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Report Highlights:

The global cotton industry is still readjusting to lower post-pandemic demand, and Uzbekistan wasn't spared the effects of the market overhang. Uzbekistan's strong vertical integration and government support for the industry have helped drive both its resiliency and recovery. Cotton production is forecast higher due to favorable weather at the start of the season as well as yield-enhancing investments in seeds, pest control, and water management. Uzbekistan lint production in marketing year (MY) 2024/25 is anticipated to reach 699,000 metric tons. Consumption is expected to continue to slowly outpace production as processing capacity expands due to government investment. In MY 2024/25, lint cotton consumption is forecast higher at 725,000 MT and imports will fill the gap.

GENERAL INFORMATION

PRODUCTION

Lint cotton production in Uzbekistan is forecast higher due to favorable weather at the start of the season as well as yield-enhancing investments in seeds, pest control, and water management. For marketing year (MY) 2024/25, FAS Central Asia forecasts total lint production at 699,000 metric tons (MT) (1.998 million MT of seed cotton or 3.212 million bales)¹. Yield is estimated at 752 kg per hectare in MY 2024/25, although major weather risks persist².

Cotton production in Uzbekistan goes back thousands of years, with the crop first being recorded as cultivated in the area by Chinese historians. But it wasn't until the Soviet Union that production expanded dramatically under numerous policies and movements, harnessing the water of the Aral Sea, and redirecting its tributaries to expand grain and oilseed production. Uzbekistan is the most northern major cotton producing country in the world with the concomitant shortest growing season, around 5 to 7 months or as little as 150 vegetative days. Ambitious annual targets led to expansive production but came at devastating environmental costs. Soil degradation, exhaustion, and water scarcity now challenge an industry that is as important to Uzbekistan socially as it is economically. Annually, 2 million Uzbeks participate in the harvest of cotton³. Mechanization remains rare, with 80 percent of cotton still hand-picked. Uzbekistan's cotton industry is changing rapidly as its people aim to revitalize and sustain a crop so valuable it is called in Uzbek, "oq oltin," or "white gold."



Crop Rotation in Uzbekistan (wheat in cotton)
Source: FAS Astana

Uzbekistan Begins Field Trials for New Varietals, Including Biotech

Uzbekistan farmers are relying on several modernization practices to boost yield and sustain cotton production into the future. Crop rotation is already a common practice in Uzbekistan, with wheat/cotton rotation widespread in many regions. The Government of Uzbekistan (GOU) passed a new resolution effective January 1, 2024, to allow for the import of experimental high-yielding foreign varietals of cotton seed. The Ministry of Agriculture is currently working on field trials for both biotech seeds and hybrid seeds derived from traditional plant breeding techniques, expected to finish within 2-years. Other major changes include the creation of a government seed reserve and removing the government as the only seed supplier, allowing private enterprises and clusters to sell seed commercially. Some of these changes could result in immediate yield gains by giving farmers access to higher quality seed.

¹ For the purposes of this report and based upon interviews in country, an average ginning rate of 35 is used for all report calculations.

² Refer to the Appendix at the end of this report for Production, Supply, Distribution and other tables

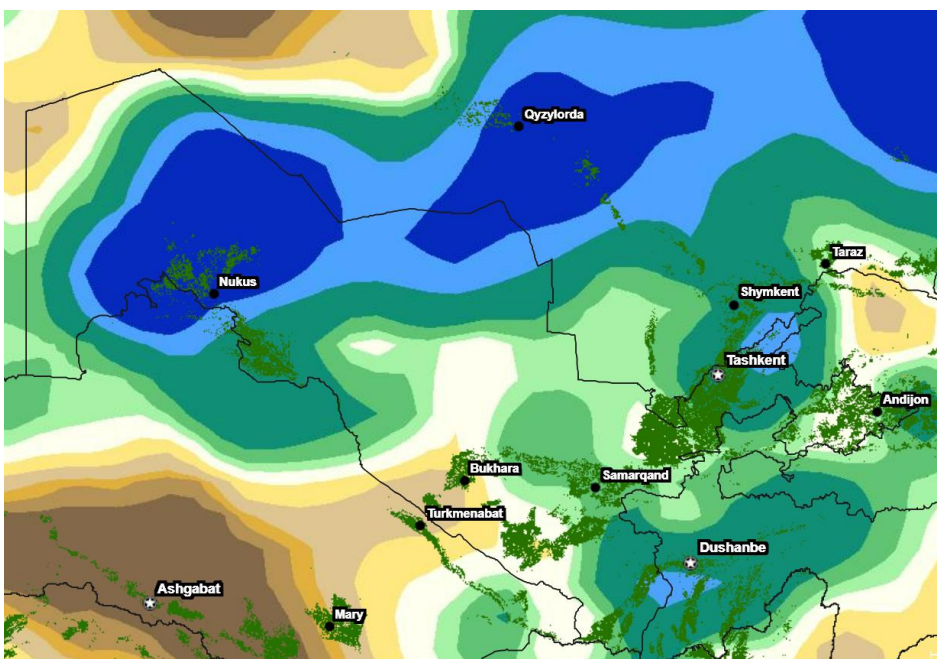
³ <https://www.ilo.org/publications/building-trust-cotton-fields-ilos-engagement-uzbekistan>

The Uzbekistan Agency for Quarantine and Plant Protection (UPPQ) has expanded a national biological control agent program, breeding predatory insects as an environmentally friendly and cost-effective method of reducing pest presence in cotton, wheat, and other crops. There are around 650 labs working in Uzbekistan to develop biological control agents, including breeding predatory insects. UPPQ plans to work with oblast governments and farmers to conduct controlled release of predators before anticipated periods of pest pressure.

March experienced higher rainfall than the 30-year average, filling reservoirs throughout Uzbekistan. Cotton farms are fed largely through expansive Soviet era reservoirs, canals, and water distribution systems. Reservoirs levels are reported as healthy and will be used to carry the cotton crop through the hot summer season and could boost yield. To address water shortages, the GOU has subsidized the adoption of drip and sprinkler irrigation on 480 thousand hectares, introduced other water-saving technologies on 97 thousand hectares, and conducted laser leveling on 649 thousand hectares. Uzbekistan estimates this has conserved 2 billion cubic meters of water in 2023 alone. Preferential loans and subsidies exist to incentivize adoption of these practices and technologies. Despite these positive steps, major challenges remain. Knowledge of how to use these new technologies is limited and training is required to maximize on-farm utilization. Despite a wetter than normal March, water remains a major long-term challenge to cotton production in Uzbekistan. The government recognizes this problem and intends to continue policy measures that will lower total cotton hectares in favor of other less water intensive crops. Instead



Biocontrol Breeding Predatory Insects
Source: FAS Astana



Percent Normal Rainfall in Uzbekistan, March 25, 2024
Source: USDA GADAS NOAA-CPC

of expanding cotton hectares, the GOU is focused on maximizing cotton yield and industry productivity.

Considering these continued government policies, the total cotton area harvested for marketing year (MY) 2024/25 is projected to fall to 930,000 hectares, continuing its downward trend. Land continues to be shifted from cotton to higher margin perishables as part of the government's broader food and water security strategy.

Uzbekistan Reforms the Cotton Cluster System

In November 2023, the President of Uzbekistan directed the government to develop a new system for organizing cotton clusters. News reports that in 2023, twenty clusters violated local payment laws and 122 clusters had significant difficulty servicing debt. High cotton prices during the pandemic encouraged many clusters to take out subsidized loans that are now difficult to pay back given corrections in the global market price. The presidential decree opened up the cluster system, allowing cotton farmers to market their cotton through any cluster nationwide, instead of only being able to market through the cluster where they historically belonged.

CONSUMPTION

MY 2024/25 cotton consumption is forecast to rise to 725,000 MT of lint cotton (2.07 million MT of seed cotton or 3.33 million bales), due to continued expansion of existing capacity and government support. Domestic consumption in MY 2023/24 was also adjusted upward to 625,000 MT. Cotton clusters show continued investments and expansion of textile manufacturing, including yarn and garment production. The global cotton industry is still readjusting to lower post-pandemic demand, and Uzbekistan wasn't spared the effects of a market overhang. Uzbekistan's strong vertical integration and government support for the industry has helped drive both its resiliency and recovery.

The Uzbek Association of Cotton-Textile Clusters (UACC) reported there are now 142 clusters in their association, a slight increase over last year. They have 25,000 farmer members, 128 ginneries, 1 million tons of fiber processing, and capacity for around 1.7 million. Uzbekistan has all five stages of cotton processing, from ginning, yarn, fabric, dyeing, and garment manufacturing. However, only 30 clusters currently have the capability to complete all five stages, with 90 clusters capable of only yarn spinning, the rest are somewhere in between. News reports and data indicate yarn production is stabilizing at 553,500 MT in 2023, down 5.5 percent from 2022. Production has begun the year higher, up 23.8 percent from January to February 2024, compared to the same period last year. Tours of facilities indicate spinners and textile factories operating from 60 to 90 percent capacity depending on their historic export markets and business models.



Spinning in Uzbekistan
Source: FAS Astana

Consumption Outpaces Production on Continued Industry Investments

Uzbekistan's overall cotton consumption is slowly outgrowing production. Historically, Uzbekistan has grown as much cotton as it consumed, but multiple variables are making consumption grow faster than production can sustain. Large investments made during the pandemic cotton boom are coming online and processing is anticipated to further increase this year. In 2023, the GOU allocated US \$50 million to expand processing and plans to allocate another US \$100 million in 2024. These investments are happening at the same time as hectares are generally decreasing. The Uzbek cotton industry is heavily focused on moving up the value chain and gaining access to higher-margin markets in the European Union and United States. In February 2023, cotton-textile clusters BCT Agrocomplex and TST Agro

received licensing from the Better Cotton Initiative (BCI). They join FE Indorama Agro, who joined BCI in August 2022. BCI and an increasing use of EU Organic certification are vital to a strategy to expand exports beyond the Russian Federation. Uzbekistan has also been trying to obtain organic certification in the United States and Japan.

Post forecasts a growing deficit between production and consumption, with consumption outstripping production by 26,000 MT in MY 2024/25. That deficit will be increasingly filled by imports.

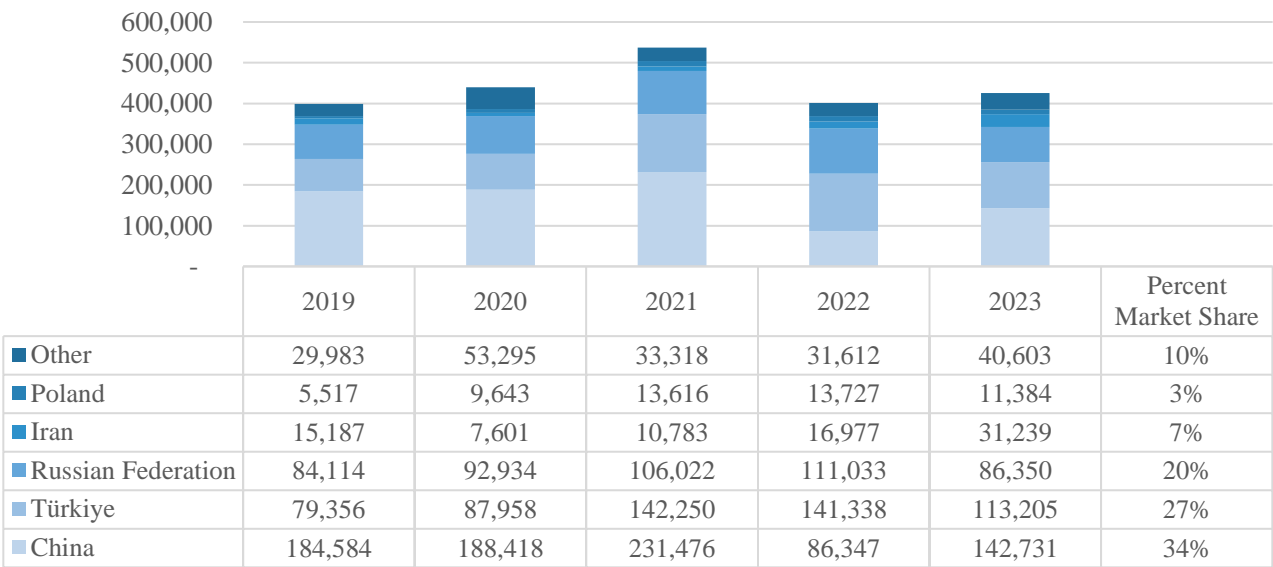


Power Loom in Uzbekistan
Source: FAS Astana

TRADE

MY 2024/25 cotton lint imports are forecast at 25,000 MT or 115 bales, almost double that of last year but within historic trends. Discussions with the industry and government in Uzbekistan indicate that there are increasing imports from neighboring markets, including Turkmenistan, Tajikistan, and Kazakhstan (See Appendix Table 1). Qualitative observations for this trade remain difficult but available information does show a growing import trend. The Uzbekistan industry has plans to connect with global cotton markets and begin importing other forms of cotton, such as Pima, upland, and extra-long staple varieties from diverse global origins such as the United States. Lack of mechanization limits Uzbekistan to short staple varieties and thus restricts which products cotton clusters can produce. Not only will other origins help offset declining hectares, provide new products and certifications, but they will also fill the increasing capacity gap. Cotton lint exports are expected to remain tepid as the GOU encourages domestic processing and disincentivizes exports. Post projects MY 2024/25 exports at 4 MT or 19 bales.

Figure 1: Yarn Exports from Uzbekistan (HS Codes: 5204, 5205, 5207)



Source: UN Comtrade

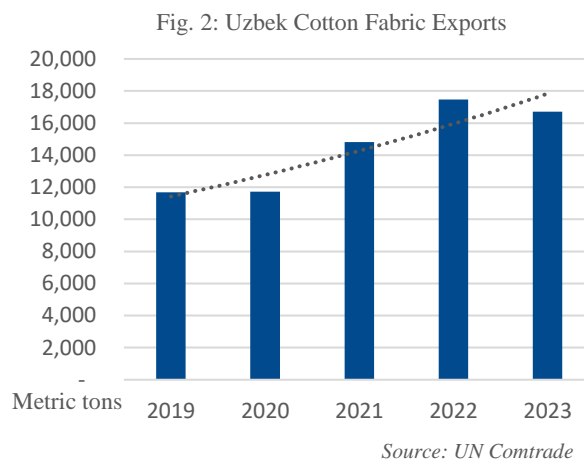
Cotton Yarn and Fabric Exports Grow on Continued Investments

Yarn exports from Uzbekistan increased 6.1 percent in calendar year 2023 (Figure 1). The recovery of yarn exports is reflective of the global recovery in the textile trade. Decreases in exports to Russia were offset by increases to China, Iran, Kyrgyzstan, and other destinations. High yarn stocks from the prior year allowed Uzbekistan to increase exports despite decreased yarn production in 2023.

Cotton fabric exports fell in 2023 but are well above historic averages and demonstrate the changes occurring in the Uzbek cotton industry. Cotton clusters are proving successful in moving away from relying solely on yarn exports and expanding into fabric, dyeing, and needling. While calendar year 2023 exports of cotton fabric were down -4.4 percent from the year prior, they are 15.4 percent higher than the five-year average. Exports of cotton fabric from Uzbekistan to the world have increased by a compound annual growth rate of 4.5 percent in the last half decade and with further investments coming online they show no signs of slowing down.

Post anticipates stocks to decrease from in MY

2024/25 on the continued recovery in the global cotton market.



Recovery Depends on Finding New Markets Beyond Russia

Uzbekistan has long relied on Russia as a significant portion of its cotton yarn and cotton fabric exports. In 2023, 64 percent of Uzbek cotton fabric and 20 percent of yarn were exported to the Russian Federation. Despite efforts to diversify destination markets, Russia's percent share of exports remains largely unchanged in the last five years. News reports indicate the Uzbekistan industry is at risk of running afoul of secondary sanctions from the Western world, with exports of cotton cellulose and other cotton products used in munitions going up since Russia's invasion of Ukraine⁴.

PRICES

Uzbekistan has launched cotton futures and beginning in MY 2024/25 these contracts will be used to help determine loans and other subsidies. Electric clearing of contracts is expected by May 1, 2024. The Presidential decree "On Additional Measures for the Further Development of Free Market Relations in Agriculture," was the final step in establishing futures contracts on the [Uzbek Commodity Exchange \(UzEx\)](#). This order in combination with allowing farmers to sell to any cluster is meant to create greater market efficiency and gives farmers the ability to hedge future production. UzEx both lists current contracts available for sale and contains historic pricing data. Further efforts are underway to expand liquidity by increasing market participation. The GOU has abandoned setting market prices but does

⁴ <https://www.occrp.org/en/investigations/central-asian-cotton-powers-russias-sanctioned-gunpowder-plants>

release a reference price that is advisory in nature and determines government support for other programs. The 2023, the harvest reference price was set at \$1,852 per MT.

Market participants report that in 2023 the global price for cotton fell below what was profitable for many cotton clusters. Some noted that the average yarn price in Uzbekistan was around 28 percent cheaper than the global average. According to industry sources, the 2023 average price of production for seed cotton in Uzbekistan was US \$2,000 per MT, but local market prices averaged only US \$1,700 per MT, making some farms unprofitable. International traders report that the GOU has stepped in to provide subsidies that close the price gap, but profitability remains an issue.

Input Costs Remain High

While labor costs in Uzbekistan are low and give the country a significant advantage, cotton crop input costs remain high. Farmers in Uzbekistan struggle with high logistical costs and long supply chains by virtue of Uzbekistan's double landlocked location. For example, roughly 95 percent of fertilizer is biological and only 5 percent is chemical in Uzbekistan due to the complexity and cost of importing inorganic fertilizers. The GOU is working on lowering input costs through subsidies and the development of biological control agents, new fertilizers, and other low-cost inputs that can be produced within the country.

POLICY

Uzbekistan Moves Inspectorate for Control of the Agro-Industrial Complex to the Ministry of Agriculture

In December 2023, Cabinet Ministers passed resolution No. 653, moving the Inspectorate for Control of the Agro-Industrial Complex to the Ministry of Agriculture. The resolution also changed the body's responsibilities, making numerous reforms to land control and use, requiring the testing of seed varieties, and changing other sanitary and phytosanitary, plant protection and quarantine measures.

Seed Law Reformed and Biotech Field Trials Begin

Effective January 1, 2024, "On additional measures to develop the seed production system in cotton growing and increase cotton yield," requires replacing soaked seed every two years, creating a government run seed bank, allowing private enterprises and clusters to sell seed, establishing a certification system, as well as introducing field trials for hybrid seeds both derived from biotechnology and traditional plant breeding techniques.

Subsidies Established for Revitalizing Soil

In February 2024, the Presidential Resolution "On additional measures to combat the degradation of agricultural land, support for increasing the humus content in the soil and its fertility," was passed. The resolution is intended to provide subsidies up to US \$80 dollars per hectare to improve soil fertility and increase cotton yields.

Uzbekistan Removes Ban on the Export of Vegetable Oil

In March 2024, Uzbekistan lifted its ban on the export of vegetable oil, including cottonseed, sunflower, soy, and other food oils. Uzbekistan has maintained a ban on the export of vegetable oil since June 1, 2022, after pandemic induced shortages caused prices to increase substantially. Local industry reports that Russia has since began flooding the Uzbekistan market with very competitively prices vegetable oil, driving down prices and challenging the profitability of some Uzbek crushers.

Uzbekistan Launches Agroko'makchi Farmer Application

Uzbekistan's Agency for Quarantine and Plant Protection, recently moved under the Ministry of Agriculture, is in the second stage of launching the Agroko'Makchi app. Available on Google Play and Android, the application currently has over 50,000 subscribers and contains information for farmers on identifying and reporting pests, treatment plans, ordering inspections, and many other relevant on-farm tasks.

For policy updates for the rest of calendar year 2023, please refer to the December report, "Uzbekistan: Cotton and Products Update," found [here](#)⁵.

Attachments:

No Attachments

⁵ <https://fas.usda.gov/data/uzbekistan-cotton-and-products-update-7#:~:text=Uzbekistan's%20cotton%20production%20in%20marketing,for%20cotton%20yarn%20and%20fabric.>

APPENDIX

Table 1: Uzbekistan Cotton Imports (HS Code: 5201) *Source: UN Comtrade*

(Thousands of Metric Tons, 1 bales = 4.5923 metric tons)				(Thousands of 480 lbs. bales, 1 bales = 4.5923 metric tons)			
	MY 2020/21	MY 2021/22	MY 2022/23		MY 2020/21	MY 2021/22	MY 2022/23
<i>Afghanistan</i>	-	1,043	113	<i>Afghanistan</i>	-	4,789	517
<i>China</i>	-	-	252	<i>China</i>	-	-	1,156
<i>France</i>	0.013	-	-	<i>France</i>	0.057	-	-
<i>Italy</i>	0.003	-	-	<i>Italy</i>	0.014	-	-
<i>Iran</i>	-	-	22	<i>Iran</i>	-	-	100
<i>Kazakhstan</i>	-	945	-	<i>Kazakhstan</i>	-	4,341	-
<i>Kyrgyzstan</i>	-	242	304	<i>Kyrgyzstan</i>	-	1,110	1,398
<i>Tajikistan</i>	5,478	9,422	1,370	<i>Tajikistan</i>	25,157	43,268	6,291
<i>Türkiye</i>	0.250	-	-	<i>Türkiye</i>	1.148	-	-
<i>United States</i>	0.123	0.011	0.005	<i>United States</i>	0.564	0.048	0.021
<i>Total</i>	<i>5,478</i>	<i>11,652</i>	<i>2,060</i>	<i>Total</i>	<i>25,159</i>	<i>53,508</i>	<i>9,462</i>

Table 2: Uzbekistan Cotton Yarn Exports, Top 15 (HS Code: 5204, 5205, 5207), Metric Tons

Source: UN Comtrade

Total	398,741	439,850	537,465	401,033	425,511	6.10%
Country	2019	2020	2021	2022	2023	% Change 22/23
China	184,584	188,418	231,476	86,347	142,731	65%
Türkiye	79,356	87,958	142,250	141,338	113,205	-20%
Russian Federation	84,114	92,934	106,022	111,033	86,350	-22%
Iran	15,187	7,601	10,783	16,977	31,239	84%
Poland	5,517	9,643	13,616	13,727	11,384	-17%
Kyrgyzstan	1,013	781	379	473	9,525	1916%
Italy	162	236	453	769	7,902	928%
Egypt	4,270	5,435	7,497	4,723	5,198	10%
Other	23,933	44,941	24,463	25,549	17,977	-30%
Belarus	5,083	3,331	3,608	4,139	3,992	-4%
Ukraine	3,119	6,538	3,971	2,034	3,809	87%
Bangladesh	4,201	4,286	3,026	2,470	1,918	-22%
Pakistan	4,140	7,097	-	4,106	1,373	-67%
Rep. of Moldova	330	276	241	320	1,158	262%
Morocco	1,334	715	188	666	707	6%

Table 3: Uzbekistan Cotton Fabric Exports (HS Code: 5208, 5209), Metric Tons *Source: UN Comtrade*

Total	11,694	11,718	14,808	17,479	16,703	-4.44%
Country	2019	2020	2021	2022	2023	% Change 22/23
Russian Federation	7,078	7,178	7,093	11,437	10,733	-6%
Poland	1,837	-	1,777	1,669	1,366	-18%
Kazakhstan	199	449	305	427	774	81%
China	160	157	264	116	534	359%
Lithuania	199	400	364	373	512	37%
Kyrgyzstan	68	916	616	465	475	2%
Tajikistan	61	92	206	140	347	147%
Czechia	240	311	316	256	329	28%
Belgium	252	148	537	57	315	448%
Rep. of Korea	612	580	530	403	267	-34%
Italy	124	80	485	248	212	-15%
Ukraine	322	381	328	503	208	-59%
Azerbaijan	57	118	42	113	151	34%
Germany	38	125	244	238	105	-56%
Türkiye	-	-	403	405	98	-76%
Belarus	4	31	43	113	63	-44%
Rep. of Moldova	45	28	105	55	56	2%
Iran	-	-	-	74	42	-43%
Afghanistan	-	2	-	-	40	0%
Latvia	223	214	210	124	21	-83%
Hungary	-	-	0	27	19	-28%
Tunisia	16	57	13	-	14	0%
Spain	-	-	50	159	13	-92%
Armenia	17	21	39	23	11	-53%
Georgia	1	-	3	3	1	-74%
Turkmenistan	-	0	10	0	0	810%
Bulgaria	-	-	0	-	-	0%
Egypt	-	304	442	-	-	0%
Estonia	4	24	-	-	-	0%
Netherlands	-	-	10	-	-	0%
Portugal	-	13	-	-	-	0%
United Arab Emirates	0	-	-	-	-	0%
USA	-	0	-	-	-	0%
Viet Nam	74	48	12	-	-	0%
Lebanon	-	-	53	6	-	-100%
Malaysia	-	-	114	12	-	-100%
Morocco	-	-	29	10	-	-100%
United Kingdom	63	38	166	25	-	-100%

Tables 4 & 5: Production, Supply, and Distribution Tables

(Thousands of Hectares, Thousands of 480 lbs. bales, 1 bale = 4.5923 metric tons)

Cotton	2022/2023		2023/2024		2024/2025	
Market Begin Year	Aug-22		Aug-23		Aug-23	
Uzbekistan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,050	980	1,030	950		930
Beginning Stocks	1,391	1,672	2,067	1,846		1,864
Production	3,302	3,100	2,898	2,852		3,212
Imports	23	101	73	51		115
Total Supply	4,716	4,872	5,038	4,748		5,191
Exports	23	23	23	14		19
Use	2,627	3,003	2,999	2,870		3,330
Total Dom. Cons.	2,627	3,003	2,999	2,870		3,330
Ending Stocks	2,067	1,846	2,016	1,864		1,842
Total Distribution	4,716	4,872	5,038	4,748		5,191
Stock to use %	59.49	61.09	0	71.72		56
Yield	684	689	613	653		752

(Thousands of Hectares, Thousands of Metric Tons, 1 bale = 4.5923 metric tons)

Cotton	2022/2023		2023/2024		2024/2025	
Market Begin Year	Aug-22		Aug-23		Aug-23	
Uzbekistan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,050	980	1,030	950		930
Beginning Stocks	303	364	450	402		406
Production	719	675	631	621		699
Imports	5	22	16	11		25
Total Supply	1,027	1,061	1,097	1,034		1,130
Exports	5	5	5	3		4
Use	572	654	653	625		725
Total Dom. Cons.	572	654	653	625		725
Ending Stocks	450	402	439	406		401
Total Distribution	1,027	1,061	1,097	1,034		1,130
Stock to use %	59.49	61.09	0	71.72		56.00
Yield	684	689	613	653		752