

Uzbekistan: Market-in-Waiting

By Nizam Yuldashbaev

With 25.2 million residents, Uzbekistan is the most populous country in Central Asia. Although gradual reforms are harbingers of a transition to a free market economy and imported products are available, its food and beverage market is not well developed.

The state continues to be a dominating influence in all sectors of the economy. Poor implementation of economic reforms has not encouraged the market development and foreign investment that would aid privatization.

U.S. Exports on the Rise

Despite the restraints in place, U.S. agricultural exports under P.L. (Public Law) 480, Food for Progress—mostly soybeans and rice—helped sales rise from \$799,000 in 2000 to \$26.6 million in 2001. During the past three years, a few sales of soybeans and wheat were arranged under the GSM-102 Export Credit Guarantee Program, which helps exporters arrange competitive financing with less risk.

The value of U.S. consumer-oriented product sales rose more than fourfold, from \$100,000 in 2000 to \$455,000 in 2001. Though just a fraction of the total \$200 million Uzbeks spent on value-added imports in 2001, reports show U.S. sales for 2002 rose substantially.

Railways May Provide Best Transport

Tashkent's international airport is the most modern in the Central Asian region,

but other airports in the country are small and lack the facilities for transporting and storing products.

Uzbekistan's highways, together with the railway network, form the backbone of the country's transport system. However, most of the roads are poor, and there are few refrigerated trucks. Railroads are often a more efficient means of transporting items.

Supermarkets Growing, But Slowly

A few large state, joint-stock companies, such as Uzbeksavdo, the major buyer and distributor of wheat flour, sugar, rice and vegetable oil, and private companies are the major players in the food distribution system. Food importers and commissioned agents place orders with foreign suppliers and distribute to supermarkets, smaller groceries, hotels and restaurants in the cities and to small retail stores in rural areas. Some of the larger supermarkets import items directly.

Modern stores command around 8 percent of total retail sales. They are usually located in major urban centers. More than 60 percent of the population, however, lives in densely populated rural communities. This partially accounts for the slow growth of larger retailers and slow increase in demand for convenience foods.

Urban stores cater to upper income locals, foreign visitors and Western diplomats. They offer high-quality, branded goods sourced locally and via imports. In an effort to attract more customers, larger stores are adding services such as bakeries, cafés and prepared meals.

Besides the few major supermarkets, Uzbekistan's traditional stores include provision and grocery shops, farmers markets, commercial food stores and other

retail outlets that sell a limited range of products on a small scale. Commercial shops sell food products as well as other consumer goods. Provision shops sell mainly food items. Retail outlets usually sell local as well as imported products.

Food Processing Decentralized

The food processing industry is composed of small- and medium-sized companies. Almost two-thirds are small family-owned businesses or one-person operations.

In 2000, investments in Uzbekistan's food processing industry approached \$200 million. By 2001, the industry was estimated to have processed over \$250 million worth of products, with almost half (\$120 million worth) being exported. Canned vegetables and fruits, fruit juices and tomato paste number among the most popular exports.

Further liberalization of trade and resolution of local currency conversion problems will help attract needed foreign investment. As the domestic food processing sector expands, so will future market opportunities for U.S. ingredients. ■

The author is an agricultural specialist in the FAS Office of Agricultural Affairs, U.S. Embassy, Tashkent, Uzbekistan. Tel.: (011-998-71) 120-54-50; Fax: (011-998-71) 120-63-35; E-mail: agtash@lycos.com

For details, see FAS Report UZ2002. To find it on the Web, start at www.fas.usda.gov, select **Attaché Reports** and follow the prompts.

