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Cotton and Products

Annual

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Report Highlights:

Turkmen seed cotton production is expected to increase slightly from last year to about 850,000 MT (285,000 MT cotton), but will fall far short of the official target of 1.5 MMT. Few farms have been privatized, and almost all leaseholders still participate in "associations" and sell their seed cotton to state-owned gins. The GOT is continuing its efforts to attract investors and increase domestic capacity to produce high quality yarns and textile products in Turkmenistan.

Includes PSD changes: Yes
Includes Trade Matrix: No
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Executive Summary

Turkmen cotton production is projected at about 285,000 tons in 2000. Although some conditions improved-weather conditions were a bit better and fertilizer availability increased, yields continue to be hampered by irrigation problems, and a lack of tractors, spare parts and other machinery. Cotton production continues to fall under the state order, central planning system. Privatization is proceeding very slowly. Almost all farmers are leaseholders operating within state-owned farmer associations and sell their seed cotton to Turkmenpaga.

About 75% of Turkmenistan's cotton production is exported. However, there are no official statistics available indicating actual destination and prices. Some yarn is exported to Europe and some is made into cloth or garments locally. In the early 90's there were only three local textile mills processing about 3% of production. Local demand for cotton has been growing, there are now about twenty modern factories in country, and domestic consumption could reach about 80,000 MT in 2000.

The Government agreed to begin to privatize farms a number of years ago, but the process is cumbersome (needing the president's signature for any land transfers) and almost all land is still in the association's hands. When land is privatized, based on their history of utilization, leaseholder receive about 3-5 hectares for cotton and 10-15 hectares for wheat.

International experts and studies conducted by bilateral multilateral organizations have recommended the Government expedite the privatization process. Other major recommendations include elimination of the associations and marketing order system, crop diversification and improved availability of financing for inputs.

Production

Cotton area declined from about 620,000 hectares in 1980 to an estimated 475,000 in 1998 and is estimated at about 590,000 hectares in 2000. Cotton uses about a third of Turkmenistan's available irrigated land and all land in cotton is irrigated. Leaseholders are normally provided three hectares to farm in cotton. Seed cotton yields can average 1.5-2 tons per hectare, although some modern joint ventures are reporting yields (in small areas) as high as 3.5 tons/hectare. While area in cotton has fluctuated during the last ten years, area in wheat has increased steadily from under 100,000 hectares in 1991 to over 600,000 hectares in 1999 and competing for irrigated land. New state orders for rice production could compound the water problem.

Farmers are all members of "Associations", which receive about 12% of the leaseholders' returns including 3% for water, 3% for the village fund, 3% for other services, etc. There were about 230,000 registered cotton leaseholders in 1999. Association members receive free irrigation water and fifty percent subsidies on seed, fertilizer, chemicals and the use of machinery. Cotton (along with wheat, and some rice this year) is produced under state orders, which are assigned by the Cabinet of Ministers after consultation with other central and local government officials.

Average returns to farmers are minimal. An international organization estimated that a seed cotton farmer, with three hectares and a yield of about 1.5 tons per hectare, would only earn about \$100-\$150 per annum after deducting costs of fertilizers, pesticides, seed, mechanical services, labor and interest on bank advances.

Government targets for 2000 production are 1.5 million metric tons seed cotton, up from 1.3 million ton target in 1999. Government officials state that last year's target was achieved. However, traders and others contacts in the private sector believe that the figures are highly inflated. Our estimates in this report try to reflect realistic data compromised from both official and private sector estimates.

According to a 1998 survey, cotton is grown in Dashhowuz Velatay (region) (38%), Mary Velayat (27%), Lebap Velayat (21%), Ahal Velayat (14%) and Balkan Velayat (1%). Cotton seed is provided to the farmers by the gins. Seed quality is not always consistent, and distribution and planting of non-delinted seeds is reported to cause serious breakdowns of machinery. Another problem is that tractor use is not well organized. Tractors often spend more time on the roads, traveling long distances from farm to farm, than in the fields.

The GOT imported about 750 small tractors in 1999. In March, 2000, the President announced purchases of about 200 wheat combines from Case and 1,500 Belarus MTX-80 tractors, but these are arriving slowly. Government officials have scrambled to provide funding for some of the spare parts necessary for currently available equipment but manufacturer representatives estimate the bulk of the available equipment is lying idle for lack of spare parts.

Cotton is normally planted in May and harvested in September and is almost entirely hand picked. Although weather conditions improved during the spring of 2000, Turkmenistan's major agricultural areas were hard hit by a lack of rain during the past three years. Rivers which feed into Turkmenistan's massive irrigation system are shallow again. Soil deterioration, salinization and rising water tables are also growing problems in some areas which could eventually lead producers to shift from cotton (and wheat) to other crops, if they are allowed to do so. Whitefly is the most serious pest affecting cotton. Aphids, red spider and bollworm can also be problematic. Recommended fertilizer inputs include 420 kg. ammoniac nitrate, 187kg super phosphate, and 120kg seed per hectare. Most farmers use recycled seed.

The main varieties of cotton grown in Turkmenistan are long staple- 9871, 9929, 9938, 9940, with staple lengths of 39-41 mm and F133, F149, Ash36C, D267, D269, and D270 with staple lengths of 35- 38 mm.

Consumption

About 75% of Turkmenistan's cotton lint production is exported. However, there are no official statistics available which indicate actual destination and prices. Some yarn is exported to Europe and some is made into cloth or garments in Turkmenistan. In the early 90's there were only three local textile mills processing about 3% of production.

Local demand for cotton has been growing and there are now about twenty modern factories in country. Domestic consumption could reach about 80,000 MT in 2000. Most of the local mills are joint-ventures, often with Turkish firms. There are two large textiles factories near Ashgabat, the others are located in growing areas, reportedly producing textiles for companies like Walmart, Sara Lee, Calvin Klein and Benetton. The Government of Turkmenistan hopes to continue to attract foreign investment in the textile sector and to increase the milling sector capacity by 35-40% per year.

In 1997 Turkmenistan sold cotton for \$1300 per ton. Reflecting world market trends, 1999 prices were estimated at about \$980 per ton. 2000 prices are currently estimated at \$1,300 per kg. long staple, 700 for short staple, and \$1,000 for medium staple. (US\$1= 5,400 manats at the official rate).

Almost all farmers sell their cotton to the 35 state owned gins, run by Turkmenpaga (state cotton company). Of these, 7 are in Mary Velayat (roller and saw gins), 10 are in Lebup Velayat (saw gins), 10 in Dashhovuz (saw gins) and 6 in Ahal Vlayat (roller and saw gins). Total capacity is estimated at over 2 million tons. In 1999 the official purchase price for cotton was 1 million manats per ton for seed cotton delivered before Nov. 15, and 900,000 manats for cotton delivered after that date.

Turkmenpaga sends its cotton seed to one of the three mills owned by the (state-owned) Food Industry Association. Cottoncake is generally sold to local farmers.

Trade

Cotton is sold through the State Commodity and Raw Materials Exchange.

Major foreign buyers of Turkmen cotton include Reinhart, Texuna, Alton and Meredith Jones. International buyers assert that the quality of Turkmen cotton (which receives a price lower than the average Liverpool price) has deteriorated in recent years due to poor quality control at the gins and lack of maintenance, mixed grades and varieties on the farms, and problems in grading cotton before sale. Lint offered for sale is classed at Turkmenpaga's laboratory in Ashgabat.

Policy

Tukmenpaga was created in 1996 as the main agency for cotton development in the state organization and is responsible for developing cotton production plans, contracting seed multiplication, providing seed to farmers, specifying the quantities of fertilizer and pesticide need (another agency provides these inputs) buying the cotton at prices fixed by the government, and classing and grading of all lint for sale. The State Chemical Concern in the Ministry of Energy provides fertilizers and pesticides, the State Concern for Mechanization for tractors, spraying and picking machinery; and the State Commodity and Raw Materials Exchange shares responsible for lint marketing. The Daykan Bank finances the cotton farmers by providing inputs during the growing season and is repaid when the cotton is delivered to the gins. There are ten institutes and experimental stations working on cotton, to varying degrees, the largest being the Iolatan Cotton Research Institute.

The Government agreed to begin to privatize farms a number of years ago, but the process is extremely cumbersome (needing the president's signature for any land transfers) and almost all land is still in the association's hands. When land is privatized, based on their history of utilization, leaseholder receive about 3-5 hectares for cotton and 10-15 hectares for wheat. International experts and studies by bilateral multilateral organizations have recommended the Government expedite the privatization process, including both farms and gins. Other major recommendations include elimination of the associations and the marketing order system, and crop diversification. Several non-profit organizations are working to provide farmers with additional financing options and working capital and with technical information to support crop diversification.

P,S&D Table- Cotton

PSD Table						
Country	Turkmenistan					
Commodity	Cotton				(HECTARES)(MT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		08/1998		08/1999		0
Area Planted	475000	490000	475000	550000	590000	590000
Area Harvested	475000	490000	475000	550000	590000	590000
Beginning Stocks	132595	132595	143482	145595	165254	175595
Production	206840	243000	228613	275000	285000	285000
Imports	0	0	0	0	0	0
TOTAL SUPPLY	339435	375595	372095	420595	450254	460595
Exports	163295	200000	174181	185000	225000	225000
USE Dom. Consumption	32659	30000	32659	60000	80000	80000
Loss Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	32659	30000	32659	60000	80000	80000
Ending Stocks	143482	145595	165254	175595	145254	155595
TOTAL DISTRIBUTION	339436	375595	372094	420595	450254	460595