

«Due to favorable weather and climate conditions, Kyrgyzstan has good chances to continue developing the agricultural sector, but with a focus on export-oriented production. This means that compliance with all requirements and compliance with the conditions of those markets that the country is oriented to import goods is required» - researcher Maral Sagynalieva, mentioned in her article written specifically for CABAR.asia.

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On January 26, 2016, the European Union (EU) granted Kyrgyzstan the status of GSP+ (Generalized System of Preferences Plus^[1]), which provides a zero tariff barriers for 6,200 commodity products. This prospect gave rise to the establishment of a new format of the country's economic relations with the European Union countries, and especially new markets opened for Kyrgyz producers of agricultural crops. On the one hand, this status provides manufacturers with easier access to new markets on the European continent. However, on the other hand, within the framework of this format, producers are required to comply the manufactured products with European safety standards and comply with the necessary procedures and technical regulations. Namely, the latter has become an obstacle for the rapid and mass reorientation of domestic producers to the European market.

Despite this, it should be noted that prior to obtaining this status, Kyrgyz products were already sold in some markets of European countries, observing nevertheless the necessary EU requirements. One of the leading areas in this list is considered fruit and berry production, including the production of dried fruits as well. Moreover, this direction has a long-term development and diversification of products due to the fact that the production and export of fruits and berries in comparison with other agricultural products have comparative economic and non-economic advantages. However, we will dwell on the economic advantages of this industry.

Economic benefits from the past in the present

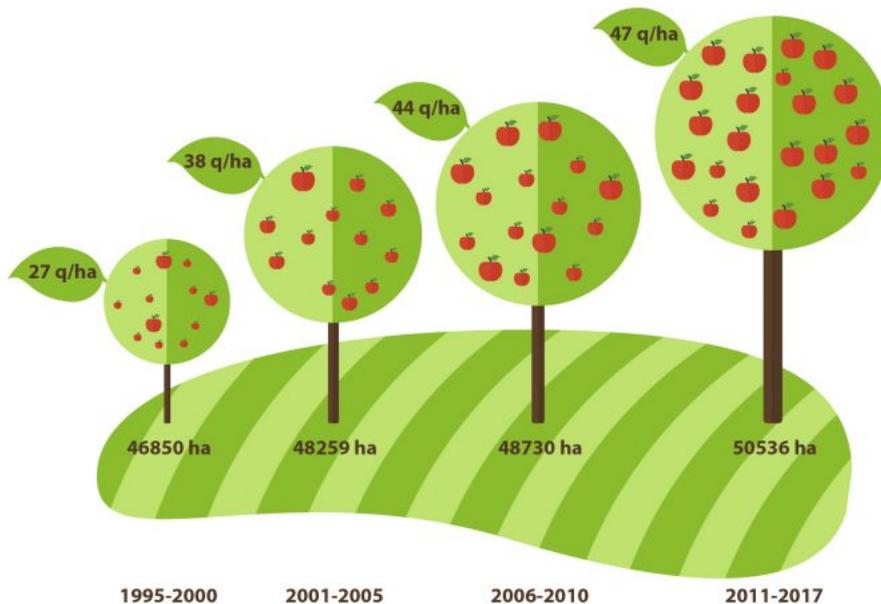
The prerequisites for the development of fruit and berry production were laid back in the Soviet era, when the country began to develop the fruit-growing industry, as one of the priority areas of the agricultural sector, and also applied scientific and research approaches to the study of this industry. For example, a scientific and practical base was created in the

country for the study and establishment of fruit growing sector under the guidance of E. Z. Gareev,^[2] who bred more than 14 high-quality and productive varieties of fruit plants (apple and plum trees each), paying great attention to the study of soil-climatic factors of the country. This directly affected the distribution and further increase in the area of orchards and berry plantations in the country, which amounted to about 52 thousand hectares by 1980.^[3]

During the period of independence, in 1995-2017, many farmers continued to grow fruit and berry products, since there were always consumers of different levels on the market. Moreover, the latter began to prefer dried products to a greater extent, which was the impetus for the development of dried fruit production.

In order to understand the trends that have occurred in the fruit growing industry, one needs to look at the data. Chart 1 shows that the area of fruit crops by 1995 was 42 thousand 947 ha, and only from 2013 to 2017 it gradually reached 50 thousand hectares, but did not exceed 52 thousand hectares, as it was in 1980. Although the area of orchards and berries was slowly growing, crop yields increased significantly from 1995 to 2017, an average of 21% every five years. This suggests that farmers were able to significantly adapt to market conditions, that is, build up production forces and put into practice the necessary entrepreneurial skills to develop small or medium-sized businesses.

Sown area and yield of fruit crops in 1995-2017, on average.



Source: www.stat.kg

Chart 1.

It should also be noted that the development of business in this sector in 1990s happened due to the reforms in agriculture, in particular the distribution of land for farmers. By the middle of 2000, according to official data of the National Statistical Committee of Kyrgyzstan (NSC), 300,162 peasant farms were registered. Most of them continued to engage in cultivation of fruits, given that fruits and berries were in demand on the market.

Moreover, the fruit growing industry is less expensive and has fewer needs in attracting large technical resources, but requires a laborious process. Although the labor force in rural areas is quite cheap and acceptable, its deficit is observed, because during the season most of the active population migrates to cities or other countries in order to earn more money. Despite this, in recent years, farmers began to increase actively their level of knowledge in industry, specific farming skills, and much more. All this together led to the improvement of the institutional and professional potential of farms, which, in turn, significantly reduced the risks in agriculture under free market condition.

In 2010-2015, international organizations became interested in the development of fruit and berry products, which by now have involved and implemented a number of fruit-growing projects in the country, such as USAID - Farmer to Farmer F2F (2013-2018),^[4] USAID - Agro Horizon (2014-2018),^[5] FAO,^[6] World Bank,^[7] EBRD, MSB, and etc.

Increasing the export potential of fruit and berry products in Kyrgyzstan

In 2005, in Kyrgyzstan, by means of international organizations such as the Food and Agriculture Organization of the United Nations (FAO), the EAC, and USAID, studies were conducted on the state of the fruit-growing industry in the country. The findings of these studies suggest that the country has real export opportunities in the fruit-growing industry, but subject to the use of constructive approaches of the country's policy and openness of farmers to building mutually beneficial cooperation.

In general, studying data on the export of fruits from Kyrgyzstan in 1992-2018, Figure 2 shows that exports begin to grow from 2007 and are gaining good momentum until 2013, reaching 2,000 million KGS per year. However, in 2014-2015, there was a sharp decline in fruit exports by 30% compared to the previous year. This is due to the ongoing economic processes of the country - the process of Kyrgyzstan joining the Eurasian Economic Union (EAEU), which negatively affected the export of all goods. However, in subsequent years, Chart 2 shows an upward trend in exports.

Export of fruits from Kyrgyzstan for 1992-2018, million soms.



Source: www.stat.kg

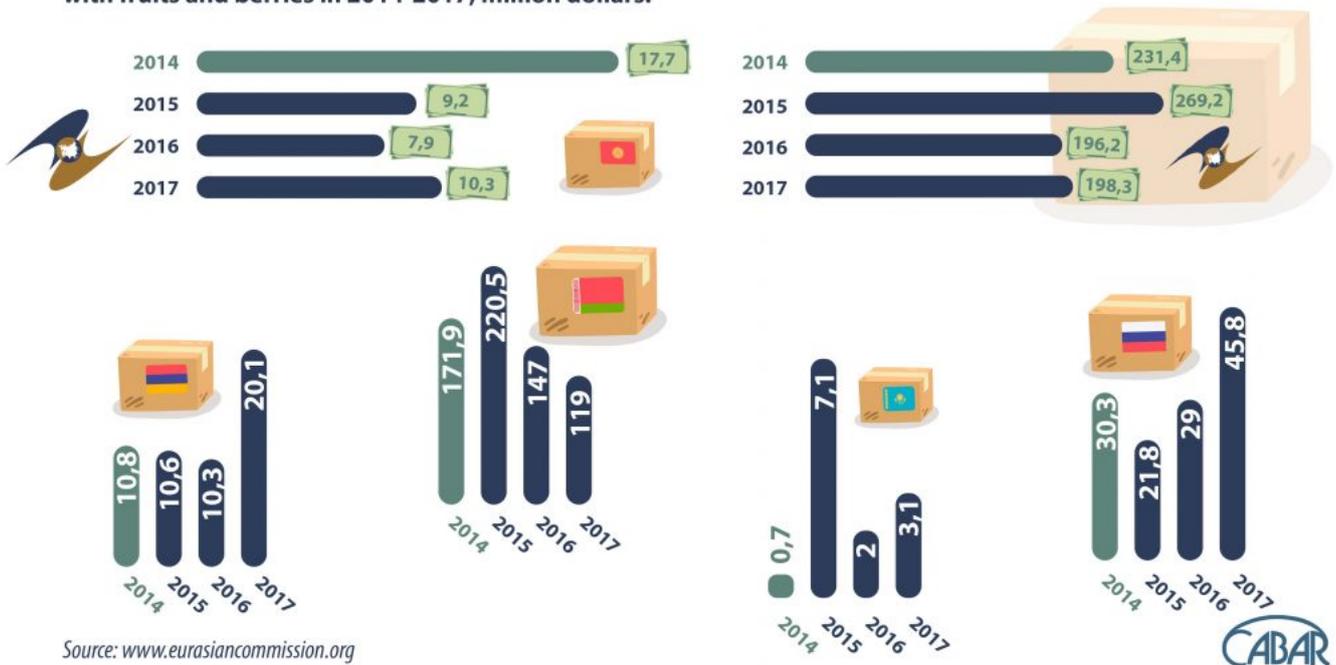
Chart 2.

Fresh fruits and berries for the EAEU Member States

Since 2015, Kyrgyzstan has been a member of the EAEU, which means that in any situation in the development of the country's export policy, the region of the EAEU members will be a priority for the sale of agricultural products, namely fresh fruits and berries. This is due to the fact that, firstly, countries have a common market of supply and demand for agricultural products, and also mutually complement each other in the production of fruits and berries.

Prior to joining the EAEU, Kyrgyzstan exported, as shown in Table 1, more fruit and berries in the total amount of 17.7 million USD, but after entering, foreign trade fell significantly in 2015 and 2016, reaching 9.2 million USD and 7.9 million USD, respectively. In 2017, the foreign trade of member states for Kyrgyzstan gradually shows a positive trend in the amount of 10.3 million USD, although this is much less than in 2014.

Foreign trade of Eurasian Economic Union Member States with fruits and berries in 2014-2017, million dollars.



Source: www.eurasiancommission.org

Table 1.

It should be noted that Kyrgyzstan mainly exports fresh fruits and berries to the EAEU member states, because this is directly related to such factors as distance, transportation time, storage places and other related costs. Together, they influence the farmer’s further choice and expectations – which crop to produce in the future and to what extent.

Summing up the above mentioned, in the conditions of the world market, the country’s agriculture could definitely become an export-oriented sector, especially in the production of dried fruits. For the effective development of this area, it is necessary to create a clear plan of actions and conditions:

For government bodies:

- Timely informing farmers about changes and additions to the EAEU regulatory legal acts;
- Regular collection and analysis of supply and demand in the domestic and foreign markets for agricultural products;

For producing farmers:

- Providing reliable information on the volumes and prices of produced products;
- Active involvement in the development and implementation of food safety standards.

Dried fruits for the European Union countries

According to statistics from the Food and Agriculture Organization of the United Nations (FAO), it is expected that global consumption rates for fruit and berry products will only grow every year, including their prices. This suggests that Kyrgyzstan is more likely to increase further not only the regional, but also international export potential of the country in fruit-growing industry.

The European food market is a complex, multi-stage mechanism that requires - implementation of diverse procedures and rules and compliance with quality standards, starting with the legal, market and completing with technical requirements for imported food products.

For the period 2014-2016, despite the stringent measures and requirements of the EU, Kyrgyzstan was able to export agricultural products to the EU countries, including dried fruits. This points to the fact that dried fruits in the European market are in great demand among the population, and the quality and components of dried fruits comply with all the requirements of the EU directives for quality and safety.

According to the FAO, the export of dried fruits from Kyrgyzstan to the EU for 2014-2017 reached an average of 1.5 million Euros per year, i.e. Kyrgyz fruit, berry products have found their European consumers, and in the future, it is only necessary to increase the volume and quality of production in this direction. Moreover, according to FAO reports, the volume of produced fruit and berry products in the country exceeds the local market demand by at least 30%. This means that if the following recommendations are implemented, the country will be able to increase its export potential in the supply of dried fruits to the full.

For government bodies:

- Conducting awareness-raising campaigns among farmers producing dried fruits about new opportunities and goals under the GSP +;
- Supporting involved farmers and attracting new ones to further increase dried fruit production;

For producing farmers:

- Creation of a technical and information platform for the exchange of experience, knowledge and effective methods for the production of dried fruits;
- Active involvement in the development and implementation of food safety standards.

State support on paper or in practice

Today, it should be noted that the Government of the Kyrgyz Republic sets clear and long-term goals aimed at developing the export of agricultural products, including fruit exports. On December 20, 2018, the Kyrgyz Republic Government Program on the export development of the country for 2019-2022[8] was approved, which is aimed at development of regions and export potential of agriculture.

The following is noted in this program: the fruit-processing sector has entered priority positions; prospects for the development of this sector are considered; challenges that the farmer has faced and deal with in the future are identified; and what needs to be done for export development. This document extensively and deeply analyzes issues related to export development, **however, the key role in implementation is not given to the state, but they see farmers as main stakeholders.** Although, practice shows that any individual, farmer in particular, is interested in additional income and in improving their families' well-being. Only with an interest and desire, the farmers will not go far, so **the state should work closely with each farmer or cooperative to implement export development, and not leave such a promising initiative on paper.**

Currently, there is a tendency of increased interest on the part of farmers in obtaining new knowledge and professional skills in the production of dried fruits as part of international projects. However, the production and sale of products on the EU market according to their requirements needs close involvement and cooperation of the state. Namely, a timely and large-scale information campaign initiated by and supported by the state would be definitely important for farmers to adapt painlessly and quickly to the conditions of a particular sales market at the regional or international levels.

Conclusion and recommendations

Due to favorable weather and climate conditions, Kyrgyzstan has good chances to continue developing the agricultural sector, but with a focus on export-oriented production. This means that compliance with all requirements and compliance with the conditions of those markets that the country is oriented to import goods is required. Moreover, Kyrgyzstan has found its thorny path to European markets, supplying dried fruits and other food products in accordance with EU requirements. This proves the existence of demand for Kyrgyz

products, and the need to increase its supply.

In order to create favorable conditions for the development of export of fresh and dried fruit and berry products both to the EAEU member states and to the EU markets, it is necessary for all participants to be in good faith to each other and to implement clearly the following recommendations:

1. State support of the agricultural sector on an ongoing basis in the form of subsidies, grants and soft loans. Joint efforts of the state and farmers in developing the export of fruit and berry products, as well as the implementation and development of food safety standards in accordance with the requirements of the EAEU Member States and EU countries;
2. Carrying out deep and full-fledged scientific research of the agricultural sector, in particular fruit and berry production. These studies will form the basis for the development of national standards and their promotion of international food safety principles. Each region or country in the world has its own specifics of agriculture, taking into account climatic conditions and geographical location. In this connection, the products manufactured in it will always differ from similar products manufactured in another region or country. Therefore, the state should develop procedures and food safety standards for manufactured products in the near future for the effective development of a harmonized export policy;
3. Creation of an information technology platform with innovative management methods to expand and raise the awareness of farmers in the region about innovations and advanced technologies in agriculture in the world, innovations in the EAEU and EU legislative framework in the agricultural sector, new markets and their needs, as well as development of feedback between participants;
4. Continuation of close work with international organizations in the agricultural sector, such as FAO, WHO, WB, ADB and others, in order to reduce potential external risks and threats to food safety through consultations, round tables, seminars, etc., as well as providing technical support in the promotion of fruit and berry products through joint projects.

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[1] <https://ec.europa.eu/trade/policy/countries-and-regions/development/generalised-scheme-of-preferences/>

[2] http://www.botanica.kg/history_all/

[3] <https://www.booksite.ru/fulltext/1/001/008/089/892.htm>

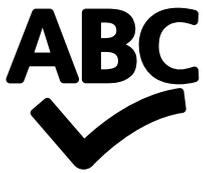
[4] <https://www.usaid.gov/kyrgyz-republic/fact-sheets/farmer-farmer>

[5] <https://www.usaid.gov/kyrgyz-republic/fact-sheets/usaaid-agro-horizon-project>

[6] <http://www.fao.org/europe/fao-in-europe/ru/>

[7] <http://old.kabar.kg/rus/economics/full/69236>

[8] www.minjust.gov.kg



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