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Report Highlights:

MY2021/22 cotton imports are unlikely to recover due to slow economic growth. MY2020/21 cotton imports reduce sharply, and imports of U.S. cotton are also forecast to decline significantly.

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Executive Summary

MY2021/22 cotton imports are forecast to increase 9 percent from MY2020/21 to approximately 605,000 bales due to a marginal increase in cotton and cotton-blended yarn production. Textile and garment production is forecast to have limited growth during this time due to the economic downturn. Imports of U.S. cotton are expected to increase to around 350,000 bales as competitive spinning mills still rely on high-quality cotton from the United States for their medium and fine count yarn production. However, cotton consumption is below average due to the large drop in demand during the COVID-19 pandemic.

MY2020/21 cotton imports are expected to decrease 21 percent from MY2019/20. In the first five months of MY2020/21, cotton imports decreased 30 percent from the same period last year. Spinners are concerned about the slow global economic recovery from the COVID-19 outbreak, which caused a significant fall in the demand for textile and garment products.

1. Production

Cotton production remains marginal in Thailand totaling approximately 1,500 – 1,600 metric tons (2,300 – 2,500 bales) due to unattractive returns compared to other field crops like corn. Domestic production accounts for less than one percent of total demand. The government does not provide any incentives for farmers to produce cotton. The government also bans domestic production of all transgenic (biotech) plant varieties, including cotton.

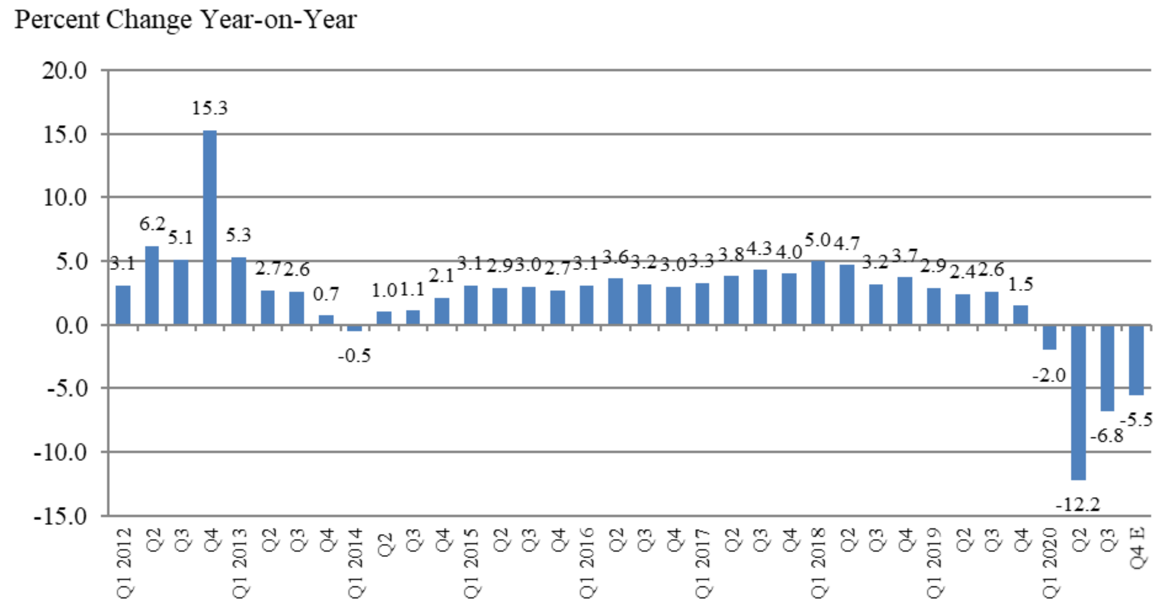
2. Consumption

MY2021/22 cotton consumption is forecast to increase to 605,000 bales, up 9 percent from MY2020/21. Despite the increase, cotton consumption is still far below the five-year average due to the slow economic recovery caused by the prolonged COVID-19 pandemic. The President of the Thai Garment Manufacturers Association anticipates that the export of garment and textile products will increase slightly by 5 percent in the first half of MY2021/22 in anticipation of the reviving global economy after the administration of COVID-19 vaccines.

Spinners are holding low inventories of cotton yarn in the first five months of MY2020/21, down approximately 13 percent comparing to the same period last year. Key foreign customers for garments and textile products such as the United States, China, Japan, and European Union reportedly have cancelled, suspended, or delayed payment on orders since the beginning of the pandemic. The value of Thai garments and textile exports in the first five months of MY2020/21 was approximately U.S. $867 million, down 24 percent from U.S. $1.14 billion from the same period last year.

The economic recovery for 2021 is expected to be slower than what was previously forecast. The Bank of Thailand revised the forecast economic growth in 2021 down from 3.6 percent to 3.2 percent due mainly to the prolonged outbreak of COVID-19 abroad and a second wave in Thailand in December 2020. The number of tourists in 2021 is also revised down to 5.5 million tourists, which is an even further reduction from the reduced number of tourists in 2020. The number of foreign tourists went from 39.9 million in 2019 to 6.7 million in 2020.

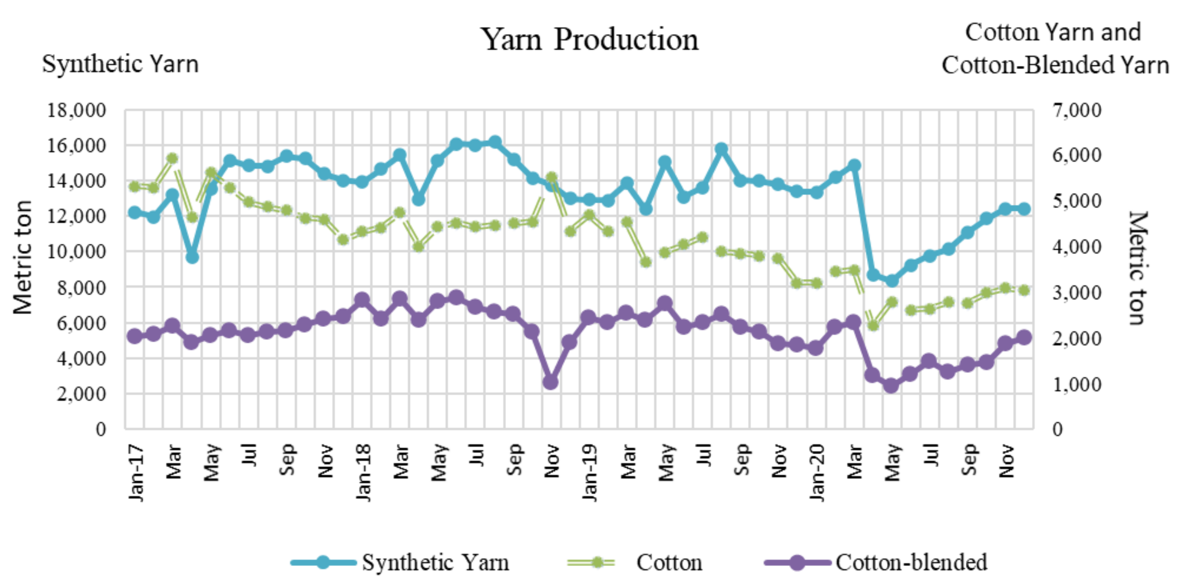
Figure 2.1: Thai Economic Growth



Source: National Economic and Social Development Board

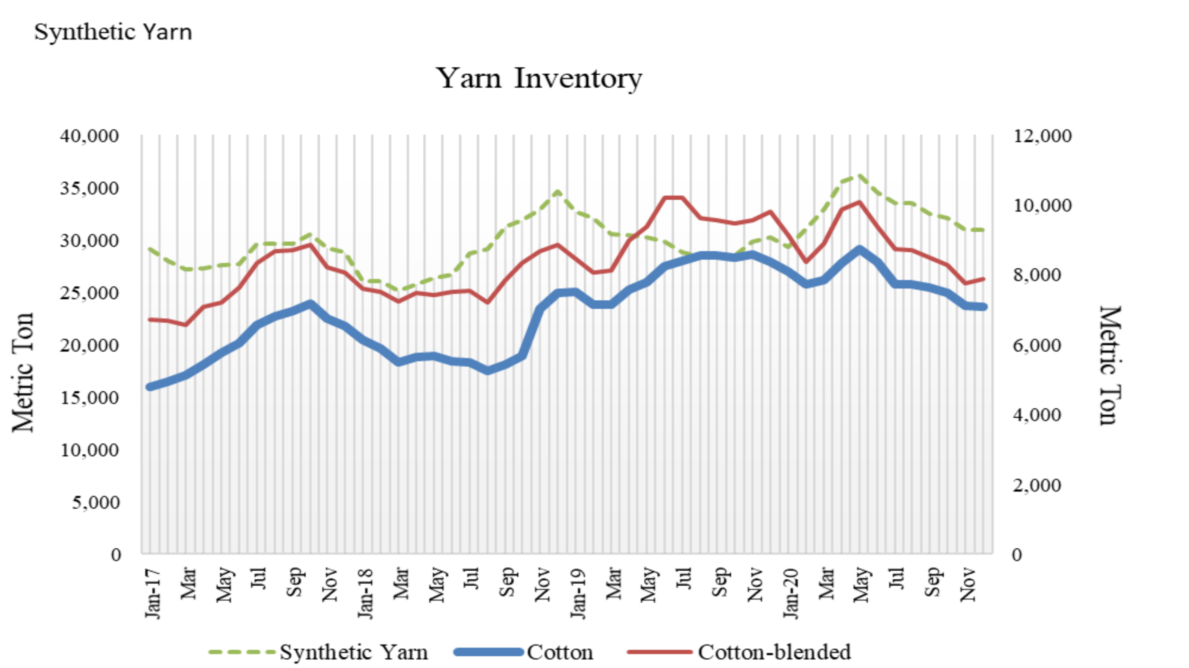
Total cotton yarn production decreased 21 percent in the first five months of MY2020/21 from the same period last year (Figure 2.2). The decreased cotton yarn production mirrored a reduction in cotton fabric production, which declined by 11 percent, due to plummeting demand from main overseas customers. One spinning mill and twenty garment factories closed between January and September 2020, according to the Ministry of Industry's Department of Industrial Works, causing 5,713 workers to lose their jobs due to reduced orders and higher labor costs than neighboring countries. Garment and textile factories attempted to adjust by producing cloth masks and Personal Protective Equipment sets for medical personnel. However, the solution was not sustainable as other neighboring countries in the region (e.g., China, Vietnam, Myanmar, Cambodia, Indonesia, etc.) also opted to produce cloth masks, which caused an oversupply in the market. Many factories have reduced overhead cost by reducing production, limiting overtime, implementing hiring freezes, and stopping business expansion in other countries. Cotton yarn inventory in the first half of MY2020/21 decreased 13 percent compared to same period last year (Figure 2.3).

Figure 2.2: Yarn Production



Source: Office of Industrial Economics, Ministry of Industry

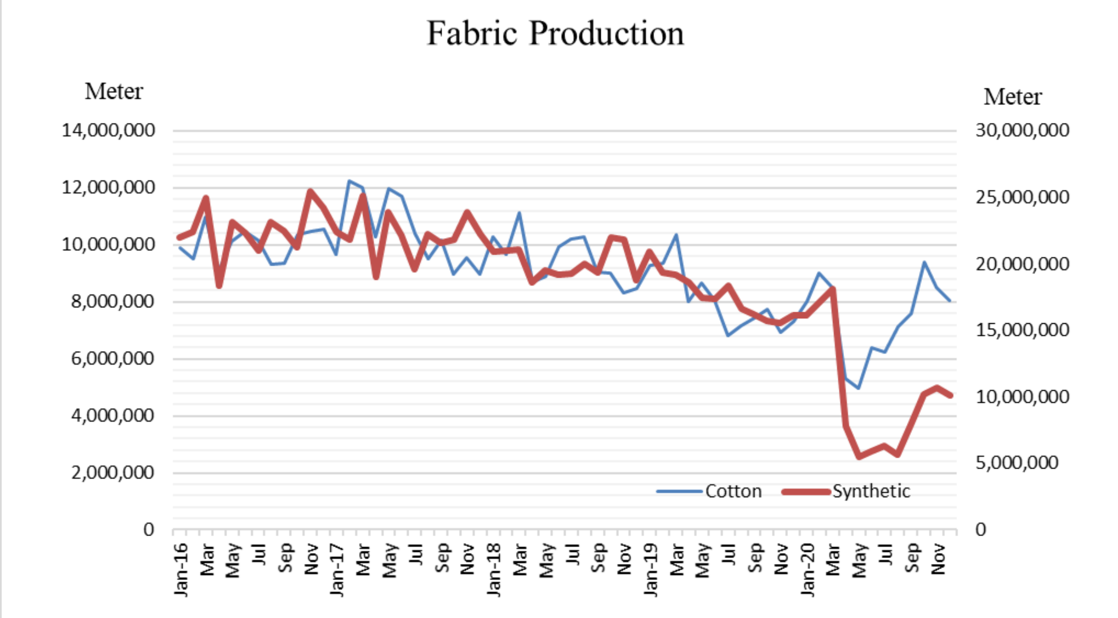
Figure 2.3: Yarn Inventory Index



Source: Office of Industrial Economics, Ministry of Industry

Cotton and cotton-blended yarn production accounts for approximately 35-40 percent of total yarn production. In the first half of MY2020/21, synthetic yarn production, which accounts for approximately 60-65 percent of total yarn production, declined 18 percent from the same period last year due to reduced man-made fabric production, which declined around 45 percent (Figure 2.4). Additionally, garment production decreased 96 percent, and garment inventory dropped by 82 percent in the first half of MY2019/20 leading to decreased demand for imported fabric, particularly from China and India.

Figure 2.4: Fabric and Garment Production Index



Source: Office of Industrial Economics, Ministry of Industry

MY2020/21 cotton consumption is forecast to decrease by 30 percent to 555,000 bales from MY2019/20 (TH2020-0160: Cotton and Products Update, November 2020). Cotton spinners will be cautious in building up cotton yarn stocks in the second half of MY2020/21 due to concerns about global economic growth in 2021, which will affect domestic textile production, particularly for export-oriented textile products. Additionally, many cotton spinners have shifted to a cotton-blended yarn production, which is more competitive in the yarn market. Prices of cotton-blended yarn is reportedly 20-30 percent cheaper than cotton yarn.

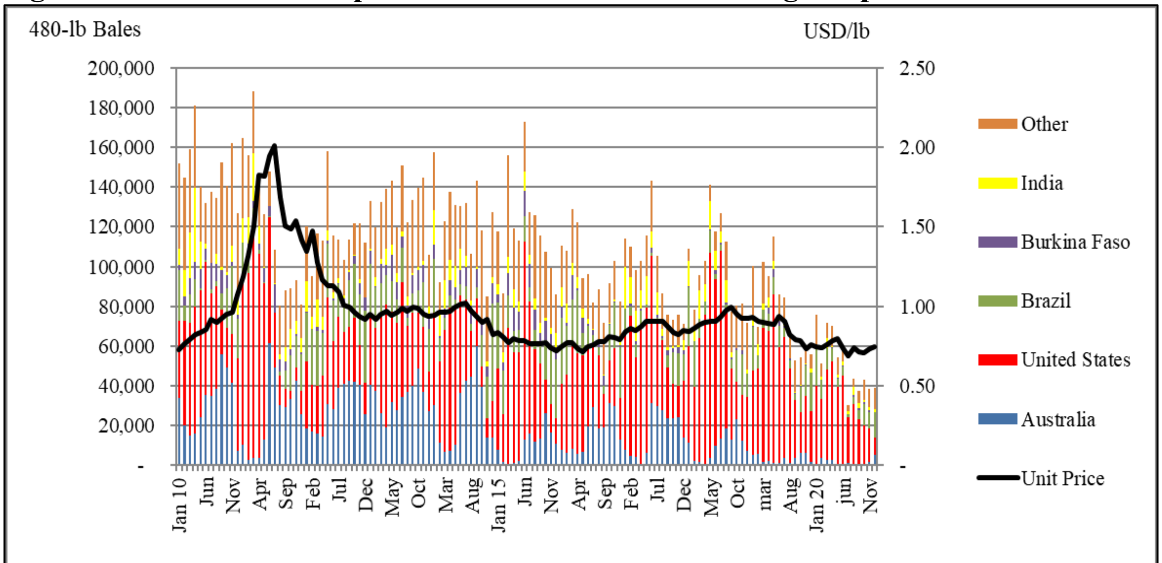
3. Trade

MY2021/22 cotton imports are forecast to increase to around 600,000 bales, up 9 percent from MY2020/21, in anticipation of minimal increases in cotton and cotton-blended yarn production. Import demand for U.S. cotton is expected to increase to 350,000 bales, up approximately 16 percent from MY2020/21, as medium-scale spinning mills continue to diversify their cotton yarn production from coarse-count yarn to medium and fine-count yarn. Locally produced coarse-count yarn cannot compete with imported yarn. Spinning mills typically rely on high-quality cotton from the United States for fine-count yarn production. In additional, the Thai garment industry is highly dependent on exporting foreign brand name apparel that is produced under contract to the United States, European Union, and Japan. The Thai garment industry anticipates these countries to gain back purchasing power after the administration of the COVID-19 vaccine.

Cotton imports totaled 201,350 bales in the first five months of MY2020/21, down 30 percent from the same period in MY2019/20 (Figure 3.1 and Table 2). Imports of U.S. cotton declined to 98,127 bales, down 35 percent from the same period last year due to a slowdown in orders in both textile and garment products since the beginning of 2020. Thailand has been a net importer of cotton yarn since MY2016/17 as many cotton fabric manufacturers increasingly use imported cotton yarn for their domestic-oriented production. Vietnamese yarn imports in the first five months of MY2020/21 increased by 14 percent, while total cotton yarn imports decreased by 4 percent. Indian yarn imports were down 25 percent (Figure 3.2 and Table 3) due to reduced fabric production. Besides a drop in demand impacted by COVID-19, exports of cotton yarn were less competitive due to the strengthening of the Thai baht to a seven-year record at 30.88 Baht/U.S. $1.00 in 2020.   In the first five months of MY2020/21, exports of cotton yarn continued to decline by 44 percent from the same period last year (Figure 3.2 and Table 4).

Garment manufacturers have shifted to relatively cheaper imported fabric in recent years, mainly from China and India. The imports of cotton fabric in the first half of MY2020/21 decreased 11.5 percent from the same period last year reflecting a large drop in demand for garment products (Figure 3.3 and Table 5 and 6). However, the import of cotton fabric in December 2020 saw a 9 percent increase compared to same period last year, particularly from China, with a 50 percent increase comparing to December 2019, indicating a growth in orders for garment products that benefited the Thai garment industry.

Figure 3.1: Thailand's Imports of Raw Cotton and Average Import Prices



Source: Thai Customs Department

Figure 3.2: Cotton Yarn Exports and Imports

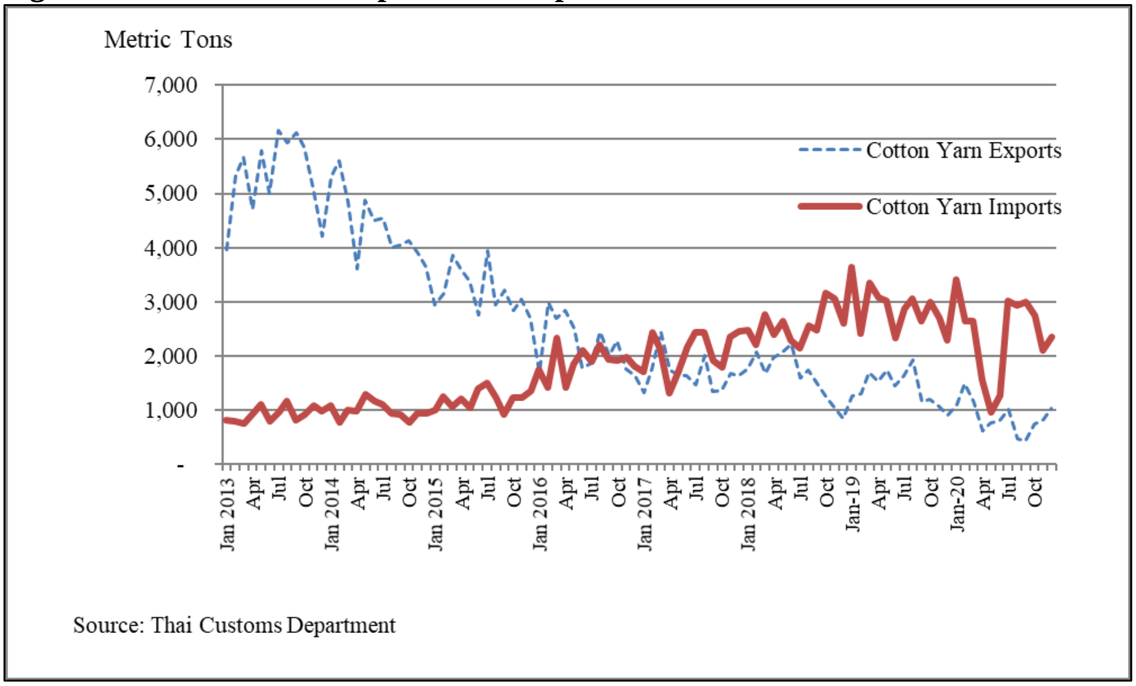
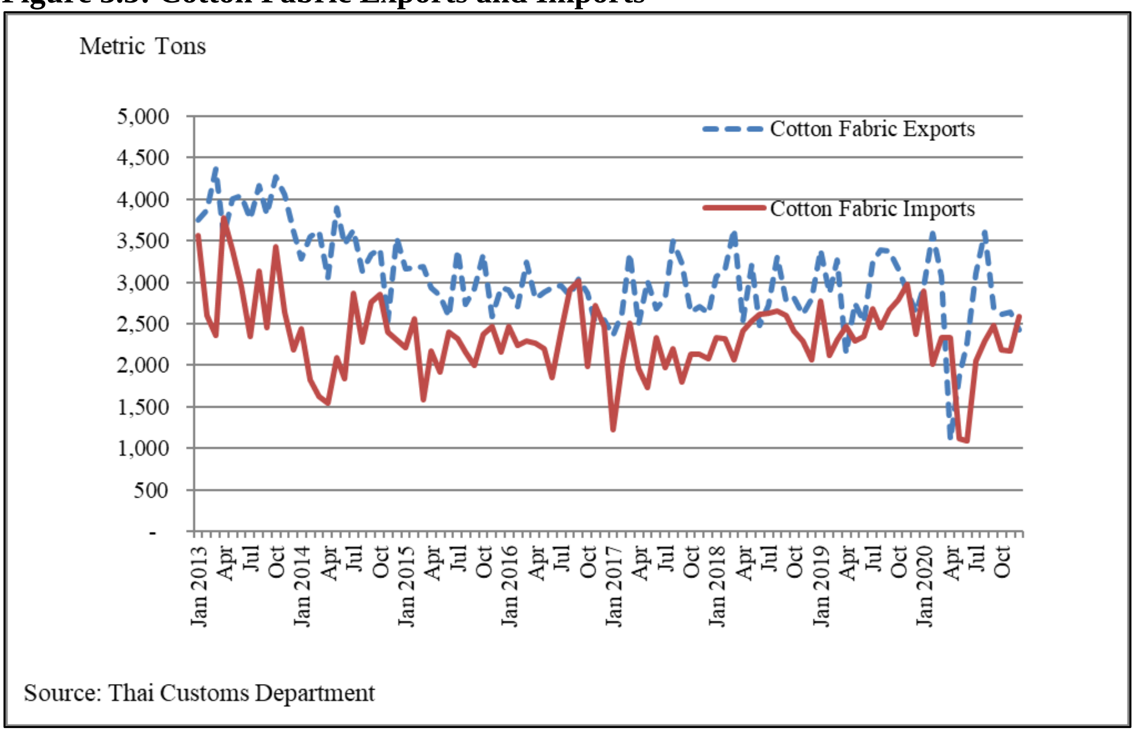


Figure 3.3: Cotton Fabric Exports and Imports



Post’s forecast for MY2020/21 cotton imports is 550,000 bales, which is 21.5 percent lower than MY2019/20 due to the domestic and global economic downturn in 2020 and 2021. Despite a 19 percent drop in import prices of raw cotton in the first half of MY2020/21 comparing to same period last year, a shrinking demand in garment and textile products from an unfavorable economy caused spinners to avoid building up raw cotton stocks. Import demand for U.S. cotton is expected to decline to 300,000 bales, down approximately 16 percent from MY2019/20.

4. Stocks

MY2020/21 and MY2021/22 cotton stocks are expected to remain at minimum levels of 2 months of use. Spinning mills are likely to be cautious about building up stocks of cotton, particularly in the first half of MY2021/22, due to concerns about sluggish economic growth mainly caused by the COVID-19 outbreak that has continually affected both domestic and export markets in 2019 until present.

Appendix Table
Table 1: Thailand's Cotton Production, Supply and Demand

Cotton	2019/2020		2020/2021		2021/2022	
Market Year Begins	Aug 2019		Aug 2020		Aug 2021	
Thailand	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	0	1	0	1	0	0
Area Harvested (1000 HA)	1	1	1	1	0	0
Beginning Stocks 1000 480 lb. Bales	202	202	103	104	0	100
Production 1000 480 lb. Bales	2	2	2	2	0	2
Imports 1000 480 lb. Bales	700	700	680	550	0	600
MY Imports from U.S. 1000 480 lb. Bales	0	420	0	300	0	350
Total Supply 1000 480 lb. Bales	904	904	785	656	0	702
Exports 1000 480 lb. Bales	1	0	1	1	0	1
Use 1000 480 lb. Bales	780	780	650	530	0	580
Loss 1000 480 lb. Bales	20	20	25	25	0	25
Total Dom. Cons. 1000 480 lb. Bales	800	800	675	555	0	605
Ending Stocks 1000 480 lb. Bales	103	104	109	100	0	96
Total Distribution 1000 480 lb. Bales	904	904	785	656	0	702
Stock to Use % (PERCENT)	13.19	13.33	16.74	18.83	0	16.52
Yield (KG/HA)	435	435	435	435	0	0
(1000 HA) ,1000 480 lb. Bales ,(PERCENT) ,(KG/HA)						

Table 2: Thailand's Imports of Raw Cotton

Marketing Year (August/July) Unit: 480-lb bale	MY17/18	MY18/19	MY19/20	% Change	August - December		
					MY19/20	MY20/21	% Change
United States	627,254	588,625	420,579	-28.5	150,990	98,127	-35.0
Australia	156,121	94,068	31,468	-66.5	19,175	8,203	-57.2
Brazil	138,559	125,210	111,045	-11.3	54,767	39,724	-27.5
Mali	49,364	37,102	29,605	-20.2	22,055	4,349	-80.3
Burkina Faso	15,311	16,005	-	-100.0	2,945	4,493	52.6
Cote d Ivoire	8,673	20,685	9,177	-55.6	4,172	8,733	109.3
India	83,498	38,565	17,037	-55.8	3,578	10,525	194.2
Tanzania	10,626	28,431	10,948	-61.5	3,346	2,580	-22.9
Pakistan	13,094	5,070	182	-96.4	-	-	-
Argentina	1,607	43,215	15,347	-64.5	6,349	7,894	24.3
Mexico	4,572	3,801	2,654	-30.2	244	-	-100.0
Zimbabwe	451	1,667	2,329	39.7	1,855	1,445	-
Spain	2,515	20,582	5,428	-73.6	2,658	2,658	0.0
Benin	6,233	4,184	2,293	-45.2	918	909	-1.0
Others	37,258	48,263	42,315	-12.3	15,143	11,710	-22.7
World	**1,155,137**	**1,075,473**	**700,407**	**-34.9**	**288,195**	**201,350**	**-30.1**

Source: Thai Customs Department

Calendar Year Unit:480-lb Bales	2017	2018	2019	2020	% Change	December		
						2019	2020	% Change
United States	562,347	670,072	574,452	367,715	-36.0	25,522	8,279	-67.6
Brazil	88,708	141,061	124,848	96,002	-23.1	19,593	12,853	-34.4
Australia	197,180	116,850	39,180	20,495	-47.7	1,575	5,470	247.3
Greece	9,895	7,681	18,157	6,484	-64.3	311	-	-100.0
Tanzania	8,988	22,109	11,305	10,182	-9.9	-	-	-
Argentina	10,263	28,828	20,960	16,892	-19.4	900	873	-3.0
Mali	85,566	40,111	44,083	11,900	-73.0	1,394	1,142	-18.1
India	104,494	84,976	26,813	23,984	-10.6	2,116	1,555	-26.5
Spain	2,515	12,932	10,380	2,770	-73.3	819	-	-100.0
Cote De Ivoire	18,375	16,492	13,173	13,738	4.3	471	5,050	972.2
Turkey	2,914	2,201	5,220	1,195	-77.1	-	202	-
Togo	2,183	1,851	5,294	4,355	-17.7	446	-	-
South Africa	-	-	6,271	4,658	-25.7	-	451	-
Others	76,352	43,994	42,066	33,191	-21.1	2,455	3,191	30.0
World	**1,169,781**	**1,189,159**	**942,202**	**613,561**	**-34.9**	**55,602**	**39,066**	**-29.7**

Source: Thai Customs Department

Table 3: Thailand's Imports of Cotton Yarn

Marketing Year (August/July) Unit: Metric Tons	MY17/18	MY18/19	MY19/20	% Change	August - December		
					MY19/20	MY20/21	% Change
India	12,529	18,460	13,362	-28	6,620	4,940	-25.4
Vietnam	6,809	9,254	10,066	9	4,415	5,039	14.1
China	3,673	3,410	3,334	-2	1,363	1,934	41.9
Japan	2,711	2,104	731	-65	436	18	-95.9
Indonesia	626	356	1,365	283	710	772	8.7
Korea South	834	454	10	-98	7	-	-100.0
Malaysia	0	294	116	-61	38	39	-
Taiwan	40	42	13	-69	3	10	233.3
Italy	18	19	21	11	15	3	-
Pakistan	218	133	37	-72	25	34	36.0
Germany	1	2	2	0	2	-	-100.0
United States	2	2	-	-100	-	-	-
Hong Kong	25	28	4	-86	3	-	-100.0
Other	356	35	127	263	37	329	789.2
World	**27,844**	**34,593**	**29,188**	**-16**	**13,674**	**13,118**	**-4.1**

Source: Thai Customs Department

Calendar Year Unit: Metric Tons	2016	2017	2018	2019	2020	% Change
India	11,135	11,206	16,324	16,981	11,682	-31.2
Vietnam	3,923	4,988	7,517	10,417	10,691	2.6
China	4,784	3,575	3,713	3,235	3,905	20.7
Japan	1,609	2,560	2,204	1,789	313	-82.5
Indonesia	141	345	403	1,023	1,427	39.5
Korea South	176	918	301	394	3	-99.2
Malaysia	200	8	0	332	117	-64.8
Taiwan	140	67	23	39	21	-46.2
Italy	14	13	21	19	9	-52.6
Pakistan	420	306	189	94	46	-51.1
Germany	2	1	1	2	1	-50.0
United States	0	2	2	1	-	-100.0
Hong Kong	8	26	27	9	1	-88.9
Other	109	835	54	67	820	1120.1
World	**22,660**	**24,852**	**30,779**	**34,402**	**28,632**	**-16.8**

Source: Thai Customs Department

Table 4: Thailand's Exports of Cotton Yarn

Marketing Year (August/July) Unit: Metric Tons	MY17/18	MY18/19	MY19/20	% Change	August - December		
					MY19/20	MY20/21	% Change
China	10,489	7,450	4,273	-43	2,424	1,099	-54.7
Korea South	4,947	4,134	3,730	-10	1,674	488	-70.8
Japan	3,102	2,904	3,417	18	1,439	1,125	-21.8
Indonesia	500	600	539	-10	178	238	33.7
Egypt	48	26	-	-100	-	-	-
Italy	249	156	128	-18	63	6	-90.5
Vietnam	194	285	390	37	167	154	-7.8
Cambodia	0	61	94	54	27	52	-
Papua New Guinea	40	30	-	-100	-	-	-
Australia	20	14	11	-21	8	5	-
Hong Kong	162	45	42	-7	22	16	-27.3
Laos	46	37	61	65	22	66	200.0
Bangladesh	1,122	575	6	-99	5	25	400.0
Other	497	666	543	-18	250	237	-5.2
World	**21,416**	**16,983**	**13,234**	**-22**	**6,279**	**3,511**	**-44.1**

Source: Thai Customs Department

Calendar Year Unit: Metric Tons	2016	2017	2018	2019	2020	% Change
China	14,963	11,491	8,377	7,396	2,948	-60.1
Korea South	4,913	3,421	4,827	4,313	2,544	-41.0
Japan	4,006	3,488	3,142	3,087	3,103	0.5
Indonesia	9	63	713	513	599	16.8
Egypt	14	19	36	26	-	-100.0
Italy	93	188	259	155	71	-54.2
Vietnam	660	215	218	324	377	16.4
Cambodia	0	1	1	86	120	39.5
Papua New Guinea	78	55	29	-	-	-
Australia	6	21	18	13	8	-38.5
Hong Kong	268	144	129	46	37	-19.6
Laos	38	48	41	43	105	144.2
Bangladesh	133	226	1,389	197	26	-86.8
Other	1,347	710	557	709	528	-25.5
World	**26,527**	**20,093**	**19,735**	**16,882**	**10,466**	**-38.0**

Source: Thai Customs Department

Table 5: Thailand's Imports of Cotton Fabric

Marketing Year (August/July) Unit: Metric Tons	MY17/18	MY18/19	MY19/20	% Change	August - December		
					MY19/20	MY20/21	% Change
China	17,706	15,863	15,822	-0.3	7,536	6,620	-12.2
India	7,665	10,844	9,582	-11.6	4,978	4,557	-8.5
Indonesia	188	374	404	8.0	176	62	-64.8
Japan	423	394	395	0.3	140	163	16.4
Egypt	29	103	39	-62.1	23	3	-87.0
Italy	97	133	111	-16.5	46	34	-26.1
Taiwan	225	118	64	-45.8	17	14	-17.6
Pakistan	307	394	86	-78.2	59	21	-64.4
Korea South	60	105	115	9.5	41	62	51.2
Portugal	33	32	15	-53.1	-	-	-
Vietnam	60	320	243	-24.1	128	150	17.2
Laos	13	19	19	0.0	17	10	-41.2
United Kingdom	21	16	16	0.0	3	2	-33.3
Other	425	275	176	-36.0	100	42	-58.0
World	**27,253**	**28,990**	**27,087**	**-6.6**	**13,264**	**11,740**	**-11.5**

Source: Thai Customs Department

Calendar Year Unit: Metric Tons	2016	2017	2018	2019	2020	% Change
China	21,524	17,711	16,693	17,032	14,907	-12.5
India	4,456	4,469	10,049	11,283	9,160	-18.8
Indonesia	555	181	295	372	290	-22.0
Japan	478	432	430	331	417	26.0
Egypt	4	9	74	73	19	-74.0
Italy	76	105	95	132	99	-25.0
Taiwan	186	179	190	81	62	-23.5
Pakistan	656	320	390	286	49	-82.9
Korea South	53	65	97	87	137	57.5
Portugal	3	21	41	22	5	-77.3
Vietnam	102	86	190	276	265	-4.0
Laos	25	10	16	30	38	26.7
United Kingdom	38	20	21	13	7	-46.2
Other	668	460	361	208	109	-47.6
World	**28,822**	**24,067**	**28,943**	**30,226**	**25,564**	**-15.4**

Source: Thai Customs Department

Table 6: Thailand's Exports of Cotton Fabric

Marketing Year (August/July) Unit: Metric Tons	MY17/18	MY18/19	MY19/20	% Change	August- December		
					MY18/19	MY19/20	% Change
Myanmar	7,833	8,182	7,882	-4	3,688	3,873	5.0
Bangladesh	6,829	4,280	516	-88	2,708	1,740	-35.7
Japan	2,453	2,027	1,801	-11	947	880	-7.1
China	999	2,340	1,979	-15	1,238	500	-59.6
Indonesia	608	1,671	884	-47	567	440	-22.4
Korea South	1,012	1,292	1,610	25	592	515	-13.0
India	34	1,761	1,761	0	771	1,021	32.4
Cambodia	2,123	1,541	1,541	0	563	656	16.5
Netherlands	742	819	773	-6	308	291	-5.5
Sri Lanka	1,183	928	928	0	412	256	-37.9
Vietnam	3,706	1,960	1,130	-42	451	479	6.2
Philippines	813	1,019	1,437	41	782	456	-41.7
Pakistan	642	556	279	-50	157	78	-50.3
Other	6,549	6,128	10,899	78	2,284	2,795	22.4
World	**35,526**	**34,504**	**33,420**	**-3**	**15,468**	**13,980**	**-9.6**

Source: Thai Customs Department

Calendar Year Unit: Metric Tons	2016	2017	2018	2019	2020	% Change
Myanmar	7,918	7,232	7,813	8,418	8,067	-4.17
Bangladesh	4,997	5,615	6,843	4,912	4,197	-14.56
Japan	4,619	2,931	2,041	2,273	1,734	-23.71
China	259	673	1,065	2,965	1,241	-58.15
Indonesia	447	582	959	1,592	757	-52.45
Korea South	858	761	1,166	1,441	1,533	6.38
India	37	60	722	1,832	2,946	60.81
Cambodia	1,957	2,071	2,198	1,304	1,507	15.57
Netherlands	1,020	848	815	763	756	-0.92
Sri Lanka	1,415	1,187	1,065	905	562	-37.90
Vietnam	2,541	3,072	3,134	1,294	1,217	-5.95
Philippines	398	787	810	1,468	1,111	-24.32
Pakistan	660	580	678	453	201	-55.63
Other	7,083	7,670	5,832	6,034	6,103	1.14
World	**34,209**	**34,068**	**35,142**	**35,654**	**31,932**	**-10.44**

Source: Thai Customs Department

Table 7: Employment and Machinery for Thailand's Textile Industry

	Calendar Year						
	2013	2014	2015	2016	2017	2018	2019
Number of Employees							
Synthetic fiber	7,211	7,200	7,193	7,198	7,211	7,215	7,200
Spinning	57,650	56,990	57,150	57,226	56,331	55,366	54,354
Weaving	52,630	52,590	51,070	51,859	51,515	51,544	50,952
Knitting	61,900	61,510	61,650	60,285	59,780	59,613	59,240
Dyeing and Printing	41,330	41,434	41,110	41,117	41,922	41,458	41,489
Clothing	346,250	341,857	332,010	331,380	329,085	332,380	329,472
TOTAL	**566,971**	**561,581**	**550,183**	**549,065**	**551,600**	**547,576**	**542,707**
Number of Textile Machinery							
-Spinning (No. of spindles)	3,750,000	3,930,000	3,921,000	3,940,820	3,992,050	3,989,000	3,894,440
-Weaving (No. of looms)	134,600	135,273	132,600	133,330	133,730	133,690	133,460
-Knitting (No. of machines)	119,160	118,803	113,730	122,200	111,980	112,370	112,210
-Clothing (No. of machines)	623,280	622,033	619,103	610,750	616,250	624,300	621,180

Source: Thailand Textile Institute

Table 8: Yarn Production in Thailand

	Calendar Year							
Unit: Thousand Metric Tons	2012	2013	2014	2015	2016	2017	2018	2019
Production								
Cotton yarn	303.8	293.5	292.6	333.0	321.5	308.8	305.7	301.9
Synthetic yarn	502.3	541.0	582.3	521.6	521.7	547.8	493.0	410.0
Total production	**806.1**	**834.5**	**874.9**	**854.6**	**843.2**	**856.6**	**798.7**	**711.9**

Source: Thailand Textile Institute

Table 9: Woven Fabric Production in Thailand

	Calendar Year							
Unit: Thousand Metric Tons	2012	2013	2014	2015	2016	2017	2018	2019
Production								
Cotton fabric	176.0	148.8	154.8	154.8	199.1	196.6	196.2	192.3
Synthetic fabric	272.7	281.9	317.0	317.0	271.1	290.0	281.3	295.1
Total production	448.7	430.7	471.8	471.8	470.2	486.6	477.5	487.7

Source: Thailand Textile Institute

End of report.

Attachments:

No Attachments