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# GAIN Report

Global Agricultural Information Network

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## **China - Peoples Republic of**

### **Cotton and Products Update**

#### **Beijing**

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**Report Highlights:**

Post's MY13/14 cotton production forecast of 7 million tons remains unchanged from previous reports. MY12/13 cotton imports are likely to reach 4.3 million tons but MY13/14 imports are expected to only reach 2.2 million tons as massive stocks impact demand. Low prices and no quota are influencing a growth trend in yarn imports that are expected to reach 1.4 million tons in 2012. As of mid-August, total domestic stocks are estimated at 9.5 million tons driven by a government purchase support policy that is reportedly under reconsideration.

## **Executive Summary:**

Post's MY13/14 cotton production forecast of 7 million tons remains unchanged from previous reports. MY12/13 cotton imports are likely to reach 4.3 million tons but MY13/14 imports are expected to only reach 2.2 million tons as massive stocks impact demand. Low prices and no quota are influencing a growth trend in yarn imports that are expected to reach 1.4 million tons in 2012. As of mid-August, total domestic stocks are estimated at 9.5 million tons driven by a government purchase support policy that is reportedly under reconsideration.

## **MY13/14 cotton production forecast at 7 million tons**

Post's MY13/14 cotton production forecast of 7 million tons remains unchanged from previous reports. Xinjiang crop growth in southern regions (Kuerle, Kashi and Aksu) is reportedly better than that in the North due to yield concerns. A wet July is expected have a moderate impact on production in part of Shandong with dry conditions and high temperatures in Hunan province in early August also expected to dampen yield prospects.

The China National Cotton Exchange August forecast of 7.26 million tons for MY13/14 production is a slight rise from its July forecast of 7.22 million tons but lower than the 7.57 million tons forecast for MY12/13. Cncotton.com held its August forecast for MY13/14 production stable with its July forecast of 7.25 million tons, down 360,000 tons from its 7.61 million tons production estimate for MY12/13. China Cotton Association, however, continued to drop its MY13/14 production forecast to about 6.7 million tons in August from 6.97 million tons in July, and planted area fall of 6.7 percent over MY12/13.

## **Cotton imports**

TRQ: Through the end of July, industry sources estimate the government has issued an additional 1.2 million tons TRQ (over its WTO commitment) subject to sliding duty based on a total auctioned cotton reserves at about 3.7 million tons (based on a 3:1 ratio whereby the government allocates 1 ton of import TRQ per 3 tons of cotton reserve purchased). An additional TRQ allocation is rumored for August but no official details have been released.

Imports: MY12/13 cotton imports are likely to reach 4.3 million tons. Despite China's huge cotton stocks, the continuing gap between high domestic and lower world market price attracts imports to meet mill demand. As of the end of June, total imports reached 4.08 million tons. Post MY13/14 import forecast is raised to 2.2 million tons from our previous forecast of 2 million tons.

Conversely, yarn import numbers continue to rise. Due to yarn's low price and no quota limit, China's traders are increasing yarn imports to fill mill demands for raw material. Yarn imports stood at 1.4

million tons in 2012, up 75 percent over the 804,000 tons in 2011. Imports in the first 6 months of 2013 reached 888,000 tons, up 47 percent over the 606,000 tons in the same period of 2012.

### **Stocks remain high**

As estimated by industry sources, as of mid-August, total stocks are estimated at 9.5 million tons with 7.3 million tons in state reserve, 860,000 tons in mill stocks, 800,000 tons held by domestic traders and 500,000 tons in bonded warehouses.

### **Consumption**

The MY13/14 forecast for cotton consumption of 8.7 million tons remains unchanged from our previous report.

NBS data shows yarn production at 19.56 million tons in the first seven months of 2013, up 8.5 percent over the previous year. 2.9 million tons of yarn production in July was also 4 percent higher over the same month in the previous year. From January to July, total value for apparel exports increased by 13.5 percent, while that for textile was up 11.5 percent from the previous year.

### **Cotton production support policy under review**

In early 2013, China's National Development and Reform Commission (NDRC) announced that the government support purchase price would remain at RMB20,400/ton for MY13/14 domestic cotton. However, NDRC has also solicited suggestions for cotton policy reform. Industry sources report that NDRC is working on a pilot reform project which may be implemented in Xinjiang next year. Reportedly, the program focus may include a "direct subsidy" but details remain under discussion.

**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	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted		5,380		5,275		5,030
Area Harvested	5,500	5,380	5,300	5,275	5,100	5,030
Beginning Stocks	10,603	10,603	31,081	30,181	50,333	47,956
Production	34,000	33,100	35,000	34,900	33,000	32,150
Imports	24,533	24,533	20,327	19,750	11,000	10,100
MY Imports from U.S.	0		0		0	
Total Supply	69,136	68,236	86,408	84,831	94,333	90,206
Exports	55	55	75	75	75	75
Use	38,000	38,000	36,000	36,800	36,000	39,960
Loss	0	0	0	0	0	
Total Dom. Cons.	38,000	38,000	36,000	36,800	36,000	39,960
Ending Stocks	31,081	30,181	50,333	47,956	58,258	50,171
Total Distribution	69,136	68,236	86,408	84,831	94,333	90,206
Stock to Use %	82	79	140	130	161	125
Yield	1,346.	1,340.	1,438.	1,441.	1,409.	1,392.
TS=TD		0		0		0