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Thailand

Cotton and Products Annual

2011

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Report Highlights:

TH1043 Cotton production will continue its downward trend as cotton crop remains unattractive in Thailand. In MY2010/11, raw cotton imports will likely decline by 12.0 percent due to continued reduction in cotton yarn production following prevailing high cotton prices. Meanwhile, cotton imports are forecast to slowly recover in MY2011/12 in anticipation of a recovery in textile industry and a return to stable cotton prices.

Executive Summary:

Cotton production will continue its downward trend as cotton crop remains unattractive in Thailand. MY2009/10 raw cotton imports increased significantly as spinners replenished their inventories. However, MY2009/10 cotton consumption declined by 2.5 percent as spinners had large beginning stocks of cotton yarn due to the economic downturn in 2009.

In MY2010/11, raw cotton imports will likely decline by 12.0 percent due to a continued reduction in cotton yarn production and U.S. cotton imports will continue to decline to 495,000 bales, down 25 percent from 655,908 bales in the previous year.. This reduction reflects spinners' liquidity concerns caused by prevailing high world cotton prices and a slowdown in economic activity in 2011. Presently, some spinners have reduced their production capacity by 20-30 percent due to low inventories of raw cotton. Additionally, around half of the weavers have reduced their production capacity due to a tight supply of cotton yarn and a slowdown in enquiries. Also, textile manufacturers will likely continue to focus on synthetic fiber due to concerns over high cotton prices.

Cotton imports are forecast to slowly recover in MY2011/12, up 3.0 percent to 1.8 million bales, in anticipation of a recovery in textile industry and a return to stable cotton prices. Spinners are expected to build up their cotton yarn inventories as cotton prices will likely ease in late 2011 due to acreage expansion in response to high prices. However, U.S. cotton market share will likely continue to decline to a historical level of 29 percent in anticipation of a sustained recovery of Australian cotton supplies.

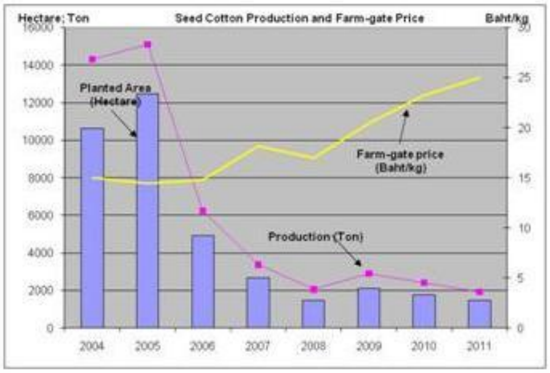
Commodities:

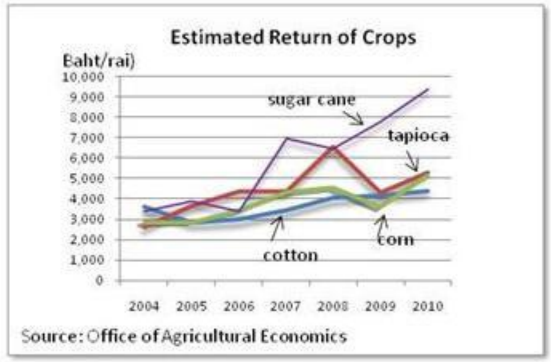
Cotton

Section 1: Situation and Outlook for Upland and Value-Added Cotton

1. Production

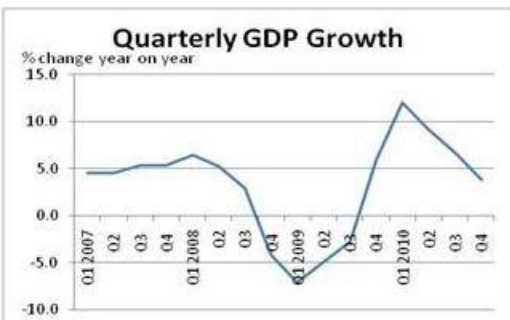
MY2011/12 cotton production will continue its downward trend due to unattractive returns compared to alternative crops, particularly those for corn and tapioca. In MY2011/12 cultivation is forecast to decline to approximately 9,300 rai (1,500 hectares) with anticipated seed cotton production of around 2,000 tons. The government still bans transgenic plants, an alternative that could increase returns. In addition, unlike corn and tapioca, the government does not offer price insurance scheme to cotton farmers.

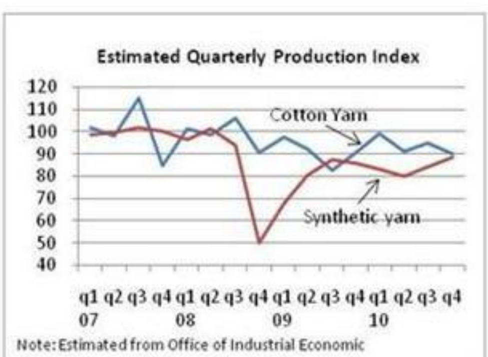


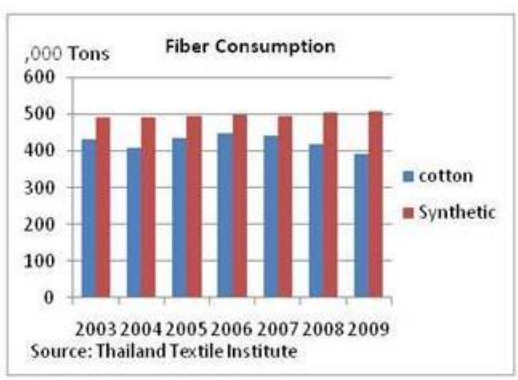


2. Consumption and Marketing

MY2009/10 cotton consumption declined by 2.5 percent as spinners still had large beginning stocks of cotton yarn due to the economic downturn in 2009. The economic recovery that began in the last quarter of 2009 helped spinners deplete their carry-over stocks of yarn due to strong demand from weavers. Production capacity of the weaving industry increased to around 50-55 percent, up 10-20 percent from the previous year with a 7.3 percent increase in cotton fabric production. In addition, imports of cotton yarn nearly doubled from the previous year (Table 8) as weavers secured supplies of yarn to fulfill fabric contracts for domestic and export market garment manufacturers. Also, imports of fabric increased significantly (Table 11) due to tight domestic supplies of cotton fabric which drove cotton yarn prices up. Moreover, textile manufacturers shifted their focus to man-made fiber due to unusual high cotton prices. In 2009, the market share of man-made fiber increased to 56.0 percent of total fiber consumption, as compared to 55 percent in the previous year. Textile manufacturers increased polyester proportion in the polyester cotton blends from 65:35 to 80:20 for T/C (Tetron Cotton) and from 40:60 to 50:50 for CVC (Chief Value of Cotton).







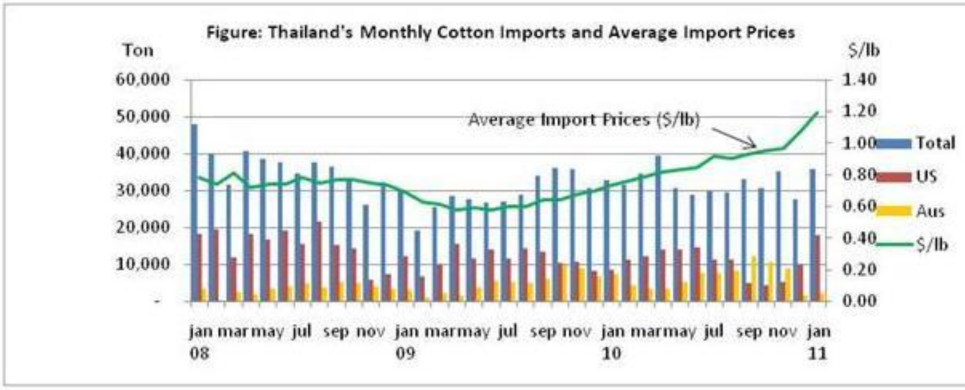
MY2010/11 cotton consumption will likely continue to decline by 3.0 percent. Despite an increase in cotton yarn production by 23.0 percent in the first half of MY2010/11, some spinners have currently reduced their production capacity by 20-30 percent due to low inventories of raw cotton. In addition, Thai economic growth is forecast to be 3-5 percent in 2011, a significant slowdown from the strong performance of 7.8 percent in 2010. Presently, around half of the weavers have reduced their production capacity due to tight supplies of cotton yarn and a slowdown in enquiries, and are expected to run down their inventories while cotton prices remain at record highs. Moreover, textile manufacturers will likely continue to focus on synthetic fiber, as weaving costs on cotton fiber has tripled from the previous year, as compared to those on synthetic fiber which increased approximately by 50 percent.

MY2011/12 cotton consumption is forecast to slowly recover to around 1.8 million bales, up approximately 3.0 percent from the previous year, in anticipation of recovering textile industry and stable cotton prices. Spinners are expected to build up their cotton yarn inventory when cotton fiber prices stabilize. In addition, imports demand for cotton yarn and fabric will likely slow down in anticipation of larger domestic supplies.

3. Trade

Despite a reduction in MY2009/10 raw cotton consumption, cotton imports increased significantly to 1.8 million bales, up 12.7 percent from the previous year as spinners replenished their inventories. Also, the upward price pressure on world cotton prices was partly offset by the strengthening of the Thai baht to 32-33 baht/$, as compared to an average of 35 baht/$ in the previous year. Imports of Australian cotton increased considerably by 71 percent due to production recovery. This came at the expense of U.S. cotton, which declined by 2.4 percent to 655,908 bales and overall U.S. market share fell to 36 percent, as compared to 42 percent in the previous year. However, the value of U.S. cotton imports increased by 12.4 percent due to high world cotton prices which were approximately 10.0 percent higher than the previous year’s level driven by strong import demand from China.

MY2010/11 raw cotton imports are revised down to 1.6 million bales, down 12.0 percent from the previous year. The reduction reflects the spinners’ liquidity concerns due to prevailing high world cotton prices. Presently, world cotton prices increased to the record highs of nearly $2.0/lb in early March 2011, up around three times from the same period in the previous year’s level of $0.6/lb. Some Thai spinners who have limited stocks of raw cotton have had to reduce their production capacity by 20-30 percent. They currently limit their cotton purchase and are waiting until world cotton prices level-off. The U.S. cotton imports will likely decline significantly to 495,000 bales, down 25 percent from 655,908 bales in the previous year. In addition, U.S. cotton market share is expected to decline from 36 percent to 31 percent due to strong recoveries of cotton supplies of its major competitors, particularly from Australia.



MY2011/12 raw cotton imports are forecast to increase by 5.0 percent in anticipation of a sustained global and domestic economic recovery. In addition, spinners are expected to build up their cotton stocks as they will likely run down their inventory in the previous year when world cotton prices are at record high. In MY2011/12, world cotton prices will likely ease as larger supplies of cotton are expected due to acreage expansion of major suppliers driven by high cotton prices. U.S. cotton imports are forecast to increase to 520,000 bales, up 5.2 percent from the previous year. However, its market share will likely continue to decline to a historical level of 29 percent in anticipation of a sustained recovery of Australian cotton supplies.

Despite heavy import demand for cotton, Thailand exports cotton in the form of comber waste, a by-product of spinning medium count yarn (#30's - #40's). Exports of raw cotton from comber waste will likely be insignificant at 2,000 bales due to a reduction in cotton yarn production in MY2010/11. Exports of raw cotton are forecast to pick up to 5,000 bales in MY2011/12 in anticipation of a slow recovery in cotton yarn production.

4. Stocks

MY2010/11 raw cotton stocks are expected to be at low levels of 191,000 bales as spinners will likely limit their cotton purchase while world cotton prices are at record high. Despite anticipated less cotton price volatility in MY2011/12, raw cotton stock is forecast to increase slightly to 215,000 bales but remains at low levels as spinners will likely build up cotton yarn inventory.

Section 2: Statistical Tables

Table 1: Thailand's Production, Supply and Demand for Raw Cotton

Cotton Thailand	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Aug 2009		Market Year Begin: Aug 2010		Market Year Begin: Aug 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	2	0	2		2
Area Harvested	2	2	2	2		2
Beginning Stocks	288	288	292	314		191

Production	4	4	4	4		4
Imports	1,806	1,809	1,625	1,600		1,800
MY Imports from U.S.	0	656	0	495		520
Total Supply	2,098	2,101	1,921	1,918		1,995
Exports	6	7	10	2		5
Use	1,775	1,755	1,600	1,700		1,750
Loss	25	25	25	25		25
Total Dom. Cons.	1,800	1,780	1,625	1,725		1,775
Ending Stocks	292	314	286	191		215
Total Distribution	2,098	2,101	1,921	1,918		1,995
Stock to Use %	16	18	18	11		12
Yield	435.	435.	435.	435.		435.

Table 2: Thailand' Imports of Raw Cotton (Marketing Year: August/July)

Unit: 480-lb bales

	MY 2007/08	MY 2008/09	MY 2009/10	Aug. - Jan.		
				MY 2009/10	MY 2010/11	% change
United States	**833,945**	**672,163**	**655,908**	**300,356**	**247,088**	**-17.7**
Australia	**198,653**	**203,358**	**348,150**	**203,077**	**202,763**	**-0.2**
Brazil	**98,126**	**183,737**	**122,960**	**83,340**	**104,537**	**25.4**
India	**189,446**	**84,328**	**121,224**	**31,366**	**43,355**	**38.2**
Pakistan	**16,604**	**27,547**	**99,624**	**74,958**	**12,399**	**-83.5**
Burkina Faso	**135,289**	**105,889**	**82,737**	**32,052**	**30,555**	**-4.7**
Zimbabwe	**91,138**	**69,725**	**69,226**	**43,438**	**33,288**	**-23.4**
Tanzania	**51,179**	**47,051**	**52,333**	**32,752**	**50,943**	**55.5**
Mali	**85,307**	**41,645**	**51,498**	**29,206**	**10,821**	**-62.9**
Benin	**32,417**	**18,534**	**23,720**	**9,631**	**939**	**-90.3**
Cote d Ivoire	**8,247**	**2,938**	**20,640**	**907**	**33,671**	**3614.3**
Malawi	-	**8,520**	**19,861**	**9,027**	**2,871**	**-68.2**
Mozambique	**28,106**	**18,247**	**18,780**	**6,982**	**12,092**	**73.2**
Other	**160,938**	**121,219**	**122,177**	**54,914**	**98,295**	**79.0**
World	**1,929,395**	**1,604,900**	**1,808,838**	**912,006**	**883,617**	**-3.1**

Table 3: Thailand' Imports of Raw Cotton (Marketing Year: August/July)

Unit: Metric Ton

	MY2007/08	MY2008/09	MY2009/10	Aug. - Jan.		
				MY2009/10	MY2010/11	% change
United States	181,572	146,348	142,809	65,396	53,798	-17.7
Australia	43,252	44,276	75,802	44,215	44,147	-0.2
Brazil	21,365	40,004	26,772	18,145	22,760	25.4
India	41,247	18,360	26,394	6,829	9,439	38.2
Pakistan	3,615	5,998	21,691	16,320	2,700	-83.5
Burkina Faso	29,456	23,055	18,014	6,979	6,653	-4.7
Zimbabwe	19,843	15,181	15,072	9,458	7,248	-23.4
Tanzania	11,143	10,244	11,394	7,131	11,092	55.5
Mali	18,574	9,067	11,212	6,359	2,356	-62.9
Benin	7,058	4,035	5,164	2,097	204	-90.3
Cote d Ivoire	1,796	640	4,494	197	7,331	3614.3
Malawi	-	1,855	4,324	1,965	625	-68.2
Mozambique	6,119	3,973	4,089	1,520	2,633	73.2
Other	35,041	26,393	26,601	11,956	21,401	79.0
World	**420,081**	**349,429**	**393,832**	**198,568**	**192,387**	-3.1

Table 4: Thailand's Imports of Raw Cotton (Jan. - Dec.)

Unit: Ton

	2008	2009	2010	% change
United States	183,811	138,788	121,812	-12.2
Australia	42,231	59,718	80,790	35.3
Brazil	32,741	30,673	32,723	6.7
India	44,000	18,350	28,018	52.7
Burkina Faso	31,830	17,159	18,311	6.7
Tanzania	11,364	10,474	16,279	55.4
Zimbabwe	19,115	13,517	12,438	-8.0
Cote d Ivoire	877	597	11,628	1847.3
Pakistan	5,383	16,978	9,782	-42.4
Mali	16,142	10,430	7,312	-29.9
Mozambique	6,231	3,336	4,517	35.4
Other	42,574	30,247	41,041	35.7
World	**436,298**	**350,267**	**384,651**	**9.8**

Table 5: Status of Textile Industry in Thailand

	Calendar Year				
	2005	2006	2007	2008	2009
Number of Employment					
- Synthetic fiber	14,430	14,300	14,280	14,100	14,000
- Spinning	61,100	59,980	60,550	60,300	60,075
- Weaving	55,250	54,470	53,980	52,770	51,980
- Knitting	60,790	62,860	63,320	63,050	62,420
- Dyeing and Printing	46,770	46,850	46,630	46,200	45,880
- Clothing	825,650	824,500	818,530	812,800	810,850
TOTAL	1,063,990	1,062,960	1,057,290	1,049,220	1,045,205
Number of Textile Machinery					
- Spinning (No. of spindles)	3,863,600	3,858,790	3,879,750	3,875,600	3,779,210
- Weaving (No. of looms)	130,520	130,132	129,770	129,100	128,300
- Knitting (No. of machines)	115,430	121,355	122,394	123,620	123,080
- Clothing (No. of machines)	752,300	751,760	749,100	748,490	737,875

Source: Department of Industrial Promotion, Ministry of Industry

Table 6: Thailand's production and consumption of yarn

	Calendar Year				
	2005	2006	2007	2008	2009
Production(TMT)					
Cotton yarn	396.3	403.9	397.8	376.7	353.8
Synthetic yarn	616.6	603.6	565.1	587.1	614.0
Total production	1012.9	1007.5	962.9	963.8	967.8
Consumption(TMT)					
Cotton yarn	354.2	369.8	349.3	331.6	306.2
Synthetic yarn	408.4	427.0	414.0	439.7	441.6
Total consumption	762.6	796.8	763.3	771.3	747.8

Source: Department of Industrial Promotion, Ministry of Industry

Table 7: Thailand's Exports of Cotton Yarn

Unit: Metric Ton

	2008	2009	2010	% change
China	6,821	9,458	11,909	25.9
Japan	4,000	2,510	4,014	59.9
Malaysia	6,273	4,228	3,501	-17.2
Hong Kong	9,572	6,668	4,002	-40.0
Turkey	253	1,456	1,945	33.6
Sri Lanka	30	1,010	1,844	82.6
Korea South	2,596	1,990	1,483	-25.5
Bangladesh	3,075	880	1,515	72.3
United States	3,214	2,237	1,326	-40.7
Portugal	1,138	1,568	1,198	-23.6
Italy	1,090	910	691	-24.1
Philippines	323	816	795	-2.7
Germany	39	114	321	180.3
Indonesia	2,697	759	481	-36.6
Canada	483	377	389	3.0
Vietnam	251	329	234	-29.0
Other	3,698	3,716	2,231	-40.0
World	45,551	39,029	37,878	-2.9

Table 8: Thailand's Imports of Cotton Yarn

Unit: Metric Ton

	2008	2009	2010	% change
China	4,970	3,744	5,378	43.6
Vietnam	567	761	4,530	494.9
India	1,589	907	1,637	80.5
Pakistan	2,878	2,449	1,967	-19.7
Japan	84	63	752	1097.1
Korea South	125	82	536	554.0
Egypt	0	176	245	39.3
Indonesia	122	28	196	598.5
Hong Kong	669	625	98	-84.4
Taiwan	82	81	446	450.3
Italy	18	20	31	57.0
Other	162	133	134	0.3
World	11,264	9,069	15,948	75.9

Table 9: Thailand's production and consumption of woven fabric

	Calendar Year				
	2005	2006	2007	2008	2009
Production (TMT)					
Cotton fabric	228.3	234.8	220.8	209.4	192.4
Synthetic fabric	263.2	271.0	261.7	227.6	277.5
Total production	491.5	505.8	482.5	437.0	469.9
Consumption (TMT)					
Cotton fabric	213.5	224.1	205.8	204.6	173.6
Synthetic fabric	233.3	249.2	238.3	264.1	262.7
Total consumption	446.8	473.3	444.1	468.7	436.3

Source: Depament of Industrial Promotion, Ministry of Industry

Table 10: Thailand's Exports of Cotton Fabrics

Unit: Metric Ton

	2008	2009	2010	% change
Singapore	2,614	2,821	3,837	36.0
Myanmar	4,381	5,594	5,010	-10.4
Bangladesh	3,695	4,224	6,228	47.5
Vietnam	2,092	2,780	2,626	-5.5
Laos	2,473	2,100	2,522	20.1
Turkey	1,619	2,231	3,105	39.2
Netherlands	2,183	1,952	1,682	-13.8
Italy	2,137	1,499	2,835	89.1
Sri Lanka	1,180	1,258	1,847	46.9
Japan	703	1,177	1,256	6.7
United States	2,822	2,001	2,464	23.1
Germany	2,944	1,809	2,253	24.5
Cambodia	2,324	1,544	1,516	-1.8
Togo	1,704	1,742	1,674	-3.9
Hong Kong	840	899	1,010	12.5
Other	12,676	12,487	13,565	8.6
World	**46,388**	**46,116**	**53,428**	**15.9**

Table 11; Thailand's Imports of Cotton Fabrics

Unit: Metric Ton

	2008	2009	2010	% change
China	37,448	25,416	43,356	70.6
India	745	1,234	1,560	26.4
Japan	2,599	1,741	1,588	-8.8
Indonesia	704	767	918	19.7
Taiwan	449	337	331	-1.8
Hong Kong	916	426	697	63.9
Italy	239	126	115	-8.9
Pakistan	248	859	794	-7.6
Turkey	191	92	78	-15.9
Austria	23	16	30	86.5
Portugal	7	14	24	67.2
Kingdom	19	26	56	114.8
Germany	62	49	29	-41.1
France	85	34	23	-32.2
Korea South	317	120	75	-37.7
Other	672	325	227	-30.1
World	44,726	31,583	49,901	58.0

Table 12: Tariffs for Cotton and Textile Products

	Current calculated tariff for non-AFTA countries (% Ad Valorem)	Current tariff applied for AFTA countries under CFPT scheme1/ (% Ad Valorem)	Tariff Schedule Commitment with WTO (% Ad Valorem)
Raw cotton	0	0	4.5
Cotton yarn	5	0	15.0
Cotton fabric	5	0	30.0
Chemical used in textile	5	0	30.0
Textile machanery	1	0	20.0

1/ CFPT = Common Effective Preferential Tariff, an agreed effective tariff, preferential to ASEAN countries, to be applied to goods originating from ASEAN Member States and which have been identified for inclusion in the CFPT Scheme.

Source: Thai Customs Department

End of Report