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Russian Federation

Cotton and Products

Cotton Situation Update

2003

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Cotton consumption increased in 2001/02 and Post expects consumption will remain stable at this higher level this year. Post estimates raw cotton imports at 403,000 metric tons for marketing year 2002/03. Raw cotton enters Russia through official imports, tolling systems, and directly from Kazakhstan and other Asian countries. Stock levels are decreasing as supplies of raw cotton are becoming more reliable.

Includes PSD changes: Yes
Includes Trade Matrix: No
Unscheduled Report
Moscow [RS1], RS

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Production

Russian production of cotton is nearly nonexistent and supplies less than 0.1 percent of consumption needs. Post does not foresee any near term change in these circumstances.

Table 1. Cotton Supply and Demand, Metric Tons and Hectares

PSD Table						
Country:	Russian Federation					
Commodity:	Cotton					
		2000		2001		2002
	Old	New	Old	New	Old	New
Market Year Begin		08/2000		08/2001		08/2002
Area Planted	0	0	0	1000	0	1000
Area Harvested	0	0	0	1000	0	1000
Beginning Stocks	37449	37449	48335	48335	48335	46629
Production	0	0	0	500	0	500
Imports	359249	359249	402794	402794	0	403000
TOTAL SUPPLY	396698	396698	451129	451629	48335	450129
Exports	0	0	0	0	0	0
USE Dom. Consumption	348363	348363	402794	405000	0	406000
Loss Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	348363	348363	402794	405000	0	406000
Ending Stocks	48335	48335	48335	46629	0	44129
TOTAL DISTRIBUTION	396698	396698	451129	451629	0	450129

Table 2. Cotton Supply and Demand, in Bales and Hectares

PSD Table						
Country:					Conversion	0.004593
Commodity:						
		2000		2001		2002
	Old	New	Old	New	Old	New
Market Year Begin						
Area Planted	0	0	0	1000	0	1000
Area Harvested	0	0	0	1000	0	1000
Beginning Stocks	172	172	222	222	222	214
Production	0	0	0	2	0	2
Imports	1650	1650	1850	1850	0	1851
TOTAL SUPPLY	1822	1822	2072	2074	222	2067
Exports	0	0	0	0	0	0
USE Dom. Consumption	1600	1600	1850	1860	0	1865
Loss Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	1600	1600	1850	1860	0	1865
Ending Stocks	222	222	222	214	0	203
TOTAL DISTRIBUTION	1822	1822	2072	2074	0	2067

Consumption

The latest official data on textile production show that consumption of raw cotton increased significantly in the last two years. The Army, hospitals, and other institutions comprise a stable part of demand for cotton products. Thus, the main increase in consumption comes from rising domestic consumer demand for household cotton products due to more stable incomes, and from the growing number of successful joint ventures for export. This increased production of textiles indicates a significant growth in consumption of raw cotton. Therefore Post raises its estimate of total raw cotton consumption in MY 2001/2002 to 405,000 metric tons. This estimate is based on the standard conversion factor for production of one square meter of fabrics (considering that cotton fabrics statistical data also includes mixed fabrics containing less than 80 percent cotton). Official data for cotton consumption does not exist and reliable data from industry is also not available.

Cotton fabrics production in MY 2001/02 reached 2,314 million square meters, 21 percent more than in MY 2000/01 and the highest level since 1992/93, the first year reported by Post. Cotton textile production in the first four months of MY 2002/03 remained stable and the total for these four months is second only to the first four months of MY 1993/94, after which production slowed down. The preliminary Post forecast for MY 2002/03 is that cotton textile production will range from 2,200 million square meters to 2,300 million square meters.

Table 3. Cotton Fabric Production, Marketing Years, Million Square Meters

	08/92	08/93	08/94	08/95	08/96	08/97	08/98	08/99	08/00	08/01	08/02
Aug.	214	187	96	123	90	90	76	113	147	186	187
Sept.	171	213	102	121	85	95	61	123	152	181	195
Oct.	166	209	90	125	100	105	47	123	166	207	213
Nov.	182	238	112	120	95	110	43	138	168	207	197
Dec.	161	238	131	109	95	110	64	155	171	201	n.a.
Jan.	127	169	120	88	85	107	59	139	160	190	n.a.
Feb.	174	193	127	100	100	145	83	165	163	199	n.a.
Mar.	190	184	100	78	115	142	109	171	155	211	n.a.
Apr.	199	161	74	81	100	139	105	155	150	223	n.a.
May	181	114	75	75	85	85	77	122	152	167	n.a.
Jun.	229	110	110	85	85	98	101	140	168	169	n.a.
Jul.	150	62	87	80	70	79	75	124	155	173	n.a.
Total MY	2,144	2,078	1,223	1,185	1,105	1,305	899	1,668	1,907	2,314	792*

*Partial Year Data

Source: GOSCOMSTAT

Trade

The Russian textile industry is based almost entirely on imported raw cotton. Significant increases in the level of cotton consumption are not reflected in the official trade data for several reasons. First, most cotton spinners and textile plants use tolling systems in which cotton is imported into Russia only for processing and the final product is subsequently shipped out to third countries. Secondly, cotton is imported under other customs codes and lastly, brought in informally from Asian countries. Post estimates that up to 30% of cotton actually brought into the country is not captured in official data. Table 4 contains official customs data on raw cotton imports. However, because this data does not parallel actual consumption, Post makes its own estimates on cotton imports and estimates them at 403,000 metric tons in MY 2001/02. We note that official data show trends in imports and in the first four months of MY 2002/03 official imports were among the highest in the last 10 years. Post expects December and January imports to also be high as shipments of cotton from Uzbekistan, the main source of raw cotton for Russia, are most active in the fall. Post thinks the current year shipments will show that stocks have decreased at the end of the calendar year.

Table 4. Official data on imports of raw cotton, Metric Tons

Month/Year	Metric Tons	1,000 \$US	Average price \$US/metric ton
Aug. 01	8,325	7,849	943
Sept. 01	9,413	7,770	825
Oct. 01	26,629	19,363	727
Nov. 01	33,249	23,054	693
Dec. 01	32,822	23,399	713
Jan. 02	33,189	24,972	752
Feb. 02	27,865	21,769	781

Mar. 02	22,693	16,857	743
Apr. 02	23,007	17,136	745
May 02	23,210	16,633	717
Jun. 02	21,535	15,645	727
Jul. 02	20,213	15,269	755
Aug. 02	22,217	17,033	767
Sep. 02	18,565	13,569	731
Oct. 02	31,782	23,204	730
Nov. 02	37,128	30,185	813
Dec. 02	n.a.	n.a.	
MY (Aug/Jul)			
- 94/95	403,926	502,802	1,245
- 95/96	125,201	227,235	1,815
- 96/97	160,240	255,080	1,592
- 97/98	256,295	401,122	1,565
- 98/99	126,823	182,614	1,440
- 99/00	297,887	375,823	1,262
- 00/01	325,354	390,101	1,199
- 01/02	282,150	209,718	743
- 02/03	109,692	83,991	766

Source: Russian State Customs

Stocks

Post decreases ending stocks for marketing year 2002/03 from 46,629 metric tons to 44,129 metric tons. Joint ventures between Russian producers and suppliers in Uzbekistan and other neighboring countries have ensured a reliable stream of supplies and post estimates textile plants keep about a two month supply on hand. Post doesn't believe there is any trend towards a build up of yarn inventories, rather rumors of decreased crop in Uzbekistan led mills to import large amounts of raw cotton during last fall and winter while prices, as shown in Table 4, were still low. Post also notes that in many case spinning and textile producing facilities are located in the same plant, leaving it to the discretion of those individual plants to balance the ratio of the two. This makes is quite difficult to accurately assess yarn inventories.