very slow;

- Improving the quality of other public services: The Ministry of Agriculture and other government agencies should increase funding for and improve the quality of cotton variety selection, registration, seed production, seed multiplication and quality assurance, and work with high-quality seed production clusters. In addition, the Ministry of Agriculture should work more with clusters and the Uzbek textile industry to improve the quality and coverage of: a) information and advisory services; b) improving soil fertility and water management; c) collecting and disseminating market and statistical information, including forecasts of cotton production, trade, consumption and prices.

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