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## **Uzbekistan - Republic of**

### **Cotton and Products Annual**

#### **New Textile Investments Reduce Uzbekistan Cotton Exports**

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**Report Highlights:**

The government of Uzbekistan is expected to continue to lower the targeted cotton planting area and production and in marketing year (MY) 2019/20, planted area is expected to be about 1.06 million hectares and production about 3.58 million bales (480 pound bales), which is 780,000 metric tons (MT).

Domestic cotton consumption is increasing each year with new investments, which in turn is reducing cotton availability for exports. The MY 2019/20 domestic consumption estimate is about 2.98 million bales (650,000 MT), and exports of cotton are down to 505,000 bales (110,000 MT) but exports of yarn, fabric, and textiles are increasing.

## Production

According to the Government of Uzbekistan's initial plan for marketing year (MY) 2019/20 about 37,500 hectares will be taken out of cotton planting area. Hence MY 2019/20 cotton planted area is expected to be about 1.06 million hectares and production is about 3.58 million bales (480 pounds each), which is 780,000 MT. The Republic of Uzbekistan has been continuing with its plans to reduce cotton planting by a total of 185,000 hectares (ha) in five years, starting from MY 2016/17. The intention of the government is to reduce planting in areas where field yields are lower than the country average, such as in highly salinized areas and mountain regions, and to facilitate production of other crops instead, primarily fruits and vegetables.

According to the plan, cotton planting area will be reduced gradually until 2021 to a target of one million hectares and domestic production to about 3 MMT of seed cotton, compared to 3.35 MMT, which was the target in previous years. The initiative was to take out a total of 185,000 hectares of land from cotton planting. However, in MY 2018/19, in addition to the planned reduction of 35,000 hectares for that year, the government reduced cotton planting by additional 20,000 hectares, bringing the total reduction to 55,000 hectares for the year, for a total production area in 1.1 million ha.

In MY 2020/21, an additional 30,000 hectares of land will be taken out of cotton planting as planned. When cotton planted areas are reduced, generally vegetables, fruit, orchards, and vineyards are replacing them. Recently, some other new cash crops for farmers have also been introduced in smaller areas, such as soybeans, saffron, and chili peppers, and also potatoes and grains have been noted.

MY 2019/20 cotton planting has already started. Limited rains during winter months and also in the month of March have enabled farmers to start planting. On the other hand, a mild winter with little rain and snow may result in water scarcity during the season and may lead to pest problems in the coming season.

In addition to reducing planting area for cotton, Uzbekistan is also moving full steam ahead with the new concept of implementing fully integrated "cotton-textile clusters" for cotton and textile production to vertically integrate the sector and increase foreign investment in textiles. Privately-run clusters are expected to bring new technologies to many aspects of cotton production, including drip irrigation, machine picking, and modern ginning. Accordingly, the number of modern cotton harvesters, which is about 2,000 now, will increase through both imports and domestic production. The government plans to expand drip irrigation area for cotton by 25,000 hectares in the coming years. Increasing attention will be given to improving seed quality, usage of drip irrigation will save water and prevent soil salinity, an increase in mechanical picking will reduce picking cost, and introduction of modern gins will improve ginning rates and reduce ginning cost. As a result, despite the overall decrease in planting area over time, the government expects that the total lint cotton production will remain at optimum levels to meet the demand for the growing domestic textile industry in the coming years. Clusters can also trade and export cotton as needed.

The number of clusters will increase significantly in MY 2019/20, with a goal of reaching around fifty-eight, which will cover thirty percent of the cotton planted area. [According to an announcement](#) by the President of Uzbekistan, there were fifteen clusters in 20 districts in MY 2018/19, covering on an area

of 164,000 hectares of cotton production. The goal for the Uzbek government is to increase the number of clusters to 80 and have all of the cotton planting and processing under the management of clusters.

### *Ginning*

The Government of Uzbekistan renovated the great majority of the ninety-eight government-owned gins during the last a few years. Starting from MY 2018/19, about fifteen gins were under the newly formed clusters and in MY 2019/20 an additional 43 gins will be leased by the clusters. Eventually, all gins will operate as part of the cluster system. There are also initiatives by the government and newly-formed clusters to buy new modern gins with recent technology to improve ginning efficiency.

### *Seed*

Uzbekistan has an extensive cottonseed breeding and research program. Regarding seed varieties, in recent years, about half of the planted seeds are early-ripening types, such as Sultan and Namangan -77, as these varieties have better yields and resistance to various common diseases. About one-third of the rest of the varieties will be mid-ripening, such as Bukara 6, Bukara 8, and Bukhara-102 the rest are new varieties such as Porloq, with improved fiber quality.

### **Consumption**

The most important recent trend in the cotton sector in Uzbekistan is the rapid and continued growth in domestic consumption. Accordingly, MY 2018/19 domestic consumption is expected to reach about 2.75 million bales (600,000 MT) and projected to increase to 2.98 million bales (650,000 MT) during MY 2019/20.

According to government sources, presently about 500 enterprises are engaged in textile production in Uzbekistan. The Uzbek government is encouraging new partnerships to increase the use of cotton domestically. New textile investments are approved and about 10 new mills are expected to start operation in 2019 that will increase domestic consumption in the coming years. At the same time, existing mills are increasing their capacity as well. Government officials claim that due to the rapid increase in domestic consumption, Uzbekistan is aiming to utilize all local cotton production domestically as early as MY 2020/21.

As explained above, Uzbekistan is moving forward with the new concept of implementing clusters for cotton and textile production to vertically integrate more of the sector and increase foreign investment. Through the textile clusters concept, the government will support foreign companies through tax and customs benefits, as well as providing land to grow cotton, process cotton, and produce final garments.

Uzbekistan's exports of cotton yarn, textiles, and readymade garments were about US\$1.3 billion in 2018 and are estimated to reach US\$1.5 billion at the end of 2019.

CIS countries were the initial market for Uzbek textiles. Additionally, the Uzbek cotton importing countries from recent years, such as China and Russia, have also now become markets for Uzbek cotton yarn and textile products. A [recent agreement signed](#) with the European Union, which went into force in June 2017, reduced the tariff for Uzbek textile goods, which will facilitate Uzbek textile exports to this market as well. An agreement signed between Uzbekistan and Georgia on mutually lowering shipping charges on railways will also facilitate Uzbekistan's utilization of the newly opened railroad connection between Baku, Azerbaijan, through Tbilisi, Georgia, to Kars, Turkey. The new railroad

track will facilitate exports of cotton and products, among other goods, from Central Asia, including Uzbekistan, to Turkey and beyond. The new route will significantly shorten shipping time and may help those countries to increase their exports significantly in coming years. All these developments are expected to help to increase Uzbek cotton products exports, hence increase domestic consumption of Uzbekistan cotton.

## **Trade**

The rapid increase in domestic consumption has limited the cotton available for exports. According to the [press release](#) by the Association of Textile and Clothing Enterprises (Uztekstilprom) during calendar year (CY) 2015, Uzbekistan exported 503,000 MT of cotton, but exports started to decline in following years to 410,000 MT in CY 2016, 278,000 MT in CY 2017, and 115,000 MT in CY 2018.

Accordingly, MY 2019/20 cotton exports are expected to be about 0.5 million bales (which is 110,000 MT). Lower than expected yields in recent years, declining planting area and the increase in domestic consumption has limited availability of cotton for export.

The Uzbek government has also started an initiative to move cotton trading to an electronic platform starting from calendar year 2018.

Bangladesh and China used to be the main export destinations for Uzbekistan lint cotton, with combined annual exports reaching 300,000 MT. However, Uzbekistan cotton exports have declined drastically over the last few years to both destinations. Available information indicates that that Bangladesh imported 24,000 MT of Uzbek cotton during the first seven months of MY 2018/19. Chinese imports were down to about 9,600 MT during the first half of MY 2018/19, compared to 44,000 MT during the same period last marketing year.

Other export destinations during the first half of MY 2018/19 were Iran with 5,400 MT, Belarus with 1,600 MT, and Turkey with 1,500 MT. Uzbek cotton exports during the first five months of MY 2018/19 to Poland were 4,400 MT.

While the amount of lint cotton for exports is becoming more limited, exports of yarn and textiles are increasing. Accordingly, China and Russia are among the leading export markets for Uzbek cotton yarn so far in MY 2018/19. China imported a record amount of cotton yarn from Uzbekistan during the first half of MY 2018/19, reaching 73,000 MT compared to 47,600 MT during the same period last marketing year. Uzbekistan became one of the leading suppliers of cotton yarn to Turkey, with exports reaching about 15,000 MT during the first half of MY 2018/19. Other destinations for Uzbek cotton yarn during the same period were Belarus with 2,000 MT, and Iran with 1,400 MT. Russia also imported 28,000 MT of Uzbek cotton yarn during the first five months of MY 2018/19, and Poland imported 1,600 MT of Uzbek cotton yarn during the same period.

Uzbek cotton fabric exports were also up. Uzbekistan continues to be the leading supplier of cotton fabrics to Russia, with 47.9 million meters (MM) during the first five months of MY 2018/19. During same period, Uzbek fabric exports to Poland were 9 million square meters (MM<sup>2</sup>), Kazakhstan 7.3 MM<sup>2</sup>, and Germany 1.7 MM<sup>2</sup>. China imported 600,000 meters and Belarus imported 300,000 M<sup>2</sup> of

Uzbek fabrics during the first half of the MY 2018/19. Fabric exports to Korea were 2.5 MM<sup>2</sup> of during the first seven months of the marketing year.

**NOTE:** Uzbekistan's data is not included in the Global Trade Atlas (GTA) and no official exports numbers for the country (by destination) are available. The trade figures used in this report are obtained from the data reported by importing countries in GTA and also through FAS sources. Each reporting country has different time lags for reporting data, so the latest import data available in GTA varies by country. For example, for this marketing year, some countries have trade figures for the first five months, some for six and some for seven months. Also for fabric imports, the majority of the countries use square meters, but Russia and China use meters as a measurement.

### Production Supply and Distribution Data

#### Uzbek Cotton PSD, (1000 Hectares and 1000 480 lb Bales)

Cotton	2017/2018		2018/2019		2019/2020	
Market Begin Year	Aug 2017		Aug 2018		Aug 2019	
Uzbekistan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0
Area Harvested	1250	1230	1100	1100	0	1060
Beginning Stocks	1073	1073	1533	1438	0	1263
Production	3860	3810	3375	3375	0	3580
Imports	0	0	0	0	0	0
Total Supply	4933	4883	4908	4813	0	4843
Exports	900	920	800	800	0	505
Use	2500	2525	2700	2750	0	2985
Loss	0	0	0	0	0	0
Total Dom. Cons.	2500	2525	2700	2750	0	2985
Ending Stocks	1533	1438	1408	1263	0	1353
Total Distribution	4933	4883	4908	4813	0	4843