

# Analysis Of Factors Impacting Formation Of The Price Of Silk Products In Uzbekistan

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**Abstract.** The article is devoted to the consideration of peculiarities of formation of the price of silk products in reliance upon supply and demand. In addition, the article presents analysis of the factors influencing formation of the price of silk products in Uzbekistan. Furthermore, the author analyzes the complex interaction of domestic and global factors on the formation of the price of silk products in Uzbekistan. Moreover, the article presents relevant conclusions and proposals.

**Key words:** sphere, cluster, demand, supply, silk, industry, price.

## Introduction.

It is known that the silk industry plays a significant place in world trade, and its origins go back to China, where it was valued as a luxury product. Currently silk is considered a valuable commodity, although its market dynamics have changed in response to changes in global supply chains, production technologies, and consumer preferences. The price of goods, including silk products, is primarily determined by the forces of supply and demand in the market economy. Pricing in the silk industry is crucially important to producers, traders as it affects profitability, competitiveness and market stability.

In recent years the global silk market has experienced price fluctuations due to various factors, such as changes in production capacity, changes in consumer demand, and economic conditions in major producing and consuming countries. For such countries as Uzbekistan, which has a rich tradition of silk cultivation and is an essential participant in the world silk market, understanding these factors is important in optimizing pricing strategies and increasing market stability.

Price formation is an essential factor to achieve market equilibrium, in which the quantity supplied equals the quantity demanded. In a perfectly competitive market, the interaction of supply and demand determines the equilibrium price, which ensures efficient allocation of resources and absence of excess supply or unsatisfied demand. For example, in the silk market, equilibrium prices help to stabilize the market, ensuring that silk producers can sell their products and consumers can buy the amount they want.

Stable and transparent pricing mechanisms contribute to broader economic stability. When prices accurately reflect supply and demand conditions, they help prevent economic imbalances such as shortages or surpluses. Predictable prices also enable businesses to plan investments and production schedules with greater confidence, reducing the risk of economic volatility. In the context of the silk industry, stable prices can support long-term planning and investment in silk production, contributing to the stability and growth of the industry.

Most importantly, price formation in a globalized market economy affects international trade and competitiveness. Prices determine the terms of trade between countries and impact the volume of exports and imports. Competitive pricing is significant to maintain a country's market share in global markets. Understanding and responding to international price signals is critical for silk producers to remain competitive and expand their presence in global markets.

### **Literature review.**

A lot of research has been done and is being done on in this topic. The role of supply and demand in determining prices is fundamental to understanding how markets function.

According to Moberly (2014), "Classical economic model of supply and demand states that in a competitive market, the price of a commodity is adjusted in compliance with the point where the quantity demanded by consumers equals the quantity supplied by producers. This creates an equilibrium in which there is no excess supply or demand".

From the point of view of Besbes and Sauré (2012), "Dynamic pricing strategies are often used in markets with uncertain demand. These strategies enable companies to adjust prices based on real-time supply and demand conditions, and maximize profits by balancing inventory levels and pricing decisions".

In the opinion of Yang et al., (2003) "Consumer price sensitivity makes a significant impact on both demand and producer prices. If demand is very sensitive to price changes, small adjustments in pricing can cause significant changes in quantity demanded".

According to Lee et al. (2012), "On the supply side, companies can change prices in reliance upon production costs, supply availability, and market conditions. In some cases, the relationship between supply and price can be non-linear, especially if supply is unpredictable or there is a significant cost improvement effort on the production side".

Rinoj (2011) has similar opinion stating that "In supply chain management, pricing plays a crucial role in balancing supply and demand. Differential pricing strategies used in yield management help match supply with changing demand, enhancing profitability and efficiency throughout the supply chain". In general, the interaction of supply and demand is crucially important to price formation in markets. Prices are adjusted to reflect the supply-demand equilibrium point, which is influenced by various dynamic factors, including consumer sensitivity, production costs, and strategic pricing in supply chains.

### **Analysis and discussion of results.**

Supply and demand are the main factors in determining prices in the market economy. Their interaction determines market prices, balances the needs and opportunities of consumers and producers. By understanding how these forces operate, beneficiaries in the silk industry can better target market conditions, optimize production and pricing strategies, as well as contribute to a more stable and efficient market environment.

Formation of the price of silk products in Uzbekistan is influenced by various factors, including domestic production conditions, government policy, trends in the world market, as well as the balance of supply and demand in the country.

Understanding these factors is required to develop an effective pricing strategy and ensure the competitiveness of silk industry in Uzbekistan.

Uzbekistan has a thousand-year history of silk-making traditions. The country's fertile land and favorable climate make it suitable for growing mulberry trees, which are essential for sericulture. Traditionally, sericulture has been the core economic activity in Uzbekistan, providing employment and supporting the local economy, especially in rural areas.

Recently the government of Uzbekistan has undertaken measures to revive the silk industry within the framework of large-scale economic reforms aimed at diversifying the economy and increasing export earnings. These measures include investments aimed at modernizing production facilities, improving the quality of silk products, as well as expanding access to international markets.

Formation of the price of silk products in Uzbekistan is determined by several main factors (Table 1):

**Table 1**  
**Analysis of the factors influencing price formation of silk products in Uzbekistan<sup>1</sup>**

<b>Factors</b>	<b>Clarification</b>
<b>Conditions of provision</b>	
<i>Production of silk and silk raw materials</i>	The main factor of supply in the silk industry of Uzbekistan is production of silk raw materials. This process is largely dependent on the availability of mulberry trees and the health of the silkworm population. Factors such as weather conditions, pests and quality of mulberry leaves can significantly affect the yield and quality of raw silk, which, in turn, makes an impact on the prices.
<i>Production costs</i>	Labor, land and production costs such as mulberry seedlings and silkworm eggs directly affect the production costs of raw silk. Relatively cheap labor in Uzbekistan compared to other silk-producing countries helps reduce production costs, but changes in production costs can cause price fluctuations.
<i>Technological advances</i>	Investments in modern production techniques and technologies can increase efficiency and reduce costs, which, in turn, results in competitive pricing.
<b>Demand dynamics</b>	
<i>Internal consumption</i>	Although Uzbekistan is primarily an exporter of silk, domestic demand also plays a role in price formation. Silk is used in traditional clothes, home textiles and other products in Uzbekistan. Changes in consumer preferences, income levels and cultural trends can affect domestic demand and consequently prices.
<i>Export markets</i>	Major part of Uzbekistan silk is exported to European, Asian and Middle Eastern markets. Demand in these markets is influenced by

<sup>1</sup> Developed by the author.

global fashion trends, economic conditions and competition from other silk producing countries. In export markets, high demand can result in higher prices, while lower demand can cause lower prices.

### **Government policy**

#### *Subsidies and support programs*

The government of Uzbekistan has implemented various subsidies and support programs for the development of silk production. This includes providing material support for mulberry cultivation, sericulture, and modernization of production facilities. Such support helps to reduce production costs and stabilize prices.

#### *Trade policy and export promotion*

Trade policies of Uzbekistan, including tariffs, export quotas and trade agreements, play a decisive role in shaping the price of silk products. For example, favorable trade agreements with importing countries can reduce export costs and increase profitability, affect price formation.

#### *Foreign exchange rates*

As a major exporter, the price of Uzbekistan silk is also affected by changes in the value of the Uzbek UZS against major currencies such as the USD and the euro. Depreciation of the UZS can make Uzbek silk cheaper for foreign buyers, increase demand and increase domestic prices.

### **Global market impact**

#### *International competition*

Uzbekistan competes with other major silk producing countries, including China, India and Thailand. Prices of silk products in these countries determined by specific supply and demand dynamics may affect the price strategy of Uzbek producers. For example, if Chinese silk becomes cheaper due to increased production, Uzbek producers may have to lower prices to remain competitive.

#### *Global economic conditions*

The global economy makes a significant impact on the demand for luxury goods such as silk. Economic downturns can reduce demand, which results in lower prices, while periods of economic growth can increase demand and increase prices.

#### *Ecology factors*

Increasing awareness of environmentally sustainable production practices in global markets may influence demand for Uzbek silk. Products certified organic or manufactured under fair trade conditions may command higher prices, while non-certified products may experience price pressure.

The price formation of silk products in Uzbekistan faces several challenges, but there are also opportunities for growth and stability. The silk market is subject to significant volatility due to such factors as fluctuating demand, changes in production

costs and external economic conditions. Such volatility can make it difficult for producers to keep prices stable.

Nowadays fierce competition from other silk-producing countries, especially China, is challenging the silk industry of Uzbekistan. In order to remain competitive, Uzbek manufacturers have to focus on improving quality and reducing expenses. While Uzbekistan has made progress in modernizing its silk industry, there are still gaps in infrastructure and technology that may hinder efficiency and price competitiveness.

Uzbekistan can benefit from international markets by promoting the unique qualities of its silk, such as traditional weaving techniques, patterns and cultural heritage therefore these products can have high prices in international markets.

The complex mutual interimpact of domestic and global factors plays an important role in the formation of the price of silk products in Uzbekistan. While challenges such as market volatility and international competition remain, there are significant opportunities for growth and sustainability through strategic investment, government support, as well as a focus on quality and sustainability. This fact enables beneficiaries of Uzbekistan silk industry to optimize their pricing strategy, enhance market competitiveness and ensure the long-term viability of this essential industry.

In the process of our research, while studying the supply and demand of Uzbekistan in terms of prices, we perform a comparative analysis of the situation in the Republic of Uzbekistan with China, the closest international country and the leader in the field. We have chosen this country because pricing strategy is critical to the success of the silk industry, especially in a competitive global market where such factors as production costs, consumer preferences, and market dynamics vary widely across regions. This comparative analysis examines the different pricing strategies used by silk producers in major silk-producing countries, including Uzbekistan, China, and highlights the strengths, challenges, and outcomes associated with each approach.

Table 2

### Analysis of the performance of the silk industry in China<sup>2</sup>

<b>Strategy</b>	China, the world's largest producer of silk, implements its cost leadership strategy using large production scale, advanced technology and reduced production costs with the aim of offering competitive prices in domestic and international markets.
<b>Core elements</b>	
<i>Mass production</i>	Large-scale silk industry of China enables large-scale production, which lowers the cost per unit of silk. The use of the cutting-edge technologies and efficient production processes further increases cost efficiency.
<i>Support by the government</i>	The Chinese government provides significant support to the silk industry through subsidies, research and development, and

<sup>2</sup> Developed by the author.

	investment in infrastructure, helping to keep production costs low.
<i>Focus on global markets</i>	Chinese silk manufacturers are targeted at a wide range of markets, from high-end luxury segments to lower-cost, mass-market products. Such a wide coverage of the market allows them to maintain stable income despite changes in demand.
<b>Outcome</b>	
<i>Competitive prices</i>	China ability to produce silk at low cost enable to offer competitive prices, making Chinese silk the preferred choice in many global markets.
<i>Market share</i>	China dominates the world silk market and accounts for the largest share of world silk exports. However, the focus on low-cost production sometimes results in concerns about quality, especially in the luxury segment.
<b>Difficulties</b>	
<i>Increased labor costs</i>	While China remains competitive, rising labor costs are beginning to erode some of its cost advantages, which induce manufacturers to seek greater efficiency or move production to cheaper regions of China.
<i>Environmental impact</i>	The focus on scale and cost-effectiveness has raised concerns about the environmental sustainability of silk production in China, which may affect its long-term competitiveness.

If we analyze the performance of China silk industry in Table 2 specified above, now we will consider the market of Uzbekistan in reliance upon the same indicators.

**Table 3**  
**Analysis of the performance of the silk industry in Uzbekistan<sup>3</sup>**

<b>Strategy</b>	Uzbekistan uses a mixed pricing strategy that balances traditional aspects of silk production with modernization efforts aimed at raising efficiency and reducing costs. The country is working to position its silk as a high-quality product in reliance upon the cultural heritage and a competitively priced alternative in global markets.
<b>Core elements</b>	
<i>Support by the government</i>	The Uzbek government has been supporting the silk industry through subsidies, infrastructure investment and trade development initiatives. These efforts are aimed at reducing production costs and improving market access.

<sup>3</sup>Developed by the author.

<i>Focus on quality</i>	Uzbek silk producers pay particular attention to the quality of silk, especially traditional products such as "Ikat" fabrics, famous for their intricate patterns and bright colors.
<i>Export-oriented growth</i>	Although there is a strong domestic market for silk, Uzbekistan is increasingly focusing on expanding its presence in international markets, particularly in Europe and Asia.
<b>Outcome</b>	
<i>Competitive prices</i>	With the modernization of production processes and government support, Uzbek manufacturers can offer competitive prices, especially in the mid-range markets. This strategy will help Uzbekistan to take its place in international markets.
<b>Difficulties</b>	
<i>Global competition</i>	Uzbekistan faces strong competition from well-known manufacturers such as China and India. In order to compete effectively, Uzbek manufacturers must maintain the distinctive quality of their products and continue to improve efficiency.
<i>Weaknesses in infrastructure and technology</i>	Despite progress, there are still gaps in infrastructure and technology that may hinder production efficiency and limit the potential for large-scale export growth.

It is obvious that in countries such as China and Uzbekistan, government support plays an essential role in the formation of pricing strategies by reducing production costs and promoting exports. The choice of pricing strategy is often influenced by the targeted market. Countries that focus on mass markets tend to adopt cost leadership strategies, while those targeting luxury or niche markets emphasize differentiation.

Pricing strategies in the silk industry are varied and tailored to the unique strengths and challenges of each producing country. While cost-effectiveness and scale are critical to competing in mass markets, quality, tradition, and sustainability allow it to determine higher prices in the luxury and niche markets. For Uzbekistan, balancing modernization with cultural heritage preservation offers the way to establish a competitive pricing strategy that can succeed in domestic and international markets.

### Conclusion.

In conclusion, it should be noted that price stability is essential for businesses aiming to maintain a stable market presence and strengthen consumer confidence. By employing such strategies as diversification, long-term contracts, inventory management, cost control, market analysis, transparent pricing, and cooperation with regulators, businesses can mitigate the effects of price volatility and ensure predictable pricing results.

In reliance upon our general research, we would like to emphasize that it is crucially important to implement the following recommendations:

- ➊ diversifying products and markets to spread risks and reduce dependence on any source or segment;

- ➡ securing long-term contracts to fix the expenses and protect against volatility and protect against price fluctuations;
- ➡ effective inventory management to combat supply disruptions and price fluctuations;
- ➡ control over expenses through operational efficiency and strong supplier relationships to better accept price changes;
- ➡ monitoring over market trends and forecast of the demand to anticipate and respond to price changes;
- ➡ communicating pricing transparently to build customer confidence and reduce uncertainty.

These recommendations can raise the ability of industry-based enterprises to manage price stability, which, in turn, results in more stable financial performance and stronger customer relationships.

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