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# GAIN Report

Global Agricultural Information Network

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## Uzbekistan - Republic of

### Cotton and Products Update

#### Cotton and Products November Update

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**Report Highlights:**

Despite continued water deficit in the South and some pest problems during vegetation in some regions, in general, this year's weather conditions were favorable for growers and Post forecasts marketing year (MY) 2014-2015 lint production at 4.3 million bales. The government of Uzbekistan continues to encourage investments in higher value cotton products to meet the goal of retaining 50 percent of Uzbek cotton for domestic textiles production by the end of 2015.

## PRODUCTION

Uzbekistan's MY2014/2015 mass cotton harvest finished at the end of October. As of October 24, 2014 according to official estimates, farmers harvested 3.42 million metric tons (MMT) of seed cotton. However, the final official production numbers for seed cotton are not yet available, and some observers and independent experts believe that official production figures might be overestimated. It has always been extremely difficult to verify the reliability of official production numbers.

The planted area did not change much from previous years, although GOU has been putting active efforts in order to switch some cotton land area to grain and horticulture. Local experts claim that in the past 2-3 years, slightly higher yields in cotton production are mainly attributed to utilization of early maturing and high yield cotton varieties.

Problems with irrigation water supplies, especially in some southern regions were reportedly a big issue for growers during the vegetation period this summer. Moreover, there was about 8-10 percent replanting of cotton fields due to mid spring rains right after sowing, which also had a partial negative impact on the present crop - but just in few regions.

Post forecasts MY 14/15 lint production at 4.3 million bales.

**Table 1: Cotton Production, Supply and Demand**

Cotton Uzbekistan	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Aug 2012		Market Year Begin: Aug 2013		Market Year Begin: Aug 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
<b>Area Planted</b>	0	1,330	0	1,285	0	1,280
<b>Area Harvested</b>	1,315	1,310	1,285	1,285	1,285	1,280
<b>Beginning Stocks</b>	1,498	1,498	1,348	1,448	1,248	1,598
<b>Production</b>	4,500	4,500	4,100	4,500	4,000	4,300
<b>Imports</b>	0	0	0	0	0	0
<b>MY Imports from U.S.</b>	0	0	0	0	0	0
<b>Total Supply</b>	5,998	5,998	5,448	5,948	5,248	5,898
<b>Exports</b>	3,200	3,150	2,700	2,850	2,300	2,750
<b>Use</b>	1,450	1,400	1,500	1,500	1,450	1,550
<b>Loss</b>	0	0	0	0	0	0
<b>Total Dom. Cons.</b>	1,450	1,400	1,500	1,500	1,450	1,550
<b>Ending Stocks</b>	1,348	1,448	1,248	1,598	1,498	1,598
<b>Total Distribution</b>	5,998	5,998	5,448	5,948	5,248	5,898

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

**Table 2: MY14/15 official seed cotton plant area and actual production by regions**

**(harvest data as of 10/24/2014)**

Regions	Plant Area (ha)	Prod.Target(tons)	Actual Produc. (tons)
Karakalpakstan	94,700	190,000	212,100
Andijan	93,400	266,000	289,800
Bukhara	109,600	342,000	348,500
Djizakh	101,800	229,000	221,300
Kashkadarya	160,400	417,000	425,700
Navoi	35,800	100,000	106,400
Namangan	82,600	230,000	230,000
Samarkand	91,500	223,000	228,000
Surkhandarya	119,600	335,000	333,000
Syrdarya	105,300	243,000	239,100
Tashkent	91,500	237,000	237,000
Ferghana	100,100	280,000	285,000
Khorezm	93,800	258,000	264,200
In Total	1,280,100	3,350,000	3,420,200

\*Data source: Ministry of Agriculture and Water resources

**Production Policy**

The Government's overall cotton policy is still aimed at maintaining stable production and improving quality and fiber characteristics. This was once again confirmed in the speeches of Government officials during the recent 10th International Uzbek Cotton and Textile Fair.

In his opening remarks during the Fair, the Uzbek Prime Minister declared that by 2016 Uzbekistan would increase machine cotton harvesting to 80-90 percent. In addition, he stated that that Uzbekistan would increase its domestic cotton consumption to 50 percent by the end of 2015.

At the same time, the area sown with faster-maturing varieties is increasing every year in Uzbekistan. During the last 5-6 years, the government initiated a major program to reform the cotton sector, aimed mainly at improving fiber quality.

**Research on New Cotton Varieties**

During past 8-10 years, Uzbek cotton breeders have developed 201 new cotton varieties, 57 of which were included in the State Register and are recommended for planting in different regions of the country. In the past years Uzbek researchers paid special attention to development of cotton varieties with integrated tolerances to stress factors, and that produce high fiber quality meeting requirements of the world market.

In particular, the Uzbek Genomics and Bioinformatics Research Center has developed new cotton varieties (Porlok-1, Porlok-2, Porlok-3, Porlok-4) using the gene knockout technology characterized by high productivity and unusually extensive root systems. Currently these varieties are being extensively tested in all regions of the country.

According to Uzbek researchers, cotton varieties (18 in total) released during the last 10 years ripen 5 to 7 days more quickly, and newly developed perspective varieties have reportedly even faster maturing periods.

## Domestic prices

As usual, at the end of August the Uzbek Ministry of Finance set up official procurement prices for seed cotton. The prices are provided in the table below.

**Table 3. MY14/15 Procurement prices for seed cotton in Uzb Sums per ton**

Industrial Grades and class of seed cotton		Types/codes of cotton lint								
		Long Staple grades					Medium Staple grades			
		1a	1b	1	2	3	4	5		6
		43	42	41	40	39-38	37-36	35	34	33
I	Class 1	1872200	1711400	1631000	1435740	1297910	1164330	1148590	1133660	1119880
	Class 2	1824290	1167600	1589250	1398990	1264690	1134530	1119190	1104640	1091210
	Class 3	1459770	1334390	1271700	1119460	1011990	907830	895560	883920	873180
II	Class 1	1711340	1564350	1490860	1312380	1186390	1064280	1049900	1036250	1023650
	Class 2	1569300	1434510	1367120	1203450	1087920	975950	962760	950240	938690
	Class 3	1442660	1318750	1256790	1106330	1000120	897190	885070	873560	862940
II I	Class 1	1499130	1370370	1305990	1149640	1039280	932310	919710	907760	896720
	Class 2	1333130	1218630	1161380	1022340	924200	829080	817870	807240	797430
	Class 3	942950	861960	821460	723120	653700	586420	578490	570970	564030
I V	Class 1	1115790	1019960	972040	856670	773520	693910	684540	675640	667420
	Class 2	865940	791560	754370	664060	600310	538530	531250	524340	517970
	Class 3	662290	605400	576960	507890	459130	411880	406310	401030	396150
V	Class	46377	42394	40402	35565	32151	28842	28452	28082	27741

3	0	0	0	0	0	0	0	0	0	0
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Official exchange rate: Uzbek Sums 2,397= USD1.00

**Table 4. The main cotton varieties sown in MY2014/15**

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

At the recent 10th International Uzbek Cotton and Textile Fair, government officials once again confirmed as they have the past 3 years that domestic cotton consumption would further increase in the coming years. In particular, during his official speech at the fair, Uzbek Prime Minister stated that Uzbekistan would increase its domestic consumption to 500,000 tons in 2015. However, Post still believes that it is not going to happen this quickly. Rather, it will depend on further successful development and operation of the local textile industry. Post forecasts MY14/15 domestic consumption at 1.55 million bales.

The spinning and weaving industries continue to invest heavily in new equipment as well as to renovate existing equipment due to improving profitability over the past several years. Domestic demand is growing with a marginal increase over the last 5 years, so also is export demand, especially for cotton yarn and textile garments. Presently, the share of local textile industry in the country's GDP reached 2.7 percent. In 2013 local light industry companies produced products in total amounting to 2.14 trillion Uzbek Sums.

According to its development strategic program, the State Joint-Stock Company 'Uzbeklegprom' plans to allocate about US\$1 billion in 2015-2020 to finance different projects in light industry aimed to increasing domestic cotton consumption. Currently implemented projects will allow the increase in cotton yarn production at 2.6 times to 563,000 tons, 340 million square meters of cotton fabric (+2.8 times), 110,000 tons of knitted fabric (+2.9 times), 296 million pieces of garments (+2.1 times) and 21 million pieces of wearing apparel (+3.3 times). According to government decree, by 2016 "Uzbekengilsanoat" SJS Company plans to implement over 1,000

projects in the textile industry and implement investment projects in the amount of US\$2 billion, including the creation of vertically integrated textile complexes with finished outputs.

At the same time, last year GOU prolonged until January 1, 2016, its decree which frees local textile factories from paying import duties while importing dye solutions, chemicals, garment accessories and some additional materials not produced domestically.

## **TRADE**

Post forecasts MY14/15 lint exports at 2.75 million bales. After the recent 10<sup>th</sup> International Uzbek Cotton and Textile Fair, the officials of the Ministry of Foreign Economic Relations, Investments and Trade (MFERIT) announced the signing of contracts for 580,000 tons of cotton lint exports. Most of these, however, are not finalized sales, but rather memoranda of intent. In addition, according to official reports, during the Fair the Uzbek Textile Industry concluded contracts for exporting textile products for amount of more than US\$1 billion. The fair once again showed that Uzbekistan currently remains as the primary supplier of cotton to Asia, with Bangladesh, China, Iran and Turkey as the major markets. Specifically, according to official sources, Uzbekistan exported 228,000 tons of cotton to China and 198,000 tons to Bangladesh in CY2013.

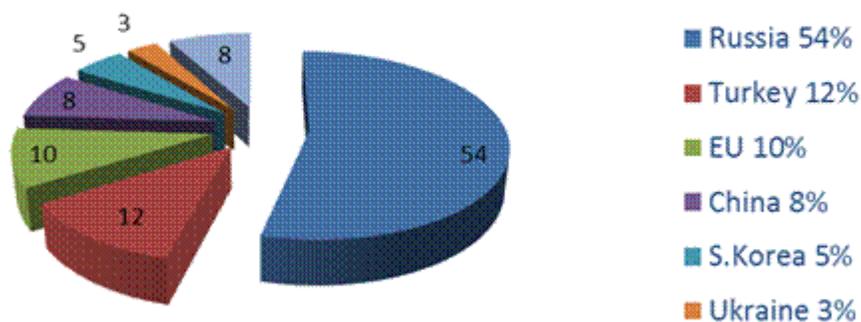
Reportedly, few months ago the government of Bangladesh (GOB) finalized an MOU with Uzbekistan, which reportedly has agreed to export 200,000 tons of raw cotton to Bangladesh on an annual basis. In MY 2013/14, Uzbekistan had about 25-percent export market share in Bangladesh cotton imports.

Currently a well-established local system of logistics, consisting of 21 specialized cotton terminals with a storage capacity of 410,000 tons, and a good transportation infrastructure and shipment corridors, facilitate timely deliveries of Uzbek cotton to buyers.

### **Textile exports**

In 2013, Uzbekistan textile exports reached as much as US\$823 million, and the share of ready garment exports reached 35 percent of total exported textile products, which is 25 percent more than in 2012. In particular, during 2012-2013 JSC "Uzbeklegprom" expanded the assortment of exported textile products from 21 to 27 products, as well as importer countries of Uzbek textile products have increased from 43 to 50; and the number of local companies involved in textile exports increased from 123 to 250. According to official statement of "Uzbeklegprom", by 2020 Uzbekistan plans to increase annual textile products exports from US\$800 million to US\$1.5 billion.

**Chart 1. Geography of Uzbek textiel exports**



**Table 5. Export trade matrix\***

Commodity	Cotton	Units	Metric tons
Time period	CY2012	CY2013	CY2014 Jan-Sep
U.S.	0	0	0
Others			
Bangladesh	250000	198000	175000
China	310000	227530	120000
Russia	19100	11200	7450
Turkey	8760	7220	8135
Iran	41980	22850	21530
Italy	1000	2270	1100
Total of others	630840	469070	333215
Others not listed	56160	151730	116785
Grand Total	687000	620800	450000

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