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Vietnam

Cotton and Products Annual

Commodity Report

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Report Highlights:

Vietnam cotton production is small, meeting less than one percent of total cotton demand. Vietnam relies heavily on cotton imports to feed its growing textile and spinning industry. Post maintains Vietnam's 2013/2014 cotton production estimate at 3,250 metric tons (mt) or 14.9 thousand bales. Cotton imports in Marketing Year (MY) 2013/2014 are revised to increase by 20 percent, reaching 633,000 mt (or 2,900 thousand bales), due mainly to strong exports of yarn and expansion of the yarn spinning sector. In CY 2013, Vietnam imported 581,000 mt of cotton (or 2,665 thousand bales), a year-on-year increase of 39 percent. U.S. cotton accounted for 37 percent of total imports. Vietnam's cotton production and trade for the next MY (2014/2015) is projected to increase by 13 percent in comparison with MY 2013/2014 due to cotton farming projects by the leading Vietnam Textile Corporation (VINATEX). MY 2014/2015 cotton imports are projected to decrease slightly due to the projection of lower Chinese imports of Vietnamese yarns.

Commodities:

Select

Author Defined:**SITUATION AND OUTLOOK*****Textile Industry***

Vietnam is now ranked among the world's top five textile, garment, and apparel-exporting countries. Despite the global economic downturn, Vietnam exports of textile, garment, and apparel products continued growing in 2013, reaching a value of \$17.9 billion -- an increase of 18.9 percent over the same period of 2012 (Source: Vietnam Customs Office).

Vietnam has set ambitious targets for the textile industry, with exports targeted by the Vietnam Ministry of Industry and Trade to reach \$25 billion by 2020. The Trans-Pacific Partnership Agreement (TPP), if finalized, would help Vietnam achieve this target. The United States remains the largest market for Vietnam's textile industry, and accounted for nearly 50 percent of total sector exports in 2013.

Vietnam is one of a very few countries in Asia that have expanded their yarn spinning sector in recent years. From only 2 million spindles in 2000, Vietnam's spindle capacity reached about 6 million spindles (equivalent) in 2013, creating the situation for voracious demand for imported cotton. Due to strong demand for yarns from international markets, especially China, Vietnam exports of yarn in 2013 continued growing, and reached 450,000 metric tons -- a year-on-year increase of 8.4 percent. Vietnam exports nearly 65 percent of the yarn (including cotton yarn) that it produces. Main export markets for Vietnamese cotton yarn are China, South Korea, Turkey, and Indonesia.

Table 1 below illustrates an overview of the Vietnam textile/spinning industry:

Table 1: Vietnam Textile/Spinning Industry Overview

	2012	2013
Total Number of Spindles	5,100,000	6,000,000
Total Number of Rotors	103,348	103,348
Yarn Production from cotton and polyester/rayon (Unit: MT)	680,000	720,000
Yarns Exports (Unit: MT)	415,000	450,000
Yarn Imports (Unit: MT)	327,000	350,000
Fabric Production (billion m2)	1.0	1.3
Fabric Imports (billion m2)	6.0	6.0

Source: Vietnam Spinning Association (VCOSA)

Cotton Market

Post maintains the forecast for MY 2013/14 cotton lint production at 14.9 thousand bales due to low cotton prices and strong competition from other agricultural crops (i.e. cassava and corn). Recently Vinatex has committed to invest more in cotton farming, especially in the South Central Coast of Vietnam. As such, cotton production in MY 2014/2015 is forecast to increase by 14 percent over the previous crop. Vietnam will continue to rely heavily on cotton imports to fulfill its cotton needs.

Post revises MY 2013/14 cotton imports to 633,000 mt or 2,900 thousand bales, an increase of 20 percent over MY 2012/13. This growth is attributed to the expanding cotton spinning sector and continued strong exports of Vietnamese cotton yarns to overseas markets, especially China and South Korea. In CY 2013, China continued to be the biggest buyer of Vietnamese yarns (mainly low-count cotton yarns) with imports reaching 258,000 mt -- an increase of over 31 percent over 2012.

In CY 2013, Vietnam imported 581,000 mt of cotton, a y-o-y increase of 39 percent, thanks to strong demand for cotton yarns in international markets, especially China. For the seventh consecutive year, the United States remains the largest supplier of cotton to Vietnam. Vietnam sourced 214,700 tons (about 37 percent) of its total cotton imports in 2013 from the United States, making it the 4th largest market for U.S. cotton at a value of \$401 million.

PRODUCTION (see Tables 3 and 4 for details)

Vietnam's Cotton Production in 2013/2014 and 2014/2015

Post maintains the forecast for MY 2013/14 cotton lint production at about 14.9 thousand bales, a 12 percent decline compared to the previous year as low cotton prices and strong competition from other agricultural crops (i.e. cassava and corn) resulted in a reduction of planted area.

It is still somewhat early to provide a forecast for the next Marketing Year (August 2014- July 2015).

However, Vietnam cotton production for MY 2014/15 is forecast to increase to 17 thousand bales, up 13 percent over the 2013/2014 crop due mainly to increased investment by Vinatex in cotton farming projects in the South Central Coast of Vietnam. Vietnam will continue to rely heavily on cotton imports to fulfill its cotton needs.

Table 3: Vietnam's Cotton Production (from 2012/13 to 2014/15)

	2012/13	2013/14	% change 2011/12 vs 2012/13	2014/15 (Projected)
Crop area (thousand hectares)	7.74	7.02	-9.3	7.7
Crop yield (MT/HA)	1.28	1.27	-1.0	1.32
Seed cotton production (Thousand MT)	9.88	8.91	-11.4	10.16
GOR (%)	36.5	36.5		36.5
Cotton fiber production (thousand MT)	3.61	3.25	-10.9	3.71
Bales Equivalent Quantity (1,000 bales, 218kg/bale)	16.55	14.9	-10	17.0

Source: MARD, GSO, other trade sources and Post's projection

Table 4: Vietnam's cotton production by region, 2011 – 2013

Growing Regions	2012*			2013*			2014*		
	Area THA	Yield MT/HA	Prod. TMT	Area THA	Yield MT/HA	Prod. TMT	Area THA	Yield MT/HA	Prod. TMT
North East	0.80	1.30	1.04	0.90	1.30	1.17	1.00	1.30	1.30
North West	1.80	0.90	1.62	2.30	1.05	2.42	2.30	1.16	2.67
North Central Coast	0.12	0.80	0.10	0.20	0.80	0.16	0.20	1.10	0.22
South Central Coast	1.40	1.45	2.03	1.30	1.45	1.89	1.90	1.45	2.76
Central Highlands	3.00	1.40	4.20	1.80	1.40	2.52	1.80	1.40	2.52

South East	0.60	1.40	0.84	0.50	1.40	0.70	0.50	1.40	0.70
Mekong River Delta	0.02	3.00	0.06	0.02	3.00	0.06	0.00	0.00	0.00
Total cotton seed production	7.74	1.28	9.89	7.02	1.28	8.99	7.7	1.32	10.16

Source: MARD; General Statistics Office (GSO); and other trade sources.

Note:

- Prod.: Production
- THA: Thousand Hectares
- MT/HA: Metric Ton per Hectare
- TMT: Thousand Metric Tons
- (*): estimates

TRADE

As a result of strong demand for cotton yarns from international markets, especially China, Vietnam cotton imports in calendar year 2013 saw a significant increase -- 39 percent over 2012. 2013 imports reached a record of 581,000 mt for a value of \$1.17 billion.

Vietnam Imports of Cotton by Calendar Year and Vietnam's Primary Cotton Suppliers:

According to Table 5, in 2013, Vietnam imported about 581,000 tons of cotton, a year-on-year increase of 39 percent. The United States remains the number one cotton supplier to Vietnam, with more than a 37 percent share of Vietnam's total cotton imports (note: this marks the seventh consecutive year that the U.S. is the leading supplier of cotton to Vietnam). India ranked second and Australia was the third largest supplier. Other major suppliers include Brazil, Pakistan, and African countries.

Table 5: Import Trade Matrix**Country: Vietnam****Commodity: Cotton****Unit: Metric Ton**

Time Period	Jan-Dec	Unit: Metric Tons			
Imports for:	2011		2012		2013
U.S.	133,200	U.S.	126,600	U.S.	214,700
Others		Others		Others	
Africa	50,000	Brazil	60,200	India	102,000
India	43,000	India	57,000	Brazil	40,000
Brazil	29,000	Pakistan	53,850	Australia	40,000
Pakistan	17,400	Africa	25,000	Africa	26,000
Australia	10,800	Australia	24,700	Pakistan	21,000
Malaysia	10,000	Malaysia	10,000	Malaysia	11,000
Argentina	5,800	Argentina	4,350	Argentina	2,100
China	2,700	China	676	China	3,400
Mexico	1,850	Taiwan	2,240	Mexico	4,000
Taiwan	1,100			Taiwan	
Total for Others	171,650		238,016		249,500
Others not Listed	22,150		51,384		116,800
Grand Total	327,000		416,000		581,000

Source: Vietnam Customs Department; MARD; World Trade Atlas, Traders & Post's estimate

Vietnam imports of cotton by Marketing Year (August 2013-July 2014):**Table 6: Vietnam's Monthly Cotton Imports (MY2011/12 – MY 2013/14)****Unit: Quantity in 1000 metric tons; Value in \$US million**

Month	2011/2012		2012/2013		2013/2014 *	
	Quantity	Value	Quantity	Value	Quantity	Value
Aug	21	58	34	65	46.5	95.1
Sep	15	55	32	62	48.4	100.2
Oct	30	80	44	85	63.2	131.5
Nov	33	93	40	77	52.0	108.8
Dec	25	63	36	68	32.0	62.8
Jan	18	47	51	98	50.0	97.4
Feb	33	77	36	67	61.8	119.3
Mar	37	83	66	128	65.0	130.0
Apr	32	73	46	92	n/a	n/a
May	37	81	50	104	n/a	n/a
Jun	35	75	42	86	n/a	n/a
Jul	37	83	48	98	n/a	n/a
TOTAL	353	867	525	1,030	633	1,287
Average Price (US\$/ton)	2.46		1.96		2.03	

Note: Total imports in 2013/2014 * is the projected number

Sources: Vietnam General Statistic Office, Vietnam Customs Department, and other trade sources.

Table 7: Vietnam's Monthly Cotton Imports from August 2013 to March 2014

Unit: Quantity in 1,000 metric ton & Value in \$ Million

	Aug 2012 – Mar 2013		Aug 2013 – Mar 2014	
	Quantity	Value	Quantity	Value
Aug	34	65	46.5	95.1
Sep	32	62	48.4	100.2
Oct	44	85	63.2	131.5
Nov	40	77	52	108.8
Dec	36	68	32	62.8
Jan	51	98	50	97.4
Feb	36	67	61.8	119.3
Mar	66	128	65	130
Total	339	650	418.9	845.1

According to Table 6, in MY 2012/2013, Vietnam imported a record of 525,000 tons (or 2,408 thousand bales) of cotton, valued at \$1.03 billion, a sharp increase of more than 48 percent in quantity and 18.7 percent in value over the previous year.

For the first 8 months of MY 2013/2014, Vietnam imported 418,900 tons of cotton for a value of \$845 million, an increase of 23.6 percent in quantity and 30 percent in value over the same period of the previous year (see Table 7 for details). Given this strong increasing trend, Post revises Vietnam cotton imports in MY 2013/2014 to 633,000 tons (or 2,900 thousand bales). The expanding cotton spinning sector and strong exports of yarn in 2014 bolster this trend of increased imports.

It is still early to provide a forecast for Vietnam's cotton imports for the next marketing year (2014/2015). China's imports of yarns are forecast lower as policy changes are expected to reduce their state reserve stocks of cotton. Vietnam's cotton imports in 2014/15 are forecast to decrease slightly by 6 percent to a level of 590,000 tons (or 2,700 thousand bales).

U.S. Cotton Exports to Vietnam

In 2013, U.S. cotton exports to Vietnam totaled 214,700 tons for a value of \$401 million, a year-on-year increase of 70 percent in quantity and 62 percent in value. While Table 8 shows the growth of U.S. cotton exports to Vietnam during the last 5 years. Table 9 and table 10 will provide the details of U.S. cotton grades exported to Vietnam in volume and in value.

Table 8: U.S. Cotton Exports to Vietnam

	2009	2010	2011	2012	2013	% change 2013 versus 2012
Quantity (1000MT)	141.3	132.9	133.2	126.6	214.7	+70%
Value (\$ million)	165.1	248.8	362.3	247.8	401.1	+62%

Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics

**Table 9: U.S Cotton Export to Vietnam by Grades
(Quantity in metric tons (MT))**

	2009	2010	2011	2012	2013
Product	Qty	Qty	Qty	Qty	Qty
Cotton > 1 < 1 1/8	113,338	101,607	82,224	80,905	115,998
Cotton Other > 1 1/8	24,445	25,374	46,548	42,473	94,060
Cotton < 1	2,305	3,693	2,543	2,985	3,878
Pima >= 1 3/8	1,182	2,188	1,861	212	760
Cotton Linters	0	0	17	0	4
TOTAL	141,271	132,863	133,194	126,576	214,700

Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics

**Table 10: U.S. Cotton Exports to Vietnam by Grades
(Value in thousand US dollars)**

	2009	2010	2011	2012	2013
Product	Value	Value	Value	Value	Value
Cotton > 1 < 1 1/8	129,851	184,070	184,844	153,418	214,701
Cotton Other > 1 1/8	29,958	51,299	162,321	85,197	177,298
Cotton < 1	3,520	8,784	7,612	8,423	7,301
Pima >= 1 3/8	1,779	4,597	7,563	651	1,792
Cotton Linters	0	0	8	0	3
TOTAL	165,108	248,750	362,349	247,689	401,095

Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics

Table 11: U.S. Cotton Exports to Vietnam by Marketing Year

	2009-2010	2010-2011	2011-2012	2012-2013	2013 versus 2012
	Aug-Jul	Aug-Jul	Aug-Jul	Aug-Jul	% Change
Quantity (1000 metric tons)	112.0	156.2	113.3	194.7	71.7
Value (\$ million USD)	171.5	402.6	248.4	350.2	41.0

Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics

According to Table 11, U.S. cotton exports to Vietnam during August 2012-July 2013 reached nearly 195,000 tons (or 893 thousand bales) at a value of \$350 million, a sharp year-on-year increase of 72 percent in quantity and 41 percent in value. U.S. cotton made up 37.5 percent of the total cotton imports in MY 2012/2013 (in quantity).

According to the U.S. Census Bureau, U.S. cotton exports to Vietnam in the first six month of MY 2013/14 (August 2013-January 2014) showed an increase of 38 percent in value and 22 percent in quantity in comparison with the same period of 2012/13. Post projects that U.S. cotton exports to Vietnam in MY 2013/14 will likely reach a new record.

CONSUMPTION

Vietnam's domestic cotton consumption continues to increase in order to meet strong demand from its expanding textile industry. Demand for yarns is strong, both for export and domestic markets. Vietnam is one of a very few countries in Asia that have expanded their yarn spinning sector in recent years.

Vietnam is currently home to over 100 spinning mills with 6 million spindles (equivalent) for a total capacity of 720,000 tons of cotton-based yarns. Vietnam’s cotton consumption has been increasing at an average rate of 8 percent, per year, for the last five years.

Post revises estimated domestic cotton consumption for 2013/2014 to 610,000 tons, equivalent to 2,800 thousand bales (note: Post’s previous estimate was 2,530 thousand bales). This revision reflects the stronger exports of cotton yarn to overseas markets, especially China.

For 2014/2015, China’s imports of yarns are forecast lower as policy changes are expected to reduce their state reserve stocks of cotton. As such, Post forecasts that Vietnam cotton consumption for 2014/2015 will reduce by 5 percent reaching 578,000 tons or 2,650 thousand bales.

Please see the PS&D table (Table 2) for more details.

STOCKS

As cotton prices and bank interest rates have gradually softened in recent months of MY 2013-2014, cotton users and traders are able to take on a larger inventory , creating a slight increase in stocks-to-use ratio (from 22 percent to 23 percent).

PRICES

Table 12 illustrates stable monthly cotton import prices in 2013. These prices (USD per kg) ranged from 1.86 to 2.09. The average import price for 2013 was \$2.02/kg, a slight decrease of 3.3 percent in comparison to the average import price in 2012.

Table 12: Cotton Average Import Price in 2011-2013

Country: Vietnam

Commodity: Cotton

Price in USD per Kg			
	2011	2012	2013
Jan	2.81	2.58	1.86
Feb	2.93	2.31	1.94
Mar	3.42	2.24	2.00
Apr	3.69	2.27	2.08
May	4.17	2.19	2.05
Jun	3.98	2.14	2.04
Jul	3.89	2.00	2.05
Aug	2.76	1.91	2.07
Sep	3.67	1.94	2.08
Oct	2.67	1.93	2.09
Nov	2.84	1.93	1.96
Dec	2.52	1.89	1.96
Calendar Year Average Price	3.24	2.09	2.02

Exchange Rate	21,100	Local Currency/US\$	
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Source: Vietnam General Statistic Office and Vietnam Customs Department

Domestic Prices:

Presently, seed cotton has been purchased at an average price of VND 13,000/kg, equivalent to \$0.616/kg, an increase of 7 percent over the previous crop (note: in the previous crop, seed cotton was bought at \$0.576/kg). Ginned cotton is being sold at \$1.97-2.0/kg.

CONSUMPTION OF VALUE-ADDED COTTON PRODUCTS

Cotton Yarns

It is estimated that Vietnam produced 720,000 mt of yarns in 2013, an increase of 6 percent over 2012. It is quite difficult to determine the exact breakdown of yarns made from cotton in the total production due to the complexity of cotton content in cotton-polyester blended yarns.

Vietnam exports nearly 65 percent of its yarn production. From its total production of 720,000 mt of cotton-fiber yarns in 2013, Vietnam exported nearly 450,000 mt of yarns. The yarns staying in the domestic market accounted for 35 percent, or 270,000 mt. The main markets for Vietnamese yarns are: China (258,000 mt or 57 percent of its total exports); Korea (35,000 mt or 8 percent), and Turkey (18,000 mt or 4 percent). See Table 13 below for more details of Vietnam exports of yarns in the last three years (2011-2013).

Table 13: Yarn Export Trade Matrix

Country: Vietnam

Commodity: Yarn

Unit: Metric Ton

Time Period					
Exports for:	2011		2012		2013
U.S.		U.S.		U.S.	
Others		Others		Others	
China	116,500	China	198,000	China	258,000
Turkey	82,000	Turkey	90,000	Turkey	18,000
Korea	79,600	Korea	71,500	Korea	35,000
Thailand	30,000	Thailand	19,000	Indonesia	8,000
Malaysia	12,000	Malaysia	10,500	Malaysia	7,000
Taiwan		Taiwan		Taiwan	2,000
Brazil	9,500	Brazil	9,000	Brazil	1,000
Total for Others	329,600		398,000		329,000
Others not Listed	54,400		17,000		121,000

Grand Total	384,000		415,000		450,000
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Source: Vietnam Cotton Spinning Association, Vietnam Customs Department; World Trade Atlas; Traders & Post's estimate

According to the World Trade Atlas, in CY 2013, Vietnam exported about \$1.15 billion of cotton yarns (Harmonized System Code 5205 and 5206) to overseas markets. As mentioned above, China, Korea, Turkey, and Indonesia were the four biggest importers accounting for over 94 percent of the total export value. Table 14 shows details of Vietnam export value of yarns by countries.

Table 14: 2013 -- Countries importing cotton yarns (HS code 5205-5206) from Vietnam
Unit: thousand US dollars

Reporting Total	1,140,000
China	900,000
South Korea	120,000
Turkey	26,000
Indonesia	24,000

Source: World Trade Atlas

Although Vietnam is a sizable exporter of yarns (mainly cotton yarns), Vietnam also imports yarns for domestic use. However, there is no official data on Vietnam imports of cotton yarns. According to Vietnam Cotton Spinning Association, most of the yarns imported into Vietnam are synthetic fiber yarns.

According to World Trade Atlas, in 2013, Vietnam imported over \$1.3 billion of yarns from other countries, of which synthetic filament yarn and artificial fiber yarns took nearly 70 percent of the total imports.

Reporting Total	1,380,000
China	520,000
Taiwan	223,000
South Korea	127,000
Indonesia	51,000

Source: World Trade Atlas

Vietnam imports of fabric:

With its current limited dyeing capacity, Vietnam is only able to produce about 1.0 to 1.3 billion square meters of fabric. However, the textile industry needs over 6.8 billion square meters of fabric. To feed its growing apparel sector (for exports), Vietnam has to rely heavily on imported fabrics.

According to the Vietnam Textile and Apparel Association and the Vietnam Customs Department, in 2013 Vietnam spent over \$8 billion to import more than 6 billion square meters of fabric, mainly from China. According to World Trade Atlas, China exported over \$5.7 billion of fabric to Vietnam.

MARKETING/POLICY

Tariff on Cotton

Cotton lint (HS code 5201 and 5203) has a zero tariff but a 5 percent value added tax is assessed.

Tariff on cotton yarn

Cotton yarn (HS code 5205-5206-5207) has a 5 percent tariff and a 10 percent value added tax.

Biotech Policy and Cotton Production

Commercialization of biotech cotton is not yet approved in Vietnam. Although confined field trials for biotech cotton are authorized, to date, field trials have not been conducted. For more information on agricultural biotechnology in Vietnam, please refer to the USDA Gain Report “Vietnam Agricultural Biotechnology Report” VM3060 dated November 13, 2013.

http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Agricultural%20Biotechnology%20Annual%20Hanoi%20Vietnam_11-13-2013.pdf

STATISTICAL INFORMATION

Table 2: Vietnam’s Cotton Production, Supply and Demand

Cotton Vietnam	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Aug 2012		Market Year Begin: Aug 2013		Market Year Begin: Aug 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	8	0	7		8
Area Harvested	8	8	7	7		8
Beginning Stocks	315	315	492	492		607
Production	17	17	15	15		17
Imports	2,410	2,410	2,900	2,900		2,700
MY Imports from U.S.	0	893	0	0		0
Total Supply	2,742	2,742	3,407	3,407		3,324
Exports	0	0	0	0		0
Use	2,250	2,250	2,800	2,800		2,650
Loss	0	0	0	0		0
Total Dom. Cons.	2,250	2,250	2,800	2,800		2,650
Ending Stocks	492	492	607	607		674
Total Distribution	2,742	2,742	3,407	3,407		3,324

Source: FAS, Official USDA Estimates, post estimates

Note for unit measures:

- Planted area/Harvest area: 1,000 ha
- Stocks/Production/Imports/ MY imports from U.S/ Total Supply/Exports/Use/Total Domestic Consumption/Ending Stocks/Total distribution: 1,000 bales (480-lb bale equivalent to 218-kg bale)

