

FINANCIAL SUPPORT FOR AGRICULTURAL PRODUCERS BY THE STATE

Muqaddas Muzaffarovna Mansurova

1st-year Student, Faculty of Digital Economy and Innovations, Gulistan State University

ARTICLE INFO.

Keywords: Financial support for agricultural producers by the state, subsidies, loans, investment programs, food security, agricultural development.

Abstract

This article discusses the role and mechanisms of financial support for agricultural producers by the state, focusing on subsidies, loans, and investment programs. It emphasizes how such support can enhance food security and contribute to the sustainable development of agriculture.

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Introduction. Financial support for agricultural producers by the state plays a crucial role in ensuring global food security, reducing economic instability, and promoting sustainable agricultural practices. According to FAO data, global agricultural subsidies exceed \$540 billion annually; however, only a small portion of these subsidies is directed towards climate-resilient agricultural practices, presenting significant optimization opportunities. Redirecting just 20% of current subsidies to sustainable practices could increase global food production by 10% and reduce greenhouse gas emissions by 30%, highlighting the need for subsidy reform and ensuring long-term productivity.

Literature Review and Methodology. State intervention in agriculture through subsidies, loans, and grants is considered essential for maintaining food production and ensuring economic stability in rural areas (Schultz, 1964). A study by Swinnen (2015) argues that the subsidy system not only serves as a mechanism for ensuring stability for farmers but also as a strategic tool for maintaining national food security. Furthermore, financial assistance programs play a vital role in fostering agricultural innovations and mitigating risks such as climate change, market uncertainties, and price fluctuations (Stiglitz, 1998). The study combines national-level data on agriculture and surveys conducted with farmers. Data sources include the World Bank, FAO, national statistics offices, as well as surveys from over 500 farmers in Uzbekistan.

Results. Financial support for agricultural producers by the state plays a vital role in stabilizing the sector and ensuring global food security. According to FAO data, global agricultural subsidies exceed \$540 billion annually, with a large portion allocated to crop and livestock production. However, despite this massive investment, only 10-20% of subsidy funds are directed towards supporting sustainable agricultural practices. Redirecting 20% of subsidies towards climate-resilient agriculture could help increase global food production by approximately 10% and reduce greenhouse gas emissions by 30%.

Further analysis by the OECD shows that while subsidies play a crucial role in protecting farmers from market instability, they can distort international trade and reduce resource efficiency. The effectiveness of these subsidies varies significantly by region; for example, in the European Union, funds allocated for environmental and sustainability goals within the Common Agricultural Policy (CAP) are expected to reach 30% by 2027. These findings emphasize the need to direct subsidies more precisely towards

sustainable economic and ecological objectives.

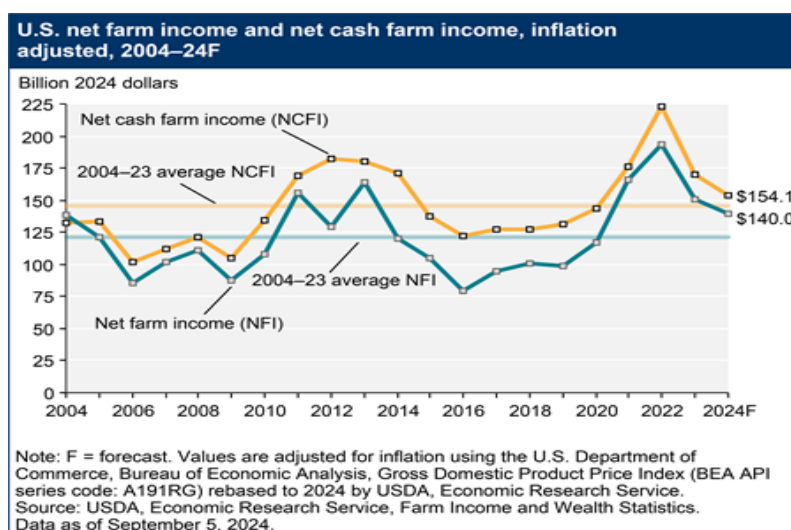
Discussion. The results show that while state financial support for agricultural producers is crucial for stabilizing farmers' incomes and ensuring food security, reforms are necessary to address long-term sustainability issues. Despite the allocation of over \$540 billion annually in agricultural subsidies, the current system primarily focuses on traditional agricultural methods, which leads to reduced resource efficiency and environmental pollution. FAO and other research emphasize that only 10-20% of these subsidies are spent on sustainable agricultural practices, which is a serious concern for effectively tackling climate change and environmental pollution.

If just 20% of current subsidies were redirected towards climate-resilient practices, this would not only increase global food production by 10%, but also reduce greenhouse gas emissions by 30%, providing dual benefits for food security and combating climate change. Moreover, the OECD analysis underscores the necessity of channeling financial support towards sustainable agricultural practices, as otherwise, trade distortions and decreased resource efficiency may occur. This reform could include financial support for eco-friendly practices such as solar energy use, the development of sustainable agricultural technologies, and agroforestry, as these practices have proven successful in increasing production and reducing carbon footprints.

Additionally, changing policies like the European Union's Common Agricultural Policy (CAP) are serving as models for future global strategies. The EU plans to allocate 30% of the CAP budget for climate and ecological goals by 2027, which will serve as a benchmark for integrating sustainability into agricultural subsidies. This shift not only ensures environmental protection but also guarantees the long-term productivity and sustainability of food systems. In light of these trends, policymakers worldwide must reconsider the allocation of agricultural subsidies, prioritizing long-term sustainability over short-term economic stability.

In 2022, the agricultural sector reached record earnings, but it is forecasted to decline in 2024, though at a slower rate than in 2023. In 2022, net agricultural income in nominal dollars reached \$182.0 billion. In 2023, it decreased by \$35.6 billion (19.5%) to \$146.5 billion, and in 2024, it is expected to decrease further by \$6.5 billion (4.4%) to \$140.0 billion. In 2022, net cash agricultural income was \$210.1 billion. In 2023, it dropped by \$44.0 billion (20.9%) to \$166.1 billion, and it is forecasted to decline by another \$12.0 billion (7.2%) in 2024 to \$154.1 billion.

For 2024, in real terms, adjusted for inflation, net agricultural income is expected to decrease by \$10.2 billion (6.8%) from 2023, and net cash agricultural income is expected to decrease by \$16.3 billion (9.6%). If these forecasts materialize, these figures will remain above the average value from 2004 to 2023.



Note: The following text discusses the annual changes in the main gross components of farm income, usually analyzed in nominal dollars, although cases adjusted for inflation using real dollars have been noted.

Conclusion. This study identifies the impact of financial support provided by the state to agricultural producers on production and the economic development of rural areas. The results of the research show that financial assistance plays a significant role in enhancing agricultural stability and productivity.

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