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## Japan

### Cotton and Products

### Annual Cotton Report

### 2005

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**Report Highlights:**

Japan's imports of raw cotton in MY 2004/05 are estimated at 165,000 metric tons, down 3% from the previous year. The U.S. market share is expected to account for 43%, followed by Australia with 30% and Brazil with 18%. Japan's imports of raw cotton in MY 2005/06 are estimated at 160,000 metric tons, down 3% from the MY 2004/05 level. The U.S. market share is expected to be around 40% in MY 2005/06.

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Includes PSD Changes: Yes  
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Annual Report  
Osaka ATO [JA3]  
[JA]

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## Executive Summary

Total imports of raw cotton into Japan in MY 2004/05 are estimated at 165,000 metric tons, 3% down from the previous year. The U.S. market share in MY 2004/05 is expected to account for 42%, followed by Australia with 30% and Brazil with 18%. The Japanese imports from Brazil has been increasing in these years due to the lower price and good quality of Brazilian cotton together with increasing demand for denim. The decline of the total raw cotton imports to Japan has become much gentler in MY 2004/05 as many major spinners seem to have finished their restructuring, according to the industry. Japanese economy seems to be slowly recovering; showing some positive expectations in economic indexes but has still been unclear in some business sectors. Average annual growth of Japanese GDP estimated in the first quarter of 2005 (Jan.-Mar.) is 1.74%.

Japanese imports of raw cotton in MY 2005/06 are anticipated to be around 160,000 metric tons, slightly down from the MY 2004/05 level. The U.S. market share in MY 2005/06 is expected to decrease slightly.

Japanese imports of ELS cotton are estimated around 22,000 metric tons in MY 2004/05 and are expected to remain at the same level in MY 2005/06. Japanese imports of U.S. Pima cotton in MY 2004/05 are anticipated to occupy 73% of ELS cotton market share.

**Production**

There is no major production reported in Japan.

**Consumption**

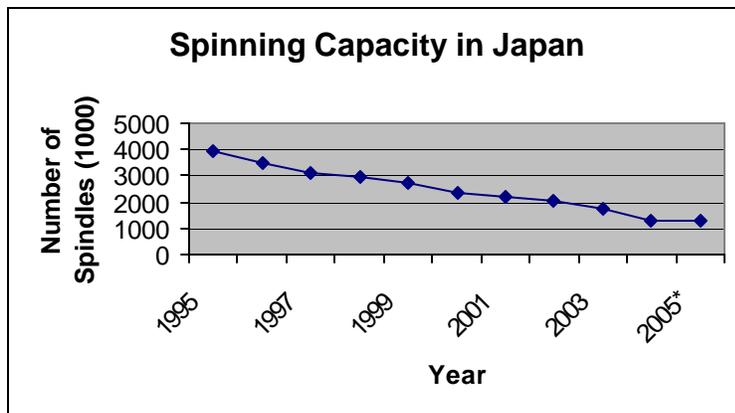
Japanese consumption of raw cotton in MY 2004/05 is expected to decrease by 5%. Most of the major spinners seem to have finished their restructuring to reduce their production, thus, the capacity utilization has increased in CY 2004 and CY 2005. Japanese production of cotton goods was 103,000 metric tons in CY 2004, down 4% from the CY2003 level. However, the Japanese exports of cotton goods saw an increase in CY 2004 by 11% from the previous year. Japanese production of synthetic fiber goods in CY 2004 declined by 11%, but exports increased by 10%. The average count of cotton yarn made in Japan has become courser in these years at around 27 count yarn due to the increasing demand for denim in the Japanese market, according to the industry.

Japanese Spinning Capacity (Figure 1)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005*
Number of Spindles (1000)	3957	3513	3082	2917	2758	2327	2222	2030	1779	1300	1298
Number of Average (1000)	3411	3030	2751	2577	2333	2079	1857	1637	1463	1153	1110
Number of Mills	82	73	65	63	60	54	52	48	43	37	37
Capacity Utilization (%)	83.7	82.3	86.6	85.5	83.6	85.4	83.7	78	77.4	83.9	85.5

Source: Japan Spinners' Association

\* as of February, 2005



Japanese Cotton Goods Supply and Demand  
(1,000 Metric Tons Yarn Equivalent)  
Calendar Year

Figure 2

	2000	2001	2002	2003	2004
Beginning Stocks	118	116	107	94	91
Production	159	139	122	107	103
Imports	805	829	794	845	862
Total Supply	1,082	1,084	1,023	1,046	1056
Exports	81	83	93	93	103
Domestic Consumption	885	894	836	863	864
Ending Stocks	116	107	94	91	90
Total Disappearance	1,082	1,084	1,023	1,047	1057

Source: Japan Spinners' Association

The Total Supply and Disappearance might not be equal due to the round off.

Japanese Synthetic Fiber Goods Supply and Demand  
(1,000 Metric Tons Yarn Equivalent)  
Calendar Year

Figure 3

	2000	2001	2002	2003	2004
Beginning Stocks	71	70	61	53	47
Production	147	123	95	87	78
Imports	383	383	358	406	416
Total Supply	601	576	514	546	541
Exports	36	38	37	38	42
Domestic Consumption	495	477	424	461	458
Ending Stocks	70	61	53	47	42
Total Disappearance	601	576	514	546	542

Source: Japan Spinners' Association

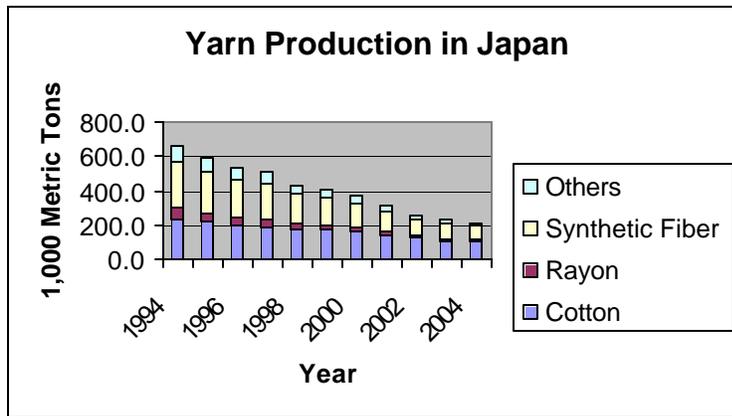
The Total Supply and Disappearance might not be equal due to the round off.

Yarn Production in Japan

Figure 4

	Cotton	Rayon	Synthetic Fiber	Others	Total
1994	234.8	62.8	265.8	92.8	656.2
1995	215.0	57.0	239.8	74.6	586.4
1996	195.8	48.8	216.2	66.8	527.6
1997	183.5	43.1	214.5	64.3	505.4
1998	173.4	31.0	177.1	49.6	431.1
1999	171.0	25.1	158.7	45.7	400.5
2000	158.8	22.3	146.6	37.7	365.4
2001	139.5	18.2	122.6	31.8	312.1
2002	122.2	12.1	95.5	28.1	257.9
2003	107.5	11.6	87.3	23.0	229.4
2004	103.3	10.8	78.4	20.5	213.0

Source: Japan Spinners' Association



**Trade**

Total imports of raw cotton into Japan in MY 2004/05 are estimated at 165,000 metric tons, about 3% decline from the previous year. The United States is expected to supply about 42% of the total or 70,000 metric tons, which is about the same amount as the previous year. Australian market share is estimated at around 30% in MY 2004/05, about the same as the previous year. Total imports of raw cotton into Japan in MY 2005/06 are estimated at 160,000 metric tons, about 3% less than the MY 2004/05 level. The U. S. market share is anticipated to be around 40% in MY 2005/06. Japanese imports of raw cotton from Brazil have been increasing due to its lower price and good quality as well as recently increasing demand for denim in Japan.

Japanese imports of ELS cotton are estimated at 22,000 metric tons in MY 2004/05 and should remain at the same level in MY 2005/06. Japanese imports of U.S. Pima cotton is estimated at 16,000 metric tons, representing 73% market share in the ELS cotton.

Japanese imports of cotton yarn and cotton fabrics in CY 2004 decreased by 9% and 10% respectively from the previous year while Japanese imports of cotton made-up goods increased by 8%. Ninety percent of the imported cotton made-up goods are from China.

Japanese Imports of Raw Cotton MY 2004/5 – 2005/6

Figure 5

**Import  
Trade  
Matrix**

**Country** Japan  
**Commodity** Cotton

Time Period	August-July	Units:	Metric Tons
Imports for:	2004		2005
U.S.	70000	U.S.	65000
Others		Others	
Australia	50000		50000
Brazil	30000		30000
Total for Others	80000		0
Others not Listed	15000		15000
Grand Total	165000		160000

Extra-Long Staple (ELS) Cotton Imports into Japan 1/

(Metric Tons)  
August-July Marketing Year

Figure 6

	2002/03	2003/04	2004/05	2005/06
U.S.A.	16,500	15,200	16,000	16,000
Egypt	4,100	4,400	2,500	2,500
Sudan	700	400	500	500
Other	700	900	3,000	2,000
Total	22,000	20,900	22,000	22,000

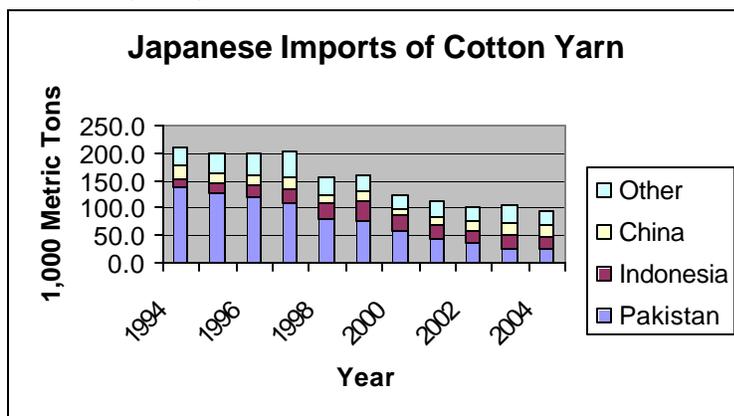
Source: Japan Cotton Traders' Association  
Supima Association

Japanese Imports of Cotton Yarn:

Figure 7

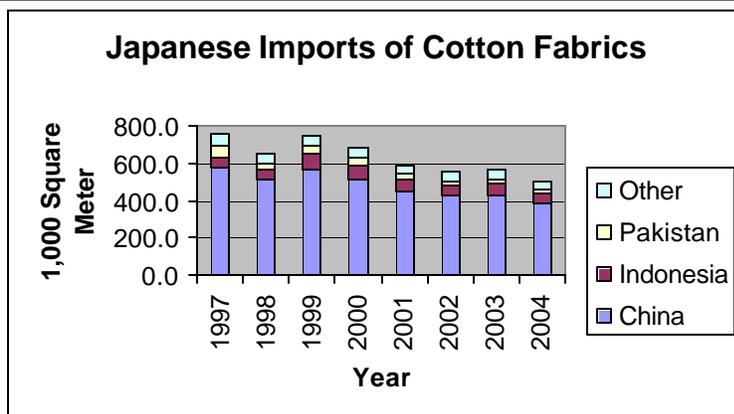
	Total	Pakistan	Indonesia	China
1994	209.3	136.7	14.0	25.9
1995	198.9	128.0	15.5	20.7
1996	198.1	120.5	22.6	18.0
1997	202.0	107.6	27.0	22.9
1998	155.0	78.2	29.0	17.5
1999	160.7	74.8	37.4	17.2
2000	124.3	59.4	26.8	12.3
2001	110.8	44.1	23.7	14.7
2002	102.7	35.0	21.8	17.8
2003	104.2	27.0	24.0	23.0
2004	94.5	24.9	20.6	21.6

Source: Japan Spinners' Association



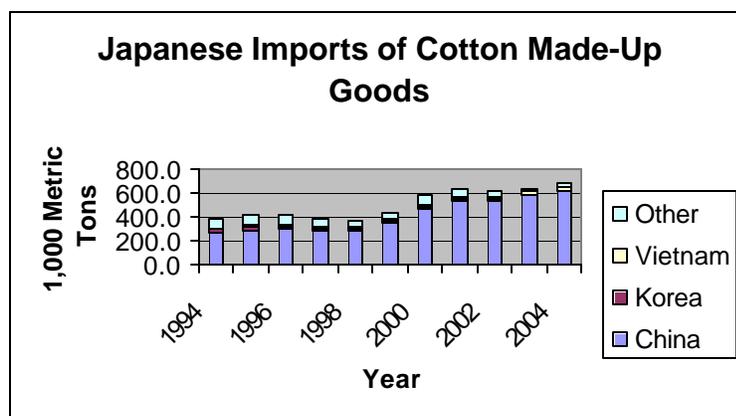
Japanese Imports of Cotton Fabrics:  
Figure 8

	China	Indonesia	Pakistan	Other	Total
1997	577.9	48.2	62.5	64.6	753.2
1998	516.9	52.3	30.4	50.5	650.1
1999	569.1	81.1	43.0	51.1	744.3
2000	515.1	75.6	33.8	62.3	686.8
2001	445.0	70.0	25.6	50.4	591.0
2002	428.4	55.0	20.8	45.4	549.6
2003	432.0	57.4	27.9	47.6	564.9
2004	383.8	52.4	26.1	43.6	505.9



Japanese Imports of Cotton Made-Up Goods:  
Figure 9

	China	Korea	Vietnam	Other	Total
1994	266.4	27.7	10.8	73.1	378.0
1995	290.0	29.6	9.9	87.4	416.9
1996	293.4	22.9	11.4	80.7	408.4
1997	280.0	15.9	14.6	71.8	382.3
1998	280.0	17.8	13.4	57.0	368.2
1999	348.3	20.5	14.7	55.7	439.2
2000	468.0	20.5	18.6	70.9	578.0
2001	535.5	18.9	18.2	53.9	626.5
2002	537.7	11.7	16.9	45.9	612.2
2003	582.7	8.3	18.2	26.0	635.2
2004	615.3	7.5	19.8	42.8	685.4



### Stocks

The ending stock of raw cotton in MY 2004/05 is estimated at 27,600 metric tons, approximately for 3-months consumptions.

The inventory for pure cotton yarn has been staying at around 33-34 days since January 2004, which implies that the demand for pure cotton yarn has been much weaker compared to the CY2003 level.

### Policy

There is no particular policy to report.

Zero import duty is charged for cotton.

Import duty for cotton yarn, fabrics and made-up goods varies depending on products.

### Marketing

Whether the Step 2 remains in MY 2005/06 or not would affect Japanese imports of U.S. cotton according to the industry.

Cotton Council International (CCI) has been promoting U.S. cotton among spinners, apparel makers, retailers, and consumers in strategic manner. Although the Japanese consumption of raw cotton has declined to half in the past 10 years, Japanese buyers have decision-making power for raw cotton used in their overseas plants. Since apparel makers have become so global, ATO/Osaka feels appropriate for CCI to target raw cotton sales not only to Japan but also to China and other Asian countries to manufacture U.S. cotton products to be consumed in the Japanese market. CCI has been working closely with Japanese apparel makers to provide Cotton USA logo to products that are made in China, for example, tracking back the distribution to assure that U.S. cotton is used for the products. CCI has been organizing large-scale promotions with national retail chains to promote T-shirts and underwear made of U.S. cotton. CCI has been successful in reaching Japanese consumers to increase the awareness of high quality U.S. cotton.