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Report Highlights:

Higher downstream demand for textiles and garments and reduced cotton yarn imports are expected to raise spinning demand for cotton in marketing year (MY) 22/23, lifting cotton imports to an estimated 2.3 million metric tons (MMT). Production for MY 22/23 is forecast at 5.9 MMT on modest expansion of planted area in Xinjiang. Cotton consumption for MY 22/23 is expected to reach 8.6 MMT on strong export demand for cotton products, however slower economic growth, sluggish consumer spending, and “zero-tolerance” COVID policies pose a challenge to domestic consumption in MY 21/22 and beyond.

Executive Summary:

Cotton production for MY 22/23 is forecast at 5.91 MMT compared to an estimated 5.85 MMT in MY 21/22. A marginally higher planted area is expected in Xinjiang due to rising profits in MY 21/22 and an unchanged subsidy policy. However, opportunities for greater area expansion remain constrained due to limited water resources in Xinjiang and declining productivity in other regions.

Cotton consumption for MY 22/23 is forecast at 8.6 MMT on expected higher domestic and global textile and apparel demand. China's textile and apparel industry remains well-positioned in terms of capacity and integration to meet greater export demand as countries emerge from restrictive pandemic-related measures.

Cotton imports are forecast to increase to 2.3 MMT in MY 22/23 from an estimated 1.7 MMT in MY 21/22 on stronger domestic spinning demand, declining cotton yarn imports, and state cotton reserve sales. The U.S. remained China's largest supplier of cotton in 2021, exporting 896,000 tons.

Cotton stocks are forecast to fall to 7.2 MMT in MY 22/23, following lower imports and sales of state reserve cotton exceeding 1.2 MMT in MY 21/22.

Production

China's domestic cotton production is forecast at 5.91 MMT in MY 22/23, up approximately 1 percent from an estimated 5.85 MMT in MY 21/22. Higher production is based on a modest increase of planted area to 3.03 MHa and unchanged yield. The slight expansion in cotton planted area in MY 22/23 reflects increased cotton prices and profits in MY 21/22, unchanged subsidy rates and policy, and constraints on further expansion in Xinjiang due to limited water resources.

The National Bureau of Statistics (NBS) and Ministry of Agriculture and Rural Affairs (MARA) estimate total production for MY 21/22 at 5.73 MMT based on planted area of 3.03 MHa. Xinjiang production is estimated at 5.13 MMT, or 89.5 percent of total production.

Data released by the China Fiber Inspection Bureau (CFIB) indicates higher Xinjiang production in MY 21/22. As of March 22, 2022, CFIB classified Xinjiang cotton reached 5.28 MMT out of the total classified volume at 5.4 MMT. CFIB volumes for Xinjiang cotton are expected to increase slightly as additional volumes are classified through April 2022.

According to China's National Cotton Exchange, as of March 20, MY 21/22 total ginned cotton reached 5.3 MMT in Xinjiang, down 7.7 percent from the previous year, though notably higher than NBS and MARA estimates. Specifically, the National Cotton Exchange estimates Xinjiang volumes produced by the Xinjiang Production and Construction Corp (XPCC) at 2.01 MMT, down 5.7 percent and non-XPCC production up 8.8 percent to 3.3 MMT from the previous year.

Table 1. China: Comparison of CFIB Classified and NBS Production Number
(in 1,000 MT)

	MY18/19		MY19/20		MY 20/21		MY 21/22	
CFIB Classified volume	5,342		5,293		5,920		5,403*	
	Xinjiang	Others	Xinjiang	Others	Xinjiang	Others	Xinjiang	Others
	5,141	201	5,131	162	5,768	153	5,286*	117*
NBS Final Production	6,100		5,889		5,910		5,731	
	Xinjiang	Others	Xinjiang	Others	Xinjiang	Others	Xinjiang	Others
	5,110	990	5,000	889	5,161	749	5,129	602

Source: NBS and CFIB; * CFIB classified volume as of March 22, 2022

Though government and industry estimates continue to vary, historically they have differed to a greater degree in their forecasts and estimates for cotton production and area. The more closely aligned production and area estimates in recent years are likely due to higher concentration of production in Xinjiang and improved data collection due to requirements under the region's subsidy program.

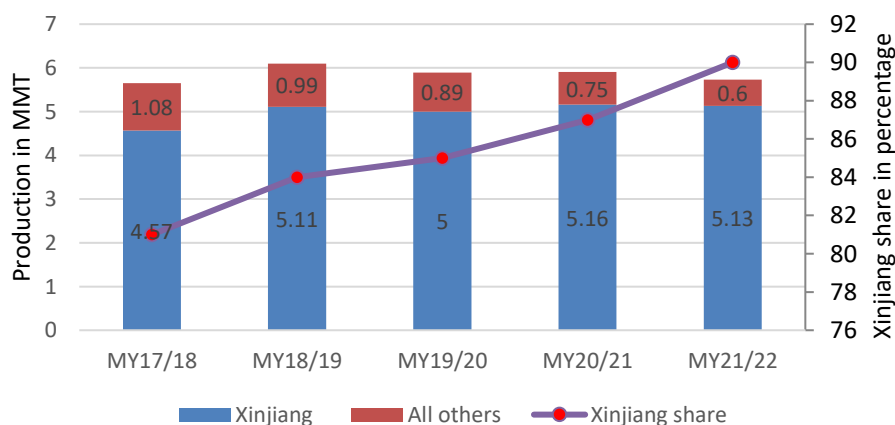
Table 2. China: Cotton Production (MMT) and Area (MHa) Estimates/Forecasts

	CCA		NCMMN		BCO		MARA/NBS	
	Area	Production	Area	Production	Area	Production	Area	Production
MY20/21	3.05	5.92	3.05	5.95	2.91	6.33	3.17	5.91
MY21/22	2.9	5.77	3.03	5.8	2.8	5.83	3.03	5.73
MY22/23	2.88		2.91	5.71	2.83	5.84		

Sources: China Cotton Association (CCA), National Cotton Market Monitoring Network (NCMMN), Ministry of Agriculture and Rural Affairs/March Report (MARA), China's National Bureau of Statistics (NBS)

Xinjiang's share of China's cotton production continues to grow, reaching 89.5 percent in MY 21/22, up from the 87 percent the previous year, according to NBS data. Xinjiang has benefitted from a target-price subsidy since 2020, transportation subsidies, and scale farming that results in considerably higher yields compared to other growing regions. Outside of Xinjiang, cotton farmers are disadvantaged in terms of government subsidies and cotton planting is mainly confined to small plots with little mechanization, resulting in higher production costs and lower yields.

Chart 1. China: Cotton Production by Region
(MY17/18 to MY21/22)



Source: NBS

Planted Area

Total planted area for MY 22/23 is forecast at 3.03 MHa, up 1 percent from the previous year on increased cotton prices and profits and ongoing government subsidies for Xinjiang cotton farmers. Cotton farming profits grew as seed cotton prices rose in MY 21/22, particularly for higher yielding Xinjiang farmers. Forecast planted area for MY 22/23 is comprised of 2.51 MHa in Xinjiang and 0.52 MHa in all other production areas. In addition to higher prices for seed cotton, the extension of the target price-based government subsidy for Xinjiang of RMB18,600 (or, U.S. \$2,883)/MT for three years starting from MY 20/21 is expected to maintain or marginally expand cotton planting in the region.

A survey conducted by Xinjiang Development and Reform Commission (Table 3) covering over 370 cotton farmers (including XPCC farms) indicated MY 21/22 cotton net profits increased significantly from the previous year due to surging cotton prices offsetting higher production costs and slight yield declines. A separate survey conducted by the China Cotton Association (CCA) showed MY 21/22 cotton profits in Xinjiang ranged from RMB10,500 to 45,000 (U.S. \$1,628 to 6,976)/Ha based on differing yield and input costs.

Table 3. China: Xinjiang Cotton Profits, Change from Prior Year

	Yield	Production Costs	Cotton Sales Value	Change of Net Profits/Ha
MY 21/22	-0.25%	+6.24%	+65.39%	+RMB19,380
MY 20/21	+14.48%	+3.54%	+16.48%	+RMB7,890

Source: Xinjiang Development and Reform Commission; MY 20/21 data refer change over MY 19/20

The outlook for planting intentions for MY 22/23 is mixed. A February 2022 CCA survey reported MY 22/23 national cotton planting intention down 0.2 percent from the previous year and down 0.4 percent from January. Specifically, Xinjiang's planting intention is up 2 percent, while the Yellow River and the Yangtze River regions are down 18.9 percent and 9.6 percent, respectively, from the previous year. The CCA survey reported farmers in Xinjiang were optimistic, intending to expand planted area to 2,505,000 Ha. The survey also noted pre-planting irrigation almost completed in south Xinjiang, and prices for seeds, plastic films and dripping pipes remained stable. However, land rental costs increased by RMB6,000 to 12,000 (U.S.\$945 to 1,890)/Ha, fertilizer costs were up by RMB1,800 to 2,250 (U.S.\$283 to 354)/Ha, pesticide costs were up RMB450 to 750 (U.S.\$70 to 118)/Ha, irrigation water costs were up RMB450 (U.S.\$70)/Ha and labor costs up RMB750/Ha (U.S.\$118), from the previous year.

A February survey conducted by Beijing Cotlook Co., however, reported national cotton planting intentions up 0.8 percent in MY 22/23. Specifically, Xinjiang was up 0.9 percent while all other regions were up 0.1 percent from the previous year. An earlier survey done by the National Cotton Market Monitoring Network in late November 2021 showed a 1 percent increase in cotton planting intentions for MY 22/23 with western regions (including Xinjiang and Gansu) up 0.9 percent and the Yellow River region up 1.8 percent and the Yangtze River region up 0.3 percent.

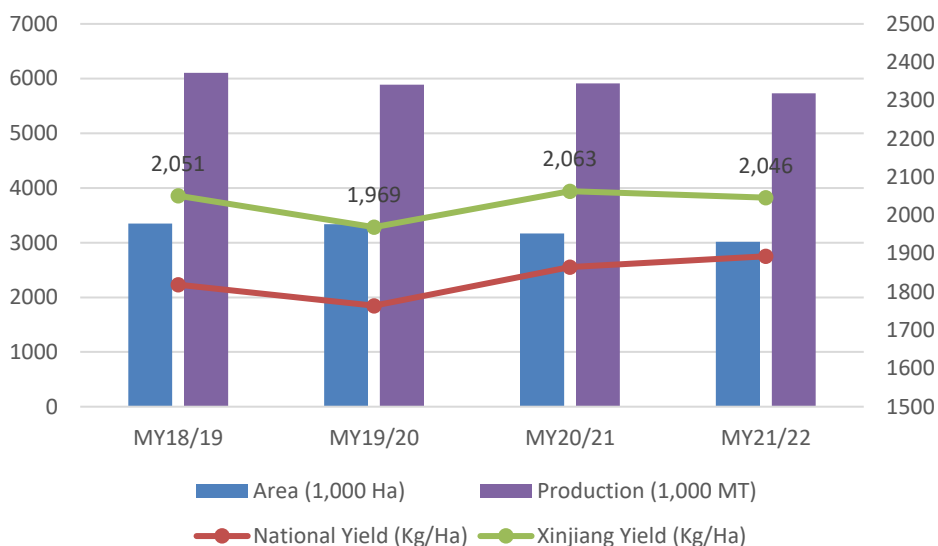
Post forecasts moderately expanded cotton area in Xinjiang in MY 22/23 based on high profits in MY 21/22, the fixed subsidy program providing a floor on prices, and strong domestic demand. Significant area expansion remains constrained by limited water resources and, to a lesser degree, by the

government policy limiting subsidy payments to cotton grown in certified areas. Expanded area is also constrained by farmer concerns over higher production costs, including higher land rental costs and prices for inputs such as fertilizer, pesticides, and fuel. Despite strong profits in MY 21/22, Post expects farmers in all other producing areas to maintain stable acreage in MY 22/23 as small farmers are unlikely to switch to grow more cotton when profits from other competing crops such as corn, soybean, and peanuts also increased in MY 21/22.

Yield

Post estimates MY 22/23 cotton yield at 1,950 kg/Ha, unchanged from the previous year. According to NBS, China’s cotton yield reached a record 1,893 kg/Ha in MY 21/22 with higher yielding Xinjiang region reaching 2,046 kg/Ha. Cotton yield estimates continue to vary among Chinese sources based on differing estimates for planted area and production. See Table 13 for Post’s area, production, and yield estimates by region.

Chart 2. China: NBS Cotton Area, Production, and Yield
(MY18/19 to MY21/22)



Source: NBS

Xinjiang’s higher yields compared to the national average demonstrate the region’s advantageous weather conditions, scale farming, and high rates of mechanized harvest. Although Xinjiang farms under the umbrella of the XPCC have a higher rate of mechanization than non-XPCC farms, higher labor and other production costs have pushed the entire region to accelerate mechanization. According to the Xinjiang Agricultural and Rural Affairs Department, the overall machine harvested rate exceeded 80 percent of planted area in the region, with rates in northern Xinjiang reaching over 90 percent. The Department has emphasized the importance to raising quality and taken steps to assist farmers in planting higher quality cotton varieties, reducing planted cotton varieties to 45 in MY 21/22 from the 64 the previous year. Xinjiang’s yield may be affected by the subsidies, which have spurred expansion onto marginal, lower yielding lands (see Policy section for additional information). Cotton yield in all other production areas outside of Xinjiang remains low due to lack of scale, little government support, and limited use of technology.

Consumption

Cotton consumption for MY 22/23 is forecast at 8.6 MMT, up from Post’s estimate of 8.5 MMT in MY 21/22, on expected higher domestic and export demand for textile and apparel products.

Government and industry estimates for China’s MY 21/22 cotton use show weaker demand, with an average decline of 0.27 MMT or 3.2 percent compared to MY 20/21. Although key industry performance and consumption indicators for 2021 show significant growth compared to 2020, these data disproportionately reflect higher growth during the first half of 2021 and conceal China’s slowing growth, particularly during the third and fourth quarter when GDP slowed to 4.9 and 4 percent, respectively. The government has set target GDP growth at 5.5 percent in 2022, however many analysts forecast lower growth without additional stimulus. Although exports have largely been unaffected, the People’s Republic of China’s (PRC) continued adherence to a “zero-tolerance” policy for containing COVID-19 continues to dampen domestic consumption and may disrupt trade as greater numbers of workers are forced into lockdowns.

Table 4. China: Cotton Use and Imports in MY 21/22 and MY 22/23

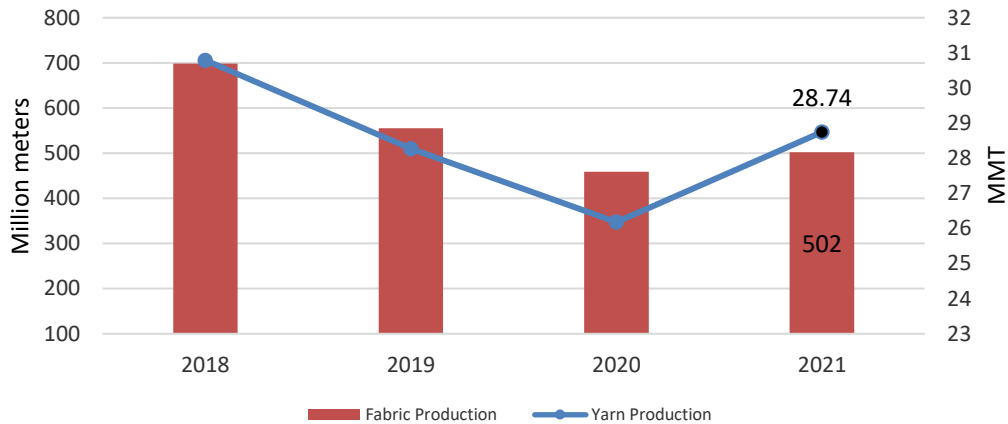
	CCA		MARA		BCO		cncotton.com	
	MY21/ 22	MY22/ 23	MY21/ 22	MY22 /23	MY21 /22	MY22 /23	MY21 /22	MY22 /23
Consumption	8.34	NA	8.2	NA	8.25	8.25	8.24	NA
Imports	2.75	NA	2.2	NA	2.0	1.8	2.31	NA
Ending stocks	8.32	NA	7.3	NA	5.2	4.6	6.11	NA

Note: Of the referenced sources, only the Beijing Cotton Outlook (BCO) provides a forecast for MY 22/23 cotton consumption. NA – Not Available.

The textile and apparel industry continues to be a driver of economic growth and employment, accounting for 10.5 million jobs or about 9 percent of total manufacturing employment according to 2018 NBS data, the most recent year available. NBS data from 2020 show China’s trade surplus from textile and apparel reached U.S. \$236 billion, about 56 percent of its total trade surplus. The Textile Industry Association estimates China’s spinning capacity at 110 million spindles, accounting for over half of global capacity. NBS data indicates fixed asset investment for textile and apparel industries increased in 2021, up 11.9 percent and 4.1 percent, respectively, from the previous year. Although, the recently released [the 14th Five-Year Development Guidance for Cotton Textile Industry \(2021-2025\)](#) notes plans to reduce total spindles to 100 million by 2025, while raising spinning use (and overall spindle utilization) of cotton fiber and non-cotton fiber to 7 MMT and 13 MMT by 2025, from the 6 MMT and 11.27 MMT, respectively, in 2020.

NBS data shows a recovery of yarn and fabric production in 2021, up 9.8 percent and 9.3 percent, respectively, from the previous year, though yarn production fell from September – December 2021. According to China’s Ministry of Industry and Information Technology, 2021 production of garments increased 8.4 percent from the previous year and output value and profits for monitored textile enterprises were 12.3 percent and 25.4 percent higher, respectively, compared to 2020.

Chart 3. China: Yarn and Fabric Production, 2018 - 2021

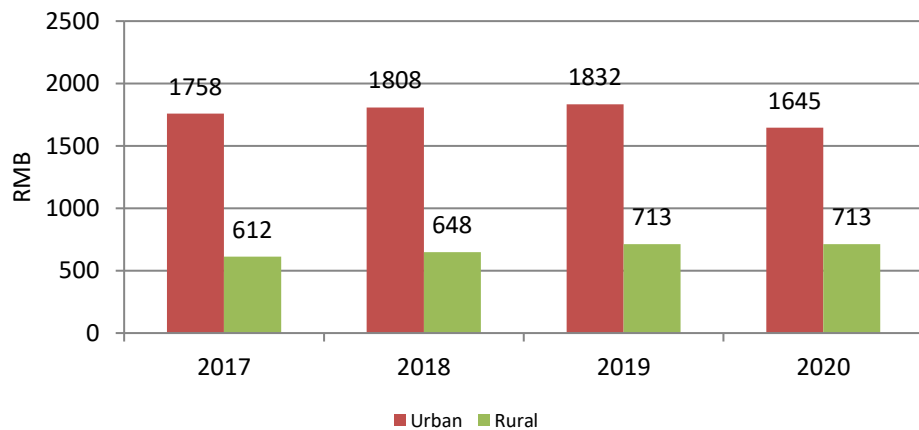


Source: NBS

Domestic Textile and Apparel Demand

Domestic demand for textile and apparel products, fueled by population growth and urbanization, is expected to drive cotton use in MY 22/23. Population growth in 2021, though slow by recent historical levels, reached 480,000 people while urbanization added another 12 million residents to cities. Based on NBS data, per capita spending on clothing by rural citizens was only 43 percent that of the urban populations in 2020.

Chart 4. China: Per Capita Consumption Expenditures for Clothing



Source: NBS

According to NBS, per capita disposable income and consumption expenditures both increased in 2021, up 9.1 percent and 13.6 percent, from the previous year. After stagnant sales in 2020 due to the COVID-19 outbreak, domestic sales of textiles, apparel, and accessory products increased 12.7 percent in 2021. Chart 4 shows China’s per capita consumption expenditures for clothing in recent years. For 2021, NBS

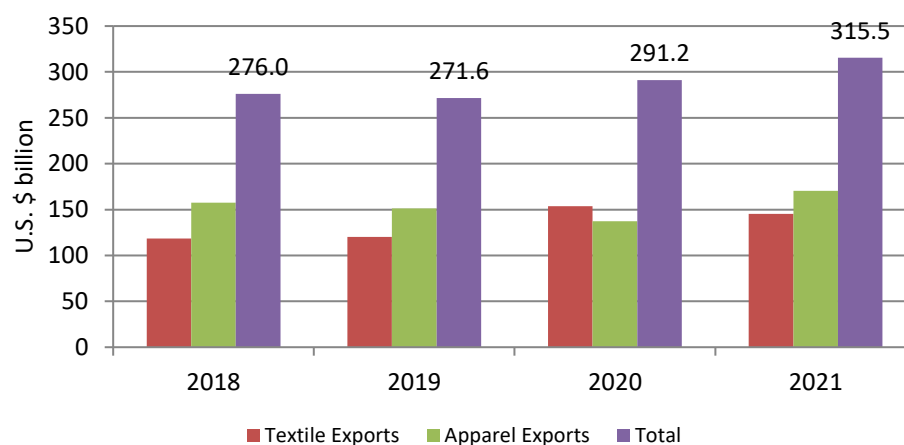
notes an average per capita consumption expenditure of RMB1,419, 14.6 percent higher than the average for 2020.

Textile and Apparel Exports

Textile and apparel exports are expected to continue growing in MY 22/23. Rising prices and strong overseas demand pushed textile and apparel exports to U.S.\$50.2 billion during the first two months of 2022, a year-on-year increase of 8.9 percent. Specifically, the exports of textiles including masks were U.S. \$24.7 billion, 11.9 percent higher and apparel exports were U.S. \$25.5 billion, 6.1 percent higher.

The NBS reported total 2021 textile and apparel exports at U.S.\$315.5 billion, up 8.4 percent from the previous year. Although textile and apparel exports have increased overall, the composition of exports has changed from 2020. Exports of textiles, mainly PPE, declined 5.6 percent, while apparel exports surged 24 percent, accounting for 54 percent of total textile and apparel export value in 2021.

Chart 5. China: Textile and Apparel Exports Increased in 2021



Source: Trade Data Monitor, LLC

Industry contacts were generally optimistic about export potential for the remainder of 2022, citing the advantages of China's comprehensive production and supply chain and strong international demand, including from countries where increasing cases of COVID-19 continued to spur demand for personal protective equipment (PPE).

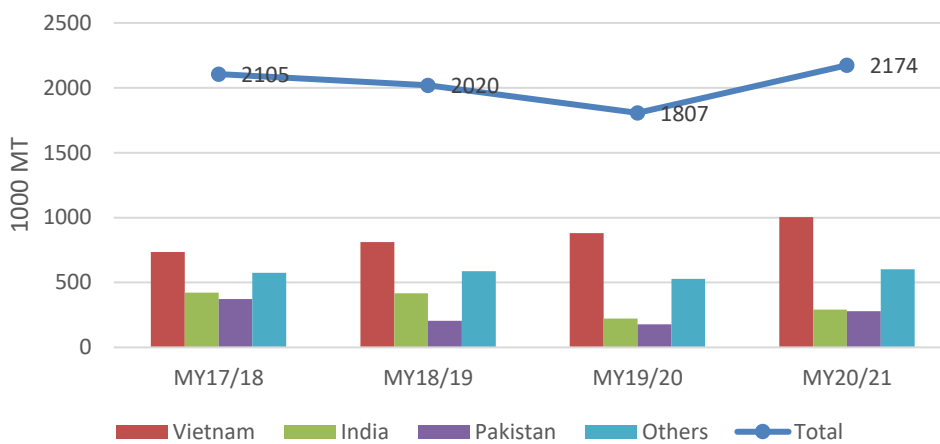
Textile and apparel exports grew in 2021. Exports of both finished products (apparel etc.) to developed markets and unfinished products to developing markets increased. The U.S. and EU combined took one third of China's exports of finished products, with the U.S. taking an 18 percent share. In 2021, China's exports of textiles and apparel to the U.S rose to U.S. \$58.1 billion, up 5 percent from 2020. Driven by increased exports of unfinished products, China's exports to ASEAN surged 28.3 percent from 2020 to U.S. \$49.7 billion.

Yarn Imports

China's increasing yarn imports continue to affect domestic use of cotton for spinning. Yarn imports do not face quota restrictions and thus also serve to fill the supply gap in years when additional cotton

quota is not sufficiently provided. Yarn imports typically increase when the price gap between domestic and international cotton expands. MY 20/21 yarn imports hit 2.17 MMT, up about 20 percent from the previous year mainly due to domestic cotton prices rising higher than international prices. However, as the priced gap narrowed in the third quarter of 2021, China’s yarn imports also declined, dropping 12.8 percent in the first seven months of MY 21/22 compared to the previous year. The price gap between domestic and international cotton has ranged between RMB1,000 (U.S.\$157)/MT and RMB1,300 (U.S.\$205)/MT during the first quarter of 2022. Industry sources note gaps exceeding RMB2,000 (U.S.\$314)/MT are generally considered favorable for yarn imports.

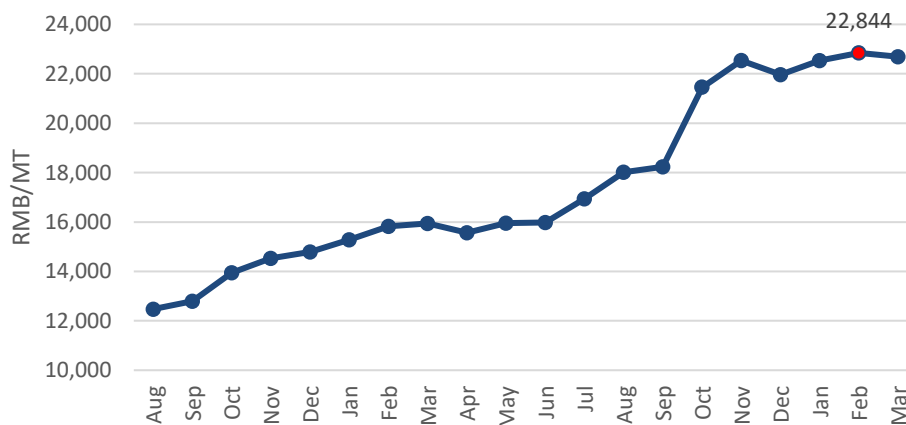
Chart 6. China: Yarn Imports by Country of Origin



Source: Trade Data Monitor, LLC

Vietnam continues to be the largest yarn supplier to China, expanding its market share to 46 percent in MY 20/21. However, China’s yarn imports from Vietnam in the first seven months of MY 21/22 declined by 13.9 percent as mill operations in Vietnam were low since July 2021 due to COVID-19 restrictions, while imports from others also show slight decline.

Chart 7. China: Cotton Price Surged in 2021
(China Cotton Price Index 3128 B)



Source: cottonchina.org; Note: Data from August 2020 to March 2022

China's yarn exports reached 290,000 MT in MY 20/21 and are up 2 percent during the first seven months of MY 21/22. The top three markets for China's yarn exports in 2021 were Pakistan, Bangladesh, and Vietnam.

Cotton Share in Yarn Production

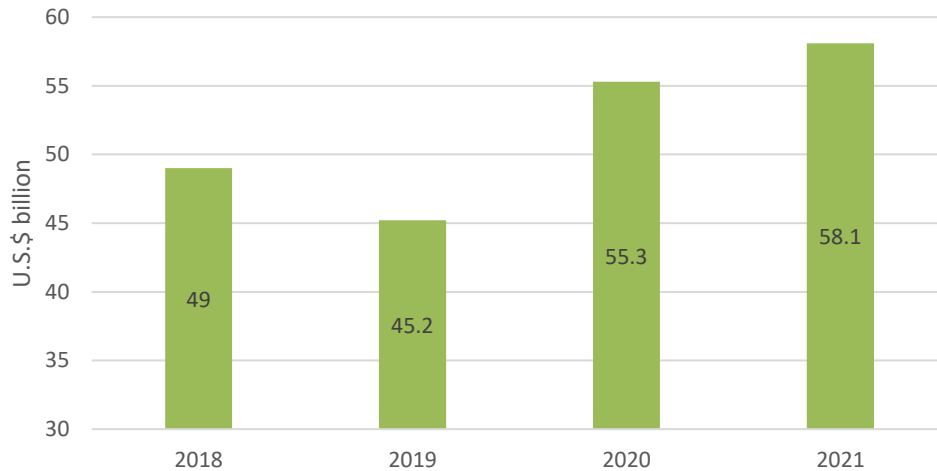
Despite being the world's largest producer of cotton, domestic consumption continues to significantly outpace production. Cotton imports remain subject to a limited TRQ volume that on average fulfills less than half of annual import needs, with remaining imports subject to an unpredictable sliding-scale quota. Accordingly, incorporation of non-cotton fibers is advantageous for yarn blending. The share of cotton in China's yarn production has been declining in recent years due to improvements in blending in man-made fibers and high domestic cotton price. NBS data show total synthetic fiber production reached 67.08 MMT in 2021, up 9.5 percent from 2020. Data from industry sources indicate prices in 2021 for major substitute fibers polyester and viscose increased by 11 percent and 19 percent, respectively, while cotton prices surged by 48 percent. Profits from blended cotton yarn and polyester yarn both gained advantage since October 2021. However, synthetic fiber prices have begun to rise in line with higher oil prices, possibly offsetting some advantage. The current domestic price gap between polyester fiber and cotton disadvantages cotton inclusion share in yarn production. Since November 2021, the gap has averaged RMB 14,000 (U.S.\$2,205)/MT, compared with RMB 9,000 (U.S.\$1,417)/MT in March 2021.

According to [China's 14th Five-Year Textile Industry Development Plan](#) (link in Chinese), China's fiber consumption is comprised of three product groups: garments, home textile and industry. Consumption in each category is expected at 38 percent, 27 percent, and 35 percent, respectively, by 2025.

U.S. Restrictions on Xinjiang Cotton

On January 13, 2021, the U.S. Department of Homeland Security announced a [Withhold Release Order](#) (WRO) on imports of products containing Xinjiang cotton. A list of China Withhold Release Orders and Findings is available on the [CPB website](#). The impact on China's cotton use in MY 20/21 and MY 21/22 appears limited and exports of textile and apparel products to the U.S. remain strong.

Chart. 8. China: Exports of Textile and Apparel to the United States



Source: Source: Trade Data Monitor, LLC

On December 23, 2021, the U.S. signed into law The Uyghur Forced Labor Prevention Act (UFLPA). The law sets forth additional statutory requirements to prevent goods made with forced labor in Xinjiang from entering the U.S. market. The first [public hearing](#) on the matter, led by The Forced Labor Enforcement Task Force (FLETF), is scheduled for April 8, 2022.

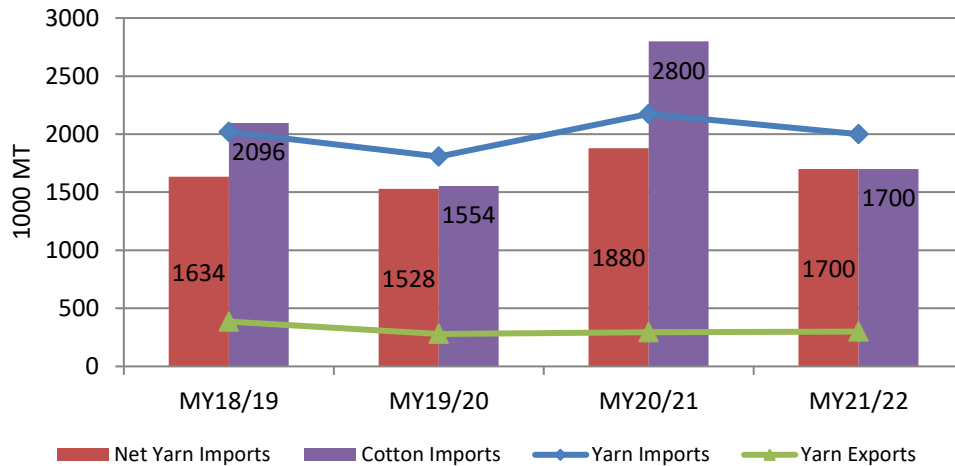
Trade

China's cotton imports are forecast to increase to 2.3 MMT in MY 22/23 from an estimated 1.7 MMT in MY 21/22 on higher spinning use to meet textile and apparel demand. Cotton imports during the first seven months of MY 21/22 declined significantly to 866,483 MT due to weak demand and surging prices which grew 42 percent.

China's cotton imports are subject to a tariff rate quota (TRQ) system. Under its WTO accession agreement, 894,000 MT of annual cotton imports are subject to a one percent tariff. Since joining the WTO in 2001, China's TRQ allotment has consistently been filled. Depending on domestic supply and industry demand, the PRC periodically allocates additional quota subject to a sliding duty. China reportedly allocated the entire 894,000 MT TRQ to end-users in January 2022. On March 9, the [NDRC announced the addition of 400,0000 MT of additional cotton quota](#) as part of a "first batch" of quota subject to sliding import duties in 2022. The entire additional quota amount was allocated only to non-state-owned enterprises and for processing trade only. The quota is expected to be allocated in April 2022. Applicants are required to submit applications to provincial development and reform commission offices from March 14 to 25 and submit to the National Development and Reform Commission before March 29, 2022. Based on China's cotton supply gap, relatively low estimated state reserve levels, and indications of future allocation in the announcement, Post expects additional import quotas will be added in 2022.

Unlike cotton imports, yarn imports are not subject to quota restrictions, and often serve to balance demand in years when additional cotton import quotas are limited. However, considering China's large spinning capacity and reduced competitiveness of imported yarn, Chinese spinners are expected to maintain market share supporting cotton imports in MY 22/23.

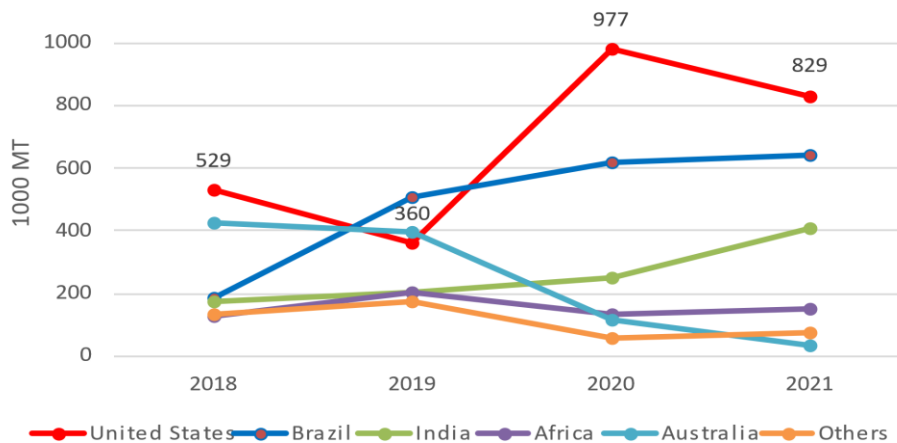
Chart 9. China: Yarn Trade and Cotton Imports
(MY18/19 to MY21/22)



Source: Trade Data Monitor, LLC; MY 21/22 data are FAS/Beijing estimates

U.S. cotton exports to China strengthened following China’s implementation of a tariff exclusion process for Section 301 retaliatory tariff on U.S. products beginning on March 2, 2020 (see [GAIN report CH2020-0024](#)). Currently, tariff exclusions continue to be processed for both state-owned and non-state-owned enterprises. In the first seven months of MY 21/22 (August to February 2022), U.S. cotton exports to China fell significantly to 297,066 MT, accounting for 34 percent of total imports compared to 45 percent during the same period of MY 20/21. U.S. cotton retains a strong brand and preference among Chinese end-users for its quality and availability, however exports from Brazil and India remain competitive.

Chart 10. China: Imports of Cotton by Origin (1,000 MT)



Source: Source: Trade Data Monitor, LLC

China exports insignificant volumes of cotton.

Stocks

Cotton stocks are forecast to decline to 7.2 MMT in MY 22/23 from an estimated 7.6 MMT in MY 21/22. China's high cotton imports in MY 20/21 contributed to relatively high carry in stocks, partly contributing to low import estimate in MY 21/22.

China maintains an unknown volume of state cotton reserves. In response to surging cotton prices and higher spinning sector demand for various grades of cotton, the state reserve actively sold cotton in 2021. From early July through the end of September, the government sold 0.63 MMT of state cotton reserves, slightly higher than the announced volume of 600,000 MT. The high purchase rate and steady growth in purchase price during the auctions reflected strong demand following an increase in consumption in the first months of 2021. As cotton prices continued to rise following the close of the auction, the government offered an additional 912,000 MT of reserve cotton from October 8 through November 30. However, the purchase rate for the second offering only reached 63 percent, reflecting higher cotton prices, and slacking demand.

Table 5. China: Sales of State Cotton Reserve (2018 to 2021)

Year	Time of Sales	Target Volume (MT)	Actual Volume Sold (MT)
2018	Mar 12 to Sep 30	Daily 30,000	3,220,000
2019	May 5 to Sep 30	1,000,000	1,000,000
2020	Jul 1 to Sep 30	500,000	500,000
2021	Jul 5 to Sep 29	600,000	630,400
	Oct 8 to Nov 30	Auctioned 912,000	572,365

Source: China's Industry Statistics

Based on a survey of spinning mills by the National Cotton Market Monitoring Network, as of early of March, total industry cotton stocks averaged 33.7 days volume, down 16.2 days from the previous year as higher prices have resulted in spinning mills trimming inventories. Industry stocks were estimated at about 760,000 MMT, down 28.4 percent from the previous year, though industry stocks remained relatively high in Jiangsu, Xinjiang and Guangdong compared to other provinces.

Assessing China's overall cotton supply and demand remains challenging without a published benchmark level for state reserves, clear mechanism for determining when state purchases are needed, or transparent process for understanding how the PRC conducts domestic purchases or importation of cotton for the state reserve. Based on domestic production and consumption trends, an annual cotton supply gap often exceeding 2.5 MMT, high volumes of state reserve sales in 2021, and the reserve system's dual function of stabilizing production and commercial availability of cotton, Post forecasts MY 22/23 imports at 2.3 MMT.

Policy

The 14th Five Year Crops Production Plan

In the [14th Five Year Development Plan for Crops Production \(2021-2025\)](#) published in January 2022, MARA set a target for cotton planted area at 3.2 MHa and production at 5.9 MMT by 2025. MARA will

continue to promote cotton planting mainly in the northwest with Xinjiang’s area at about 2.4 MHa, and in the Yangtze River and the Yellow River regions with combined area recovering to 0.8 MHa.

Xinjiang Subsidy

A target price-based subsidy for Xinjiang cotton was established in MY 17/18 (see GAIN report [CH18014](#)). In late March 2020, the PRC announced an extension of the program for three years, from MY 20/21 through MY 22/23, with a fixed target price of RMB18,600 (U.S. \$2,950)/MT. Table 6 provides estimates of total central government expenditures for the subsidy, based on NBS production data and FAS/China calculations of the gap between the target price and the average domestic market price (Note: the exchange rates used are listed at the end of the narrative portion of this report). Cotton subsidy payments are distributed directly to farmers by local government offices, usually between November and March. Post expects minimal price-based subsidy expenditures will occur in MY 21/22 due to the cotton selling price in MY 21/22 exceeding the target price. Smaller area-based and trial quality-based subsidies are still expected to be paid in selected regions.

Table 6. China: Target Price-based Subsidy Payouts

	MY17/18	MY18/19	MY19/20	MY20/21
Xinjiang (RMB and U.S. \$ in billion)	RMB12.6 (U.S. \$1.89)	RMB7.65 (U.S. \$1.15)	RMB13.7 (U.S. \$1.99)	RMB19.6 (U.S. \$2.8)

Source: NBS and FAS/Beijing estimates

The target price-based subsidy program for Xinjiang stipulates a maximum annual volume of 5.47 MMT¹ as eligible for the subsidy. NBS data for MY 21/22 indicates Xinjiang cotton production at 5.13 MMT, below the annual maximum eligible for the subsidy. Since Xinjiang production has not yet reached the subsidy cap volume, the incentive remains for farmers to increase planted area, predominately on marginal lands as most suitable lands are already under cultivation.

The People’s Republic of China (PRC) continues to provide transport subsidies of approximately RMB500 (U.S. \$79)/MT for cotton and cotton yarn shipped from Xinjiang to other parts of China. The subsidy is based on transport records or bills of lading certified by government agencies and payments are typically provided to the enterprises the following year.

Subsidy for Other Provinces

The PRC’s fixed subsidy rate of RMB2,000 (or U.S. \$310)/MT for cotton production in nine other producing provinces is expected to continue in MY 22/23 (see GAIN report [CH18014](#)). Typically, the central government calculates the total subsidy amount based on province-level production data. The central government then provides the funds to provincial authorities, who develop their own plans to distribute the payments in their respective provinces. Official reports regarding the distribution of the subsidy are not available and it is not clear if the subsidy will be paid in MY 21/22 due to the high selling price for cotton.

Targeted Loans

The Agriculture Development Bank of China (ADBC) continues to provide loans at favorable terms to traders and gin operators for seed cotton purchases. Chinese media reported ADBC planned to provide RMB50 billion (U.S. \$7.9 billion) in MY 21/22 to help purchase Xinjiang cotton, as compared to

¹ The cap volume of 5.47 MMT is 85 percent of the average national cotton production from 2012 to 2014.

RMB41.3 billion (U.S. \$6.4 billion) in MY 20/21. ADBC claims the loans facilitate cotton marketing and stable cotton production in Xinjiang.

Registration System for Overseas Cotton Suppliers

Before exporting cotton to China, overseas cotton suppliers must register with the General Administration for Customs of China (GACC). U.S. cotton exporters should work with their China-based representatives or customers to complete the registration process via the online system at <http://online.customs.gov.cn/static/pages/allistititems.html>. The approval of registration or renewal updates are available at [GACC website](#).

Entry Inspection of Cotton Imports

According to industry sources, following GACC's April 2020 modification to cotton import requirements, quality inspection is no longer a mandatory step in the inspection process for cotton imports (see GAIN report [CH2020-0052](#)).

Marketing Opportunities

The China International Cotton Conference, a biannual event sponsored by CCA and MARA, attracts a worldwide audience from the cotton and textile industries. The 2021 conference was held in Suzhou, Jiangsu Province in June. Dates for a 2022 conference have not yet been released. CCA, in collaboration with the China National Cotton Exchange, also holds an annual event known as the China Cotton Industry Development Forum. Dates for the 2022 Forum have not been announced.

Cotton Council International (CCI), the National Cotton Council's export promotion arm, represents U.S. cotton in China. CCI maintains an in-country presence and organizes marketing and technical seminars throughout the year, including the annual Cotton Day promotional event. For more information about CCI's programs contact cci-hongkong@cotton.org or cci-shanghai@cotton.org.

U.S. cotton exporters interested in the China market are encouraged to contact the USDA/FAS Agricultural Affairs and Agricultural Trade Offices in Beijing, Guangzhou, Shanghai, and Shenyang.

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Note: Exchange rates: U.S. \$1=RMB6.9 in 2019 and 2020; U.S. \$1=RMN6.45 in 2021; U.S. \$1=RMN6.35 in first months of 2022

Tables

Production, Supply and Distribution (PSD)

Table 7. China: Cotton PSD (in 1,000 Bales and 1,000 Ha)

Cotton China	2020/2021		2021/22		2022/23	
	Market Year Begin: Aug 2020		Market Year Begin: Aug 2021		Market Year Begin: Aug 2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted		3,250		3,000		3,030
Area Harvested	3,250	3,250	3,100	3,000		3,030
Beginning Stocks	36,899	36,899	39,250	39,250		34,838
Production	29,500	29,500	27,000	26,870		27,138
Imports	12,861	12,861	9,500	7,808		10,564
MY Imports from U.S.						
Total Supply	79,260	79,260	75,750	73,928		72,540
Exports	10	10	75	50		20
Use	40,000	40,000	39,500	39,040		39,500
Loss	0	0	0	0		0
Total Dom. Cons.	40,000	40,000	39,500	39,040		39,500
Ending Stocks	39,250	39,250	36,175	34,838		33,020
Total Distribution	79,260	79,260	75,750	73,928		72,540
Stock to Use %	98	98	91	89		84
Yield	1,976	1,976	1,896	1,950		1,950

Table 8. China: Cotton PSD (in 1,000 MT and 1,000 Ha)

Cotton China	2020/2021		2021/22		2022/23	
	Market Year Begin: Aug 2020		Market Year Begin: Aug 2021		Market Year Begin: Aug 2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted		3,250		3,000		3,030
Area Harvested	3,250	3,250	3,100	3,000		3,030
Beginning Stocks	8,034	8,034	8,546	8,546		7,585
Production	6,423	6,423	5,879	5,850		5,909
Imports	2,800	2,800	2,068	1,700		2,300
MY Imports from U.S.						
Total Supply	17,257	17,257	16,492	16,096		15,794
Exports	2	2	16	11		4
Use	8,709	8,709	8,600	8,500		8,600
Loss	0	0	0	0		0
Total Domestic Consumption	8,709	8,709	8,600	8,500		8,600
Ending Stocks	8,546	8,546	7,876	7,585		7,189
Total Distribution	17,257	17,257	16,492	16,096		15,794
Stock to Use %	98	98	91	89		84
Yield	1,976	1,976	1,896	1,950		1,950

Trade Tables

Table 9. China: Monthly Cotton Imports

Unit: MT				
	2019	2020	2021	2022
Month				
January	279,865	148,367	401,232	227,934
February	229,061	263,885	289,503	184,924
March	151,901	200,913	280,364	
April	179,695	124,830	230,316	
May	178,323	70,011	173,208	
June	157,395	90,260	172,072	
July	163,492	148,256	142,566	
August	91,838	141,852	86,274	
September	83,266	210,303	73,441	
October	73,388	208,144	62,621	
November	105,096	196,583	94,985	
December	153,588	354,691	136,304	
TOTAL	1,846,908	2,158,095	2,142,886	
Unit: Bales				
	2019	2020	2021	2022
Month				
January	1,285,420	681,450	1,842,859	1,046,900
February	1,052,077	1,212,024	1,329,687	849,356
March	697,681	922,793	1,287,712	
April	825,339	573,344	1,057,841	
May	819,038	321,561	795,544	
June	722,915	414,564	790,327	
July	750,919	680,940	654,806	
August	421,812	651,526	396,256	
September	382,441	965,922	337,315	
October	337,071	956,005	287,618	
November	482,706	902,906	436,266	
December	705,430	1,629,096	626,044	
TOTAL	8,482,848	9,912,130	9,842,275	

Source: Trade Data Monitor, LLC.

Table 10. China: Cotton Imports by Country of Origin

Unit: MT

	MY18/19	MY19/20	MY20/21	MY21/22*
Country				
United States	370,045	473,288	1,258,306	297,067
Brazil	476,494	565,643	716,746	367,306
India	271,955	130,132	501,527	66,220
Australia	555,463	203,903	77,263	17,866
Burkina Faso	35,567	14,612	43,873	14,192
Benin	48,779	16,449	32,356	27,585
Sudan	41,446	25,356	31,814	12,048
Mali	26,931	15,301	23,793	8,925
Myanmar	419	6,941	15,536	4,025
Mexico	33,783	14,253	16,555	4,835
Togo	8,213	4,720	11,076	2,929
Tajikistan	3,587	9,836	10,815	4,377
Turkey	3,575	2,922	10,528	6,351
Kazakhstan	16,314	8,325	10,146	5,934
Cote d'Ivoire	20,200	10,623	9,251	6,956
Others	183,491	51,642	30,458	19,867
Total	2,096,262	1,553,946	2,800,043	866,483
Price \$/ton	2,004	1,754	1,741	2,320

* First seven months data of MY21/22; Source: Trade Data Monitor, LLC.

Table 11. China: Monthly Cotton Yarn and Thread Imports

Unit: MT

	2019	2020	2021	2022
Month				
January	164,777	126,977	206,070	153,497
February	119,921	153,860	144,049	93,613
March	191,394	192,440	224,689	
April	192,237	143,176	233,355	
May	207,638	101,501	168,558	
June	156,829	146,701	156,529	
July	150,333	172,649	177,649	
August	146,888	166,110	179,008	
September	147,175	178,152	187,994	
October	145,327	168,600	147,537	
November	160,038	172,268	152,250	
December	170,427	177,768	140,047	
TOTAL	1,952,984	1,900,202	2,117,735	
Marketing Year	Aug/19-Jul/20	Aug/20-Jul/21	Aug/21-Jul/22	
TOTAL	1,807,159	2,173,797		

Source: Trade Data Monitor, LLC.

Table 12. China: Monthly Cotton Yarn and Thread Exports

Unit: MT

	2019	2020	2021	2022
Month				
January	38,968	30,577	26,200	31,121
February	21,149	13,241	15,867	17,292
March	39,628	31,647	23,203	
April	37,172	15,194	26,850	
May	35,330	14,533	24,273	
June	37,492	16,895	27,979	
July	27,889	23,472	25,017	
August	27,980	24,537	24,728	
September	24,623	26,991	23,116	
October	25,446	26,736	23,189	
November	38,112	23,030	23,455	
December	27,974	23,127	26,739	
TOTAL	381,763	269,980	290,616	
Marketing Year	Aug/19-Jul/20	Aug/20-Jul/21	Aug/21-Jul/22	
TOTAL	289,694	293,810		

Source: Trade Data Monitor, LLC.

Other Tables

Table 13. China: Cotton Planted Area and Production by Region

Area			
Year	MY 20/21	MY 21/22	MY 22/23
Xinjiang	2,490	2,478	2,508
Others	730	522	522
Total	3,220	3,000	3030
Production			
Year	MY 20/21	MY 21/22	MY 22/23
Xinjiang	5,650	5,250	5,309
Others	750	600	600
Total	6,400	5,850	5,909
Average Yield (Kg/Ha)	1,988	1,950	1,950

Note: FAS/Beijing estimate and forecast

Table 14. China: Cotton Tariffs Effective on January 1, 2022

Description	HS Code	M.F.N.(%)	Gen(%)	VAT	ED	Unit
Cotton, not carded or combed	5201.0000					Kg
Cotton, not carded or combed, including degreased cotton -in quota	5201.0000.01	1	125	9	9	
Cotton, not carded or combed, including absorbent cotton – custom, out of quota, interim	5201.0000.80			9	9	
Cotton, not carded or combed, including degreased cotton -out of quota	5201.0000.90	40	125	9	9	
Cotton waste, yarn waste	5202.1000	10	30	13	13	Kg
Cotton waste, garneted stock	5202.9100	10	30	13	13	Kg
Cotton waste, other	5202.9900	10	30	13	9	Kg
Cotton, carded or combed	5203.0000		125	13	9	Kg
Cotton, carded or combed, in quota	5203.0000.01	1	125	13	9	
Cotton, carded or combed, out of quota	5203.0000.90	40	125	13	13	
Cotton sewing thread, containing 85% or more by weight of cotton	5204.1100	5	40	13	13	Kg
Other	5204.1900	5	40	13	13	Kg
Put up for retail sale	5204.2000	5	50	13	13	Kg
Cotton yarn (other than sewing thread), containing 85% or more by weight of cotton, not for retail sale	5205.1100 to 5205.4800	5	40	13	13	Kg
Cotton yarn (other than sewing thread) containing less than 85% by weight of cotton, not put for retail sale	5206.1100 to 5206.4500	5	40	13	13	Kg
Cotton yarn (other than sewing thread), containing 85% or more	5207.1000	5	50	13	13	Kg
	5207.9000	5	50	13	13	Kg

Note: VAT--Value Added Tax; ED--Export Drawback Rate

Source: PRC Customs Import & Export Tariff, 2022

Table 14. Contd. China: Cotton Tariffs as of January 1, 2022 (continued)

Description	HS Code	M.F.N.(%)	Gen(%)	VAT	ED	Unit
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	8	70	13	13	M/Kg
Woven fabrics of cotton, containing 85% or more by weight of cotton, weighing more than 200 g/square meter	5208.2300	8	70	13	13	M/Kg
	5209.1100	8	70	13	13	M/Kg
	5209.1200	8	70	13	13	M/Kg
	5209.1900	8	70	13	13	M/Kg
	5209.2100	8	70	13	13	M/Kg
	5209.2200	8	70	13	13	M/Kg
	5209.2900	8	70	13	13	M/Kg
	5209.3100	8	70	13	13	M/Kg
	5209.3200	8	70	13	13	M/Kg
	5209.3900	8	70	13	13	M/Kg
	5209.4100	8	70	13	13	M/Kg
	5209.4200	8	70	13	13	M/Kg
	5209.4300	8	70	13	13	M/Kg
	5209.5900	8	70	13	13	M/Kg

Note: VAT--Value Added Tax; ED--Export Drawback Rate; M/KG – Meter/Kilogram

Source: PRC Customs Import & Export Tariff, 2022

Table 15. China: Tariff Rate Quota

Description	HS Code	Initial Quota and Tariff Rate	Final Quota and Tariff Rate	Implementation of Final Quota
Cotton		780,750 MT	894,000 MT	2004
	5201 - 0000	1%	1%	
	5203 - 0000	1%	1%	
Other terms and conditions:				
1) STE share = 33% (See Note)				
2) Staging of TRQ for cotton:				
Year TRQ quantity:				
2002 -- 818,500 MT; 2003 -- 856,250 MT; 2004 -- 894,000 MT				
2005 -- 894,000 MT (China added 1.4 MMT TRQ in 2005)				
2006 -- 894,000 MT (China added 2.7 MMT TRQ in 2006, subject to variable import duty)				
2007 -- 894,000 MT (China added 2.6 MMT TRQ in 2007, subject to variable import duty)				
2008 -- 894,000 MT (China added 2.6 MMT TRQ in 2008, subject to variable import duty)				
2009 -- 894,000 MT (China added 400,000 MT TRQ only for processing trade, due to weak demands for cotton)				
2010 -- 894,000 MT (China added 2.67 MMT TRQ subject to variable import duty)				
2011 -- 894,000 MT (China added 2.7 MMT of TRQ subject to variable import duty)				
2012 -- 894,000 MT (China added 2.4 MMT of TRQ subject to variable import duty)				
2013 -- 894,000 MT (China added an estimated 2.3 MMT additional TRQ subject to variable duty or for processing trade)				
2014 -- 894,000 MT (China added about 1.3 MMT additional TRQ subject to variable duty were distributed but not officially announced)				
2015 -- 894,000 MT distributed (Industry sources estimated about 300,000 MT of cotton were imported by China's bonded zones* and destined for processing-trade for re-export in 2015)				
2016 -- 894,000 MT distributed				
2017 -- 894,000 MT distributed				
2018 -- 894,000 MT distributed (Added 0.8 MMT of TRQ subject to variable tariff import duty)				
2019 -- 894,000 MT distributed (Added 0.8 MMT of TRQ subject to variable tariff import duty)				
2020 -- 894,000 MT (Added unknown quantity of TRQ subject to variable tariff import duty)				
2021 -- 894,000 MT (Added 0.7 MMT of TRQ subject to variable tariff import duty)				
2022 -- 894,000 MT (Announced starting application for the 894,000 MT in mid-September 2021 and the quotas likely reached end-users in January 2022; Added 0.4 MMT of TRQ subject to variable tariff import duty in March 2022)				

*Cotton imports by China's bonded zones are included in China's total cotton import data. However, industry sources explained that these imports are not subject to TRQ control if the processed products are proven to be exported.

Note: China's WTO commitment does NOT mandate a TRQ for CY05 and after, but China maintained an identical quantity of TRQ as CY04. In addition to those volumes, China adds quota based on market demand. The added quotas are subject to a variable import duty.

Source: NDRC and industry estimates.

Attachments:

No Attachments