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Report Name: Cotton and Products Update

Country: Uzbekistan - Republic of

Post: Tashkent

Report Category: Cotton and Products

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Report Highlights:

MY 2019/20 Uzbek cotton planted area is estimated at 1.03 million hectares and production at 3.17 million bales (480 pounds bales), which is approximately 690,000 MT. The government of Uzbekistan continued to lower the cotton planting area of seed cotton to increase vegetable and fruit production in the areas where seed cotton yields are low. Additionally, adverse growing conditions for cotton affected field yields this past summer. MY 2019/20 domestic consumption is estimated at 3.07 million bales (670,000 MT). Uzbekistan cotton exports were 688,000 bales (150,000 MT) during MY 2018/19. The Uzbek government has also taken a decision to stop cotton exports starting from CY 2020.

Production

Marketing Year (MY) 2019/20 Uzbek cotton planted area is estimated at 1.033 million hectares and production at about 3.17 million bales (690,000 MT). The Republic of Uzbekistan has continued with its plans to reduce cotton planting area and even reduced the planting area more than its initial plan of 185,000 hectares over five years starting from MY 2015/16. Since MY 2015/16, a total of 235,000 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. An official decision has also been made to keep cotton planting at 1 million hectares for the next five years starting from MY 2020/21.

Rainy weather in the beginning of the season that delayed planting for a few weeks, extremely hot weather during the growing season and lack of irrigation water have all taken a toll on the MY 2019/2020 crop. Unusually hot weather during summer months had a major adverse effect in some cotton growing regions such as Bukhara. A newly built dam in a neighboring country also limited the availability of irrigation water. In some regions, scarcity of water forced farmers to irrigate fields only two times during the season. Due to late planting, the cotton harvest started later than usual and was finalized during the first half of November, which made unpicked cotton vulnerable to late season rains. The government increased picking fees significantly to attract cotton pickers in order to finalize the process on time. As a result of these factors, domestic production for MY 2019/20 is estimated at about 3.17 million bales (690,000 MT) compared to early season estimates of 3.5 million bales (780,000 MT).

Where wheat and cotton planted areas are reduced, generally vegetables, fruit orchards, corn 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 moving full steam ahead with the new concept of implementing fully integrated “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, is expected to increase through both imports and domestic production. While the number of locally-produced picking machines is increasing, clusters are buying modern picking machines to improve harvesting time and lower the cost. As of this year, about ten percent of the production is estimated to have been picked by machines but this is expected to go up to twenty percent within the next few years. Also, drip irrigation area for cotton is expected to be expanded by 30,000 hectares in the coming years.

Under the government’s strategy, increasing attention will be given to improving seed quality; usage of drip irrigation to save water and prevent soil salinity; increasing mechanical picking to

reduce picking cost, and introduction of modern gins to improve ginning rates and reduce ginning cost. As a result, despite the overall decrease in planted area over time, the government expects the total lint cotton production to remain at optimum levels to meet the demand for the growing domestic textile industry in coming years.

Accordingly, the number of clusters has increased significantly to 77 during MY 2019/20 from 15 in MY 2018/19. In MY 2019/20, clusters are estimated to control 700,000 hectares of land. The number of clusters is expected increase to 91 in MY 2020/21 controlling all the cotton planting area. While some of the clusters are local and foreign investments, some are joint stock companies with the Uzbek government and private investors.

Ginning

The government of Uzbekistan renovated all of the 98 government-owned gins over the past few years. Starting from MY 2018/19, about 15 gins were under the newly formed clusters and in MY 2019/20 an additional 43 gins were leased by the clusters. Eventually, all gins are expected to operate as part of the cluster system.

There are also initiatives by the newly formed clusters to buy new modern gins with advanced technology to improve ginning efficiency. Clusters have reportedly purchased about eight new gins which will be active in MY 2019/20.

Consumption

One of the most important changes in the cotton sector in Uzbekistan is the rapid and continued growth in domestic consumption. According to industry sources, a great majority of the locally-produced cotton is now consumed domestically. In MY 2018/19, domestic consumption was about 2.8 million bales (620,000 MT) and is projected to increase to 3.07 million bales (670,000 MT) during MY 2019/20.

According to government sources, there are presently more than 100 textile mills producing cotton yarn and about 400 are engaged in textile production in Uzbekistan. The Uzbek government is encouraging new partnerships to increase the use of cotton domestically with the goal that all cotton will be consumed domestically starting from the year 2020. The government targets additional yarn mills to be formed in the coming years in areas, such as the Aral Sea region, where employment opportunities are needed.

Uzbekistan's exports of cotton yarn, textiles, and readymade garments are increasing rapidly and are estimated to reach about US\$ 2 billion in 2019. The government's goal is to reach US\$ 7 billion in exports by the year 2025. Currently, Uzbek textiles are mostly exported to Commonwealth of Independent States (CIS) countries, particularly to Russia. However, 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.

Trade

Uzbekistan's exports of cotton have been declining in recent years. The increase in domestic consumption, declining planting area, and lower than expected yields this marketing year have limited availability of cotton for exports. Furthermore, in accordance with the recent government decision, there will be no lint cotton exports from Uzbekistan starting from calendar year 2020. Accordingly, Uzbek cotton exports in MY2019/20 are estimated to be limited to 290,000 bales (63,000 MT) which will take place during the first five months of the marketing year.

According to official sources, during MY 2018/19 cotton exports were 690,000 bales (150,000 MT). Available information indicates that during MY 2018/19 China continued to be the leading market for Uzbek cotton. China imported 82,000 MT of Uzbek cotton during the marketing year. China imported only 9,600 MT of Uzbek cotton during the first half of MY 2018/19, but imports accelerated during the second half due to China's ongoing trade dispute with the United States. Bangladesh, which used to be the next leading importer of Uzbek cotton with about 150,000 MT per year, has reduced imports significantly in recent years. According to private sector sources, in MY 2018/19 Bangladesh imports of Uzbek cotton were about 33,000 MT.

Iran was another destination for Uzbek cotton, with imports of 10,000 MT during the first nine months of the MY 2018/19. Uzbek cotton exports to Turkey were limited to 2,500 MT during MY 2018/19 and to Kazakhstan, 2,240 MT.

While the amount of Uzbek lint cotton for exports is becoming more limited, the exports of yarn and textiles are increasing. Accordingly, Russia, China, and Turkey were among the leading export markets for Uzbek cotton yarn in MY 2018/19. Chinese imports of Uzbek cotton yarn were up during the year reaching 156,000 MT. Russia imported 84,000 MT of Uzbek cotton yarn during the marketing year, making Uzbekistan the top supplier, covering 70 percent of the Russian imported cotton yarn market.

Uzbekistan continues to be one of the leading cotton yarn suppliers to Turkey as well. Turkey's imports of Uzbek cotton yarn during MY 2018/19 were 46,000 MT. Other destinations for Uzbek cotton yarn during the marketing year were Belarus with 4,300 MT, Belgium with 1,400 MT and Poland with 4,000 MT (Aug 2018-June 2019). Iran imported about 2,200 MT during the first nine months of the marketing year.

Uzbek cotton fabric exports were also higher. Uzbekistan continued to be the leading supplier of cotton fabrics to Russia during MY 2018/19, with 124 million square meters (MM2) which is an increase of about fifty percent compared to the previous marketing year, and accounts for about 50 percent of Russian imports.

Kazakhstan was the other leading destination with 19 MM2 during the marketing year, followed by Korea with 5 MM2.

European Union member countries were the other important destinations for Uzbek textiles during the first eleven months of the marketing year, such as Poland with 21 MM2, up about twenty-five percent compared to a year ago, Belgium with 2.1 MM2, Germany with 1.6 MM2 and Italy with 1.0 MM2.

China imported about 1 MM2 of cotton fabrics from Uzbekistan during MY 2018/19.

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

Cotton	2017/2018		2018/2019		2019/2020	
Market Begin Year	Aug 2017		Aug 2018		Aug 2019	
Uzbekistan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0
Area Harvested	1250	1230	1100	1071	1050	1033
Beginning Stocks	1073	1073	1533	1438	1308	1253
Production	3860	3810	3275	3350	3000	3170
Imports	0	0	0	0	0	0
Total Supply	4933	4883	4808	4788	4308	4423
Exports	900	920	700	690	250	290
Use	2500	2525	2800	2845	3000	3075
Loss	0	0	0	0	0	0
Total Dom. Cons.	2500	2525	2800	2845	3000	3075
Ending Stocks	1533	1438	1308	1253	1058	1058
Total Distribution	4933	4883	4808	4788	4308	4423

Attachments:

No Attachments