

IMPACT OF CHANGE OF THE SINGLE LAND TAX RATE ON COTTON CULTIVATION

Musalimov Shuhrat Isamuhamedovich*

Abstract:

Science article discloses analysis of prices in the cultivation of cotton, a single tax rate and the degree of inflation changes. In particular, given the value of the analysis of the achievements of improving the procedure for determining the price of raw cotton and fiber, as well as the regulatory cost of agricultural land, carried out in accordance with the conditions of the market economy.

Keywords: Cotton, single tax, rate, price, inflation, market, quality, per cent,

While analyzing the development of the world economy it becomes obvious that growing of cotton can be considered as one of the most ancient type of plants. As centuries passed the demand for this crop increased significantly. However, at the beginning of the XXI century the demand for the cotton declined considerably due to the invention of synthetic fibers. Despite this, nowadays cotton fibers are considered to the most wide-known natural fiber in the world.

The statistics shows that over 200 million people in more than 70 countries are involved in cultivating cotton and over 60 million people are engaged in cotton processing. Cotton is considered to be one of the most planted non-food crop. Over 20 million tons of cotton are grown in the areas of 30 million hectares. China, the USA, India, Pakistan and Afghanistan are ranked as top leading countries cultivating cotton and the share of cotton grown in these countries accounts for 65% of the cotton grown all over the world [1].

* **researcher, Tashkent finance institute, researcher, Banking and finance academy**

Cotton production and its consumption are increasing year by year in the world. The first reason for this is justified with the growth of the world population. The second reason for this is a significant increase of the demand for cotton which can be used as a base of raw materials for sophisticated industrial branches and creating new products made of cotton. If production of synthetic goods and synthetic items during last decades has resulted in reduction of the cotton consumption, the demand for natural fibers is always maintained constant. This fact is obvious on the case study of the rapidly developing countries.

Data on the cotton cultivation and its consumption in the world (in million tons) [2]

Indicators	According to USDA data, mln. tons			According to ICAC data, mln. tons		
	2013-14	2014-15	2015-16	2013-14	2014-15	2015-16
Manufacturing	26,23	25,95	22,59	26,29	26,18	23,11
Consumption	23,95	24,05	24,27	23,61	25,05	24,37
Export	8,89	7,71	7,70	9,00	7,71	7,35
Reminding reserves	22,45	24,40	22,74	20,31	21,92	20,65
Relation of reserves to consumption (% да)	93,7 %	101,5%	93,7 %	86,0 %	87,5 %	84,7 %

The above-stated data has been provided by the United States Department of Agriculture and the International Cotton Advisory Committee. As the data illustrates, there is no significant difference between the indicators of cotton cultivation and its consumption, however, there is a gap in such indicators as reminding reserves and relation of reserves to consumption. According to the data provided by the United States Department of Agriculture, the indicator of relation of reserves to consumption is fluctuating between 93,7-101,5%, but according to the statistics of the International Cotton Advisory Committee, this indicator amounts to 84,7-87,5%.

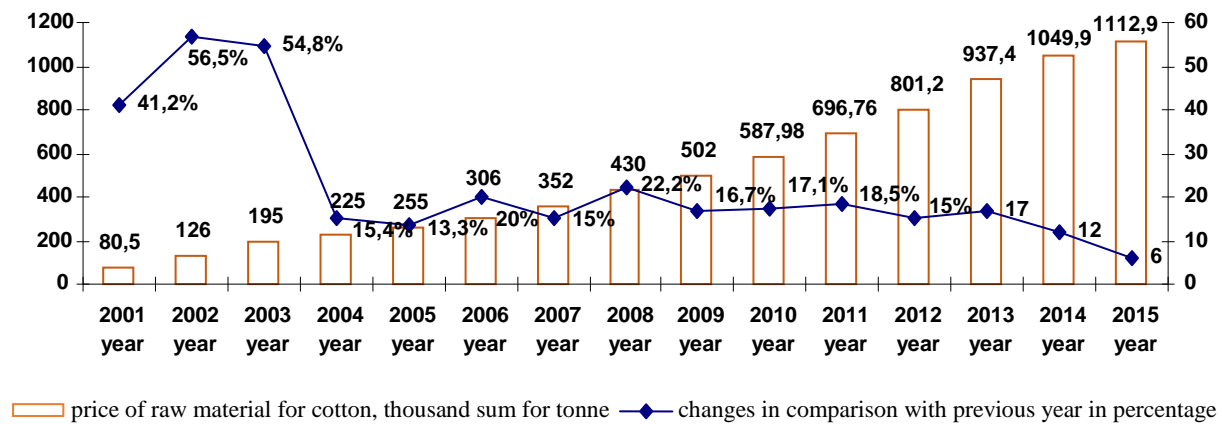
Since 1940-s, the world consumption of cotton is steadily increasing by 2% in average. It should be noted, that the share of developing countries in the cotton consumption growth is relatively big. If in 1981–1998 the share of developing countries in the cotton consumption accounted for

77 %, beginning from 1999 the share of these countries in cotton consumption amounts to more than 80 %. The global financial economic crisis occurred in the second half of 2007, made a huge negative impact on the volume of cotton production. In 2009 volume of cotton fiber production accounted for 22,4 mln. tons and it was the lowest indicator since 2003 with 20,1 mln. tons. This reduction was stipulated by the fact that during the crisis more useful cereals were widely cultivated than cotton fibers. Besides, one more factor which made a negative impact on the cotton cultivation was reduction of the ability of many farmers in many countries to get loans and increase of production costs. In addition, it should be noted that cotton is considered to be the crop which requires much labour capacity and many production costs [3].

Since the first days of Independence, the prices for raw cotton and cotton fibers have increased considerably. The rise in prices created additional opportunities to reimburse expenditures of farmers on the purchase of equipment and inventories. Furthermore, with the aim of liberalizing prices fixed for the cotton, the opportunity to sell the cotton fiber over the Government order under the agreed price has precisely been determined [4]. These measures created additional opportunities to bring procurement prices of agricultural products close to market prices. At that time it was a natural process to reconsider procurement prices of agricultural products due to high inflation rate. With this aim in 1992 prices for raw cotton increased by 6 times in average, and wholesale prices for cotton fibers grew by 6,85 [5]. Under these terms and due to the inflation rate in 2003 the changes in procurement prices were announced.

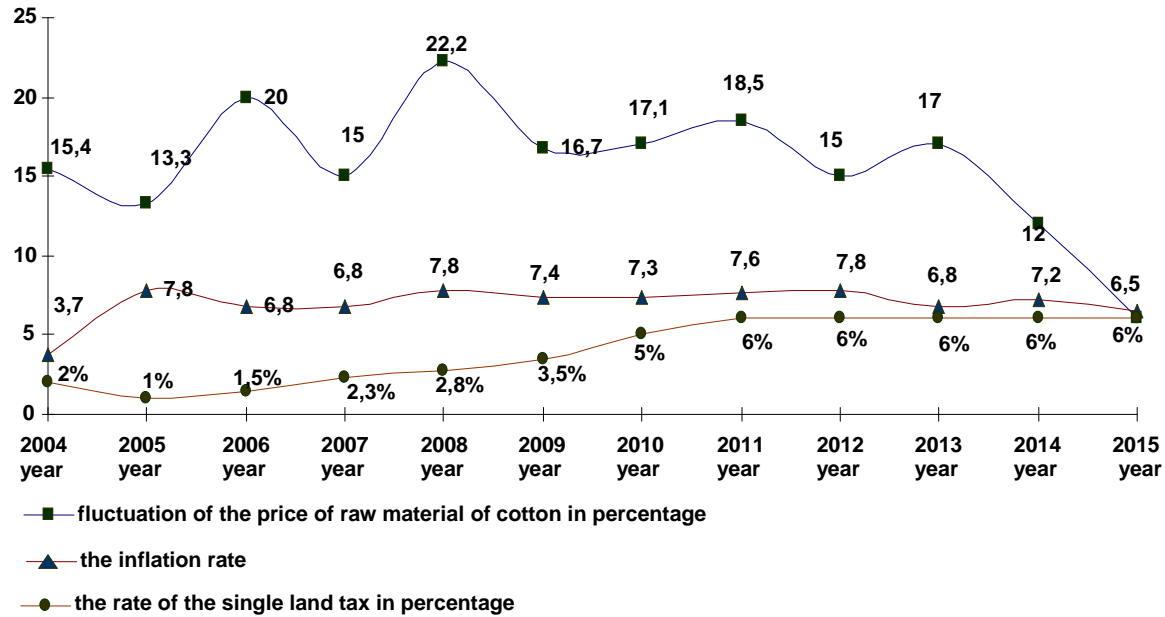
Since 2003 procurement prices for all grown volume of the raw cotton are determined by the Ministry of Finance not later than 15 days before collecting harvest proceeding from the average price level forecasted in the world market for the period of cotton collection under Franco conditions – delivery station (FCA) and forecasted Central Bank rate. Average world price under CIF conditions denominated in American cents for 1 English pound of weight under forecasted quotation on the Liverpool cotton association is accepted for the purposes of this Regulation as the price for the cotton fiber of the fifth type, first grade of the “Medium” class. To transform the price of one English pound of weight into the price of one ton in USD, the estimated coefficient of 22,046 is used [6].

Having analyzed changes in the prices for cotton we can illustrate the changes of average procurement prices for raw cotton fixed for 2001-2015 by the following diagram:

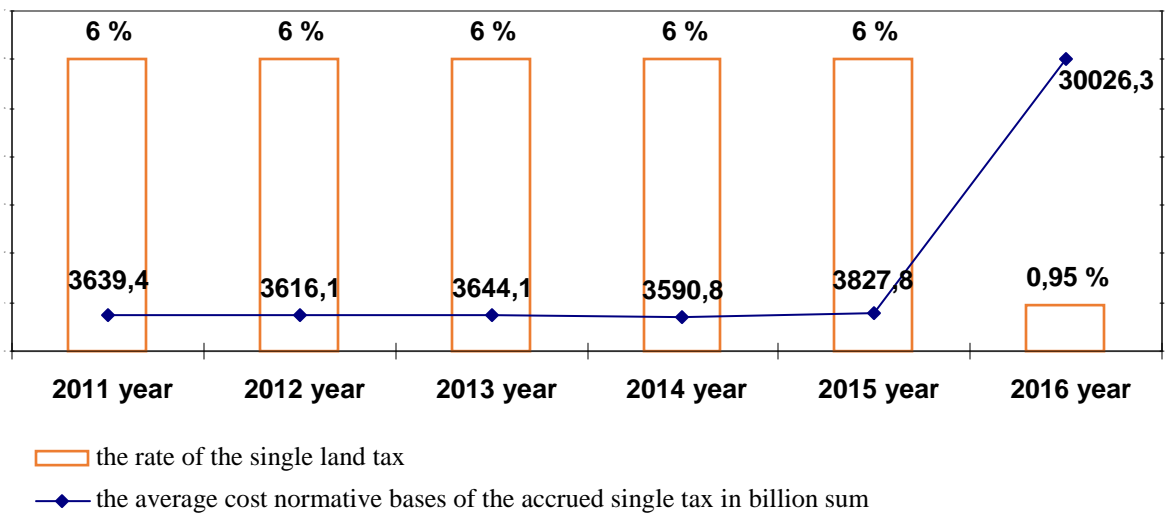


As the above-stated data shows, average procurement prices for raw cotton in the republic are steadily increasing. The highest indicators of the prices during this period were observed in 2001, 2002 and 2003 and amounted to 41,2 %, 56,5 % and 54,8% correspondingly. These relatively high indicators are justified due to the sharp increase of expenses on agricultural measures undertaken for cotton cultivation, precisely, rise of prices for the fuel, fertilizers and labour force. For example, in 1999-2006 “labour expenses spent on 1 hectare of cotton accounted for 7,1 %, labour expenses on raw materials and cotton fiber amounted to 15,3 % and 9,1 % correspondingly, prime cost of 1 centner of raw materials increased correspondingly by 25 618 UZS or 8,0 times, and 1 centner of cotton fibers rose by 81 685 UZS or 7,6 times [7]”. If during 2007-2013 the growth of prices for cotton was fluctuating between 15-22,2%, in 2014-2015 growth rates of raw cotton decreased sharply and accounted for 12 % and 6 % correspondingly.

We are conducting comparative analysis of changes of prices for raw cotton, inflation rate and change of the land tax rate:



As the data shows, during the analyzed period the change of the price for raw cotton is higher than inflation rate and the land tax rate rose, however, since 2011 the rates remained stable. Changes of the single land tax rates are not flat and changes of the price for raw cotton and inflation rate are not always in compliance with each other. For example, during 2005-2010 the growth of the single land tax rate amounted to over 20% annually, the inflation rate during that period was 3,7-7,8%. During these years changes of the prices for raw cotton didn't exceed 20% (excluding 22,2% in 2008). It should be noted that since 2011 single land tax rates have reduced. If in 2011 the rate increased by 20% in comparison with 2010, then it grew from 5% till 6%. In 2012-2015 the single land tax rate is being remained stable at 6%. It should be noted that in 2016 the single land tax rate declined considerably by 0,95%, which resulted in the increase of normative values of the taxable base of the land tax [8].



As the data shows, in 2011-2015 the single land tax rate remained constant and the normative value of the land also kept stable. Although normative value of the land was relatively small, its increase can be justified by improving of the melioration condition and increase of the score of bonitet. The period of 2016 can be characterized by the sharp increase of the normative values of the land, rise of its calculation coefficient and improving of the order of determining the normative value. The rate of the single land tax decreased from 6% by 6,3 times in 2015 and accounted for 0,95%.

In conclusion we can say that our republic has achieved improving the determination of prices for raw cotton and cotton fibers as well as determination of the normative value of the agriculture adequacy in compliance with the requirements of the global economy.

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