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GAIN Report

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Fruit and Vegetable Overview and Increasing Exports to Russia

Report Categories:

Agricultural Situation

Vegetables

Fresh Fruit

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Report Highlights:

Fruit and vegetable production and exports continue to grow in Uzbekistan. Russia's import ban from Western countries may boost Uzbek exports to Russia.

General Information:

Market overview

Uzbekistan is one of the leading producers of fresh fruits and vegetables in Central Asia. According to Food and Agriculture Organization (FAO) statistics, Uzbekistan is among the top five producers of apricots in the world, the sixth largest producer of cherries, and 17th in apple production. In the past 10 years, Uzbekistan increased the total area of fruit orchards 1.2 times.

Uzbekistan's continental climate with hot summers is ideal for growing many popular fruit and vegetable crops. The fruit and vegetable production sector is one of the fastest developing and prospective areas in Uzbekistan's agriculture. Moreover, since 2005, the increased production of fruits and vegetables was considerably higher than that of planted areas, due to an increase in yields. In particular, fruits and berries production has increased 97.9 percent in the past decade. The considerable production growth in fruits and vegetables is mainly attributed to increased domestic demand and growing exports.

In 2013, the weather conditions were favorable for fruit and vegetable growers, and based on official data, CY2013 total fruit production is estimated at 2.26 million tons, and total vegetable production is estimated at 10.76 million tons. CY2014 total fruit production is forecast to increase to 2.47 million tons and vegetables to 11.28 million tons accordingly. According to local experts, by 2020 Uzbekistan's production of fruits and vegetables is forecast to increase 2.3 times compared to 2014.

For further information on Uzbekistan's fruits and vegetable production, see the latest FAS GAIN report Uzbekistan Fresh Deciduous and Stone Fruits following the below link

http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Uzbekistan%20Fresh%20Deciduous%20and%20Stone%20Fruits_Tashkent_Uzbekistan%20-%20Republic%20of_2-19-2014.pdf

Existing Production Problems

One of the major problems existing in fruits and vegetables production sector is postharvest losses as a result of improper harvesting (damage during harvesting), poor handling, lack of hygiene in packaging (wooden pallets are not disinfected) and inadequate storage after harvesting. Usually small growers do not have packing centers that collect large amounts of fresh crop, store, calibrate and package the produce for the local or export markets. Most of the primary producers of fruits and vegetables are mainly concentrated on the production with limited attention given to harvesting, which results in bruises and damage of products. Also, limited attention is given to the temperature of the product during and after harvest and this has critical consequences during the later stages of processing, packaging, storage, distribution and sale of fresh produce.

Government Policy

Over the last five years, the Government of Uzbekistan (GOU) adopted several decrees and acts on further developing fruits and vegetables production, reconstructing existing fruit orchards and

establishing new orchards and vineyards. The GOU has recognized the importance of alternative crops (fruits and vegetables) to the national economy. More than 25,000 hectares (ha) of new orchards were established in Uzbekistan over the past five years, and the GOU is planning to establish an additional 15,000 ha of high-density orchards in 2014-2015. This reflects a gradual transition from inefficient cotton production to other high-value crops, which use water and other inputs more efficiently.

In order to encourage and provide incentives to farmers involved in horticulture sector and to promote exports of fresh produce, GOU has introduced a system of privileges and preferences for farmers. They include, among other things, a significant simplification of procedures for registration of export contracts and a considerable reduction of registration fees. In addition, a “one-counter” mechanism for registration of export deals with customs authorities has been established. It allows exporters to undergo several official procedures simultaneously: customs registration, declaration, certification, sanitary-epidemiologic inspection, etc. For the purpose of eliminating excessive bureaucratic barriers and creating favorable conditions for exporters, GOU adopted a special resolution on the reduction of no less than two-fold of the rate of fees charged for customs registration for exported fruits and vegetables in 2011. Moreover, an electronic system of exports declaration has been introduced.

Additionally, a few years ago GOU adopted a program of development and strengthening of the material-technical base for fruit-and-vegetables storage for the period of 2011-2015. The document specifies the plans for construction of new refrigerators for the storage of fruits and vegetables and reconstruction of existing ones. Enterprises operating in the storage sector are granted exemption from customs payments until the year 2015 for imported refrigerating and storage equipment, spare parts and components, loading and unloading machinery, which are not manufactured domestically. The program’s implementation will lead to putting into operation additional storage capacities, thus making it possible to store 120,800 tons of fruit and vegetables simultaneously. GOU and private business plan to allocate additional 187 billion Sums for the construction of new refrigeration facilities and reconstruction of existing ones. During the first six months of 2014, Uzbek companies set up 29 new modern cold storage facilities with total storage capacity of 13,500 tons.

(Currency exchange rate: \$1.00= 2389 Uzbek Sums)

Exports

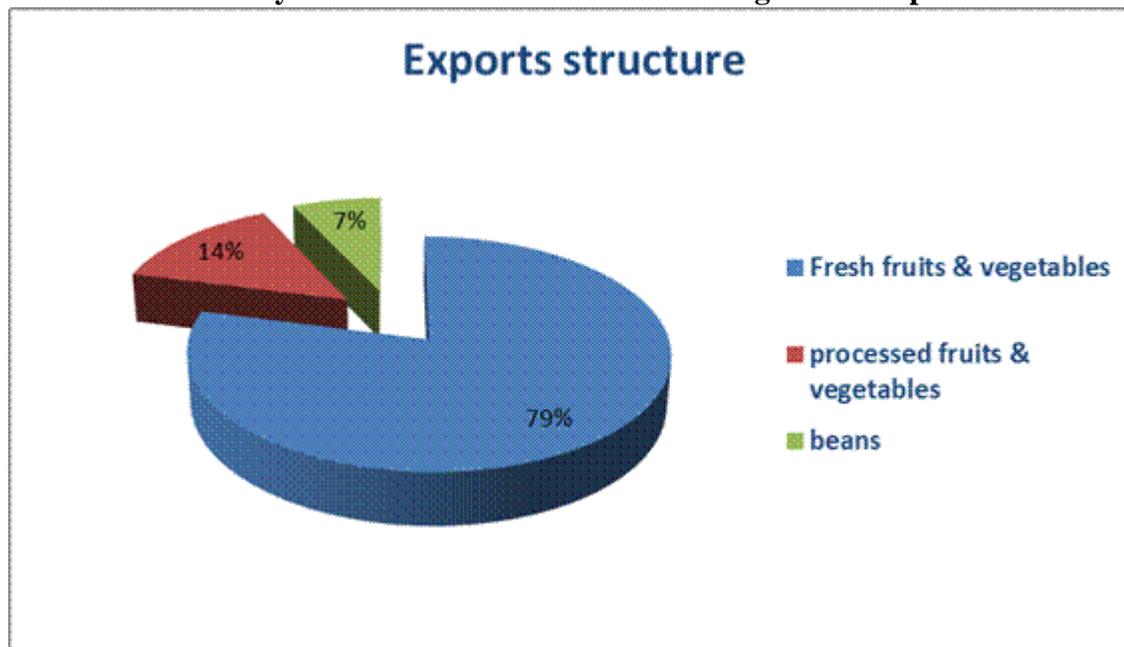
Since 2004, Uzbekistan’s export volumes of fruits and vegetables increased from 72,000 tons to 500,000 tons, while exports value in US dollars increased more than 25 times (fruits – 5.1 times, vegetables - 7.8 times and grapes – 8.7 times). Leading popular exports items are apricots, grapes, plums, pomegranates, melons, raisins, walnuts, peaches, beans, onions, carrots, cabbage and tomatoes. In CY2013, Uzbekistan exported 548,000 tons of fruits and vegetables worth US\$1.5 billion. Out of this volume, 200,000 tons of fresh produce worth of US\$300 million was shipped to Russia. Uzbekistan exports more than 180 different varieties of fresh and processed fruits and vegetables to more than 80 countries in the world. Russia and Kazakhstan are the two major export destinations.

In addition to exports of fresh fruits and vegetables, over the past several years Uzbekistan has been actively increasing its potential in exporting processed agricultural products, in particular, fruit juices. For instance, within the past ten years the volume of fruit juice exports more than doubled from 8,300 tons to 18,300 tons. Currently, there are more than 30 juice producing factories in Uzbekistan. A few of these factories have been actively exporting their products, mainly to Russia and Kazakhstan.

According to Ministry of Agriculture and Water Resources (MAWR) officials, by 2016 Uzbekistan plans to double exports of agricultural products to Russia up to 500,000 tons. As of September 2014, Uzbekistan reportedly exported US\$400 million worth of fruits and vegetables to Russia. According to market observers, in the past two years Uzbekistan surpassed even well-established exporters of agricultural products to Russia such as Poland, Spain, Argentina, Morocco and Italy.

According to local experts, the major constraining factors for increasing Uzbek fruits and vegetables exports to Russia are still technical conditions of existing specialized transportation means and strengthening quarantine measures by Russian customs border authorities.

Chart 1. Commodity Structure of Uzbek Fruits and Vegetables Exports



On August 7, 2014, in retaliation for the Western sanctions, the Russian Government issued a decree banning imports of certain agricultural commodities including fresh fruits and vegetables from the United States, the European Union, and other Western countries for one year. In view of this ban and expected shortage of certain food items in its domestic market, Russia hopes to cover this short-fall by increasing domestic production, as well as increasing imports of agricultural products from other countries of South America, South Eastern Asia, China, Turkey, Uzbekistan, Azerbaijan and Tajikistan.

Uzbekistan market analysts see the ban as an excellent opportunity to expand the country's fruits and vegetables exports to Russia over the next two years. Russian independent observers also believe that Uzbekistan is being considered a potential exporter of fruits and vegetables into the country, as long as the quality of delivered products meets Russian food standards and is sold at reasonable prices.

In September 2014, senior officials from the Russian Ministry of Economic Development visited Tashkent and held negotiations with Uzbek counterparts on issues of streamlining organization and increasing volumes of exported fruits and vegetables from Uzbekistan to Russia. During this meeting,

both sides discussed the details of future cooperation between Uzbek suppliers and potential Russian importers, as well as commercial proposals of Uzbek export companies. Market observers believe, within the next several months the concrete steps will be taken in order to implement the objectives reached during these negotiations.