



## Current State of Trade of Agricultural Products of the Commodity Exchange in Uzbekistan

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### Abstract

To liberalize the economy and reduce administrative regulation in our country, to increase market mechanisms in the sale of highly liquid and monopolistic products, and to increase the level of transparency in stock exchange trading and to develop a healthy competitive environment, it is necessary to introduce modern information and communication technologies into the stock market. consistent measures are being taken.

**Keywords:** Commodity exchange; liquid and monopoly products; agribusiness; Investments and foreign trade.

### 1.Introduction

According to the decision of the President of the Republic of Uzbekistan No. PQ-4484 dated 08.10.2019, regardless of the form of ownership, to create equal conditions for the purchase of highly liquid and monopoly products for all economic entities and to activate stock trading in the republic, 2020 From January 1, a number of new procedures have been developed and implemented. Also, the President of the Republic of Uzbekistan dated 23.10.2019 No. PF-5853 "Strategy for the development of agriculture of the Republic of Uzbekistan for 2020-2030 in the Decree on approval" to ensure the safety of food products and improve the consumption ration, to develop and implement the state policy of food safety, which provides for the production of the required amount of food products; issues of reducing state participation and introducing mechanisms to increase investment attractiveness in the field, which involves increasing the flow of private investment capital to support the modernization, diversification and sustainable growth of the agricultural and food industry defined as nalisth.

Based on the above, in the current conditions, in order to support the sustainable growth of agriculture and food industry in our country, it is necessary to reduce the state participation in the field and local enterprises in the agricultural marketing, which involves increasing the flow of private investment capital. there was a need to analyze whether the products produced by the company are sold in the domestic market only through stock exchanges based on market principles, with equal opportunities for all categories of buyers to participate in stock exchanges.

The main goal of our research is to determine ways to develop the infrastructure of today's commodity market of the commodity exchange of agricultural products in our country. Based on this, it is our task to analyze the dynamics of Uzbekistan's Commodity and raw materials exchange trade, the purchase of agricultural material and technical resources through the exchanges, and the indicators of the sale of agricultural products through the exchanges, and to evaluate their stability. This article mainly analyzes relative indicators and the main purpose of this research is to determine the trends of sustainable development.

## **2. Literature Analysis and Methodology**

N.O.Yoldoshev and M.P.Yunusov suggest using the following approaches to the concept of the stock market in the analysis of commodity exchange trade [1] Commodity exchanges embody market mechanisms such as competition, demand, supply, price, and price. The exchange is a place where, on the one hand, the seller, who wants to sell goods, and, on the other hand, the buyer, who is trying to satisfy his demand, meet, both are independent economic entities. The buying and selling process is carried out through intermediaries - brokers, dealers, traders. In the stock market, as in other markets, the price of goods is directly related to supply and demand. If the manufacturer brings a new, improved product to the market, he has the right to pay a higher price for his product.

If the participants of the stock market also react positively to this situation, the profit received by the producer will be higher than the average profit indicator of the industry. This, in turn, prompts another manufacturer to retool to produce a more profitable product. In this case, entrepreneurs set the price of goods a little lower to attract more buyers. Over time, the need for the above-mentioned goods will be satisfied, the market will become rich and saturated, and the prices will stop at a certain place. If the producer of a new product cannot sell his product, if the product is not supported by the expected demand, the price of the product will gradually decrease until all the available batch goods on the exchange are sold [2,3]

## **3. Research Methodology**

Development of goods production in agriculture determines the objective need to form a market with appropriate categories and regulatory methods. In practice, there are two types of relations between the producer and the consumer. The first is carried out in accordance with the laws of production and circulation of goods using the market as an exchange. The second is the distribution of the produced product based on the requirements of study and accounting balance.[4]

The development of commodity production in agriculture determines the objective need for market formation with appropriate categories and regulatory methods. At the same time, to create market mechanisms for price formation of highly liquid and monopolistic products and to further develop the activity of the stock exchange, the list of goods sold only through stock exchanges it is necessary to expand, introduce new trading instruments that ensure the dynamics of stock trading.

## **4. Results**

The goals, tasks and main directions of agricultural development and regulation of the food market in Uzbekistan are defined based on the strategy of agricultural development of the Republic of Uzbekistan for 2020-2030 [5]. The infrastructure of the goods market is provided by wholesale and retail trade, which includes a network of stores and other enterprises designed for the storage and sale of goods. Their main goal is to provide normal conditions for the sale of goods. Commodity market infrastructure includes auctions, fairs, trade brokerage centers and commodity exchanges, etc.

Regardless of the form of ownership, in order to create equal conditions for the purchase of highly liquid and monopoly products for all business entities and to activate stock trading in the republic: according to the decision of the President of the Republic of Uzbekistan No. PQ-4484 dated 08.10.2019; [6]

From January 01. 2020: one of the highly liquid and monopolistic products produced by legal entities with a state share of 50% or more in the charter fund or a legal entity with a state share of 50% or more in the charter fund. Part is exported only through stock exchanges according to the quotas established by the Ministry of Investments and Foreign Trade of the Republic of Uzbekistan.

In the development of a favorable agribusiness environment for agriculture, monopolistic enterprises, and organizations with a state share in all categories of technical oil, feed, household soap, oil solvent, petroleum paraffin and copper copper in the domestic market only through stock trading on the basis of market principles. it is envisaged that buyers will be provided with equal opportunities to participate in stock exchanges.

Today, we can observe that the share of agricultural products has increased compared to last year.( Figure 1.)

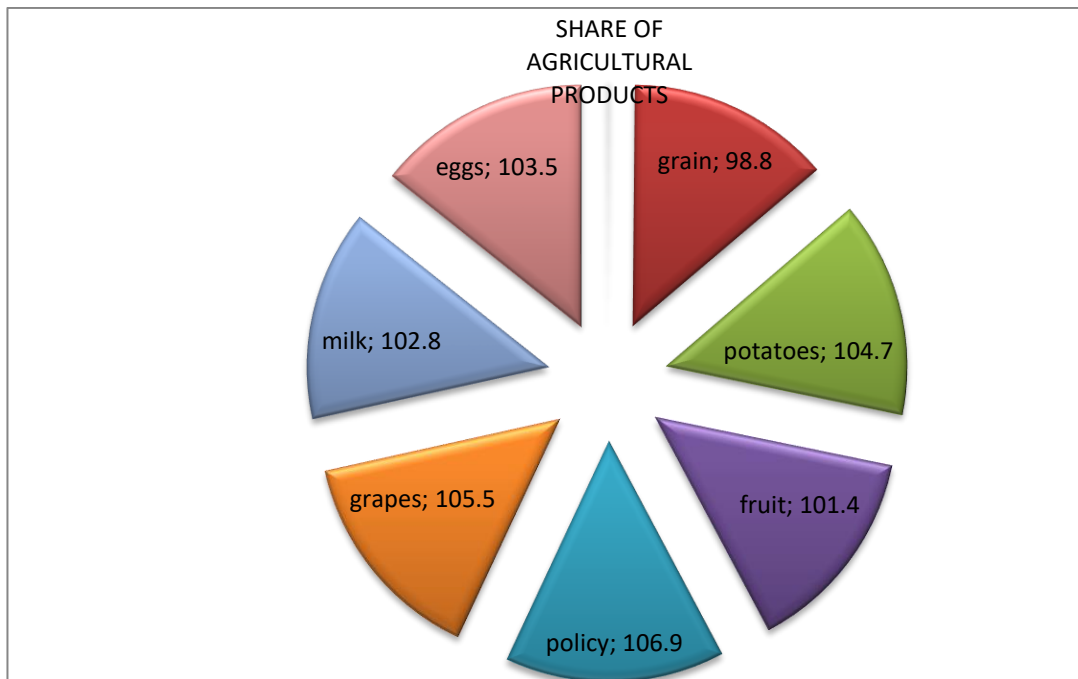


Figure 1: Share of agricultural products.

In agricultural marketing, sugar produced by local enterprises is sold in the domestic market only through stock exchanges, based on market principles, with equal opportunities for all categories of buyers to participate in stock exchanges, to consumers located in remote and hard-to-reach areas of the republic. the fact that the volume sold through its own trade networks on the basis of a direct contract, not exceeding 10% of the total production volume is excluded, leads to an increase in the efficiency of the trade of agricultural products of the commodity exchange; At the same time, the role of material and technical resources in the development of agricultural economy marketing is incomparable, because today is the age of technology and technology.

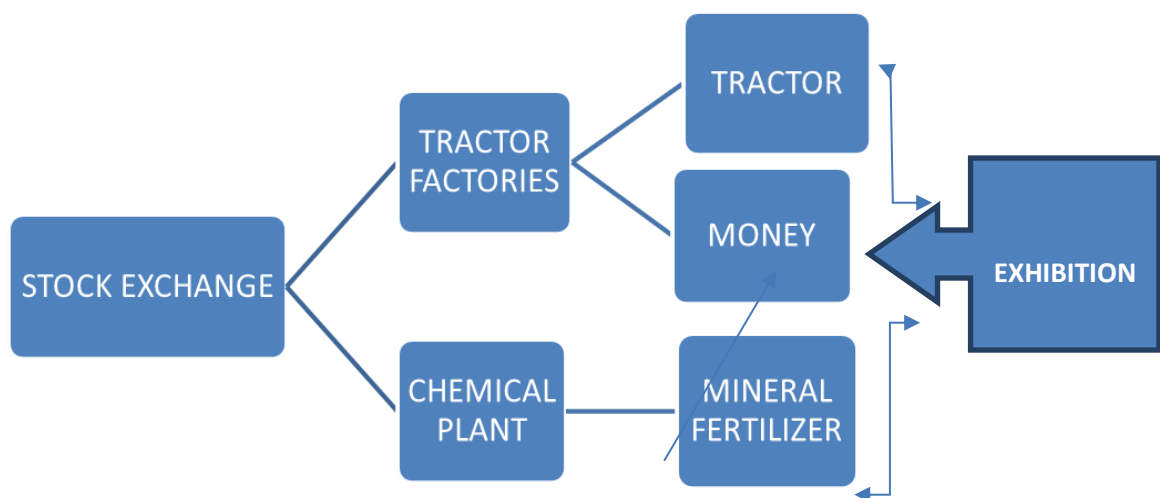


Figure 2: Purchase of material and technical resources through exchanges.

Farms should use effective ways and methods to strengthen the base of material and technical resources, spend less and get more profit. We can see that farms must have enough technologies to develop a favorable agribusiness environment. Therefore, all enterprises can buy, repair, assemble, assemble and build the material and technical resources they need. For example, they can build buildings themselves or give them to contractors, assemble and repair cars, tractors, combines themselves or at specialized enterprises.

They can buy new agricultural machinery, chemicals, fuels, and feed directly from their manufacturing enterprises, and from factories with the help of exchanges and auctions. Figure 2

Purchase of material and technical resources through exchanges. "If the stock market does not work effectively, there will be no market relations. Exchange trading forms free competition, opens new markets for entrepreneurs, sharply reduces the "hidden economy" and corruption, says the head of our state. Speech at the meeting on increasing trading at the Commodity Exchange and expanding the participation of local enterprises on May 17, 2022 in the word [7, 10]

## **5. Discussion**

### **As a result of the reforms, we can analyze the following:**

In the last three years, the turnover of the stock exchange has doubled to 90 trillion soums, the number of goods for sale has increased three times (from 200 to 627);

- In accordance with paragraph 1 of the decision of the President of the Republic of Uzbekistan No. PQ-4484 dated October 8, 2019, sugar produced by local enterprises is sold in the domestic market only through stock market trades, based on market principles, with equal opportunities for all categories of buyers to participate in stock market trades. A limited part of the sugar produced until 2020 (12.5-13.5 percent of the production) was sold in the open market, and the rest was sold through direct contracts through dealer networks.

If we take the example of enterprises, in 2019, "Angren Sugar" LLC sold a total of 28,800 tons of sugar in the stock market, and in January 2020, 20,000 tons of sugar are planned to be sold in the stock market. Similarly, Khorazm Sugar LLC sold 27,400 tons of sugar in the stock market in 2019, and 18,000 tons of sugar are planned to be sold in January of this year. it is possible. A several times increase in the volume of sugar sold through stock exchanges will in turn make it possible to fully satisfy the demand for sugar.[8] –

- 20 trading platforms of the exchange were established in foreign countries, and products worth 170 million dollars were sold in 4 months of this year;

- last year, 1274 foreign companies began to place large volumes of products on the stock exchange of Uzbekistan.

Now, a new system for taking local products to the stock exchange is being developed. This means an additional income of 2 trillion soums for the farmers.

In particular: - from July 1, a separate prospective goods section was established at the stock exchange, and the products produced by local entrepreneurs were sold without additional documents.

- the best-selling goods will then take place in the main trading areas of the exchange;

- simultaneously with the state registration of entrepreneurs, the registration procedure was introduced in the stock exchange;

For example, although almost 1.5 million tons of technical seeds were obtained from last year's cotton crop, 939 thousand tons or 56 percent of them were released to the stock exchange. Or, 20 of the 119 oil companies that received seeds from the stock exchange did not put cottonseed oil on the stock market at all. Therefore, the task of establishing systematic control over the placement of highly liquid products in stock market trading was set. In this case, the responsibility for the

enterprises that directly sold the goods that are mandatory to be placed on the stock exchange, especially technical seed and cotton oil, will be increased.

If we observe the price of oil and flour on the stock market, we can see the following prices. The average price of cottonseed oil sold at the commodity exchange in January was 14,949.5 thousand soums for 1 ton of product. The minimum price of cottonseed oil in this month's sales was 10,947.1 thousand soums, and the maximum price was 16,479.5 thousand soums.

**Average prices of cottonseed oil sold** at the Commodity Exchange of the Republic of Uzbekistan in January-May 2022, tons/thousand soums. (Figure 3)



Figure 3: Analysis of the price of cottonseed oil sold at the Commodity Exchange of Uzbekistan from 01.01.2022 to 30.05.2022.

It was prepared based on the data of the Commodity Exchange of Uzbekistan.

**From July 1, 2022, the Ministry of Agriculture of the Republic of Uzbekistan announced the expected minimum price of grain for the 2022 grain harvest based on the analysis of world prices.**

In the current conditions, the analysis of the cost structure of farm products and its elements is an important and urgent issue. In this regard, the general requirements for determining the cost of products are defined in the Regulation "On the composition of the costs of production and sale of products (work, services) and the procedure for the formation of financial results". These requirements are also used to determine the cost of products in the activities of farms [9].

Therefore, from July 1, farmers and clusters put wheat on sale at market prices, which is why the Ministry of Agriculture of the Republic of Uzbekistan announced the expected minimum price of grain based on the analysis of world prices: 3 million/1 ton.

If we look at the analysis of the sale of grade 1 flour at the Uzbekistan Commodity Exchange in 2022, we can see the relative amount of the dynamics of the displays on June 01-14. (Fig. 4)

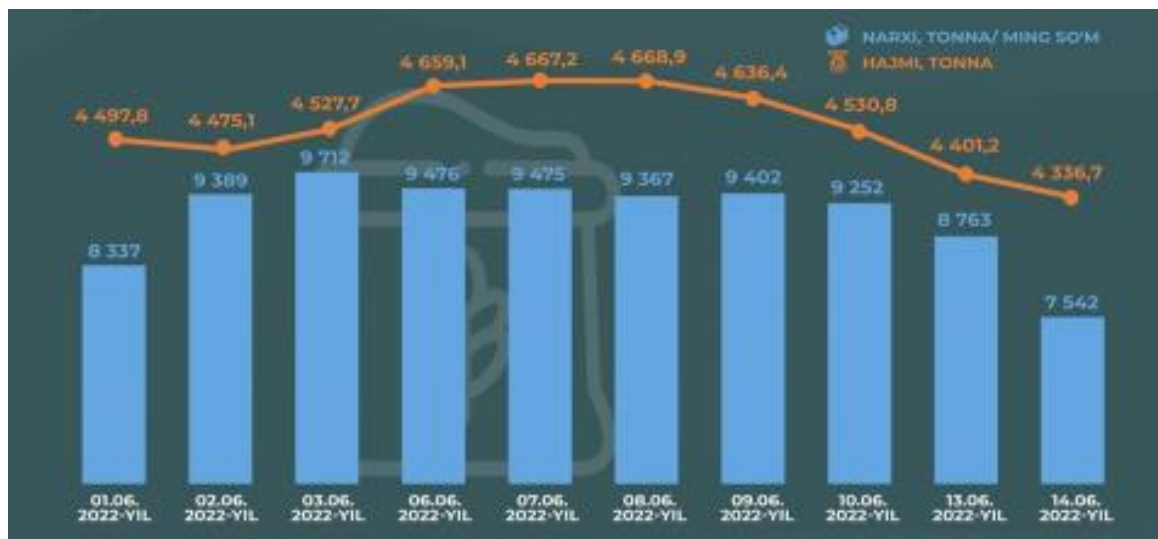


Fig. 4: Analysis of the price of the 1st grade flour sold at the Commodity Exchange of Uzbekistan on 01.01.2022-06.01.2022. [11]

One of the global problems is the need to increase the financial literacy of agricultural enterprises in terms of stock exchange, brokerage and auction concepts, which in turn is formed in multiple trading experiences. For this reason, registration of all producers of agricultural products specializing in grain preparation in the stock exchange, training them in trade and connecting brokers was envisaged, and the sale of state shares in 20 grain enterprises was ordered by August 1.

## 6. Conclusion

In conclusion, it can be said that the development of commodity production in agriculture determines the objective need to form a market with appropriate categories and regulatory methods. At the same time, it is necessary to create market mechanisms for price formation of highly liquid and monopolistic products and to further develop the activity of the stock exchange only through stock trading. It is necessary to expand the list of goods for sale, to introduce new trading instruments that ensure the dynamics of stock trading.

Researcher A.Kh. Burkhanov in his research included the commodity market infrastructure of today's trade of agricultural products of the Commodity Exchange. The infrastructure of the goods market is provided by wholesale and retail trade, which includes a network of stores and other enterprises designed for the storage and sale of goods. Their main goal is to provide normal conditions for the sale of goods. He mentions that commodity market infrastructure includes auctions, fairs, trading centers, and commodity exchanges, and that exchanges are today's convenient trading market.[4]

In our opinion, the following institutional measures should be taken to increase the stability of agricultural products trading activity of the Commodity Exchange:

- broad and understandable review of proposals for the sale of agricultural products to potential buyers (daily exchange bulletin);
- market formation of prices of agricultural products based on supply and demand;
- product seller advance payment-clearing houses are transferred mortgage schemes product sale use exchange only exchange contract after shipment of goods;
- the possibility of offering agricultural products of Uzbek producers to the commodity platforms of foreign stock exchanges;
- reliance on stock transactions by foreign partners with a guarantee of delivery and payment;

Because the status of agricultural enterprises specializing in the preparation of only one grain in the commodity exchange of all producers is 4 million/1 ton in practice, while it was planned for a minimum of 3 million/1 ton today. As a result, it can be seen that the purchase price of 1 ton of wheat for needs was increased from 1.55 million soums last year to 3 million soums for the 2022 harvest; If we study the market demand based on the population, 1.78 million tons of wheat purchased by the Agricultural Fund will be put on the market based on the demand; 500,000 tons of wheat remaining at the disposal of farmers will be taken to bread production enterprises for temporary storage (temporary storage costs will be covered by the state). As a result, the provision of product delivery in the domestic market will be another global solution that can meet the demand. Now, a new system for taking local products to the stock exchange is being developed. This means an additional income of 2 trillion soums for the farmers. Of course, there should also be adequate supply for this purpose: increasing the number of mills, expanding the area of grain cultivation and increasing its productivity, introducing a system for covering the transportation costs for the delivery of flour and flour products to remote villages, as well as flour and flour from other regions of the country and abroad. It is necessary to prevent shortages in the market by importing products, to ensure price stability.

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