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## US Industry Ban On Uzbek Cotton Faces Obstacles - Analysts

By Holly Henschen

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NEW YORK (Dow Jones)--U.S. retailers and textile groups hoping to eliminate controversial Uzbek [cotton](#) from their products face an intricate and opaque supply chain that can be diverted but not stemmed, analysts said.

On Tuesday, Wal-Mart Stores Inc. (WMT) joined U.S. and European textile groups and retailers in instructing its global supply base to cease sourcing Uzbek [cotton](#) and [cotton](#) materials in hopes of ending the forced child labor reported by non-governmental organizations and the British Broadcasting Company.

[Cotton](#)'s complex and often untraceable track from the field to the retail rack is a knot unlikely to be untangled any time soon, analysts said.

Uzbekistan, the world's third-leading [cotton](#) exporter, reportedly closes classrooms and busses students to [cotton](#) fields where they stay until harvest ends, according to a late October 2007 BBC special that generated interest in the issue.

Analysts said the majority of Uzbek [cotton](#) ends up in Asia for textile manufacture, passing through multiple hands before reaching its retail destination.

"The yarn gets shipped around the world and made into fabric that gets shuffled all over," said Stephen MacDonald, economist at the U.S. Department of Agriculture's economic research service. Uzbekistan is expected to ship 4.3 million bales of [cotton](#) in 2008-09, down slightly from 4.5 million bales the year before, likely due to dry winter conditions, MacDonald said, citing USDA data.

A large portion of the world textile industry is located in China, though much of it is migrating to countries with lower-cost labor and lax regulations, said Ryland Maltzbarger, economist for the agriculture group at Global Insight Inc., an analysis firm in Columbia, Mo. China is the world's largest [cotton](#) importer and gets most of its supplies from countries such as the U.S., Uzbekistan and Australia.

A ban on Uzbek [cotton](#) in U.S.-bound goods would require national-level controls and partnerships between international and industry groups, Maltzbarger said.

Industry groups and retailers such as Levi Strauss & Co., Gap Inc. (GPS), Limited Brands Inc. (LTD), as well as its Victoria's Secret unit, hope to pressure Uzbekistan to end using child labor in its [cotton](#) harvest with the cooperation of international organizations.

"It is ideally leading to more of a traceability of [cotton](#)," said Richard Coyle, Wal-Mart's director for international corporate affairs. One proposed sourcing plan entails periodically checking country-of-origin documentation, such as invoices, from the mills that manufacture the raw [cotton](#) into fabric, Coyle said.

Effective sourcing for lower-volume systems, such as those used by organic product vendors, are another possibility as the textile groups investigate alternatives, said Nate Herman, senior director of international trade at American Apparel & Footwear Association, one of four U.S. industry groups spearheading the effort.

An effective ban on Uzbek [cotton](#) in U.S. goods would shift supply chains rather than keep the fiber from reaching the marketplace, said Ron Lawson, partner at LOGIC Advisors in Napa Valley, Calif.

There is strong demand for high-quality Uzbek [cotton](#), Lawson said.

"If one source stops using it, another will come in and buy it," he said. In lieu of Uzbek [cotton](#), U.S.

textile manufacturers would likely source fiber from producers like India and Brazil, he said.

In May 2008, the U.S. imported more than 906 million pounds of [cotton](#) in textiles, including yarn, thread, fabric, apparel, home furnishings and floor coverings, down from 980 million pounds in June 2007, according to the most recent U.S. Census Bureau data.

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