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Uzbekistan - Republic of

Cotton and Products Annual

Cotton and Products Annual report

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Report Highlights:

Uzbekistan MY 2012/13 cotton lint production is estimated at 4.5 million bales and the export forecast remained unchanged at 3.25 million bales. The government's official targets for MY2013/14 planted area and seed cotton production are reportedly set at 1.28 million ha and 3.35 MMT, respectively.

Executive Summary:

Uzbekistan's marketing year (MY) 2012/13 final lint production is forecast at 4.5 million bales. MY2012/13 exports are estimated to remain at the same level of 3.0 million as in the previous forecast. MY2013/14 mass cotton sowing is projected to start as usual in the beginning of April, reportedly starting April 10, and continue through the end of the month in case of favorable weather conditions. In some regions, they start it earlier than the indicated time, where they use the method of planting under plastic. State targets for MY2013/14 planted area and seed cotton production were reportedly set at 1.285 million hectares and 3.35 MMT respectively.

Over the last several years it has become increasingly difficult for producers to achieve State targets due to poor farming practices and the absence of appropriate production incentives. Official production reports generally match the production targets, regardless of actual yields.

Despite the global economic crisis and relative drop in world cotton consumption over last 4-5 years, local mills continue efforts to increase their capacities. Domestic consumption is estimated at 1.4 million bales in MY2012/13 and in MY2013/14 it is forecast to increase to 1.45 million bales.

The government of Uzbekistan still maintains tight control over all aspects of cotton production, including area planted, production targets, prices, inputs, procurement and marketing nearly all the cotton in Uzbekistan. Domestic supplies are allocated according to the government's quota or plan, mainly to State Joint-Stock Company "Ozengilsanoat" which then distributes cotton to domestic millers according to sales contracts. The local textile mills can also buy cotton through the Commodity Exchange.

Despite the Government's efforts in recent years, Uzbekistan's cotton ginning industry still needs more investment in order to modernize its old gins. The spinning and weaving industries continue to invest heavily in new equipment as well as renovating existing equipment thanks to improved profitability over the past years. Domestic demand has been getting stronger with a marginal increase over the past five years; as is export demand, especially in cotton yarn. Nowadays, the textile industry understands it must aggressively pursue quality improvements and production diversification to include more value-added products, rather than rely on exports of low-value yarn, if it wants to remain competitive in a shrinking global market.

Currently, there are more than 44 joint ventures established in the textile industry with partners from Turkey, Germany, South Korea, Japan and Switzerland. As of 2013, foreign investments in the textile industry exceeded USD 1.9 billion. The main products produced and exported by textile mills remain cotton yarn, gray fabrics and some textile garments.

As in the past few years, China, Bangladesh and Russia are still the major buyers.

Production:

MY2012/13 was characterized by favorable weather in spring which allowed farmers to start and finish cotton sowing in time. Also, better precipitation (even higher than normal at some point) during winter guaranteed adequate supplies of irrigation water in major cotton growing regions. Taking into account

all of the above factors, as well as harvest results, MY2012/13 lint production is forecast at 4.5 million bales.

MY2013/14 mass cotton sowing is projected to start as usual at the beginning of April (April 10) and continue thru the end of the month - assuming favorable weather. In some regions, where they use the method of sowing under plastic, it can start as early as April 1st. MY2013/14 state targets for planted area and seed cotton production are reportedly set at 1.285 million hectares and 3.35 MMT respectively. In this new season, so far, the weather conditions were adequate enough with a snowy winter, which reportedly should provide at least close to a normal level of irrigation water. Based on prior sowing conditions, Post preliminarily forecasts MY2013/14 lint production at 4.5 billion bales.

Table 1. Production, Supply and Demand Data Statistics:

Cotton Uzbekistan	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Aug 2011		Market Year Begin: Aug 2012		Market Year Begin: Aug 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	1,330	0	1,340		1,300
Area Harvested	1,310	1,320	1,350	1,315		1,300
Beginning Stocks	1,148	1,148	1,498	1,198		1,298
Production	4,200	4,450	4,500	4,500		4,500
Imports	0	0	0	0		0
MY Imports from U.S.	0	0	0	0		0
Total Supply	5,348	5,598	5,998	5,698		5,798
Exports	2,500	3,050	3,000	3,000		3,000
Use	1,350	1,350	1,500	1,400		1,450
Loss	0	0	0	0		0
Total Dom. Cons.	1,350	1,350	1,500	1,400		1,450
Ending Stocks	1,498	1,198	1,498	1,298		1,348
Total Distribution	5,348	5,598	5,998	5,698		5,798

1000 HA, 1000 480 lb. Bales, PERCENT, KG/HA

Table 2. MY2013/14 cotton plant area and production targets by region

Regions	Plant Area (ha)	Production(t)
Karakalpakstan	94700	190000
Andijan	93400	266000
Bukhara	109600	342000
Djizakh	101800	229000
Kashkadarya	160400	417000
Navoi	35800	100000
Namangan	82600	230000
Samarkand	91500	223000
Surkhandarya	119600	335000
Syrdarya	110700	243000
Tashkent	91500	237000
Ferghana	100100	280000
Khorezm	93800	258000
Republic Total	1285500	3350000

Table 3. The main cotton varieties to be sown in MY2013/14

Early ripening breeds	Mid-season breeds	Perspective breeds
Namangan-77	C-6524	Jondor kudrati
Bukhara-102	Bukhara-8	C-8284
An-bayaut-2	Bukhara-6	C-8286
Sultan	Khorezm-127	
Andijan-35	Mekhnat	
Omad	C-6541	
C-4727		
Dostlik-2		
Beshkahramon		
Andijan-36		
Gulbahor		
Kunaisan		
Khorezm-150		
Chimbay-5018		
AN-16		
Namangan-34		
Ibrat		

Consumption:

The government has often stated that it would like to process more of Uzbekistan's cotton production domestically, but it has never been a quick process and it has always depended on the pace of local textile industry development. Nowadays around 30 percent of all cotton is consumed domestically. Effective ginning capacity is estimated to be well below the 6.0 MMT of installed capacity due to equipment problems. Considering these and other production problems, the government launched a modernization and reconstruction program that ran between 2007 and 2012 for the majority of cotton gins. According to this program, as of today the government has already modernized more than 45 cotton gins and closed 25 old cotton gins in big cities, in particular those gins with old equipment and with the lowest efficiency.

There are absolutely no changes in the mechanism of cotton exports which still remains under centralized state control. All cotton lint is sold to either the trading companies of the Ministry of Foreign Economic Relations, Investments and Trade (MFERIT) for export or is partially allocated to the Republican Commodity exchange which organizes cotton lint sales for domestic consumers.

Prior to the world economic slump, the spinning and weaving industries had been investing heavily in new equipment and renovation of existing equipment, as domestic and export demand grew, especially for cotton yarn. As global markets have contracted, the local textile industry more than ever must aggressively pursue quality improvements and production diversification to include more value-added products, rather than to rely mainly on low-value yarn based exports, if it wants to remain competitive. And this is well understood by many local textile mills who are trying hard presently to widen their production assortment in order to expand to high value added products

Currently, there are more than 44 joint ventures established in the textile industry with partners from Turkey, Germany, South Korea, Japan and Switzerland. As of 2013, foreign investments in the textile industry exceeded USD 1.9 billion. The main products produced and exported by textile mills remain cotton yarn, gray fabrics and some textile garments. Despite existing economic problems, the local spinning industry is optimistic about textile production and export growth. Uzbekistan's MY2012/13 domestic lint consumption is estimated at 1.4 million bales and MY2013/14 domestic consumption is forecast to increase to 1.45 million bales.

Stocks:

There are no official sources of information on stock volumes, so the numbers indicated in the report are rough estimates.

Policy:

The Government's overall cotton policy is still aimed at maintaining stable production and improving quality and fiber characteristics according to the speeches of Government officials during the 8th International Uzbek Cotton Fair held in October 2012.

As of today all state farms have been privatized and reorganized into private farms. Despite implemented structural reforms in the agricultural sector, the government still maintains tight control over all aspects of production including area planted, production targets, prices, inputs, procurement and marketing of nearly all of the cotton in Uzbekistan.

Cotton has been the cash crop in Uzbekistan for generations and a significant source of employment and foreign exchange. Each year Uzbekistan is increasing the area sown with faster-maturing varieties. The government initiated a major program to reform the cotton sector in 2007, largely aimed at improving fiber quality. For the new cotton season, reportedly 7 percent of all cotton seeds targeted for sowing will be newly developed breeds, 37 percent mid-season varieties and 56 percent early ripening breeds (see table 3).

The local ginning industry has made some improvement in their ginning technology, as a result of which the ginned lint has less trash content than in the past, which is acknowledged by many international traders. About 80-85 percent of all produced lint is of higher grades, strict and good-middling, and the lower grade volumes have decreased. With the aim of further modernizing the ginning industry, within the next few years, GOU is planning to purchase 210 new linters, which will replace the old ones in use in 35 cotton gins. The cotton ginning industry nevertheless is one of several sectors of the country's economy where new investments are needed.

Trade:

Exports of cotton are projected to continue declining slowly. Post forecasts MY2012/13 lint exports at 3.0 million bales. MY2013/14 exports are preliminarily forecast at the same level of 3.0 million bales.

After the recent International Uzbek Cotton and Textile Fair, GOU officials announced that export contracts for 670,000 tons (3.07 million bales) of cotton lint were signed during the fair. Most of these contracts, as usual, are reportedly memoranda of intent, and not finalized sales. The fair once again showed that Uzbekistan currently remains the primary supplier of cotton to Asia, with Bangladesh, China, and Russia as the major markets

At the same time, a well-established local system of logistics, consisting of 23 specialized cotton terminals with a storage capacity of 400,000 tons (1.8 million bales), as well as a good transportation infrastructure with shipment corridors, facilitate timely deliveries of Uzbek cotton to buyers.

Table 4. Export trade matrix*

Commodity	Cotton	Units	Metric tons
Time period	CY2010	CY2011	CY2012
U.S.	0	0	0
Others			
Bangladesh	200000	260000	250000
China	324825	167731	309752
Russia	25261	36070	19050
Turkey	27283	12191	8757
Iran	26000	28000	41980
Belorussia	7270	4630	5120
Germany	4190	2071	2000
France	1070	1667	733
Thailand	2252	695	348
Ukraine	1245	990	513
South Korea	1571	200	0
Taiwan	700	242	719
Slovenia	261	141	0
Malaysia	1726	52	0
Italy	6182	2833	0
Czech Republic	2290	960	1184
Latvia	60	42	0
Total of others	632186	518515	640156
Others not listed	814	146485	14844
Grand Total	633000	665000	655000

*Note: Data in export trade matrix is from trade related sources, as official statistics on cotton exports by destinations is not available.