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Report Highlights:

China's marketing year (MY) 20/21 cotton production is forecast at 5.95 million metric tons (MMT) compared to an estimated 5.9 MMT in MY19/20, based on a slight acreage decline and a return to average yield from the below average yield in MY19/20. Cotton consumption is forecast at 8.5 MMT in MY20/21 compared to an estimated 8 MMT the previous marketing year, due to a projected recovery from the U.S.-China trade friction in 2019 and the COVID-19 pandemic in 2020. Likewise, MY20/21 imports are forecast up to 2.3 MMT from an estimated 1.8 MMT in MY19/20, following signing of the U.S.-China Economic and Trade Agreement and the coronavirus outbreak and recovery.

Executive Summary:

China's marketing year (MY) 20/21 cotton production is forecast at 5.95 million metric tons (MMT) compared to an estimated 5.9 MMT in MY19/20. The moderate production growth is based on improved yield in MY20/21 compared to the previous year, somewhat dampened by a slight fall in acreage. MY20/21 planted area is forecast at 3.2 million hectares (MHa), a 0.6 percent decrease from the estimated 3.22 MHa in MY19/20. The acreage decline in MY20/21 is attributed to a low cotton seed price, reduced farmer incomes, and higher land rental rates in MY19/20, as well as a flat target-price subsidy level heading into MY20/21.

Cotton consumption is forecast to reach 8.5 MMT in MY20/21, recovering from an estimated 8 MMT the previous marketing year. The projected drop in China's cotton consumption in MY19/20 is due to a combination of trade friction with the United States and the outbreak and spread of the novel coronavirus, which is expected to reduce exports and domestic consumption in 2020. Chinese apparel manufacturers have reported the cancellation of orders by their overseas customers. The consumption upturn in MY20/21 is attributed to a projected return to normal levels and growth in textile and apparel exports following the COVID-19 pandemic. Likewise, China's domestic demand for textiles and apparel products is expected to recover and continue to be a driving force in cotton consumption in MY20/21.

China's cotton imports are forecast to increase to 2.3 MMT in MY20/21 from an estimated 1.8 MMT in MY19/20. The expected higher imports are due to a combination of growing consumption and insufficient domestic production. Imports of U.S. cotton have been constrained by China's additional 25 percent tariff on U.S. cotton. While Chinese end-users favor the quality and reliability of U.S. cotton, the additional tariff reduces U.S. cotton's competitiveness in comparison with other suppliers, including Australia, Brazil, and India. On February 18, China announced a new tariff exclusion application round for U.S. agricultural commodities impacted by the additional 301 tariffs. Cotton is included on the list of products for which eligible enterprises may apply for a tariff exclusion.

China's total cotton stocks are forecast to fall to 7.2 MMT by the end of MY20/21 from 7.5 MMT the previous marketing year. Low consumption resulted in relatively higher carry out stocks in MY19/20. Between May and September 2019, the government offered at auction about 1.1 MMT of reserve cotton, of which 998,000 tons were sold. Industry sources estimate that China purchased about 250,000 tons of foreign cotton in 2019 to rebuild the state reserve, and that the reserve volume was below 2 MMT upon completion of the 2019 auctions.

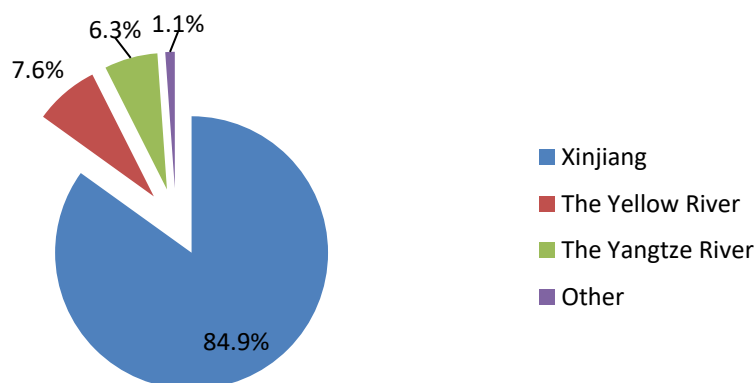
I. Production

China's domestic cotton production is forecast at 5.95 MMT in MY20/21, up about 1 percent from an estimated 5.9 MMT in MY19/20. The MY20/21 forecast is based on a return to average yield from below-average yield in MY19/20 due to adverse weather conditions, along with a basically stable planted area of 3.2 MHa.

China's cotton production continues to be centered in Xinjiang province. Farmers in Xinjiang have benefitted from a target-price subsidy since 2017, and the province exhibits a generally stable planted area and higher yield than China's other main cotton production areas. Cotton farmers outside of Xinjiang are at a relative disadvantage in terms of government subsidies, and cotton planting is marginalized in small plots. Yield is consistently lower and planted area continues to decline in these areas.

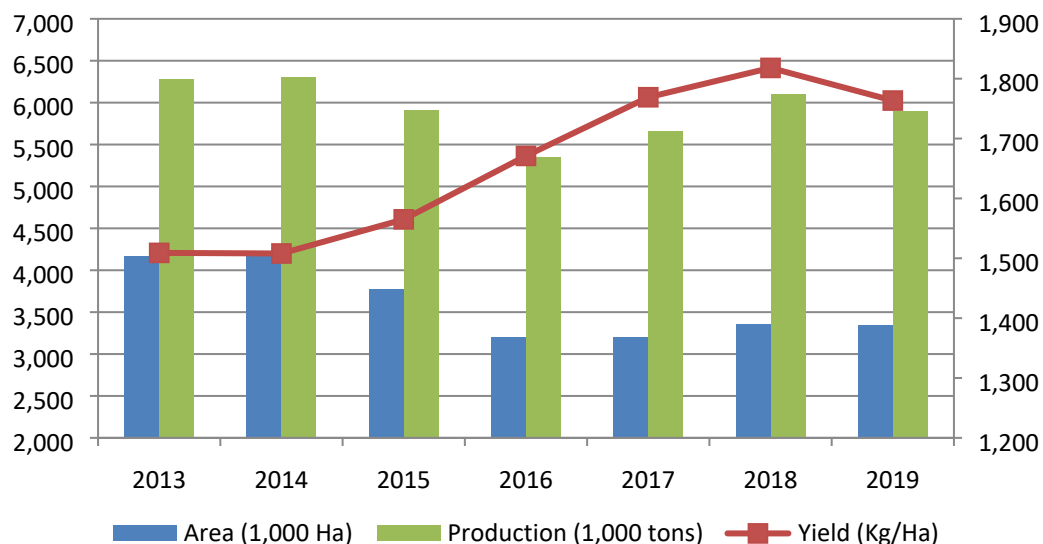
China's National Bureau of Statistics (NBS) put MY19/20 total production at 5.89 MMT, out of which 5 MMT is from Xinjiang province. Xinjiang accounted for 85 percent of total production in MY19/20, up from 84 percent the previous year. As of the end of January 2020, total classified volume reported by the China Fiber Inspection Bureau (CFIB) was 5.03 MMT, of which Xinjiang cotton was 4.88 MMT, a 97 percent share. This classified volume supports an estimated 5 MMT production for Xinjiang in MY19/20.

Figure 1 – Stable Distribution among China's Main Cotton Production Areas in MY19/20



In October 2018, the NBS published adjusted historical crop data for 2007-2017 based on China's 3rd Agricultural Census. Chart 1 indicates part of the adjusted data combined with NBS data for 2018 and 2019. Cotton production began to recover in 2017 when the government set significant subsidies for Xinjiang cotton farmers for three years (2017 through 2019).

**Chart 1 – China's Cotton Area, Production, and Yield (right axis)
2013-2019**



Source: NBS

Historically, Chinese government and industry sources have differed substantially in their estimates for cotton production and area. In contrast, the available estimates for MY19/20 and MY18/19 area and production are relatively closer than in previous years. Table 1 compares a variety of sources regarding planting intention survey results for MY20/21 as well as estimates and forecasts for MY19/20 and MY18/19.

**Table 1 – Cotton Production (MMT) and Area (MHa)
MY18/19, MY19/20 and Forecasts for MY20/21**

	CCA		NCMMN		MARA		NBS	
	Area	Production	Area	Production	Area	Production	Area	Production
MY18/19	3.27	6.11	3.27	6.07	3.37	6.04	3.35	6.1
MY19/20	3.15	5.9	3.2	5.85	3.3	5.8	3.34	5.89
MY20/21	3.05	NA	3.06	5.62	NA	NA	NA	NA
Area Change (MY19/20 to MY20/21)	-5%		-4.3%					

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)

Note: MY20/21 data is based on planting intention

Planted Area

MY20/21 total planted area is forecast at 3.2 MHa, a 0.6 percent decrease from an estimated 3.22 MHa the previous year. Xinjiang planted area is forecast down slightly to 2.48 MHa based on relatively low earnings in MY19/20, while planted area for all other provinces is also forecast to decline moderately to 0.72 MHa, due to the subsidy disadvantage and stagnant earnings.

A lower seed cotton price in MY19/20 is the main factor in the forecast acreage decrease in MY20/21. According to the China Cotton Association (CCA), the average market price for Xinjiang seed cotton during the period from September through December 2019 was down 14.5 percent compared to the same period the previous year. Given an unchanged subsidy rate for MY20/21, this is expected to reduce cotton farmers' income in MY19/20. CCA also reported an approximate 9 percent drop in the seed cotton price in the Yangtze and Yellow River regions in MY19/20 as compared to the previous year. Higher land rental costs may also reduce farmer's confidence in cotton planting in MY20/21.

CCA's MY20/21 cotton planting intention survey, conducted between December 2019 and February 2020, shows reduced farmer confidence compared to MY19/20. On the other hand, the survey shows a gradual recovery of confidence over the survey period, with a decline rate of 5.4 percent in February compared to 7.5 percent in December.

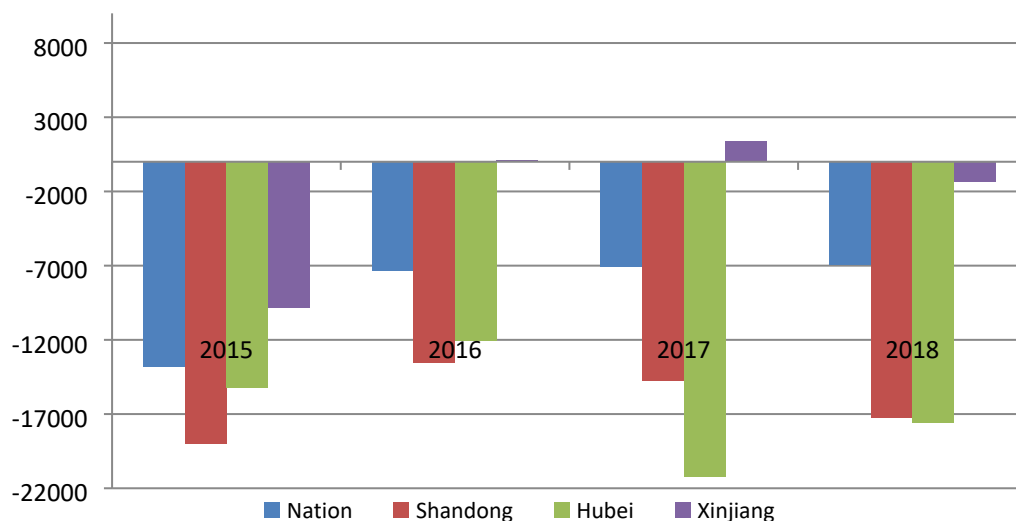
CCA's late February survey indicates that the MY20/21 planting intention is 3.05 MHa, down 5 percent from the previous year. Planting intentions vary by region, with a 3.4 percent drop compared to MY19/20 for Xinjiang and larger decreases in the other areas: 11 percent for the Yellow River region and 9.9 percent for the Yangtze River region. Another survey conducted in late 2019 by a leading industry source indicated a 4.3 percent decrease in overall farmer planting intention in MY20/21 compared to the previous marketing year.

According to industry sources, local government and industry in Xinjiang have expedited the supply of inputs to farmers in that region to prepare for cotton sowing in April. In Hubei province, the epicenter and most severely impacted region of the coronavirus outbreak, industry projects a limited impact on cotton planting, with the transfer of plants from nurseries to fields in late May and early June. All other cotton-producing regions are most likely to start sowing as scheduled.

The government's "Target Price-based Subsidy" program, which guarantees basic cotton profits for Xinjiang farmers, stipulates a maximum annual volume that is eligible for the subsidy of 5.47 MMT¹. The NBS estimate for MY18/19 cotton production of 5.11 MMT is below the annual maximum eligible for the subsidy, indicating a continuing incentive for Xinjiang to increase production. See Section V below for more details. Chart 2 shows estimates by China's National Development and Reform Commission (NDRC) of profits for planting cotton nationwide and in three representative provinces. The net profits for Xinjiang cotton remained negative in MY18/19. This is in addition to an estimated family labor income of RMB6,000 (\$856)/Ha.

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

Chart 2 – Average Net Earnings* from Cotton Planting in Recent Years
(2015-2018; RMB/Ha)



Source: NDRC *Excludes labor income

For cotton-producing provinces outside of Xinjiang, MY20/21 cotton acreage is expected to decline moderately due to low earnings from cotton profits in MY19/20. Additionally, cotton planting in these provinces continues to be challenged by stagnant yields and increases in labor costs, with almost 100 percent of the harvest being hand-picked. Cotton planting in these regions is also impacted by the fact that farmers have a range of alternative crop choices, including grains and oilseeds, both of which demand less labor than cotton. In addition, there are more informal work opportunities available in cities within the Yangtze River and the Yellow River regions as compared to Xinjiang.

Yield

MY20/21 cotton yield is forecast at 1,859 Kg/Ha, consistent with the yield trend of recent years (see Chart 1). This reflects Xinjiang's high yield compared to the other cotton regions and the province's increasing share of total cotton area. Cotton yield was relatively lower in MY19/20 as poor weather impacted yields throughout China's cotton-growing regions. Both northern and southern Xinjiang experienced unfavorably low temperatures during the growing season. The Yellow River region suffered a serious typhoon that brought heavy rainfall, strong winds, and flooding, while the Yangtze River region faced low moisture and relatively high temperatures.

The higher yields in Xinjiang are due to an advantageous climate for cotton farming as well as the ongoing mechanization process in the province, which is expected to continue. The benefits of mechanization are especially large for those farms under the umbrella of the governmental Production and Construction Corporation (PCC), which are organized on a larger scale than the non-PCC farms and are better equipped to incorporate the latest technologies. The PCC farms benefit from more investment in infrastructure as well as superior extension services. Although no specific data is available on the MY19/20 mechanization rate for PCC farms, industry sources report that it was comparable to MY18/19, when over 80 percent of the PCC cotton area was mechanically harvested. Moreover, the rate of mechanized harvest for non-PCC farms in Xinjiang—with a total acreage of about 1.8 MHa—

jumped substantially in MY19/20 to more than 40 percent, compared to 30 percent in MY18/19 and 21 percent in MY16/17.

Cotton yield estimates continue to vary among Chinese sources due to varying estimates of planted area and production. For example, estimates for MY19/20 average yield nationwide range from CCA's 1,873 Kg/Ha, to NBS' 1,763 Kg/Ha, and down to MARA's 1,758 Kg/Ha.

II. Consumption

Cotton consumption is forecast to reach 8.5 MMT in MY20/21, recovering from an estimated 8 MMT the previous marketing year but still lower than MY18/19. The projected drop in China's cotton consumption in MY19/20 is due to a combination of trade friction with the United States and the outbreak and spread of the novel coronavirus. The consumption upturn in MY20/21 is attributed to a projected return to normal levels and growth in textile and apparel exports following the COVID-19 pandemic. Likewise, China's domestic demand for textiles and apparel products is expected to recover and continue to be a driving force in cotton consumption in MY20/21.

The available government and industry estimates for China's MY19/20 cotton use range from CCA's 7.8 MMT to MARA's 7.7 MMT, both of which are lower than their estimates for MY18/19 of 8.1 MMT and 8.2 MMT, respectively.

Textiles and Apparel

China's large textile and apparel industry continues to benefit from a comprehensive value chain that allows it to remain competitive in the global market. The level and growth of Chinese textile and apparel exports in recent years support a continuation of this trend. However, the coronavirus pandemic is expected to reduce both exports and domestic consumption in MY19/20. Garment manufacturers throughout China have reported the postponement and cancellation of orders by their overseas customers.

China's large spinning sector, with an estimated 118 million spindles at the end of 2018, remains one of the key domestic industries. While domestic demand for textile and apparel products is expected to be a driving force for cotton use in the long term, growth in domestic demand is likely to be flat in 2020 due to COVID-19. Chinese industry sources estimate that the domestic market accounted for 88 percent of textile and apparel sales in 2018, compared to only 12 percent for the export market. The domestic market share is projected to increase in 2019, given falling export demand. NBS data indicate continued growth in the total sales value of textiles and apparel products, which was up 2.9 percent in 2019 compared to the previous year. However, the 2019 growth rate was significantly lower than the 8 percent rate in 2018. Additionally, NSB data show that yarn and fabric production declined in 2019 by 6.1 percent and 17.6 percent, respectively, compared to 2018. This also implies smaller cotton use in 2019.

China's overall increase in demand for textile and apparel products is fueled by higher disposable income, rising living standards, population growth, and urbanization. China's GDP growth was 6.1 percent in 2019, and per capita GDP exceeded \$10,000 for the first time. Net population growth was 4.67 million in 2019 and 5.3 million in 2018. Additionally, rapid urbanization continues, with annual

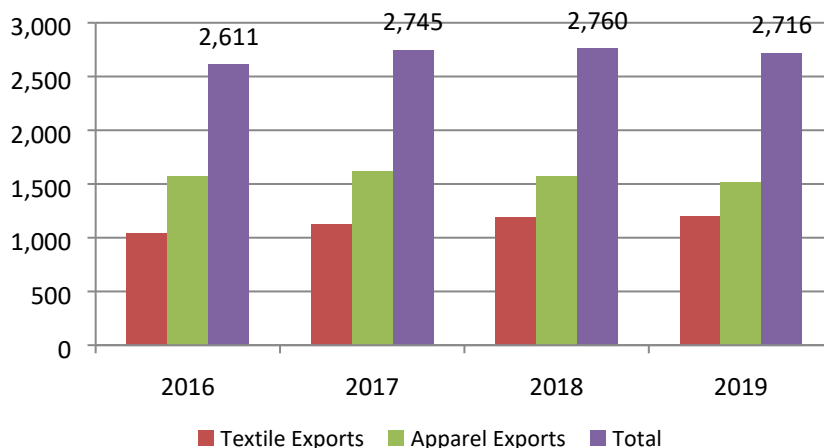
urban population growth averaging 19.75 million from 2011 to 2018, and 17.1 million new urban residents added in 2019.

Currently, the gap between the domestic and international cotton prices is small. Domestic cotton is about RMB 600 per ton higher than imported cotton, a development which is likely to bolster the domestic spinning sector at the expense of yarn imports.

China's outbreak of coronavirus in early 2020 immobilized operations in China's textile and apparel sector. According to a Chinese government source, 95 percent of large-scale textile facilities and 60 percent of small factories had resumed operations by mid-March. An industry source estimated that 80 percent of the spinning sector had resumed production by mid-March. Many other labor-intensive sectors are not expected to return to normal operations until April or later.

MY19/20 textile and apparel exports are estimated to be basically flat on weak global demand coupled with the Chinese industry's struggle to resume operations following the coronavirus outbreak. According to NBS, China's textile and apparel exports reached \$271.6 billion in 2019, a 1.9 percent decline from the previous year, including a 4 percent drop in apparel exports and a 0.9 percent increase in textile exports. In the first two months of 2020, however, textile and apparel exports both fell by about 20 percent from the previous year. Currently, industry sources express hesitance about accepting new orders in the face of the global COVID-19 spread.

Chart 3 – China's Textile and Apparel Exports
(2016-2019; Value in \$100 million)



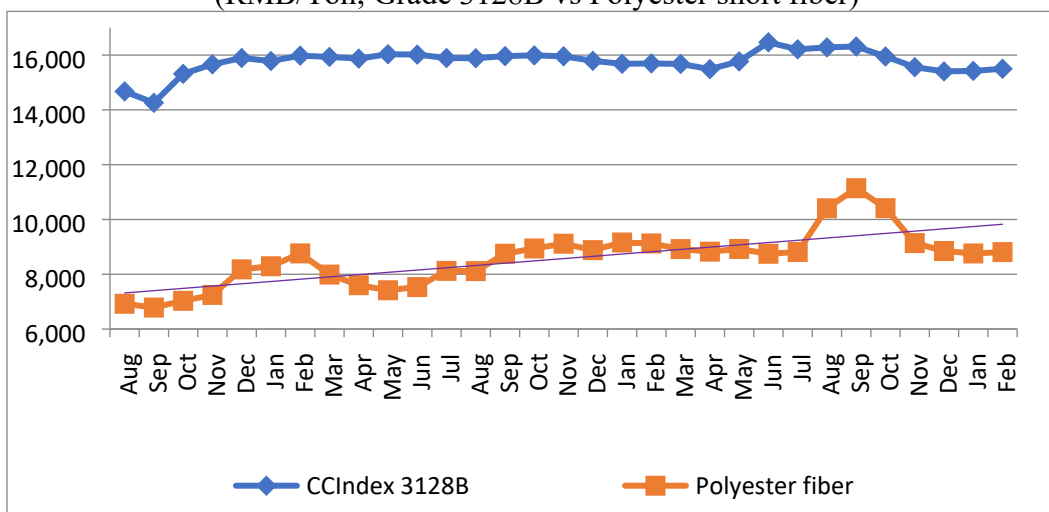
Source: NSB Yearly Social and Economic Development Report; Exchange rate used in 2019 is \$1=RMB6.9

Cotton Share in Yarn Production

The cotton share in China's yarn production has been declining in recent years, due to the high domestic cotton price and quality improvements in man-made fibers. NBS data show total chemical fiber production in 2019 increased about 10 percent from the previous year. The cotton fiber share in Chinese yarn production is unlikely to increase in 2020 based on the current price gap between polyester fiber and cotton in China market. Industry data put the price of cotton at 2 times that of polyester fiber in the first 3 months of 2020, up from the average of 1.8 times the polyester price in 2018 through 2019 (see Chart 4). The polyester fiber price has likely fallen further given the weak global crude oil price in

2020. However, along with China's stronger purchasing power and higher demand for 100 percent cotton garments among Chinese consumers, cotton fiber share in yarn spinning is expected to show gradual growth in the long term.

Chart 4 – China Cotton Index vs Polyester Fiber Price
(August 2016 - February 2019)
 (RMB/Ton; Grade 3128B vs Polyester short fiber)



Source: cottonchina.org

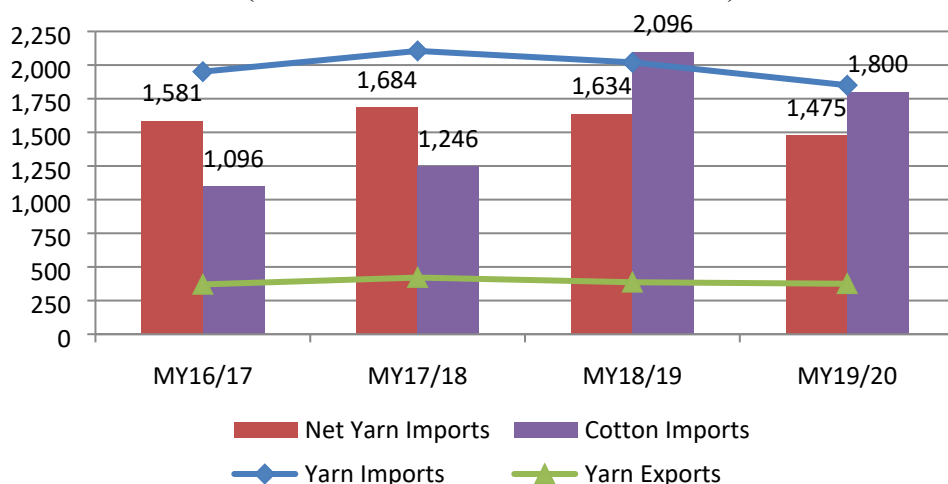
III. Trade

Cotton imports are forecast to increase to 2.3 MMT in MY20/21 from an estimated 1.8 MMT in MY19/20, due to projected recovery in consumption for domestic spinning following the COVID-19 pandemic in 2020. MY19/20 cotton imports are estimated to be down from MY18/19 due to reduced cotton consumption in early 2020, when spinning and textile operations came to a standstill due to the government's measures to control the spread of the coronavirus. In response to weak demand, China's cotton imports were only 507,000 tons in the first five months of MY19/20, down 33 percent from the previous year.

In addition to market demand, China's cotton imports are subject to how the government administers tariff rate quote (TRQ). China's WTO TRQ obligation is 894,000 tons of cotton annually, subject to an in-quota one percent tariff and conditioned on processing for re-export. During the last 2 years, China made additional TRQ available, subject to a sliding duty, to meet demand from the domestic spinning industry. For an explanation of how China calculates and administers the sliding duty, see GAIN report [CH18033](#). In 2018 and 2019, the sliding duty TRQ was not conditioned on re-export, and importers were not required to differentiate between general trade and processing trade on their applications. China's 2020 allocation notice appears to offer some additional clarity on how private traders can obtain a share of the TRQ when compared to previous notices. However, the volume of TRQ that was actually allocated in 2020 through this mechanism cannot be determined based on publicly available information. Additional TRQ (subject to sliding duty) is likely to be issued in 2020 to meet industry demand and rebuild the state cotton reserve in MY20/21, which will facilitate cotton imports.

Unlike cotton imports, yarn imports do not face quota restrictions, and thus serve to compensate for lower cotton imports in years when no additional cotton TRQ quota is allocated. Given the additional cotton import TRQ allocation in 2018 and 2019, yarn imports declined to 1.95 MMT in 2019 from 2.06 MMT the previous year (see Chart 5). Based on weak demand for textile and apparel products, yarn imports are expected to fall in MY19/20. Given China's large spinning capacity, Chinese spinners are expected to maintain market share which will spur more cotton imports in MY20/21.

Chart 5 – China's Yarn Trade and Cotton Imports
(MY16/17 to MY19/20; in 1,000 tons)



Source: TDM; Data for MY19/20 are Post's estimates

Imports of U.S. cotton have been constrained by China's additional 25 percent tariff on U.S. cotton. On February 18, China announced a new tariff exclusion application round for U.S. agricultural commodities impacted by the additional 301 tariffs. The announcement enumerates approximately 150 agricultural and agricultural-related tariff lines, including cotton. In addition, eligible enterprises may apply for a tariff exclusion for any tariff line, provided that the tariff line has not already received a tariff exclusion. Tariff exclusions will be approved for individual applicants and will not automatically extend to all importers. The application process through China's Ministry of Finance (MOF) website began on March 2, 2020. See FAS-Beijing's February 26, 2020 report "[China Announces a New Round of Tariff Exclusions](#)" for more information.

While Chinese end-users favor the quality and reliability of U.S. cotton, the additional tariff reduces U.S. cotton's competitiveness in comparison with other suppliers, including Australia, Brazil, and India. In the first five months of MY19/20 (August-December), U.S. cotton exports to China were 83 thousand tons, down 11 percent from the previous year. Brazil and Australia maintained their market shares at 36 percent and 29 percent, respectively in this period.

China's cotton exports are small in comparison to its total cotton use and are forecast to remain low in MY20/21. Along with a more market-driven domestic cotton price, sporadic cotton exports are expected to continue with total exports estimated at 30,000 tons in MY19/20 and down to 28,000 tons in MY20/21.

IV. Stocks

China's total cotton stocks are forecast to fall to 7.2 MMT by the end of MY20/21 from 7.5 MMT the previous marketing year. Low consumption resulted in relatively higher carry out stocks in MY19/20. Beginning in 2014, the Chinese government moved to reduce the huge volume of the state cotton reserve through auctions. Between May 5 and September 30, 2019, the government offered at auction about 1.1 MMT of reserve cotton, of which 998,000 tons, or 91 percent, were sold. Industry sources estimate that China purchased about 250,000 tons of foreign cotton in 2019 to rebuild the state reserve, and that the reserve volume was below 2 MMT upon completion of the 2019 auctions.

In early December 2019, China began purchasing Xinjiang's MY19/20 cotton crop in order to rebuild the state cotton reserve and protect the domestic cotton price. According to cottonchina.org, approximately 273,000 MT of Xinjiang cotton had been purchased as of March 19, 2020. Given the pace of purchases, it is projected that the government's target purchase volume of 0.5 MMT by the end of March was not achieved. The average purchase price exhibited a declining trend, falling from RMB13,259 (\$1,920)/MT on December 2, 2019 to RMB12,353 (\$1,790)/MT on March 19, 2020. Low price and strict quality requirements appear to be the main reasons for the low purchased volume.

V. Policy

Xinjiang Subsidy

The "Target Price-based Subsidy" for Xinjiang was established in MY17/18 and originally scheduled to end after MY19/20 (see GAIN report [CH18014](#)). On March 26, 2020, the NDRC published a notice stating that the subsidy will continue and that the two factors used to determine the target price will continue to be "reasonable" income and production costs during the previous three years. The notice indicates that the target price for MY20/21 will be RMB18,600 (\$2,930)/ton, the same as in MY19/20. In addition, the notice states that the target price will be evaluated every three years and adjusted accordingly, although in the case of major changes in the cotton market, the target price can be adjusted at any time with the approval of the State Council. The notice does not mention any subsidies for other cotton-producing provinces.

Table 3 provides estimates of total central government expenditures for the subsidy, based on NBS production data and FAS/Beijing calculations of the gap between the target price and the average domestic market price. The MY19/20 total subsidy number is not available. However, it is likely to be similar to the previous year as the expanded price gap (between target price and marketing price) may be offset by lower production.

Table 2 – Target Price-based Subsidy Payouts
(USD billion)

	MY16/17	MY17/18	MY18/19	MY19/20
Xinjiang	RMB9.7 (\$1.46)	RMB12.6 (\$1.89)	RMB7.65 (\$1.15)	Number not available
Other Cotton Producing Provinces	Subsidy not available	Subsidy not available	Subsidy not available	Number not available
Total	RMB9.7 (\$1.46)	RMB12.6 (\$1.89)	RMB7.65 (\$1.15)	Number not available

Source: NBS, FAS/Beijing estimates

Subsidy for Other Provinces

The Chinese government's fixed subsidy rate of RMB2,000 (\$315)/ton for cotton production in the other nine producing provinces is expected to continue in MY20/21 (see GAIN report [CH18014](#)). In prior years, the central government has calculated the total subsidy amount based on province-level production data and the gap between the market and target prices. The central government then provides the funds to provincial authorities, who develop their own plans to distribute the payments in their respective provinces.

Although official reports regarding the distribution of the subsidy are rarely available, official documents from Hebei and Hubei shows cotton farmers did receive the subsidy in MY18/19. In MY19/20, the Shandong provincial agricultural department implemented a subsidy to support risk insurance premium payments and another subsidy to assist with land management costs.

Additional Subsidies

In MY19/20, the government will continue to provide the long-standing seed subsidy of about \$36/Ha for selected "high quality variety" seeds to improve cotton quality in all provinces.

The government also provides subsidies to transport cotton lint and cotton yarn from Xinjiang to other regions and direct support for investment in spinning capacity in Xinjiang.

Government Purchases of Domestic Cotton

China continues to maintain a strategic state cotton reserve to manage the domestic cotton market. On November 14, 2019, China's Ministry of Finance announced plans for the central government to purchase a total of 500,000 tons of domestically produced cotton for the state reserve. The purchases of Xinjiang cotton from the MY19/20 crop began on December 2 and continued through the end of March 2020. During this period the government made daily purchases of no more than 7,000 tons and suspended the purchases when the domestic cotton price rose to RMB800(\$115)/ton above the international market price (plus 1 percent import duty and 9 percent value-added tax) for 3 consecutive days.

Targeted Loans

The Agriculture Development Bank of China (ADBC) continues to provide targeted loans at favorable terms for seed cotton purchases. Chinese media reports indicate that the ADBC set aside RMB50 billion for the program in MY19/20, up 11 percent over the previous year, to support purchases of Xinjiang cotton. The value of loans disbursed during MY19/20 is not publicly available. According to the ADBC, a total of RMB44.2 billion in MY18/19 cotton loans were fully repaid with interest by August 2019.

Registration System for Overseas Cotton Suppliers

Overseas cotton suppliers must register with the General Administration for Customs of China (GACC) before exporting cotton to the Chinese market. GACC regularly updates the supplier list on its website to include newly registered or renewed overseas cotton suppliers. The latest update was on January 8, 2020. U.S. cotton traders intending to export cotton to China should register with GACC before exporting.

VI. Marketing

U.S. cotton exporters interested in exporting cotton to China may request marketing assistance by contacting the USDA-FAS Agricultural Trade Offices (ATO) in Beijing, Chengdu, Guangzhou, Shanghai, and Shenyang.

The China International Cotton Conference, a biannual event sponsored by CCA and MARA, attracts a worldwide audience from the cotton/textile industry. The 2019 conference was held in Qingdao, Shandong in June 2019. CCA, in collaboration with the China National Cotton Exchange, also holds an annual event known as the China Cotton Industry Development Forum. The date for the 2020 Forum has not been announced but it is usually held in June.

Note: Exchange rate is: \$1=RMB6.64 in 2016; \$1=RMB6.75 in 2017; \$1=RMB6.62 in 2018; \$1=RMB6.9 in 2019

Tables

Production, Supply and Demand (PSD)

Table 3. PSD (in 1,000 Bales and 1,000 Ha)

Cotton China	2018/2019		2019/2020		2020/2021	
	Market Year Begin: Aug 2018		Market Year Begin: Aug 2019		Market Year Begin: Aug 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	3,250	0	3,220	0	3,200
Area Harvested	3,500	3,250	3,450	3,220	0	3,200
Beginning Stocks	37,993	37,993	35,670	35,800	0	34,284
Production	27,750	27,880	27,250	27,099	0	27,328
Imports	9,640	9,640	8,250	8,267	0	10,564
MY Imports from U.S.	0	0	0	0	0	0
Total Supply	75,383	75,513	71,170	71,166	0	72,176
Exports	213	213	175	138	0	128
Use	39,500	39,500	36,500	36,744	0	39,040
Loss	0	0	0	0	0	0
Total Dom. Cons.	39,500	39,500	36,500	36,744	0	39,040
Ending Stocks	35,670	35,800	34,495	34,284	0	33,008
Total Distribution	75,383	75,513	71,170	71,166	0	72,176
Stock to Use %	90	90	94	93	0	84
Yield	1,726	1,868	1,720	1,832	0	1,859
TS=TD	0	0	0	0	0	0

Table 4. PSD (in 1,000 Tons and 1,000 Ha)

Cotton China	2018/2019		2019/2020		2020/2021	
	Market Year Begin: Aug 2018		Market Year Begin: Aug 2019		Market Year Begin: Aug 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	3,250	0	3,220	0	3,200
Area Harvested	3,500	3,250	3,450	3,220	0	3,200
Beginning Stocks	8,272	8,272	7,766	7,794	0	7,464
Production	6,042	6,070	5,933	5,900	0	5,950
Imports	2,099	2,099	1,796	1,800	0	2,300
MY Imports from U.S.	0	0	0	0	0	0
Total Supply	16,413	16,441	15,495	15,494	0	15,714
Exports	46	46	38	30	0	28
Use	8,600	8,600	7,947	8,000	0	8,500
Loss	0	0	0	0	0	0
Total Domestic Consumption	8,600	8,600	7,947	8,000	0	8,500
Ending Stocks	7,766	7,794	7,510	7,464	0	7,187
Total Distribution	16,413	16,441	15,495	15,494	0	15,714
Stock to Use %	90	90	94	93	0	84
Yield	1,726	1,868	1,720	1,832	0	1,859
TS=TD	0	0	0	0	0	0

Trade Tables

Table 5. China's Monthly Cotton Imports

Unit: Tons					
Month	2016	2017	2018	2019	2020
January	95,588	114,924	133,908	279,865	
February	56,231	138,262	102,700	229,061	
March	57,903	121,004	107,502	151,901	
April	70,004	105,170	104,989	179,695	
May	78,778	85,482	131,714	178,323	
June	72,750	72,413	98,843	157,395	
July	94,855	89,592	137,482	163,492	
August	69,533	83,976	162,424	91,838	
September	60,644	92,847	135,526	83,266	
October	41,334	78,128	108,311	73,388	
November	54,972	72,363	132,286	105,096	
December	143,551	100,415	218,919	153,588	
TOTAL	896,143	1,154,576	1,574,604	1,846,908	
Unit: Bales					
Month	2016	2017	2018	2019	2020
January	439,036	527,846	615,039	1,285,420	
February	258,269	635,037	471,701	1,052,077	
March	265,948	555,771	493,757	697,681	
April	321,528	483,046	482,214	825,339	
May	361,827	392,619	604,962	819,038	
June	334,141	332,593	453,986	722,915	
July	435,669	411,496	631,455	750,919	
August	319,365	385,702	746,013	421,812	
September	278,538	426,446	622,471	382,441	
October	189,847	358,842	497,472	337,071	
November	252,486	332,363	607,590	482,706	
December	659,330	461,206	1,005,495	705,430	
TOTAL	4,115,985	5,302,968	7,232,156	8,482,848	

Source: TDM

Table 6. China's Cotton Imports by Country of Origin

Unit: Tons

Country	MY15/16	MY16/17	MY17/18	MY18/19	MY19/20*
Australia	268,389	199,963	282,467	555,463	144,967
Brazil	116,075	44,571	82,148	476,494	184,189
United States	191,680	501,178	558,777	370,045	82,437
India	120,980	151,826	120,125	271,955	8,710
Uzbekistan	137,415	68,616	85,020	81,484	
Benin	13,918	26,710	9,501	48,779	
Burkina Faso	5,557	4,464	10,501	35,567	
Cameroon	51,233	14,795	3,291	18,179	
Mali	2,862	4,608	502	26,931	
Mexico	14,788	9,635	22,010	33,783	
Cote d'Ivoire	8,283	5,575	9,634	20,200	
Zimbabwe	2,345	1,654	3,544	11,369	
Others	25,798	62,010	55,602	146,013	
Total	959,323	1,095,605	1,243,122	2,096,262	507,176
Price \$/ton	1,716	1,858	1,950		

* First five months data of MY19/20; Source: TDM

Table 7. China's Monthly Cotton Exports

Unit: Tons					
Month	2016	2017	2018	2019	2020
January	200	40	473	3,505	
February	574	778	2,048	787	
March	487	137	4,749	847	
April	433	1,237	4,773	1,072	
May	557	3,303	2,462	1,052	
June	446	1,063	2,751	3,612	
July	1,351	2,995	4,901	10,323	
August	1,197	1,091	7,229	9,180	
September	387	1,554	9,667	4,618	
October	239	1,590	1,862	6,656	
November	987	920	3,818	7,092	
December	899	2,375	2,617	3,310	
TOTAL	7,757	17,083	47,350	52,054	
Unit: 480-lb Bales					
Month	2016	2017	2018	2019	2020
January	919	184	2,172	16,098	
February	2,636	3,573	9,406	3,615	
March	2,237	629	21,812	3,890	
April	1,989	5,682	21,922	4,924	
May	2,558	15,171	11,308	4,832	
June	2,048	4,882	12,635	16,590	
July	6,205	13,756	22,510	47,414	
August	5,498	5,011	33,203	42,164	
September	1,777	7,138	44,401	21,210	
October	1,098	7,303	8,552	30,571	
November	4,533	4,226	17,536	32,574	
December	4,129	10,908	12,020	15,203	
TOTAL	35,628	78,462	217,479	239,084	

Source: TDM

Table 8. China's Monthly Cotton Yarn and Thread Imports

Unit: Tons

Month	2016	2017	2018	2019	2020
January	161,490	174,281	195,754	164,777	
February	115,953	173,467	92,081	119,921	
March	190,540	182,451	172,157	191,394	
April	164,621	141,013	157,245	192,237	
May	170,963	141,904	209,293	207,638	
June	159,339	150,042	195,786	156,829	
July	163,693	142,462	204,750	150,333	
August	170,417	158,773	202,857	146,888	
September	153,966	167,404	175,349	147,175	
October	140,745	169,598	141,009	145,327	
November	178,832	193,874	161,792	160,038	
December	201,699	188,184	155,886	170,427	
TOTAL	1,972,258	1,983,453	2,063,959	1,952,984	
Marketing Year	Aug/15- Jul/16	Aug/16- Jul/17	Aug/17- Jul/18	Aug/18-Jul/19	
TOTAL	2,072,233	1,951,279	2,104,899	2,020,022	

Source: TDM

Table 9. China's Monthly Cotton Yarn and Thread Exports

Unit: Tons

Month	2016	2017	2018	2019	2020
January	26,183	28,147	38,165	38,968	
February	18,911	21,691	31,406	21,149	
March	31,001	35,737	34,592	39,628	
April	31,066	32,720	42,789	37,172	
May	32,024	36,137	37,960	35,330	
June	30,089	34,047	32,563	37,492	
July	35,713	31,963	33,902	27,889	
August	35,768	34,967	32,262	27,980	
September	30,133	35,155	30,577	24,623	
October	26,320	32,035	27,960	25,446	
November	26,200	33,938	27,398	38,112	
December	30,888	35,064	30,648	27,974	
TOTAL	354,296	391,601	400,222	381,763	
Marketing Year	Aug/16-Jul/17	Aug/17- Jul/18	Aug/18-Jul/19		
TOTAL	437,704	422,536	386,473		

Source: TDM

Table 10. China's Monthly Cotton Fabric Imports

Unit: 1,000 Square Meters

Month	2016	2017	2018	2019	2020
January	25,469	14,869	25,380	23,105	
February	19,124	18,218	13,412	15,473	
March	26,885	19,581	25,776	30,405	
April	27,881	20,581	24,913	31,486	
May	24,641	18,958	28,457	26,313	
June	28,651	23,567	25,384	20,665	
July	26,311	23,093	26,316	24,959	
August	26,136	19,997	24,144	22,553	
September	24,871	22,700	20,862	20,377	
October	21,013	22,536	19,711	22,270	
November	23,537	27,902	21,343	21,394	
December	25,105	26,917	19,484	22,328	
TOTAL	299,624	258,919	275,182	23,105	

Source: TDM

Table 11. China's Monthly Cotton Fabric Exports

Unit: 1,000 Square Meters

Month	2016	2017	2018	2019	2020
January	643,228	624,364	583,712	747,787	
February	428,582	284,083	485,612	406,835	
March	616,650	666,513	462,239	702,964	
April	667,348	686,395	687,560	716,684	
May	685,033	687,562	706,050	802,300	
June	582,197	615,492	585,777	649,195	
July	624,459	581,575	566,862	663,173	
August	701,082	644,524	579,097	605,964	
September	578,439	627,746	589,576	662,488	
October	575,869	674,682	532,742	680,183	
November	554,328	648,073	566,273	630,467	
December	551,292	586,974	471,267	662,507	
TOTAL	7,208,507	7,327,983	6,816,766	7,930,549	

Source: TDM

Other Tables

Table 12. Cotton Planted Area and Production by Province

Area			
Year	MY18/19	MY19/20	MY20/21
Xinjiang	2,490	2,490	2,480
Shandong	180	175	
Hebei	190	183	
Hubei	142	140	
Henan	32	32	
Anhui	80	75	
Jiangsu	15	15	
Hunan	60	55	
Gansu	21	20	
Other	40	35	
Total	3,250	3,220	3,200
Production			
Year	MY18/19	MY19/20	MY20/21
Xinjiang	5,130	5,030	5,070
Shandong	245	240	
Hebei	218	215	
Hubei	141	145	
Henan	35	27	
Anhui	83	56	
Jiangsu	27	16	
Hunan	90	82	
Gansu	34	33	
Other	67	56	
Total	6,070	5,900	5,950
Average Yield (Kg/Ha)	1,868	1,832	1,859

Note: FAS/Beijing estimate and forecast

Table 13. Cotton Tariffs* as of January 1, 2020

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		0	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, garnetted stock	5202.9100	10	30	13	13	Kg
Cotton waste, other	5202.9900	10	30	13	9	Kg
Cotton, carded or combed	5203.0000					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	9	
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	5205.1100 to	5	40	13	13	Kg
by weight of cotton, not for retail sale	5205.4800					
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, 2020

*Does not include the additional tariffs on U.S. products. See GAIN report [CH2020-0016](#) for more information.

Table 14. Cotton Tariffs* as of January 1, 2020 (continued)

Description	HS Code	M.F.N.(%)	Gen(%)	VAT	ED	Unit
Woven fabrics of cotton,	5208.1100	8	70	13	13	M/Kg
containing 85% or more by weight of cotton, weighing not more than 200 g/square meter	to 5208.5990*					
"	5208.5990*					
"	*Except:					
Woven fabrics of cotton,	5208.2300	8	70	13	13	M/Kg
containing 85% or more by weight of cotton, weighing more than 200 g/square meter	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;

Source: PRC Customs Import & Export Tariff, 2020

*Does not include the additional tariffs on U.S. products. See GAIN report [CH2020-0016](#) for more information.

Table 15. 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 tons (China added 2.4 million tons of TRQ subject to variable import duty)				
2013 -- 894,000 tons (China added an estimated 2.3 million tons additional TRQ subject to variable duty or for processing trade)				
2014 -- 894,000 tons (China added about 1.3 million tons additional TRQ subject to variable duty were distributed but not officially announced)				
2015 -- 894,000 tons distributed (Industry sources estimated about 300,000 tons of cotton were imported by China's bonded zones* and destined for processing-trade for re-export in 2015)				
2016 -- 894,000 tons distributed				
2017 -- 894,000 tons distributed				
2018 -- 894,000 tons distributed (Added 0.8 million tons of TRQ subject to variable tariff import duty)				
2019 -- 894,000 tons distributed (Added 0.8 million tons of TRQ subject to variable tariff import duty)				
2020 -- 894,000 tons (Announced starting application for the 894,000 tons at the end of September 2019 and the quotas reach end-users usually in January 2020)				

*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 TRQs based on market demand. The added TRQs are subject to a variable import duty.

Source: NDRC and industry estimates.

Attachments:

No Attachments