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Uzbekistan - Republic of

Cotton and Products Annual

2015 Uzbekistan Cotton Annual

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Report Highlights:

Uzbekistan's marketing year (MY) 2014/15 final lint production estimate decreased to 4.25 million bales. Lint exports for MY2014/15 are estimated at 2.7 million bales. MY2015/16 mass cotton sowing is expected to start as usual in the beginning of April and continue through the end of the month, assuming favorable weather conditions. State targets for MY2015/16 planted area and seed cotton production are reportedly set at 1.28 million hectares and 3.35 million metric tons (MMT), respectively, which is unchanged from the last year.

Executive Summary:

Uzbekistan's marketing year (MY) 2014/15 final lint production estimate decreased to 4.25 million bales. Lint exports for MY2014/15 are estimated at 2.7 million bales. MY2015/16 mass cotton sowing is expected to start as usual in the beginning of April and continue through the end of the month, assuming favorable weather conditions. State targets for MY2015/16 planted area and seed cotton production are reportedly set at 1.28 million hectares and 3.35 million metric tons (MMT), respectively, which is unchanged from the last year.

Despite the global economic crisis and relative drop in world cotton consumption over last 5-6 years, local mills continue efforts to increase their capacities. Domestic consumption is estimated at 1.55 million bales in MY2014/15 and exports are forecast to increase to 1.6 million bales in MY2015/16.

The government of Uzbekistan (GOU) continues to maintain tight control over all aspects of cotton production, including plantation area, production targets, prices, inputs, procurement and marketing.

Despite government efforts to modernize in recent years, Uzbekistan's cotton ginning industry still consists of predominantly older gins despite investments in new equipment and renovations to existing equipment over the last 7-8 years. Both domestic and export demand have increased marginally in the past 5 years, particularly for cotton yarn. Textile mills are diversifying away from low-value yarn-based exports to pursue value-added products. Most mills now understand that they need to be extremely competitive in order to remain active in the shrinking global market.

As in the past few years, China, Bangladesh and South Korea are still the major buyers of Uzbek cotton.

Commodities:

Cotton

Production:

In MY2014/15 problems with irrigation water supplies, especially in some southern regions, became a big issue for growers during the vegetation period in summer. Moreover, there was an 8-10 percent replanting of cotton fields due to mid-spring rains right after sowing, which also had a partial negative impact on last year's crop in a few regions. As of today, Post estimates MY2014/15 lint production at 4.25 million bales.

Winter precipitation was close to average levels. Post interprets the situation as positive for the MY2015/16 cotton crop, especially in areas with access to irrigation. Major growing areas in the South, however, did not receive this level of precipitation. Of course, much will depend also on the spring weather conditions, especially during sowing and vegetation. This year, cotton sowing is projected to start as usual in the beginning of April and continue through the end of the month if weather conditions allow.

The MY2015/16 state target for planted area has been reportedly set at 1.28 million hectares. In the past 3-4 years the GOU decided to switch about 35,000-40,000 ha of land to vegetable and fruit production

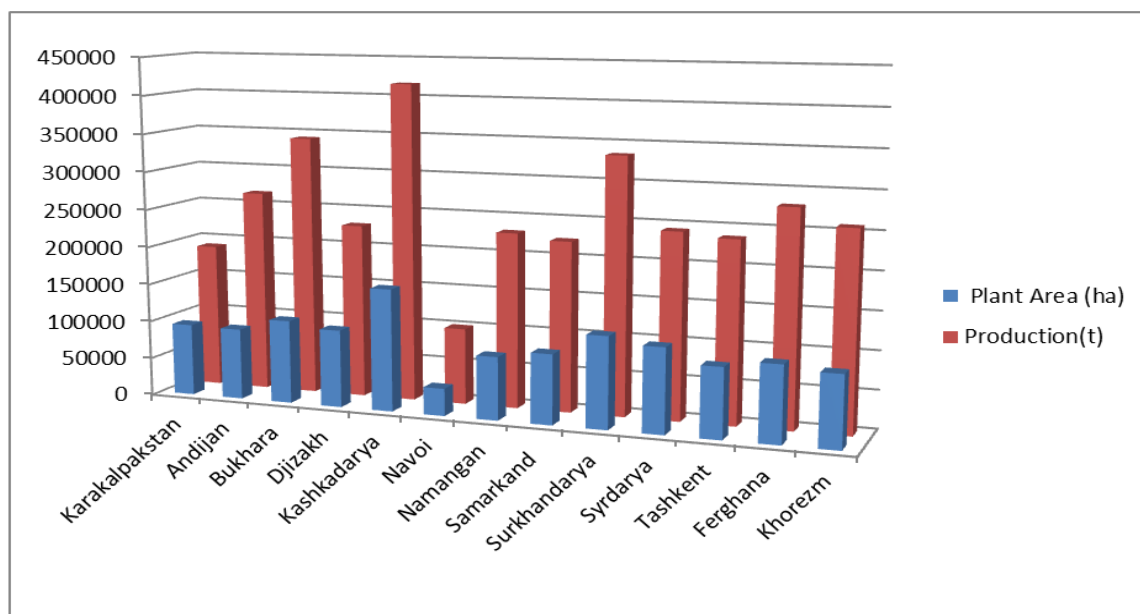
in several districts of the Republic. Reportedly, most of this freed land was under cotton crop previously, and theoretically the total plant cotton area should have been decreased accordingly. Planted area has not changed for the past three years and remains at 1.28 million hectares.

MY2015/16 lint production is preliminarily forecast at 4.3 million bales.

As in the past few years, in MY2015/16 farmers are reportedly expected to plant early-ripening cotton varieties on more than 50 percent of targeted planting area. These varieties are characterized by their early-ripening feature, better yields, and resistance to various common diseases.

Table 1. MY2015/16 cotton plant area and seed cotton production targets by region

Regions	Plant Area (ha)	Production(t)
Karakalpakstan	94700	190000
Andijan	93400	266000
Bukhara	109600	342000
Djizakh	101800	229000
Kashkadarya	160400	417000
Navoi	35800	100000
Namangan	82600	230000
Samarkand	91500	223000
Surkhandarya	119600	335000
Syrdarya	110700	243000
Tashkent	91500	237000
Ferghana	100100	280000
Khorezm	93800	258000
Republic Total	1285500	3350000



Consumption:

Uzbekistan’s MY2014/15 domestic lint consumption is estimated at 1.55 million bales. MY2015/16 total domestic consumption is preliminarily forecast to increase to 1.6 million bales. According to the

GOU's special program on development and modernization of local textile industry in 2015-2020, the state plans to increase the total domestic consumption to 70 percent by 2020.

Nowadays, roughly 36-37 percent of all cotton is consumed domestically. The spinning and weaving industries continue to invest in new equipment as well as renovations of existing equipment due to improving profitability over the past 6-7 years. Domestic demand has been increasing marginally over the past years, and so did export demand, especially for cotton yarn and textile garments.

The main player in this industry is "Uzbekengilsanoat", a State Joint Stock Company which unites 280 textile, sewing and knitting enterprises - most of which are joint ventures. In accordance to GOU program, the company is planning to invest \$1 billion into the local light industrial sector with the aim of increasing domestic consumption and decreasing lint exports. The company plans to increase textile exports from \$800 million (current value) to \$1.5 billion by 2020.

According to "Uzbekengilsanoat", the successful implementation of targeted projects in the textile industry will allow them to increase cotton yarn production to 562,000 tons (+2.6 times) compared to 2014 production volumes, cotton fabrics production to 340 million square meters (+2.8 times), knitted fabrics to 110,000 tons (+2.9), knit-wear to 296 million pieces (+2.1) and apparel to 20.1 million pieces (+3.3). The financing of these projects will be provided by direct investments of local textile mills and partly by foreign investors, as well as loans issued by local Uzbek banks.

Trade:

Post estimates MY14/15 lint exports at 2.7 million bales. During 10th International Uzbek Cotton and Textile Fair last October, Ministry of Foreign Economic Relations, Investments and Trade (MFERIT) officials announced the signing of contracts for 580,000 tons of cotton lint exports. In addition, according to official reports, during the Fair the Uzbek Textile Industry concluded contracts for exporting more than \$1 billion in textile products. The Fair once again showed that Asia is the leading destination of Uzbekistan cotton, with Bangladesh (35%), China (25%), and South Korea (7%) as the major markets.

Reportedly, in 2014 the government of Bangladesh (GOB) signed a MOU with Uzbekistan which allegedly has agreed to export 200,000 tons of raw cotton to Bangladesh on an annual basis. As of today, Bangladesh 2014 cotton imports from Uzbekistan are estimated at 175,000 tons, which is 12 percent lower than in 2013.

Nowadays, Uzbekistan has a well-established local system of logistics, consisting of 21 specialized cotton terminals with a storage capacity of 410,000 tons, and a good transportation infrastructure and shipment corridors that facilitate timely deliveries of Uzbek cotton to buyers.

Table 3. Export trade matrix*

Commodity	Cotton	Units	Metric tons
Time period	CY2012	CY2013	CY2014
U.S.	0	0	0
Others			
Bangladesh	250,000	198,000	175,000

China	310,000	227,530	155,000
Russia	19,100	11,200	20,000
South Korea	27,000	33,000	42,000
Turkey	8,760	7,220	17,000
Iran	41,980	22,850	32,000
Italy	1,000	2,270	2,000
Total of Listed	657,840	502,070	443,000
Others not Listed	29,160	118,730	157,000
Grand Total	687,000	620,800	600,000

***Note:** Data in export trade matrix is from trade related sources, as official statistics on cotton exports by destinations is not available.

Stocks:

There are no official sources of information on stocks volumes, so the numbers indicated in the report are rough estimates.

Policy:

The Government's overall cotton policy is still aimed at maintaining stable production, and improving quality and fiber characteristics. As of today, all state farms have been privatized and reorganized into private farms. However, despite implementing structural reforms in the agricultural sector, the government still maintains tight control over all aspects of production, including planted area, production targets, prices, inputs, procurement and marketing of nearly all of the cotton in Uzbekistan.

The local ginning industry has made some improvements in their ginning technology, and as a result ginned lint has less trash content than in the past. About 80-85 percent of all produced lint is of higher grades with strict and good middling, and the volume of lower grades has decreased. The cotton ginning industry nevertheless is one of several sectors of the country's economy where new investments are needed.

Production, Supply and Demand Data Statistics:

Cotton Production, Supply and Demand

Cotton Uzbekistan	2013/2014		2014/2015		2015/2016	
	Market Year Begin: Aug 2013		Market Year Begin: Aug 2014		Market Year Begin: Aug 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	1,285	1,285	1,285	1,280	0	1,285
Area Harvested	1,285	1,285	1,285	1,280	0	1,285
Beginning Stocks	1,348	1,348	1,248	1,498	0	1,498
Production	4,100	4,450	4,000	4,250	0	4,300
Imports	0	0	0	0	0	0
MY Imports from U.S.	0	0	0	0	0	0
Total Supply	5,448	5,798	5,248	5,748	0	5,798
Exports	2,700	2,800	2,300	2,700	0	2,750
Use	1,500	1,500	1,500	1,550	0	1,600
Loss	0	0	0	0	0	0
Total Dom. Cons.	1,500	1,500	1,500	1,550	0	1,600
Ending Stocks	1,248	1,498	1,448	1,498	0	1,448
Total Distribution	5,448	5,798	5,248	5,748	0	5,798
Stock to use %	30.00	34.84	38.11	35.25	0.00	33.29
Yield	695.0000	754.0000	678.0000	723.0000	0.0000	731.0000
1000 HA, 1000 480 lb. Bales, PERCENT, KG/HA						