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China - Peoples Republic of

Cotton and Products Annual

2013

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Report Highlights:

A shift in planting area to higher profit, alternative crops drops MY13/14 domestic cotton production forecast to 7 million tons despite government incentives to provide income and stabilize cotton acreage. Government purchases of cotton, funneled into state reserves, have resulted in a record level of domestic stocks, which coupled with tariff rate quota restrictions on additional supplies, will impact China's import demand. U.S. cotton export volume fell to second place behind India in MY11/12 and face competition for imports projected to fall to 2 million tons in MY13/14. Cotton consumption is expected to rise to 8.7 million tons as China's domestic and emerging markets stimulate demand.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Beijing [CH1]
[CH]

Executive Summary:

China has no official cotton market information collection system. The lack of transparent and reliable data (production, consumption, and stocks) has been more pronounced in recent years due to the rapid expansion and diversified scales of production. The numerous players continue to diversify ownership in the industry chain, including the large number of cotton farmers, gins, merchants and mills. All these entities contribute to making the collection of reliable production statistics in China an extremely difficult task.

MY13/14 production of 7 million tons is less than the 7.6 million tons in the previous year on reduced planted area. The government continues to provide income protection to cotton farmers through a minimum purchase price which exceeds the world price. In MY12/13, farmers with qualified cotton received RMB20,400/ton, up from RMB19,800/ton MY11/12. The elevated price is pulling a majority of the crop into government held reserves estimated to have reached a historic level of almost 10 million tons. China's ability to release state reserve for domestic use and control additional cotton supplies through the tariff rate quota will impact the demand for imports. Total imports are likely to fall to 2 million tons in MY13/14.

Production:

China's textile industry is the world's largest consumer of cotton. To fill this huge demand, the industry depends on Chinese farmers to produce up to 70 percent of its supply needs. Domestic production, however, has not kept pace with the rapid growth and increasing sophistication of the textile industry. Several production challenges, including preferential government support to grain crops, volatile price signals and limited arable land, have slowed industry growth. Nevertheless, government policies continue to target a stable cotton production through financial measures which provide income support and minimize price volatility.

Post predicts MY12/13 domestic production at 7.6 million tons. Gains in yield and additional planted area in Xinjiang are offset by production drops in the Yellow River region following excessive rainfall. China's National Statistics Bureau (NSB) estimates MY12/13 production at 6.84 million tons echoing the National Development and Reform Commission (NDRC) MY12/13 production estimate of 6.9 million tons based on cross-agency analysis. As of March 24, China Fiber Inspection Bureau (CFIB), reported total classified MY12/13 crop at 7.11 million tons, of which 4.46 million tons were classified for Xinjiang. (Note: In late 2012, the Xinjiang Statistics Bureau reported MY12/13 Xinjiang cotton production of 3.45 million tons). As we've reported before, inconsistencies in Xinjiang's reported planted area frequently distorts total production figures (GAIN CH10033).

Post's MY13/14 production is forecast lower at 7 million tons based on an expected drop in planted area to 5.03 MHa and average yield. The following table reflects production forecasts for MY12/13 and MY13/14 by major industry source.

Cotton Production Estimate/Forecast by Various Sources (million tons)

	CCA	NCMMN	CNCE	NSB	Post
MY12/13	7.42	7.61	7.47	6.84	7.6
MY13/14	NA	6.65	6.93	NA	7.0

[Note: CCA is China Cotton Association, NCMMN is National Cotton Market Monitoring Network, CNCE is China National Cotton Exchange, NSB is National Statistics Bureau].

Planted Area

MY13/14 cotton planted area is forecast to decline to 5.03 MHa, down from the estimated 5.25 MHa in the previous year, as farmers in the Yellow River region plant more acreage in alternative crops than is added to cotton in Xinjiang. In its 2013 Crop Production Work Plan released in late February, the Ministry of Agriculture (MOA) targeted MY13/14 cotton planted area at 70 million Mu (4.67MHa) with stable area in the Yellow River and the Yangtze River regions and moderate expansion in Xinjiang’s cotton area. MY13/14 planted area in Xinjiang is forecast to rise to 2.17 MHa, up from an estimated 2.15 MHa in the previous year. Xinjiang cotton planted area has expanded rapidly since MY11/12 in response to favorable market prices offered by the government which insured cotton remains a competitive crop in this region.

Chart 1- China Cotton Planted Area and Production (2009-2013, in million hectares (MHa) and million tons)

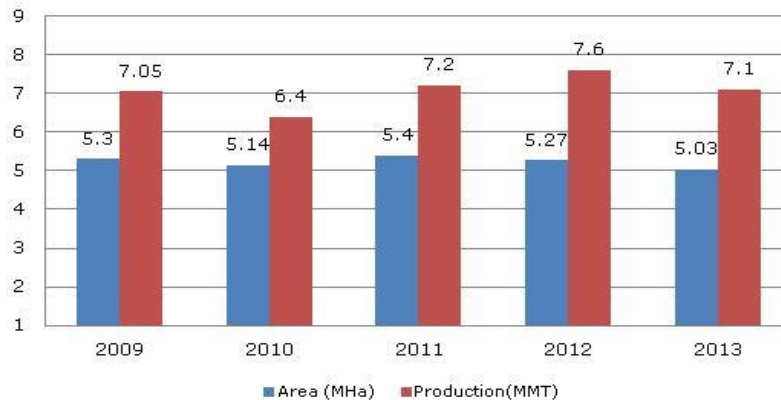
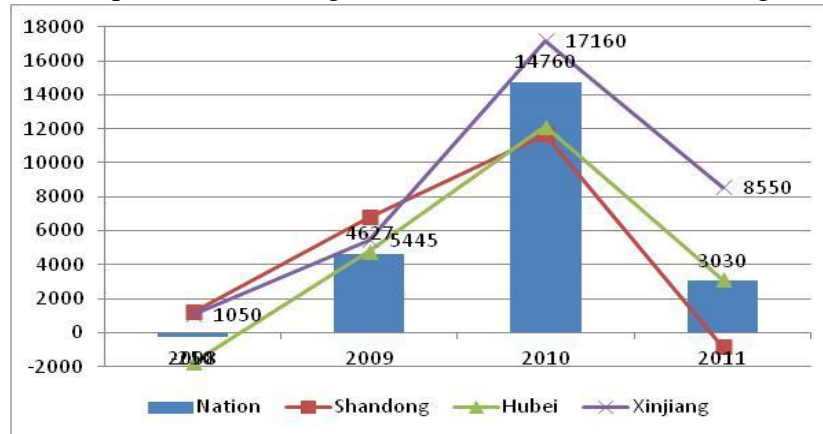


Chart 2 shows that cotton profit peaked in MY10/11 due to a world price surge and remained strong at RMB8,550/Ha in MY11/12 in Xinjiang due to a high purchase price paid by the government. Industry sources indicate that a majority of Xinjiang’s MY 12/13 crop (4.06 million tons from a total 4.5 million tons) was purchased by the government at RMB20,400 and reportedly added to state reserves.

In the Yellow River region, however, farmers planting “wheat+corn” had a profit of RMB8,550/Ha and RMB7,770/Ha in Shandong and Henan, respectively, compared to the negative cotton profit reported in these two provinces in MY11/12. Low yield in the Yellow River region further eroded cotton profits in MY12/13, which is expected to intensify the planting decline in MY13/14. Low profits and labor shortages, as workers choose urban employment over rural, in the Yangtze River region attributed to the planting intention decline.

Chart 2 - Comparison of Average Net Profit from Cotton Planting (RMB/Ha)



Source: NDRC

In mid-January, CNCE forecast MY13/14 cotton area would fall by 5 percent, with losses in the Yellow River (-13 percent) and Yangtze River regions (-6 percent) canceling area gains in Xinjiang (+ 2 percent) and Gansu (+ 1 percent) provinces. The area decline drops CNCE’s production estimate to 6.69 million tons, down from its estimated MY12/13 production of 7.22 million tons.

In February, CCA shared survey results indicating a MY13/14 cotton planting intention slide to 4.54 MHa, a 6.8 percent dip over the previous year, with Yangtze River region down 6.1 percent, Yellow River region down 17.2 percent, but the northwest region was up 0.3 percent.

Based on its mid-March survey, the China Academy of Agricultural Science Cotton Research Institute (CRI) reported an 8.5 percent fall in MY13/14 cotton planting intentions to 4.67 MHa, a slump from its estimated area of 5.1 MHa in MY12/13, with the Yangtze River region down 9.1 percent, the Yellow River region down 10.5 percent, and the northwest region down 6.9 percent (north Xinjiang down 10 percent, south Xinjiang down 4.3 percent).

Likewise, NCMMN’s mid-March survey results showed that MY13/14 cotton planting intentions were down 2.9 percent from the previous year to 4.84 MHa. Specifically, the Yellow River region will decline 9.3 percent to 1.48 MHa with the biggest drop of 12.4 percent and 13.3 percent in Henan and Hebei, respectively, followed by the Yangtze River region down 5.4 percent to 1.12 MHa. Planting intentions in the northwest region, though, were up by 2.3 percent to 2.21 MHa.

The Xinjiang Development and Reform Commission, however, reported a 2 percent decline in cotton planting intention in MY13/14. Reportedly, the local government is planning to re-structure industry with a plan to “curb cotton expansion, maintain grain area, regulate fruits and promote animal production.” In addition, the continuing rise in the cost of agricultural inputs has also impacted cotton planting intentions.

Cotton Planted Area Estimate/Forecast by Major Sources

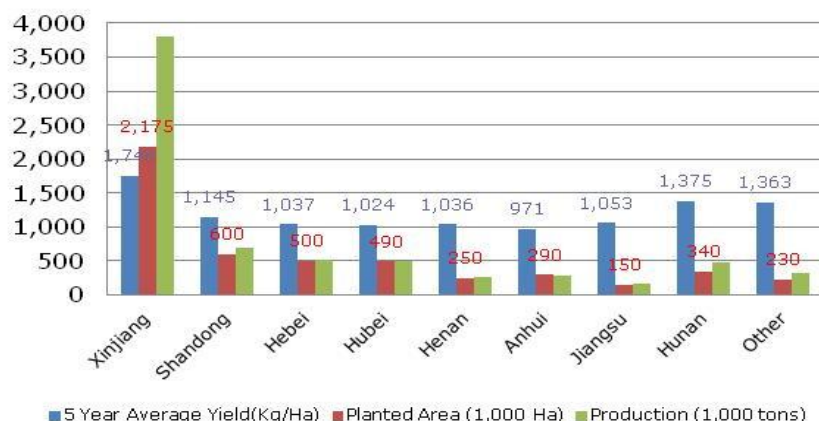
	Planted Area (1,000 Ha)		
	MY12/13	MY13/14	Change%
NSB	4,700	NA	
CCA Feb	4,880	4,540	-6.8%
NCMMN Mar	4,985	4,840	-2.9%
RERC/MOA Mar*	NA	NA	-6.5%
CRI Mar	5,100	4,670	-8.5%
CNCE* Dec	4,610	4,812	-5.0%
Post	5,250	5,030	-4.2%

*Rural Economy Research Center/MOA**China National Cotton Exchange

Yield

Overall, MY13/14 cotton yield is forecast moderately above average at 1,392Kg/Ha. China's average cotton yield by individual province/autonomous region varies significantly, ranging from 971Kg/Ha in Anhui to 1,747Kg/Ha in Xinjiang (see Chart 3). MY12/13 average cotton yield was 1,455 Kg/Ha (NSB total production divided by planted area), while the yield for Xinjiang hit a record at 2,056Kg/Ha (per Xinjiang Statistics Bureau) due to good weather conditions.

Chart 3 - Area/Yield/Production by Province (MY07/08 to MY11/12)



One factor contributing to yield improvements is Bt cotton use which is expected to continue in MY13/14. Bt varieties could potentially reach 100 percent of the crop in the Yellow River provinces of Henan, Hebei, Shandong, and Anhui Provinces. However, yield in the Yangtze River and Yellow River regions remains volatile and low due to weather uncertainties.

In Xinjiang's dry climate, Bt cotton is less prevalent due to a lower risk of diseases and pests. Conventional varieties with specific traits, such as dwarf plant size and early maturity, continue to raise yields in Xinjiang. The Xinjiang Production and Construction Corp (PCC) farms, which are organized on a larger scale than other typical cotton farms, incorporate particular agronomic practices, such as high density sowing, plastic sheet covering, and drip irrigation technology, to improve yields.

Stocks

Government purchases of up to 6.46 million tons of cotton from the MY12/13 crop (85 percent of the total crop as of March 25) have expanded state reserves to a record level approaching 10 million tons through the first quarter. CCA reported that mills purchased 490,000 tons of cotton at state reserve auctions in September 2012 and between January 14 and March 25, 2013, bought another 910,000 tons (about 30 percent of the amount available) at a base price of RMB 19,000 per ton.

The lackluster interest in purchasing cotton reflects a stagnation in cotton demand. Nevertheless, NDRC plans to offer 4.5 million tons for sale by the end of July, 2013. Given the high price for state reserve cotton and slow recovery of demand, the government will have to hold stocks in preparation for potential future mill demand.

Post forecasts ending stocks will remain high at 9.2 million tons for MY12/13, and hit 9.5 million tons at the end of MY13/14. This forecast will be impacted by many factors including the consumption recovery and the price gap between the domestic and world market. The stock to use ratio remains high at above 110 percent in MY12/13 and 13/14.

Cotton Trade

Note: Annual import volume is controlled by the government through a tariff rate quota (TRQ) system. This policy facilitates the government ability to protect domestic production and regulate supply of cotton imports.

For MY12/13, the government authorized 894,000 million tons of cotton import TRQ (subject to one percent import tariff). In late March 2013, the government allocated additional TRQ subject to a variable tariff rate in response to industry requests. Industry sources indicate that the supplemental quota was allocated in a 1 to 3 volume ratio (to receive 1 ton of TRQ, mills must purchase 3 to 4 tons of state reserve). The widely rumored additional TRQ for "processing trade" has not been distributed as of this report.

The interaction between low world market price, limited import quota and tight domestic cotton supply, stimulated over quota, full duty (40 percent) cotton imports. Industry experts believe that, so long as the price gap between domestic and international markets remains around RMB5,000/ton (\$800/ton), Chinese cotton buyers will continue to import cotton outside the TRQ (by paying the 40 percent duty).

MY 13/14 cotton imports are forecast at 2 million tons, down from the estimated 3.1 million tons in MY12/13. Imports will depend on the balance between many factors, including the size of domestic

production, strength of cotton consumption, level of governmental reserves and extent of market intervention measures, and the price gap between domestic and world prices.

Due to its high stocks and finite warehouse storage capacity, the government is less likely to purchase extensive amounts of the MY13/14 domestic crop. If this occurs, textile mills access to domestic supply will improve thereby reducing their reliance on imports to meet demand.

Chart 4 - Cotton Production, Imports and Consumption (in 1,000 tons)



Source: FAS/Beijing Estimates/Forecast

Cotton imports are also affected by yarn imports. Yarn imports face no volume import restrictions. In 2012, China imported a record 1.4 million tons of yarn, up from 806,000 tons in 2011. High net yarn imports in part reduced cotton imports in 2012 and will continue to impact cotton imports in 2013.

China’s cotton exports average about 10,000 tons annually, insignificant compared to total cotton use. Cotton exports in 2013 may increase slightly due to huge stocks, but significant export growth is unlikely due to its high domestic price. Yarn exports remain stable at about 300,000 tons, making net yarn imports 1.15 million tons, significantly higher than the 500,000 tons in 2011.

Consumption

MY13/14 cotton consumption is forecast at 8.7 million tons, up from an estimated 8 million tons in MY12/13. Although demand from developed markets, like the US and EU, remains sluggish due to recovering economic performance, consumption of apparel and textile products in China’s domestic and other developing economies is on the rise.

In making those products, depending on the price difference between cotton and synthetic fibers, and on the market demands at the time of production, mills can adjust the cotton content in yarn production. Historically, the price of cotton fiber runs approximately 20 percent higher than that of synthetic fiber. When cotton prices are high for a sustained period, for example in 2011, the share of “pure cotton” in yarn reportedly declined by 5.5 percent while “synthetic yarn” rose 7.2 percent, respectively, over 2008. Of concern to the cotton industry is that even when cotton prices recovered, the substitution of synthetic for cotton fiber trend continued. According to NSB, total chemical fiber production in 2012

was 38 million tons, up 12.1 percent over the previous year. Industry experts anticipate that the share of synthetic fibers in yarn production may continue in 2013 due to high domestic cotton prices.

China's Textile Sector Production/Investment Trends

Year/Item	2009	2010	2011	2012	2012/2011 Change %
Yarn Production (MMT)	23.93	27.17	28.7	29.84	+4
Fabrics Production (Million Meters)	740	800	814	841	+3.3
Chemical Fiber Production (MMT)	27.3	30.9	33.9	38	+12.1
Fixed Asset Investment in Textile Sector (RMB billion)	176.8	257	366.9	409.5*	+11.6

Source: China Economic and Social Development Report by NSB

Textile Industry Faces New Challenges

The textile industry in China employs over 23 million people and is considered an economic pillar industry. In China's 12th Five Year (2011-2015) Plan, the government confirmed its support to upgrade this sector. According to NSB, fixed asset investment in the textile industry in 2012 reached \$65.5 billion, up 12 percent over 2011, but significantly lower than the 30.9 percent in 2011. Despite this financial influx, the textile industry faces significant challenges, including rising production costs for key inputs such raw materials and labor.

Industry statistics show that in 2012 mills paid more than RMB 4,000 to 5,000/ton (\$640 to \$800) above the world price for domestic cotton. Price inflation is expected to continue in 2013 as the government has not provided signals that it will reduce its minimum purchase price paid for the MY13/14 domestic crop. In addition to high prices for raw materials, Chinese industry leaders estimate that the general labor cost rose more than 10 percent in 2012 over the previous year and a general labor shortage is unlikely to provide relief from this rising expense. Electricity costs have also increased by 2 to 4 percent in 2012 from the previous year.

To address these factors which jeopardize the competitiveness of Chinese mills, textile industry leaders are using different options. Some mills are improving efficiency and productivity to maintain profits. Others have moved operations towards China's central and western regions in search of lower labor inputs and a favorable investment climate. For example, industry insiders believe Xinjiang's yarn production, which reached 402,000 tons in 2012, will increase in the next few years once potential spinning capacity is fully operational.

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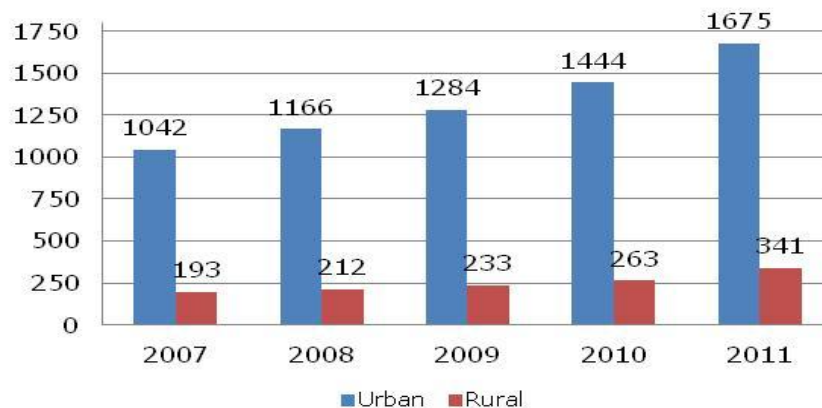
Source: China Economic and Social Development Report by NSB

Other operators have relocated spinning facilities to southeast Asian countries in search of lower production costs while others have increased yarn imports, instead of cotton, to ease price operating expenses.

Domestic Consumption to Increase

According to the China Textile Industry Association (CTIA), the domestic market accounted for more than 83 percent of the sector’s total sales value in 2012. With GDP growth at 7.8 percent in 2012 and expected at 7.5 percent in 2013, higher disposable income and rising living standards of Chinese consumers are driving retail consumption to the benefit of cotton products. For example, as indicated in Chart 6, the 2011 per capita expenditures on clothing increased for both urban and rural residents, up 16 percent for urban and 30 percent for rural over the previous year, with urban residents far outspending their rural counterparts. The market potential for China’s 674.1 million rural residents to increase textile related purchases is expected to rise as their incomes grow as well. This will support continued demand for domestic cotton products.

Chart 5 - Per Capita Expenditures on Clothing
By Urban and Rural Resident (in RMB/year)



Source: NSB

Misreporting of Yarn Categories and Volume Continue

A long standing problem in consumption forecasting is the lack of reliable data to connect cotton consumption data with finished product numbers. For example, according to NSB, total yarn production for 2011 was reported at 29 million tons, of which 22 million tons (accounting for 75.4 percent) was reported as pure cotton yarn, with the remainder as blended yarn and synthetic yarn. These figures are problematic when compared to China’s average cotton consumption, averaging 10 million

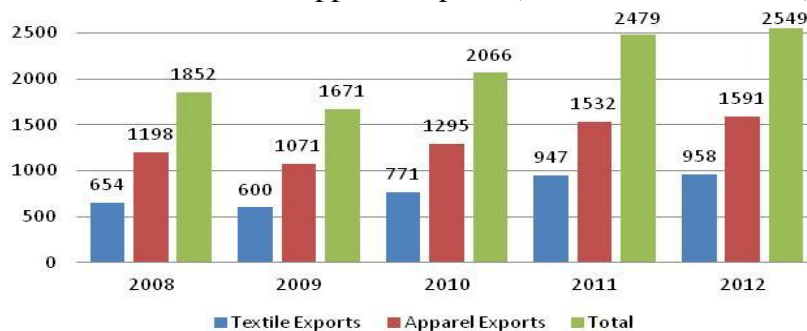
tons annually in recent years, and other fibers available for spinning, which cumulatively cannot produce the reported volume of yarn. Over-reporting of total yarn and pure cotton yarn production and under-reporting of synthetic fiber ratios and cotton consumption, or some combination thereof, distorts accurate analysis. China's industry insiders acknowledge misreporting of yarn categories and volume by mills is the basis of the problem.

Trade

Textile and apparel exports expected moderate growth in 2013

According to NSB, China's textile and apparel export growth peaked at \$254.9 billion in 2012, up slightly from the \$247.9 billion in the previous year. This export gain pales, though, when compared to the 20 percent leap in 2011 (over 2010) and reflects continuing weakness in overseas market demand. Industry sources, though, expect exports to strengthen in 2013 on anticipation of a moderate recovery in the global economy. In fact, exports improved in the first two months of 2013 with total exports valued at \$41.2 billion, up 32 percent over the \$31.2 billion in the same period of 2012. Any gains from a significant export rebound, however, will be hard won given a declining competitiveness of the sector as a result of high production costs.

Chart 6 - Textile and Apparel Exports (Value in \$100 million)



Source: NSB

U.S. Competes with India for China's Market

In MY11/12, India topped the United States as China's largest cotton supplier with total export volume of 1.98 million tons, compared to 1.31 million tons, respectively. While the quality and reliability of U.S. cotton appeals to China's end-users, India's price and transportation advantages provide serious competition. India's cotton production is expected to increase as it incorporates new technology, expands Bt cotton dissemination and actively promotes its product. Competition from India and other suppliers, coupled with expected low demand for imports, is expected to reduce US cotton imports to China in MY13/14.

Consignment Trade

Due to strong demand for alternatives to high-priced domestic cotton since late 2011, consignment trade has been gaining ground. China's small to medium-sized mills choose consignment purchases due to the flexibility they offer, including short delivery time, convenient quality verification and lower financial commitment. However, due to the lack of import TRQ, most mills pay the full duty to take delivery of

the cotton held in bonded warehouses. Consignment trade is expected to remain a viable source until the world cotton price changes making the cost of import plus full duty unattractive for Chinese mills.

Policy

Purchase floor price policy continues

The State Purchase of Domestic Cotton Program, which establishes the floor price for purchase of domestic cotton for state reserves and the cotton TRQ regime, are government programs enacted to maintain “the domestic cotton supply/demand balance.” When the domestic cotton price is above production costs, for example, during the MY 09/10 and 10/11, the program is suspended. When the price falls below, for example as in MY 11/12, the program is revived. A minimum floor price for qualified cotton is established and extended to an unlimited volume of cotton marketed between September and March.

In MY11/12, the government set a floor price of rmb19,800/ton for grade 328 cotton. In MY12/13, it set an even higher price of RMB20,400/ton. Reportedly, the government purchased 85 percent of the MY12/13 crop and added 6.46 million tons of cotton to state reserves. The MY 13/14 floor price has not been announced but speculation is that it is likely to remain at RMB20,400/ton.

Seed Subsidy

Large seed producers/traders currently compete for the \$34/Ha subsidy provided for selected “high quality variety” seeds to improve quality cotton coverage. Total expenditure in 2012, though unpublished, is believed to exceed \$180 million (if based on the NSB’s 5.04 MHa planted area for MY12/13).

Registration System for Overseas Cotton Suppliers

Overseas cotton suppliers must be registered with China’s General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) to export cotton to China (CH8075 and CH9004). On January 18, 2013, AQSIQ published Decree No.151 on "Supervision and Administration Measures for Inspection of Import Cotton." The measures took effect on February 1, 2013. A draft version was published for comment on December 8, 2011 (CH11064), and notified to the World Trade Organization (WTO) on July 23, 2012 as G/TBT/N/CHN/925. Preliminary comparison between the draft and final versions shows only slight modifications in Article 26 (CH13003). The impact of the Measures on cotton trade is expected to be limited. Traders are also recommended to register with AQSIQ to export cotton to China based on these requirements.

USDA continues to work with AQSIQ on industry concerns related to the registration system and to enhance mutual understanding and provide a solid foundation for both sides to carry out additional cooperation for cotton import inspections.

MY13/14 official classified cotton hit record of 7.1 million tons

China’s cotton classification reform moved forward in MY12/13. According to CFIB, as of March 24, 2013, total cotton baled and classed on the new classification system reached 7.11 million tons, accounting for 93.5 percent of the total production (estimated at 7.6 million tons) in MY12/13. The increase in officially classified volume (from the 5.56 million tons in MY11/12) is mainly driven by the

state reserve purchase requirement that cotton be classified. More than 1,801 gins participated in cotton HVI classification, up from the 1,738 in the previous year.

The new classing system is expected to help facilitate domestic cotton production estimates and upgrade the quality levels of China's ginning sector. CFIB MY12/13 classing data (as of March 24) shows 4.46 million tons of Xinjiang cotton was classified, already much higher than the NSB released MY12/13 Xinjiang production of 3.45 million tons, indicating continuing underestimation of Xinjiang cotton production.

Targeted Loans

In MY12/13, the Agriculture Development Bank of China (ADBC) continued to provide targeted loans with favorable terms for the purchase of seed cotton. This program facilitated the marketing of seed cotton when market prices remained weak and demand for cotton was stagnant. Xinjiang government information indicated that total loans exceeded RMB60 billion in MY12/13, up 17.6 percent over the previous year. ADBC will continue to provide financial assistance for domestic cotton marketing in MY13/14.

Marketing

Transporting Cotton from Xinjiang Province

The government continues to provide a transportation subsidy of RMB500/ton (\$80) in MY12/13 (up from the RMB 400/ton in MY11/12) for Xinjiang origin cotton shipped to mills in coastal and southern cities. Xinjiang province provides 40 percent of China's domestic cotton production yet there is only one rail line to move the raw product cross-country to the textile production areas. Harvest time can be a bottleneck. The shipping congestion improved slightly in MY12/13 when the government purchased most of the Xinjiang cotton for reserve and stored it locally, thus reducing the pressure on rail transportation.

U.S. cotton exporters interested in exporting cotton to China in need of marketing assistance may contact USDA/FAS's Agricultural Trade Offices (ATO) in Beijing, Chengdu, Guangzhou, Shanghai and Shenyang. They can be contacted via email at, ATOBeijing@usda.gov, ATOChengdu@usda.gov, ATOGuangzhou@usda.gov, ATOShanghai@usda.gov, and ATOShenyang@USDA.gov, respectively. Cotton Council International (CCI) is also actively involved in promoting U.S. cotton in China and throughout Asia. CCI serves China regionally from its Hong Kong Office. CCI can be reached via email at cci-hongkong@cotton.org. Both CCI and the ATO's organize events designed to bring U.S. cotton exporters in close contact with Chinese buyers.

The China International Cotton Conference, a biannual event sponsored by CCA, MOA, and FAO, attracts a worldwide audience from the cotton/textile industry. The 2012 conference was held in Chengdu, Sichuan Province. CCA, in collaboration with China National Cotton Exchange also holds an annual event, the China Cotton Industry Development Forum, which focuses on analysis and outlook of the market situation. The 2013 Forum will be held in June in Qingdao.

Tables

Production, Supply and Demand (PSD)

Table 1. PSD (in 1,000 Bales and 1,000 Ha)

Cotton	China	2011/2012		2012/1013		2013/1014	
		Market Year Begin: Aug 2011		Market Year Begin: Aug 2012		Market Year Begin: Aug 2013	
		USD A Offici al	New Post	USD A Offici al	New Post	USD A Offici al	New Post
Area Planted		0	5,380	0	5,275		5,030
Area Harvested		5,400	5,380	5,275	5,275		5,030
Beginning Stocks		10,60 3	10,60 3	30,18 1	30,18 1		42,46 6
Production		33,10 0	33,10 0	35,00 0	34,91 0		32,15 0
Imports		24,53 3	24,53 3	15,00 0	14,25 0		9,190
MY Imports from U.S.		0	6,015	0	3,700		3,676
Total Supply		68,23 6	68,23 6	80,18 1	79,34 1	0	83,80 6
Exports		55	55	75	75		75
Use		38,00 0	38,00 0	36,00 0	36,80 0		39,96 0
Loss		0	0	0	0		0
Total Dom. Cons.		38,00 0	38,00 0	36,00 0	36,80 0	0	39,96 0
Ending Stocks		30,18 1	30,18 1	44,10 6	42,46 6	0	43,77 1
Total Distribution		68,23 6	68,23 6	80,18 1	79,34 1	0	83,80 6
Stock to Use %		79	79	122	115		112
Yield		1,335.	1,335	1,445.	1,441		1,392
TS=TD			0		0		0

Table 2. PSD (in 1,000 Tons and 1,000 Ha)

Cotton	China	2011/2012		2012/1013		2013/1014	
		Market Year Begin: Aug 2011		Market Year Begin: Aug 2012		Market Year Begin: Aug 2013	
		USDA Offici al	New Post	USDA Offici al	New Post	USDA Offici al	New Post
Area Planted		0	5,380	0	5,275		5,030
Area Harvested		5,400	5,380	5,275	5,275		5,030
Beginning Stocks		2309	2309	6571	6571	0	9246
Production		7207	7207	7620	7601	0	7000
Imports		5341	5341	3266	3100	0	2000
MY Imports from U.S.		0	1310	0	806	0	800
Total Supply		14857	14857	17457	17274	0	18246
Exports		12	12	16	16	0	16
Use		8273	8273	7838	8012	0	8700
Loss		0	0	0	0	0	0
Total Dom. Cons.		8273	8273	7838	8012	0	8700
Ending Stocks		6571	6571	9603	9246	0	9530
Total Distribution		14857	14857	17457	17274	0	18246
Stock to Use %		79	79	122	115		112
Yield		1,335.	1,335.	1,445.	1,445.		1,392.
TS=TD			0		0		0

Trade Tables

Table 3. China's Monthly Cotton Imports

Unit: Tons						
Month	2008	2009	2010	2011	2012	2013
January	157,712	77,993	301,359	391,590	326,468	457,490
February	158,168	93,083	221,046	184,216	616,048	
March	213,221	98,763	323,807	276,459	625,196	
April	263,417	145,560	323,819	210,453	509,694	
May	240,159	151,524	197,955	144,569	501,855	
June	211,043	168,619	177,248	120,017	475,971	
July	212,580	131,440	168,882	157,087	405,842	
August	186,875	109,711	240,172	207,048	305,556	
September	129,057	102,162	200,806	252,739	262,924	
October	96,155	118,604	96,136	252,315	272,067	
November	76,141	112,866	126,203	378,152	303,643	
December	168,433	216,776	461,657	790,402	532,187	
TOTAL	2,112,961	1,527,101	2,841,100	3,367,058	5,137,451	
Marketing Year	Aug/08-Jul/09	Aug/09-Jul/10	Aug/10-Jul/11	Aug/11-Jul/12		
TOTAL	1,523,643	2,374,346	2,609,365	5,341,730		

Unit: 480-lb Bales						
Month	2008	2009	2010	2011	2012	2013
January	724,373	358,222	1,384,142	1,798,573	1,499,468	2,101,252
February	726,468	427,529	1,015,264	846,104	2,829,508	
March	979,323	453,619	1,487,246	1,269,776	2,871,525	
April	1,209,874	668,557	1,487,301	966,611	2,341,025	
May	1,103,049	695,952	909,207	664,005	2,305,020	
June	969,321	774,466	814,100	551,238	2,186,135	
July	976,378	603,702	775,675	721,501	1,864,032	
August	858,318	503,901	1,103,110	950,971	1,403,419	
September	592,759	469,232	922,302	1,160,830	1,207,610	
October	441,641	544,749	441,553	1,158,883	1,249,604	
November	349,715	518,392	579,650	1,736,852	1,394,632	
December	773,613	995,653	2,120,391	3,630,316	2,444,335	
TOTAL	9,704,831	7,013,974	13,041,950	15,464,897	23,596,312	
Marketing Year	Aug/08-Jul/09	Aug/09-Jul/10	Aug/10-Jul/11	Aug/11-Jul/12		
TOTAL	6,998,092	10,905,371	11,984,813			

Source: Global Trade Atlas

Table 4. China's Quarterly Cotton Imports by Country of Origin

Unit: Metric Tons

Marketing Year: 2010/2011					
Country	Jul-Sep /10	Oct-Dec /10	Jan-Mar/11	Apr-Jun/11	TOTAL
United States	293,588	189,588	415,927	318,546	1,217,649
India	42,126	255,970	322,615	10,312	631,023
Uzbekistan	30,832	102,814	54,138	22,737	210,521
Australia	143,968	9,135	52	39,984	193,139
Brazil	16,280	54,433	6,637	0	77,350
Burkina Faso	28,562	3,694	2,456	16,539	51,251
Cameroon	10,047	5,749	2,187	15,765	33,748
Benin	9,636	0	3,649	19,033	32,318
Egypt	6,313	4,742	10,414	5,564	27,033
Mexico	233	15,071	13,464	614	29,382
Pakistan	191	19,401	5,546	2,550	27,688
Mali	8,615	3,232	1,487	9,676	23,010
Other	19,468	20,167	13,694	13,719	67,048
TOTAL	609,859	683,996	852,266	475,039	2,621,160
Marketing Year: 2011/2012					
Country	Jul-Sep /11	Oct-Dec /11	Jan-Mar/12	Apr-Jun/12	TOTAL
India	78,544	602,910	778,250	421,102	1,880,806
United States	98,835	147,563	424,256	584,886	1,255,540
Australia	280,665	208,774	30,258	108,580	628,277
Brazil	17,674	191,260	87,778	46,986	343,698
Uzbekistan	43,257	47,600	111,853	60,442	263,152
Burkina Faso	26,098	22,893	10,397	46,895	106,283
Mali	20,855	10,122	4,774	28,746	64,497
Cameroon	11,153	6,665	5,459	29,973	53,250
Pakistan	7,154	23,471	15,901	24,482	71,008
Other	32,639	159,611	98,785	135,428	426,463
TOTAL	616,874	1,420,869	1,567,711	1,487,520	5,092,974
Marketing Year: 2012/2013					
Country	Jul-Sep /12	Oct-Dec /12	Jan-Mar/13	Apr-Jun/13	TOTAL
Australia	352,003	327,752			679,755
United States	255,847	198,658			454,505
Brazil	43,500	188,815			232,315
India	91,159	148,171			239,330
Uzbekistan	57,670	79,788			137,458
Mali	48,838	25,042			73,880
Zambia	5,820	21,548			27,368
Mexico	5,774	15,875			21,649
Other	113,711	102,249			215,960
TOTAL	974,322	1,107,898			2,082,220

Source: Global Trade Atlas

Table 5. China's Monthly Cotton Exports

Unit: Tons					
Month	2009	2010	2011	2012	2013
January	581	86	3,641	0	70
February	606	0	5,108	472	
March	2,969	578	1,908	617	
April	193	1,136	5,240	42	
May	887	1,474	6,124	1,512	
June	348	461	1,058	5,919	
July	1,401	86	820	1,653	
August	830	1,052	1,097	1,389	
September	114	1,240	456	3,007	
October	97	255	0	1,168	
November	8	55	90	502	
December	215	31	157	1,277	
TOTAL	8,249	8,464	27,710	17,558	
Marketing Year	Aug/09-Jul/10	Aug/10-Jul/11	Aug/11-Jul/12	Aug/12-Jul/13	
TOTAL	5,084	26,532	11,600		
Unit: 480-lb Bales					
Month	2009	2010	2011	2012	2013
January	2,670	395	16,723	0	322
February	2,785	0	23,461	2,168	
March	13,635	2,655	8,763	2,834	
April	888	5,218	24,067	193	
May	4,073	6,770	28,128	6,945	
June	1,597	2,117	4,859	27,186	
July	6,437	395	3,766	7,592	
August	3,812	4,832	5,039	6,380	
September	522	5,695	2,094	13,811	
October	446	1,171	0	5,365	
November	35	253	413	2,306	
December	988	142	721	5,865	
TOTAL	37,887	38,875	127,272	80,644	
Marketing Year	Aug/09-Jul/10	Aug/10-Jul/11	Aug/11-Jul/12		
TOTAL	23,353	121,861			

Source: Global Trade Atlas

Table 6. China's Monthly Cotton Yarn and Thread Imports

Unit: Tons

Month	2009	2010	2011	2012	2013
January	38,702	102,478	90,812	65,637	162,971
February	61,569	58,667	50,986	114,922	
March	78,186	103,588	78,041	113,610	
April	81,291	93,393	53,412	99,090	
May	78,993	85,614	43,123	114,747	
June	84,389	74,473	40,781	97,851	
July	88,031	75,036	54,851	126,778	
August	81,865	80,202	63,562	143,086	
September	88,651	82,571	75,369	129,565	
October	77,214	75,846	83,269	116,731	
November	90,793	94,145	79,225	134,442	
December	105,186	102,953	90,537	149,506	
TOTAL	954,871	1,030,976	805,979	1,405,965	
Marketing Year	Aug/09-Jul/10	Aug/10-Jul/11	Aug/11-Jul/12	Aug/12-Jul/13	
TOTAL	1,036,959	847,723	1,124,597		

Source: Global Trade Atlas

Table 7. China's Monthly Cotton Yarn and Thread Exports

Unit: Tons

Month	2009	2010	2011	2012	2013
January	25,208	39,795	30,243	19,420	44,249
February	26,468	24,800	20,323	24,823	
March	39,808	48,377	48,893	41,244	
April	45,606	44,305	35,205	28,122	
May	42,557	49,254	23,469	27,809	
June	47,772	48,430	21,395	24,670	
July	43,592	39,325	18,717	19,824	
August	37,850	29,464	18,998	23,196	
September	41,776	24,584	18,095	29,497	
October	36,413	28,400	19,404	31,207	
November	44,509	35,875	17,802	31,866	
December	45,598	28,083	22,684	41,230	
TOTAL	477,157	442,702	297,239	342,908	
Marketing Year	Aug/09-Jul/10	Aug/10-Jul/11	Aug/11-Jul/12	Aug/12-Jul/13	Aug/13-Jul/14
TOTAL	500,431	344,651	355,118		

Source: Global Trade Atlas

Table 8. China's Monthly Cotton Fabric Imports

Unit: 1,000 Square Meters

Month	2009	2010	2011	2012	2013
January	45,848	47,637	47,059	34,758	53,556
February	55,264	34,968	35,221	56,633	
March	68,193	61,634	60,125	65,647	
April	75,033	67,449	56,649	64,198	
May	66,003	61,830	47,997	68,781	
June	63,213	56,340	45,392	55,770	
July	65,614	63,384	48,742	55,550	
August	61,830	63,203	55,200	59,969	
September	70,214	68,941	56,258	60,501	
October	69,609	61,072	54,614	59,837	
November	69,042	65,074	60,027	56,748	
December	85,019	65,676	53,163	62,782	
TOTAL	794,882	719,218	622,458	701,175	
Marketing Year	Aug/09-Jul/10	Aug/10-Jul/11	Aug/11-Jul/12	Aug/12-Jul/13	Aug/13-Jul/14
TOTAL	748,957	665,152	680,599		

Source: Global Trade Atlas

Table 9. China's Monthly Cotton Fabric Exports

Unit: 1,000 Square Meters						
Month	2008	2009	2010	2011	2012	2013
January	507,658	405,793	548,804	607,713	521,312	690,568
February	370,832	232,178	407,887	273,943	308,968	
March	489,945	472,667	464,281	563,878	678,599	
April	533,580	468,673	593,772	584,655	572,498	
May	472,541	438,233	586,272	535,058	669,145	
June	487,795	437,932	599,377	468,256	600,809	
July	486,933	455,192	600,973	566,527	491,049	
August	514,674	468,003	566,068	520,819	481,100	
September	523,854	563,082	627,066	543,470	595,636	
October	506,479	510,625	598,422	544,839	556,532	
November	447,964	578,917	656,363	613,750	593,591	
December	419,117	669,986	594,502	619,982	626,241	
TOTAL	5,761,372	5,701,281	6,845,796	6,444,901	6,697,490	
Marketing Year	Aug/08-Jul/09	Aug/09-Jul/10	Aug/10-Jul/11	Aug/11-Jul/12	Aug/12-Jul/13	Aug/13-Jul/14
TOTAL	5,322,756	6,591,978	6,642,450	6,444,901		

Source: Global Trade Atlas

Other Tables

Table 10. Cotton Planted Area and Production by Province

Planted Area (in 1,000 Ha)				
Year	MY10/11	MY11/12	MY12/13	MY13/14
Xinjiang	1,710	1,980	2,160	2,175
Shandong	747	766	740	610
Hebei	600	633	550	500
Hubei	500	489	473	450
Henan	363	390	250	250
Anhui	364	340	305	290
Jiangsu	233	220	171	150
Hunan	227	192	202	200
Gansu	70	48	71	75
Other	324	322	353	330
Total	5,138	5,380	5,275	5,030
Production (in 1,000 tons)				
Year	MY10/11	MY11/12	MY12/13	MY13/14
Xinjiang	2,790	3,500	4,430	3,970
Shandong	724	785	698	698
Hebei	600	653	571	518
Hubei	500	523	571	461
Henan	410	382	269	259
Anhui	300	378	270	281
Jiangsu	320	247	210	158
Hunan	290	227	251	275
Gansu	80	78	107	100
Other	390	429	223	279
Total	6,404	7,202	7,600	7,000
Average Yield (Kg/Ha)	1,246	1,339	1,441	1,392

Note: MY12/13 FAS/Beijing estimate; MY13/14 FAS/Beijing forecast

Table 11. Cotton Tariffs as of January 1, 2013 (continued)

Description	HS Code	M.F.N.(%)	Gen(%)	VAT	ED	Unit
Cotton, not carded or combed	5201-0000		125	13		Kg
Cotton, not carded or combed, including degreased cotton -in quota	5201-0000.01	1	125	13	13	
Cotton, not carded or combed, including degreased cotton - tariff and out of quota, interim	5201-0000.80	0	0	13	13	
Cotton, not carded or combed, including degreased cotton -out of quota	5201-0000.90	40	125	13	13	
Cotton waste, yarn waste	5202-1000	10	30	17	13	Kg
Cotton waste, garnetted stock	5202-9100	10	30	17	13	Kg
Cotton waste, other	5202-9900	10	30	17	13	Kg
Cotton, carded or combed	5203-0000		125	17	13	Kg
Cotton, carded or combed, in quota	5203-0000.01	1	125	17	13	
Cotton, carded or combed, out of quota	5203-0000.90	40	125	17	13	
Cotton sewing thread, containing 85% or more by weight of cotton	5204-1100	5	40	17	16	Kg
Other	5204-1900	5	40	17	16	Kg
Put up for retail sale	5204-2000	5	50	17	16	Kg
Cotton yarn (other than sewing thread), containing 85% or more by weight of cotton, not for retail sale	5205-1100 to 5205-4800					
Cotton yarn (other than sewing thread) containing less than 85% by weight of cotton, not put for retail sale	5206-1100 to 5206-4500	5	40	17	16	Kg
Cotton yarn (other than sewing thread), containing 85% or more	5207-1000 to 5207-9000	6	50	17	16	Kg

Note: VAT--Value Added Tax; ED--Export Drawback Rate;

Source: PRC Customs Import & Export Tariff, 2013

Table 11. Cotton Tariffs as of January 1, 2013 (continued)

Description	HS Code	M.F.N.(%)	Gen(%)	VAT	ED	Unit
Woven fabrics of cotton, containing 85% or more by weight of cotton, weighing not more than 200 g/square meter	5208-1100 to 5208-5990*	10	70	17	16	M/Kg
	*Except: 5208-2300	12	70	17	16	M/Kg
Woven fabrics of cotton, containing 85% or more by weight of cotton, weighing more than 200 g/square meter " "	5209-1100	10	70	17	16	M/Kg
	5209-1200	10	70	17	16	M/Kg
	5209-1900	10	70	17	16	M/Kg
	5209-2100	12	70	17	16	M/Kg
	5209-2200	12	70	17	16	M/Kg
	5209-2900	12	70	17	16	M/Kg
	5209-3100	10	70	17	16	M/Kg
	5209-3200	10	70	17	16	M/Kg
	5209-3900	10	70	17	16	M/Kg
	5209-4100	10	70	17	16	M/Kg
	5209-4200	10	70	17	16	M/Kg
	5209-4300	10	70	17	16	M/Kg
	5209-4900	10	70	17	16	M/Kg
	5209-5100	10	70	17	16	M/Kg
	5209-5200	10	70	17	16	M/Kg
	5209-5900	10	70	17	16	M/Kg

Note: VAT--Value Added Tax; ED--Export Drawback Rate;

Source: PRC Customs Import & Export Tariff, 2013

Table 12. Tariff Rate Quota

Description	HS Code	Initial Quota and Tariff Rate	Final Quota and Tariff Rate	Implementation of Final Quota
Cotton		780,750 MT	894,000 MT	2004
	5201 - 0000	1%	1%	
	5203 - 0000	1%	1%	
Other terms and conditions:				
1) STE share = 33% (See Note)				
2) Staging of TRQ for cotton:				
Year TRQ quantity:				
2002 - 818,500 MT				
2003 - 856,250 MT				
2004 - 894,000 MT				
2005 - 894,000 MT (China added 1.4 MMT TRQ in 2005)				
2006 - 894,000 MT (China added 2.7 MMT TRQ in 2006, subject to variable import duty)				
2007 - 894,000 MT (China added 2.6 MMT TRQ in 2007, subject to variable import duty)				
2008 - 894,000 MT (China added 2.6 MMT TRQ in 2008, subject to variable import duty)				
2009 - 894,000 MT (China added 400,000 MT TRQ only for processing trade, due to weak demands for cotton)				
2010 - 894,000 MT (China added 2.67 MMT TRQ subject to variable import duty)				
2011 - 894,000 MT (China added 2.7 MMT of TRQ subject to variable import duty)				
2012 - 894,000 tons (China added 1.32 million tons of TRQ subject to variable import duty)				
2013 - 894,000 tons (as of this report, no additional TRQ has been allocated; China's WTO commitment does NOT mandate a TRQ for CY05 and after, but China maintained an identical quantity of TRQ as CY04. In addition to those volumes, based on market demand, China adds TRQs yearly. The added TRQs are subject to a variable import duty)				