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Report Highlights:

Uzbekistan plans to increase its textile exports from \$3 billion to \$7 billion by 2028, which depends on a stable supply of raw cotton. However, this goal faces challenges as cotton production is under pressure due to various factors. Uzbekistan's cotton lint production for MY 2024/25 is expected to reach 640,000 metric tons, lower than previously forecast due to pest issues and reduced raw cotton prices, which led to unharvested cotton left in the fields. As processing capacity expands through government investment, consumption is expected to gradually surpass production. In MY 2024/25, cotton lint consumption is forecast higher at 660,000 MT and imports from neighboring countries will continue to fill the gap.

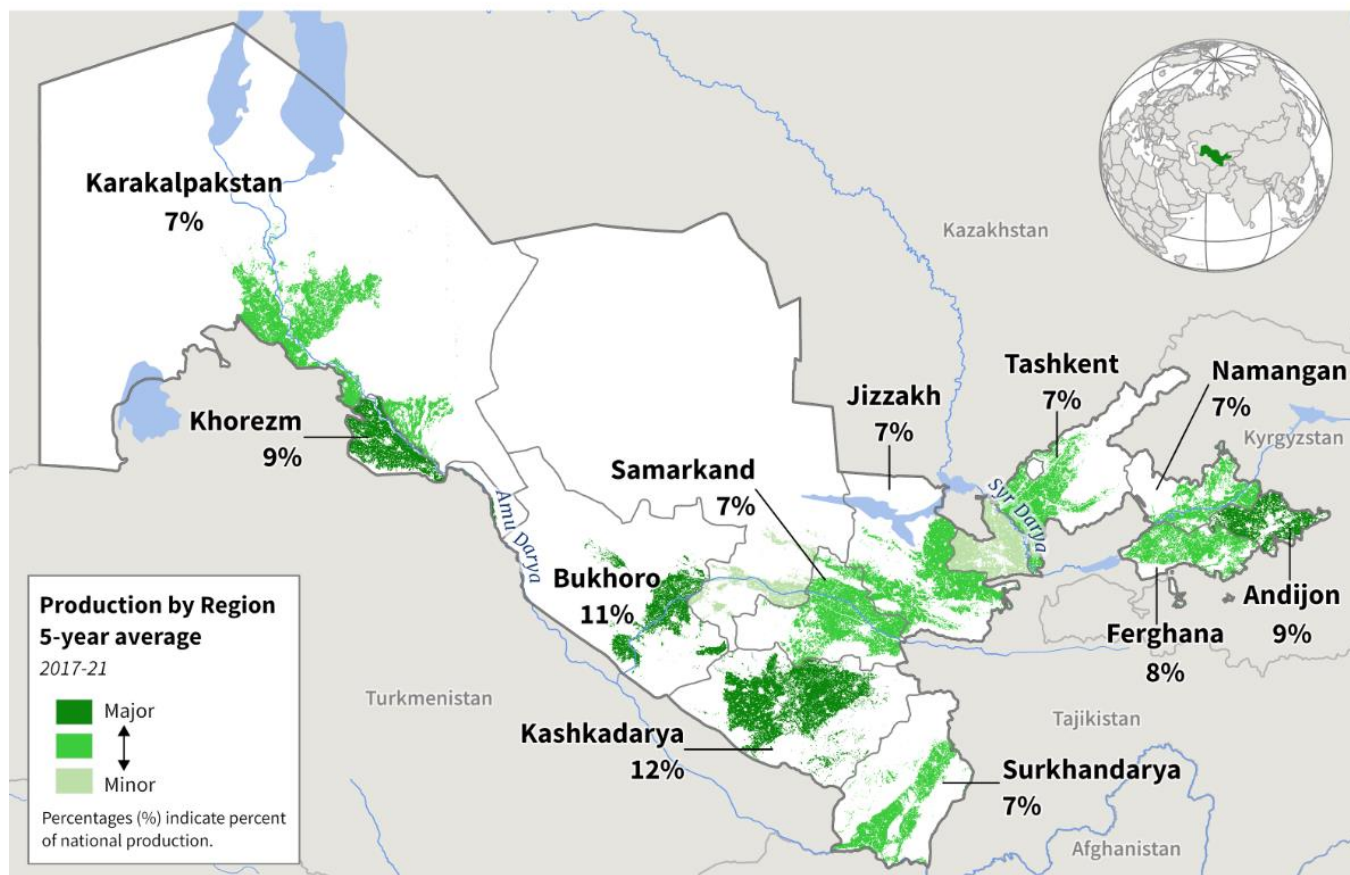
GENERAL INFORMATION

PRODUCTION

Cotton lint production in Uzbekistan in 2024 is estimated to be three percent higher than in 2023, but 12 percent lower than previously forecast. For marketing year (MY) 2024/25, FAS Central Asia forecasts total lint production at 640,000 metric tons (MT) (1.829 million MT of seed cotton or 2.938 million bales). Yield is estimated at 681 kg per hectare in MY 2024/25.

The previous spring assessment was based on favorable weather conditions in March and May, as well as strong cotton futures prices, which were newly established in Uzbekistan to support price stability. Pest pressure and a failure to honor newly established exchange contracts have led Post to reduce production estimates.

Uzbekistan: Cotton Production



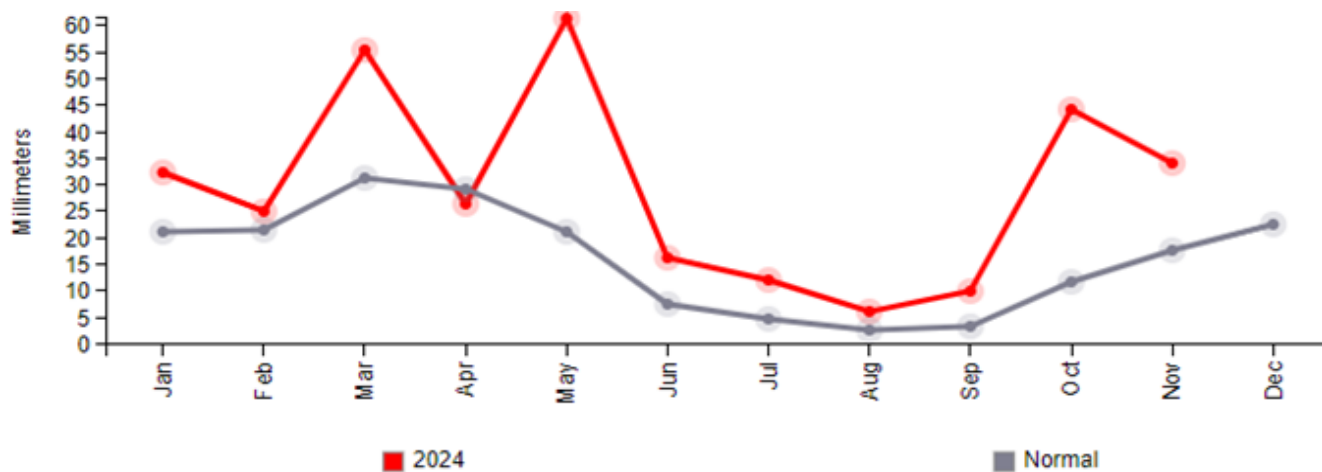
Weather Risks Lead to Increased Pest Pressure

This spring, Uzbekistan experienced higher-than-average rainfall, which helped replenish reservoirs across the country, with water levels reported as healthy. These reserves were expected to support the cotton crop through the hot summer months and potentially increase yields. However, the wet weather also provided ideal conditions for the growth of the cotton bollworm population, which damaged the crop substantially. Many farmers were unable to control the pests in time leading to a reduced yield.



The Uzbekistan Agency for Quarantine and Plant Protection (UPPQ) has expanded its national biological control agent program by breeding predatory insects as an eco-friendly and cost-effective solution for reducing pest populations in cotton, wheat, and other crops. Approximately 650 laboratories across Uzbekistan are involved in developing biological control agents, including the breeding of predatory insects. UPPQ aims to collaborate with regional governments and farmers to carry out controlled releases of these predators ahead of expected pest outbreaks.

Almost 90 percent of farmers in Uzbekistan rely on natural predators for pest control, while only five to ten percent use chemical pesticides. Most of the pesticides used are imported, making them less accessible and less widely applied. Additionally, the limited use of pesticides is due to several factors, including high costs, logistical challenges in reaching rural areas, and a reliance on traditional farming practices.



Monthly Precipitation vs. 7y average in Uzbekistan
Source: USDA GADAS

Some Futures Contracts Aren't Honored Through the Exchange After Prices Fall

In early spring, futures contracts on Uzbekistan's new exchange for cotton were signed when global and Uzbek prices were higher¹, with the price set at approximately 8,000 Som/kg (0.62 USD) depending on quality or 3,636 Som/pound (0.28 USD). By autumn, the price had dropped significantly to around 6,000 Som/kg (0.46 USD) or 2,727 Som/pound (0.21 USD). Some buyers pressured farmers to renegotiate their contracts and sell at the new lower price, which was below break-even costs for most growers. Alternatively, some buyers chose to break contracts, paying a 10 percent penalty, which was still cheaper than honoring the futures contract at the spring price.

Farmers had anticipated higher prices and made investments to purchase better seed and planting equipment. As harvest time approached prices fell and imperiled many of these investments. Adding to the difficulty, Uzbekistan's low mechanization rate of 20 percent creates a reliance on seasonal labor, with around 2 million Uzbeks hand-harvesting cotton each year. Due to low prices many farmers were unable to pay workers at the previous year's wage rates and this made it extremely challenging to find enough. Post observed that some cotton fields remained unharvested even in December 2024, which negatively affected the quantity and quality of the MY 2023/2024 crop.

Challenges with forward contract execution and profitability are expected to continue, given the Uzbek government's ban on exporting raw cotton. Additionally, Uzbek raw cotton is of average quality while transportation and insurance costs are also high compared to other global origins. Transportation issues and a lack of storage facilities cause many small farmers to sell to local buyers at any price just to recover sunk costs.

In response to falling cotton prices, Uzbekistan has introduced financial support for cotton growers. A decree from September 2024, offers subsidies of 10,000 Som/kg (0.77 USD) for cotton sold through the exchange, with a minimum price of 6,800 Som/kg (0.52 USD) for raw cotton. The State Agricultural Support Fund will also cover 20 percent of cotton harvesting costs, up to 250,000 Som/MT (20 USD). These subsidies will be used to pay off farmers' loans, taxes, and other obligations.

On January 17, President Shavkat Mirziyoyev of Uzbekistan signed a decree to improve the cotton industry in 2025. Cotton prices will be based on Intercontinental Exchange (ICE) averages, and contracts will be made through regional exchange auctions with free choice. Various contract types (futures, forwards, spots) will be used, and farmers who fund cotton production independently or with loans will receive subsidies and favorable loan terms.

¹ Federal Reserve Bank of St. Louis Global price of Cotton - <https://fred.stlouisfed.org/series/PCOTTINDUSDM>

Post Observations

Uzbekistan's Cotton Clusters: A Soviet Model Privatized

The Soviet Union organized agricultural production at the national, regional, and even local level. Decisions from what to grow to how to process and where to sell were all made by the state. After independence, Uzbekistan inherited and largely maintained this model, with nearly the entire cotton supply chain being under the direct influence of the government. Recognizing that this model could not be maintained, in 2017 Uzbekistan began work on privatization under the “cluster” system. A cluster is a private enterprise that engages in multiple or all aspects of the cotton value chain, from providing inputs to farmers, to growing and harvesting, and/or ginning, spinning, textile production, and sewing. Some but not all cotton clusters in Uzbekistan are fully vertically integrated private enterprises, controlling all aspects of the value chain. Over time, government services from harvesting to most recently seed supply have been slowly given over to the clusters. While there is no such model for production in the West, the most similar comparison is a farmer cooperative, where all farmers belong to the cooperative and services are conducted through that entity. As of 2024, there are 134 cotton clusters in Uzbekistan.

Uzbekistan Plans to Double Seed Trial Area in 2025

This year, 100,000 hectares were planted with high-yield, disease- and pest-resistant (non-GMO) cotton varieties from China, Türkiye, India, Israel, Tajikistan, and the Kyrgyz Republic. These new varieties are reported to produce 5 to 6 MT per hectare and have a ginning rate of over 42 percent, compared to the current 35 percent.

In 2025, Uzbekistan plans to double the trial area to 200,000 hectares. The government will also create a seed reserve and allow private companies and clusters to sell cotton seeds, ending the government's monopoly on seed supply.

Uzbekistan Grows Cotton in Neighboring Countries

Market sources indicate that some cotton clusters in Uzbekistan have started cultivating cotton in neighboring countries such as Azerbaijan, Kazakhstan, and the Kyrgyz Republic to meet the increasing demand for raw cotton. This move is driven by the needs of cotton spinning mills, which require a consistent supply of cotton for production. By expanding cotton cultivation beyond Uzbekistan's borders, these clusters aim to



secure a more reliable supply chain and address challenges such as fluctuating domestic prices and reduced yields. As a result, Post expects cotton imports to continue to slowly rise, with a forecasted growth of 80 percent compared to 2023. Imports while growing, still represent a small portion of total supply.

Uzbekistan's Cotton and Garment Exports Grow Steadily

Uzbekistan's cluster system has led to strong growth in fabric and ready-made garment exports. Since 2017, exports have surged from around \$6 million to a projected \$3 billion in 2024.

Recently President Mirziyoyev issued a decree to boost Uzbekistan's textile industry, aiming to increase exports from \$3 billion to \$7 billion by 2028, with \$500 million targeted for the EU and U.S. markets. The government also seeks to attract \$5 billion in foreign investment and loans. However, raw cotton shortages are becoming a challenge, as textile companies import more cotton while local farmers reduce production due to declining procurement prices.

The growing use of EU Organic certification is key to expanding exports beyond the Russian Federation, with efforts also underway to secure organic certification in the United States and Japan. Additionally, the Better Cotton Initiative (BCI) is certifying 50,000 hectares of production in 2024, with plans for further expansion in the short to medium term.

CONSUMPTION

Cotton consumption in Uzbekistan for the 2024/25 marketing year (MY) is forecast to increase to 660,000 MT of cotton lint (approximately 2.18 million MT of seed cotton or 3 million bales), driven by the continued expansion of existing capacity and government support. Domestic consumption for MY 2023/24 has also been revised upwards to 625,000 MT. Cotton clusters continue to attract investments, with ongoing expansion in textile manufacturing, including yarn and garment production. While the global cotton industry is still adjusting to lower post-pandemic demand, Uzbekistan has not been immune to the market challenges. However, the country's strong vertical integration and government backing for the industry have contributed to its resilience and recovery.



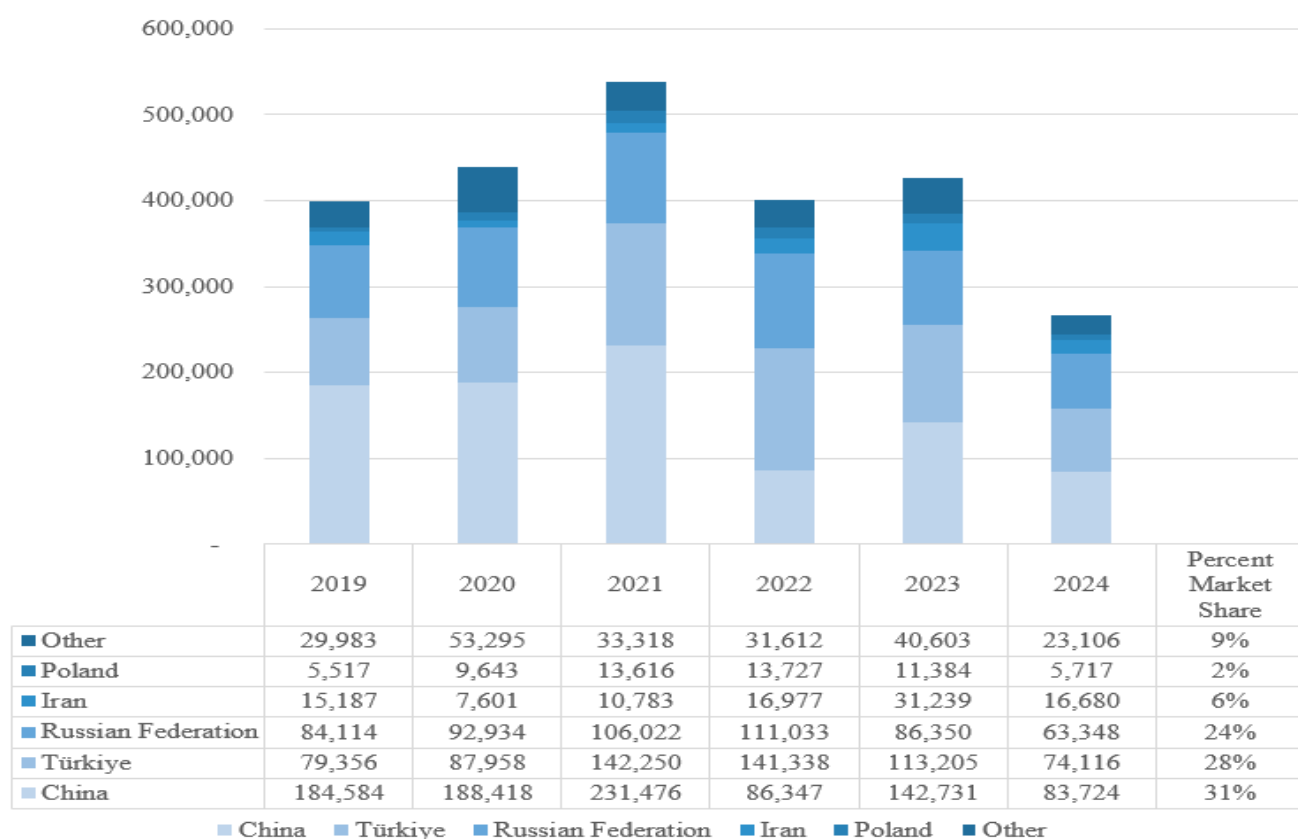
TRADE

Cotton lint imports for Uzbekistan in MY 2024/25 are forecast at 20,000 MT or 92,000 bales, nearly double the previous year's volume but still in line with historical trends. Conversations with industry stakeholders and government officials suggest that imports from neighboring countries, such as Turkmenistan, Tajikistan, and Kazakhstan, are on the rise (see Appendix Table 1). Although qualitative data on this trade is limited, available information indicates an upward trend in imports.

The Uzbek cotton industry is also working to expand its global connections and plans to import various types of cotton, including Pima, upland, and extra-long staple varieties, from sources like the United States. Due to the lack of mechanization, Uzbekistan primarily produces short-staple cotton, which limits the range of products cotton clusters can produce. Importing cotton from different origins will help compensate for the decline in cotton acreage, provide access to new products and certifications, and address the increasing capacity gap.

Cotton lint exports are expected to remain low as the Government of Uzbekistan (GOU) continues to prioritize domestic processing and discourage exports. Post projects MY 2024/25 exports to be minimal, at approximately 1,000 MT or 5,000 bales. The GOU has also indicated that it plans to ban the exports of yarn in the future to further support the development of fabric and ready-garment exports.

Figure 1: Yarn Exports from Uzbekistan (HS Codes: 5204, 5205, 5207)



Source: UN Comtrade

Attachments:

No Attachments

APPENDIX**Table 1: Uzbekistan Cotton Imports (HS Code: 5201)***Source: UN Comtrade*

<i>(Thousands of Metric Tons, 1 bales = 4.5923 metric tons)</i>				<i>(Thousands of 480 lbs. bales, 1 bales = 4.5923 metric tons)</i>			
	MY 2020/21	MY 2021/22	MY 2022/23		MY 2020/21	MY 2021/22	MY 2022/23
<i>Afghanistan</i>	-	1,043	113	<i>Afghanistan</i>	-	4,789	517
<i>China</i>	-	-	252	<i>China</i>	-	-	1,156
<i>France</i>	0.013	-	-	<i>France</i>	0.057	-	-
<i>Italy</i>	0.003	-	-	<i>Italy</i>	0.014	-	-
<i>Iran</i>	-	-	22	<i>Iran</i>	-	-	100
<i>Kazakhstan</i>	-	945	-	<i>Kazakhstan</i>	-	4,341	-
<i>Kyrgyzstan</i>	-	242	304	<i>Kyrgyzstan</i>	-	1,110	1,398
<i>Tajikistan</i>	5,478	9,422	1,370	<i>Tajikistan</i>	25,157	43,268	6,291
<i>Türkiye</i>	0.250	-	-	<i>Türkiye</i>	1.148	-	-
<i>United States</i>	0.123	0.011	0.005	<i>United States</i>	0.564	0.048	0.021
<i>Total</i>	<i>5,478</i>	<i>11,652</i>	<i>2,060</i>	<i>Total</i>	<i>25,159</i>	<i>53,508</i>	<i>9,462</i>

Table 2: Uzbekistan Cotton Yarn Exports, Top 15 (HS Code: 5204, 5205, 5207), Metric Tons*Source: UN Comtrade*

Total	439,850	537,465	401,033	425,511	272,064	-38%
Country	2020	2021	2022	2023	2024	% Change 23/24
China	188,418	231,476	86,347	142,731	83,724	-41%
Türkiye	87,958	142,250	141,338	113,205	74,116	-35%
Russian Federation	92,934	106,022	111,033	86,350	63,348	-27%
Iran	7,601	10,783	16,977	31,239	16,680	-47%
Poland	9,643	13,616	13,727	11,384	5,717	-50%
Kyrgyzstan	781	379	473	9,525	497	-95%
Italy	236	453	769	7,902	354	-96%
Egypt	5,435	7,497	4,723	5,198	4,501	-13%
Other	44,941	24,463	25,549	17,977	23,106	29%
Belarus	3,331	3,608	4,139	3,992	2,155	-46%
Ukraine	6,538	3,971	2,034	3,809	1,081	-72%
Bangladesh	4,286	3,026	2,470	1,918	1,519	-21%
Pakistan	7,097	-	4,106	1,373	9,573	597%
Rep. of Moldova	276	241	320	1,158		-100%
Morocco	715	188	666	707	1,155	63%
Armenia	407	307	677	651	166	-74%
Germany	620	2,173	3,612	545	482	-11%
Lithuania	18	18	303	533	604	13%
Portugal	1,680	1,784	814	482	2,762	473%
Belgium	650	1,317	754	455	407	-11%
Kazakhstan	355	425	523	424	164	-61%
Brazil	577	604	-	406	501	23%
Bulgaria	281	479	470	281	317	13%
Austria	18	42	191	168	78	-54%
Tunisia	-	147	332	164	128	-22%
Czechia	228	216	278	150	146	-3%
United Arab Emirates	30	176	-	104	251	140%
Japan	151	123	131	88	16	-82%
Serbia	1,168	41	95	80	37	-53%
South Africa	60	-	-	75	254	239%
Azerbaijan	76	179	50	62	12	-81%
Greece	1	108	34	59	-	-100%
Turkmenistan	-	-	25	55	-	-100%
Uruguay	-	-	-	41	-	-100%
Romania	62	163	41	40	5	-87%

Table 2 Cont’d.: Uzbekistan Cotton Yarn Exports, Top 15 (HS Code: 5204, 5205, 5207), Metric Tons
Source: UN Comtrade

Total	439,850	537,465	401,033	425,511	272,064	-38%
Country	2020	2021	2022	2023	2024	% Change 23/24
North Macedonia	295	250	232	38	19	-49%
Latvia	36	35	-	37	18	-50%
Spain	208	780	178	36	58	62%
Venezuela	-	-	-	22	-	-100%
Colombia	2,152	125	312	19	-	-100%
Tajikistan	-	1	0	5	2	-70%

Table 3: Uzbekistan Cotton Fabric Exports (HS Code: 5208, 5209), Metric Tons*Source: UN Comtrade*

Total	11,718	14,808	17,479	16,703	10,019	-40.02%
Country	2020	2021	2022	2023	2024	% Change 23/24
Russian Federation	7,178	7,093	11,437	10,733	8,848	-18%
Poland	-	1,777	1,669	1,366	515	-62%
Kazakhstan	449	305	427	774	166	-79%
China	157	264	116	534	-	-100%
Lithuania	400	364	373	512	54	-89%
Kyrgyzstan	916	616	465	475	40	-92%
Tajikistan	92	206	140	347	23	-94%
Czechia	311	316	256	329	50	-85%
Belgium	148	537	57	315	-	-100%
Rep. of Korea	580	530	403	267	21	-92%
Italy	80	485	248	212	33	-85%
Ukraine	381	328	503	208	76	-64%
Azerbaijan	118	42	113	151	56	-63%
Germany	125	244	238	105	8	-92%
Türkiye	-	403	405	98	-	-100%
Belarus	31	43	113	63	42	-33%
Rep. of Moldova	28	105	55	56	7	-87%
Iran	-	-	74	42	23	-46%
Afghanistan	2	-	-	40	-	-100%
Latvia	214	210	124	21	19	-9%
Hungary	-	0	27	19	10	-49%
Tunisia	57	13	-	14	-	-100%
Spain	-	50	159	13	20	54%
Armenia	21	39	23	11	8	-29%
Georgia	-	3	3	1	1	53%
Turkmenistan	0	10	0	0	-	-100%

Tables 4 & 5: Production, Supply, and Distribution Tables
(Thousands of Hectares, Thousands of 480 lbs. bales)

Cotton	2022/2023		2023/2024		2024/2025	
Market Beginning Year	Aug-22		Aug-23		Aug-24	
Uzbekistan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,050	980	1,030	950	1,000	940
Beginning Stocks	1,325	1,671	1,965	1,845	2,000	1,864
Production	3,195	3,098	2,900	2,850	3,000	2,938
Imports	100	101	50	50	100	92
Total Supply	4,620	4,870	4,915	4,746	5,100	4,893
Exports	30	23	15	14	10	5
Use	2,625	3,002	2,900	2,869	3,100	3,029
Total Dom. Cons.	2,625	3,002	2,900	2,869	3,100	3,029
Ending Stocks	1,965	1,845	2,000	1,864	1,990	1,859
Total Distribution	4,620	4,870	4,915	4,746	5,100	4,893
Stock to use %	75	61	69	65	64	61
Yield	663	689	613	654	654	681

(Thousands of Hectares, Thousands of Metric Tons)

Cotton	2022/2023		2023/2024		2024/2025	
Market Beginning Year	Aug-22		Aug-23		Aug-24	
Uzbekistan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,050	980	1,030	950	1,000	940
Beginning Stocks	289	364	428	402	436	406
Production	696	675	632	621	654	640
Imports	22	22	11	11	22	20
Total Supply	1,007	1,061	1,071	1,034	1,111	1,066
Exports	7	5	3	3	2	1
Use	572	654	632	625	675	660
Total Dom. Cons.	572	654	632	625	675	660
Ending Stocks	428	402	436	406	434	405
Total Distribution	1,007	1,061	1,071	1,034	1,111	1,066
Stock to use %	75	61	69	65	64	61
Yield	663	689	613	654	654	681