

**Required Report:** Required - Public Distribution

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## **Report Name:** Cotton and Products Update

**Country:** Vietnam

**Post:** Hanoi

**Report Category:** Cotton and Products

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### **Report Highlights:**

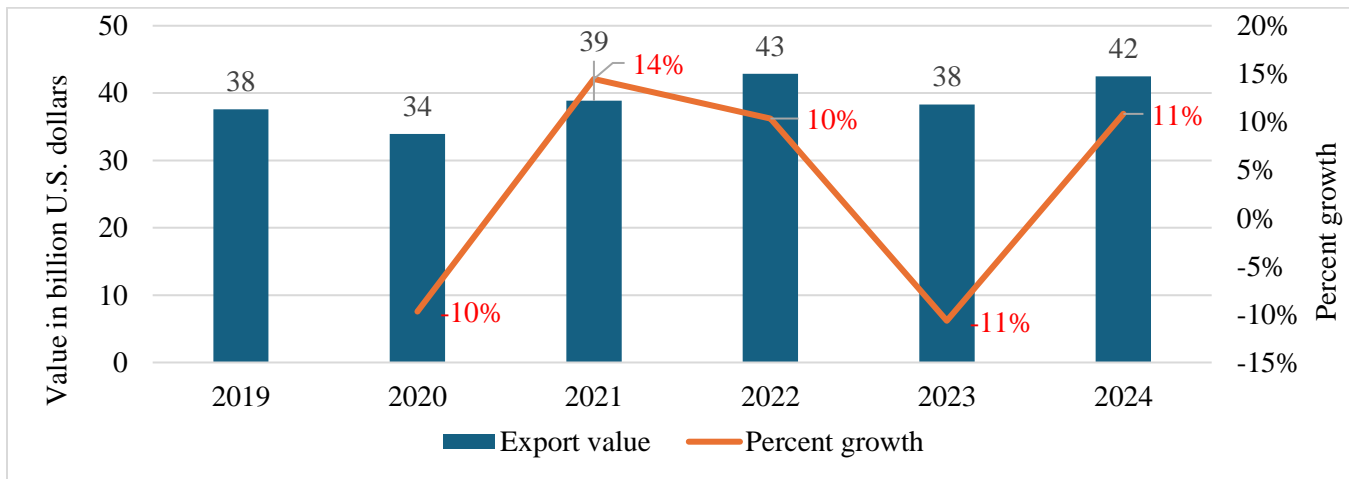
Vietnam's cotton imports for marketing year 2024/25 (MY 2024/25) are estimated at 6.8 million bales, up 4 percent over MY 2023/24 based on an expected recovery in global demand for textiles and garments by late 2024. MY 2023/24 cotton imports were at 6.6 million bales, up 2 percent year-on-year driven by China cotton yarn demand. Australia, Brazil, and the United States remain the three largest cotton suppliers to Vietnam

## SITUATION AND OUTLOOK

### Textile Industry

Vietnam's textile and apparel exports in the first 10 months of calendar year 2024 (CY2024) were estimated at roughly \$35 billion, up 10 percent year on year according to Vietnam Customs.<sup>1</sup> More orders from large markets including the United States and European Union have been recorded since the second quarter of CY2024, giving hope for export recovery. Post estimates that total Vietnam textile and apparel exports, not including materials and accessories, will expand 11 percent in C&2024 to approximately \$42 billion (Figure 1).

**Figure 1: Vietnam Textile and Apparel Exports Over Years**



Source: Vietnam Customs, \*Post estimates

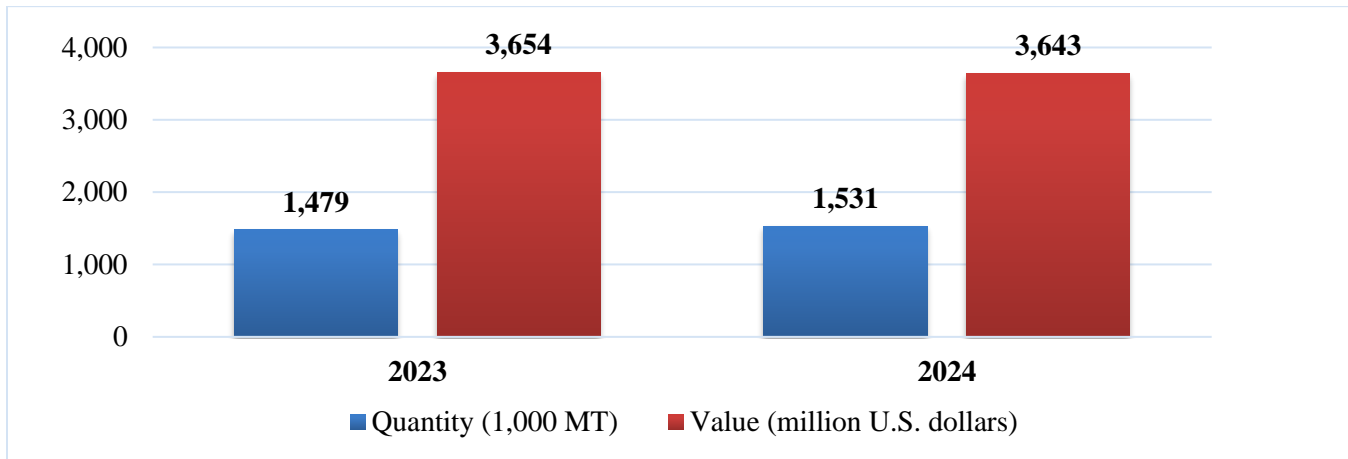
Vietnam textile and apparel exports started to rebound in May 2024 and reached a peak of \$4.5 billion in August. Although exports in September and October were lower than the August peak, they remained robust. Industry experts expect that demand for textile and apparels, including yarn, from major markets will bounce back due to the interest rate cut by the Federal Reserve as well as a decline in exports from major competitors including China and Bangladesh. Vietnamese textile and garment producers continue to make significant changes in their sourcing and manufacturing processes to comply with recent U.S. and EU regulations related to traceability, sustainability, forced-labor prevention, and climate protection.

### Yarn

Vietnam's all-type yarn exports between January and October 2024 increased 4 percent year on year to 1.5 million metric tons (MMT), but export revenue dropped 0.3 percent to \$3.64 billion according to Vietnam Customs data (Figure 2). Yarn prices plummeted well below average due to low demand. Post estimates that Vietnam's all-type yarn exports in CY2024 will be around 1.8 MMT, up 4 percent year on year.

<sup>1</sup> Products in account include textile & apparel products, yarn of all types, and technical fabrics. Post does not include textile materials and accessories which are mixed in the combined textile and footwear materials and accessories.

**Figure 2: Vietnam’s all-type Yarn Exports between January and October**



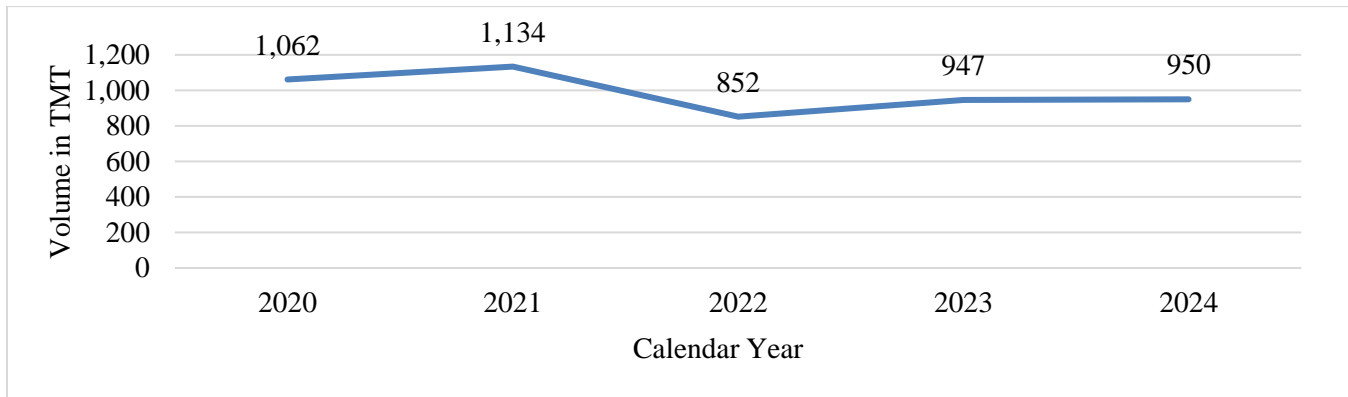
Source: Vietnam Customs

Vietnam’s cotton yarn exports (HS code 5205 and 5206) in the first 9 months of 2024 were roughly 943 thousand metric tons (TMT), the same volume as last year’s period but down 6 percent by value to roughly \$1.8 billion according to Trade Data Monitor LLC. The lengthy period of weak demand combined with crashing prices have severely hit all spinning mills in Vietnam since the second quarter of 2022. Rising labor, power and freight costs, as well as global shipping delays, have also hurt Vietnam’s spinning industry.

Although both cotton fiber and cotton yarn prices have become more stable and predictable since early 2024, many spinning mills in Vietnam continue to suffer losses because cotton yarn prices remain below production cost. To mitigate negative impacts, many spinning mills have implemented a series of measures, including deferring payment for machinery, removing fixed asset depreciation from production cost calculations, streamlining workforces, maximizing usage of solar power source to reduce energy costs, better managing cash flow and stocks, and temporarily switching to cotton blended yarn production.

Spinning contacts also shared their concerns about bilateral trade between the United States and China, which could significantly affect their operations as up to 80 percent Vietnam’s cotton yarn goes to China. Post estimates that Vietnam’s total cotton yarn exports in 2024 will be flat at around 950 TMT (Figure 3).

**Figure 3: Vietnam’s Cotton Yarn Exports**



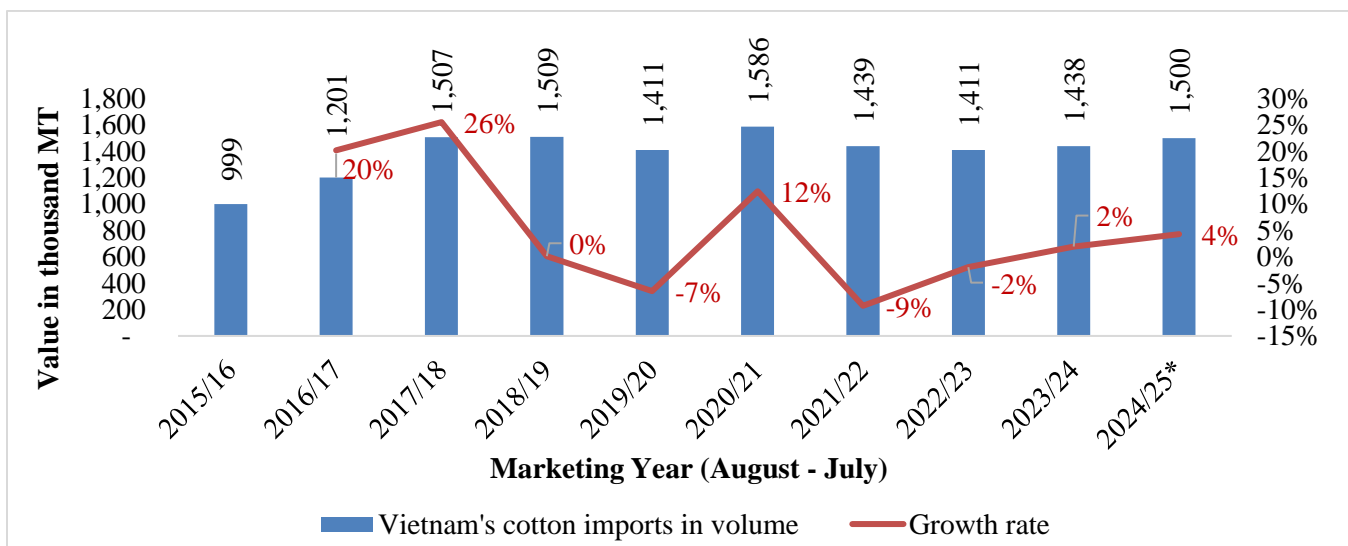
Source: Trade Data Monitor, LLC and Post’s estimates

**TRADE**

Cotton trade remains stable, but a few spinning mills and trading companies were added to the International Cotton Association’s defaulter list due to the crash of cotton prices in 2022. Vietnam’s total cotton imports (HS code 5201, 5202, 5203) in MY 2023/24 increased to 6.6 million bales according to Vietnam Customs data.

Post lowers forecast MY 2024/25 cotton imports 100,000 bales to 6.8 million bales (about 1.5 million MT) based on conversations with industry contacts. The cotton yarn industry in Vietnam faces significant economic challenges as noted above. This forecast is subject to change depending on global apparel demand, China’s demand for cotton yarn, cotton yarn prices, and geopolitical developments.

**Figure 4: Vietnam’s Cotton Imports by Marketing Year**



Source: Post’s processing of Vietnam Customs data, \* Post’s forecast

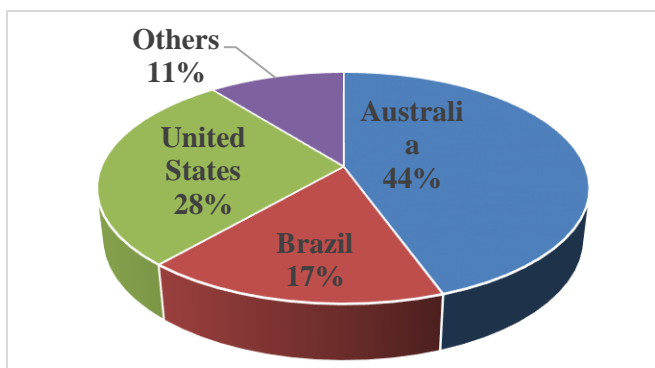
Australian cotton exports to Vietnam in MY 2023/24 contracted 26 percent year on year to 402 TMT as more Australian supply was sent to China. China began importing Australian cotton after a few years of bans due to bilateral tensions. Australia’s cotton exports to China in MY2023/24 skyrocketed to 351 TMT, up 241 percent year on year. Industry contacts reported that Australian cotton has become more expensive and harder to source due to short supply.

Brazilian cotton exports to Vietnam in MY 2023/24 spiked 90 percent year on year to roughly 392 TMT and continue to expand in the Vietnam market due to large supply, good quality and reasonable prices. Brazil is forecast to be the largest cotton supplier for Vietnam in MY 2024/25.

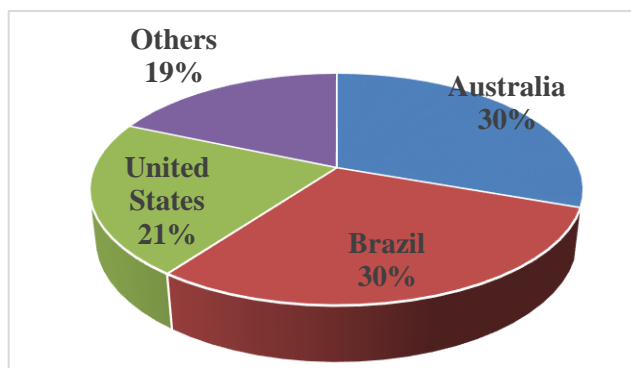
U.S. cotton exports to Vietnam in MY 2023/24 plummeted to 283 TMT, a record low over the past 10 years. Despite better quality than other competitors, U.S. cotton has become more expensive for Vietnamese spinning mills. Increased U.S. cotton exports to China has reduced available U.S. supply for Vietnam. In recent interviews with Post, industry contacts reported that they have replaced U.S. cotton with Brazilian cotton due to price. As a result, U.S. cotton market share continues to shrink.

**Figure 5: Cotton Supplier Market Shares in Vietnam**

**Market share in MY 2022/23**



**Market share in MY 2023/24**



Source: Trade Data Monitor LLC

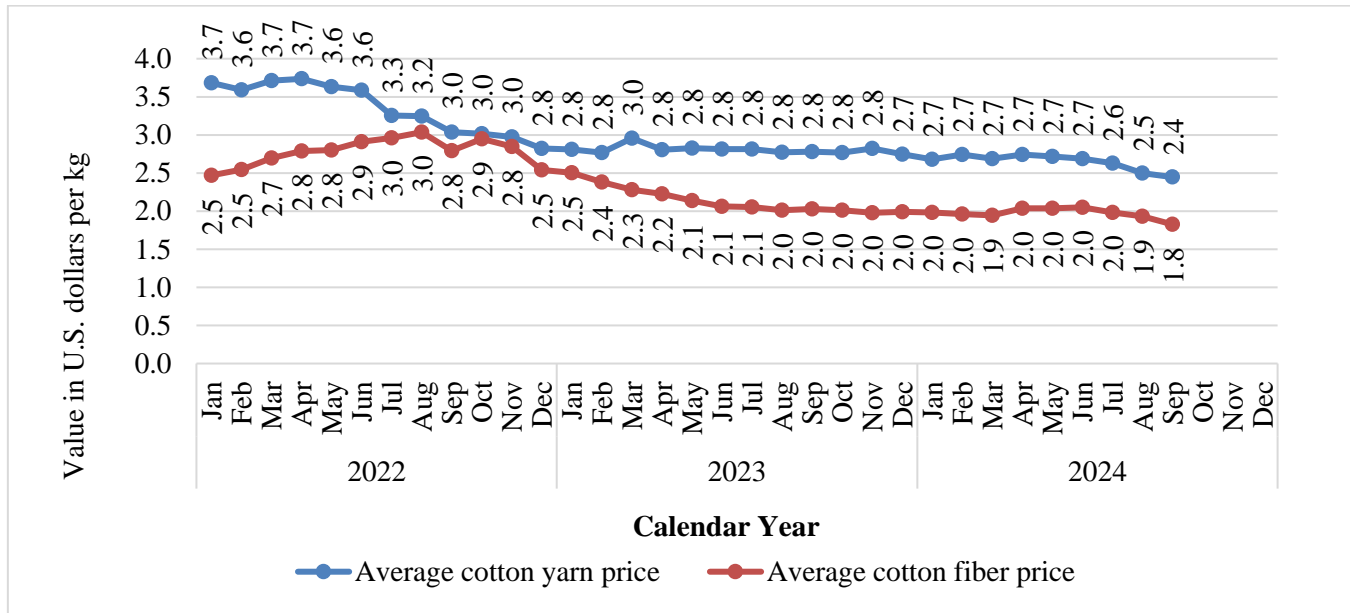
**CONSUMPTION**

Estimated consumption in MY 2023/24 is unchanged at 6.6 million bales. Post lowers forecast MY 2024/25 consumption to 6.8 million bales due to the headwinds facing the textile industry in Vietnam.

**PRICES**

Average cotton import prices in Vietnam have stabilized and stayed around \$2 per kg since August 2023. Cotton-yarn export prices remain low and have at times fallen below the cost of production. The lower price of Brazilian cotton compared to U.S. and Australian cotton has helped Brazil gain market share.

**Figure 7: Cotton Import Prices vs Yarn Export Prices (USD/kg)**



Source: Post analysis of Vietnam Customs data

**STOCKS**

Vietnam spinning mills continue to minimize stocks as they struggle with profitability. Cotton trade contacts noted that cotton purchases from bonded warehouses, afloat or spot traded, are prioritized. Post estimates the stocks-to-use ratio will remain low in MY 2023/24 at around 15 percent.

**Table 1: Production, Supply, and Distribution Data Table**

| <b>Cotton</b>            | <b>2022/2023</b>     |                 | <b>2023/2024</b>     |                 | <b>2024/2025</b>     |                 |                    |
|--------------------------|----------------------|-----------------|----------------------|-----------------|----------------------|-----------------|--------------------|
| <b>Market Begin Year</b> | <b>Aug 2022</b>      |                 | <b>Aug 2023</b>      |                 | <b>Aug 2024</b>      |                 |                    |
| <b>Vietnam</b>           | <b>USDA Official</b> | <b>New Post</b> | <b>USDA Official</b> | <b>New Post</b> | <b>USDA Official</b> | <b>New Post</b> |                    |
|                          |                      |                 |                      |                 |                      |                 | (Units)            |
| Area Harvested           | 1                    | -               | 1                    | -               | 1                    | -               | (1000 HA)          |
| Beginning Stocks         | 1,022                | 1,022           | 1,046                | 1,043           | 1,034                | 1,043           | 1000 480 lb. Bales |
| Production               | 3                    | -               | 3                    | -               | 3                    | -               | 1000 480 lb. Bales |
| Imports                  | 6,471                | 6,471           | 6,585                | 6,600           | 6,900                | 6,800           | 1000 480 lb. Bales |
| Total Supply             | 7,496                | 7,493           | 7,634                | 7,643           | 7,937                | 7,843           | 1000 480 lb. Bales |
| Exports                  | -                    | -               | -                    | -               | -                    | -               | 1000 480 lb. Bales |
| Domestic Use             | 6,450                | 6,450           | 6,600                | 6,600           | 6,900                | 6,800           | 1000 480 lb. Bales |
| Loss                     | -                    | -               | -                    | -               | -                    | -               | 1000 480 lb. Bales |
| Domestic Use and Loss    | 6,450                | 6,450           | 6,600                | 6,600           | 6,900                | 6,800           | 1000 480 lb. Bales |
| Ending Stocks            | 1,046                | 1,043           | 1,034                | 1,043           | 1,037                | 1,043           | 1000 480 lb. Bales |
| Total Distribution       | 7,496                | 7,493           | 7,634                | 7,643           | 7,937                | 7,843           | 1000 480 lb. Bales |
| Stock to Use %           | 16                   | 16              | 16                   | 16              | 15                   | 15              | (PERCENT)          |
| Yield                    | 653                  | -               | 653                  | -               | 653                  | -               | (KG/HA)            |
| Stocks to Use            | 2                    | 2               | 2                    | 2               | 2                    | 2               | (MONTHS)           |
| Supply Less Imports      | 1,025                | 1,022           | 1,049                | 1,043           | 1,037                | 1,043           | 1000 480 lb. Bales |
| Total Use                | 6,450                | 6,450           | 6,600                | 6,600           | 6,900                | 6,800           | 1000 480 lb. Bales |

**Attachments:**

No Attachments