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Russian Federation

Cotton and Products

Annual

2002

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Report Highlights:
As domestic production of cotton is very limited, the Russian textile industry depends almost completely on imports. Cotton demand and imports in MY 2002 are expected to be stable year-to-year, as is fabric output. Russian traders may be searching for alternative sources of cotton, as traditional trade with Uzbekistan may decline; this could create opportunities for US cotton.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Executive Summary

Final official data for CY 2001 and the first quarter of 2002 show that in MY 2001/02 cotton fabric production grew to 2,200 million square meters, 14 percent over the previous year, and almost double that of MY 1996. Renewed attempts to expand domestic cotton production resulted in less than 500 metric tons of output. Thus, Russia's textile industry will continue to depend on imported cotton.

Cotton demand will be stable in MY 2002. Post forecasts that cotton imports in MY 2002 will reach 385,000 MT, with Central Asian republics continuing to be the main suppliers. However, Uzbekistan's expanding domestic manufacturing industry will compete with their exports of raw cotton, and Russian purchasers consumers are actively searching for stable alternative sources of supply. In this respect market opportunities exist for U.S. cotton. But a package of focused marketing, educational and training activities implemented over time to show the value of US cotton in Russian fabric production will be required to bring these opportunities to fruition.

Domestic Cotton Production

Russian production of cotton in MY 2001 is 0.1 percent of cotton consumption. This production comes from several small farmers in Astrakhan. However, they have not yet attracted investments from the textile industry (which is dominated by cotton traders) to expand output. Thus, cotton textile production will be completely dependent on imports of raw cotton for the foreseeable future.

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	34835
Production	0	0	0	500	0	500
Imports	359249	359249	381021	381000	0	385000
TOTAL SUPPLY	396698	396698	429356	429835	48335	420335
Exports	0	0	0	0	0	0
USE Dom. Consumption	348363	348363	381021	395000	0	390000
Loss Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	348363	348363	381021	395000	0	390000
Ending Stocks	48335	48335	48335	34835	0	30335

TOTAL DISTRIBUTION	396698	396698	429356	429835	0	420335

Cotton Consumption

Demand for cotton fabrics and products manufactured from cotton is slowly increasing in step with improvement in per capita income and in industrial consumption of cotton products. An increase in the value of the US dollar at the end of CY 2001 as well as sharp decrease in cotton prices strengthened competitiveness of domestic textile producers during MY 2001.

Domestic cotton fabric production in the period August, 2001 through March, 2002 increased to 1.6 billion square meters. On a year-to-year basis this production was 23 percent higher than in MY 2000. Therefore, Post increases its estimate of cotton consumption in MY 2001 to 395,000 MT. However, a shortage of cheap cotton in the market and possible strengthening of Russian Ruble, along with more intense competition with non-cotton textile products will limit further increases in cotton consumption in MY 2002, which Post forecasts at 390,000 MT. There are no official cotton consumption data published for Russia, and Post's estimates and forecasts are based on fabric production, import trends, trader and processor estimates, and other considerations given in the Cotton Situation Voluntary Update for 2002 (GAIN report #RS2008).

Post also forecasts lower stocks of cotton in MY 2002, and cotton stock estimates for the end of MY 2001 are lowered to 34,835 MT.

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	160
Production	0	0	0	2	0	2
Imports	1650	1650	1750	1750	0	1768
TOTAL SUPPLY	1822	1822	1972	1974	222	1931
Exports	0	0	0	0	0	0
USE Dom. Consumption	1600	1600	1750	1814	0	1791
Loss Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	1600	1600	1750	1814	0	1791
Ending Stocks	222	222	222	160	0	139
TOTAL DISTRIBUTION	1822	1822	1972	1974	0	1931

Trends in Textile Production

Cotton fabrics remain the main output of the Russian textile industry. Production of woolen and silk textiles had plummeted by 1998, and the recovery has been very slow. Linen fabric production started to recover in concert with domestic flax production and the development of processing of EU flax. Nevertheless, output of these products is much lower than in the beginning of the 1990s. Recovery of the cotton textile industry has been faster, although significant changes have occurred in quality of cotton fabrics. Compared with the end of 1990's, most of fabrics for clothing have become thinner, including fabrics for military uniforms, and have incorporated more polyester. Although production of denim and fabrics for tents and industrial use is increasing, gauze type fabrics still prevail.

Table 3. Structure of Fabrics Production in the Russian Federation in CY 1994-2001

	1994	1995	1996	1997	1998	1999	2000	2001
Million square meters								
All fabrics	2,169	1,757	1,401	1,559	1,395	1,653	2,323	2,614
including								
- cotton	1,525	1,291	1,052	1,150	1,085	1,261	1,820	2,085
- linen and hempen	162	131	112	103	68	90	115	124
- woolen	91	72	50	47	40	48	54	56
- silk	246	197	136	134	111	148	177	171
- other	145	66	51	125	90	106	158	177
Percent								
All fabrics	100	100	100	100	100	100	100	100
including								
- cotton	70.3	73.5	75.1	73.8	77.8	76.3	78.3	77.1
- linen and hempen	7.5	7.5	8.0	6.6	4.9	5.4	4.9	5.3
- woolen	4.2	4.1	3.6	3.0	2.9	2.9	2.3	2.8
- silk	11.4	11.2	9.7	8.6	8.0	9.0	7.6	7.2
- other	6.7	3.8	3.6	8.0	6.5	6.4	6.8	7.6

Post forecasts that production of cotton fabrics in MY 2002 will stabilize at the present level with improvements in fabric quality and modernization of factories.

During 1999-2001, monthly production of cotton fabrics showed little variation, without the sharp falls or expansions typical for the pre-crisis 1998 period. Sources in the textile industry do not expect a drastic fall in production of cotton fabrics in the next four months, although production usually declines in the summer. In the table below, Post gives data on cotton fabric production both for marketing and calendar years in order to correlate cotton marketing year imports and consumption with calendar year trade in yarn and fabrics.

Table 4. Cotton Fabric Production, Marketing Years and Calendar Years, Million Square Meters

Marketing Years (August - July)										
	08/92	08/93	08/94	08/95	08/96	08/97	08/98	08/99	08/00	08/01
Aug.	214	187	96	123	90	90	76	113	147	186
Sept.	171	213	102	121	85	95	61	123	152	181
Oct.	166	209	90	125	100	105	47	123	166	207
Nov.	182	238	112	120	95	110	43	138	168	207
Dec.	161	238	131	109	95	110	64	155	171	201
Jan.	127	169	120	88	85	107	59	139	160	190
Feb.	174	193	127	100	100	145	83	165	163	199
Mar.	190	184	100	78	115	142	109	171	155	211
Apr.	199	161	74	81	100	139	105	155	150	est.153
May	181	114	75	75	85	85	77	122	152	est.137
Jun.	229	110	110	85	85	98	101	140	168	est.154
Jul.	150	62	87	80	70	79	75	124	155	est.140
Total MY	2,144	2,078	1,223	1,185	1,105	1,305	899	1,668	1,907	2,166
Calendar Years (Russian Official Data on Fabrics Production)										
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Jan.	127	169	120	88	85	107	59	139	160	190
Feb.	174	193	127	100	100	145	83	165	163	199
Mar.	190	184	100	78	115	142	109	171	155	211
Apr.	199	161	74	81	100	139	105	155	150	
May	181	114	75	75	85	85	77	122	152	
Jun.	229	110	110	85	85	98	101	140	168	
Jul.	150	62	87	80	70	79	75	124	155	
Aug.	187	96	123	90	90	76	113	147	186	
Sep.	213	102	121	85	95	61	123	152	181	
Oct.	209	90	125	100	105	47	123	166	207	
Nov.	238	112	120	95	110	43	138	168	207	
Dec.	238	131	109	95	110	64	155	171	201	
Total Year	2,335	1,523	1,291	1,052	1,150	1,085	1,261	1,820	2,085	600

Recently published official historical data plus the most recent data on production of cotton fabrics by regions show that over 90 percent of cotton fabric production is concentrated in the Central Federal District. Ivanovo oblast is the absolute leader and is recovering faster than most of other major producing regions. In CY 2000 its share in total domestic fabric production was even higher than its 33 percent of the total in CY 1990. In spite of the recovery of the textile industry, most factories in the former cotton textile producing regions are old and inefficient, and future development of modern cotton manufacturing will be linked with investment policies and market strategies of cotton trading companies more than with the location of textile factories

Table 5. Production of cotton fabric by regions, million square meters and percent, by oblast

	1990	1993	1996	2000		Change in production, CY 2000 versus:		
	mln m^2	mln m^2	mln m^2	mln m^2	percent	1990	1993	1996
TOTAL Russia	5,624	2,335	1,052	1,822	100.0	-68	-22	78
1. Ivanovo oblast	1,885	809	641	1,235	67.8	-34	53	93
2. Moscow oblast	932	373	111	157	8.6	-83	-58	41
3. Vladimir oblast	1,002	257	70	107	5.9	-89	-58	53
4. Tver oblast	298	111	47	91	5.0	-69	-18	92
5. Volgograd oblast	247	141	8	63	3.5	-74	-55	688
6. Chuvashiya Republic	121	121	13	41	2.3	-66	-53	223
7. Moscow (city)	391	88	54	33	1.8	-92	-84	-39
8. Novosibirsk oblast	27	201	12	16	0.9	-41	-50	38
9. Smolensk oblast	101	32	3	16	0.9	-85	-34	359
10. Saratov oblast	15	10	5	14	0.8	-7	39	175

For more information on the status of cotton processing industry in Russia, including tolling practices, pricing and purchasing see Post GAIN Report #2008.

Trade

After the renewal in 2001 of the 20 percent VAT on imported raw cotton, reporting on imports became more difficult. For the second half of CY 2001 official customs data do not reflect all imports of raw cotton, and officially reported cotton imports in MY 2001 will be almost ten percent less than in MY 2000. A significant portion of raw cotton imported for processing (tolling) is not properly registered at customs. Some portion of cotton is imported under other customs codes to avoid paying VAT and customs fees, and cotton also can be shipped unreported through transparent Russian borders with Kazakhstan and other Asian countries. For MY 2001 traders estimate non-registered imports of cotton at 20 to 30 percent of registered. The following data on cotton imports in MY 2000 are based on official quarterly customs data which is well correlated with production of fabrics. As for estimates for MY 2001, Post used official available quarterly customs data for the third and the fourth quarters of 2001 and its own estimates of possible cotton imports. The major supplier of cotton is Uzbekistan, with a 75 percent share.

Table 6. Trade Matrix, Cotton Imports, 1,000 Metric Tons

Import Trade Matrix			
Country:		Units:	Metric Tons
Commodity:			
Time period:	Aug/Jul		
Imports for	2000		2001
U.S.	1,204	U.S.	1,200
Others		Others	
Uzbekistan	269,285	Uzbekistan	265,000
Kazakhstan	35,547	Kazakhstan	36,000
Tajikistan	20,397	Kyrgyzstan	18,000
Kyrgyzstan	13,132	Tajikistan	13,000
Turkmenistan	10,309	Turkmenistan	11,000
Azerbaijan	2,140	Azerbaijan	10,050
Latvia	1,684		
Camerun	423		
Guinea	180		
Burkina-Faso	160		
Total for Others	353,257		353,050
Others not listed	4,788		26,750
Grand Total	359,249		381,000

Prices

Russian cotton prices reflect conditions on the international cotton market. Starting March 2001 cotton market prices were falling, and this factor played significant a role in the increase of cotton imports to Russia at the end of MY 2000.

Table 7. Prices Table

Prices Table					
Country:					
Commodity:					
Year:	2001				
Prices in (currency)	US$	per (uom)	Metric Ton		
Year	2000	2001	% Change		
Jan	1132	1239	9.5%		
Feb	1187	1246	5.0%		
Mar	1255	1097	-12.6%		
Apr	1274	1149	-9.8%		
May	1285	1104	-14.1%		
Jun	1265	1079	-14.7%		
Jul	1304	992	-23.9%		
Aug	1256	943	-24.9%		
Sep	1302	825	-36.6%		
Oct	1359	727	-46.5%		
Nov	1334	693	-48.1%		
Dec	1350	713	-47.2%		

Trade in Yarn

Trade in yarn and fabrics is given by Calender Year. Increased processing of cotton in 2001 resulted in a further increase in cotton yarn exports to 8,600 metric tons. The main markets for yarn in 2001 were Italy, Portugal, Poland and Austria. Yarn imports decreased in CY 2001 to 11,310 metric tons from 15,686 metric tons in CY 2000. The main exporter of cotton yarn to Russia was Uzbekistan.

Table8. Trade Matrix, Exports, Cotton Yarn, Metric Tons

Export Trade Matrix			
Country:		Units:	Metric Tons
Commodity:	Cotton Yarn		
Time period:	CY		
Exports for	2000		2001
U.S.	0	U.S.	
Others		Others	
Italy	2358	Italy	2544
Portugal	1626	Portugal	1711
Austria	1447	Poland	1151
Poland	1166	Austria	1018
Ukraine	375	Yugoslavia	25
Estonia	136		
Czech Republic	115		
Latvia	112		
Hungary	90		
Mongolia	84		
Total for Others	7509		6449
Others not listed	309		2151
Grand Total	7818		8600

Table 9. Trade Matrix, Imports, Cotton Yarn, Metric Tons

Import Trade Matrix			
Country:		Units:	Metric Tons
Commodity:	Cotton Yarn		
Time period:	CY		
Imports for	2000		2001
U.S.	242	U.S.	
Others		Others	
Uzbekistan	4476	Uzbekistan	8230
Bulgaria	2174	Tajikistan	1955
Syria	1671	Turkmenistan	816
Tajikistan	1520		
Turkey	1411		
Cyprus	1037		
Turkmenistan	781		
Finland	324		
Italy	294		
Poland	202		
Total for Others	13890		11001
Others not listed	1554		309
Grand Total	15686		11310

Trade in Fabrics

Exports of Russian fabrics (HS numbers 5208 and 5209) with cotton content not less than 85 percent decreased in CY 2001 by 22.7 million square meters or five percent to 412.6 million square meters, while imports increased by 17.8 million square meters to 72.9 million square meters. Fabric exports to the Ukraine increased, while exports to European countries declined greatly due to lower Russian quotas on textile imports to the EU countries. Russia imported cotton fabrics in CY 2001 mostly form Uzbekistan and China.

Table 10. Trade Matrix, Exports of Cotton Fabrics, 1,000 Square Meters

Export Trade Matrix			
Country:		Units:	1,000 m2
Commodity:	Cotton Fabric		
Time period:	CY		
Exports for	2000		2001
U.S.	2,251	U.S.	1,864
Others		Others	
Ukraine	102,930	Ukraine	111,022
Italy	61,548	Italy	61,859
Belgium	47,734	Austria	32,401
Austria	45,026	Belgium	28,163
Lithuania	30,216	Lithuania	26,863
Germany	28,688	Germany	25,593
Check Rep.	15,905	Check Rep.	19,479
Kazakhstan	8,706	Spain	13,351
Latvia	8,090	Kazakhstan	11,060
Hungary	7,478	Denmark	10,805
Total for Others	356,321		340,596
Others not listed	76,747		70,187
Grand Total	435,319		412,647

Table 11. Trade Matrix, Imports of Cotton Fabrics, 1,000 Square Meters

Import Trade Matrix			
Country:		Units:	1,000 m2
Commodity:	Cotton Fabric		
Time period:	CY		
Imports for	2000		2001
U.S.	426	U.S.	365
Others		Others	
Uzbekistan	22,075	Uzbekistan	28,155
Turkmenistan	8,730	China	12,407
Moldova	3,800	Moldova	5,594
Tajikistan	3,518	Turkmenistan	5,060
Kyrgyzstan	2,542	Italy	4,231
Germany	2,495	Tajikistan	3,225
China	1,988	Turkey	2,262
Italy	1,709	Germany	2,063
Poland	1,121	Hungary	1,073
Sweden	952	Check Rep.	1,017
Total for Others	48,930		65,087
Others not listed	5,738		7,421
Grand Total	55,094		72,873

Trade Policy

All raw cotton remains free of import duties. The import tariff on cotton sewing thread and cotton yarn is five percent. The import tariff for cotton fabrics was lowered from 20 percent to 15 percent in 2000. This lower tariff was first implemented for nine months, and later granted an additional nine month extension until June 30, 2002.

The special exemption of imported cotton from VAT was discontinued for cotton imported from all countries starting July 1, 2001. For more details on the VAT and its influence on the industry see GAIN Reports #RS1016 (05.15.01) and #RS2008 (02.17.02).

Challenges for US Cotton Exports to Russia

Please see GAIN Reports #RS1016 and #RS2008.