

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY  
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT  
POLICY

Required Report - public distribution

**Date:** 11/27/2015

**GAIN Report Number:** VM5081

## **Vietnam**

### **Cotton and Products Update**

#### **Commodity Report**

**Approved By:**

Gerald Smith

**Prepared By:**

Vo Thanh Kiet

**Report Highlights:**

Post revises Vietnam's MY 2014/2015 cotton production estimate at 606 tons or 2,780 bales. Despite efforts by the Vietnam Textile Corporation, a leading textile group to launch cotton farming projects, Vietnam's cotton production in MY 2015/2016 is forecast less than the previous MY. Cotton imports in Marketing Year (MY) 2014/2015 are revised to increase by 35 percent, reaching 935,900 tons (or 4.29 million bales), of which U.S. cotton accounted 43 percent of imports, thanks to strong exports of yarns and expansion of the yarn spinning sector. MY 2015/2016 cotton imports in Vietnam will continue rising to meet the increasing market demand.

**Post:**

Hanoi

**Commodities:**

Cotton

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

Vietnam is now ranked among the world's top five textile and apparel-exporting countries. Despite difficulties in the global economy, the growth pace of Vietnam exports of textile and apparel products continued growing in 2014 with an export value of \$24 billion - an increase of 19 percent over 2013. Based on recent positive trade data, Vietnam's textile and apparel industry will likely continue to enjoy another successful year in light of export revenue is forecast to reach \$28 billion in 2015, up about 16 percent over 2014. The United States remains the largest market for the Vietnam textile and garment industry. In 2014, Vietnam garment exports to the U.S. reached about \$9.8 billion, equivalent to 41 percent of its total export value. Key industry sources estimate that Vietnam garment exports to the U.S. will continue to climb to about \$11 billion in 2015. Other important international markets for Vietnam apparel products include the EU, Japan and South Korea.

This significant achievement helps Vietnam move incrementally towards its ambitious export target of \$25 billion by 2020 (set by the Vietnam Ministry of Industry and Trade). A remarkable number of investments, from both foreign and local investors, in different production processes, including spinning, weaving and knitting, dyeing and finishing, and garment making, have been made to capture opportunities offered by the Trans-Pacific Partnership Agreement (TPP) and the Free Trade Agreement with the EU.

According to the Ministry of Planning and Investment, foreign direct investments (FDIs) to Vietnam in the first 10 months of 2015 increased about 41 percent over the same period last year, from \$13.7 billion to \$19.3 billion, of which an estimated amount of \$2 billion was channeled by investors into the textile and garment industry. Hyosung Dong Nai (Turkish, investment capital of \$660 million), Polytex Far Eastern Vietnam (Taiwanese, \$274 million), Ilshin Vietnam (Korea, \$177 million) and Worldon Vietnam (Hong Kong, \$160 million extended capital) are a few recipients of huge investments. FDI flow into this attractive growth sector will likely continue to grow. The increasing number of new and existing spinning mills being registered in 2015 will raise the number of spindles in Vietnam from 6.3 million in 2014/2015 to 8.27 million in 2016/2017. The increasing number of spindles would also create a strong demand for cotton. Vietnam Cotton and Spinning Association (Vcosa) estimates that

Vietnam annual spinning capacity will reach 990,000 tons at the end of 2015, up about 10 percent over 2014.

Vietnam exports nearly 65 percent of the yarns (including cotton yarn) that it produces to international markets, especially to China, Turkey and South Korea. Vietnam exports of yarns in CY 2014 reached a record of 858,500 tons -- a year-on-year increase of 19 percent. Post forecasts that Vietnam exports of yarns will continue to climb to about 950,000 tons in CY2015 given the fact that China's industry may continue to favor the use of imported yarn over spinning yarn. China's constantly high cotton price has significantly reduced its spinning competitiveness, which has added costs to its textile and apparel production. This has created great opportunities in Vietnam's growing spinning industry.

**Table 1: Vietnam Textile/Spinning Industry Overview**

	2012	2013	2014	2015*
Total Number of Spindles	5,100,000	6,000,000	6,100,000	6,300,000
Total Number of Rotors	103,348	103,348	103,348	103,348
Yarn Production from cotton and polyester/rayon (Unit: Ton)	680,000	720,000	930,000	990,000
Yarns Exports (Unit: Ton)	628,000	720,000	858,500	950,000
Yarn Imports (Unit: Ton)	646,000	695,000	740,000	770,000
Fabric Production (billion m2)	1.0	1.3	3	3
Fabric Imports (billion USD)	7.0	8.3	9.4	n.a

Source: Vietnam Spinning Association (VCOSA), Customs Vietnam and Post's estimate

**Table 2: Vietnam exports of yarns to worldwide markets (quantity in thousand tons)**

Reporting Country	Calendar Year		Year to date			Market share in the first 9 months of 2014	Market share in the first 9 months of 2015
	2013	2014	Jan – Sep 2014	Jan – Sep 2015	% Change		
China	282.0	394.7	277.2	370.2	33.5%	44.3%	51.7%
Turkey	137.8	109.2	81.0	72.7	-10.2%	12.9%	10.1%
Korea (Republic)	72.6	67.8	50.0	53.6	7.2%	8.0%	7.5%
Thailand	25.7	31.1	22.0	24.6	11.8%	3.5%	3.4%
Brazil	12.6	24.9	18.7	13.8	-26.2%	3.0%	1.9%
Others	154.7	185.0	139.2	155.6	11.7%	22.2%	21.7%
Others not listed	34.6	45.8	37.9	26.2	-31.0%	6.1%	3.6%
Grand total	720.0	858.5	626.0	716.6	14.5%		

Source: Customs Vietnam and Post's estimate

**Table 3: Vietnam imports of yarns from worldwide markets (quantity in thousand tons)**

Reporting Country	Calendar Year		Year to date			Market share in the first 9 months of 2014	Market share in the first 9 months of 2015
	2013	2014	Jan – Sep 2014	Jan – Sep 2015	% Change		
China	215.7	261.0	191.5	219.2	14.5%	34.9%	37.7%
Taiwan	217.7	208.6	156.7	143.8	-8.2%	28.5%	24.7%
Thailand	86.3	80.0	60.2	58.3	-3.2%	11.0%	10.0%
Korea (Republic)	77.8	76.8	58.8	60.7	3.2%	10.7%	10.4%
Indonesia	29.3	46.7	35.4	37.1	4.8%	6.4%	6.4%
Others	60.0	58.0	40.2	53.4	32.8%	7.3%	9.2%
Others not listed	8.3	8.9	6.2	9.5	53.2%	1.1%	1.6%
Grand Total	695.0	740.0	549.0	582.0	6.0%		

Source: Customs Vietnam and Post's estimate

**Cotton Market**

Post revises the MY 2014/15 cotton lint production at 2,780 bales from the previous estimate of 6,250 bales. This significant difference is calculated based on the latest data of cotton planted area released by MARD and GSO Vietnam. More details can be found in the below-mentioned Production section.

Post revises MY 2014/2015 cotton imports to 935,900 tons or 4.29 million bales, an increase of 35 percent over MY 2013/2014. Cotton imports in CY 2015 are forecast at 1.1 million tons or 5.04 million bales, up 45 percent over the previous CY. This growth is attributed to the expanding cotton spinning sector and continually strong exports of Vietnam cotton and cotton blend yarns to overseas markets, especially China, South Korea and Turkey. China continued to be the biggest buyer of Vietnamese cotton yarns (mainly low-count cotton yarns, HS code: 5205, 5206). Vietnam exports of cotton yarns to China in the first 9 months of CY 2015 soared to 370,000 tons, up 34 percent over the same period last year. The other major cotton yarn exporters like India and Pakistan also enjoyed strong growth in sales to China. According to Global Trade Atlas, cotton yarn exports from India and Pakistan in the first 7 months of CY 2015 to China reached 408,000 tons and 340,000 tons, up 28.6 percent and 22.6 percent, respectively, compared to the same period last year.

The United States remains the largest supplier of cotton to Vietnam, with an export volume of about 377,000 tons in the first 9 months of CY 2015, which is an impressive increase of 119 percent compared to the same period the year before (see table 5 for more details).

**PRODUCTION:** (see Tables 4 and 5 for details)

### **Vietnam's Cotton Production in MY 2014/2015 and MY 2015/2016**

Post revises Vietnam cotton lint production in 2014/2015 at about 2,780 bales, just about 44 percent of the previous estimate of 6,250 bales which was calculated based on the Government's free-of-charge supply of 13,600 kg of cotton seeds to local farmers. Data released by Vietnam's Ministry of Agriculture and Rural Development (MARD) showed that cotton planted area was 1,200 hectares, much lower than the previous estimate of 2,700 hectares. Until recently in Vietnam, cotton was considered as a strategic crop, which has enjoyed a significant amount of incentives/subsidies from the Government. The crop was planted in many provinces across the country in the early 2000s but has been losing ground as a strategic crop. Today, cotton is reported to be planted in some provinces in the South Central Coast and Central Highland regions. It's becoming difficult to find hard and reliable data on cotton in ministerial and provincial reports. There are several reasons that help explain the dramatic decline of cotton planted area in Vietnam:

- 1) International cotton price has been dropping in the last few years while local cotton production cost remains uncompetitive.
- 2) Cotton is facing increasingly tougher competition from other cash crops including coffee, cashew, corn, and cassava. These cash crops are more profitable to the growers.
- 3) Lesser incentives offered by State entities and no constant commitments made by cotton ginning mills to guarantee the farmers' profit; and

4) China is importing less cotton and causing more supply from international producers (USA, Australian, India, Brazil and Pakistan).

Post forecasts that Vietnam cotton planted area will continue to shrink in MY2015/2016 and the country is set to become a net importer of cotton.

**Table 4: Vietnam’s Cotton Production (from 2013/14 to 2014/15)**

Description	2013/2014	2014/2015	2015/2016*	% change 2016/15 vs 2014/2015
Crop area (thousand hectares)	2.50	1.20	1.0	-20%
Crop yield (Ton/HA)	1.39	1.38	1.38	-
Seed cotton production (Thousand tons)	3.47	1.66	1.38	-17%
GOR (%)	36.5	36.5	36.5	
Cotton fiber production (thousand tons)	1.27	0.6	0.5	-17%
Bales Equivalent Quantity (1,000 bales, 218kg/bale)	5.82	2.78	2.31	-17%

Source: MARD, GSO, other trade sources and \*Post’s projection

**Table 5: Vietnam’s cotton production by region, 2013/2014 – 2014/2015**

Growing region	2013/2014			2014/2015			2015/2016*		
	Area	Yield	Prod.	Area	Yield	Prod.	Area	Yield	Prod.
	THA	T/HA	TMT	THA	T/HA	TMT	THA	T/HA	TMT
North East	-	-	-	-	-	-	-	-	-
North West	0.90	1.30	1.17	-	1.30	-	-	-	-
North Central Coast	-	-	-	-	-	-	-	-	-
South Central Coast	0.40	1.45	0.58	0.50	1.45	0.73	-	-	-
Central Highland	1.10	1.40	1.54	0.66	1.40	0.92	1.00	1.38	1.38
South East	0.10	1.40	0.14	-	-	-	-	-	-
Mekong Delta River	-	-	-	0.03	1.40	0.04	-	-	-
Total cotton seed production	2.50	1.39	3.47	1.19	1.38	1.64	1.00	1.38	1.38

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

Note:

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

**TRADE:**

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

Strong demand for cotton yarns from international markets, especially from China, supports Vietnam to import more cotton to feed its growing spinning sector. Post estimates Vietnam cotton imports in CY 2015 will climb up to about 1.1 million tons (or 5.04 million bales) with a forecast value of \$1.8 billion, resulting in a significant increase of 45 percent in quantity and 19 percent in value respectively over 2014. Based on several favorable conditions that the Vietnam spinning industry has enjoyed in recent years, such as China's increasing imports of cotton yarn and potential opportunities offered by joining the TPP and a FTA with the EU, post forecasts that Vietnam cotton imports will continue to grow more strongly in the coming years.

Figures in table 6 shows that the United States remains the number one cotton supplier to Vietnam, with 46 percent share of Vietnam's total cotton imports in the first 9 months of CY 2015. The U.S. continues to enjoy its eighth consecutive year being the leading supplier of cotton to Vietnam, reflecting its commitment in dealing with tougher and tougher competition from other major cotton suppliers, such as India, Australia and Brazil. Statistical data showed that in the first 9 months of 2015, 3 countries including the U.S., Brazil and Cote D'Ivoire experienced positive growth in exporting cotton to Vietnam, while export volumes for all other countries fell.

**Table 6: Import Trade Matrix**

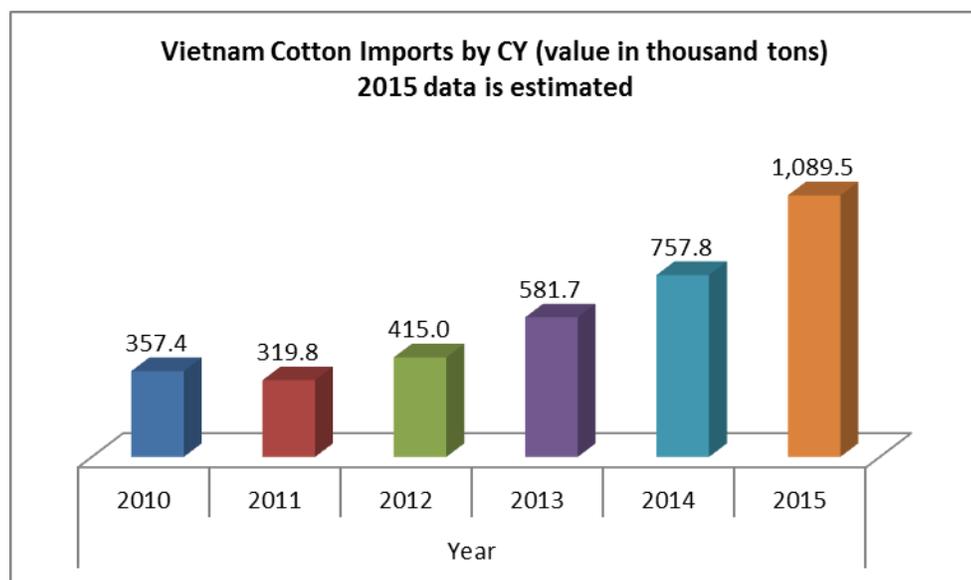
**Country: Vietnam**

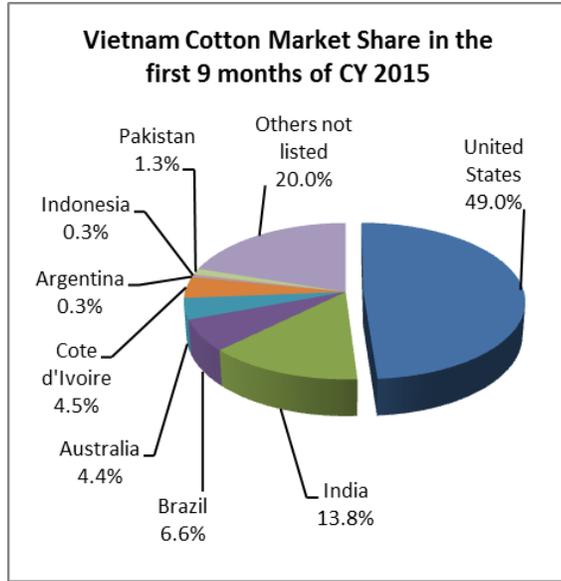
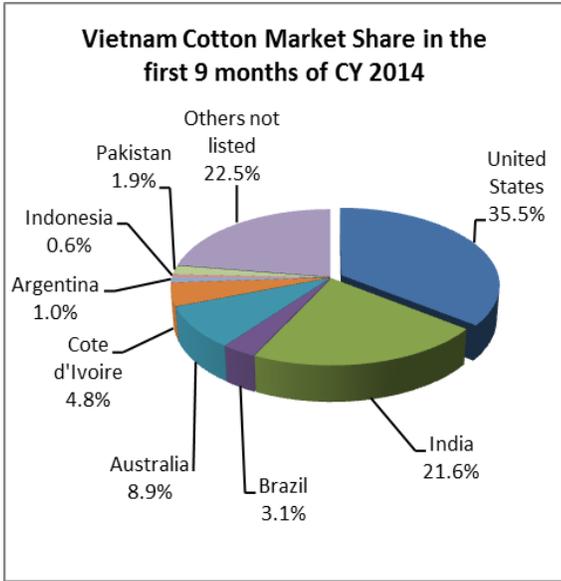
**Commodity: Cotton**

**Unit: Thousand Ton**

Reporting Country	Calendar Year		Year to date			Market share in the first 9 months of 2014	Market share in the first 9 months of 2015
	2013	2014	Jan – Sep 2014	Jan – Sep 2015	% Change		
<b>United States</b>	<b>215</b>	<b>219</b>	<b>171.9</b>	<b>377.3</b>	<b>119.5%</b>	<b>30.4%</b>	<b>46.2%</b>
<b>Others</b>							
India	105	156	122	112.9	-7.5%	21.6%	13.8%
Brazil	38	80	17.7	53.9	204.5%	3.1%	6.6%
Australia	38	78	50.1	35.6	-28.9%	8.9%	4.4%
Cote d'Ivoire	13	24	27.3	36.4	33.3%	4.8%	4.5%
Argentina	2	16	5.9	2.1	-64.4%	1.0%	0.3%
Indonesia	2	5	3.6	2.5	-30.6%	0.6%	0.3%
Pakistan	21	17	10.6	10.5	-0.9%	1.9%	1.3%
<b>Total of others</b>	<b>219</b>	<b>376</b>	<b>237.2</b>	<b>253.8</b>	<b>7.0%</b>	<b>42.0%</b>	<b>31.1%</b>
<b>Others not listed</b>	<b>156</b>	<b>157</b>	<b>127.1</b>	<b>163.2</b>	<b>28.4%</b>	<b>22.5%</b>	<b>20.0%</b>
<b>Grand total</b>	<b>582</b>	<b>758</b>	<b>565.2</b>	<b>817.1</b>	<b>44.6%</b>		

Source: Global Trade Atlas, Vietnam Customs





**Vietnam imports of cotton by Marketing Year (August 2014-July 2015):**

According to Table 6 below, in MY 2014/2015, Vietnam imported a record of 935,900 tons (or 4.29 million bales) of cotton, valued at \$1.55 billion, a sharp increase of 35 percent in quantity and 11 percent in value over the previous year.

**Table 7: Vietnam's Monthly Cotton Imports (MY2011/12 – MY 2014/15)****Unit: Quantity in 1000 tons; Value in \$US million**

Month	2011/2012		2012/2013		2013/2014		2014/2015		Monthly average price 2014/2015 (USD/Kg)
	Qty	Value	Qty	Value	Qty	Value	Qty	Value	
Aug	21.0	58.0	34.0	65.0	46.7	95.5	42.0	82.3	1.96
Sep	15.0	55.0	32.0	62.0	48.5	100.5	74.6	137.3	1.84
Oct	30.0	80.0	44.0	85.0	63.1	131.4	68.2	122.2	1.79
Nov	33.0	93.0	40.0	77.0	52.4	108.8	59.8	102.6	1.72
Dec	25.0	63.0	36.0	68.0	32.0	62.5	64.6	106.0	1.64
Jan	18.0	47.0	51.0	98.0	49.9	97.1	82.3	130.4	1.58
Feb	33.0	77.0	36.0	67.0	61.5	118.8	50.3	80.5	1.60
Mar	37.0	83.0	66.0	28.0	73.3	145.8	109.2	175.5	1.61
Apr	32.0	73.0	46.0	92.0	70.2	139.5	101.4	161.8	1.60
May	37.0	81.0	50.0	104.0	78.0	158.1	100.6	158.6	1.58
Jun	35.0	75.0	42.0	86.0	65.7	138.3	96.0	155.0	1.61
Jul	37.0	83.0	48.0	98.0	50.0	102.3	86.9	140.7	1.62
<b>Total</b>	<b>353.0</b>	<b>868.0</b>	<b>525.0</b>	<b>1,030.0</b>	<b>691.3</b>	<b>1,398.6</b>	<b>935.9</b>	<b>1,552.9</b>	
<b>% change</b>			<b>49%</b>	<b>19%</b>	<b>32%</b>	<b>36%</b>	<b>35%</b>	<b>11%</b>	
<b>Yearly average price (USD/Kg)</b>	<b>2.46</b>		<b>1.96</b>		<b>2.02</b>		<b>1.66</b>		

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

**U.S. Cotton Exports to Vietnam**

U.S. exports of cotton to Vietnam skyrocketed to a new record of 377,000 tons in the first 9 months of CY 2015, representing an impressive increase of 119 percent compared to the same period of last year. While Table 8 shows the growth of U.S. cotton exports to Vietnam during the last 5 years, Table 9 and Table 10 provide the details of U.S. cotton grades exported to Vietnam in volume and in value.

**Table 8: U.S. Cotton Exports to Vietnam**

	2010	2011	2012	2013	2014	Year to date		
						Jan – Sep 2014	Jan – Sep 2015	% change
<b>Quantity (1000T)</b>	132.9	133.2	126.6	214.7	219.3	171.9	377.3	119%
<b>Value (\$million)</b>	248.8	362.3	247.8	401.1	392.9	318.8	542.8	70%

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

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

HS Code	Product	Year				Year to Date		
		2011	2012	2013	2014	Jan - Sep 2014	Jan - Sep 2015	% chang e
520100109 0	Cotton > 1 < 1 1/8	82,224	80,905	115,999	160,540	126,655	193,842	53%
520100900 0	Cotton Other > 1 1/8	46,549	42,474	94,060	56,161	43,578	181,175	316%
520100102 5	Cotton < 1	2,543	2,986	3,878	775	775	628	-19%
520100203 0	Pima >= 1 3/8	1,861	212	760	1,810	964	1,691	75%
140420000 0	Cotton Linters	17	0	4	7	4	9	120%
<b>Grand Total</b>		<b>133,194</b>	<b>126,576</b>	<b>214,701</b>	<b>219,292</b>	<b>171,976</b>	<b>377,345</b>	<b>119%</b>

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)

HS Code	Product	Year				Year to Date		
		2011	2012	2013	2014	Jan - Sep 2014	Jan - Sep 2015	% change
520100109 0	Cotton > 1 < 1 1/8	184,84 4	153,41 8	214,70 1	282,90 5	232,57 4	263,68 5	13%
520100900 0	Cotton Other > 1 1/8	162,32 1	85,197	177,29 8	103,99 6	81,845	274,89 9	236%
520100102 5	Cotton < 1	7,612	8,423	7,301	1,606	1,606	863	-46%
520100203 0	Pima >= 1 3/8	7,563	651	1,792	4,404	2,813	3,318	18%
140420000 0	Cotton Linters	8	0	3	7	3	8	167%
<b>Grand Total</b>		<b>362,34 9</b>	<b>247,68 9</b>	<b>401,09 5</b>	<b>392,91 8</b>	<b>318,84 1</b>	<b>542,77 3</b>	<b>70%</b>

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

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

	2010- 2011	2011- 2012	2012- 2013	2013 - 2014	2014 - 2015	% Change 2015 versus 2014
	Aug-Jul	Aug-Jul	Aug-Jul	Aug-Jul	Aug-Jul	
<b>Quantity (1000 tons)</b>	156.2	113.3	194.7	222.7	405.2	82%
<b>Value (\$ million USD)</b>	402.6	248.4	350.2	420	593.0	41%

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

U.S. cotton exports to Vietnam during August 2014-July 2015 reached 405,200 tons (or 1.86 million bales) for a value of \$593 million, a year-on-year increase of 82 percent in quantity and 41 percent in value. The growth rate was much higher than it had been in the same period the year before (14.6 percent in quantity and 20.2 percent in value). Additionally, U.S. cotton made up 43 percent of Vietnam total cotton imports in MY 2014/2015 (in quantity). The significant growth is attributed to new waves of investment, especially from foreign investment into Vietnam's textile industry to capture possible opportunities offered by important trade agreements such as the TPP and EU FTA that Vietnam has joined with the EU.

#### **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 about 6.3 million spindles (equivalent) for a

total capacity of over 900,000 tons of cotton-based and man-made yarns. New and existing spinning projects being registered in 2015 will raise the number of spindles in Vietnam from 6.3 million in 2014/2015 to 8.2 million in 2016/2017. The increase number of spindles will cause a great increase demand for cotton.

Vietnam's cotton consumption has been increasing strongly at an average rate of 22 percent, per year, for the last five years. Domestic cotton consumption for MY 2014/2015 reached 935,900 tons, equivalent to 4.29 million bales, valued at \$1.55 billion, a sharp increase of 35 percent in quantity and 11 percent in value over the previous year. (Post's previous estimate was 3.8 million bales). Based on several key factors that could affect Vietnam's cotton consumption such as: China's cotton yarn imports, declining global cotton price, new investments in Vietnam to capture opportunities offered by TPP and an FTA with the EU, and strong average growth in the last 5 years, post estimates that Vietnam spinning industry will probably consume a volume of 1.17 million tons or 5.37 million bales in the MY2015/2016, up 25 percent over MY 2014/2015.

Contrary to Post's previous forecast toward China's reform\*, which encouraged domestic spinners to increase yarn production and reduce yarn imports, China's textile and apparel industry likely favors the use of more imported yarn for the time being.

*\*According to Cotton Council Incorporated, in order to put the reform in place and to incentivize purchases from reserves, Chinese government created two ratio programs. A 3:1 ratio gives mills the right to buy one bale of foreign cotton held in reserves for every three tons of Xinjiang-produced cotton purchased. A separate 4:1 ratio would give mills access to one ton of sliding-scale quota for every four tons purchased from reserves.*

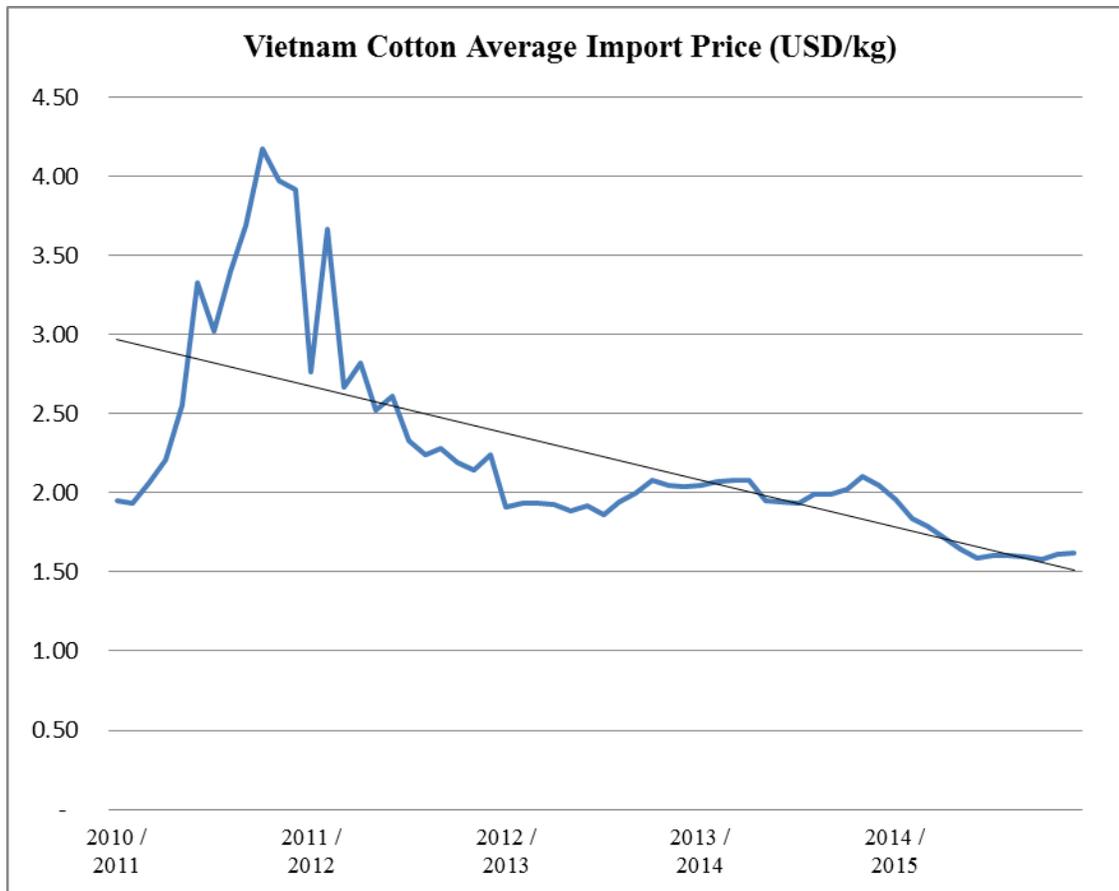
## **PRICES**

Table 12 illustrates monthly cotton import prices in MY2014/2015. These prices (USD per kg) ranged from 1.58 to 1.96. The average import price for MY2014/2015 was \$1.66/kg, a significant decrease of 18 percent in comparison to the average import price in the MY2013/2014.

**Table 12: Cotton Average Import Price in 2011-2014****Country: Vietnam****Commodity: Cotton****Unit: USD / Kg**

Month	Marketing Year				
	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015 *
Aug	1.95	2.76	1.91	2.04	1.96
Sep	1.93	3.67	1.94	2.07	1.84
Oct	2.07	2.67	1.93	2.08	1.79
Nov	2.21	2.82	1.93	2.08	1.72
Dec	2.55	2.52	1.89	1.95	1.64
Jan	3.33	2.61	1.92	1.95	1.58
Feb	3.03	2.33	1.86	1.93	1.60
Mar	3.40	2.24	1.94	1.99	1.61
Apr	3.69	2.28	2.00	1.99	1.60
May	4.18	2.19	2.08	2.03	1.58
Jun	3.98	2.14	2.05	2.11	1.61
Jul	3.92	2.24	2.04	2.05	1.62
MY Average Price	<b>3.02</b>	<b>2.54</b>	<b>1.96</b>	<b>2.02</b>	<b>1.66</b>
		Exchange rate: <b>22,360</b> , local currency / US dollar as of Nov. 09, 2015			

Source: Vietnam Customs Department &amp; Vietnam Commercial Bank



**Domestic Prices:**

Presently, seed cotton is purchased at an average price of VND 12,000/kg, equivalent to \$0.535/kg, a decrease of 11.5 percent over the previous crop (note: in the previous crop, seed cotton was bought at \$0.616/kg). Ginned cotton is being sold at \$1.78 – 1.98/kg (Source: Vietnam Cotton Association)

**STOCKS:**

Although bank interest rates have gradually softened in the recent months of MY 2014-2015, which allows cotton users and traders to be able to take on a larger inventory, stocks-to-use ratio is forecast to a lower rate due to the following reasons:

- Cotton price has been rapidly declining as China has reduced cotton imports. There is growing concern from businessmen in the sector that price could decline further. Local spinners, therefore, do not want to keep large stocks which can lower their profitability.
- China’s import reduction seriously affects global reserves. In other words, local importers can more easily and competitively source cotton and, therefore, do not need to keep large stocks

Post estimates the stocks-to-use ratio in MY2015/2016 remains at 12 percent, down 3 percent from the previous MY.

## **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” VM4020 dated August 6, 2014.

[http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Agricultural%20Biotechnology%20Annual Hanoi Vietnam 8-6-2014.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Agricultural%20Biotechnology%20Annual%20Hanoi%20Vietnam%208-6-2014.pdf)

**PRODUCTION, SUPPLY AND DEMAND DATA STATISTICS:**

**Table 13: Vietnam’s Cotton Production, Supply and Demand**

<b>Cotton</b>	<b>2013/2014</b>		<b>2014/2015</b>		<b>2015/2016</b>	
<b>Market Begin Year</b>	<b>Aug 2013</b>		<b>Aug 2014</b>		<b>Aug 2015</b>	
<b>Vietnam</b>	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>
<b>Area Planted</b>	0	3	0	1	0	1
<b>Area Harvested</b>	3	3	3	1	2	1
<b>Beginning Stocks</b>	492	492	498	469	854	572
<b>Production</b>	6	6	6	3	4	3
<b>Imports</b>	3200	3171	4400	4293	4850	5366
<b>MY Imports from U.S.</b>	0	1024	0	0	0	0
<b>Total Supply</b>	3698	3669	4904	4766	5708	5941
<b>Exports</b>	0	0	0	0	0	0
<b>Use</b>	3200	3200	4050	4193	4650	5228
<b>Loss</b>	0	0	0	0	0	0
<b>Total Dom. Cons.</b>	3200	3200	4050	4194	4650	5228
<b>Ending Stocks</b>	498	469	854	572	1058	713
<b>Total Distribution</b>	3698	3669	4904	4766	5708	5941
(1000 HA) ,1000 480 lb. Bales						

Source: FAS, Official USDA’s estimate and Post’s estimate

Note for unit measures:

- Planted area/Harvest area: 1,000 ha
- Yield: kg/ha
- Beginning 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)