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APPLICATION OF FOREIGN EXPERIENCE IN REGIONAL REGULATION OF AGRICULTURAL PRODUCTION

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Abstract

In the current conditions of globalization, the economies of countries around the world are experiencing processes of global competition between states. This article is devoted to studying foreign experience in the application of the import substitution concept in agriculture. In this regard, the authors examined the advanced practices of several countries, such as the USA, Norway, Finland, the United Kingdom, Sweden, and others. Attention is also given to new practices in foreign countries for ensuring food security, and new methods of agricultural production are proposed.

The article notes that in order to achieve strategic goals in substituting imported products, the state needs to use modern tools and establish cooperation with developed countries that have extensive experience in this area. This will help ensure the development of the national economy, improve socio-economic standards, and is of great importance for minimizing the country's dependence on foreign products.

Keywords

import substitution, economic strategy, stimulation of foreign investment, food security, advanced machinery and technologies, legislation, investment policy, contract farming, farms.

Interconnected processes occurring in the world, particularly economic processes, compel every country to establish international relations. Every state seeks to raise the standard of living of its population. The development of a state is impossible without external financial support, which, as is well known, comes in the form of foreign investment.

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The Law of the Republic of Tajikistan "On Investments" classifies foreign investment activities as investment activities carried out by foreign citizens, legal entities, foreign states, international financial institutions, as well as stateless persons [6].

In the current conditions, when the impact of the global financial crisis is acutely felt, the question of the scale and forms of state support for the agricultural sector of the national economy increasingly arises at scientific conferences and republican forums. This is due both to high unemployment levels in the USA, the EU, Japan, and other countries, and to the intensification of the global food crisis, which has led to a significant increase in retail prices for basic food products.

Modern machinery and technology used in agriculture determine its efficiency. Therefore, state investment can be directed toward restoring technical and technological equipment, as well as completing construction projects planned and initiated under targeted programs.

The agricultural sector faces a number of problems that require constant renewal, which entails financial investment. Accordingly, state investment can be directed toward:

- restoration of technological and technical equipment;
- completion of construction projects planned and initiated under targeted programs;
- research and development in animal husbandry and crop production;
- development of storage facilities in agriculture and processing industries;
- construction of housing in the regions;
- support for household farms, individual farmers, and financing of production and consumer cooperatives where the activity of private investors is expected to be minimal;
- elimination of the consequences of accidents, natural disasters, and environmental catastrophes.

In market conditions, the socio-economic stability of European countries and the United States has become a model to emulate. But what are the implications of such progress across all sectors of Western economies? And what does this progress mean for the agricultural sector?

Foreign Europe is known for its focus on livestock production, meaning that the agricultural profile of this region is primarily oriented toward animal husbandry. The main branch is cattle farming, predominantly for dairy and mixed dairy-meat purposes. Natural, climatic, and historical conditions in this region have laid the foundation for the development of three types of agriculture:

1. **Northern European Type.** This type is characteristic of countries such as Norway, Finland, the United Kingdom, and Sweden. It is distinguished by the prevalence of intensive dairy farming, and in crop production, the focus is on the cultivation of fodder crops.

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2. **Central European Type.** This type is characterized by a combination of dairy and mixed dairy-meat livestock production, as well as pig and poultry farming. Denmark, often referred to as the "dairy farm of Europe," is one of the largest producers and exporters of butter, milk, and eggs in the world.

3. **Southern European Type.** Crop production in this type not only supports livestock farming but also meets the food needs of the population. The main cereal crops are wheat, barley, corn, and rye.

The development of countries, particularly within the European Community, in terms of budgetary support for agriculture, is based on four main directions:

- direct budgetary payments to agricultural producers;
- support for rural development;
- structural support for agriculture (investment projects);
- financing of general services provided to rural areas (government measures).

In EC countries, price support for agricultural producers holds a special place. Maintaining agricultural prices at a certain level is a heavy burden both for the state and for taxpayers, yet price stability is a key instrument for ensuring food security and preserving the productive potential of agriculture. For example, in Switzerland, food prices are higher than the world average; however, the population accepts this situation, understanding the negative consequences of lowering prices for agriculture and, ultimately, for the national economy.

As practice shows, in countries with advanced scientific and production potential, agricultural support is provided even when it entails financial costs for the state.

One of the important means of ensuring food security and preserving the productive potential of agriculture is price stability. Price support and regulation in EC countries is a heavy burden both for the state and for taxpayers. Switzerland is considered one of the prosperous countries in Europe; however, it is also known for its high food prices, which exceed the world average. Despite this, the population understands the state's pricing policy and the consequences of lowering prices for agriculture and, subsequently, for the entire national economy.

In addition, state regulation of agriculture in EC countries is carried out through budgetary support of farm prices, primarily in the form of subsidies. Through budgetary subsidies, the state regulates production volumes and product sales, influencing, on the one hand, farmers' incomes via prices, and on the other, their expenditures through preferential loans and tax policies.

National authorities of the EC monitor market prices, where agricultural products account for 86–96% and include wheat, barley, rye, maize, milk, beef,

sugar, olive oil, and others. State regulation of market prices and the established balance between supply and demand creates a "stabilizing" environment in the market.

It should be noted that in modern conditions, food prices are rising in almost all EC countries, but in most cases, this is offset by faster growth in household incomes. Household incomes determine consumer demand for food products, as well as the prices of food and related services. This increases the importance of budgetary support for farm prices. A legal framework for state price regulation has been established in the form of laws, decrees, and regulations. Systematic publication of statistical information on prices, their levels, and dynamics has been organized, and this data is used to regulate income levels and their indexation.

Subsidies in EC countries have reached 45–50% of the value of marketable agricultural products produced by farmers, while in Japan and Finland, they reach 70%.

The pricing concept developed in developed countries has a distinctive feature: entrepreneurs are expected to gradually move away from the traditional principle of producing and selling products solely for profit and adopt a marketing-oriented approach, identifying and satisfying consumer needs. As practice shows, the marketing-based pricing principle involves reducing the share of intermediate links in the retail price of goods.

In this regard, a tested model has been proposed by the Canadians, where a joint system of state and cooperative management of agro-industrial production operates effectively. This system aims to ensure the sale of produced goods and to maximize farmers' incomes. In the provinces, marketing boards (unions) operate, created by producers of specific products, functioning on a non-profit basis. These boards actively study consumer demand to expand product sales. They possess broad authority, legally enshrined. For example, the provincial potato marketing board in Manitoba sets a uniform price. Sellers who do not comply with its requirements are fined double or triple the set price [2].

In EC countries, additional customs duties have been introduced to protect against agricultural imports, calculated as the difference between domestic and import prices. In addition, to support domestic agricultural producers, EC countries provide compensatory payments to exporters, allowing them to sell agricultural products on the global market, where prices are lower. Although agricultural conditions in many EC countries are not ideal, a properly developed system of state regulation has transformed the EC into a major exporter of agricultural products.

In recent years, differentiated grain prices with varying exchange rates have been established and maintained in the EC. Monthly premiums and government-guaranteed prices also contribute to regulating the domestic market in these countries.

State regulation of agricultural prices is also observed in relatively young EC countries, namely Poland and the Czech Republic, where special state agencies (funds) have been established. According to specially developed programs to support market prices and guarantee additional income for farmers, these agencies carry out intervention operations during periods of surplus production in the domestic market.

In Finland, the basic foundation of agriculture relies on the labor contribution of the family as a primary source of livelihood; such farms are referred to as family farms. Employment of farming families in agricultural production accounts for 94% of their labor input. Families themselves carry out the maintenance and management of their farms.

A significant share of farms is either livestock-oriented or mixed, combining animal husbandry with crop cultivation. Of the 2.2 million hectares of arable land, only 15% is used for food crops. Up to one-third of arable land is devoted to fodder crops, and half is used for feed production. Livestock farming generates 65% of total farm income, 23% comes from crop cultivation, while the remainder derives from rental income, agricultural subsidies, and various compensatory payments aimed at balancing production.

The Ministry of Agriculture and Forestry of Finland, with active participation from professional and cooperative producer organizations, formulates the country's agricultural policy. At the regional level, the interests of farmers are protected by professional producer associations.

In France, management of the food sector is carried out by a range of governmental bodies, including the Ministry of Agriculture and Forestry, its regional and departmental offices, agricultural chambers, as well as semi-governmental and professional organizations. The High Council for Orientation and Coordination of Agricultural and Food Industry Development serves as a coordinating body for intersectoral links within the food complex.

The High Council oversees intersectoral organizations for cereals, livestock, dairy, sugar, oilseeds, and other products, through which the domestic agricultural market is regulated. The council supervises subsidies for storage, processing, and export of agricultural products and manages the purchase of agricultural goods at guaranteed prices.

France maintains two types of intersectoral organizations:

1. State or semi-state organizations, which implement administrative measures regulating production and distribution of respective products;
2. Associations of private business companies, designed to actively support governmental intersectoral institutions and provide recommendations to government agencies regarding relevant agricultural sectors.

A distinctive feature of the French agricultural management system is the significant role played by various professional agricultural organizations. Among these organizations, two have a notable influence on the formation of state agricultural policy:

1. The system of Chambers of Agriculture;
2. A network of professional unions.

Their responsibilities include specific regulatory powers: they codify local agricultural traditions and disseminate standards for the marketing of agricultural products.

The budget of the Chambers of Agriculture is formed from taxes on landowners, subsidies, consumer obligations, and loans.

The agricultural credit program, developed in Germany, is aimed at supporting investment initiatives to rationalize production and improve living conditions. Loan recipients are only agricultural producers whose total incomes do not exceed established limits. On-farm investments are also supported and directed toward improving product quality.

Additional incentives are provided for agricultural production on newly developed lands, including the acquisition of agricultural machinery not older than five years. The total interest on the loan, which is assumed by the state, is paid as a lump sum. Farms themselves must contribute at least 10% of the investment.

All reorganized agricultural enterprises in the country, existing in the form of cooperatives, societies, and partnerships engaged in horticulture, aquaculture, and beekeeping, are subject to reorganization and the creation of new enterprises, with full state support provided. Farmers who devote more than half of their working time to agriculture and whose agricultural income constitutes more than half of their total income, as well as those whose agricultural income accounts for at least 25% of total income, are eligible for state support.

In Germany, preferential state loans are provided at an interest rate of 1% over 28 years, with special favorable conditions available for young farmers.

In the United States, the government does not control or subsidize prices for agricultural resources, nor does it regulate interest rates under government agricultural credit programs.

In the United States, farmers are assisted in marketing their products by the U.S. Department of Agriculture (USDA). It also supports marketing cooperatives and ensures the competitiveness of the agricultural market by providing comprehensive information on global standards and prices. Government protection of farmers in the U.S. is minimal compared to that in the European Union.

The U.S. market mechanism is primarily based on prices that more fully reflect the law of supply and demand, with minimal government intervention in price formation. Any financing programs are primarily aimed at protecting consumers and the natural environment. Farmers operate under conditions of intense competition.

Nevertheless, these conditions have led to highly effective agricultural production in the U.S., often surpassing results in many EU countries.

The difference between agricultural policies in these countries lies in their approach: in the EU, agricultural policy follows more humane and supportive principles, designed to safeguard small and family-run farms. At the initial stage, EU government financial support for agriculture, within a unified agricultural policy, was linked to the need to achieve self-sufficiency in key products. In contrast, in the U.S., policy support has primarily aimed at increasing agricultural exports and protecting the environment.

One of the global issues closely associated with the expansion of irrigation systems is the scarcity of freshwater resources, which represents a significant limiting factor. This factor directly affects decisions regarding the ecological and economic sustainability of agriculture. The substantial expansion of irrigation systems over the last two centuries has naturally been accompanied by a significant increase in the demand for freshwater for irrigation purposes.

The annual global freshwater deficit amounts to 163.6 billion cubic meters, including:

- India – approximately 104.0 billion cubic meters,
- China – 30 billion cubic meters,
- USA – 13.6 billion cubic meters.

This depletion of groundwater reserves and their use to compensate for water shortages for irrigation cannot leave agricultural workers or governments indifferent. For instance, in certain major grain-producing regions, where 180 million tons of grain are produced, such conditions are already being observed [4, 15, 16].

Yes, indicators of water provision are declining in the three largest countries in terms of agricultural production: China, India, and the United States. In the North China Plain, which accounts for 25% of the country's grain harvest, groundwater

levels are decreasing by approximately 1.5 meters per year. A similar situation is observed in Punjab, India, the country's main grain-producing region. In the United States, groundwater levels are falling in the grain-producing states of the Southern Great Plains, thereby reducing the area available for irrigated grain cultivation [16].

The development of market economies emphasized the importance, role, and nature of the interaction between government authorities, businesses, and farmers. Against this backdrop, particularly during the past century, an effective system of public-private partnerships emerged, providing a significant impulse for integration processes and the establishment of an innovation system that now permeates the entire U.S. agribusiness sector. The interaction between the government and farmers was based on a combination of decision-making freedom for farmers, the creation of a highly competitive environment, and reasonable state intervention measures, laying the foundations for a qualitatively new type of innovative development.

American agriculture gained advantages because it received priority government support at all stages of its development. The market economy mechanism itself determined and emphasized the role, place, and nature of interactions among authorities, businesses, and farmers. As a result, over the past century, effective public-private partnerships were established, which subsequently provided a major impetus for integration processes and the development of the innovation system now embedded throughout U.S. agribusiness.

The U.S. Department of Agriculture (USDA), as a federal body, serves as the main executor of agricultural policy. It acts as the primary coordinator, harmoniously aligning national interests with those of farmers and other agribusiness stakeholders, as well as with the interests of the end consumer.

A key condition for the functioning of American farming, in my view, is the state's interest in the development of agricultural science, which facilitated the formation of a national agricultural innovation system. The government invests heavily in agricultural research annually. Support for agricultural science, its priority areas, the current mechanism for departmental and regional research, combined with private investments in agricultural science, is truly invaluable.

It is important to note that agricultural research is synchronously integrated into the larger national innovation system, forming part of a broader whole, namely, large-scale state expenditures on research and development (R&D) for the entire economy. In the United States, major national research centers and laboratories serve not only as scientific bases for R&D but also as hubs for expertise, innovation implementation, and collaboration with universities, small innovative

firms, and nonprofit organizations, demonstrating examples of highly effective public-private partnerships.

Unlike the Tajik dehkan (smallholder), the American farmer was historically granted full independence and freedom of activity. This included personal choices regarding farming methods, what to produce, and when and to whom to sell their produce. Farmers had free access to and exit from the market. There was no bureaucratic imposition of farming practices, no top-down mandates, which would have been rejected as unsustainable. The U.S. family farm system allowed for the accumulation of substantial potential, currently estimated at $6 trillion.

The history of the Tajik dehkan, by contrast, has been full of paradoxes and tragic periods. In the early 20th century, large-scale agricultural experiments were conducted in Central Asia: private land ownership was abolished, feudal farms were eliminated, state farms and collective farms (kolkhozes) were created, and Basmachi holdings were destroyed. Farms were consolidated, kolkhozes reorganized into state farms, and inter-farm enterprises and production associations were formed. The 1990s reforms, the collapse of the Soviet Union, and the civil war in Tajikistan set the country's agricultural economy back by decades.

Meanwhile, the agricultural systems of European countries and the United States evolved dynamically. Unlike, for example, highly developed agricultural nations in Western Europe, U.S. farmers had an additional advantage during the two world wars, when U.S. farms experienced tremendous growth while countries in Europe, Russia, and the former Soviet Union were devastated.

This demonstrates the objective independence and advantage of U.S. farmers, as the evolutionary development of productive forces in agriculture created conditions for innovative growth within American farms. Consequently, both quantitative and qualitative expansion of the agricultural sector and agro-food system was observed.

Tajikistan, rich in freshwater and arable land, has potential for agricultural growth not only through cotton cultivation, which is the basis of the country's gross domestic product, but also through the sale of freshwater, highly valued worldwide. Additionally, state revenues can increase through electricity exports to neighboring countries. Regarding cotton cultivation, the government has a vested interest and has adopted several measures to improve the sector:

Land Privatization

- Stop the practice of local authorities forcing farmers to use 70% of their arable land for cotton cultivation and allow them to use their land at their discretion.
- Stop threats of land confiscation by local authorities in cases of "irrational" land use and limit expropriation for public purposes.

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Cotton Sector Reform

• Remove controls on domestic movement of raw cotton and cotton fiber and ensure free circulation for processing and sale.

• Stop local authorities from forcing cotton producers to work with specific investors or ginneries, and allow freedom to choose suppliers, ginneries, and sales markets.

• Adopt international standards for cotton classification.

• Create an independent cotton certification agency recognized by international buyers [10].

It would be beneficial if financial support for dehkan farms were stable and regular. Unfortunately, in Tajikistan, unlike the countries mentioned above, this mechanism does not always function effectively.

In 2016, addressing the press, Jalil Pirizoda, head of the Department of Agriculture and Environmental Protection under the Presidential Executive Office, noted: "Every country seeks to ensure food security at the 70–80% level. However, at present, the republic's budget does not allow us to subsidize the agricultural sector as is done in many countries worldwide."

According to him, since Tajikistan lacks sufficient financial resources to subsidize agriculture, the government supports the sector through other means. "For example, the government reduced electricity tariffs for pumping stations used in agriculture. State programs allocate 200–300 thousand somoni annually per program. Support is also provided through grants, investments, and loans from 'Amonatbank' at preferential rates." Pirizoda emphasized that, in the future, if the state's financial capacity allows, agricultural subsidies will be implemented.

The renewed friendly relations between Tajikistan and Uzbekistan in 2018 became a priority for improving the socio-economic potential of both countries. These relations will enhance the agricultural sector. The Uzbek government signed agreements on investments in Tajikistan's prospective industries. In addition to profitable investment, Uzbekistan gains a guarantee of access to water resources from the Amu Darya River basin to irrigate its agricultural lands, primarily cotton fields.

The creation of joint production capacities with Uzbek investment will ensure timely implementation of Tajikistan's National Development Strategy until 2030, aiming to transform the country from an agrarian to an industrial-agrarian economy.

The initial stage of my research allows me to draw several conclusions. Today, the state of agriculture has improved compared to previous years, but numerous challenges remain. The domestic market is underdeveloped, and external trade

faces difficulties. Tajikistan is rich in vegetables and fruits, sold year-round, yet prices are high for local consumers. This is especially true in remote mountainous regions where local products are hard to access. State regulation of food prices must apply not only in the capital but across all regions.

The government of Tajikistan adopts new measures annually to create a sustainable agricultural sector. Sustainable agriculture should combine the latest technological innovations while employing all methods of environmental and natural resource protection. Such a policy ensures the production of eco-friendly, high-quality food and raw materials for the food and light industries.

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