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Elasticity of Demand in the Production of Agricultural Products

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ABSTRACT

This article analyzes the economic nature of demand elasticity in the production of agricultural products and its impact on market mechanisms. Demand elasticity is studied as an important economic indicator that determines the response of consumers to changes in the price of agricultural products. The article describes the elastic and inelastic features of demand for food products, the impact of population income, type of product, and seasonal factors on the volume of demand.

Keywords: elasticity of demand, agricultural products, market mechanism, price policy, consumer demand.

98% of the land area of our republic used for agriculture is connected to farmers and peasant farms. At the same time, 4.3 million hectares of land are specialized for irrigated agriculture. About 160 thousand farmers and peasant farms operate on these areas. Farmers mainly produce agricultural products for state orders, while peasant farms specialize in producing products for the free market.

For this reason, farms are an active force in the production and delivery of basic food products to consumers. Accordingly, in 2025, 76% of potatoes, 64% of vegetables, and 50% of vegetable products will be produced by farmers' farms, indicating that the share of the private sector in the production of agricultural products is relatively high. Of course, the development of entities producing products for the free market in agriculture creates a basis for the formation of a unique competitive environment in the field.

In particular, the third direction of the "Strategy of Actions on Five Priority Areas of Development of the Republic of Uzbekistan in 2017-2021" [1], approved by the Decree of the President of the Republic of Uzbekistan No. 4947 dated February 7, 2017, provides for strengthening macroeconomic stability and maintaining high economic growth rates aimed at further development and liberalization of the economy, increasing the competitiveness of the national economy, modernization and rapid development of agriculture, continuing institutional and structural reforms to reduce state participation in the economy, protecting private property rights and further strengthening its priority position, encouraging the development of small business and private entrepreneurship, comprehensive and balanced socio-economic development of regions,

districts and cities, and actively attracting foreign investment to sectors and regions of the country's economy by improving the investment climate, including in agriculture. creates the ground for faster development of the sector.

The increasing liberalization of the economy creates a certain complexity in the sale of produced goods and services, and the widespread use of marketing principles in the activities of dehkan farms is becoming an objective necessity. Currently, the fact that the majority of dehkan farms do not have legal status and do not scientifically use marketing principles in the production of agricultural products makes it difficult to predict the total volume of production. That is, it is difficult to scientifically study in advance which types of agricultural products dehkan farms will produce the most.

Although, according to statistical data, the amount of agricultural products produced for the free market exceeds the health standards, the level of use of marketing systems in consumer markets cannot be considered satisfactory. That is, the market capacity is seasonal, and the prices of agricultural products fluctuate spontaneously.

In general, when determining the average per capita consumption of agricultural products, it is determined for all types of products (potatoes, vegetables, melons and fruits). Theoretically, market prices are formed on the basis of supply and demand, but this principle cannot be said to be correct for agricultural product markets. Therefore, conducting systematic marketing research in the markets and organizing production based on scientific recommendations is one of the important rules of the market. Conducting such research, first of all, serves as the main program in determining which types of products are more effective for dehkan farms to produce, and creates the basis for ensuring a balance between the supply of agricultural products and market demand. Of course, when studying market equilibrium, it is necessary to be able to correctly estimate the elasticity of demand.

Elasticity of demand is an economic category that reflects the change in demand for products under the influence of various factors. The importance of elasticity of demand is that it is important to determine which entities (consumers or dehkan farms) are most affected by a sharp change in price for agricultural products. Accurately forecasting the volume of agricultural products produced in our republic is one of the most urgent issues for both producers and consumers. It should be noted that dehkan farms produce small volumes of products, and if the products they produce do not produce the desired results once, the farm is likely to suffer significant losses. As a result, the likelihood of producing the same type of product in the next season is significantly reduced. For example, if the production volume exceeds the norm and there are difficulties in selling products, producers are forced to sell their products at a price below cost.

In this process, it is appropriate to analyze the elasticity of demand and price dependence of the volume of agricultural products from an economic point of view. In our opinion, all costs are embodied in the value of agricultural products released to the market.

According to marketing research, when analyzing the elasticity of demand, attention is paid to the influence of several factors. One of the unique features of the agricultural market is that consumers cannot consume more than the norm, in some sense, due to the limited ability to store these products for a long time. That is why the concept of "utility" [2] was introduced to correctly assess market demand. Each purchased product has a utility effect, and in agricultural products this efficiency coefficient is distinguished by a relatively rapid decrease. To determine the elasticity of demand, the demand curve function is used.

$$Y=a-bx \quad [3] \quad (1)$$

Here a and b are constants (cons), and x is the factor affecting demand (price and quantity supplied).

Accordingly, when determining the elasticity of consumer demand:

$$E = \frac{Y'}{Y} x; \text{ ёки } \Theta = \frac{bx}{a+x}.$$

This formula allows for the analysis of a number of factors affecting the elasticity of demand, and allows for the wider use of marketing systems in the production, transportation, and sale of agricultural products. At the same time, by correctly assessing the elasticity of demand, it is possible to manage the consumer prices of agricultural products in the most favorable way for producers and consumers.

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