

PROSPECTS FOR COTTON TEXTILE ENTERPRISES

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Abstract: Clusters have indeed been important in eliminating the state plan and order in cotton growing, as well as in maximizing economic benefits along the entire cotton value chain. Clusters are organized to benefit both producers and processors. On the one hand, producers can benefit from guaranteed market access, advisory services and modern technology. On the other hand, textile workers get access to raw cotton in the agreed quantity and quality.

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To be responsible investors, it is necessary that the organizers clusters worked more on the following:

- Fulfilling their investment and responsible cotton production commitments: Clusters must meet their investment and compliance obligations related to sustainable cotton production, processing and development of the cotton value chain. The investment plans of many of them are great, and some may be exaggerated. It is important that the Government monitor the implementation of investment plans and, if necessary, make adjustments to the size of the clusters. Some clusters may be too large in size and must be separated. It would also be good for increasing local competition. In general, compliance with investment obligations and responsible cotton production is an important task for the Government to increase confidence in the clusters.

- Focus on core business: Cotton textile clusters should prioritize investment in their core business of cotton production and processing. They were created to benefit both cotton growers and processors. However, many clusters, often stimulated by proposals from various ministries and departments, have ambitious plans to invest in everything from cotton processing and textile production to grain storage, greenhouses, vegetable oil production and livestock farms. Such extensive investment plans divert clusters from their core cotton textile business, increasing the risk of failure and facilitating their long-term dependence on the state budget to finance cotton production and purchases.

- Providing effective services to farmers: Farmers expect technical and financial assistance in exchange for their work in cotton production, which generates income for many participants in the value chain. In many clusters, local and foreign agronomists are already working to help farmers master new technologies and farming practices. Other clusters should do the same. It is important to note that this assistance should not look like an order from above: the final decision on which means of production and technologies to introduce should be with the farmers. Particular attention should be paid to improving the quality of seeds: clusters should be involved in the production, harvesting, processing, storage and sale of cotton seeds.

- Paying a Fair Price for Raw Cotton : Without public procurement prices, and in the absence of a free market pricing mechanism for raw cotton, farmers and textile mills will have to negotiate the price of raw cotton themselves. Expected prices based on production costs and international prices, which will be published quarterly, as specified in Presidential Resolution No. PP4633, will inform these negotiations. Actual farm cotton prices may be lower or higher than export parity prices depending on the service package provided by the clusters. If services are not provided, there is no reason why the actual price should be below the export parity price. If services are provided, the price may be lower, but the cluster organizers must explain and negotiate with the farmers in order to find a solution acceptable to both parties. Determination of the price of raw cotton is one of the biggest risks for the cluster model, because without financial incentives, farmers will not be motivated to increase the production of raw cotton and improve its quality, which is an urgent task.

- Refrain from using old era restrictions: The government and cluster organizers should refrain from setting a mandatory yield for farmers, such as a minimum yield depending on soil quality, as this would be the same as keeping the state production plan and using it to terminate a lease earth. The minimum or optimal yield calculated in Soviet times is not only outdated, but also does not reflect the real economic and social situation in farms. What is technically optimal may not be economically feasible. Estimates of optimal yields use an ideal scenario for the use of inputs, irrigation, and yield response to applied fertilizers and plant protection products. The reality is often different. With high input prices and poor irrigation, it can be advantageous for farmers to have lower than technically optimal yields. Soil fertility may be lower than the estimate made by the State Committee for Land Resources several decades ago. And the quality of fertilizers and other resources may be worse than what is written on the bags with these products. Therefore, the yield in contracting agreements should have an informational, and not a mandatory role, for the failure of which the farmer will have to answer.

The success or failure of clusters will also depend on the design and implementation of government support programs, including the following:

- Ensuring that khokims stop interfering with the production and marketing decisions of farmers and clusters: Presidential Decree No. PP-4633 prohibits khokims from interfering with the production of raw cotton, the selection of varieties and other inputs, and the use of credit by farmers and clusters. Time will tell how this new rule will be implemented. But without its strict implementation, the cluster model will be discredited.

- Prevention of cases of illegal seizure of land plots: In order to guarantee favorable conditions for producers, including to prevent cases of illegal seizure of land plots, it would be advisable to transfer the decisions of the khokim to terminate the lease agreement for land plots for cotton production to special working groups consisting of Trade and the Chamber of Industry, the Council of

Farmers, Dekhkan Farms and Owners of Homestead Lands and other involved departments for legal expertise.

- Introduction of a comprehensive program to promote the mechanization of cotton growing: One subsidy for the purchase of locally produced cotton pickers will not lead to a significant increase in mechanized cotton harvesting, additional government programs are needed to increase capacity and investment: a) farmers should be trained in weed control cooperation and the simultaneous use of modern technologies for preparing cotton fields for harvesting with defoliant and stimulants; b) assistance is also needed in the creation of on-farm roads to enable large vehicles to move between farm fields. Without such additional programs, the growth of mechanization will be very slow.

- Reforming the banking sector: The slow reform of the banking sector and the resulting lack of agri-finance tailored to the needs of farmers who do not have sufficient capital assets to provide collateral, prolongs the need for the Fund under the Ministry of Finance to provide loans to farmers. Work needs to be started on the introduction of new financial instruments, such as crop and warehouse receipts, which would create an alternative to existing financial instruments based entirely on the pledge of fixed assets/real estate.

- Modernization of irrigation infrastructure: One of the biggest problems for farmers and clusters is poor irrigation. Clusters contribute to the introduction of water-saving technologies within farms, but they cannot be responsible for the main and inter-farm irrigation and drainage infrastructure. A number of clusters complain that local water authorities are asking them to finance the modernization and repair of the main and off-farm infrastructure. This would only be acceptable if the clusters agreed and entered into public-private partnership (PPP) agreements. The legal basis for such PPPs already exists and such projects can be implemented where feasible and cost-effective. But the state's role in modernizing the main and inter-farm irrigation and drainage infrastructure should remain unchanged, including more efficient use of the 1.3% of GDP annually allocated to the Ministry of Water Resources for these purposes.

- Improving the quality of other government services: The Ministry of Agriculture and other government agencies should increase funding and improve the quality of cotton breeding, registration, production and, seed multiplication and quality assurance, and also work with high-quality seed production clusters. In addition, the Ministry of Agriculture should work more with clusters and Uztekstilprom to improve the quality and coverage of: a) information and advisory services; b) improving soil fertility and water management; c) collection and dissemination of market and statistical information, including forecasts of production, trade, consumption and cotton prices.

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