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Report Highlights:

Uzbekistan's cotton production in marketing year (MY) 2023/24 is forecast unchanged from the previous year at 675,000 metric tons (MT) (3.10 million bales). Despite a small reduction in area harvested for this period because of the government's land redistribution policy, cotton production will be buoyed up by continued yield-enhancing investments in planting, harvesting, and processing cotton. Cotton consumption in MY 2023/24 is forecast higher year-to-year at 697,000 MT (3.20 million bales), assuming increased domestic demand resulting from the ongoing investments in the country's textile sector. As of March 2022, the longstanding forced labor issue plaguing the Uzbekistan's cotton industry was resolved from the perspective of international NGOs. This development alongside continued investment in the nation's cotton sector could boost Uzbekistan's future production and export of fabric and ready-to-wear garments.

I. Production

The total cotton area harvested for marketing year (MY) 2023/24 is projected at 950,000 hectares (ha), 3 percent smaller than the last MY. The primary reason for the reduction in acreage is the government's land redistribution policy to enhance the country's food security and increase household incomes. Despite fewer acres in cotton, MY 2023/24 lint cotton production is forecast to remain unchanged from the previous year at 675,000 metric tons (MT) (3.10 million bales), due to favorable weather conditions and continued yield-enhancing investments in planting, harvesting, and processing cotton. Meantime, rainfall levels this spring and past winter were around normal levels, according to market sources.

The Uzbek Association of Cotton-Textile Clusters (UACC) reports that there are currently 134 cotton clusters that are made up of private companies that produce, gin, and spin cotton. Some of the more fully integrated clusters also produce fabric and ready-to-wear garments. These clusters all have some land on which they grow their own cotton, and supplement this with cotton sourced from farmers in the area. Cotton farmers are only allowed to contract with a specific cotton cluster and cannot sell their cotton to other clusters, even if it is in the same region. The contract price farmers are paid for their cotton is based on a minimum price set by the government each year. Farmers are typically unable to sell above this set price.

According to market sources, the quality of the soil in cotton-growing areas is less than ideal due to decades of unsustainable growing practices that date back to Soviet times. Given these conditions, many cotton producing clusters have undertaken different efforts to improve soil quality. As an example, some are increasing the organic material in their fields. In addition, many are using soil washing techniques to reduce soil salinity resulting from climate-related factors and the scarcity of water. These investments to enrich and revitalize the soil are important in maintaining current yields and, if continued, could potentially lead to slight increases in overall yields.

According to the Government of Uzbekistan (GoU) the UACC, as well as market sources, mechanical cotton picking is increasing because labor is becoming hard to find, and hand-picking is expensive. However, Post estimates that only a small amount of cotton is currently mechanically harvested. Looking forward, the trend towards increased mechanization is expected to quickly expand, with clusters investing in mechanical pickers to use on their farms and the private farms from which they source their cotton.

Cotton growers are facing rising input costs for fertilizer and fuel which is narrowing profit margins. While fertilizer prices have increased, they likely would have climbed even higher if Uzbekistan did not produce most of its fertilizer needs. According to the UACC, 85 percent of the country's fertilizer is produced domestically.

Government Redistributes Land, Reducing Cotton Area

In September 2022, a presidential decree was issued with the aim of increasing household income, diversifying crop production, and bolstering national food security by supporting the creation of *dekhan* farms, which are small-scale farms operated by individuals or families. The land allocated for these *dekhan* farms was formerly used for cotton and grain production, and is supposed to have access to adequate water and be located close to settlements. The land is leased to households through an open electronic competition.

For 2022, the GoU intended to allocate 100,000 hectares. The government later revised this number to 102,600 hectares, an increase of nearly 3 percent above the committed area. In actuality, 95,500

hectares of this total area was distributed to 428,700 Uzbek citizens. For 2023, the GoU announced that it would allocate 95,169 hectares. As of February of this year, 33,000 hectares were still available for distribution.

According to news sources, on this newly redistributed land, farmers grew an additional 1.5 million metric tons of food, including vegetables, fruits, pulses, and some grains. In addition, this land redistribution has employed more than 1.2 million people, both permanently and seasonally.

As noted above, the government's land redistribution policy is projected to reduce the area available for growing cotton in MY 2023/24. However, this loss in area is not expected to reduce Uzbekistan's overall cotton production due to improvements in growing, harvesting, and processing cotton. However, as more land is taken out of cotton production, yield improvements will not be enough to maintain current production levels. According to some market sources, the impact of these decreed land transfers is blunted because other land is allegedly being re-allocated back to the clusters.

New Regulation Aimed at Increasing the Use of Certified Seed

In December 2022, the GOU passed a new regulation requiring cotton and other crop seeds to be certified by an Uzbek government seed testing agency. The purpose behind this regulation is to increase the use of certified, better-quality seeds in order to increase crop yields. The agency charges a fee to test and analyze the seed, and will issue a certificate of conformity if the seed meets the specified standards.

Better Cotton Initiative Launches Sustainable Cotton Program

In November of last year, the Better Cotton Initiative conducted a seminar in Tashkent to formally launch its Better Cotton program. The program aims to produce "better cotton" (known as BCI cotton), using less water, fertilizer, and pesticides, free of forced labor, and sustainably grown. BCI-grown cotton is preferred by many western brands that target upper-middle and high-income consumers. According to the Ministry of Agriculture, there were three clusters producing BCI cotton on 35,000 ha of land in 2022. Post predicts that Uzbekistan will increase its production of BCI cotton in the short- to medium-term.

In addition to BCI cotton, Uzbekistan is working on producing organic cotton. According to news sources, a cotton cluster in Bukhara Region, for the first time harvested organic cotton on 3,000 ha of land during the MY 2022/23 season. The cotton was certified as organic by the Dutch firm, Control Union and was used to produce cotton yarn for export to Japan. Meantime, as of 2022, there were reportedly 12,000 ha of land that was being transitioned to grow organic cotton in the future.

II. Consumption

MY 2023/24 cotton consumption is forecast to increase year-to-year to 697,000 MT (3.2 million bales), assuming increased demand resulting from the ongoing investments in the country's textile sector. For MY 2022/23, cotton consumption is expected to decline year-to-year due to a global slowdown in demand for ready-wear-apparel, especially among Western consumers in the United States, Turkey, and Europe. Almost all of Uzbekistan's cotton is used by the country's yarn factories. With this contraction in demand, Uzbekistan's textile and garment factories are operating at reduced capacity and have access to sufficient supplies of domestic cotton.

Investments in Uzbekistan's textile industry continue amid continuing geopolitical challenges, such as the war in Ukraine, global macroeconomic turmoil, and a downturn in global apparel demand. These investments, especially in the country's yarn, fabric, and read-to-wear garment industries, suggest that cotton consumption will increase in the future. As these investments continue, Uzbekistan may even start importing cotton. In fact, some market sources are already reporting that it is becoming increasingly difficult to source local cotton as the country's capacity to produce yarn increases.

In news reports quoting the State Committee of Statistics, Uzbekistan's cotton yarn production in calendar year (CY) 2022 was 584,400 MT, which was about 18 percent lower compared to the previous year. Yarn production decreased due to the downturn in demand from key export markets, including Turkey, China, Bangladesh, and the EU. In response to this drop in yarn demand, domestic yarn factories reduced their operating capacity to just 50-70 percent. If the apparel orders from western buyers don't pick up in 2023, Uzbek yarn factories will have to produce stock for inventory or cut back production until market conditions improve.

Looking ahead, Post predicts that continued investments in Uzbekistan's yarn (and fabric) manufacturing capacity will ultimately increase total cotton demand and force the country to import more cotton lint.

III. Trade

Exports

In accordance with the GoU's new policy discouraging cotton exports in favor of value-added yarn and textile export, Uzbekistan's cotton exports are forecast to continue trending downward, falling to 9,000 MT in MY 2023/24. For the same reason, exports are expected to fall in MY 2022/23.

During the first half of MY 2022/23 and throughout MY 2021/22, cotton exports fell sharply as shown in Table 1. (Note: As Uzbekistan does not have available customs or accurate commodity statistics, export totals are derived from importing destinations' customs statistics.) This reduction is explained by increasing domestic demand for cotton resulting from ongoing investments in building factories to produce yarn, fabric, and ready-to-wear-apparel. According to market sources, Uzbekistan's cotton supplies are right now barely enough to meet the current domestic needs, and this is only because global demand for ready-to-wear apparel has slackened. Once global demand improves, Uzbekistan will likely need to turn to imports to meet its needs.

The devastating earthquakes in Turkiye in February 2023 may have a negative impact on Uzbekistan's exports of cotton yarn to Turkiye this year (\$523.3 million in 2022). The earthquake caused extensive damage to the Turkish provinces of Kahramanmaras and Gaziantep, which is one of the major production centers for the Turkish textile industry. Furthermore, textile production in Uzbekistan may suffer due to the lack of coloring pigments and fabrics imported from Turkiye.

While cotton exports are falling, Uzbekistan's exports of cotton yarn and cotton fabric have significantly increased. In the future, Uzbekistan aspires to move higher up along the cotton value chain and become a major producer and exporter of fabric, read-to-wear-apparel, and garment producer. In several speeches, the President of Uzbekistan has called for the country to become a garment and apparel exporting country, and not just yarn. In the medium to long run, Uzbekistan is expected to move in this direction.

Imports

Imports of cotton in MY 2023/24 are forecast unchanged from the previous year at 22,000 MT. This projection is based on the global slowdown in yarn demand from fabric and garment producers and assumes that domestic cotton production will be sufficient to meet most of the country's needs.

In the last few years, with the expansion of Uzbekistan's textile industry, the country has started importing cotton from neighboring countries, such as Kazakhstan, Kyrgyzstan, and Tajikistan. Looking into the future, Post predicts that Uzbekistan will need to import more cotton since the country's cotton production capacity is not enough to keep up with growing demand from the spinning industry.

Table 1: Cotton Exports from Uzbekistan (HS Code: 5201), 480lb. Bales and Metric Tons

UZBEKISTAN			
COTTON			
Export Trade Matrix*			
Units:	Metric Tons		
Time Period	Aug/July	Aug/July	Aug/July
Imports for:	MY 2020/21	MY 2021/22	MY 2022/23 (6 Months)
Turkey	27,448	5,136	302
EU 27 (excl. UK)	412	617	119
China	6,322	0	0
Kazakhstan	473	385	0
Belarus	93	105	0
Kyrgyzstan	7	0	0
Russia	786	0	not reporting
TOTAL	35,541	6,243	421
UZBEKISTAN			

COTTON			
Export Trade Matrix*			
Units:	Bales		
Time Period	Aug/July	Aug/July	Aug/July
Imports for:	MY 2020/21	MY 2021/22	MY 2022/23 (6 Months)
Turkey	126,068	23,589	1,387
EU 27 (excl. UK)	1,892	2,834	547
China	29,037	0	0
Kazakhstan	2,172	1,768	0
Belarus	427	482	0
Kyrgyzstan	32	0	0
Russia	3,610	0	not reporting
TOTAL	163,239	28,674	1,934

Source: Trade Data Monitor

* Uzbekistan does not report trade statistics and is not a WTO member; therefore, the totals will not exactly match the PS&D tables. These numbers are derived from importing destinations. The table is presented to show the largest buyers of Uzbek cotton by approximately size. Additionally, Russia has stopped reporting customs statistics; numbers for Russia are only valid through February 2022.

Table 3: Cotton Yarn Exports from Uzbekistan (HS Code: 5204, 5205, 5207), Metric Tons

UZBEKISTAN			
COTTON YARN			
Export Trade Matrix*			
Units:	Metric Tons, Calendar Year		
Imports for:	2020	2021	2022
USA	37	291	118
Turkey	90,183	125,607	141,372
China	188,139	258,814	86,829
EU 27 (excl. UK)	13,817	20,587	18,784
Ukraine	2,817	3,921	2,278
Peru	269	2,181	2,273
Armenia	238	308	700
Morocco	1,168	660	609
Kazakhstan	372	430	523
Colombia	36	270	491
South Korea	311	623	410
Others	120,662	135,354	1,176
TOTAL	418,049	549,046	255,563

Source: Trade Data Monitor

* Uzbekistan does not report customs or trade statistics and is not a WTO member; therefore, the totals will not account for all export figures. Additionally, Russia has stopped reporting customs statistics; numbers for Russia are only valid through February 2022.

Table 4: Cotton Fabric Exports from Uzbekistan, (HS Code: 5208, 5209), Square Meters
(thousands of square meters (m²))

UZBEKISTAN			
COTTON FABRIC			
Export Trade Matrix*			
Units:	Units: 1,000 m2, Calendar Year		
Imports for:	2020	2021	2022
USA	1	0	0
EU 27 (excl. UK)	53,793	52,426	38,889
Kazakhstan	33,426	25,768	25,083
Ukraine	15,277	12,815	14,689
South Korea	5,078	6,633	4,029
Turkey	0	2,805	2,674
United Kingdom	644,798	1,555	369
Japan	145	435	145
N. Macedonia	1	1	10
Belarus	580	2,485	not reporting
Russia	511,839	188,578	not reporting
Others	30	8	7

TOTAL**	620,815	293,510	85,896
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Source: Trade Data Monitor

* Uzbekistan does not report customs or trade statistics and is not a WTO member; therefore, the totals might not account for all export figures. Additionally, Russia has stopped reporting customs statistics; export numbers for Russia are only valid through February 2022.

**A few countries measure fabrics in terms of MT unlike most countries who measure fabrics by m². For 2022, Morocco's 397 MT, China's were 117 MT. All are negligible amounts in world trade.

IV. Policy

In January 2023, a presidential decree was adopted, introducing “*measures to support the activities of cotton and textile clusters, radical reform of the textile and clothing and knitwear industry, as well as further increasing the export potential of the sector.*” According to the decree, the government will provide loans totaling \$200 million over a three-year period to finance enterprises that export fabrics, knitted fabrics, knitwear, and finished garments. At the same time, up until April 1 of this year, the government will undertake efforts to attract \$500 million in funding from foreign financial institutions to finance working capital for textile and ready-to-wear garment producers for a two-year period. The decree also allows these companies to transfer abroad up to \$100,000 per year and abolishes the requirement to pay an advance monthly electricity payment.

Establishment of Industrial Zones and a Technopark for Textiles

Under this same decree, by the end of 2023, small *specialized industrial zones* for textile business are to be created in Andijan, Namangan and Kashkadarya regions. An *industrial techno-park*, specialized in detailed processing of textile and leather products is to be established in the Tashkent region.

By April of this year, pilot educational projects will be implemented in the regions of Karakalpakstan, Khorezm and Namangan regions to train specialists in demanded professions (seamstress, cutter, spinner, mechanic) and introduce foreign (German and Turkish) textile educational programs. Additionally, joint educational programs will be developed to train specialists in demand in the textile industry (engineers, technologists, designers, marketers) at the Tashkent Institute of Textile and Light Industry starting in the 2023/24 academic year.

New State Support Announced for Cotton Clusters

As of January 26, 2023, the President of Uzbekistan signed a resolution to guarantee cotton clusters access to preferential loans for fertilizer, seeds, and fuel for growing cotton. The cotton clusters can freely decide which cotton varieties to plant and are able to import high-yielding seed varieties from abroad.

The resolution also stipulates that the government will pay 30 percent of the cost to laser-level cotton fields. This leveling process is supposed to help farmers use water resources more efficiently. Meantime, scientific organizations that specialize in cotton growing and agro-service centers will be assigned to each cluster to help integrate the latest science and production techniques. In parallel with this support, the President of Uzbekistan has urged cotton and textile clusters to expand their use of alternative energy and water-saving technologies, while implementing innovative solutions across cluster activities.

Redistribution of Land for Horticultural Production

As a part of its national agricultural policy, the GoU has been working to diversify the country's crop production, moving away from cotton, and promoting food security and land ownership opportunities for low-income and smallholder farmers. This diversification entails leasing land formerly used to grow cotton and grains to produce other crops.

In a November 2021 presidential resolution, entitled "*Measures to develop family entrepreneurship in horticulture and viticulture*," the GoU announced that 200,000 ha of land that was previously used for cotton and grain production would be leased to farmers from 2022-25 to grow horticultural products. Eligible farmers can lease 0.1-1.0 hectare-sized plots and the government will provide them access to credit to start cultivation. In July of last year, the President declared at a conference on increasing food production and increasing household incomes, that 80,000 ha of land had been leased to farmers growing horticultural products in 2022.

Irrigation Investments to Help Conserve Water

An estimated 90 percent of all water resources used in Uzbekistan goes to agriculture, including wheat and cotton irrigation, but climate change is affecting the country's water supply. Continued investments in land leveling and new irrigation systems will help conserve water resources and keep cotton yields stable in the near future. According to the UACC, laser leveling and modern irrigation systems in a field can result in a 50 percent savings in water usage. However, even these investments may not prove enough in the long term given the effects of climate change and decreasing water resources.

The Asian Development Bank (ADB) has approved a \$150 million loan and a \$3 million grant to help improve food and water security in Uzbekistan. The funds will be used for a project to establish climate-resilient and modernized irrigation systems in the Amu Darya and the Zarafshan River basins by improving water measurement and modernizing existing irrigation and drainage infrastructure. The project will help improve on-farm water management, introduce technology, and scale up practices to increase water use efficiency. These improvements will allow farmers to adapt to more frequent water shortages amid increased climate variability.

Minimum Price of Cotton

In accordance with the Presidential resolution, entitled "*On measures for the widespread introduction of market principles in the field of cotton growing*," the Ministry of Agriculture, the Ministry of Economic Development and Poverty Reduction, the Council of Farmers, Dekhkan Farms and Owners of Household Plots of Uzbekistan, and the Uzpakhtasanoat (Cotton Growers) Association were given the joint responsibility to announce the expected minimum price for raw cotton based on an analysis of world market prices.

In theory, cotton producers and buyers are supposed to use this recommended minimum price in setting the contract price for raw cotton. However, market sources and independent researchers indicate that in practice, farmers, especially small farmers, are unable to negotiate prices since they cannot sell the cotton in the free market except to the designated cluster in their region. Thus, the government-declared minimum price becomes the de facto contract price for cotton.

Forced Labor Issues

The most important policy update in 2022 was progress in addressing the longstanding issue of forced labor. On March 1, 2022, the International Labor Organization (ILO) declared that “[Uzbek cotton is free from systemic child labor and forced labor.](#)” On March 10, 2022, the *Cotton Campaign*, a coalition of NGOs and businesses, [ended its call for a boycott](#) on Uzbek cotton. The Campaign will now shift its attention to raising cotton workers’ wages. Leading up to this development, the GoU had instituted one of its final measures the year before to stop child and forced labor, called “*On additional measures to finance the harvest of raw cotton.*”

Prior to 2022, many fashion and ready-to-wear-apparel brands had refused to purchase apparel and garments produced from fabrics or yarn made from Uzbek cotton due to the child labor and forced labor issues. In fact, as of 2021 there were [331 brands that pledged](#) not to buy apparel produced from Uzbek cotton, including many U.S. brands.

Uzbekistan’s government and the country’s cotton sector welcomed the ILO’s declaration and the end of the Cotton Campaign’s boycott. This development has the potential to increase the country’s exports of fabric and yarn to a certain extent. However, the capacity to increase exports in the short run is limited since most of the country’s cotton products are already being exported. In the medium to long-run, export potential is greater as new production capacity comes online and demand from Western markets, like the European Union, United Kingdom, and the United States, could grow.

At the same time, Turkish textile and ready-to-wear-apparel companies might increase investments in Uzbekistan in order to manufacture Western brands. In addition, some international brands might decide to open production facilities in Uzbekistan. However, the perceived investment risk in the country is still quite high for many Western companies.

Textile and Garment Exports to EU Benefit from Duty-Free Access

As of April 10, 2021, Uzbekistan was added to the EU’s *Generalized Scheme of Preferences*¹ (GSP+), which qualifies certain Uzbek exports for duty free access to the EU market on approximately 66 percent of EU tariff lines. This preferential access is a special incentive to support vulnerable developing countries that ratify 27 international conventions on human rights, labor rights, environmental protection, climate change, and good governance. From news reports, this policy has already increased Uzbekistan’s textile and ready-to-wear-garment and apparel exports to the EU by 70 percent in 2021 and an additional 28 percent in 2022.

Ministry of Agriculture is Testing New Cotton Varieties

In January 2023, the Ministry of Agriculture (MinA) announced that the Ministry’s Crop Testing Center in Tashkent and its regional stations are testing new cotton varieties to determine their suitability to the soil and climatic conditions in Uzbekistan, resistance to disease and pests, and for yields and quality characteristics. According to the MinA, 85 different cotton varieties were studied and tested in 2022. Particular attention is paid to fiber yield, fiber density, yardage, tensile strength, specific length,

¹ The EU’s Generalized Scheme of Preferences (GSP), created following UNCTAD recommendations in 1971, helps developing countries (DC) by making it easier for them to export their products to the European Union. This is done in the form of reduced tariffs for their goods when entering the EU market.

microns, and weight of 1000 seeds. Based on the test results, cotton varieties will be included in the State Register for cultivation.

Government Introduces New Tax Requirements

In accordance with a February 2023 presidential decree, producer/trader companies' information systems for receiving and accounting of raw cotton, grains and rice must be integrated with the tax authority's systems.

In a separate decree, a pilot income tax return program was introduced for employees working on farms that specialize in cultivating cotton and grains. Participating farms must employ at least one worker per month for each hectare of land and pay a monthly wage to employees. The pilot program runs from April 1, 2023, to May 1, 2024.

V. Production, Supply and Distribution Tables

Table 5: Production, Supply and Distribution Table, Bales
(thousands of hectares, thousands of 480lb. bales)

Cotton	2021/2022		2022/2023		2023/2024	
Market Begin Year	August 2021		August 2022		August 2023	
Turkey	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,060	975	1,070	980	0	950
Beginning Stocks	1,774	1,323	1,375	1,673	1,375	1,793
Production	2,900	3,100	2,900	3,100	0	3,100
Imports	54	600	50	100	0	100
Total Supply	4,728	5,023	4,325	4,873	1,375	4,993
Exports	53	250	50	80	0	40
Use	3,300	3,100	2,900	3,000	0	3,200
Total Dom. Cons.	3,300	3,100	2,900	3,000	0	3,200
Ending Stocks	1,375	1,673	1,375	1,793	1,375	1,753
Total Distribution	4,728	5,023	4,325	4,873	1,375	4,993
Stock to use %	41	50	47	58	0	54
Yield	596	692	590	689	0	710

Source: USDA forecasts, FAS Istanbul forecasts.

Table 6: Production, Supply and Demand Table, Metric Tons
(thousands of hectares, thousands of MT)

Cotton	2021/2022		2022/2023		2023/2024	
Market Begin Year	August 2021		August 2022		August 2023	
Turkey	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,060	975	1,070	980	0	950
Beginning Stocks	386	288	299	364	299	390
Production	631	675	631	675	0	675
Imports	12	131	11	22	0	22
Total Supply	1,029	1,094	942	1,061	299	1,087
Exports	12	54	11	17	0	9
Use	718	675	631	653	0	697
Total Dom. Cons.	718	675	631	653	0	697
Ending Stocks	299	364	299	390	299	382
Total Distribution	1,029	1,094	942	1,061	299	1,087
Stock to use %	41.01	49.94	46.61	58.21	0.00	54.10
Yield	596	692	590	689	0	710

Source: USDA forecasts, FAS Istanbul forecasts.

Attachments:

No Attachments