Chapter 7
Value-Added Agriculture for Central Asian Countries

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ABSTRACT
The goal of this chapter is to analyze the socio-economic role of value-added agriculture (VAA) for Central Asian (CA) countries. The agricultural sector of the region provides raw materials for the food, textile, and leather industry. Cotton, wheat, rice, and fruit (fresh and dried) play an important role in the foreign trade of each CA country. These countries have unrealized potential for storing, freezing, processing, and packaging of the wide nomenclature of fruit, food production, and drinks with the organization of their further exports to perspective markets. Adding value to agricultural products lead to increasing the share of finished goods in export, supplying import-substituting products, improving infrastructure in rural areas, providing new jobs, and growing farmers’ income. Based on the analysis, the authors recommend using value-added agriculture for the CA countries by attracting domestic and foreign investments to rural areas, establishing tax incentives, and allocating preferential credits for agribusiness.

INTRODUCTION

The chapter describes the introduction of Central Asia (CA) region, the theoretical aspects of value-added agriculture (VAA), foreign trade analysis of cotton and wheat, as well as the volume of main fruit production in Central Asian countries (CACs). Assessing the high competitive advantage and great potential of CACs in the agricultural sector, the implementation of VAA in the region is recommended to improve socio-economic conditions in rural areas. The database of the Asian Development Bank Institute

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Value added (value-added, value add, added value) can be defined within marketing and economics studies. From the marketing point of view, value added specifies the increase in the value of a product or service while passing through the stages of being developed, processed or produced. Value added is oriented for goods, services or with the combination of goods and services (Figure 1).

All activities during preparing the products/services are divided into value add and non-value add. Both of them require cost and time from producers, but customers pay only for value-added activities. The main non-value activities include overproduction, transportation, over-processing, inventory, defects, motion, and creativity (Ohno, 1988). In order to create value-added action, it is essential to pay attention to three criteria. Firstly, customers intend to pay for the activity. Secondly, it should be done right for the first time. Thirdly, the action should change the product/service to some extent. The studies of the US enterprises revealed that up to 95% of the activities related to a given process do not add value to

Figure 1. Value added divisions in the categories of production and offer
Source: Authors' own development