

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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China - Peoples Republic of

Post: Guangzhou

South China - maker of denim dreams

Report Categories:

Market Development Reports

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Report Highlights:

Guangdong province alone produces roughly half of the world's production of denim. Most produced here is used to make jeans, originally, a quintessential American product that has become China's most popular article of clothing. To meet demand for denim, it has to supplement domestic supplies with imported cotton. The US is its biggest supplier with sales at US\$1.7 billion in 2008. Read about the Chinese industry's many challenges and how it has fared under the global economic slowdown.

General Information:

I. Denim, a quintessential American fabric	3
II. How denim is produced	5
III. Denim, a creation of the Gold Rush	6
IV. Evolution of denim industry in South China	6
V. South China, the world's center for denim	7
VI. The Chinese denim industry faces many challenges	9
6.1 Environmental considerations	9
6.2 Rising cost of raw materials	9
6.3 Rising labor costs	9
6.4 Slump in export markets	10
6.5 Increased competition	10
6.6 Tax rebate rate adjustment	11
6.7 Lack of name brands and OEM status	12
6.8 Appreciation of the Chinese Yuan	12
6.9 Sliding duty on imported cotton	12
6.10 Other	12
VII. How South China denim manufacturers should respond	12
7.1 Add extra value	13
7.2 Industry relocation	13
7.2.1 Will Vietnam surpass South China?	13
7.3 Develop name brands	14
7.4 Flexible exchange rate in export contract	14
7.5 Develop new markets	14
VIII. Why U.S. cotton?	15
IX. Support from the U.S. industry	15
X. What do the Chinese consumers like?	16
10.1 Chinese consumption patterns	16
10.2 Different retail buying habits	17
10.3 More brand conscious	18
10.4 Cotton has appeal	19
XI. Post contact information	19
Post contact information	20
Appendix II. China Imported U.S. Cotton (1999-2008)	22
Appendix IV. China Imported Cotton Tariffs (as of January 1, 2008)	24

I. Denim, a quintessential American fabric

A writer for *American Fabrics* magazine once declared in the late 1960's that: "Denim is one of the world's oldest fabrics, yet it remains eternally young." That still applies. Considered as the quintessential American fabric, 78 percent of U.S. consumers said they love or enjoy wearing denim, while 39 percent of Chinese consumers echoed these same sentiments in a recent survey. Some surveys even indicate jeans ownership at 74 percent.



The future of jeans lies with the littlest consumers, already big fans
(Source: ATO Guangzhou)

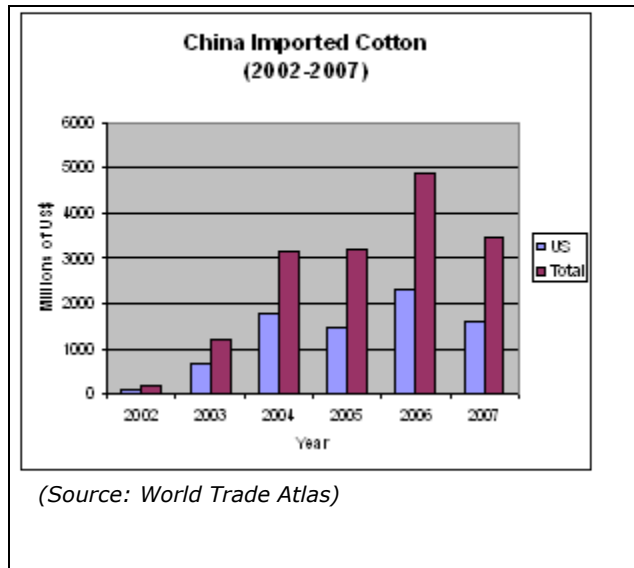
Most denim is made into jeans, the most popular article of clothing in China. As the world's largest denim manufacturer, China produced 2.8 billion meters (1.74 million miles) of denim fabric in 2007. While the official number for 2008 is still not available, the industry believes production dropped by 20 percent. Guangdong is the country's largest denim producer and accounts for 45 percent of total denim fabric production at 1.26 billion meters (782,460 miles) last year. As one of the leading apparel exporters in the country, Guangdong's denim industry recorded US\$7.88 billion (RMB54 billion) in sales and exported US\$4 billion worth in 2007. The global economic situation has slowed apparel exports in 2008; however, strong domestic demand has shouldered part of the loss, said one industry insider.

Textile industry is a fundamental industry of China's economy. Cotton fiber makes up to 60 percent of all textile fiber. Export of cotton products and apparel accounts for 30 percent of China's total textile exports.

China itself produced large volumes of cotton at 7.8 million metric tons in 2008. However, quick development of the textile industry has created greater demand so it needs to import to fill the gap. China imported US\$3.49 billion worth of cotton in 2008. The U.S. is the largest cotton supplier to China. It exported 987,865 metric tons or US\$1.66 billion worth of cotton in 2008. Guangdong does not produce any cotton and relies on cotton from other provinces and overseas. The province used 400,000 metric tons of cotton in 2007 of which 150,000 to 200,000 metric tons were imported, mainly from the US, India and Australia. Although the official number is not available yet, we were told that most of the big denim manufacturers only ran at 60 to 70 percent capacity.

Quality of cotton directly affects development of China's textile industry as well as competitiveness of Chinese enterprises globally. Known for its consistent quality, timely delivery, reliable supply, competitive price and quality service, U.S. cotton has gained a firm foothold in China.

Chinese consumers were first introduced to denim garments through cowboy images from the States. Thus, denim is associated with freedom and the wild West. Cotton makes denim garments comfortable and durable. Thus, denim captured the heart of the young generation. Surveys show that the age group between 15 and 29 tends to spend more time in denim jeans over other age groups.



With three decades of development, China has established a comprehensive denim industry from cotton production to denim apparel manufacturing. China first developed its denim industry in the late 1970's and is now the world's largest producer of both denim fabric and apparel.

Several world-known denim manufacturing areas have been developed, such as Xintang, Jun'an, Dachong and Kaiping in Guangdong province; Jiangyin, Hutang, Huangqiao in Jiangsu province; and Zibo in

Shandong province.

Good quality, competitive price, advanced techniques, state-of-the-art equipment and experienced workers are what help maintain competitiveness for Chinese denim manufacturers.

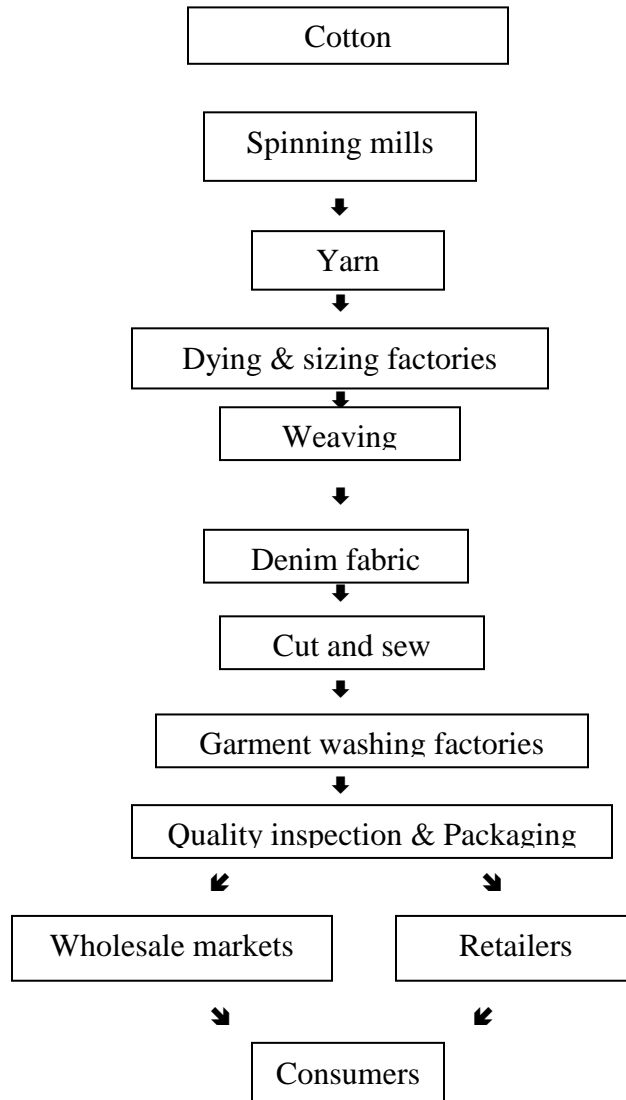


Jeans are a badge of the younger generation
(Source: ATO Guangzhou)

II. How denim is produced

After purchase, cotton is sent to spinning mills to spin into yarn. Then the yarn is dyed and sized to achieve color. The colored yarn is then woven into denim. Using patterns, apparel manufacturers cut out parts from the denim and sew together into garments, which are sent to garment washing companies to achieve different decorative effects on the clothes. After all these procedures, a denim garment is ready for the consumer.

Denim Products Production Process Flow Chart



(Source: ATO Guangzhou)

III. Denim, a creation of the Gold Rush

One of the most popular stories about denim is that a young man named *Levi Strauss* arrived in San Francisco to find opportunities in the California gold rush. He noticed that miners needed strong and sturdy pants. So he had a tailor make pants with brown canvas. He later dyed the fabric blue, then switched to softer denim. In 1873, he got the idea of adding metal rivets to the pants for strength and got a patent. This marked the official birthday of “blue jeans.”

IV. Evolution of denim industry in South China

Hong Kong and Taiwan started to produce denim fabric and apparel in the mid-70's. To take advantage of cheaper labor cost and abundant resources, Hong Kong manufacturers later relocated their factories to the mainland, mainly in Guangdong, Shanghai and Jiangsu province, about three decades ago. The *Guangzhou No. 1 Cotton Textile Factory* and the *Shanghai Shenshi Textile Company* were the first two Chinese companies that manufactured denim fabrics and apparel from cotton.



State-of-the-art embroidery machines at a major South China denim factory
(Source: ATO Guangzhou)

With three decades of development, Guangdong denim manufacturers established a fully integrated industry and acquired a good global reputation. They incorporated international fashion trends and used modern production technology and advanced management. This enable them to successfully produce higher quality products. In addition to OEM exports, the leading Guangdong denim manufacturers developed their own brands for the domestic market.

The province's denim industry recorded a US\$7.88 billion (RMB54 billion) sales revenues in 2007. It exported over US\$4 billion worth of denim apparels during the same period. Guangdong produced 1.26 billion meters (782,460 miles) of denim fabrics, representing nearly half of the country's total denim production.

In the past, OEM factories followed designs provided by overseas customers. Later, more denim manufacturers provided their own designs to stand out from competitors. Based on capability and scale of business, denim manufacturing companies may either come up with their own designs or outsource design jobs. Most Chinese manufacturers also visit major fashion shows to learn latest trends.

V. South China, the world's center for denim

As the world's largest denim manufacturing area, Guangdong has a fully integrated denim production

industry. Xintang, Kaiping, Jun'an and Dachong of Guangdong province are the major denim manufacturing bases in South China.



*Xintang garment wholesale market – the world's largest for denim apparel
(Source: ATO Guangzhou)*

Located east of Guangzhou, Xintang houses more than 2,600 denim related factories, the most in China. These factories cover the entire process of denim manufacturing, from weaving to dyeing, and from accessories to garment manufacturing. According to statistics, Xintang has the largest denim garment production and export volume in China. In 2007, the area recorded a US\$3.2 billion (RMB22 billion) sales revenue, while export reached US\$520 million, or 31.51 percent of the country's total denim exports. The top three export markets include the United States, Panama and Hong Kong. To meet demand for denim production, Xintang built the world's largest denim and related accessories wholesale market.



*Special effects created after washing
(Source: ATO Guangzhou)*

Three hours drive southwest of Guangzhou, Kaiping has developed a comprehensive denim production chain, from raw material purchasing to weaving, and from dyeing to garment sewing. The area has more than 450 companies involved with the denim industry, with an annual turnover of US\$2.03 billion. As one of the pillar industries of Kaiping, the denim industry exported US\$695.59 million worth of denim products in 2008, and accounted for nearly 30 percent of Kaiping city's total exports. The area produced 234 million meters (145,314 miles) of denim fabric in 2008, marking the area one of the most important denim and apparel manufacturing and export bases.

As another important denim manufacturing base in China, nearly 1,000 companies are located in Jun'an of Guangdong province. These companies produce more than 100 million pieces of denim apparel each year, with annual revenues of US\$584 million. Eighty percent of the denim apparels are for export and the rest for domestic sales.

VI. The Chinese denim industry faces many challenges

6.1 Environmental considerations

The government has focused more on environmental protection and sustainable development of the textile industry. Saving energy and limiting waste discharge have been included in government officials' performance appraisal which strengthen implementation of the policy. According to the *Chinese Ministry of Environmental Protection*, the textile dyeing industry discharged 7.5 percent of the country's total wastewater. The Chinese textile dyeing industry consumes three times more than its counterparts in developed countries and only seven percent of the water is recycled and reused. To achieve the goal of environmental protection, denim manufacturers are thus required to recycle and reuse effluent and waste chemicals, such as dyes. In addition, major export markets, such as the United States and the European countries have imposed stricter standards on Chinese textile exports so many have to adopt new technologies and upgrade production facilities which require substantial capital investment and adherence to strict regulatory practices. This adds cost and reduces profit margin.

6.2 Rising cost of raw materials

Cotton, as the main material for denim manufacturing, has soared in 2008. According to the *Chinese Textile Industry Association*, domestic cotton price increased US\$146 (RMB1,000) per ton, reached US\$1,769 (RMB12,027) per ton. Meanwhile, lack of energy and electrical power supply raise power and transportation cost. On average, the textile industry faces a 10 percent increase in raw materials' costs.

6.3 Rising labor costs

For denim manufacturers, growing textile production capacity requires more skilled workers. Like other industries, labor shortages are a common problem. During the past two years, labor costs have risen rapidly which further squeeze operating margins. A factory owner said that the monthly salary for skilled worker ranged from US\$190-220 (RMB1,300-1,500). According to industry insiders, the industry faced

another 10 to 15 percent wage increase in 2008.

The *Chinese Labor Contract Law* which was implemented in January 1, 2008, required the employer contribute to the employee's social security fund, which further increased operational costs (around US\$30 per month per person).

Quickly rising labor costs have pushed some factories to relocate to less developed regions in central China, such as Hunan province and Jiangxi province. Some manufacturers have even established new facilities in Southeast Asia, such as Vietnam and Cambodia.



In addition, to maintaining constant economic growth, the government has issued a series of policies to strengthen *Corporate Social Responsibility* (CSR) which also increases the cost of running a factory.

6.4 Slump in export markets

The economic slowdown in the US and European markets has weakened consumer spending. Guangdong, one of the most important export regions in China, sees sharp export declines. The province's textile exports recorded a 18.7 percent decrease, at US\$34.13 billion in 2008, a sign of export market slowdown. The industry expects that the market will remain slumped through 2009. Recent statistics showed Guangdong exported more than US\$3 billion worth of denim apparels in the first half of 2008, a 40 percent decline from the same period last year. The unit price for textile exports also decreased US\$0.46 for the U.S. market and US\$1.90 for the EU market, which further squeezed manufacturer profit margins.

6.5 Increased competition

Competition in Chinese denim market has become fierce. Expansion of denim production has resulted in

excess production capacity. According to industry sources, a low operation ratio has been reported throughout the industry. Post was told that 60 to 70 percent denim mills are working at less than normal capacity while only half of the low-end facilities are running normally. Company consolidation is taking place to utilize resources.

The Chinese textile industry faces increased competition from surrounding countries, such as Vietnam and Cambodia, where there is cheaper labor and less export restrictions. However, some industry insiders say that South China denim manufacturers keep above water because of skilled workers, advanced technologies and production equipments and good management.

6.6 Tax rebate rate adjustment

Export tax rebate rates for textiles and apparels were raised from 11 percent to 16 percent, effective April 1, 2009. The rebate rate adjustment has been introduced after China's export growth in the first half of 2008 slowed from 27.6 percent to 21.9 percent during the same period last year. The export downturn has reportedly heavily weighed down textiles and apparels, with two-thirds of firms in the industry either reporting negligible profit margins or losses.



*Steppin' out with denim.
Dress by local designer
(Source: ATO Guangzhou)*

The export tax rebate for textiles was lowered to 11 percent in September 2006, while the rebate for apparels was slashed to 11 percent in the previous round of adjustments in June 2007. The tax rebate cut was part of efforts to lower energy consumption and ease trade discord with the United States and the European Union (EU).

The industry welcomes the adjustment but felt the increase was not enough. However, it will help manufacturers ease pressure caused by raw material and labor cost increases. The industry believes that long term success depends on improving technology, building up name brands and adding extra value to products.

6.7 Lack of name brands and OEM status

Lack of name brands and reliance on OEM orders keep Chinese denim manufacturers from growing profit margins. For the export market, most factories take orders on an OEM basis. For the domestic market, some of the big players are starting establish their own brands, which they believe will help them grab more market share.

According to a recent survey, 38 percent of Chinese consumers prefer domestic clothing brands, while 22 percent said they like western brands. A recent figure provided by the *China National Commercial Information Center* revealed that the top ten domestic brands make up 44 percent of jean purchases.

6.8 Appreciation of the Chinese Yuan

The appreciation of Chinese Yuan (RMB) is another growing concern for local manufacturers. By May 2009, the exchange rate was US\$1 to RMB6.83, an 8 percent increase from October 2007. The strong RMB virtually dissolved OEM margins previously contracted for in U.S. dollars.

6.9 Sliding duty on imported cotton

A sliding duty range from 5 to 40 percent has been applied to imported cotton beyond the import quota range as way to protect price competitiveness of locally produced cotton and to ensure profit of domestic cotton growers. Industry insiders noted that after adding the sliding duty, imported cotton is about 7 percent or more expensive than domestic ones. Thus, manufacturers cannot enjoy the lower price that imported cotton could have offered. The industry is hoping to either revoke or to lower the duty to one percent.

6.10 Other

Other factors that may impact the denim industry include technical barriers, stricter inspection standards, anti-dumping taxes and countervailing duties imposed against Chinese textile exports.

VII. How South China denim manufacturers should respond

When facing increasingly intense competition and fast changing market situation, Chinese denim manufacturers need to make every effort to enhance competitiveness.

7.1 Add extra value



While the traditional 100 percent cotton denim is still the dominant product, more comfortable and fashionable elements have been added to denim. New technology has been incorporated into denim fabric production. A Zhongshan denim factory has adopted the latest nano technology to produce lighter and more durable denim fabric. The new nano denim fabric can sell US\$1.5 per meter (US\$1.37 per yard) more than normal. Blended and cross weaving denim fabrics with other materials, such as viscose, are gradually becoming new trends. Manufacturers have adopted special treatment technologies to create different decorative effects. So has creating pocket details with embroidery and other accessories. All this adds value to denim products.

7.2 Industry relocation

Quickly rising labor costs have greatly eaten up profit margins of denim manufacturers. Many have started to relocate the labor intensive facilities, such as textile weaving, dyeing and sizing to less developed areas in northern Guangdong and surrounding provinces, such as Jiangxi and Hunan, for the cheaper cost of labor there. However, for design and sample making which requires skill and experience, this remains in the Pearl River Delta. Local governments in the Pearl River Delta have supported the industry upgrade and have jointly invested in new industry zones in northern Guangdong to facilitate relocation plants.

7.2.1 Will Vietnam surpass South China?

Industry sources have discussed the newly emerging markets in surrounding countries, such as Vietnam. In 2007, Vietnam exported US\$7.8 billion worth of apparels, a 32.8 percent increase from previous year. The country is expected to reach US\$9.5 billion by the end of 2008. The US (37 percent), EU countries

(25 percent) and Japan (10 percent) are the main markets for Vietnam garment exports. However, consumer confidence was weakened during the recent economic slowdown and may further decrease the spending.

Unlike China that has developed a comprehensive industry chain, Vietnam has many sewing factories, but limited textile companies. The country still needs to import 80 percent of the textiles and accessories to meet garment manufacturing needs. China, along with Taiwan and South Korea, are the main suppliers of textile and accessories. In addition, infrastructure facilities in Vietnam still need to be completed, such as electricity grids, waste water treatment facility and port facilities. Thus, the industry believes that South China will continue to take the lead in both denim manufacturing and export.

7.3 Develop name brands

Industry integration has improved production efficiency. In addition to exporting, leading denim apparel companies have shifted focus to domestic market. Owning a name brand will be the advantage to win consumer recognition and further promote sales. According to a recent market survey, the top ten local name brands take more than 40 percent of market share. One successful example, a Kaiping based denim manufacturer developed its own brand six years ago. Now the company has more than 100 retail stores in South China, and domestic sales accounts for 10 percent of the company's total production.

7.4 Flexible exchange rate in export contract

To deal with the pressure of RMB appreciation, some producers have adopted flexible exchange rates in their export contracts. According to industry insiders, they set a range for the exchange rate, if the RMB appreciation exceeds the range, then a certain percentage increase will automatically be added to the contract.

7.5 Develop new markets



*CCI & CI fashion road show in
Guangzhou
(Source: ATO Guangzhou)*

While traditional markets slow, newly emerging markets, such as Russia, Australia, Brazil and the ASEAN countries show good potential for Chinese apparel exports.

VIII. Why U.S. cotton?

U.S. cotton has enjoyed a good reputation for consistent quality, timely delivery, reliable supply, competitive price and quality service. As the world's largest cotton exporter, the US exported US\$1.66 billion worth of cotton to China in 2008, which accounted for nearly 48 percent of China's total imports. Major competitors of U.S. cotton including India, Uzbekistan and Australia.

The US grows a wide range of cotton, from short, thick fiber variety for coarse yarns to fine extra-long-staple type for high-count yarns. The wide range of cotton varieties allow mills to quickly match different fiber characteristics with fashion trends.

Less contamination is another advantage that distinguish U.S. cotton from its competitors. Cleaner cotton will improve the production efficiency and ensure quality of finished fabric.

Various support programs, such as technical, design and consumer recognition, from U.S. industry and associations have further instilled confidence in Chinese users to choose U.S. cotton.

As the largest cotton supplier to China, sales of U.S. cotton may be impacted by the import quota system. A Chinese user will need to pay higher tariffs if there is no such quota. The sliding tariff is another concern for U.S. cotton exports. Adding the sliding tariff, imported cotton is either equal or more expensive than local produced cotton. Thus, Chinese users may lose interest in imported cotton and turn to locally produced product.

U.S. cotton is facing fierce competition from India. In the past few years, contamination is a main problem to Indian cotton. However, India has adopted new processing technology and significantly improved quality. The price of Indian cotton is cheaper than the US at about US\$146-292 (RMB1,000-2,000) per ton, which makes many denim factories turn to Indian cotton.

IX. Support from the U.S. industry



Cotton USA logo by Cotton Incorporated

Cotton Council International (CCI) is the export promotion arm of the U.S cotton industry. The mission of CCI is to increase exports of U.S. cotton, cottonseed and U.S. manufactured cotton products through activities that affect every phase of the marketing chain, from the mill to the spinner, and from the textile manufacturer to consumer.

To better fulfill its goal, CCI created a branding program to identify and to distinguish products made with superior U.S. cotton. The “Cotton USA” mark can only be applied by certified 100 percent cotton products with at least 50 percent U.S. cotton. After two decades of launching the program, “Cotton USA” mark is now associated with quality, comfort and value.

Founded in 1970, the *Cotton Incorporated* (CI) represents the cotton growers in the U.S. Its main goal is to increase demand for cotton globally and to improve profit on cotton products. The company provides various services in helping the textile industry to better understand the processing, dyeing, finishing skills, to follow on the latest cotton market supply and demand status, cotton quality as well as consumer trends.

In international markets, CI works closely with CCI to build up demand for U.S. cotton and products. A public relations campaign named “*Cotton – beyond your imagination*” was initiated in the China market since 2006 to increase consumer awareness of cotton and to cultivate preference for cotton products. It held a series of promotions, such as fashion design competitions, road shows of winning designs and media events to raise awareness.

Cotton is not only cool and comfortable, but it is also a natural, renewable and recyclable resource. CI initiated a program named “*Cotton, from blue to green*”, which collected used denim pieces and reproduced them into natural cotton fiber insulation for housing. The recyclable program illustrates how CI stands behind its commitment to environmental improvement.

X. What do the Chinese consumers like?

China’s middle class (household incomes range from US\$7,322 [RMB60,000] to US\$61,016 [RMB500,000]) has grown 22 percent in the last few years. As the disposable income of Chinese consumer grows, the increased spending typically includes increased apparel spending, thus create new opportunity for retailers. According to *China Statistical Yearbook 2007*, the per capita disposable income of urban residence reached US\$201 (RMB13,786), around 11 percent was spent on clothing. The figure in the wealthy coastal cities is even higher.

10.1 Chinese consumption patterns



*Eye catching jeans displayed by a local name brand
(Source: ATO Guangzhou)*

Because of smaller housing in China, most Chinese consumers have smaller closets than Americans. Thus, Chinese tend to purchase and own fewer apparel. According to a recent survey conducted in 2008 by *Cotton Incorporated*, Chinese consumers on average spent 7 percent of their apparel purchases on denim products, while the figure in the US was slightly higher at 10 percent.

The survey revealed that denim jeans are getting more popular in China, especially among the younger set. Denim products' share of apparel purchases is 8 percent among the consumer group aged 15 to 29, compared with 6 percent of those from 30 to 54.

Denim jeans are the most purchased denim apparel. On average, each Chinese consumer owns 4.2 denim jeans. The average unit purchase price of denim apparels is US\$12 (RMB89). However, 26 percent of consumers said they don't have any denim garments.

Denim products owned by urban Chinese consumers	
Product	Average quantity
Denim jeans	4.2
Denim skirt	0.5
Denim short pants	0.6
Denim jacket	1.0
Denim shirt	0.4
Total	6.7

Source: Cotton Incorporated Market Survey

10.2 Different retail buying habits

The retail sector in China is getting sophisticated, from modern shopping malls to open market stalls. However, Chinese consumers' buying habits differ sharply from that of the US. Nearly half of denim products are purchased at department stores, compared with only ten percent in the US. Thirty-one percent is purchased through supermarkets in the US, and only two percent for Chinese consumers.

Denim purchase retail format comparison chart		
Retailer	Chinese consumer (%)	U.S. consumer (%)
Department store	44	10
Specialty or chain store	25	58
Clothing market	16	N/A
Small clothing shop	13	N/A
Supermarket/Hypermarket	2	31
Internet	0	1

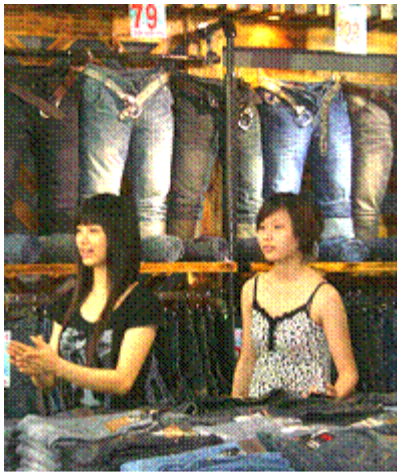
Source: Cotton Incorporated Market Survey



An international brand geared to the trendy, active set compared to . . .

10.3 More brand conscious

Sales and demand potential demonstrated by the China market has successfully attracted more international brands as well as luxury products. All top ten denim brands are available in the China market and Chinese consumers are becoming more brand conscious. When shopping for apparel, 38 percent of Chinese consumers prefer domestic brands and 22 percent prefer western brands. A quarter of Chinese consumers said they usually shop for a particular brand, which is very similar in the States at 24 percent.



. . . a local shop with local brands
(Source: ATO Guangzhou)

Luxury brands are getting popular among the white collar and wealthy teenagers. Spending on luxury apparel is regarded upper class and can set the consumer apart. When writing in the *International herald Tribune*, Ann Mah noted that “In China today, you are what you wear.”

Pirated products are common in China, and piracy can dilute the authenticity and importance of brands in consumers’ minds. Fifty-six percent of Chinese consumers say they sometimes knowingly purchase pirated apparel. Thus, piracy is a true concern for any brand in the Chinese apparel market.

10.4 Cotton has appeal

When purchasing apparel, consumers consider price, style and quality to be the most important criteria, followed by fabric content and laundering instructions. Cotton is believed to be the fiber that brings comfort, easy handling and taste. Thus, nearly two-thirds of purchased apparels in 2008 were made of cotton. Chinese men are more cotton-conscious than women. Seventy percent of men’s apparel purchases were made of cotton, compared to 62 percent of women’s.

XI. Post contact information

For further information about the China market, as well as updates on our upcoming events and activities, please visit our website at www.usdachina.org or contact any of USDA’s six offices in China:

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Related GAIN Report:

CH9035 China Cotton and Products Annual 2009 (published on 4/15/2009)

Appendix I. China Major Imported Cotton Origins							
in millions of U.S. Dollars							
	Country/Region	2005	2006	2007	2008	Jan-May 2009	2008 % of share
1	United States	1,466.21	2,288.47	1,603.51	1,662.26	421.86	47.58
2	India	151.03	765.21	868.83	962.52	84.32	27.55
3	Uzbekistan	379.86	493.47	297.81	275.21	94.71	7.88
4	Australia	274.78	317.77	169.06	133.81	25.71	3.83
5	Benin	127.05	82.08	80.91	82.33	14.47	2.36
6	Mexico	36.99	36.49	35.74	63.40	11.02	1.82
7	Burkina Faso	163.29	193.01	155.22	62.47	5.11	1.79
8	Mali	79.18	106.69	31.83	55.54	4.75	1.59
9	Brazil	68.31	64.29	33.83	38.67	34.84	1.11
10	Cameroon	42.68	88.71	57.47	38.56	7.69	1.10
	Total	3,192.72	4,868.33	3,478.64	3,493.86	722.49	100

Source: *China Customs*

Appendix II. China Imported U.S. Cotton (1999-2008)			
In millions of U.S. Dollars			
Year	Imports from the US	Total Imports	% of share
Jan-May 2009	421.86	722.49	58.4
2008	1,662.26	3,493.86	47.6
2007	1,603.51	3,478.64	46.1
2006	2,288.47	4,868.33	47.0
2005	1,466.21	3,192.72	45.9
2004	1,765.03	3,165.25	55.8
2003	660.11	1,162.80	56.8
2002	88.40	179.71	49.2
2001	40.66	71.04	57.2
2000	40.79	74.10	55.1
1999	20.19	66.92	30.2

Source: *China Customs*

Appendix III. Major Chinese Ports for Imported U.S. Cotton

in millions of U.S. Dollars						
	Port/Province	2006	2007	2008	Jan-May 2009	2008 % of share
1	Qingdao, Shandong Province	886.52	615.49	731.82	226.39	44.03
2	Shanghai	606.64	456.85	512.30	115.74	30.82
3	Nanjing, Jiangsu Province	279.00	194.99	125.44	29.23	7.55
4	Tianjin	292.40	130.34	89.61	16.42	5.39
5	Zhanjiang, Guangdong Province	30.19	50.53	49.31	4.47	2.97
6	Huangpu, Guangdong Province	48.86	34.18	36.91	2.68	2.22
7	Wuhan, Hubei Province	16.05	27.71	27.72	7.16	1.67
8	Dalian, Liaoning Province	10.27	11.48	20.69	2.40	1.25
9	Ningbo, Zhejiang Province	59.68	25.67	19.78	5.45	1.19
10	Hefei, Anhui Province	10.19	13.39	17.30	1.79	1.04
Total imports	2,288.47	1,603.51	1,662.26	100	421.96	100

Source: *World Trade Atlas/China Customs*

Appendix IV. China Imported Cotton Tariffs (as of January 1, 2008)

Description	HS Code	M.F.N. (%)	CT (%)			Gen (%)	VAT
			CA	CP	CC		
Cotton, not carded or combed	5201-0000	T4*				T4	13
Cotton, not carded or combed, including absorbent cotton, in-quota	5201-0000 10	1				125	13
Cotton, not carded or combed, including absorbent cotton, (custom,out-quota,interim)	5201-0000 80	0				0	13
Cotton, not carded or combed, including absorbent cotton, out-quota	5201-0000 90	40				125	13
Cotton, carded or combed	5203-0000	T4				T4	17
Cotton, carded or combed, in-quota	5203-0000 10	1				125	17
Cotton, carded or combed, out-quota	5203-0000 90	40				125	17
Cotton sewing thread, containing 85% or more by weight of cotton	5204-1100	5			0	40	17
Cotton yarn (other than sewing thread), containing 85% or more by weight of cotton, not for retail sale	5205-1100 to 5205-4800	5	T3	3.5-4.5	0	40	17
Cotton yarn (other than sewing thread), containing 85% or more by weight of cotton,for retail sale	5207-1000 5207-9000	6 6	5 5	5 5.7	0 0	50 50	17 17
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	5-T3	0	0	70	17
	*Except:						
"	5208-2300	12	8	0	0	70	17

Appendix IV. China Imported Cotton Tariffs (as of January 1, 2008)
(Continued)

Description	HS Code	M.F.N. (%)	CT (%)			Gen (%)	VAT
			CA	CP	CC		
Woven fabrics of cotton, containing 85% or more by weight of cotton, weighing more	5209-1100	10		0	0	70	17
than 200 g/square meter	5209-1200	10	T3	0	0	70	17
	5209-1900	10	T3	0	0	70	17
	5209-2100	12	T3	0	0	70	17
"	5209-2200	12	8	0	0	70	17
	5209-2900	12	T3	0	0	70	17
	5209-3100	10	T3	0	0	70	17
	5209-3200	10	T3	0	0	70	17
	5209-3900	10	T3	0	0	70	17
	5209-4100	10	T3	0	0	70	17
"	5209-4200	10	T3	0	0	70	17
	5209-4300	10	5	0	0	70	17
	5209-4900	10	T3	0	0	70	17
	5209-5100	10	8	0	0	70	17
	5209-5200	10	5	0	0	70	17
	5209-5900	10	5	0	0	70	17

Note: CA: Association of Southeast Asian Nations; CP: China-Pakistan; CC: China-Chile

T4: Subject to variable duty rate

Source: PRC Customs Import & Export Tariff, 2008