Agriculture and Agricultural Policies in Kyrgyzstan

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The Role of Agriculture

- The role of agriculture in the economy increased in 1990s, but is on declining trend since 1996
- Average agricultural GVA growth rate in 2005-2014 – 0.9 % per annum
Agricultural Land

- Agricultural land is mostly pastures
- Most of arable land is irrigated
- Arable land is slowly degrading
Key Crops

- Subsistence crops dominate over cash ones
Livestock

- Increasing numbers of cows and horses
- Recovery in the numbers of bull-calves, sheep and poultry
Exports

- Decline in absolute terms in comparison to mid-1990s
- Decline as a share of total exports, but some recovery since 2009
- Key export products: beans, other vegetables, fruits, dairy products
Regional specialization

- **Grain**
- **Vegetables**
- **Meat**
- **Milk**
Farm Structure

- Key agricultural producers – single household farms (average land plot – 3.1 ha)

<table>
<thead>
<tr>
<th>Farm type</th>
<th>Number in 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>State farms</td>
<td>56</td>
</tr>
<tr>
<td>Coops, joint-stock companies and other collective farms</td>
<td>497</td>
</tr>
<tr>
<td>Peasant (single household) farms</td>
<td>382 883</td>
</tr>
</tbody>
</table>

Gross agricultural output, 2014

- Household plots: 9%
- Peasant farms: 61%
- State and collective farms: 2%
- Households: 37%

Arable land and orchards, 2014

- Household plots: 9%
- Peasant farms: 86%
- State and collective farms: 5%
Policy Reforms

- Farm restructuring and land privatization in 1990s
- Gradual liberalization of land market
  - Ownership – universal except foreigners and urban entities
  - Special arrangement for banks
  - Land lease up to 50 years
- Very low land tax – the only tax for agricultural producers (€3-6/ha per annum)
- Water user associations (473 WUA and 34 unions of WUA)
- Pasture management (community committees)
Access to Finance

• Total credit to agriculture as of end-2014 – KGS22.9 billion (22 % of total credit to the economy or 12 % of gross agricultural output)
• Interest rates for agriculture – 18-30 % per annum
• In 2012-2015, Government-subsidized credit line of KGS2-4 billion at 9-10 % per annum for 2 years
• Specialized government-owned Aiyl Bank (rural bank)
Public Investment Program

- For the period 1992-2014, total investments of USD821.5 million (59 % – loans, 41 % – grants)
- In 2012 – USD23,4 million; in 2013 – USD12,7 million; in 2014 – USD17,1 million

<table>
<thead>
<tr>
<th>Project</th>
<th>Donor</th>
<th>% of grant</th>
<th>USD million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farm irrigation-2</td>
<td>WB</td>
<td>100 %</td>
<td>16</td>
</tr>
<tr>
<td>Improving water management</td>
<td>WB</td>
<td>100 %</td>
<td>23.4</td>
</tr>
<tr>
<td>Livestock development and market-1</td>
<td>IFAD</td>
<td>50 %</td>
<td>20</td>
</tr>
<tr>
<td>Additional funding for the second project on farm irrigation</td>
<td>WB</td>
<td>45 %</td>
<td>4.2</td>
</tr>
<tr>
<td>Agricultural services and investments</td>
<td>WB</td>
<td>100 %</td>
<td>9</td>
</tr>
<tr>
<td>Rural water supply and sanitation-2</td>
<td>WB</td>
<td>45 %</td>
<td>10</td>
</tr>
</tbody>
</table>
Other Current Policies

• Livestock identification (US$22.5 million grants from Kazakhstan and Russia)

• Agricultural machinery lease (1290 machinery units in 2011-2014 supported by China, Japan, Turkey, EADB)

• Seed production (107 farms) – concentration on cereals

• VAT exemption for imported agricultural inputs (fertilizers, seeds, animal medicines etc.)

• Maintenance of irrigation infrastructure – main item in the government budget expenditure on agriculture (≈ €20-25 million per annum)
Climate Change

• Increase in temperatures (0.0701 C/year) and decrease in precipitation (-1.868 mm/year) since 1990
• Research on climate change effects is in its very early stage
• Expected effects: declining land fertility, desertification, loss of up to 50-70% of pastures, ambiguous effects on crop yields
• In 2013, Government approved “Priority Directions for Adaptation to Climate Change in the Kyrgyz Republic till 2017”
• National Action Plan for Climate Change Mitigation and Adaptation is under preparation
Open Issues

• While there is a plenty of statistical data, no systematic analysis of agricultural sector performance in Kyrgyzstan
• No comprehensive review of the government policies in agriculture
• No any assessment of the government policies’ effectiveness and efficiency
• The project may address these issues