

## SECTORAL ECONOMY

### SECOND HARVESTS, AS AN ADDITIONAL SOURCE OF INCOME FOR FARMERS (PEASANTS)

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There are approximately 280,000 farms (homesteads) in Kyrgyzstan, the majority of which are small farms covering 0.5-1 hectares of land. Nevertheless, these farms (homesteads) account for the bulk of agricultural output nowadays. Their share of gross agricultural output (without personal subsidiary farms and their owners) is approximately 60 % and of the overall GDP of the republic it is 18.1 %. Some retained government enterprises such as seed and breeding farms and various enterprises that belong to scientific and other organizations lag way behind on output volumes at only 1-2 %.

However, this is when judged by quantity and not quality and efficiency. Farms (homesteads) should lead the way as they account for 80 % of arable land whereas governmental and collective farms have only 11 % and private households have only 9 % of the land.

At the same time the majority of farms (homesteads) (more than 50 %) do not have enough produce to be sold and they are not profitable. After meeting domestic consumption needs there is no surplus to be sold so that the profit could be re-invested to intensify and expand output. Over 50 % of farms (homesteads) can only satisfy their own needs nowadays. In other words, they are involved in subsistence farming.

When analyzing the situation in agriculture it can be concluded that agriculture's transition to a free market is basically complete now. Currently, agricultural producers are private persons.

No one can dispute that private production is always more effective than governmental or public production. When following this axiom we only remember its first part. The main point of the rest of it is that private property is more effective than government property but only where suitable conditions exist for farms and homesteads' activities.

Creating conditions that are favourable for increasing agricultural efficiency is a large and complex issue beginning with the legislative base and finishing with cheap and adequate credit resources. Currently, the situation in the country is that there are inadequate low interest credit resources. Fine, credits to agriculture from both national banks and foreign

investors are increasing from year to year and the interest rates are gradually falling and this is good, but at the same time, assistance given to agriculture annually in terms of credits, grants, extensions, writing etc has been inadequate so far.

The state is looking for any opportunities to increase assistance to agricultural development but we understand that this will take time. In the meantime, peasant farms have started to expand and cooperate. This is an objective process.

Every economist and agrarian expert knows that large-scale agricultural production is always more efficient by large enterprises that are able to obtain credit more easily, organise efficient production, sell produce etc. There is another question: how is it possible to make 300,000 farms (homesteads) cooperate with each other? It is clear that it cannot be done by force but the voluntary process could take decades.

In any case, cooperation and its speed depend on a number of measures even though, as we noticed above, cooperation between farms (homesteads) is an objective process. Once again, it includes legislation, economic training, governmental support, subsidies etc.

The following can be established: 1) cooperation will take place in the republic due to its objectivity; 2) the speed of cooperation considering that the majority of small and medium sized farms depend on measures undertaken by the state; and 3) in any case, cooperation will take from one to several decades until cooperatives become the basic producers of agricultural outputs.

It is accepted that even when cooperatives have become our basic agricultural resources and, consequently, when they provide the production base, a large number of small and medium sized homesteads (farms) will exist anyway even though a large number of them will still exist and be involved in production during the entire period of active cooperation.

What do I mean by the term active cooperation? This is the process where farms and/or homesteads co-operate at various levels depending on the above-mentioned factors. Naturally, this process will be hampered to a certain degree, but it does not mean

that permanent values will figure when registering cooperatives, homesteads, farms and other forms of property in agriculture. Naturally, there will be small fluctuations in the numbers of various subjects, their resources and production indicators, but this is a different issue.

Are there any other measures for increasing the efficiency not only of homesteads, but also for agriculture in general, including agricultural cooperatives in the republic? Are there any other methods except further improving the legislation, cheap, adequate credits, improving agricultural infrastructure and elite seeds, pedigree livestock and providing veterinary services to increase agricultural yields?

Yes, there are. In our opinion, one of the measures for increasing agricultural output is growing two harvests per year.

It is widely known that Kyrgyzstan has insufficient arable land. In a land with a rapidly increasing population, there are 5,100,000 residents and only 1,125,400 hectares of arable land. When considered in more detail one should subtract flooded land, land with a high level of salinity and other land that is not used. At present, only approximately 1,000,000 hectares of land in the republic are suitable for agricultural purposes.

In climatic conditions where many regions of the republic, in particular the southern ones, have early springs, long hot summers and long warm autumns two harvests could be gathered on the majority of agricultural fields.

At present, in almost all regions of the republic grain harvests are the most grown crops, the majority of which are winter plantings. Of the arable land area they have accounted for approximately 40-45% in recent years.

In southern regions, grain harvests ripen by the end of June and they are completely harvested by the end of July on many fields. Afterwards this land is free for the four months from July to the end of October - beginning of November. Only then is this land ploughed to plant winter crops or left till the next growing season to plant spring crops.

In our climate, the period from July to November is adequate for the majority of crops to grow, such as carrots, buckwheat, maize for silage, black radishes and so on.

This method has already been partly tested in the Alabuka area of the Dzhinal-Abad Region and some areas in Talas and Osh regions.

For example, the Regional State Administration approved the Second Harvest programme in 1999 in the Osh Region. As a result, 6,445 hectares of land was sown with second crops in 2000. The value of these second crops was 83,700,000 soms.

Of course, this is not a lot even for the Osh Region, but if it was organised systematically with organizational, administrative and, probably, some material support from the state, second crops could be significantly increased.

As noted above, the percentage of winter grain is approximately 40-45 % of all grain harvests throughout the republic. After the harvest, the majority of these fields stay empty for a period of 2.5-4.5 months depending on the region and daily temperatures average  $+17^{\circ}\text{C} - +23^{\circ}\text{C}$ , conditions suitable for growing and ripening the majority of crops.

Thus, according to calculations, the theoretical area of arable land in the republic for second crops is approximately 200,000 hectares. In reality, one could use approximately 100,000 hectares. This only relates to areas with winter grain crops but there are other crops as well that are harvested in June, July and August. These also cover a significant area of arable land.

If we assume that one hectare yields crops worth an average of approximately 13,000 soms and if we plant second crops on at least, 50,000 hectares this would yield harvests worth 650,000,000 soms. This is a significant amount.

In addition, a second harvest provides additional income to villagers and means extra jobs for a lot of people. The unemployment period for villagers would be reduced. In turn, it influences the overall social situation because when people are busy the situation is calmer and more stable.

It is generally known that the population quickly picks up everything new and profitable. Let us consider an example from the Talas Region. In 1997, haricot beans were a small percentage (2-3 %) of all plantings. Turkish businessmen started trial plantings of this crop in 1998 and the increase has been phenomenal and now this is a basic crop for three of the four agricultural areas of the region. The population quickly grasped that growing haricot beans was more profitable than growing wheat and quickly mastered how to cultivate them. As a result, haricot bean plantings have increased dramatically.

The same could be said about second crops. If an appropriate programme were to be approved at governmental and even departmental level, such as the appropriate ministry, we think that farmers, peasants and cooperatives and other enterprises would pick up this idea.

It has to be said that some people in the republic are already getting second harvests. There are lots of diligent and forward-looking landowners but not enough. They need assistance from specialists. Which second crops are most profitable? Which crops enrich soil after planting winter grain crops and how do they do it, for example? Which crops are best to plant in

the spring after a specific second crop has been harvested on the land? These and many similar questions need to be answered, but we repeat that we need a systematic approach but it is not possible to achieve this without the state's assistance.

Of course, the need to increase outputs and, consequently, incomes, will increase the number of farms getting second harvests.

The problem is in accelerating this process. To do so, as we have already mentioned above, we need a systematic approach and the state's attention and support. Local authorities should work in this direction. Only then will many Kyrgyz residents consider getting a second harvest from their land, as is traditional and normal for villagers in many countries of the world.

With a rapidly expanding population and a gradual reduction in arable land areas food provision will always be a significant issue that has to be solved. Mountains cover 92 % of the country's landmass and we have almost no virgin land so our chances of

increasing arable areas are very limited and so second crops become a vital issue.

It is necessary to intensify the production and nobody argues against it.

At the same time when considering intensifying agricultural output we are often accustomed to emphasizing understandable and well-known things, such as capital investments, credits, seeds, fertilizers, irrigation, training, improved livestock breeding, veterinary services and so on.

We have no objections to any of these but organizational matters such as second crops should be considered.

If we can get farmers interested in the idea it would be a good start and help improve the republic's food security.

We hope the results of getting second harvests will always be of interest to growers.

## THE ROLE AND PLACE OF THE RAILWAY SYSTEM IN THE INNOVATIVE INDUSTRIAL DEVELOPMENT OF THE NATIONAL ECONOMY

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For the economy of Kazakhstan to reach world standard, the republic must look to sustainable development, which rejects its concentration on raw materials and makes it more focused on becoming a services-technology based economy in the long-term<sup>1</sup>. Implementation of this strategy will help increase the growth rate of the national economy by 8.8-9.2 % a year. This will more than treble GDP by 2015 compared to 2000. It also implies:

- Increasing the percentage of consumer goods production in GDP from 46.5 % to 50-52 % by 2015.
- Increasing the percentage of services provided by scientific and scientific-innovative activity in GDP from 0.9 % in 2000 to 1.5 – 1.7 % in 2015.
- Slowing the fall in the processing industry's percentage of GDP from 13.3 % in 2000 to 12-12 % in 2015 (this level would be equal to 10.9 % in 2015, if it were not for the industrial policy currently being pursued).

Non-implementation of the Strategy will lead to the situation, in which the added value percentage of mining in industrial output would amount to 55-56 % and to 50-51 % in oil extraction in 2015 against 31.0 % and 26.5 % in 2000. Taking Strategy implementation into account, the output of mining enterprises will come to only 46-47 %. The percentage of science-based and high-tech production will increase from 0.1 % of GDP in 2000 to 1-1.4 % of GDP in 2015.

Changes in quality will take place in the structure of added value in the processing industry. The share of metallurgy and metal processing will fall from 40.1 % of the total added value volume in the processing industry to 27-28 % and the percentage of agricultural output processing will grow from 38.1 % to 45-46 %. The percentage of science-based and high-tech output will be 9-11 % against 0.6 % in 2000.

The railways of the Republic must play an important role in solving the above-mentioned tasks. The percentage of railway transport in the GDP of Kazakhstan increased from 6 % to 7 % and amounted to 264.3 billion tenge in 2002 compared to 2000. In

<sup>1</sup> The innovative industrial development strategy of the Republic of Kazakhstan