

COTTON INDUSTRY IN RUSSIA IN 2009

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Russian cotton industry in figures ...

THE RUSSIAN MARKET OF LINT COTTON AND BLENDS IN 2009

Indicator	Unit of measure	2009
Market capacity of lint cotton and blends	tonne	216 190
Lint cotton import	tonne	191 433
Lint cotton export	tonne	0
Average contract price - import	\$/kg	1.19
Average contract price - export	\$/kg	0
The offer price in domestic market	\$/tonne	1 727
Blends imported	tonne	25 180
Blends exported	tonne	423
Average contract price - import	\$/kg	1.86
Average contract price - export	\$/kg	6.44

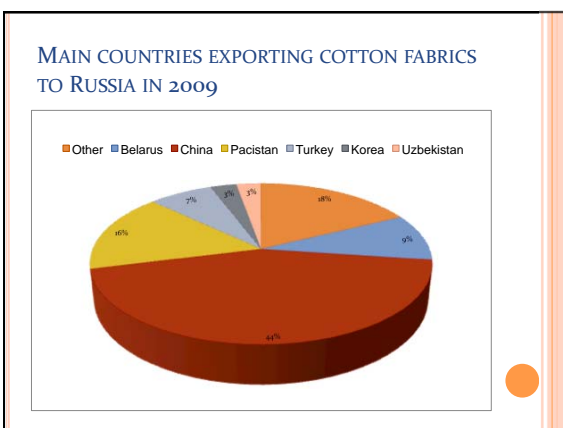
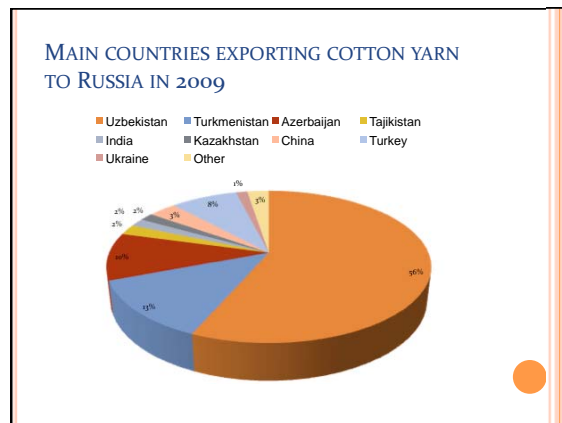
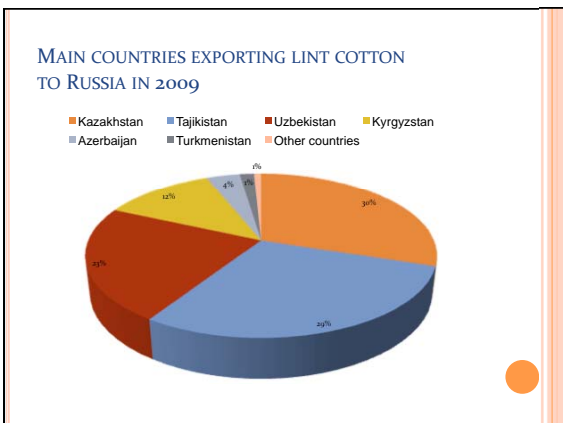
THE RUSSIAN MARKET OF COTTON YARN IN 2009

Indicator	Unit of measure	2009
Market capacity of cotton yarn	tonne	222 587
Manufacture	tonne	128 541
Import	tonne	79 240
Export	tonne	733
Stocks	tonne	1 876
Average contract price - import	\$/kg	1.83
Average contract price - export	\$/kg	5.78
The manufacturer's offer price in domestic market	roubles/tonne	64 421

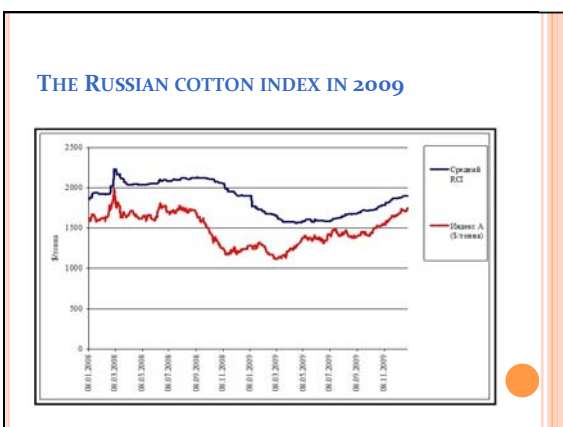
THE RUSSIAN MARKET OF COTTON FABRICS IN 2009

Indicator	Unit of measure	2009
Market capacity of cotton fabrics	thousand square meters	1 660 632
Manufacture	thousand square meters	1 469 683
Import	thousand square meters	177 134
Export	thousand square meters	85 636
Stocks	tonne	10 281
Average contract price import	\$/ square meters	0.48
Average contract price export	\$/ square meters	0.47
The manufacturer's offer price in domestic market	roubles/running meter	32.00

In 2009 the cotton yarn and fabric production decreased, however not as much as in the previous year.



o The Russian cotton index (RCI) is calculated daily on a basis of the offer prices of the main traders – members and partners of non-profit partnership «Russian Cotton Association». It continuously decreased till May 2009 as well as the Cotlook A index. Small growth was outlined in May and followed by a stabilization in June – July. By the end of July a tendency of growth was detected which has proceeded in August – December.



o It is necessary to point out that the situation in the cotton sector is unfavorable and financial crisis has contributed to already poor position of the sector.

MAIN PROBLEMS I

- Technical and technological backwardness of textile manufacture compared to foreign countries, resulted in high material and power consumption and labour input.
- Lack of a structured market of consumer goods, resulted in a higher competition on the domestic market between Russian and foreign commodity producers.
- A high dependence on imports.
- High relative density of shadow economy.

MAIN PROBLEMS II

- Low level of innovative and investment activities in the cotton sector, led to low competitiveness of domestic goods, a low share of the know-how and innovations in production.
- Deficiency of highly skilled experts, administrative staff, basic and auxiliary workers.



OUTCOME OF RUSSIAN COTTON SECTOR POLICY

- Support to the cotton enterprises. For three years already the production equipment has been brought into the country at zero import duties and without the value-added tax (VAT).
- The mechanism of subsidizing the interest rates under credits for purchase of raw materials and materials is active.
- Compensation from the federal budget of a part of expenses for payment of interests on the credits received on manufacturing export production.
- Funds from the federal budget for carrying out research and development in interests of light industry.
- Operative preventive "Anti-Counterfeit" actions for suppression of illegal circulation of the goods of light industry have been carried out.
- Regional differences in support measures to cotton industry (taxes on property, on land and others).



However,
it is not
enough.



In September 2009 the Ministry of the Industry and Trade of the Russian Federation adopted the «Strategy of development of light industry in Russia for the period till 2020».

THE ACTIONS

- Increase of competitive advantages of light industry, demand and consumer preferences for light industry, technical regulations, institutional transformations.
- Technological and manufacture modernization, realization of pilot investment projects, development of inter-regional and inter-sector cooperation.
- Development of innovative and research activity of light industry.
- Protection of domestic market and interests of the Russian manufacturer's against an illegal shadow turnover of the goods, formation of the structured market of consumer goods.
- Perfection of system of supplying raw materials of light industry.
- Capacity building of unskilled workers, preservation of available personnel, employment of young experts and workers.
- The legal aspects, concerning development of customs-tariff regulation, credit, financial and a tax policy.

VOLUMES AND FINANCING SOURCES

Sources	Expenses for Strategy realization (Billion roubles)
Funds of cotton sector	65.22
Foreign funds	62.91
Federal budget funds	10.96
Funds of regions	6.54
Total:	145.63

DISTRIBUTION OF THE FUNDS

	Expenses for Strategy realization (Billion roubles)
Subsidies including those for compensation of interest rates under the involved credits on:	
Raw materials purchase	4.44
Technological modernization	3.52
Stimulation of exporters of the goods	0.96
Funds for realization of pilot investment projects	44.32
Funds for technological modernization	89.05
Funds for realisation of MIP	1.58
Expenses for research and development	1.75

EXPECTED RESULTS

- Growth of volumes of competitive production by 3.1 times by 2020 compared to level of 2008;
- Annual increase of productivity of machine tool at least by 15 %;
- Increase in a share of Russian goods on domestic market by 2020 to 50.5 % and a share of innovative production to 46 %;
- Growth (by 4 times) of export of competitive high technology production, which volume in 2020 will be approximately 3.0 billion US dollars.
- Provide for receipts (profit tax, the VAT) in budgets of all levels in the period of 2009 - 2020 in volume of 523.4 billion roubles which will exceed the size of expenses on Strategy realization by 3.6 times.

EXPECTED RESULTS

- The index of profitability of production sales in textile and clothing manufacture in 2020 will increase to 8.3 % compared to 4.7 % in 2008;
- Increase of level of professional training, preservation and creation of new innovative working places in light industry and adjacent industries for about 1 million persons; increase of monthly average wages by 3.6 times by 2020 compared to 2008, improvement of working conditions and culture of manufacture;
- Growth of competitive high technology production manufacture in volumes satisfying the requirements of various strata and categories of society, departmental structures and subjects of managing;
- Creation of a structured market of consumer goods, equal competitive conditions in domestic market for locally produced and imported production;
- Improvement of image of light industry in foreign trade activities of Russia and in the world markets.

PROJECTS

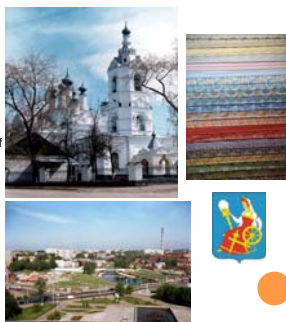
Ivanovo (2010 – 2017)

Modernization of the textile industry

Includes 8 pilot projects
Development of inter-sectoral cooperation

Results

At the first stages – provide for release of new forms of production;
Increase in capacity of operating manufactures;
Increase of labour productivity and level of its remuneration;
Growth of economy and social stability in region;
Creation of about 1000 new jobs

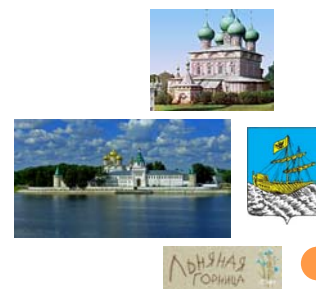


Kostroma (2010 – 2019)

Creation of the first automated manufacture of cotton yarn in Russia

Results

Increase in volumes of output of production to 1.4 billion roubles





Volgograd (2009 – 2019)
Creation on the base of Kamyshinsky Cotton Industrial complex textile "The Volga region", organization of release of new kinds of production on the basis of the imported equipment and Russian innovative technologies, including nanotechnology.

Results
Increase in volumes of output of production to 5220.2 million roubles;
Massive import substitution of textile production.

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Thank You for Your attention!