

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Required Report - public distribution

Date: 11/4/2011

GAIN Report Number: UZ1110

Uzbekistan - Republic of

Cotton and Products Update

Uzbekistan Cotton Update November 2011

Approved By:

Rachel Nelson

Prepared By:

Nizam Yuldashbaev

Report Highlights:

Post preliminarily forecasts MY 11/12 Uzbek lint production at 4.65 million bales and MY11/12 domestic consumption at 1.38 million bales. The spinning and weaving industries continue to invest heavily in new equipment as well as in renovations to existing equipment due to improving profitability.

Post:
Tashkent

RODUCTION

Uzbekistan's MY 11/12 cotton harvest has come to an end. As of November 1st, according to official statistics, farmers harvested 3.57 MMT of seed cotton which exceeds the official production target by 5%. However, the final official production numbers for seed cotton are not yet available, and some observers and independent experts believe that official production figures, as is customary, are overestimated. It has been always extremely difficult to verify the reliability of official production numbers. Problems with irrigation water supply, especially in northern and some southern regions, threatened most growers during the vegetation period. Nevertheless, favorable weather temperatures in late summer and early autumn allowed farmers to save the crop in general and start the harvest at the usual time.

Taking into account these facts, Post preliminarily forecasts MY 11/12 lint production at 4.65 million bales.

Table 1: Cotton Production, Supply and Demand

Cotton Uzbekistan	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Aug 2009		Market Year Begin: Aug 2010		Market Year Begin: Aug 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	1,315	0	1,340	0	1,330
Area Harvested	1,300	1,310	1,300	1,330	1,340	1,315
Beginning Stocks	1,948	1,948	948	1,068	1,148	1,168
Production	3,900	4,000	4,100	4,350	4,200	4,650
Imports	0	0	0	0	0	0
MY Imports from U.S.	0	0	0	0	0	0
Total Supply	5,848	5,948	5,048	5,418	5,348	5,818
Exports	3,800	3,750	2,650	3,000	2,800	3,200
Use	1,100	1,130	1,250	1,250	1,250	1,380
Loss	0	0	0	0	0	0
Total Dom. Cons.	1,100	1,130	1,250	1,250	1,250	1,380
Ending Stocks	948	1,068	1,148	1,168	1,298	1,238
Total Distribution	5,848	5,948	5,048	5,418	5,348	5,818

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

Table 2: MY11/12 official seed cotton plant area and production target by regions

Regions	Planted Area Estimate (1,000 Ha)	Production Target (1,000 tons)	Actual Production As of Nov 1st (1,000 tons)
Karakalpakstan	94.7	180.0	202.8
Andijan	99.6	283.0	318.0
Bukhara	109.6	342.0	353.0
Djizakh	116.4	224.0	241.7
Kashkadarya	160.4	417.0	408.4
Navoi	100.9	100.0	107.9
Namangan	86.6	240.0	247.1
Samarkand	99.2	238.0	253.2

Surkhandarya	119.6	335.0	348.9
Syrdarya	110.7	238.0	251.6
Tashkent	100.2	255.0	309.0
Fergana	109.0	290.0	301.5
Khorezm	93.8	258.0	233.4
Country Total:	1321.0	3400.0	3576.5

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 speeches of Government officials during the recently held 7th International Uzbek Cotton Fair.

Cotton has been the main cash crop in Uzbekistan for generations and a significant source of employment and foreign exchange. However, for the past several years, Uzbekistan has been experiencing serious problems. The most severe problem is a deteriorating infrastructure, especially in the area of irrigation.

Each year Uzbekistan is increasing the area sown with faster-maturing varieties. During the last five years, the government initiated a major program to reform the cotton sector, aimed mainly at improving fiber quality (see table No3).

During this cotton season, out of all planted cotton seeds utilized for sowing, reportedly 8% were newly developed breeds, 41% were mid-season varieties and 51% were early ripening breeds.

Table 3. The major planted cotton varieties and their quality characteristics

Variety	Micronair Unit	UHML inch	Strength gf/tex	UI %	RD %	b %
S 6524	4,60	111,86	31,83	83,50	75,66	8,35
Bukhara 102	4,49	112,84	31,56	83,26	78,98	8,87
Bukhara 6	4,42	112,78	31,49	83,28	79,52	8,95
Bukhara 8	4,43	113,17	31,51	83,34	79,89	8,93
An-Bayaut 2	4,63	111,19	30,94	83,04	77,84	8,68
Namangan 77	4,61	111,14	31,08	83,48	77,96	8,68
Andijon 35	4,65	110,33	31,80	83,18	74,64	8,61
Khorezm 127	4,54	112,55	31,25	82,89	80,64	8,08
Omad	4,43	113,43	31,32	83,41	77,19	8,65
S 4727	4,58	111,69	31,03	83,08	77,89	8,36
Mehnat	4,49	112,52	30,99	82,93	80,76	8,07
Andijon 36	4,60	112,39	31,98	83,10	76,40	8,37
S 6541	4,32	111,86	30,83	82,75	79,86	8,66
Sulton	4,62	111,04	31,82	83,36	77,33	8,90
An 16	4,55	110,94	30,72	83,46	77,82	8,53
Ibrat	4,43	112,96	31,28	83,11	79,11	8,58
Andijan 37	4,63	112,44	31,64	82,90	75,22	8,55
Beshkakhramon	4,61	111,91	31,59	83,41	78,64	9,08

Source: Ministry of Agriculture and Water Resources

Domestic prices

As usual at the end of August the Uzbek Ministry of Finance set up official procurement prices for seed cotton. See these prices in the table below.

Table 4. MY11/12 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	896160	819190	780700	687240	621260	557320	549790	542640	536050
	Class 2	873220	798220	760720	669650	605360	543060	535720	528750	522330
	Class 3	698740	638730	608720	535840	448400	434550	428680	423100	417960
II	Class 1	819160	748800	713620	628190	567880	509440	502550	496020	489990
	Class 2	751170	686650	654390	576050	520750	467150	460840	454850	449320
	Class 3	690550	631240	601580	529560	478720	429450	423650	418140	413060
III	Class 1	717580	655950	625130	550290	497460	446270	440230	434510	429230
	Class 2	638120	583320	555910	489360	442380	396850	391490	386400	381700
	Class 3	451360	412590	393210	346130	312900	280700	276910	273310	269990
IV	Class 1	534090	488220	465280	409580	370260	332150	327660	323400	319470
	Class 2									
	Class 3									

Current official exchange rate: Sums 1765 = USD1.00

Consumption

At the recent 7th International Uzbek Cotton Fair, government officials announced that domestic cotton consumption would further increase in the coming years, by as much as 50%. However, Post still believes that it is not going to happen quickly, but will depending on successful development of the local textile industry. Post forecasts MY11/12 domestic consumption at 1.38 million bales.

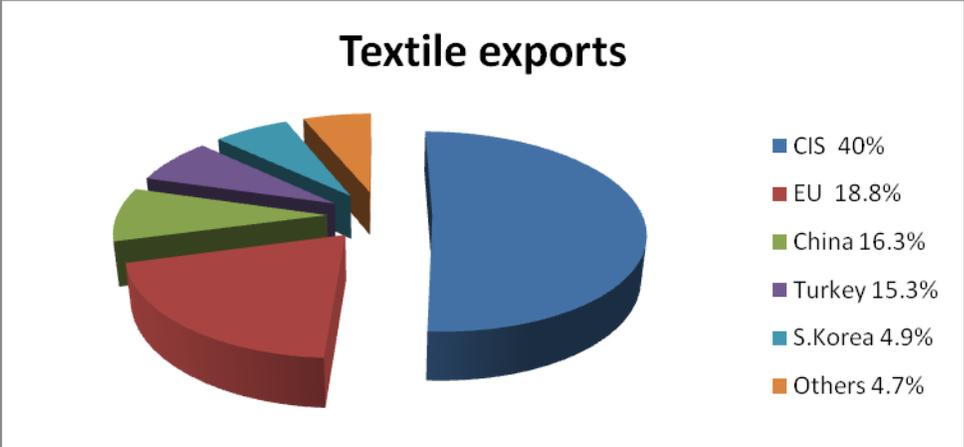
Effective ginning capacity is estimated to be well below the 6.0 MMT of installed capacity due to equipment problems. Taking into account these and other production problems, a few years ago the government launched a modernization and reconstruction program for some cotton gins during 2007-2011. As of November 2011, 60 cotton gins were fully reconstructed under this program.

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 few years. Domestic demand is getting stronger with a marginal increase over the last 2 years, so also is export demand, especially for cotton yarn and textile garments. The main player in this industry is "Uzbekengilsanoat," a State Joint Stock Company which unites 265 textile, sewing, and knitting enterprises most of which are joint ventures. Reportedly, the total annual capacity of these companies is 373,000 tons of cotton yarn, 282 million square meters of cotton fabric, 82,000 tons of knitted fabric, 168 million pieces of garments and 71 million pairs of hosiery products.

Within the recently approved Government decree, "Uzbekengilsanoat" SJS Company plans

implementation of 55 new investment projects for the amount of 1.7 billion USD, including the creation of vertically integrated textile complexes with finished outputs.

Chart 1. Uzbekistan’s textile products exports by destination



TRADE

Post forecasts MY11/12 lint exports at 3.2 million bales. After the recent International Uzbek Cotton Fair, the officials of the Ministry of Foreign Economic Relations, Investments and Trade (MFERIT) announced that during the Fair contracts for exporting about 600,000 tons of cotton lint were signed. Most of these “contracts,” however, are memoranda of intent, but not finalized sales. The Fair once again showed that Uzbekistan currently remains as the primary supplier of cotton to Asia, with Bangladesh, China, South Korea and Russia as the major markets. 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.