



PROSPECTS OF USING HEDGING IN THE FIELD OF AGRICULTURE IN UZBEKISTAN

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Abstract: This article analyzes the existing problems, risks and threats in the agricultural sector of Uzbekistan, as well as their solutions. The necessary solutions to a number of current problems are presented. as well as the possibilities of keeping the world experience in Uzbekistan, general information about hedging, the possibilities of keeping it in the conditions of Uzbekistan are explained in detail

Key words: hedging, futures, options, forward contracts, crop insurance, irrigation, fragmented land holders

Introduction

Hedging in agriculture refers to a risk management strategy employed by farmers and agricultural businesses to minimize potential losses caused by fluctuations in commodity prices, exchange rates, interest rates, and other market variables. By using hedging techniques, agricultural producers aim to protect themselves against adverse price movements and secure more stable revenues. Here are a few common examples of hedging practices in agriculture[7]:

Futures Contracts: Farmers can enter into futures contracts, which are agreements to buy or sell a specific quantity of a commodity at a predetermined price and future date. By doing so, they can lock in the price of their produce or inputs, protecting themselves from potential price declines or increases[6].

Options Contracts: Similar to futures contracts, options contracts provide the right (but not the obligation) to buy or sell a commodity at a specified price within a set period. Farmers can purchase options to hedge against unfavorable price movements while retaining the flexibility to choose whether to exercise the option or not.

Forward Contracts: In a forward contract, farmers and buyers agree to a specific price and quantity of a commodity to be delivered at a future date. This allows farmers to secure a fixed price for their produce, protecting them from price volatility.

Crop Insurance: Crop insurance is a form of hedging that provides financial protection to farmers against losses resulting from natural disasters, pests, diseases, or yield shortfalls. It helps mitigate the risks associated with unpredictable weather conditions and other uncontrollable factors. These hedging strategies are utilized worldwide in agricultural industries to manage price risks and stabilize income streams[3]. However, the specific approaches and instruments used can vary depending on the region, agricultural practices, and the nature of the commodities being produced. It's important for farmers and agricultural businesses to carefully assess their risk exposure and consult with financial professionals or agricultural experts to determine the most suitable hedging strategies for their specific circumstances.

The agricultural sector in Uzbekistan faces various challenges, but the government and stakeholders have been working towards implementing solutions. Here are some **key problems and suggestions**[5] for the agricultural sector in Uzbekistan:

1. **Fragmented Land Holdings:** One significant challenge is the fragmentation of land holdings, which hinders economies of scale and efficient agricultural production. To address this issue, there have been efforts to consolidate small land plots into larger, more manageable units. Encouraging land consolidation and supporting cooperative farming models can improve productivity and allow for better resource management.

2. **Outdated Irrigation Systems:** Uzbekistan heavily relies on irrigation for agriculture, but many irrigation systems are outdated and inefficient, leading to water wastage and reduced crop yields. Upgrading and modernizing irrigation infrastructure, adopting water-saving technologies, and promoting efficient irrigation practices can help conserve water resources and improve agricultural productivity[1].

3. **Lack of Access to Finance:** Limited access to finance is a common challenge for farmers in Uzbekistan. Enhancing financial support mechanisms, such as establishing specialized agricultural lending institutions, providing affordable credit, and offering financial literacy programs, can assist farmers in accessing capital for investments, purchasing inputs, and adopting modern farming techniques. **Post-Harvest Losses and Value Addition:** Post-harvest losses, inadequate storage facilities, and limited value addition options impact the profitability and competitiveness of agricultural products. Encouraging investment in post-harvest infrastructure, promoting proper storage and preservation techniques, and facilitating value-added processing industries can reduce losses and increase the value of agricultural products.

a) Knowledge and Technology Transfer: Access to modern agricultural practices, technologies, and knowledge is crucial for improving productivity and efficiency. Strengthening agricultural extension services, organizing training programs, and facilitating knowledge-sharing platforms can help disseminate best practices and innovative techniques among farmers[2].

b) Market Access and Diversification: Enhancing market access and diversifying agricultural products can reduce dependency on a limited range of crops and create new income opportunities. Developing efficient marketing channels, improving transportation infrastructure, promoting agricultural exports, and encouraging value chains and agribusiness development can facilitate market integration and boost farmers' incomes.

c) Environmental Sustainability: Sustainable agricultural practices are essential to preserve natural resources and ensure long-term productivity. Encouraging the adoption of organic farming methods, promoting agroecology, and implementing sustainable land management practices can protect soil fertility, reduce chemical use, and contribute to environmental conservation.

Conclusion

These are some of the challenges and suggestions for the agricultural sector in Uzbekistan. Addressing these issues requires collaboration between the government, farmers, researchers, and other stakeholders to implement policies, provide support, and create an enabling environment for sustainable agricultural development.

Hedging in agriculture can be utilized in Uzbekistan as a risk management strategy for farmers and agricultural businesses. While specific practices may vary, here are some ways hedging can be employed in the agricultural sector of Uzbekistan: **Futures Contracts:** Farmers

can utilize futures contracts to hedge against price fluctuations in agricultural commodities[6]. By entering into futures contracts, farmers can lock in prices for their produce, mitigating the risk of price volatility. This allows them to plan their operations and secure a predictable income. Options Contracts: Options contracts provide farmers with the right to buy or sell commodities at predetermined prices within a specific time frame. Farmers in Uzbekistan can utilize options contracts to protect themselves against adverse price movements

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