



UNIVERSITY OF CENTRAL ASIA  
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# **Agricultural Policy Monitoring in the Kyrgyz Republic**

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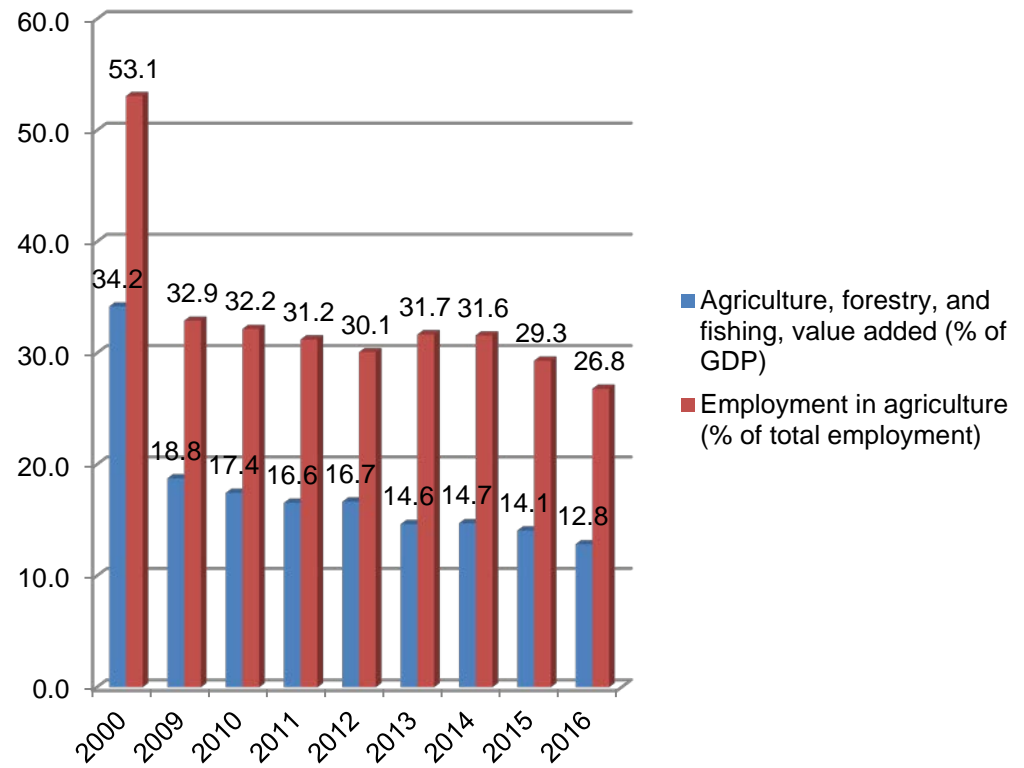
**Final Workshop of the Pilot Study on Agricultural Policy Monitoring in six post-Soviet Countries**

**2-3 October 2019  
Minsk, Republic of Belarus**

# Agriculture

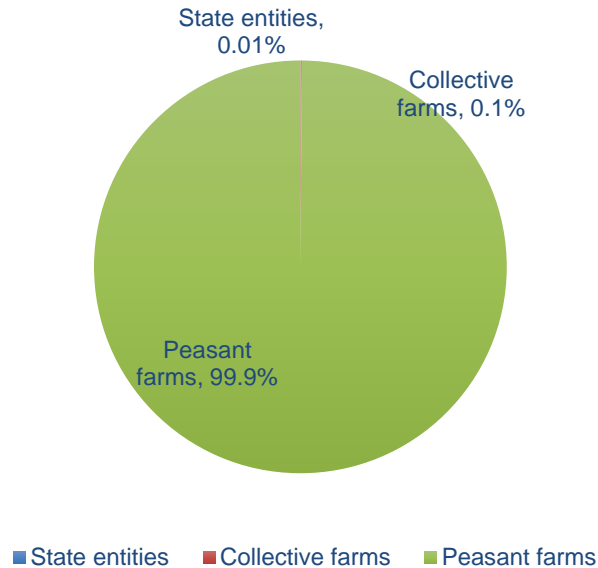
Agriculture in the Kyrgyz Republic is one of the leading sectors of the economy but gradually losing its impact

**Dynamics of the share of agriculture in GDP and employment in agriculture in Kyrgyzstan in 2000-2016**



Source: World Development Indicators

### Acting economic entities



The farm structure in Kyrgyzstan experienced a shift during the agrarian reforms from a few hundred large farms (typical farm size above 1,000 ha) to a few hundred thousand small peasant farms (typical farm size about 2 ha)



# Key market development and main trading partners

- Key export markets for Kyrgyz agri-food products are **Kazakhstan, Russia, and Turkey**;
- The main import sources are **Kazakhstan, China, Russia, and Ukraine**;
- Kyrgyzstan is a net importer of wheat (98% from Kazakhstan) and cattle meat (India/China).
- Kyrgyzstan's bean exports mainly go to Turkey (57 %) and Bulgaria (11 %).
- 92 % of potato exports and almost all of its cow's milk exports to Kazakhstan.

# Trade agreements

## **Kyrgyzstan:**

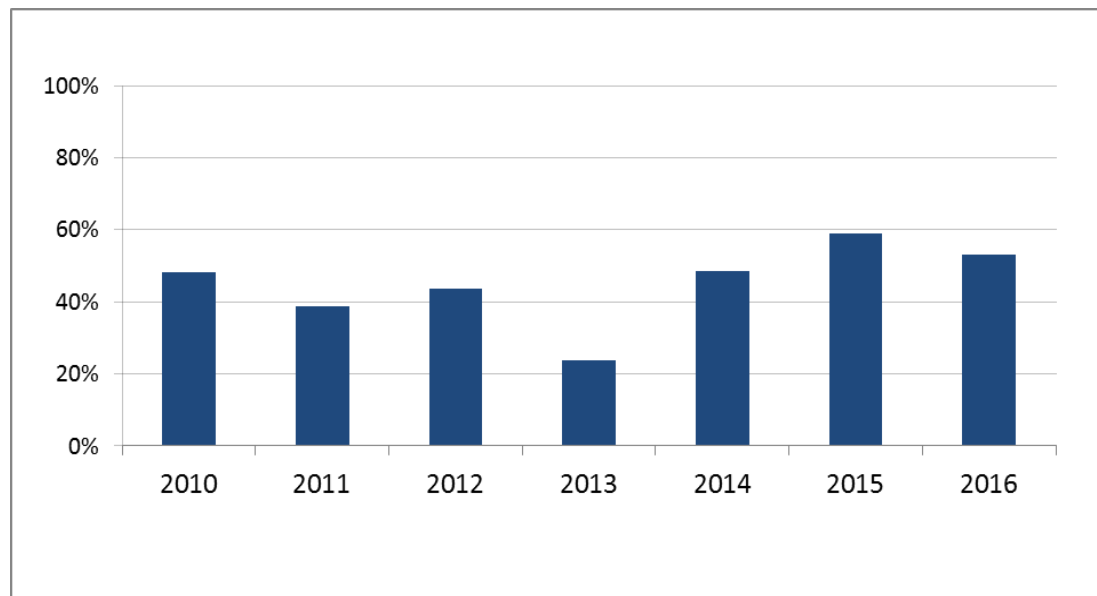
- WTO member since 1998
- EAEU member since August 12, 2015:
  - Free Trade Agreement with Viet Nam
  - Interim Agreement leading to the formation of a Free Trade Zone between the Eurasian Economic Union and its member states and the Islamic Republic of Iran
  - Agreement on Trade and Economic Cooperation between the Eurasian Economic Union and its member states and the Chinese People's Republic
  - Free Trade Zone Agreement with Singapore
- Commonwealth of Independent States Free Trade Area (CIS FTA) member since 2012
- Preferential trade regime for Kyrgyzstan's trade with the European Union (GSP+) since 27 January 2016
- Economic Cooperation Organization (ECO) member

# Indicator coverage

- Period covered: **2005 – 2016**
- Commodities covered:
  - **Beans** – net export
  - **Potato** – mostly export
  - **Wheat** – import
  - **Milk** – export
  - **Cattle meat** – import
  - **Sheep meat** - export
- Sources of data:
  - National Statistical Committee of the Kyrgyz Republic
  - Ministry of Finance of the Kyrgyz Republic
  - National Bank of the Kyrgyz Republic

# Nominal Rate of Protection

Average aggregate nominal rate of protection (%) at farm gate, percent, 2010-2016



## INTERPRETATION/COMMENTS

- Trade costs due to weak infrastructure might have been too high for international trade to happen;
- Fluctuation of national currency's exchange rates against the currencies of key trade and economic partners in recent periods;



# Nominal Rate of Protection: driving factors

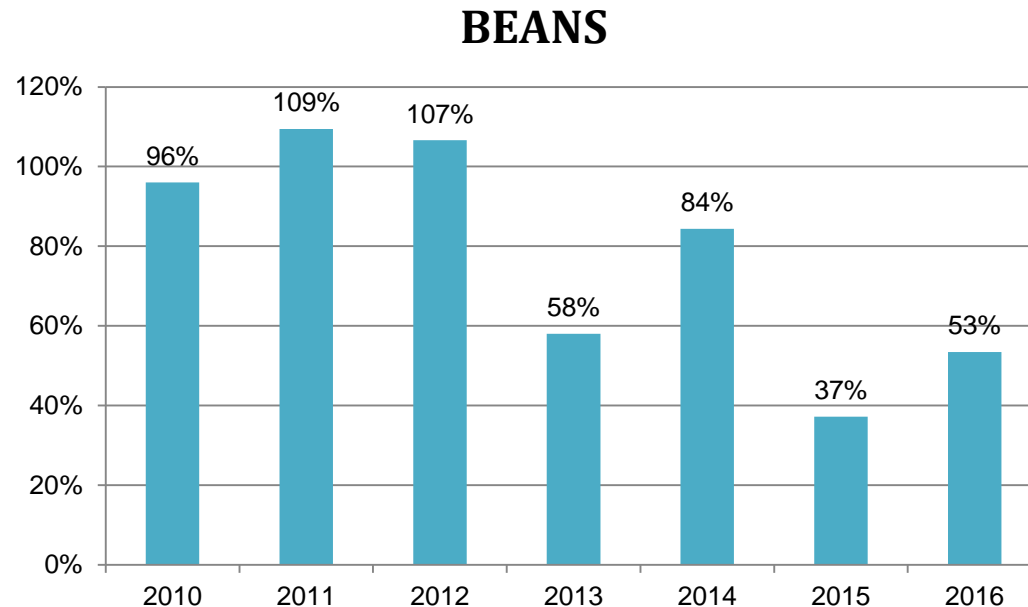
## Policy:

- Low charges for irrigation water, electricity
- Exemption from VAT payment for agricultural producers
- Only land tax at very low rates
- The recent governmental efforts to provide cheaper loans to agricultural producers:
  - “Affordable credits to farmers” (2011 and 2012)
  - "Financing of Agriculture I-VII" (2013-2019):
    - 10 % per annum - for livestock and crop production sectors;
    - 6 % per annum - for the processing of agricultural products industry;
    - 8 % per annum:
      - for farmers engaged in gardening;
      - for farmers who purchase pedigree cattle
  - Full exemption from payment of contributions on principal amount of debt up to 6 months;



# Nominal Rate of Protection by key commodities

Nominal rate of protection (%) at farm gate, **beans**, 2010-2016



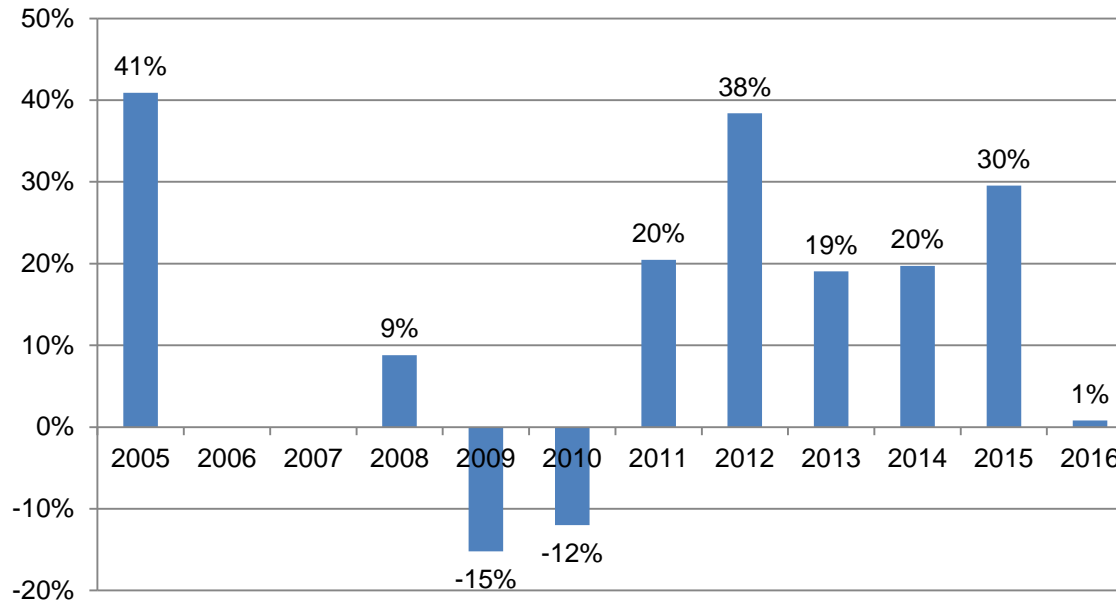
## INTERPRETATION/COMMENTS

- *Purchase prices for Kyrgyz beans significantly depend on the situation in the global market;*
- *Beans from KR were highly competitive in 2013-14 because of low yields productivity in main competitive countries: climatic conditions in Argentina and Turkey, political instability in Egypt*

# Nominal Rate of Protection by key commodities

Nominal rate of protection (%) at farm gate, **wheat**, 2005-2016

## WHEAT



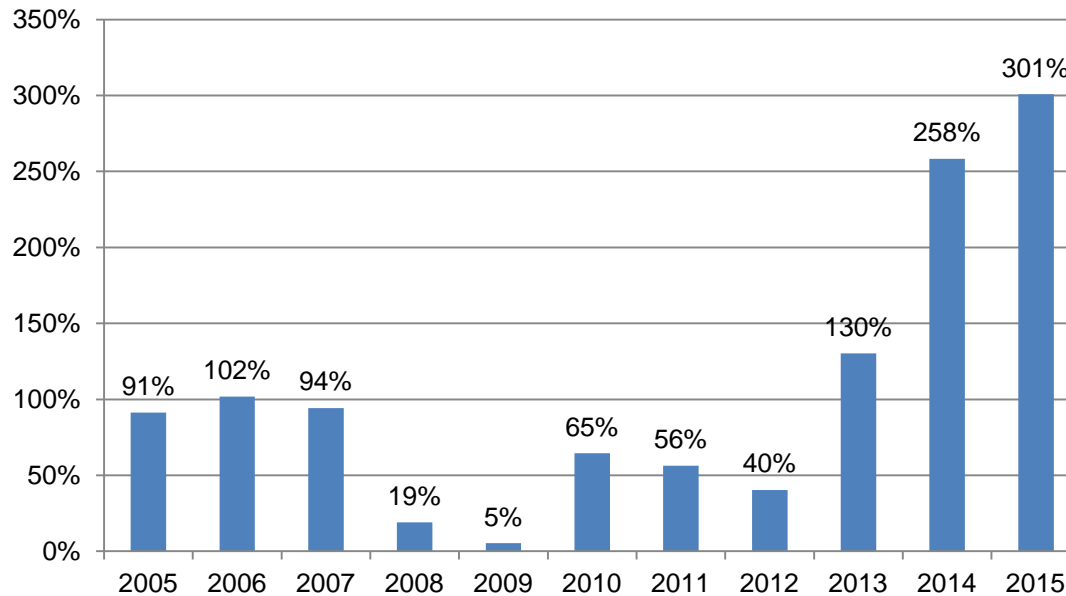
### INTERPRETATION/COMMENTS

- *Dry weather led to poor yield in 2012;*
- *Exemption from VAT payment in 2016*

# Nominal Rate of Protection by key commodities

Nominal rate of protection (%) at farm gate, **potato**, 2010-2015

## POTATO



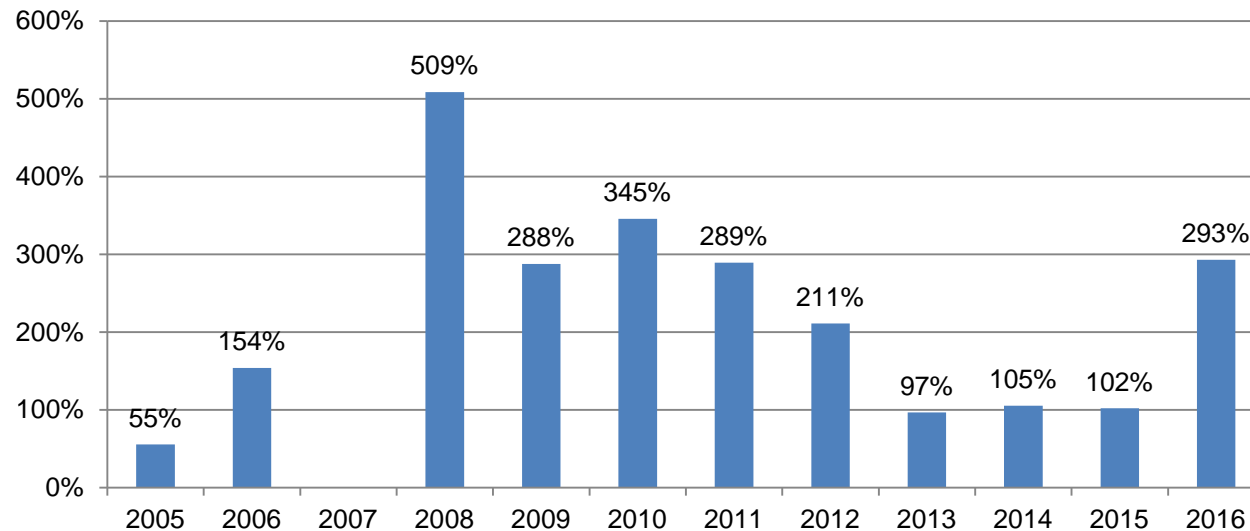
### INTERPRETATION/COMMENTS

- *Limited market integration;*
- *Precipitation during the main season of precipitation in 2013 and 2014 was below the multi-year average*

# Nominal Rate of Protection by key commodities

Nominal rate of protection (%) at farm gate, **cattle meat**, 2005-2016

## CATTLE MEAT

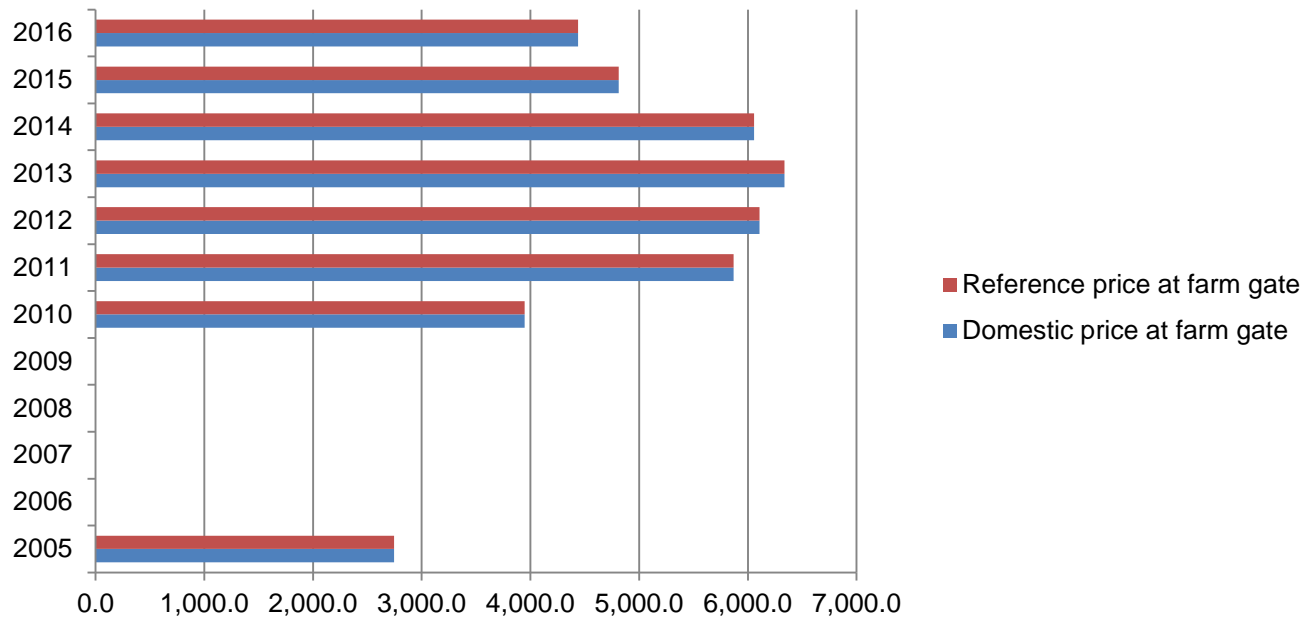


### INTERPRETATION/COMMENTS

- *High transportation costs;*
- *Limited market integration;*
- *Growing prices on fodder for cattle in 2010-2011;*

# Nominal Rate of Protection by key commodities

## Sheep meat, 2005-2016, USD/tonne

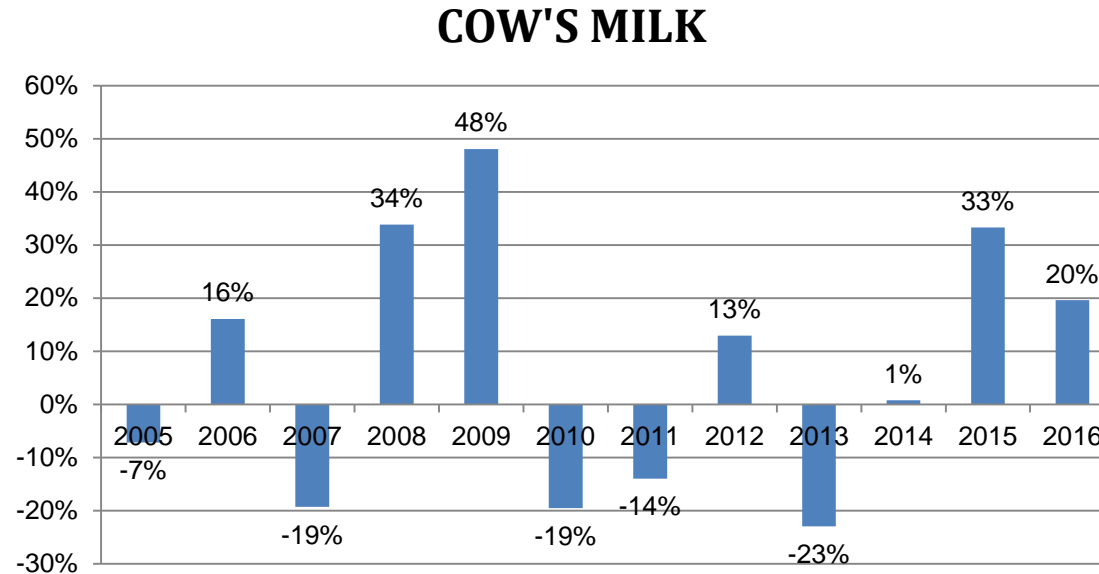


### INTERPRETATION/COMMENTS

- *Zero NRP*

# Nominal Rate of Protection by key commodities

Nominal rate of protection (%) at farm gate, **cow's milk**, 2005-2016



## INTERPRETATION/COMMENTS

- *High transportation costs;*
- *Domination of small-scaled milk producers*

# KYRGYZSTAN



- Expenditures for one cow per year in northern regions are around 10 thousand Kyrgyz soms (\$143)
- Expenditures for one cow per year in southern regions are around 30-40 thousand Kyrgyz soms (\$430-574)



# Budgetary transfers to agriculture

- Irrigation
- Animal health
- Subsidized credits (reduction of interest rates)
- Taxes:
  - Exemption from VAT payment for agricultural producers;
  - Only land tax at very low rates
- Low charges for irrigation water, electricity
- Subsidized inputs:
  - Equipment
  - Mineral fertilizers
  - Seeds

**Government expenditures on agriculture amount to 1.5% of general government budget expenditures**





# Conclusions

- Existence of not evident subsidized inputs;
- Low taxing;
- There is no market price support, no consumer support in Kyrgyzstan;
- Limited market integration;
- No market power; many small farmers/subsistence farming fragmentation

Thanks for your attention!

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