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“World Food System —
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Institutional Arrangements to Support Rural Livelihoods and Challenges to Access European Markets for Agricultural Products from Developing Countries

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Abstract

Agricultural intensification in Uzbekistan made poor communities in the rural areas depend greatly on surrounding nature for the majority of their activities and are influenced by the deterioration in the quality and quantity of the available natural resources. Uzbek agriculture has undergone a phenomenal transformation during the past two decades. Despite the fact the share of agriculture in the overall GDP is decreasing, it is still considered a pertinent sector in Uzbekistan. Taking into account the fact that around 64% per cent of population live in rural areas, they will depend on agriculture and the related activities for their livelihoods. Recent agricultural policies towards growing high value crops do not fit to the overall picture where government dictates to grow cotton and wheat on the majority of available agricultural land. On the other hand, farm diversification towards cash crops requires financial reserves, quality inputs, improved technologies and also it has different marketing prerequisites. Some of these crops need immediate transportation to the market, require cooling storage or processing into a less perishable form. Even though commercialisation of these crops brings considerable profits, it does require adequate post-harvest infrastructure which is lacking in the region. Therefore transition from subsistence farming towards market driven production requires clearly set institutional arrangements in domestic and external markets. In the frequently observed absence of such institutional arrangements which is the case in most of the circumstances farmers prefer to grow just a small amount and sell it in nearby domestic markets. This paper follows a institutional economics approach to study the above mentioned issues. We recommend vertical coordination through contractual arrangements as a solution which might help to connect farmers to European markets for high value products. Abolishing currently existing market access barriers to European markets has the potential to contribute significantly to rural development in developing countries. In this context, contract farming could be employed as an institutional arrangement that opens new opportunities to the farmers and strengthens the rural economy by creating employment opportunities and increasing incomes while providing food security for the whole region.

Keywords: Contract farming, institutional arrangements, rural development