WAYS TO IMPROVE THE MECHANISM OF FINANCING AGRICULTURAL PRODUCTS EXPORT

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Abstract: This article examines the current state of financing mechanisms for agricultural product exports and proposes ways to enhance their effectiveness. Through a comprehensive literature review and analysis, the study identifies key challenges in export financing and presents strategies for improvement. The research emphasizes the importance of innovative financial instruments, government support programs, and international cooperation in boosting agricultural exports.

Keywords: agricultural exports, export financing, trade finance, agricultural policy, financial mechanisms.

Introduction. The export of agricultural products plays a crucial role in many countries' economies, including Uzbekistan, contributing significantly to GDP and providing employment opportunities in rural areas. However, the financing of agricultural exports remains a complex challenge, often hindering the sector's growth potential. This article aims to analyze the existing mechanisms for financing agricultural product exports and propose ways to improve them, focusing on both global practices and Uzbekistan's specific context.

The agricultural sector faces unique challenges in export financing due to factors such as seasonality, price volatility, and perishability of products [1]. These characteristics make traditional financing methods less suitable, necessitating specialized approaches to support export activities. As global trade continues to evolve, it is imperative to develop more effective and innovative financing mechanisms to enhance the competitiveness of agricultural exports in the international market.

Main part. This research is based on a comprehensive review of academic literature, policy documents, and reports from international organizations and Uzbek sources. The study analyzes data from various sources, including the World Bank, Food and Agriculture Organization (FAO), and Uzbekistan's Ministry of Agriculture. The analysis covers both theoretical frameworks and practical case studies to provide a holistic understanding of the topic.

The literature review reveals several key mechanisms currently used for financing agricultural product exports:

1. Pre-export financing: This mechanism provides working capital to exporters before shipment, allowing them to fulfill orders and manage cash flow [2]. It is particularly important for small and medium-sized enterprises (SMEs) in the agricultural sector.
2. Export credit insurance: This tool protects exporters against non-payment risks, enabling them to offer more competitive terms to buyers [3]. It is crucial in mitigating the risks associated with international trade in agricultural products.
3. Warehouse receipt financing: This mechanism allows farmers and exporters to use stored agricultural products as collateral for loans [4]. It helps address the seasonality issue in agricultural production and exports.
4. Export factoring: This financial service involves selling accounts receivable to a third party at a discount, providing immediate cash flow to exporters [5]. It is particularly useful for SMEs lacking access to traditional bank financing.
5. Government export support programs: Many countries, including Uzbekistan, offer various forms of support, including export subsidies, guarantees, and preferential loans to agricultural exporters [6]. These programs aim to enhance the competitiveness of domestic agricultural products in international markets.

In Uzbekistan, the government has implemented several programs to support agricultural exports. For instance, the Export Promotion Agency of Uzbekistan provides financial and non-financial support to exporters, including those in the agricultural sector [7].

The research identifies several key challenges in financing agricultural product exports, with specific attention to Uzbekistan's context:

1. High risk perception: Financial institutions often perceive agricultural exports as high-risk due to factors such as weather uncertainties, price volatility, and political risks in importing countries [1].
2. Lack of collateral: Many small-scale farmers and agricultural SMEs lack sufficient collateral to secure export financing [4]. This is particularly prevalent in Uzbekistan, where land ownership structures can complicate the use of land as collateral [8].
3. Information asymmetry: Limited information about international markets and buyers increases the perceived risk for lenders [2]. In Uzbekistan, this is exacerbated by the need for improved market intelligence systems [9].

4. Regulatory constraints: Complex and varying regulations across countries can impede the flow of finance in agricultural export transactions [6]. Uzbekistan has been working on simplifying export procedures, but challenges remain [10].

5. Limited access to specialized financial products: Many agricultural exporters, especially in developing countries like Uzbekistan, lack access to tailored financial products that address the unique needs of the sector [3].

Based on the analysis of current mechanisms and challenges, several strategies can be proposed to improve the financing of agricultural product exports, with specific recommendations for Uzbekistan:

Enhancing risk assessment and management tools: Developing more sophisticated risk assessment models specifically tailored for agricultural exports can help financial institutions better understand and manage risks. This could include incorporating data on climate patterns, market trends, and political stability in importing countries [1]. In Uzbekistan, this could involve collaborating with international financial institutions to develop country-specific risk assessment tools [9].

Promoting innovative financial instruments: Encouraging the development and adoption of innovative financial instruments can address the unique needs of agricultural exporters. For example, weather index insurance can help mitigate climate-related risks, while blockchain-based supply chain finance can improve transparency and reduce transaction costs [2]. Uzbekistan could pilot these innovative instruments through partnerships between local banks and international financial institutions [10].

Strengthening government support programs: Governments can play a crucial role in improving agricultural export financing by enhancing existing support programs and introducing new ones. In Uzbekistan, this could include expanding the mandate of the Export Promotion Agency to provide more targeted financial support for agricultural exporters, especially SMEs [7].

Fostering international cooperation: Increased cooperation between countries and international organizations can help address regulatory barriers and promote harmonization of export financing standards. Uzbekistan could benefit from closer cooperation with international financial institutions and regional partners to develop common frameworks for agricultural export financing [8].

Improving financial literacy and capacity building: Providing training and education programs for agricultural exporters, particularly SMEs, can enhance their ability to access and utilize various financing mechanisms effectively. In

Uzbekistan, this could involve collaboration between the Ministry of Agriculture, financial institutions, and international organizations to deliver targeted training programs [9].

Leveraging digital technologies: The adoption of digital technologies can streamline export financing processes and reduce transaction costs. Uzbekistan has been making strides in digitalization, and this momentum could be leveraged to develop digital platforms for agricultural export financing [10].

Encouraging value chain financing: Promoting financing mechanisms that consider the entire agricultural value chain, rather than focusing solely on individual exporters, can improve overall export performance. In Uzbekistan, this could involve developing programs that support financing across different stages of the agricultural export value chain [8].

Developing specialized financial products: Financial institutions should be encouraged to develop products tailored to the specific needs of agricultural exporters. In Uzbekistan, this could include collaboration between local banks and international financial institutions to design products that address the unique challenges faced by Uzbek agricultural exporters [7].

Conclusion: Improving the mechanism of financing agricultural product exports is crucial for enhancing the competitiveness of Uzbekistan's agricultural sector in the global market. This study has identified several key strategies for improvement, including enhancing risk assessment tools, promoting innovative financial instruments, strengthening government support programs, fostering international cooperation, improving financial literacy, leveraging digital technologies, encouraging value chain financing, and developing specialized financial products.

Implementing these strategies requires a coordinated effort from various stakeholders, including the Uzbek government, financial institutions, international organizations, and agricultural producers. By addressing the unique challenges faced by agricultural exporters and capitalizing on emerging opportunities, Uzbekistan can significantly boost its agricultural export performance.

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