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# Calculation in Agrocluster System in Uzbekistan

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***Abstract:*** *In the article based on the study of theoretical views of economic entities, necessities, principles of development and conditions, stages and evaluation of efficiency, developed extended and advanced definition of agro cluster as well as on the basis of ordering general features identified the main directions of government support.*

***Keywords:*** *Transformation of agriculture, modernization, agro cluster, institutional environment, competitiveness, entrepreneurial agro cluster in agribusiness complex, farmers and peasants, processing enterprises, integration, innovation, infrastructure, export*

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The cluster will be established on the basis of regional associations of Samarkand region to attract direct investments, introduce effective methods of growing cotton raw materials, grow, process and prepare seed material, and organize the production of other types of agricultural products based on deep processing.

The following are the main tasks of the agrocluster:

- introduction of advanced scientific achievements, modern and effective methods of growing cotton raw materials and other types of agricultural crops;
- introduction of effective and high-yield methods of primary processing of cotton raw materials, as well as deep processing technologies;
- production, preparation and sale of cotton seeds and seeds of other agricultural crops in accordance with state and international standards;
- introduction of advanced agrotechnical and water-saving technologies in the process of growing raw cotton and other agricultural crops;
- organization of in-depth processing of agricultural raw materials and production of competitive, export-oriented products at the expense of attracting direct, including foreign investments, as well as loans from international financial institutions;
- widespread introduction of modern ICT in the processes of accounting and control of the quality and quantity of cultivated cotton and other agricultural products;

- to conduct research in the field of selection and seed breeding together with scientific and educational institutions, to create new varieties and hybrids of agricultural crops, as well as primary processing technologies of cotton raw materials.

In 2019¬-2022, cotton-textile clusters will be established on the basis of cotton ginning enterprises with the involvement of investors, including foreign investors. In this case, the buildings and structures of cotton ginning enterprises and cotton preparation centers will be sold to the organizers of cotton-textile production at the estimated value, subject to payment in installments (equal annual payments) over a period of 5 years. Agrocluster was allowed to sell up to 30,000 tons of cotton fibers for export directly or under futures contracts during the period of establishment and start-up of spinning and textile production.

Reciprocal settlements of cultivated cotton raw materials are carried out through cotton ginning enterprises that are part of the Agrocluster. The final calculations for the 2019 raw cotton harvest will be made from the agrocluster's own funds and the funds of its constituent organizations, as well as loans from commercial banks. The process of growing raw cotton and other agricultural products for the organizations that are part of the agrocluster is monitored and controlled using drones.

Cotton fiber, cotton lint and technical seed are sold to consumers by the agrocluster under intermediary contracts concluded with cotton ginning enterprises in compliance with the established procedure for the sale of these products through stock exchanges, as well as direct contracts and tolling contracts based on the return of the product. The difference between the sold price and the price according to the price list approved by the Ministry of Finance remains at the discretion of the Agrocluster and is not considered a taxable object (in case of negative differences, the costs are covered from the Agrocluster's own funds).

Agrocluster and the organizations that are part of it, equipment, special vehicles and equipment, components, raw materials and materials, construction materials, greenhouse complexes, animals, seeds and plants, which are not produced in the republic and are brought according to the lists formed in the established order for their production needs, veterinary drugs, as well as mineral fertilizers and food and beverage products, were exempted from customs fees (except customs fees) until July 1, 2022.

Monopolistic competition is a type of market in which many sellers offer similar but not identical goods. Although the names monopolistic competition and monopoly are considered similar, in practice these two types of competition are very different. Although this type of competition has purely competitive elements at first sight, it belongs to the type of imperfectly competitive markets (monopolized market).

Even in monopolistic competition, there are relatively many firms, and there are few restrictions on the entry of new firms into the market or the exit of existing firms. However, this type of competition is still different from the free market. The difference is that the product in the monopolistically competitive market is differentiated, i.e., each firm produces and sells a product that satisfies the same need in its own way, and its product may differ from the products of other firms in terms of quality, appearance, type of service, style, used materials, and brand.

The differentiation of the goods means that the goods sold in the market are different, not in the same form. Each firm has some degree of market power because it owns its product brand. For example, every city has fast food, restaurants and places that sell bakery products (especially pastries). These economic entities sell a variety of products that satisfy almost the same need. Fast food restaurants such as Feed Up, Ok-Tepa Lavash, and Evos in Tashkent have a similar menu (lavash, burgers, fries, and other consumer goods), but differ slightly in terms of shape, taste, service, and price.

In 1933, the American economist Edward Hastings Chamberlin in his book "The Theory of Monopolistic Competition" talks about a new type of competition - monopolistic competition. According to him, real market types operate exactly on the border between competitive market and monopoly. Later in 1977, Avinash Kamalakar Dixit and Joseph Eugene Stiglitz published a co-authored article that brought monopolistic competition to its current form. This model was later named the Dixit-Stiglitz model. But according to the basic theory expressed by Michael Porter, any product is perceived as "special" by at least one group of consumers. Therefore, depending on their opinion, the level of differentiation is determined. In 1986, Merton Howard Miller suggested marketing and innovation as the 2 main strategies of differentiation. In 1988, Henry Mintzberg proposed clear and broad categories: quality, design, image, and price.

General features

A market with monopolistic competition is characterized by the following features:

- Firms sell and compete with each other, which are considered to be different variants of the same product, with a high level of substitutability (the price elasticity of substitute goods is high);
- Entry and operation of new firms to the market, exit from the market is almost unlimited [5];
- Many firms operate in the market, and each of them has a part of the market demand for the goods according to the production costs and product characteristics;
- Producers and consumers are not aware of the situation in the market or lack of information (asymmetric distribution of information) [6];
- Firms are free to decide on the price and volume of their products. For example, any firm can get additional profit by increasing or decreasing the price of its product according to the elasticity of its product.

For example, with an elasticity of 5, if a firm lowers the price of its product by 10%, its sales volume will increase by 1.5 times, and the increase will be sold at the expense of many firms, not at the expense of a single firm. can deliver.

If in a purely competitive market the firm cannot change the price, then in the conditions of monopolistic competition, the firm's price policy will be under small limits: if the firm raises the price more than necessary, loyal customers will also go to competitors, if it overprices (that is, if it produces too much), the increasing cost function will cause damage, damage if not, the price of one unit of the product may decrease even below its cost (ATC).

Features of mutual competition of firms

In monopolistic competition, due to the large number of firms in the market, there are almost no price wars. Although firms can influence the price to a certain extent here (price-taker firms), this influence is weak. Therefore, firms compete using the following non-price factors:

- Change product features;
- Differentiated product production to satisfy previous needs;
- Competition through service levels and loyalty programs;
- Competition through advertising, promotions and discounts.

**Firm equilibrium in monopolistic competition**

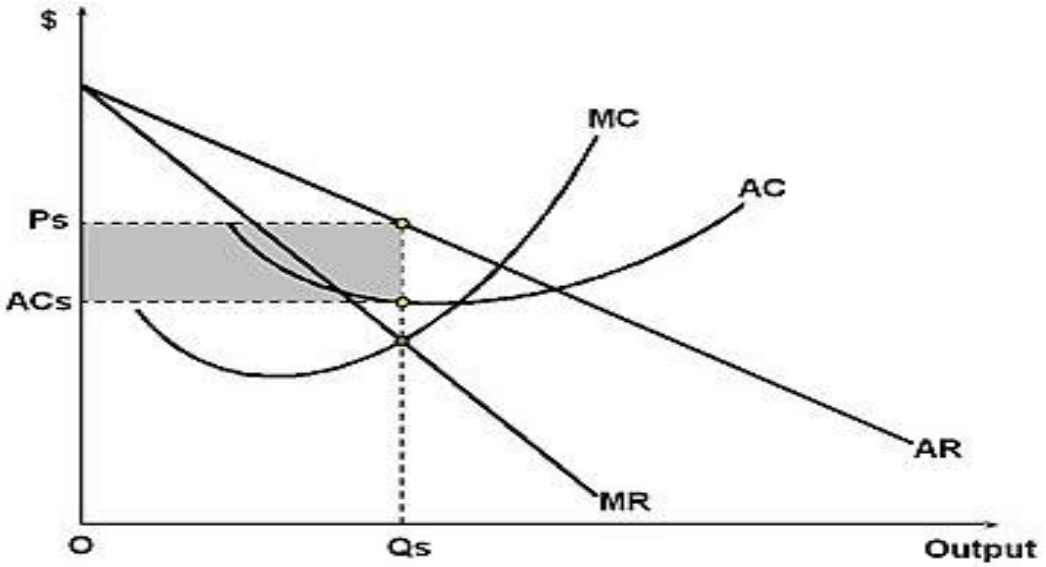


***Figure 1.1. Firm equilibrium in short-run monopolistic competition***

***Firm equilibrium in the short run***

Since the firm's product is differentiated, and the volume of the product has a certain influence on the total market demand, its demand line AR (Average Revenue) is downward sloping. Here AR is only the demand for a single firm's good, the market demand curve does not change that way because of the single firm's price policy.

Since the firm's profit maximization occurs when marginal (marginal) costs are equal to marginal (marginal) revenues (MC=MR), producing output at Qs maximizes profits. The equilibrium price Ps is determined by the firm's demand curve. Since equilibrium price is greater than average cost, the firm earns an economic profit, and this profit is represented by the dashed rectangle in the figure. In a market with monopolistic competition, if the firm is profitable, it wants to increase its production volume to MC=MR, thus increasing the volume of manufactured goods (Figure 1.1).

**Firm equilibrium in the long run**

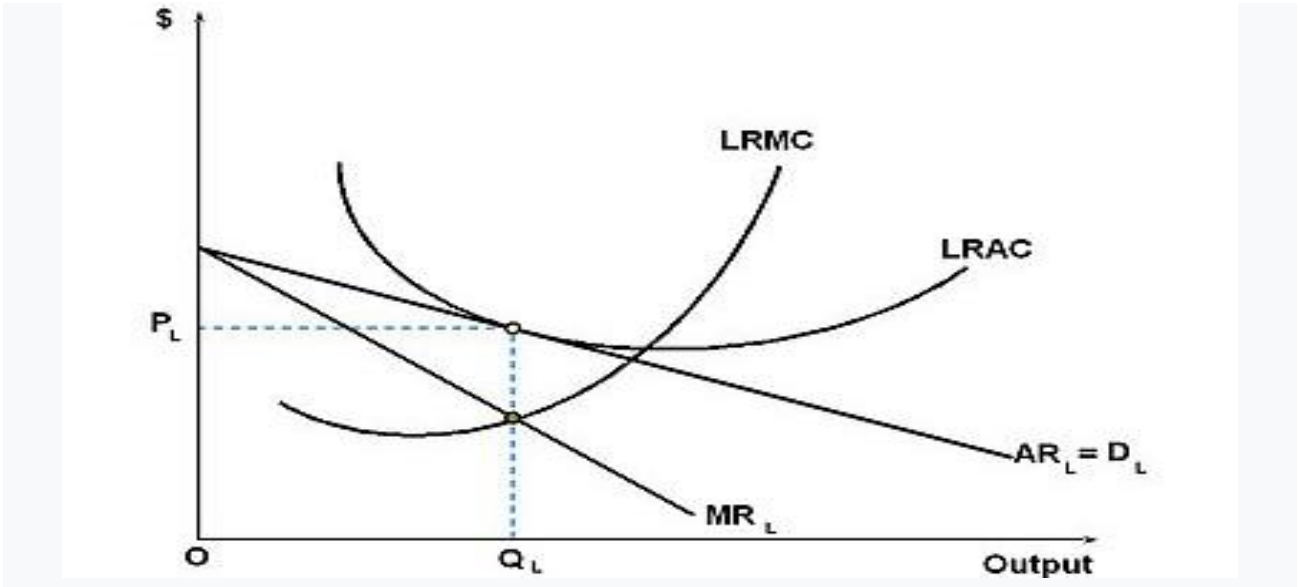


**Figure 1.2. Firm equilibrium in long-run monopolistic competition**

As you know, as time goes on, more and more firms will pursue a profitable network. It is for this reason that the farm operating in agriculture received conditional 600 mln. in the first year. Soum has made a profit, the firms in the network will now make less profit or no profit or suffer losses due to the excess supply of goods from firms outside the network (which usually have all the necessary production resources).

For this reason, producers with additional substitute goods entering the market or firms joining in order to gain a share of market demand absorb customers from the demand curve of firms previously operating in the market. Because of this, the demand curve in Figure 1.2 will shift down and to the left, and the equilibrium price in the market will therefore decrease. In the long run, firms do not make economic profits, they make all normal profits. If the number of firms in the network is too large, they will even suffer losses, and only firms with AVC<P (that is, when the price of the good they sell are higher than average variable costs) will be able to operate in the network.

In the long term, the main goal of firms is to stay in the network. For this reason, firms stop production until MC=MR or at the minimum loss-making output. Although in the long run any productive resources can be used, very low barriers to entry make the profits zero.

If, for some reason, the price in the market is less than the average variable cost, then no firm will operate in this industry (except for a price war).

In the long term, the economy of the USSR grew rapidly due to positive economies of scale, but later due to various negative factors, negative economies of scale began to work. This is proven by the fact that the gross domestic product in the economy of the USSR first slowed down between 1980 and 1991, and then only decreased.

***A practical example***

In the conditions of monopolistic competition, the demand function for the product of a certain firm is given by Q=60-P. The firm's cost function is $TC=40+5Q^2$. Find the production volume with monopoly power that ensures the maximum profit of the firm. Find the fixed price and profit.

***Solution:***

1. $TR = 60*Q-Q^2$, from which MR = 60-2Q
2. Marginal cost is found. In this case, the derivative obtained from the total cost (Total Cost = TC) is equal to the marginal cost (Marginal Cost = MC):

   MC=TC'=10Q and is written under the profit maximization condition.

   10Q=60-2Q from which production volume is Q=5. Product price P=60-5=55
3. Maximum profit is determined.

   TR (5)=275; TC(5)=165; Profit P(5)=110

***Problems***

Firms operating under monopolistic conditions are inefficient, because usually the costs of controlling the price policy are greater than the income from this control. In addition, a firm with monopolistic power stops producing when marginal cost equals marginal revenue. However, in this case, the average total costs have not yet reached the minimum point. As opposed to perfect competition, under monopolistic competition, when the producer makes a profit, society's welfare decreases in this case. In addition, monopolistic competition is preferable to perfect competition in the interest of society, since differentiated goods better satisfy consumer needs.

Another problem is monopolistic competition in the development of advertising. Of course, this is not seen as a problem at the macroeconomic level, but it is a problem that needs to be solved in microeconomics, especially in the problems of consumer choice theory, economic profit, and opportunity cost. There are two ways in which advertising can work under monopolistic competition. That is, advertising can make the firm's consumer demand curve more inelastic, or advertising can increase the demand for the firm's goods. In both cases, the firm will either sell more goods, or raise the price to a level that is profitable for itself, or both cases will occur, and the firm's profit will still increase. This gives the company an opportunity to create its own brand. Advertising encourages consumers to spend more because of its name, not based on rational factors.

Advertising advocates argue that a trademark serves as a sign of credibility to consumers and reduces the information costs of finding a desired product. But this situation is more complicated. In a monopolistically competitive market, obtaining and processing accurate information has its costs. Information costs are low because there is only 1 firm in a monopolistic market. Although there are many firms in perfect competition, information costs are relatively low due to product homogeneity.

But in a monopolistic market, due to the large number of firms and the variety of products, a rational consumer must examine a large number of brands. In many cases, the cost of finding the best brand is greater than the benefits of that best brand. As a result, the consumer suffers. Consumers use advertising not only to evaluate the advertised brand, but also to identify other brands that other consumers may have overlooked.

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