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PRODUCTION CAPACITY AND FINANCIAL RESULTS OF AN ENTERPRISE FROM THE GRAIN INDUSTRY IN UZBEKISTAN

MOŻLIWOŚCI PRODUKCYJNE I WYNIKI FINANSOWE PRZEDSIĘBIORSTWA Z SEKTORA ZBOŻOWEGO W UZBEKISTANIE

Key words: grain processing, grain agro-industrial complex, utilization capacity

Słowa kluczowe: przetwórstwo zbóż, sektor zbożowo-przemysłowy, wykorzystanie mocy produkcyjnych

Abstract. The paper aimed to analyze the production capacity and financial results of a company called JSC “Samarqanddonmahsulotlari”, which operates as a major enterprise in the grain industry in Uzbekistan. It has been argued that the company’s production capacity is not used at full range, thus limiting company profitability. Development can be achieved by securing raw material supplies and ensuring the proper distribution of products in a demand driven market.

Introduction

The Republic of Uzbekistan, situated in Central Asia, lies between latitudes 37° and 46° N, and longitudes 56° and 74° E. It has favourable weather conditions for growing grain products. Before the Republic of Uzbekistan gained national independence, Soviet system resources were extensive and low-effective; production units were labour-abundant and lacked sophisticated and capital-intensive production techniques.

In every country’s national food security strategy, one of the main tasks is creating grain reserves [Kudratov 2008]. The country should continuously supply the inhabitant’s demand for food production [Murtazaev et al. 2009]. During Uzbekistan’s transition to a market economy, the population increased, on average, by 1.7% per year. This situation required production development of raw materials, food and consumer goods [Abduganiev, Abduganiev 2010]. To solve this problem, it was first necessary to develop agricultural production, associated services and processing sectors. The next stage was to provide organizational, technical, technological, economic and social relations for end food product manufacturers. The final stage involved delivering the products to consumers [Mamasoliev, Murtazaev 2009, 2011].

The legal basis for organizing the processing of grain in Uzbekistan is specified by Act #95 of the Cabinet of Ministers of the Republic of Uzbekistan, *On Additional Measures for Improving the System of grain and products of its processing, strengthening of control over their preservation*. Grain processing entities have to work according to this Act and provide accounting. Additionally, each year the Ministry of Finance, of the Republic of Uzbekistan, prepares price sheets for the grain market. The main objectives and activity areas in the grain sector are defined by law as follows:

- ensuring the purchase, dislocation and storage of grain and seeds for governmental needs according to the resolutions of the Government of the Republic of Uzbekistan;
- the organization of production and providing the population and economy of the Republic of Uzbekistan with the finest brands of flour, groats, fodder as well as bakery, pasta and confectionery products;
- the perfection of interactive mechanisms between enterprises involved in bread-production and cooperative funding and farming economies as well as grain manufacturers. These include grain reception, quality estimation and registration as well as the creation of an effective grain quality control system and fair price estimation;

- promotion of modernization and the technical upgrading of enterprises involved in bread-production and attracting a large number of foreign investments for these purposes; providing IT support for the enterprises and companies involved in bread-production, organization of trainings for personnel and raising the level of worker proficiency.

Material and methods

The main objective of the paper is to make an attempt at analyzing the conditions and development of grain production efficiency in Uzbekistan by analyzing the economic, utilization and production capacity of the selected company. The company in this case study is JSC “Samarqanddonmahsulotlari”. Besides reviewing current academic literature, primary quantitative data from company sheets were analyzed.

Results

An analysis of gross income from the sale of products for JSC “Samarqanddonmahsulotlari” showed a consistently increasing trend in the free-market economy. However, the growth rate of sales revenue decreased. According to figures in 2001, 2004 and 2007-2008, the growth rate was at 10-65%, but during the course of 2002 and 2003, gross income fell by 5-19% compared to previous years, and in 2005 and 2006, the growth rate recorded a constant deceleration (Fig. 1).

Analysis of the cost of production showed that this indicator increased from 2003. However, during the global financial crisis the growth rate of costs decreased (Fig. 2). The reason for the abrupt increase in the rate of costs in 2003 was very low capacity utilization in the enterprises responsible, whilst the reason for the downward trend in the following years was a deficiency of resources in processing enterprises.

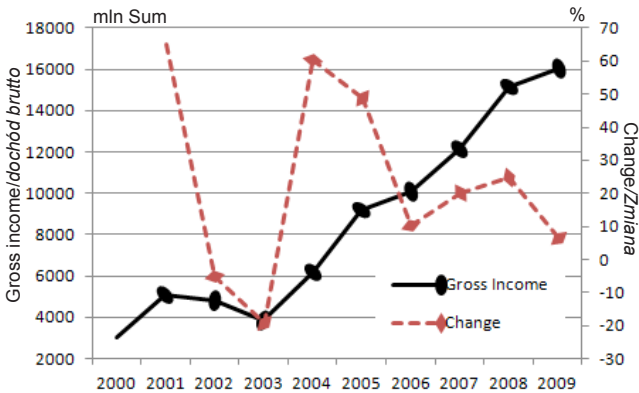


Figure 1. Gross income and changes for JSC “Samarqanddonmahsulotlari” in the years 2000-2009

Rysunek 1. Dochód brutto i jego zmiany dla firmy JSC „Samarqanddonmahsulotlari” w latach 2000-2009

Source: own calculations based on data from the JSC “Samarqanddonmahsulotlari” company

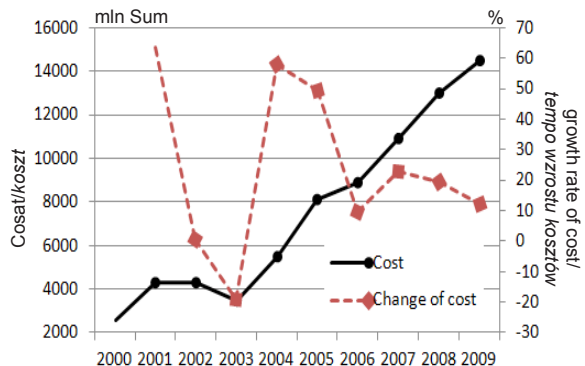
Źródło: obliczenia własne na podstawie danych z firmy

Figure 2. Cost of production and changes for JSC “Samarqanddonmahsulotlari” in the years 2000-2009

Rysunek 2. Koszty produkcji i ich zmian dla firmy JSC „Samarqanddonmahsulotlari” w latach 2000-2009

Source: see fig. 1

Źródło: jak na rys. 1



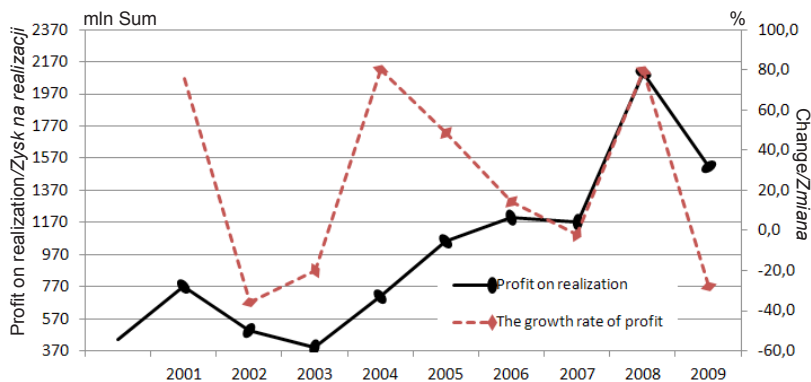


Figure 3. Profit from sales and its changes for JSC “Samarqanddonmahsulotlari” in the years 2000-2009
 Rysunek 3. Zysk ze sprzedaży i jego zmiany dla firmy JSC „Samarqanddonmahsulotlari” w latach 2000-2009
 Source: see fig. 1
 Źródło: jak na rys. 1

In the analyzed period, profits were recorded from the sales of goods. However, profits decreased by 35.7% in 2002 in comparison with 2001. A similar situation is shown in the analysis of the growth rate of profit, which changed from 80.2% to -2.0% in the period between 2004 and 2007 (Fig. 3). The reason for these abrupt changes of profit was the disproportion between the costs of production and established government prices for bread and bakery products.

An analysis of production efficiency showed that the rate of profitability in the enterprise decreased. As a result, profitability decreased by 6-7% in 2002 and 2003. Such a situation is also visible in 2007 and 2009 (Fig. 4). The reason for this is the allowance of the rapid change of costs in enterprises producing bread and bakery products in the period of market economy.

Production capacity of JSC “Samarqanddonmahsulotlari” is estimated at – 68.5 thousand tonnes for flour and – 51.8 thousand tonnes for feed, per year. An analysis of effective performance

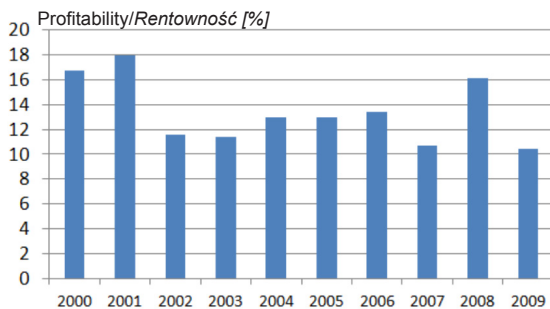


Figure 4. Level of profitability and changes for JSC “Samarqanddonmahsulotlari”
 Rysunek 4. Poziom rentowności i jej zmian dla firmy JSC „Samarqanddonmahsulotlari” w latach 2000-2009
 Source: see fig. 1
 Źródło: jak na rys. 1

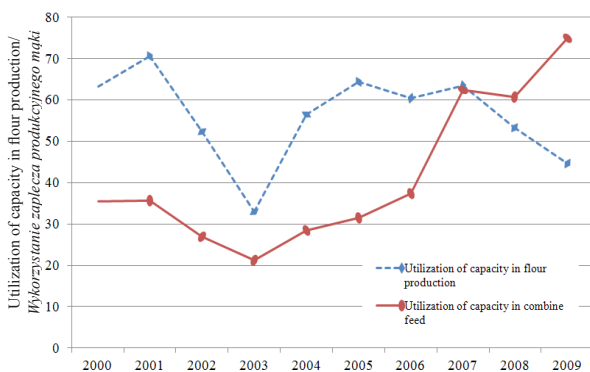


Figure 5. Utilization of capacity and changes for JSC “Samarqanddonmahsulotlari”
 Rysunek 5. Wykorzystanie zaplecza produkcyjnego i jego zmiany w firmie JSC „Samarqanddonmahsulotlari” w latach 2000-2009
 Source: see fig. 1
 Źródło: jak na rys. 1

capacity showed that the profitability on flour and feed was 3% and 21.4 respectively, in 2003. In 2009, the effectiveness of productive capacity of flour was 44.6% (Fig. 5). The incomplete utilization of production capacity of the enterprise had a negative influence on efficiency and decreased profitability.

Conclusions

The conducted analyses showed that the utilization of production capacity of the enterprise has an influence on the overall efficiency of the grain processing enterprise in Uzbekistan. It was found that as long as production capacity was not used at full range, the company could not be highly profitable. Development could be achieved by securing raw material supplies and ensuring the proper distribution of products in the demand driven market.

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Streszczenie

Zaprezentowano analizę możliwości produkcyjnych i wyników finansowych spółki UAB „Samarqanddonmahsulotlari”, która działa jako jedno z największych przedsiębiorstw w branży zbożowej w Uzbekistanie. Wykazano, iż jej zdolności produkcyjne nie są wykorzystane w pełnym zakresie, co negatywnie wpływa na sytuację finansową firmy. Stwarza to jednak dobre podstawy do dalszego rozwoju, który można osiągnąć przez zapewnienie dostaw odpowiedniej ilości surowców oraz zapewnienie właściwej dystrybucji produktów na rynku regulowanym przez popyt.

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