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Report Highlights:

Despite ongoing high demand, Post estimates that U.S. cotton exports to Vietnam will decline by 25 percent in marketing year (MY) 21/22 due to price volatility, ongoing logistical challenges, and tough competition from Australia. Post forecasts Vietnam cotton imports for MY22/23 will increase 5 percent to approximately 8.2 million bales or about 1.78 million metric tons (MMT). The Vietnam textile and garment industry strongly recovered in calendar year (CY) 2021 with exports increasing roughly 15 percent to \$39 billion. Cotton yarn exports totaled \$3.3 billion, up 34 percent year on year, resulting in higher cotton imports. Post maintains its estimates for Vietnam cotton imports in MY21/22 at 7.8 million bales or 1.70 MMT, up 7 percent year on year.

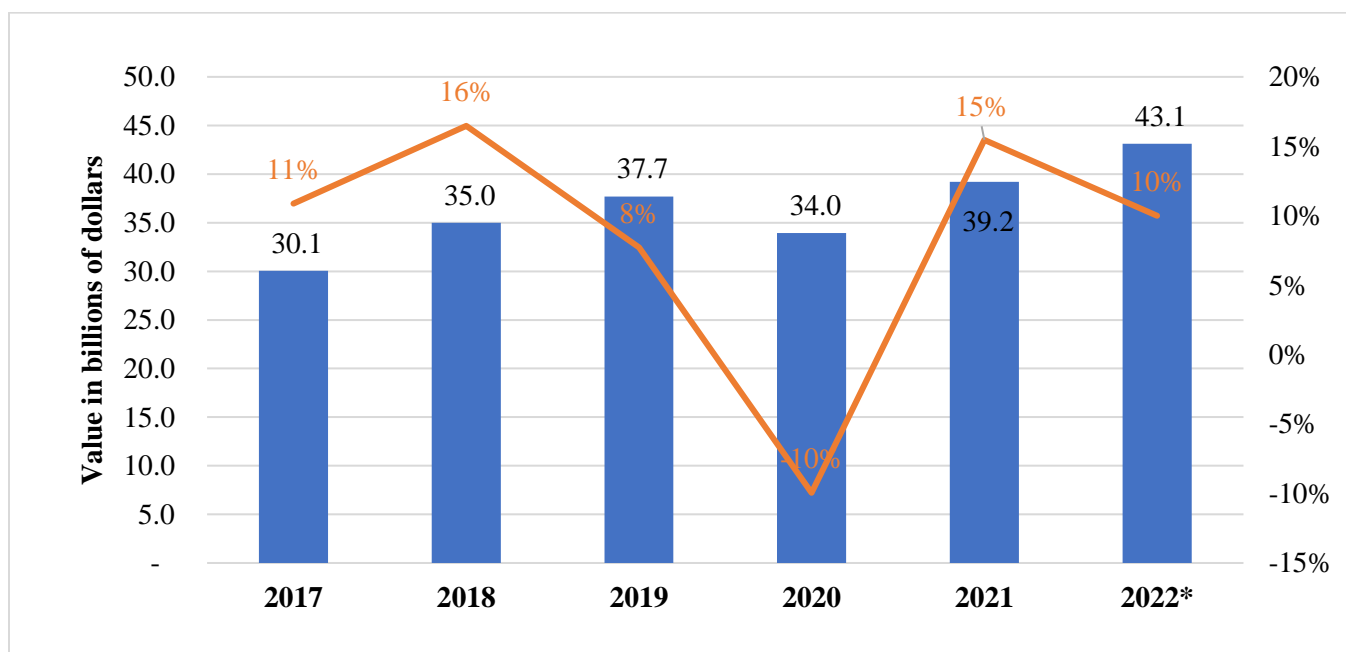
SITUATION AND OUTLOOK

Textile Industry

Vietnam textile and apparel exports reached approximately \$39 billion¹ in CY2021, up 15 percent over 2020, according to Vietnam Customs trade data. Vietnam's industry stakeholders considered this result a success, given the constraints and challenges of COVID-19's negative effects on domestic production and global trade. Rising demand for apparel in Vietnam's largest export markets, including the United States and the European Union (EU), and for cotton yarn from China, in combination with a recovery in production as a result of the Vietnam's rapid and high vaccination rate² were key to getting the country's textile and apparel exports back on track.

The global market recovery, benefits from free trade agreements³, and strong vaccination rates are supporting Vietnam's textile and apparel production and exports. However, challenges such as escalating freight costs, the continuing shortage of shipping containers, and market uncertainty caused by the recent conflict between Russia and Ukraine may limit the growth of Vietnam's textile and apparel industry. At the start of 2022, industry stakeholders set an ambitious export goal of \$43 billion for year, an increase of 10 percent over 2021, noting that this target is subject to change due to COVID-19 (Figure 1).

Figure 1: Vietnam Textile and Apparel Exports Over Years



Source: Vietnam Customs

¹ Products in account include textile & apparel products, yarn of all types, and technical fabrics

² As of March 21, Vietnam has administered at least 201 million doses of COVID vaccines, according to Vietnam's Ministry of Health

³ Please refer to GAIN [Exporter Guide 2021](#) report for additional information about Vietnam's Free Trade Agreements.

Yarn

Gains in yarn exports greatly contributed to growth throughout the entire industry. Driven by China's increasing demand for cotton yarn and supported by rising global prices, Vietnam all-type yarn exports in CY2021 were 1.9 MMT, valued at \$5.6 billion, a significant increase of 8.9 percent in volume and 50 percent in value year on year.

Cotton-yarn spinning mills successfully maintained operations during COVID-19, with no shutdowns. Some spinning mills were even able to expand capacity in CY2021, adding at least two hundred thousand spindles to the industry (see Table 1). There are approximately 110 cotton-yarn spinning mills operational in Vietnam, with 50 percent located in the South, 40 percent in the North, and 10 percent in the country's central region.

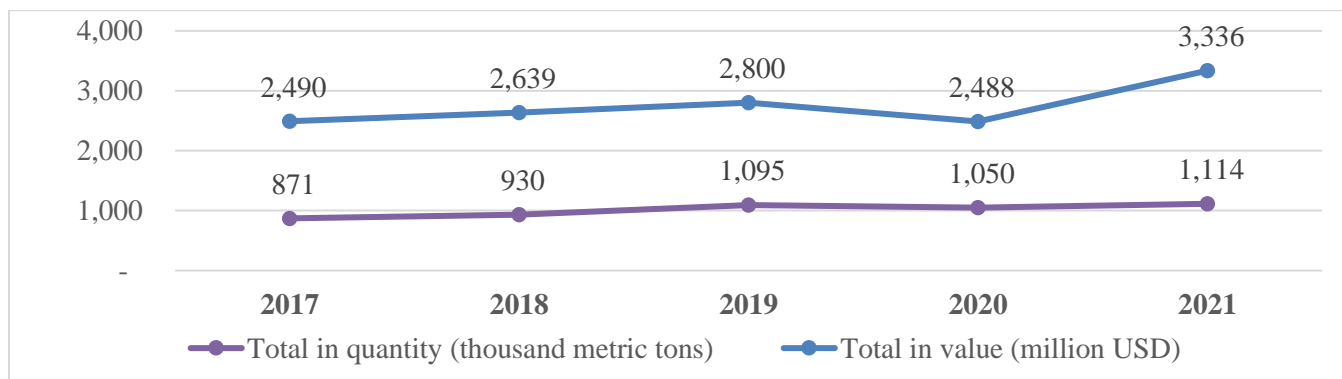
Table 1: Vietnam Cotton Spinning Industry Overview

	Unit	2017	2018	2019	2020	2021
Total number of spindles	Thousand	7,500	7,800	8,250	8,250	8,500
Total number of rotors	Thousand	93	97	138	138	138
Total yarn production	Thousand MT	2,050	2,250	2,500	2,500	2,600
All-type yarn exports	Thousand MT	1,349	1,479	1,715	1,738	1,893
All-type yarn imports	Thousand MT	876	1,035	1,105	1,047	1,092

Source: Vietnam Customs, Trade Association and Post's estimate

As noted, the sustained growth in spinning capacity boosted cotton yarn production and exports. Cotton yarn under harmonized system (HS) codes 5205 and 5206 continues to be central to trade, making up 60 percent of Vietnam total yarn exports. According to Trade Data Monitor (TDM), Vietnam cotton yarn exports in CY2021 increased 6 percent to 1.11 MMT, valued at \$3.3 billion, up 34 percent year on year (see Figure 2).

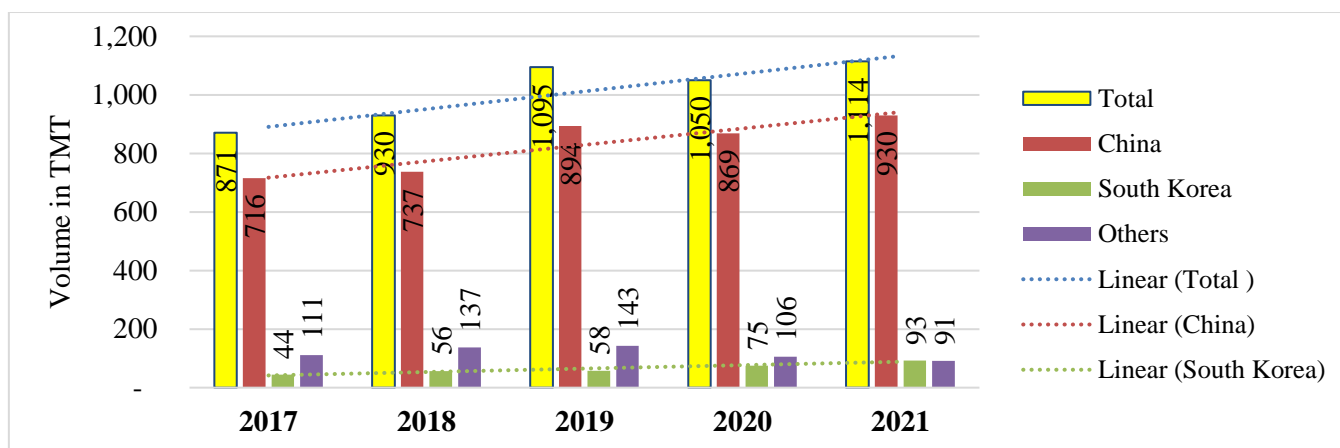
Figure 2: Vietnam's Cotton Yarn Exports



Source: Trade Data Monitor (TDM)

China remains the largest market for Vietnam cotton yarn; with total imports in CY2021 at nearly 1 MMT, accounting for 83 percent of Vietnam’s total cotton yarn exports. China-invested spinning mills in Vietnam, such as Texhong and Brotex, shipped a significant amount of this volume. South Korea, the second largest market, imported approximately 93 thousand metric tons (TMT) of Vietnam cotton yarn, up 24 percent year on year (Figure 3). However, Vietnam exports of yarn to Turkey have dropped steadily since the Turkish government initiated an anti-dumping investigation on Vietnam yarn in 2016, with trade plummeting from 37 TMT in CY2017 to an insignificant volume in CY2021.

Figure 3: Vietnam’s Cotton Yarn Export Breakdown



Source: TDM

Vietnam also imports yarn of various types for its weaving and knitting industry, most of which is synthetic yarn. Yarn of all types imported to Vietnam in CY2021 increased slightly 4.4 percent year on year to nearly 1.1 MMT, of which 17 percent was cotton yarn. This small amount of cotton yarn imports reflects a strong capability of the country to supply cotton yarn for both local consumption and exports (see Table 2).

Table 2: Vietnam Imports of All Yarns from Worldwide Markets (TMT)

Reporting Country	Calendar Year						Market share in CY 2021
	2017	2018	2019	2020	2021	% change 2021/2020	
Total yarns imported	876	1,035	1,090	1,047	1,092	4%	
China	383	508	600	581	626	8%	55%
Taiwan	173	179	170	147	163	11%	14%
Thailand	78	80	72	74	60	-19%	7%
South Korea	82	85	76	70	67	-4%	7%
Indonesia	61	60	61	57	64	12%	5%
Others	99	123	111	118	112	-5%	11%
Cotton yarns imported (HS: 5205, 5206)	77	110	107	100	117	17%	
% cotton yarns/ total yarns imported	9%	11%	10%	10%	11%		

Source: Post's processing on TDM and Vietnam Customs data

PRODUCTION

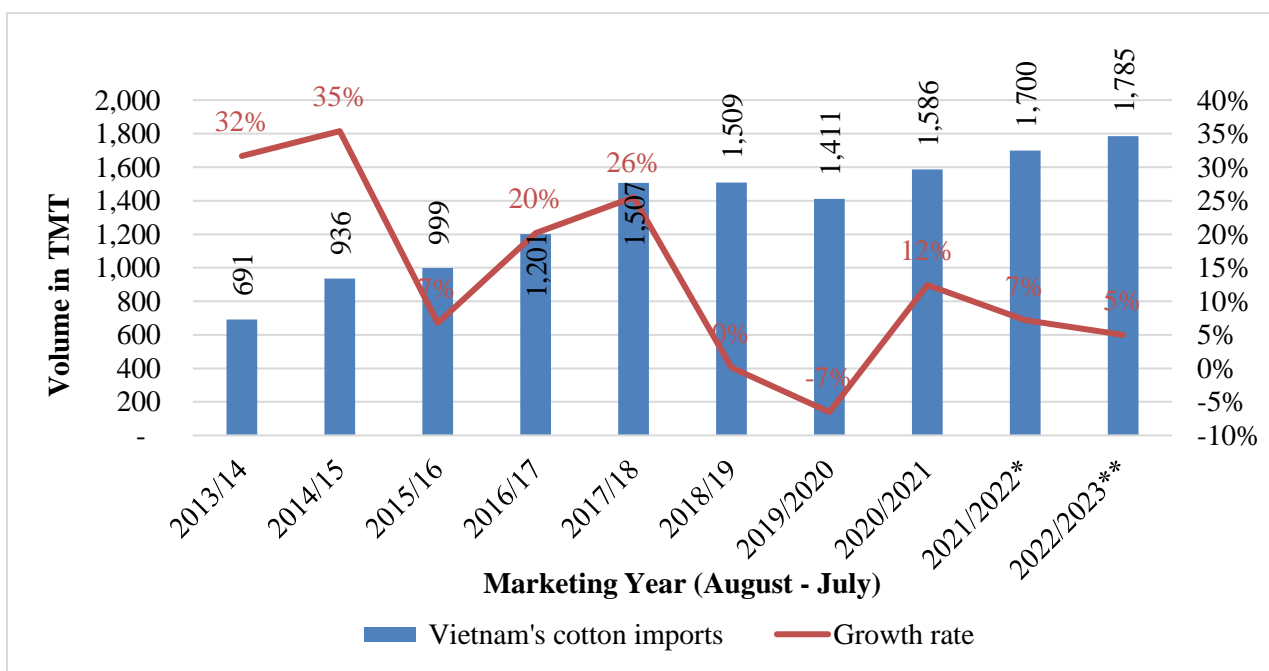
Vietnam remains a net importer of cotton. FAS/Vietnam estimates the domestic cotton supply at less than 1 percent of total market demand. For a further discussion on the decline in planted area, please see [GAIN Report VM7019: Cotton and Products Annual 2017](#).

TRADE

Strong China demand for cotton yarn and Vietnam's spinning expansion continues to drive Vietnam demand for imported cotton. However, there are several factors that may limit Vietnam cotton imports, including volatility in global prices, continuing logistical issues due to port congestions and the shortage of containers, and higher China demand for cotton imports worldwide.

Vietnam cotton imports from August 2021 to February 2022, or the first seven months of MY21/22, increased 14 percent to 899 TMT over the same period last MY. However, Post maintains its estimates for Vietnam cotton imports in MY21/22 at 7.8 million bales or 1.7 MMT. This is based on concerns on recent market uncertainty resulting from China's zero-tolerance COVID policy, as well as the Russia-Ukraine war which has forced reduced demand for apparel in those countries and raised fuel prices, and subsequently, higher transportation costs. Post also forecasts that Vietnam cotton imports in MY22/23 should continue to grow 5 percent over MY21/22, based on the recovery in global apparel demand, China's preference for Vietnam cotton yarn, and robust growth in Vietnam's spinning industry (Figure 4).

Figure 4: Vietnam's Cotton Imports by Marketing Year (TMT)



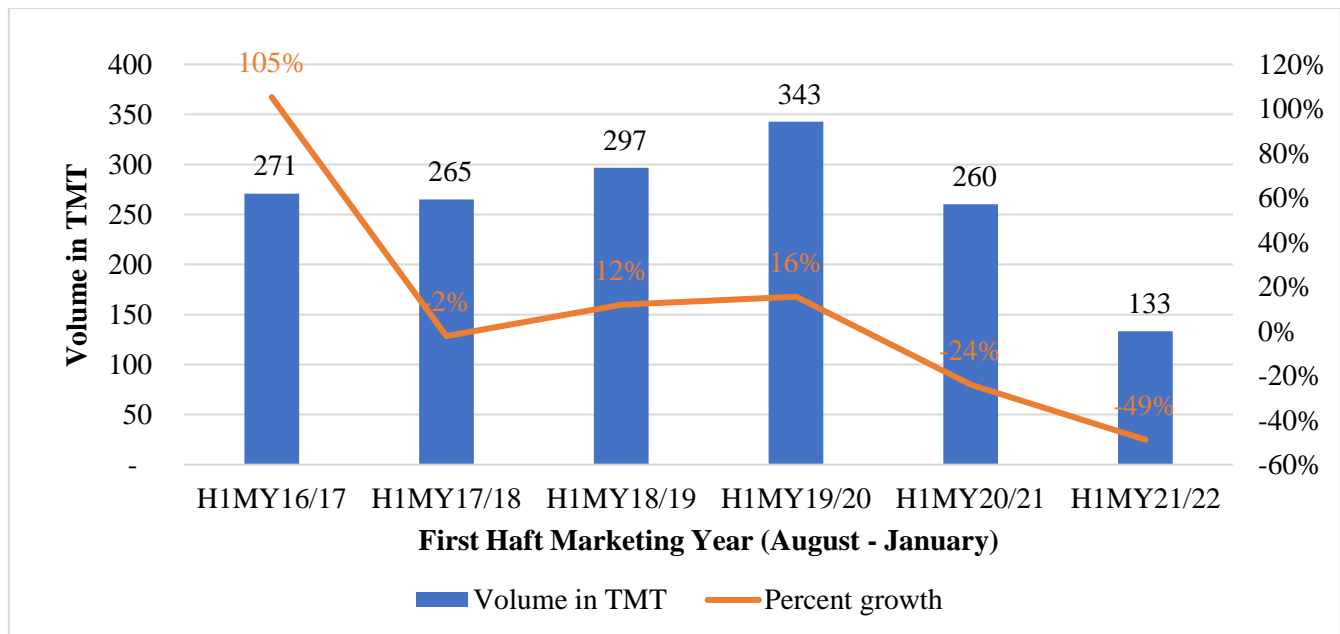
Source: Post's processing on Vietnam Customs data, * Post's estimate and **Post's forecast

Top Cotton Suppliers to Vietnam

The top five cotton suppliers to Vietnam in MY21/22 are the United States, Brazil, India, Australia, and Cote d'Ivoire, supplying 86 percent of cotton for the country's production. However, the United States lost its top position to Australia in the first half of MY21/22 (H1 MY21/22).

U.S. cotton exports to Vietnam in H1 MY21/22 plummeted to a record low level over the past five MY, to 133 MT, down 49 percent over the same period last MY (Figure 5).

Figure 5: U.S. Cotton Exports to Vietnam by First Half Marketing Year (August – January)



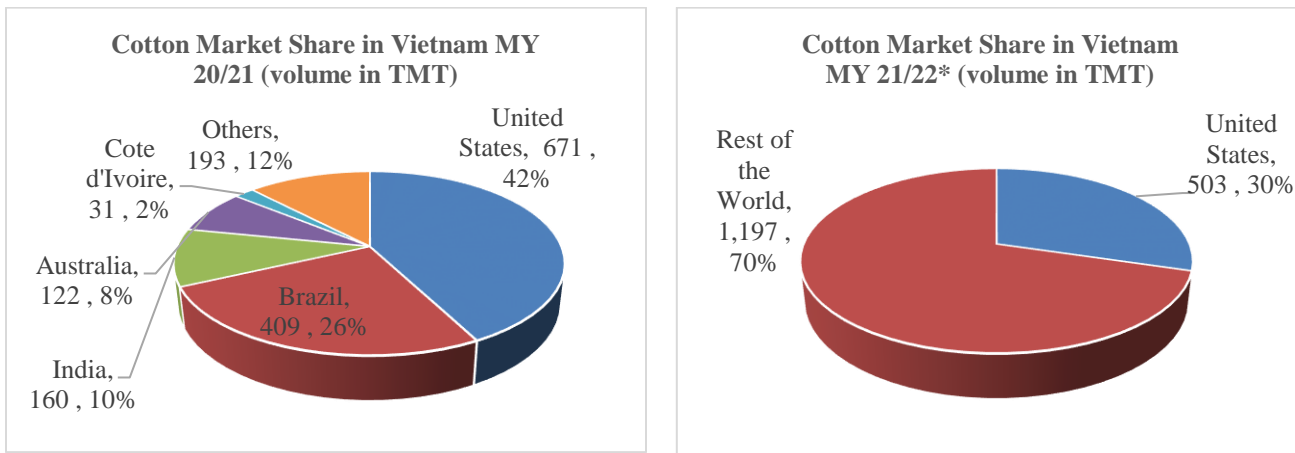
Source: U.S. Census Bureau Trade Data

This decline was caused by several factors. Industry contacts note increased delays of cotton shipments for confirmed orders and a lack of secure shipping dates for new orders have made buyers hesitant in purchasing additional U.S. cotton. Industry contacts also report that shippers are replacing U.S. cotton with Australia cotton at the same price, due to logistical challenges caused by congestion at U.S. ports. With an assumption that global logistical issues and U.S. port congestion continues to occur, Post estimates that U.S. cotton exports to Vietnam in MY21/22 could drop 25 percent year-on-year, to approximately 503 TMT, resulting in a smaller market share (Figure 6).

Likewise, Brazil cotton exports to Vietnam in H1 MY21/22 shrank by 34 percent to 152 TMT, likely due to logistical issues, according to industry contacts. Brazil cotton exports decreased in their top five largest markets including China, Vietnam, Pakistan, Turkey, and Indonesia in H1 MY21/22.

On the other hand, Australia cotton exports to Vietnam in H1 MY21/22 surged to a record high at 205 TMT, up 1,429 percent year on year mainly due to higher supply and logistical advantages. These developments pushed Australia to be the largest cotton exporter to Vietnam in H1 MY21/22.

Figure 6: Cotton Market Share in Vietnam



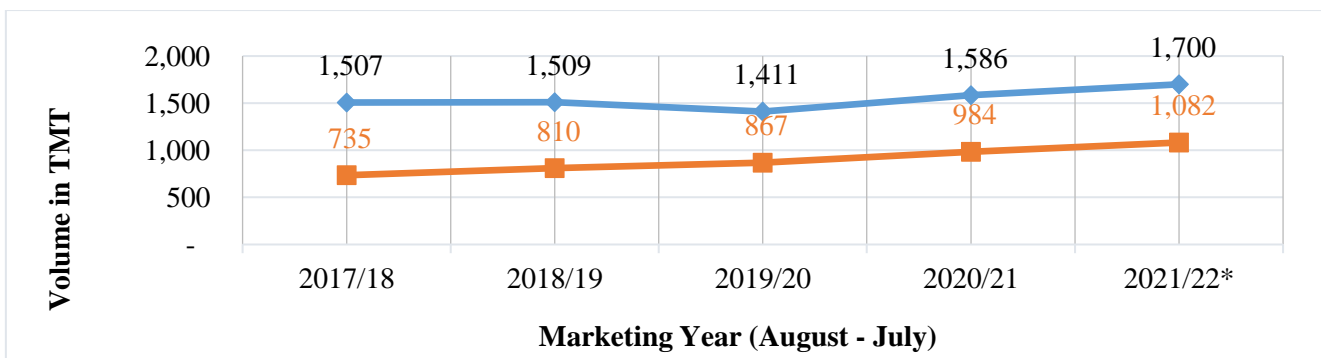
Source: TDM; Vietnam Customs; *Post's calculations

CONSUMPTION

Vietnam cotton consumption, reflected by cotton imports and cotton yarn exports, remained robust, mainly due to healthy spinning mills, strong demand for cotton yarn from China, possible effects of international sanctions on Xinjiang cotton, and rising global cotton yarn prices.

According to TDM data, Vietnam cotton yarn exports to China in MY20/21 were 984 TMT, up 13 percent over MY19/20, but dropped 18 percent to 417 TMT in H1 MY21/22 over the same period last year. Industry contacts noted that China's zero-COVID strategy may reduce the country's textile production capacity and could eventually slow down imports of Vietnam cotton yarn. While all spinning mills in Vietnam are operating at full capacity, lower cotton yarn exports to China may increase yarn stocks but will not affect consumption in the short term. With an assumption that Vietnam cotton yarn exports to China recover in H2 MY21/22, Post maintains its estimate that Vietnam cotton consumption in MY2021/2022 will stay at 7.8 million bales or 1.7 MMT, up 7 percent over MY 2020/2021 (see Figure 7 and Table 3).

Figure 7: Vietnam's Cotton imports vs. Cotton Yarn Exports to China



Source: TDM; Vietnam Customs; Post's estimate

PRICES

Although average cotton import prices in Vietnam have steadily increased since August 2020, from \$1.43 per kg to \$2.54 in February 2022 (Figure 8), local spinning mills were still able to see profits due to resulting high cotton yarn prices. However, industry contacts note that the volatility in cotton pricing may make spinning mills hesitant to hold large inventories of cotton.

Figure 8: Cotton Average Import Price (USD/kg)



Source: Post's processing on Vietnam Customs data

STOCKS

Ongoing global logistical challenges have caused delays in cotton shipments from the United States. With the increased Australia cotton supply, local spinners report that stocks are increasing with an estimated stocks-to-use ratio in MY21/22 at around 18 to 20 percent.

MARKETING/ POLICY

Tariffs on cotton

Cotton fiber (HS codes 5201, 5203) has a zero tariff, and a 5 percent value added tax.

Tariff on cotton yarn

Cotton yarn (HS codes 5204, 5205, 5207) has a 5 percent tariff, and a 10 percent value added tax.

Table 3: Production, Supply, and Demand Data Statistics

Cotton	2020/2021		2021/2022		2022/2023		
Market Begin Year	Aug 2020		Aug 2021		Aug 2022		
Vietnam	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
							(Units)
Area Planted	-	-	-	-	-	-	(1000 HA)
Area Harvested	1	-	1	-	-	-	(1000 HA)
Beginning Stocks	1,111	1,111	1,124	1,287	-	1,487	1000 480 lb. Bales
Production	3	-	3	-	-	-	1000 480 lb. Bales
Imports	7,310	7,276	7,500	7,800	-	8,200	1000 480 lb. Bales
MY Imports from U.S.	-	3,078	-	2,308	-	3,100	1000 480 lb. Bales
Total Supply	8,424	8,387	8,627	9,087	-	9,687	1000 480 lb. Bales
Exports	-	-	-	-	-	-	1000 480 lb. Bales
Use	7,300	7,100	7,500	7,600	-	8,000	1000 480 lb. Bales
Loss	-	-	-	-	-	-	1000 480 lb. Bales
Total Dom. Cons.	7,300	7,100	7,500	7,600	-	8,000	1000 480 lb. Bales
Ending Stocks	1,124	1,287	1,127	1,487	-	1,687	1000 480 lb. Bales
Total Distribution	8,424	8,387	8,627	9,087	-	9,687	1000 480 lb. Bales
Stock to Use %	15	18	15	20	-	21	(PERCENT)
Yield	653	-	653	-	-	-	(KG/HA)

Attachments:

No Attachments