

DEVELOPMENT OF UZBEKISTAN: MODERNIZATION OF AGRICULTURE AND EXCHANGE INNOVATIONS IN THE TEXTILE INDUSTRY

Madetova Nilufar Maxkamjan qizi
Student of the Nukus Branch of the Samarkand State
University of Veterinary Medicine, Animal Husbandry and Biotechnology

Muratbeva Sabira Bekmurzaevna
Student of the Nukus Branch of the Samarkand State
University of Veterinary Medicine, Animal Husbandry and Biotechnology

Ubbiniyazov Muratbek Azat ugli
Student of the Nukus Branch of the Samarkand State University of
Veterinary Medicine, Animal Husbandry and Biotechnology

ABSTRACT	KEYWORDS
This article describes significant initiatives launched by the Uzbekistan government for the development of agriculture and the textile industry. Through collaboration between the Ministry of Agriculture, the Ministry of Economy and Finance, and the Cotton-Textile Cluster Association, steps have been taken to implement international financial reporting standards. Plans for conducting independent audits of the clusters' performance are also discussed. Special attention is given to the role of the Uzbek Republican Commodity and Raw Materials Exchange and new exchange instruments, such as cotton futures contracts, in the development of agriculture and the attraction of foreign investors. It is emphasized that these measures contribute to economic growth, improvement of the population's well-being, and the resolution of social issues.	Uzbekistan, agriculture, textile industry, international standards, financial reporting, exchange innovations, cotton futures contracts, sustainable development, foreign investors, economic growth.

Introduction

"The development strategy is a crucial function enabling the state to determine long-term priorities, development directions, major risks, and competitive advantages. Thanks to intensive innovative technologies in the agricultural sector, it is planned to double the income of farmers and dekhans while ensuring an annual growth of the agriculture sector by at least five percent. The President's decree on

additional measures for the development of free-market relations in agriculture opens up new opportunities for the agro-industrial complex.

The development strategy of the agro-industrial sector implemented in our country in recent years is primarily aimed at ensuring food security, expanding export opportunities, and creating favorable conditions for farms and clusters. Equally important are measures to improve market relations in agriculture. The President of the Republic of Uzbekistan's decree from December 2023 outlined new priorities in this direction, providing a range of opportunities for participation in market relations. Starting from the 2024 harvest, cotton delivery futures contracts are concluded based on trading results on the Uzbek Republican Commodity and Raw Materials Exchange within the soil fertility norms. Cotton grown beyond the volume required for delivery under the futures contract is either sold by producers through the exchange of entrepreneurial entities or processed without entering into a futures contract with the cluster. According to this document, the composition of the Republican Headquarters for ensuring transparency and full functioning of the new cotton crop trading system was approved.

"One of its main tasks is to prepare proposals for improving the control mechanism over the cultivation, storage, and sale of cotton, as well as financing its cultivation, organizing work for the auctioning of cotton, cotton fiber, and secondary products. As for the new financing arrangement, starting from October 1, producers and seed-producing entities that have entered into futures contracts are allocated loans up to 60% of the cotton's value at an interest rate of 10% per annum, with a term of 14 months, including a 12-month grace period. Clusters are also allocated loans of up to 60% and 80% of the product's value with grace periods of 3, 6, and 18 months. Currently, seminars are being held to explain the essence and significance of the new document to farmers and cluster leaders. Foreign specialists are also involved in these meetings to enhance the knowledge of trading participants. During a seminar with the participation of the founder of the Mainig Mattels Exchange, Laman Rutto, opportunities and expected outcomes of the President's decrees were highlighted.

The procedures for participating in commodity exchange auctions were thoroughly explained during the seminars. Currently, cotton commodity exchange auctions are conducted based on market principles and transparency, with prices being solely determined by supply and demand. Representatives of the agricultural sector are extensively briefed on the updated procedure for establishing and operating clusters. In particular, applicants must organize at least two stages of textile production capacity, be registered and conduct activities in the territory of Uzbekistan, and have no negative credit history. Applicants wishing to organize cluster activities are selected through an open and transparent online competition, with the Republican Commission for Coordinating the Activities of Cotton-Textile Clusters abolished.

The Ministry of Agriculture, in collaboration with the Ministry of Economy and Finance, as well as the Association of Cotton-Textile Clusters, has been tasked with implementing international financial reporting standards in clusters starting from January 1, 2024. It also includes conducting an independent external audit of the efficiency of cluster activities and financial indicators with the involvement of reputable international auditing organizations. Clusters are obliged to continue purchasing cotton grown by agricultural enterprises at prices specified in the agreement, and to make a 20% final settlement from their own funds by December 31 of the financial year.

The Uzbek Republican Commodity and Raw Materials Exchange ensures transparency in trade and establishes market prices for goods, contributing to the formation of a competitive environment.

Thanks to the clearing system, over 98% of transactions concluded on the exchange are fully executed and completed with actual delivery of goods. The annual transaction volume corresponds to 15% of Uzbekistan's GDP. It is gratifying that in recent years, goods on the exchange have also been sold based on forward contracts. Special attention is given to new projects actively supported by the government, particularly the country's president. The introduction of new exchange instruments, including cotton futures contracts, is part of these projects. Initiating this project will enable local farmers to sell their products at free market prices and eventually fully master hedging instruments. In the future, cotton commodity exchange auctions are expected to gain popularity, creating a global benchmark for Uzbek cotton. Overall, the new exchange instruments will contribute to building trust among foreign investors in Uzbekistan.

Undoubtedly, sustainable development and modernization of agriculture are key priorities in the country's macroeconomic strategy aimed at economic growth and improving the well-being of the population. The effective agrarian policy, implemented in accordance with the decrees and resolutions of the country's leadership, contributes to the solution of many social problems.

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