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Uzbekistan - Republic of

Cotton and Products Update

Uzbekistan Cotton and Products Update

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Report Highlights:

Uzbekistan cotton planting area and production for MY 2018/19 is now estimated at 1.17 million hectares and 3.35 million bales (480 pound bales) which is 730,000 MT. Adverse growing conditions have lowered yields in almost all regions. Uzbekistan continues with its plan to lower the targeted cotton planting area to increase vegetable and fruit production in the areas where cotton yields are low.

There has been rapid expansion of the new “cotton-textile cluster” project, driving investment and modernization of each stage of production from cotton to textiles. Domestic cotton consumption is increasing year by year with new investments that are reducing cotton availability for exports.

Accordingly, MY 2018/19 domestic consumption is estimated at about 2.66 million bales (580,000 MT) and exports at 1.05 million bales (230,000 MT).

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Uzbekistan Cotton and Products Update Report 2018

Production

Marketing Year (MY) 2018/19 Uzbek cotton planted area is estimated at about 1.17 million hectares and the production estimate is 3.35 million bales (730,000 MT). The Republic of Uzbekistan has been continuing with its plans reduce cotton planting by a total of 205,000 hectares in five years. This year, the planned reduction was 35,000 hectares, and the government decided to reduce cotton planting by an additional 20,000 hectares, for a total of 55,000 hectares taken out of cotton production in MY 2018/19. According to the plan, an additional 38,000 hectares will be taken out of cotton planting next season as well.

The cotton harvest is still ongoing in Uzbekistan, making unpicked cotton vulnerable to late season rains. All the production data from the cluster-managed areas have not been fully collected yet, so the final official production numbers have not been announced. The current estimates for MY 2018/19 of 3.35 million bales (730,000 MT) for cotton production have been significantly reduced compared to early season estimates of 3.8 million bales (830,000 MT). This reduction is due to the adverse growing conditions during the season. Lack of irrigation water, hotter than usual weather with extreme temperatures in some regions, and pest attacks all took higher than expected tolls during the season. According to press reports, dust storms in some regions also affected production somewhat.

The Government of Uzbekistan is taking major steps to modernize its cotton growing industry while continuing with its planting area reduction plan in areas where field yields are lower. Since MY 2015/16, a total of 135,000 hectares have been taken out of cotton production from low cotton yield production areas, such as in highly salinized areas, to facilitate production of other high value crops, particularly horticultural products. When wheat and cotton planted areas are reduced, generally vegetables, fruit, orchards, and vineyards are replacing them. Recently, some other new cash crops for farmers have also been introduced, such as soybeans, saffron, and chili peppers.

Uzbekistan is also moving full steam ahead with the new concept of implementing fully integrated “cotton-textile clusters” for cotton and textile production to vertically integrate the sector and increase foreign investment in textiles. Privately-run clusters are expected to bring new technologies to many aspects of cotton production, including drip irrigation, machine picking, and modern ginning.

Accordingly, the number of cotton harvesters, which is about 2,000 now, will increase through both imports and domestic production. The government plans to expand drip irrigation area for cotton by 30,000 hectares in the coming years. Increasing attention will be given to improving seed quality, usage of drip irrigation will save water and prevent soil salinity, an increase in mechanical picking will reduce picking cost, and introduction of modern gins will improve ginning rates and reduce ginning cost. As a result, despite the overall decrease in planting area over time, the government expects that the total lint cotton production will remain at optimum levels to meet the demand for the growing domestic textile

industry in the coming years.

About fifteen clusters were reportedly operational in MY 2018/19. According to [government announcements](#) these were in 20 districts on an area of 164,000 hectares. The number of clusters will increase significantly in MY 2019/20, with a goal of reaching around sixty, which will cover half of the cotton planted area. The goal for the Uzbek government is to have cotton planting and processing under the management of clusters in the future.

Ginning

The Government of Uzbekistan renovated the great majority of the ninety-eight government-owned gins during the last a few years. Starting from MY 2018/19, about fifteen gins were under the newly formed clusters and in MY 2019/20 an additional 43 gins will be leased by the clusters. Eventually, all gins will operate as part of the cluster system. There are also initiatives by the government and newly-formed clusters to buy new modern gins with recent technology to improve ginning efficiency.

Consumption

The most important development in the cotton sector in Uzbekistan is the rapid and continued growth in domestic consumption. According to industry sources, about sixty percent of locally-produced cotton will be consumed domestically. In MY 2017/18, domestic consumption is expected to reach about 2.4 million bales (530,000 MT) and is projected to increase to 2.6 million bales (580,000 MT) during MY 2018/19.

According to government sources, presently more than 500 enterprises are engaged in textile production in Uzbekistan. The Uzbek government is encouraging new partnerships to increase the use of cotton domestically with the eventual goal that all cotton would be consumed domestically. New textile investments are already approved that will increase domestic consumption in the coming years. Industry sources estimate that about half of the domestic consumption is by the top twenty mills.

Trade

Cotton

The rapid increase in domestic consumption will reduce cotton available for exports, while yarn and textile exports are increasing. In MY 2017/18, cotton exports are expected to be about 918,000 bales (200,000 MT). The Uzbek government put aside more cotton in stocks than was needed for domestic consumption in MY 2017/18 though, so in order to make space in warehouses for the new crop, at the beginning of MY 2018/19, Uzbek cotton exports were up. This is resulting in MY 2018/19 exports expected to reach about 1 million bales (230,000 MT), which is larger than anticipated.

The Uzbek government's initiative to move cotton trading to an electronic platform started in early calendar year 2018. Presently, Uzpahtasanoat is responsible for receiving and processing raw cotton and exports of cotton fiber. As the clusters continue to form, they will also be able to export cotton directly. China and Bangladesh continue to be the leading markets for Uzbek cotton. Accordingly, China imported 54,000 MT of Uzbek cotton during the first eight months of MY 2017/18, compared to

64,000 MT during the same period of the previous marketing year. Bangladesh is the main market for Uzbek cotton. While it is not an officially reporting country, private sources estimate about 80,000 MT of Uzbek cotton were exported to Bangladesh during MY 2017/18.

Uzbek cotton exports to Turkey and Iran are limited. Accordingly, exports of cotton to Turkey were 3,700 MT during MY 2017/18 compared to 2,600 MT the previous marketing year. During the first two months of MY 2018/19, which is the latest data available (August and September), Turkey imported about 1,000 MT of Uzbek cotton.

Exports to Iran were 13,000 MT during MY 2017/18, which is down from 30,000 MT in MY 2016/17. Iran imported about 2,000 MT of Uzbek cotton during the first quarter MY 2018/19 as well, which is the latest data available. The other Uzbek cotton export destination during MY 2017/18 marketing year was Russia with 4,000 MT.

Cotton Products

While the amount of lint cotton for exports is becoming more limited, the exports of yarn and textiles are increasing. Uzbekistan's exports of cotton yarn, textiles, and readymade garments were about \$1.3 billion in 2017 and were estimated to reach \$1.5 billion at the end of 2018. Presently, Uzbek textiles are mostly exported to Commonwealth of Independent States (CIS) countries, particularly Russia. Russia, China, and Turkey were among the leading export markets for Uzbek cotton yarn in MY 2017/18.

Russia imported 86,000 MT of Uzbek cotton yarn during the marketing year, making Uzbekistan the top supplier covering seventy-five percent of the Russian imported cotton yarn market. Russia also imported 6,000 MT of Uzbek cotton yarn during the first two months of MY 2018/19. Chinese imports of Uzbek cotton yarn were up about ten percent during the first eight months of MY 2017/18 (which is the latest data available) reaching 65,000 MT.

Within the last few years, Uzbekistan has also become one of the leading suppliers of cotton yarn to Turkey. Turkey's imports of Uzbek cotton yarn more than doubled during MY 2017/18, reaching 47,000 MT. Turkey also imported about 4,000 MT of cotton yarn during the first two months of MY 2018/19 from Uzbekistan. Other destinations for Uzbek cotton yarn during the last marketing year were Poland with 5,500 MT, Belarus 4,000 MT, Iran 3,000 MT and Belgium 2,000 MT. A recent [agreement](#) signed with the European Union reduced the import tax for Uzbek textile goods from twelve to six percent, which is facilitating Uzbek textile exports to this market as well.

Uzbek cotton fabric exports also increased. Uzbekistan continued to be the leading supplier of cotton fabrics to Russia during MY 2017/18, with 84 million square meters (MM2). Kazakhstan was the other leading destination with 23 MM2 during the marketing year followed by Poland 16 MM2 and Korea with 3.5 MM2. European countries were the other buyers of Uzbek textiles during MY 2017/18, such as Belgium with 2.5 MM2, Italy with 1.6 MM2 and Germany with 1.3 MM2.

Uzbekistan Cotton PSD, (1000 Hectares and 1000 480 lb Bales)

Cotton	2016/2017		2017/2018		2018/2019	
Market Begin Year	Aug 2016		Aug 2017		Aug 2018	
Uzbekistan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1180	1180	1250	1250	1200	1195
Beginning Stocks	1098	1098	1073	1073	1433	1535
Production	3725	3725	3860	3810	3300	3350
Imports	0	0	0	0	0	0
MY Imports from U.S.	0	0	0	0	0	0
Total Supply	4823	4823	4933	4883	4733	4885
Exports	1750	1750	900	918	700	1055
Use	2000	2000	2600	2430	2800	2660
Loss	0	0	0	0	0	0
Total Dom. Cons.	2000	2000	2600	2430	2800	2660
Ending Stocks	1073	1073	1433	1535	1233	1170
Total Distribution	4823	4823	4933	4883	4733	4885