THE ECONOMIC VALUE OF INSURANCE FOR AGRICULTURAL PRODUCTS EXPORTED TO THE CHINESE MARKET

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Abstract - Insuring Uzbek exporters or banks in contradiction of failure to accomplish contractual obligations is a common risk management strategy in international trade. This type of insurance, generally known as export credit insurance or else trade credit insurance, protects exporters and banks from financial loss caused by non-payment or shipment defaults by overseas consumers. By purchasing this type of insurance, Uzbek exporters and banks can mitigate their financial risks as well as improve their cash flow. It also enables them to expand their businesses by exploring new markets without worrying about the potential risks associated with international trade. However, it is important to note that such insurance policies often have certain limitations and exclusions. Therefore, it is advisable for Uzbek exporters and banks to carefully review the terms and conditions of the insurance policy before making a purchase decision. Furthermore, it is also recommended that they work closely with experienced insurance brokers who have extensive knowledge of the international trade landscape to select the most suitable insurance policy that meets their specific needs and requirements.

Keywords - Export, Import, Quality, Packaging, Export Insurance, Import Insurance, World Market, Export Potential, Logistics.

I. INTRODUCTION

Uzbekistan's agriculture has a huge export potential, and it is becoming increasingly clear that the fruits, vegetables and dairy products grown in this lush land can take a strong place in the world markets. This can be seen in the increasing demand of the countries of the world for fruits and other agricultural products grown in Uzbekistan. Taking into account the growing demand, the expansion of insurance and insurance protection of agro-industrial complex enterprises and enterprises providing services for the supply of agricultural products to world markets by exporters of agricultural products is becoming one of the strategic issues that are in the focus of our government.

Despite the fact that insuring the activities of farms, which are representatives of the agrarian sector that produces agricultural products, has been a constant focus of the government and favorable opportunities have been created in this area, the following problems are an obstacle to the expansion of agricultural insurance:

- scientific study of the characteristics of various natural events and processes occurring in agriculture, the principles and rules of agricultural insurance are not sufficiently developed;
- there is a shortage of personnel in this regard due to the lack of formation of the system of training of specialists in agricultural insurance;
- taking into account the natural conditions of the regions in the insurance of the activities of the enterprises of the agro-industrial complex is not well established;
- the majority of farmers and peasants still do not have the necessary economic and legal knowledge and skills about agricultural insurance and the procedures for its implementation, applicable regulatory legal documents and regulations;
- a strong competitive environment for insurance of agricultural enterprises has not been formed, and the tools created by the government leading to the formation of such an environment are not sufficiently available, which does not ensure the interest of insurance companies in agricultural insurance, which is considered to have a high degree of harm;
- agricultural insurance is still being dealt with only by commercial insurance organizations with relatively high tariff rates, non-commercial mutual insurance societies, which are an alternative to insurance, have not been formed.

II. LITERATURE REVIEW

The fact that Uzbekistan is located in a harsh continental climate zone means that citrus fruits and other fruits that are not suitable for this climate are not grown in large quantities in this country, which creates the need to purchase such fruits from foreign countries. In addition, many varieties of trees, which are not grown in large quantities in our country, but can be domesticated, are imported from foreign countries. Such activities in turn create the need to insure these goods. Taking this into account, in the decision of the President of the Republic of

Uzbekistan dated August 2, 2019 "On measures to reform the insurance market of the Republic of Uzbekistan and ensure its rapid development", export-import fruits and other types of seedlings, during their transportation, as well as the issue of studying the prospects of introducing agricultural risk insurance mechanisms was raised. But till today no action has been taken in this matter.

In addition, the fact that Uzbekistan is a sunny country, as a result of sufficient sunlight falling on the fruits and vegetables grown, they have an advantage over the fruits and vegetables grown in most countries of the world with their sweetness and taste, and this ensures the increase of foreign buyers of these products.From January to June 2021, the total volume of exports from Uzbekistan amounted to 7.1 billion dollars, of which the export revenue in the "Vegetables and fruits" category was 404.1 million dollars. That is, this indicator was equal to 5.7% of the total export volume for the same period. At the same time, in the first half of 2021, the export value of vegetables and fruits decreased by 5.2% compared to 2020, and by 38% compared to the first half of 2019. Such conclusions are derived from the information published by the State Statistics Committee of Uzbekistan, as well as from the reports of the department on foreign trade turnover in the past years (current periods). In the fruit and vegetable export segment of Uzbekistan in January-June 2021, cherry ($84.6 million), followed by tomatoes (50, 2 million dollars), yellow and dried grapes ($22.3 million), onions and shallots ($21.5 million) and cabbage ($16.7 million). At the same time, experts draw attention to the fact that the largest share of exports in the category of "red and dried grapes" belongs to raisins. Because, during this period, red grapes are delivered from Uzbekistan to the foreign market only from warehouses - at the expense of last year's harvest and current year's varieties. In both cases, it is a small volume. In addition, since the category "cabbage" does not specify its types, analysts believe that this category includes cabbage, cauliflower, Beijing cabbage and other types. experts point out that the largest share of exports in the category of "yellow and dried grapes" belongs to raisins. Because, during this period, red grapes are delivered from Uzbekistan to the foreign market only from warehouses - at the expense of last year's harvest and current year's varieties. In both cases, it is a small volume. In addition, since the category "cabbage" does not specify its types, analysts believe that this category includes cabbage, cauliflower, Beijing cabbage and other types. experts point out that the largest share of exports in the category of "yellow and dried grapes" belongs to raisins. Because, during this period, red grapes are delivered from Uzbekistan to the foreign market only from warehouses - at the expense of last year's harvest and current year's varieties. In both cases, it is a small size. In addition, since the category "cabbage" does not specify its types, analysts believe that this category includes cabbage, cauliflower, Beijing cabbage and other types.

China's opportunities to import fruits are increasing, and in this regard, the countries of Central Asia, including Uzbekistan, have sufficient potential to use this opportunity. The geographic location of the region, its natural resources, opportunities to increase productivity and the current period of effective reforms in the agricultural sector are creating the necessary conditions for attracting private investment, which allows to increase the export of fruits and vegetables to China, the largest in the world, and at the same time, the lifestyle of its population is increasing. gives

III. RESEARCH METHODOLOGY

The analyzes carried out within the framework of this study show that Uzbekistan has a relative advantage in the production and export of such products. The country's favorable climatic conditions and low production costs allow it to be competitive in the Chinese market. However, in order to achieve this goal, we believe that the government of Uzbekistan should remove a number of existing restrictions and create additional conditions for fruit exporters.

IV. ANALYSIS AND DISCUSSION OF RESULTS

The Russian Federation has been a traditional market for fresh fruits of Central Asian countries, including Uzbekistan, and there is no doubt that it will continue to be so. According to official trade statistics, 2.8 mln. In 2018, wet fruits exported from Uzbekistan amounted to 99 mln. amounted to about a dollar. This amount accounted for more than 90 percent of the wet fruits exported to the Russian Federation by all Central Asian countries.[1]. In addition, fruits transported informally through Kazakhstan are also of a large volume. Between 2014 and 2018, fruits exported from the Central Asian countries to the Russian Federation increased 21 times, and the main increase was accounted for by Uzbekistan. The results of the export competitiveness analysis showed that Uzbekistan's potential for fruit export to China is mainly cherries, apricots (wet and dried), plums (wet), grapes (wet) and walnuts. The export potential of grapes, cherries and peaches is 486 mln. Estimated in the amount of US dollars, besides 115 mln. Apricots and plums available in USD. But today, about 50 percent of the available potential is being realized. At present, the export of Uzbekistan in this regard is not diversified and is mainly limited to the countries of the Eurasian Economic Union - Kyrgyzstan, Kazakhstan and the Russian Federation, and cherries exported to Kazakhstan are sold for an

[1]International Trade Center (2018)

average of 1.77 US dollars. The price of this cherry is US$3.07 in China and US$3.6 in Korea. There are some challenges in the export of wet fruits to China and Korea, such as processing and marketing of the harvested product, limited production volume (mainly small producers in the market), i.e. difficulty in collecting the product in one place, low quality and lack of material and technical resources (irrigation, lack of seeds and seedlings, lack of fertilizers and financing problems),

An important factor in the process of implementation of the export contract is the mutual distribution of responsibilities between the partners and the determination of financial sources of compensation for losses that may occur as a result of the occurrence of unforeseen circumstances (see Table 1).

Responsible party for cargo insurance	It is indicated in the contract based on the mutual agreement between the exporter and the importer.
The party liable to the exporter for loss, theft and damage to cargo	- Transport enterprise (except for the cases where the transport enterprise could not stop the situation of loss or damage of the cargo and is not dependent on it). - According to the contract, the Transport-forwarding company, which has taken responsibility for the storage of cargo.
A de facto document confirming that the cargo is insured	An insurance policy issued by an insurance organization based on an export contract.
Information to be provided in the policyholder's application for concluding an insurance contract	Product name, weight, number of seats, type of cargo packaging. - Type of transport and method of transport (in bulk, container and other forms). – Shipment time. – Transport documents. – Insurance amount of cargo. – Insurance conditions (responsibility for all or part of the risks).
Documents to be submitted by the insured on the insurance claim	The original of the insurance policy. – Bill of lading or other shipping document. - Invoice. – Accident certificate, expert report or other document confirming the occurrence of an insurance event.

Table 1 Information necessary for the distribution of liability between partners in the insurance of export cargo

The table was developed by the author based on research

The main system in this matter is the insurance activity. Types of insurance services offered to exporters in the insurance market of Uzbekistan include: export contract insurance, cargo insurance, comprehensive insurance. Export contract insurance consists of insuring against the failure of the foreign partner or his bank or the Uzbek exporter or his bank to fulfill their contractual obligations until the export shipment is completed or after the shipment is completed due to events related to political and commercial activities. Foreign trade cargo insurance covers damage caused by partial loss, damage or complete loss of cargo during delivery from the exporter to the importer, as well as its transportation, storage,

For example, in order to take full advantage of the opportunity to export products to the Chinese fruit markets, Uzbekistan needs to do a lot more. First, Chinese markets require stable quality and volume of supply from exporting countries. Secondly, entering the Chinese market becomes more realistic when there are modern quality management systems and modernly organized logistics schemes. Special attention is also paid to ensuring compliance with strict requirements for product production and subsequent processes, and adherence to Chinese standards for fruit and vegetable safety will prevent potential problems. Third, the fragmentation and competitive environment of China's fruit markets, requires constant communication with local Chinese partners. Fourth, Chinese consumers value attractive packaging and branded products.

The majority of fruit producers in Uzbekistan are small farmers, most of whom do not have access to financial and educational resources. Due to this, their product volume is limited and the quality is not stable. Small farmers are used to selling fruit through traditional local vendor networks and lack the experience and potential to enter international markets. Therefore, Uzbek farmers cannot compete with Chile and the United States of America, which are currently China's main importers and have a high level of development and technical capabilities (food safety and quality assurance system, customs control and inspection bodies). In addition,

There are 4 main markets in China for the wholesale trade of imported fruits:

1) Jiangnan Fruit and Vegetable Market in Guangzhou;
2) Huijiang Fruit and Vegetable Market in Shanghai;
3) Sinfadi market located in Beijing;
4) Dili Market, which is considered to be the trading center for agricultural products located in Shenyang.

Guangzhou is a major nationwide distribution center. Products from here to different regions of the countryare shipped, while Beijing, Shenyang and Shanghai also have direct arrivals of products for final consumption in these areas. Two new trends have emerged in the retail market of imported fruits: online and offline channels of retail e-commerce and fragmentation of large stores. The modern retail system accounts for 67.4% of total food production (Producer Marketing Association, 2016). But in recent years, the development of electronic trading systems has slowed down the growth rate of

supermarket and hypermarket sales. The penetration of the Internet into everyday life and the development of mobile technologies allow consumers to easily buy imported fruits through electronic trading platforms.

V. CONCLUSIONS AND SUGGESTIONS

It is appropriate to cite the following as a recommendation to ensure the economic stability of agricultural producers through the development of agro-insurance service in the Republic of Uzbekistan:

- study of various natural events and natural disasters occurring in agriculture based on the characteristics of the regions and formation of agricultural insurance tariffs based on a regional approach;
- as the central link of the agro-industrial complex, insurance against various risks in the process of growing agricultural products is carried out only by farms, but the insurance of real estates is lagging behind, for this reason, increasing attention to the insurance of real estate activities, new insurance products and appropriate insurance in this regard it is appropriate to develop tariffs;
- development of targeted programs to expand the scope of insurance contracts between agricultural enterprises and "Uzagrosugurta" JSC and to create them online in a modern way;
- to increase the economic and legal literacy of managers of farms on "insurance";
- it is advisable to transfer crops (grain and rice products) aimed at meeting the needs of the country's population from voluntary insurance to mandatory insurance.
- Taking into account the experiences of the USA and European countries, establishing a system of paying an average of 50% of insurance premiums from republican and local budget funds is the most effective way to attract agricultural enterprises to insurance, and this event also serves as an important factor in ensuring the financial stability of insurance companies. does.
- Non-introduction of agricultural insurance concessions and financial support methods by the state does not increase the interest of potential policyholders in insuring risks related to their activities. In addition, the high level of harmfulness of agricultural insurance is the reason for the lack of competition among insurance companies in the field of agricultural insurance.
- Tariff rates offered by commercial insurance companies are relatively high, operational transparency is not ensured and trust in insurance companies is low. The establishment of non-commercial insurance companies specializing in the insurance of their activities among agricultural enterprises eliminates the above-mentioned factors.
- The significant increase in the export of wet and dried fruits by agricultural enterprises and private farms of Uzbekistan increases the need to provide this sector with insurance services at the level of demand. To meet this need, it is necessary to develop new insurance products based on public-private partnerships.

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