

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Thailand

### Cotton and Products Update

**2014**

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**Report Highlights:**

Cotton consumption and imports by Thailand are estimated to decline in MY 2014/15. The Thai textile industry, especially yarn spinners and fabric weavers, are currently struggling due to higher production costs and a weak global economy.

## Executive Summary:

Cotton Thailand	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	1	0	1	0	1	(1000 HA)
Area Harvested	1	1	1	1	1	1	(1000 HA)
Beginning Stocks	261	261	268	203	290	138	1000 480 lb. Bales
Production	2	2	2	2	2	2	1000 480 lb. Bales
Imports	1,511	1,511	1,546	1,550	1,575	1,500	1000 480 lb. Bales
MY Imports from U.S.	0	446	0	530	0	530	1000 480 lb. Bales
Total Supply	1,774	1,774	1,816	1,755	1,867	1,640	1000 480 lb. Bales
Exports	6	6	1	2	5	2	1000 480 lb. Bales
Use	1,475	1,540	1,500	1,590	1,500	1,510	1000 480 lb. Bales
Loss	25	25	25	25	25	15	1000 480 lb. Bales
Total Dom. Cons.	1,500	1,565	1,525	1,615	1,525	1,525	1000 480 lb. Bales
Ending Stocks	268	203	290	138	337	113	1000 480 lb. Bales
Total Distribution	1,774	1,774	1,816	1,755	1,867	1,640	1000 480 lb. Bales
Stock to Use %	18	13	19	9	22	7	(PERCENT)
Yield	435.	435.	435.	435.	435.	435.	(KG/HA)

Trade sources report that Thailand has been losing its competitiveness in supplying low-end textile since the government significantly raised minimum wages by 40 percent in April 2012 and applied a daily minimum wage of 300 baht/day (\$ 9.40/day) as of January 1, 2013. As a result, Thai garment factories have relocated facilities to lower wage countries such as Vietnam, Cambodia, Laos and Myanmar; however, most spinners and weavers are still operating in Thailand since relocation costs are relatively high.

Industry sources indicated that higher production costs have pushed existing spinners and weavers up against the wall not only on exporting to global markets but also competing with imported less-expensive products in the domestic market. On top of losing competitiveness, the impacts of the price volatility of imported cotton in 2011-2012 continue to affect the bottom line of many Thai spinners. Nearly all cotton yarn spinners reportedly encounter losses in the past couple years.

Cost and competitiveness factors have forced some large spinners and weavers to increase investment in automated machinery, reducing labor costs and improving product quality. On the other hand, some decided not to invest and to continue their operations. It is anticipated that 4-5 large spinning and weaving mills may terminate their operations in early 2015 and several spinners will refocus more on medium-to-high end products.

It is anticipated that Thai exports of cotton yarn and fabric in MY 2014/15 will be affected by a vulnerable outlook of global economy, especially in China which is a major buyer of Thai cotton yarn. China accounted for two-thirds of Thai cotton yarn exports in 2013.

Accordingly, Post estimates that cotton use in MY 2014/15 will drop by five percent to 1.51 million bales from 1.59 million bales in MY 2013/14. Meanwhile, Thailand's total cotton imports are anticipated to decline to 1.5 million bales as compared to 1.55 million bales in MY 2013/14. Despite a decline in total imports, trade sources believed that imports of U.S. cotton may be close to the level in MY 2012/13 at 530,000 bales, mainly because several spinners have turned to utilize premium cotton to

upgrade their products. Also cotton supplies from Australia, another source of premium cotton supplies, likely will be less competitive in MY 2014/15.