

# **Basic Problems and Perspectives of Cotton Sector Development in Tajikistan**

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As per statistics the last year annual production of cotton was 420 thousand tons, which is less than 50% than it was 1990 (in 1990г. - 900 thousand tons)

In 2008 cotton was planted on 237,700 hectares. Cotton forms 8 % of the GDP and income out of all export 15% belongs to cotton export.

In cotton-growing sector almost 75 % of the rural population is engaged in cotton production and 53% of cotton is grown on irrigated land. 60 % of the agricultural production belongs to cotton growing sector. Taxes and duties collected for the budget of the country from the cotton sector equals to 27 %.

The amount of a working capital for cotton growing sector for cultivation, as per the technology and the quality of inputs varies from year to year. It ranges from US\$500 to 650 per hectare or it is equal to US\$115,0-130,0 million for the country.

In the past, the banking system in Tajikistan was not developed properly and farmers could not give credits. The Government invited foreign investors to assist in the development of cotton growing sector During last years the debts of cotton-growing dehqan farms increased, because of different reasons and they could not reimburse in time the credits received from their foreign investors. The following are the basic reasons for defaults.

The internal reasons:

- Cotton is the crop which needs a lot of investment, the cost of processing and transportation is also quite high;
- The inputs used by farmers are not appropriate to the requirement and because of that the production is low and the profit out of this crop is also low;
- Many modern farmers have not enough qualification;
- Unsatisfactory condition of the soil;
- The agricultural machinery is very old and do not match with agro-technical requirements;
- Legislation should be adjusted to the new market economy;
- Some local authorities still intervene in the management of the private farmers' activities.

The external reasons:

- fluctuations in global prices of cotton

Year 1995 – US\$1814/ton

Year 2002 – US\$957/ton

Year 2006 – US\$1200/ton

Increase in the global prices of petroleum and mineral fertilizers - 4 times;

- problems of transportation

The Government of Republic of Tadjikistan decided to provide loan to farmers via local banks as farmers could not work any more with investors because of continuous rise in cotton debts. The survey of the cotton sector indicated that for the development of the cotton sector the country needs substantial investment and some donors, for example EBRD provided to the local Banks long – term privilege loans.

The investment in the 2008 crop as of August 1, 2008 was 81.6 million US dollars out of which:

Via Banks – 54.5 mln dollars (67 %);

Via investors – 27.1 mln dollars (33 %);

The reimbursement of the debts depends on the issue, that the land still belongs to the Government and the farmers could not use it as collaterals. The assets of the farms are quite limited and could not be

used as the collateral. If the land could be used as the collaterals, the commercial banks could be involved in the process of crediting cotton growing sector of the country more actively.

To overcome the situation the Government of Tajikistan has undertaken the further steps to continue economy reforms.

- " the state order for producing the cotton was cancelled;
- " the state organization "Glavkhloprom " was liquidated;
- " the internal and external trade were liberalized
- " the ginneries were privatized.

It is expected, that the undertaken measures will allow to increase volumes of production up to 525 thousand tons in 2008.