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China, Peoples Republic of

Cotton and Products

Annual

2003

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Report Highlights:

China's demand for cotton is forecast to remain very strong. Imports for MY03 are forecast to increase to 800,000 MT from 570,000 MT in MY02. Stocks are expected to decrease 36 percent in MY02 due to very tight supplies. Planted area is forecast to increase 17.5 percent in MY03. All of these factors are being driven by strong world demand for Chinese textiles.

Includes PSD changes: Yes

Includes Trade Matrix: Yes

Annual Report

Beijing [CH1], CH

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Executive Summary

Demand for cotton is forecast to remain strong in MY03. Consumption is forecast to increase 4.5 percent in MY03 as compared with the 11 percent growth that is expected to occur in MY02. Imports are forecast to increase to 800 TMT from the MY02 revised estimate of 570 TMT. High cotton prices are expected to motivate farmers to plant 17.5 percent more cotton in MY03 than they planted in MY02. The additional planted area is expected to come out of corn and wheat in areas where such planting flexibility exists. Yields in MY03 are forecast to remain consistent with MY02. BT cotton is estimated to be planted on 60 percent of China's planted area. Ending stocks in MY02 are estimated to be down to 1.8 MMT and in MY03, even with substantially increased production and imports, consumption is forecast to outstrip supplies and lead to further reductions in stocks.

This optimistic forecast could be dampened if the SARS situation worsens and/or if the United States decides to exercise its right to impose safeguard duties on Chinese textiles. This analysis assumes that the SARS situation will moderate by mid-summer 2003 and that business will be back to normal throughout MY03.

Statistical Tables

Table 1. Cotton Production, Supply and Distribution (MT)

PSD Table						
Country	China, Peoples Republic of					
Commodity	Cotton				(HECTARES)(MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		08/2001		08/2002		08/2003
Area Planted	0	4810000	0	4180000	0	4911500
Area Harvested	4820000	4810000	4200000	4180000	0	4911500
Beginning Stocks	3124594	3124594	2799528	2804416	2026599	1804416
Production	5312528	5324000	4920620	4920000	0	5781000
Imports	97759	89124	566089	570000	0	800000
TOTAL SUPPLY	8534881	8537718	8286237	8294416	2026599	8385416
Exports	74462	72302	163295	190000	0	200000
USE Dom. Consumption	5660890	5661000	6096344	6300000	0	6600000
Loss Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	5660890	5661000	6096344	6300000	0	6600000
Ending Stocks	2799528	2804416	2026599	1804416	0	1585416
TOTAL DISTRIBUTION	8534880	8537718	8286238	8294416	0	8385416

Table 2. Cotton Production, Supply and Distribution (Bales)

Conversion 4.593 Bales (480 lbs.) = 1 metric ton

PSD Table						
Country:	China, Peoples Republic of					
Commodity:	Cotton					
		2001		2002		2003
	Old	New	Old	New	Old	New
Market Year Begin		08/2001		08/2002		08/2003
Area Planted	0	4810000	0	4180000	0	4911500
Area Harvested	4820000	4810000	4200000	4180000	0	4911500
Beginning Stocks	14351260	14351260	12858232	12880683	9308169	8287683
Production	24400441	24453132	22600408	22597560	0	26552133
Imports	449007	409347	2600047	2618010	0	3674400
TOTAL SUPPLY	39200708	39213739	38058687	38096253	9308169	38514216
Exports	342004	332083	750014	872670	0	918600
USE Dom. Consumption	26000468	26000973	28000508	28935900	0	30313800
Loss Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	26000468	26000973	28000508	28935900	0	30313800
Ending Stocks	12858232	12880683	9308169	8287683	0	7281816
TOTAL DISTRIBUTION	39200704	39213739	38058691	38096253	0	38514216

Note: Total Supply does not equal Total Distribution in the 2001 and 2002 “Old” column because of rounding errors in the prior table which shows the data on a metric ton basis and which serves as the basis for this table. The rounding error of one metric ton in the subject table becomes amplified to 5 bales in the table immediately above.

Table 3. China's Monthly Cotton Imports**Unit: Metric Tons**

Month	2000	2001	2002	2003
January	4,904	2,318	1,265	81,308
February	2,154	2,868	672	35,793
March	3,244	5,911	50	35,323
April	44	354	2,183	101,866
May	206	1,297	9,322	
June	3,296	3,999	17,902	
July	5,600	2,946	30,879	
August	10,610	4,416	18,677	
September	7,454	1,327	14,203	
October	2,835	8,907	24,637	
November	3,924	4,809	18,020	
December	7,884	7,392	38,842	
TOTAL	52,155	46,545	176,651	254,290
Marketing Year	Aug/00 - Jul/01	Aug/01 - Jul/02	Aug/02 - Jul/03	Aug/03 - Jul/04
TOTAL	52,400	89,124		

Unit: 480-lb Bales

Month	2000	2001	2002	2003
January	22,524	10,645	5,808	373,448
February	9,894	13,173	3,085	164,397
March	14,898	27,148	229	162,239
April	201	1,627	10,027	467,871
May	944	5,958	42,816	
June	15,139	18,370	82,224	
July	25,723	13,531	141,827	
August	48,730	20,283	85,783	
September	34,237	6,096	65,234	
October	13,023	40,911	113,158	
November	18,023	22,087	82,766	
December	36,211	33,953	178,401	
TOTAL	239,549	213,782	811,358	1,167,955
Marketing Year	Aug/00 - Jul/01	Aug/01 - Jul/02	Aug/02 - Jul/03	Aug/03 - Jul/04
TOTAL	240,673	409,347		

Source: PRC Customs Statistics

Table 4. China's Quarterly Cotton Imports by Country of Origin (Metric Tons)**Marketing Year: 2000/2001**

Country	Jul-Sep /00	Oct-Dec /00	Jan-Mar /01	Apr-Jun /01	TOTAL
United States	13,205	4,951	7,776	3,496	29,428
Australia	5,538	6,334	1,141	2,125	15,138
Egypt	2,329	322	146	0	2,797
Pakistan	793	832	798	0	2,423
Mali	0	300	698	0	998
Uzbekistan	347	513	0	0	860
Uganda	203	150	466	0	819
Tanzania	0	751	0	0	751
Other	1,249	492	71	29	1,841
TOTAL	23,664	14,644	11,096	5,651	55,055

Marketing Year: 2001/2002

Country	Jul-Sep /01	Oct-Dec /01	Jan-Mar /02	Apr-Jun /02	TOTAL
United States	9,565	13,634	616	18,641	42,456
Australia	11,019	6,023	294	0	17,336
Uzbekistan	0	0	0	6,844	6,844
Egypt	925	993	1,005	869	3,793
Benin	0	0	0	1,997	1,997
Cote D'Ivoire	0	0	0	500	500
Tanzania	0	270	0	0	270
Uganda	224	0	0	0	224
Other	58	188	70	556	872
TOTAL	21,791	21,108	1,986	29,407	74,292

Marketing Year: 2002/2003

Country	Jul-Sep /02	Oct-Dec /02	Jan-Mar /03	Apr-Jun /03	TOTAL
United States	31,138	40,682	109,213		181,033
Benin	12,482	2,597	10,397		25,476
Australia	4,917	14,733	3,589		23,239
Uzbekistan	9,081	6,088	0		15,169
Togo	400	4,400	1,638		6,438
Egypt	1,679	968	3,143		5,790
Cote d'Ivoire	1,902	3,050	402		5,354
Mali	446	999	3,619		5,064
Other	1,714	7,982	8,507		18,203
TOTAL	63,759	81,499	140,508	0	285,766

Source: PRC Customs Statistics

Table 5. China's Monthly Cotton Exports

Unit: Metric Tons				
Month	2000	2001	2002	2003
January	28,427	7,574	1,933	13,901
February	21,552	8,668	2,614	17,995
March	43,517	10,014	3,299	17,786
April	43,767	7,683	7,915	12,091
May	27,233	4,700	15,106	
June	44,568	4,778	20,379	
July	31,296	1,869	15,306	
August	20,017	2,414	17,920	
September	11,859	46	17,409	
October	12,490	1,008	12,150	
November	2,916	835	15,847	
December	4,912	1,447	20,037	
TOTAL	292,554	51,035	149,915	61,773
Marketing Year	Aug/00 - Jul/01	Aug/01 - Jul/02	Aug/02 - Jul/03	Aug/03 - Jul/04
TOTAL	97,480	72,302		

Unit: 480-lb Bales				
Month	2000	2001	2002	2003
January	130,565	34,786	8,878	63,847
February	98,987	39,811	12,006	82,651
March	199,874	45,993	15,152	81,691
April	201,022	35,287	36,354	55,534
May	125,081	21,586	69,382	
June	204,702	21,945	93,601	
July	143,742	8,583	70,300	
August	91,939	11,089	82,307	
September	54,468	212	79,960	
October	57,367	4,629	55,805	
November	13,392	3,835	72,785	
December	22,561	6,647	92,030	
TOTAL	1,343,701	234,403	688,560	283,723
Marketing Year	Aug/00 - Jul/01	Aug/01 - Jul/02	Aug/02 - Jul/03	Aug/03 - Jul/04
TOTAL	447,726	332,083		

Table 6. China's Quarterly Cotton Exports by Destination (Metric Tons)**Marketing Year: 2000/2001**

Country	Jul-Sep /00	Oct-Dec /00	Jan-Mar /01	Apr-Jun /01	TOTAL
South Korea	21,779	12,417	11,001	8,504	53,702
Indonesia	14,880	4,655	3,780	1,529	24,845
Taiwan	1,302	195	4,283	3,971	9,751
Malaysia	7,877	194	571	0	8,642
Thailand	5,153	1,426	1,141	176	7,895
India	5,516	405	457	200	6,578
Italy	0	0	2,829	1,588	4,417
Japan	1,450	143	599	911	3,103
Other	5,216	883	1,593	281	7,973
TOTAL	63,173	20,318	26,255	17,161	126,907

Marketing Year: 2001/2002

Country	Jul-Sep /01	Oct-Dec /01	Jan-Mar /02	Apr-Jun /02	TOTAL
Taiwan	28	31	2,378	21,813	24,250
South Korea	4,411	705	2,038	9,209	16,363
Indonesia	382	903	692	4,634	6,611
Italy	616	644	929	1,286	3,474
Japan	1,148	109	252	576	2,084
Pakistan	0	44	375	1,467	1,887
Thailand	0	0	415	1,194	1,609
Hong Kong	0	3	204	1,190	1,397
Other	226	850	562	2,032	3,670
TOTAL	6,811	3,289	7,845	43,401	61,346

Marketing Year: 2002/2003

Country	Jul-Sep /02	Oct-Dec /02	Jan-Mar /03	Apr-Jun /03	TOTAL
Indonesia	8,188	10,255	12,782		31,225
South Korea	10,078	10,164	9,683		29,925
Taiwan	15,974	9,279	2,861		28,114
Thailand	5,844	8,451	11,722		26,017
Singapore	0	0	8,585		8,585
Pakistan	2,790	2,778	310		5,878
Italy	1,682	2,604	721		5,007
India	1,354	1,631	868		3,853
Other	4,725	2,853	2,150		9,728
TOTAL	50,635	48,015	49,682	0	148,332

Source: PRC Customs Statistics

Table 7. China's Monthly Cotton Yarn and Thread Imports (Metric Tons)

Month	1999	2000	2001	2002	2003
January	24,346	29,935	29,752	39,953	49,959
February	14,098	22,809	45,629	27,254	37,295
March	36,810	36,184	48,499	54,675	60,874
April	34,232	38,104	49,999	58,569	64,662
May	28,843	39,891	46,408	60,154	
June	31,415	40,252	46,211	56,615	
July	35,920	39,682	44,618	51,374	
August	32,190	41,875	43,527	46,028	
September	30,881	38,564	44,168	50,846	
October	26,787	36,766	38,415	53,324	
November	31,946	41,355	41,762	48,734	
December	30,453	40,125	40,268	49,710	
TOTAL	357,921	445,542	519,257	597,236	212,790
Marketing Year	Aug/99-Jul/00	Aug/00-Jul/01	Aug/01-Jul/02	Aug/02-Jul/03	Aug/03-Jul/04
TOTAL	399,114	509,801	556,734		

Source: PRC Customs Statistics

Table 8. China's Quarterly Cotton Yarn and Thread Imports by Country of Origin (Metric Tons)**Calendar Year: 2001**

Country	Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec	TOTAL
Pakistan	43,979	54,089	49,700	42,057	189,825
China	26,064	33,402	31,381	32,911	123,759
India	22,022	22,600	17,725	14,648	76,995
Hong Kong	9,473	12,978	12,864	11,331	46,646
Indonesia	7,996	7,059	6,894	6,936	28,885
Taiwan	5,196	4,414	5,363	3,798	18,771
South Korea	2,886	3,784	3,310	3,176	13,156
Thailand	1,873	1,443	2,138	1,964	7,418
Other	4,391	2,847	2,938	3,625	13,801
TOTAL	123,881	142,616	132,313	120,445	519,255

Calendar Year: 2002

Country	Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec	TOTAL
China	35,583	65,585	53,051	53,652	207,871
Pakistan	37,531	49,633	45,215	48,378	180,757
India	17,216	19,580	13,721	15,051	65,568
Hong Kong	12,411	17,017	14,402	10,878	54,708
Indonesia	6,878	9,027	7,418	8,591	31,914
Taiwan	3,778	4,384	4,209	4,347	16,718
South Korea	3,493	3,951	3,505	3,605	14,554
Thailand	1,579	2,235	2,669	2,706	9,189
Other	3,411	3,927	4,054	4,525	15,917
TOTAL	121,881	175,339	148,244	151,733	597,197

Calendar Year: 2003

Country	Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec	TOTAL
Pakistan	50,719				50,719
China	50,128				50,128
India	13,581				13,581
Hong Kong	11,462				11,462
Indonesia	8,379				8,379
Taiwan	4,231				4,231
South Korea	4,080				4,080
Thailand	2,343				2,343
Other	3,117				3,117
TOTAL	148,040	0	0	0	148,040

Source: PRC Customs Statistics

Table 9. China's Monthly Cotton Yarn & Thread Exports (Metric Tons)

Month	1999	2000	2001	2002	2003
January	8,195	12,171	8,898	17,864	22,686
February	6,643	10,256	17,364	15,882	22,271
March	13,672	19,657	22,124	34,106	38,952
April	13,208	20,496	20,526	36,191	43,236
May	12,799	17,475	20,291	36,431	
June	12,954	18,830	20,617	32,693	
July	14,484	16,155	18,468	32,486	
August	15,408	16,916	19,016	29,240	
September	15,368	15,765	21,216	29,765	
October	13,911	16,198	18,345	29,228	
November	15,314	15,258	20,377	27,329	
December	15,971	13,563	18,866	26,682	
TOTAL	157,927	192,741	226,107	347,898	127,145
Marketing Year	Aug/99-Jul/00	Aug/00-Jul/01	Aug/01-Jul/02	Aug/02-Jul/03	Aug/03-Jul/04
TOTAL	191,012	205,988	303,473		

Source: PRC Customs Statistics

Table 10. China's Quarterly Cotton Yarn and Threads Exports by Destination (Metric Tons)**Calendar Year: 2001**

Country	Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec	TOTAL
Hong Kong	41,190	52,050	49,592	50,021	192,853
South Korea	1,758	2,908	2,815	1,955	9,436
Japan	2,049	1,813	1,876	1,947	7,684
Myanmar(Burma)	1,200	1,429	1,980	1,838	6,447
United States	465	544	131	355	1,495
Macau	419	418	396	197	1,430
Bangladesh	362	479	414	111	1,365
Malaysia	232	689	161	87	1,169
Other	712	1,104	1,334	1,078	4,228
TOTAL	48,386	61,434	58,699	57,588	226,107

Calendar Year: 2002

Country	Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec	TOTAL
Hong Kong	57,383	91,620	75,111	69,000	293,114
South Korea	2,415	4,206	4,785	3,777	15,183
Myanmar(Burma)	2,225	1,963	2,381	2,191	8,760
Japan	1,735	1,666	1,935	2,259	7,595
Indonesia	650	1,264	1,417	1,572	4,903
Bangladesh	587	693	897	429	2,606
Macau	480	608	820	582	2,490
Malaysia	471	491	201	278	1,441
Other	1,907	2,804	3,944	3,151	11,806
TOTAL	67,853	105,315	91,491	83,239	347,898

Calendar Year: 2003

Country	Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec	TOTAL
Hong Kong	68,968				68,968
South Korea	3,397				3,397
Japan	2,903				2,903
Indonesia	1,873				1,873
Myanmar(Burma)	1,857				1,857
Singapore	675				675
Vietnam	572				572
Macau	492				492
Other	3,171				3,171
TOTAL	83,908	0	0	0	83,908

Source: PRC Customs Statistics

Table 11. China's Monthly Cotton Fabric Imports**Unit: 1,000 Square Meters**

Month	1999	2000	2001	2002	2003
January	99,539	114,646	74,907	104,339	112,343
February	66,854	72,997	90,716	73,270	79,579
March	121,710	109,370	115,486	99,602	112,626
April	130,503	119,389	116,217	121,099	116,254
May	121,047	107,306	112,073	111,637	
June	115,991	114,690	107,677	113,295	
July	123,036	111,103	102,452	117,215	
August	109,694	106,684	92,601	107,758	
September	113,080	107,174	107,261	109,480	
October	113,449	116,748	100,888	110,241	
November	140,463	115,679	113,889	124,746	
December	133,784	124,728	117,793	125,801	
TOTAL	1,389,149	1,320,514	1,251,959	1,318,484	420,802
Marketing Year	Aug/99-Jul/00	Aug/00-Jul/01	Aug/01-Jul/02	Aug/02-Jul/03	Aug/03-Jul/04
TOTAL	1,359,971	1,290,540	1,272,889		

Source: PRC Customs Statistics

Table 12. China's Quarterly Cotton Fabric Imports by Country of Origin (1,000 Square Meters)**Calendar Year: 2001**

Country	Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec	TOTAL
Hong Kong	77,277	102,276	89,451	99,297	368,302
China	65,836	82,269	76,643	84,648	309,396
Pakistan	36,388	33,243	40,774	47,726	158,132
Japan	42,039	39,794	27,731	30,867	140,431
Taiwan	27,330	34,648	33,349	34,403	129,730
India	12,644	17,617	13,042	14,930	58,234
South Korea	9,323	11,234	8,271	7,447	36,274
Macau	3,414	4,603	4,092	4,104	16,213
Other	6,857	10,280	8,951	9,147	35,235
TOTAL	281,108	335,965	302,303	332,569	1,251,946

Calendar Year: 2002

Country	Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec	TOTAL
Hong Kong	78,880	111,497	101,317	111,937	403,631
China	66,882	96,096	97,293	107,917	368,188
Pakistan	40,766	46,314	43,019	45,433	175,532
Japan	35,628	34,901	31,685	35,621	137,835
Taiwan	29,661	33,755	36,307	33,753	133,476
South Korea	6,443	7,453	8,571	8,143	30,610
Indonesia	2,768	2,859	4,678	6,123	16,428
India	8,733	2,547	2,323	2,223	15,826
Other	7,433	10,596	9,253	9,640	36,922
TOTAL	277,194	346,018	334,446	360,790	1,318,448

Calendar Year: 2003

Country	Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec	TOTAL
China	95,590				95,590
Hong Kong	79,943				79,943
Japan	39,890				39,890
Pakistan	36,884				36,884
Taiwan	25,915				25,915
South Korea	8,666				8,666
Indonesia	4,897				4,897
Macau	3,212				3,212
Other	9,543				9,543
TOTAL	304,540				304,540

Source: PRC Customs Statistics

Table 13. China's Monthly Cotton Fabric Exports**Unit: 1,000 Square Meters**

Month	1999	2000	2001	2002	2003
January	144,694	213,149	162,477	243,238	340,945
February	139,056	175,305	203,764	205,387	255,225
March	228,142	266,985	256,991	276,775	361,889
April	223,701	264,981	244,005	324,130	405,110
May	223,722	239,557	240,884	292,785	
June	191,430	249,551	219,241	287,557	
July	215,742	201,353	211,146	309,311	
August	231,370	226,711	224,327	319,404	
September	224,561	225,154	259,024	339,919	
October	225,626	231,727	236,242	345,531	
November	258,638	227,746	273,061	367,091	
December	239,039	209,362	269,613	369,102	
TOTAL	2,545,720	2,731,581	2,800,775	3,680,230	1,363,169
Marketing Year	Aug/99-Jul/00	Aug/00-Jul/01	Aug/01-Jul/02	Aug/02-Jul/03	Aug/03-Jul/04
TOTAL	2,790,115	2,659,207	3,201,450		

Source: PRC Customs Statistics

Table 14. China's Quarterly Cotton Fabric Exports by Destination (Unit: 1,000 Square Meters)**Calendar Year: 2001**

Country	Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec	TOTAL
Hong Kong	220,308	235,980	227,818	251,681	935,786
South Korea	50,013	60,531	75,803	73,883	260,230
Japan	52,835	32,846	32,439	40,991	159,111
Bangladesh	35,870	48,209	35,316	39,364	158,759
United States	40,145	43,208	28,542	42,184	154,080
Benin	12,960	19,089	33,281	36,299	101,628
Thailand	14,810	11,533	21,293	14,442	62,077
Indonesia	7,437	11,858	14,452	12,915	46,661
Other	188,855	240,877	225,225	267,157	922,114
TOTAL	623,233	704,131	694,169	778,917	2,800,446

Calendar Year: 2002

Country	Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec	TOTAL
Hong Kong	208,071	268,254	271,443	317,268	1,065,036
South Korea	93,604	84,771	73,488	64,237	316,100
Japan	38,956	51,631	84,362	89,159	264,108
Benin	28,490	45,282	49,083	67,727	190,582
Bangladesh	31,358	52,277	42,831	59,104	185,570
United States	33,957	48,801	44,603	33,416	160,777
Mexico	11,483	13,861	20,532	19,566	65,442
Sri Lanka	15,209	10,187	17,291	20,215	62,902
Other	264,236	329,406	364,935	411,032	1,369,609
TOTAL	725,365	904,470	968,568	1,081,724	3,680,127

Calendar Year: 2003

Country	Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec	TOTAL
Hong Kong	249,300				249,300
Japan	76,262				76,262
South Korea	70,840				70,840
Benin	55,778				55,778
Bangladesh	46,661				46,661
United States	34,389				34,389
Mexico	24,211				24,211
Nigeria	24,166				24,166
Other	376,365				376,365
TOTAL	957,972	0	0	0	957,972

Source: PRC Customs Statistics

Table 15. Cotton Planted Area and Production by Province

Planted Area (1,000 hectares)					
	1999	2000	2001	2002	2003*
State	3,726	4,041	4,810	4,184	5,130
Xinjiang	996	1,012	1,130	944	991
Henan	733	779	858	773	867
Shandong	358	569	720	580	800
Hubei	311	318	347	300	300
Anhui	303	308	310	244	
Hebei	267	307	419	407	615
Jiangsu	262	295	384	311	365
Hunan	158	146	149	119	
Sichuan	94	70	66	74	
Jiangxi	69	69			
* Unofficial government estimates published in newsletters and newspapers. This total planted area is more than FAS/Beijing's MY03 forecast (4,911,500 Ha) in this report.					
Production (1,000 MT)					
	1999	2000	2001	2002	2003
State	3,829	4,417	5,324	4,916	
Xinjiang	1,354	1,456	1,458	1,477	
Henan	707	704	828	765	
Shandong	339	590	781	722	
Hubei	282	304	374	323	
Anhui	195	274	357	337	
Hebei	223	300	419	402	
Jiangsu	246	314	461	363	
Hunan	177	158	190	153	
Sichuan	76	59	30	24	
Jiangxi	63	68	81	67	

Source: PRC State Statistical Bureau

Table 16. Cotton Tariffs as of January 1, 2003

Description	HS Code	In Quota Duty	Out-of-Quota M.F.N.	V. A. T.
Cotton, not carded or combed	5201-0000	1	47.2	13
Cotton, carded or combed	5203-0000	1	47.2	17
Cotton sewing thread, containing 85% or more by weight of cotton	5204-1100		5	17
Cotton yarn (other than sewing thread), containing 85% or more by weight of cotton, not for retail sale	5205-1100 to 5205-4800		5	17
Cotton yarn (other than sewing thread), containing 85% or more by weight of cotton, for retail sale	5207-1000 5207-9000		6	17
Woven fabrics of cotton, containing 85% or more by weight of cotton, weighing not more than 200 g/square meter	5208-1100 to 5208-5900*		10	17
"	*Except: 5208-2300 5208-4900 90		12 1	17 17
Woven fabrics of cotton, containing 85% or more by weight of cotton, weighing more than 200 g/square meter	5209-1100 5209-1200 5209-1900 5209-3100 5209-3200 5209-3900 5209-4100 5209-4300 5209-4900 5209-5100 5209-5200 5209-5900		11.8	17
"	5209-2100 5209-2200 5209-2900		12	17
"	5209-4200		10	17

Source: PRC Customs Import & Export Tariff, 2003

Table 17. Cotton Tariff Rate Quotas

China's Cotton TRQ:				
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%	2004
	5203 - 0000	1%	1%	2004
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			
Note:				
Tariff quotas indicated in the third column are volumes for calendar year 2001. Tariff quota concessions will be implemented according to the date specified in the "Implementation" column. The implementation column indicates the date (referring to 1 January of the year indicated) when the final quota quantity will be achieved. The tariff quota concessions are subject to equal annual adjustments (occurring on 1 January of each year), unless otherwise specified in the "Other terms and conditions".				

Production

Planted area is forecast to increase to 4.91 million ha. in MY03. This represents an increase of 17.5 percent as compared with the revised preliminary estimate for MY02 (4.18 million ha). This forecast is based on government and industry sources, whose forecast increases range from 15 to 20 percent. High cotton prices are motivating farmers to switch to cotton from grains in areas where such flexibility is possible. While this increase in planted area is significant and may be difficult to achieve, it is not without precedence. In 1991 the planted area increased 17 percent as compared with 1990. Moreover, this forecast increase represents a reversal of decreases in planted area that began after 1993 when planted area peaked at 6.86 million ha and reached a low of 3.73 million ha in 1999. Planted area between 1990 and 2002 averaged 5.03 million ha., so 4.91 million ha. still is below the recent historic average and only two percent more than the 2001 planted area (4.81 million ha.).

In MY03, Xinjiang is forecast to remain the most important province in terms of planted area, accounting for 19.3 percent of the total planted area, followed by Henan (16.9 percent) and Shandong (15.6 percent). Using MY02 production data, Xinjiang also is the most important province in terms of production, accounting for 30.0 percent of total production, followed by Henan (15.5 percent) and Shandong (14.7 percent). As these data indicate, Xinjiang's yields are higher than the other major cotton producing provinces. See Table 15 for more details.

According to industry sources, 60 percent of all planted area is planted to BT cotton. The greatest concentration is believed to be in the Yellow River region, where it is estimated to account for 79 percent of planted area. Only about 5 percent of Xinjiang's planted area is believed to be planted to BT cotton.

Consumption

Consumption for MY03 is forecast at 6.6 MMT which is approximately 4.5 percent more as compared with the revised MY02 preliminary estimate. Strong demand from the textile industry is driving these consumption increases. Given that the general economy growing approximately 8 percent per annum and that China's textile industry is booming, 4.5 percent growth is deemed quite conservative. This forecast assumes the current SARS-related problems will subside and trade will return to normal by mid-summer 2003 (See SARS discussion in Marketing section).

Another factor which could decrease consumption is the pending decision by the United States whether to impose safeguard duties on Chinese textiles. These duties are allowed under China's WTO accession agreement and can be imposed when imports of Chinese textiles exceed the limits specified in the Agreement or mutually agreed upon by China and the United States through consultations. (For background and details, see the announcement published in the Federal Register, Vol. 68, No. 98, pp 27787 - 27788, dated May 21, 2003.)

Trade

Imports are forecast to be 800 TMT in MY03, which is 40 percent more than the revised preliminary estimate for MY02 (570 TMT). The latter increased 540 percent as compared with MY01. These sharp increases in imports reflect the growing demand from the Chinese textile industry, combined with decreasing domestic production, decreasing stocks, plus the opening of the Chinese market as a result of China's accession to the WTO.

Exports are forecast to be 200 TMT in MY03. With the strong demand from the textile industry, little growth in cotton exports is expected. The revised preliminary estimate of MY02 exports is 190 TMT. This estimate considers that exports for the period August 2002 through April 2003 totaled 145 TMT and projects similar exports for the remaining months in the current marketing year.

Stocks

Stocks remain a state secret. That obstacle notwithstanding, FAS/Beijing's reliable sources have indicated that state-held strategic reserve stocks may be much less than in the past and less than previously thought and will continue to decrease in MY02 and MY03. Several sources went so far as to speculate that government reserve stocks will be drawn down to historic lows by the end of the current marketing year. In early 2002, stories in the Chinese media indicated that the government was taking advantage of the high cotton prices by selling significant quantities of stocks, some of which had been in storage since the mid-1990's. There also were stories of farmers hoarding cotton in hopes of future price increases. While these stories and recent market behavior are indicators of a significant reduction in stocks, FAS/Beijing's analysis supports a sharp, but not radical, disappearance of reserve stocks.

The preliminary estimate of ending stocks for MY02 is 1.80 MMT, which is 36 percent less than the beginning stocks. Ending stocks for MY03 are forecast to be 1.59 MMT, which is 12 percent less than the beginning stocks. The stocks-to-use ratio for MY02 is 28 percent (102 days) and the ending stocks-to-use ratio in MY03 is forecast to be 23 percent (84 days). The latter figure reflects a slowing of the draw-down of state-held strategic stocks. Industry sources stated that most textile manufacturers in China maintain about 6 weeks (42 days) of cotton in inventory. The remaining stocks would be held by local Cotton and Jute companies (or the Xinjiang Production and Construction Corps), farmers, and cotton in transit or at ports. If the stocks held by textile manufacturers are subtracted from the total stocks, these remaining stocks would amount to 60 days for MY02 and 42 days for MY03.

Policy

TRQ's: On joining the WTO, China was required to establish Tariff Rate Quotas (TRQ's) on a number of commodities including cotton, permitting imports of a stipulated amount at a nominal tariff (1% for in-quota cotton). The 2002 TRQ amount was 818,500 tons, scheduled to increase to 856,250 in 2003 and to be capped at 894,000 tons in 2004. One third of the quota is reserved for non-State Trading Enterprises (SOE's). Implementation of TRQ's has become a trade issue for several reasons. Allocations, due on January 1st, were delayed until late March in 2002 and late February in 2003. Of greater concern to exporters was that China created separate sub-quotas for domestic consumption and processing for re-export, in violation of the WTO accession document that stipulated no additional requirements on

TRQ imports. Furthermore, industry sources said that many allocations were in quantities too small to be commercially viable, also contrary to the accession agreement. In response to an industry letter, the State Development and Planning Commission (recently reorganized as the National Development and Reform Commission) said that the non-SOE quota had been issued to 231 different entities, which calculates to about 1200 tons per allocation. USDA and USTR have expressed concerns to Chinese officials both bilaterally and at the WTO in Geneva; discussions continue.

Regulation on Cotton Neps & Short Fibers: In July 2002, China published a proposed change to its quality standard for upland cotton, GB 1103-1999. It establishes standards for neps and short fiber content (SFC). If it is enforced as written, it could present problems, especially for U.S. cotton, because it is machine picked and fast ginned which tend to result in more neps and SFC. Most Chinese cotton is hand-picked and ginned slower than in the United States, therefore neps and short fibers are much less prevalent. Moreover, this amendment to the regulation is of concern because, according to U.S. cotton technical experts, there are no reliable testing methods for determining neps and SFC. This amendment is scheduled to enter into force January 1, 2004.

Five-Year Plan: On February 12, 2003, the Ministry of Agriculture (MOA) announced its Regional Planning for Farm Products, i.e., The Five-Year Plan identifies 11 farm products, including cotton, for which China believes it has competitive advantages. The Plan identifies three major cotton regions with growth potential:

1) the Yellow River basin, consisting of 151 counties; 2) the Yangtze River Valley, consisting of 73 counties; and, 3) the Northwestern area, consisting of 55 counties.

The development targets China hopes to achieve by 2007 for each region are as follows:

- 1) Yellow River Basin: Planting area to reach 30 million mu (2 million hectares), production to reach 2.1 MMT and per unit yield to reach 70 kg/mu. This area is targeted to be the main production base for cotton which produces yarns of 40 counts.
- 2) Yangtze River Valley: Planting area to reach 15 million mu (1 million hectares), production will reach 1.2 MMT and per unit yield will reach 80 kg/mu. This area is targeted to be the main production base for cotton which produces yarns of 50 counts and over and yarns of 20 counts and under.
- 3) Northwestern Area: Planting area to reach 12 million mu (0.8 million hectares), production to reach 1.2 MMT and per unit yield to reach 100 kg/mu. The area is targeted to be the main production base for cotton which produces yarns of 32 counts.

The plan also mentioned that cotton seed subsidies of approximately 10 RMB per mu will be provided starting 2003. Based on the acreage of 70 to 75 million mu per year, the subsidies will cost 700 to 750 hundred million RMB per year (US\$1 = 8.26 RMB).

Marketing

As of this writing, the SARS situation is a considerable impediment to marketing cotton in China. Face-to-face meetings are an important part of the textile business, but few people are willing to risk contracting SARS to engage in such commercial transactions. Moreover, several industry sources said that Chinese textile merchants had been told by their foreign buyers that they did not want to buy Chinese textiles because they feared that the textiles themselves could

transmit SARS. (Note: Based on what is known about SARS as of this writing, there is no known scientific basis for such a concern.) Recently, however, the level of concern among the Chinese population seems to be subsiding from the high level that was evident at the beginning of May 2003, but a resurgence in SARS cases could quickly change that view. That possibility notwithstanding, this analysis assumes that by mid-summer 2003 the SARS situation will become and remain manageable and that business will return to near normal. It also assumes that the situation will be normal throughout MY03. If those assumptions prove to be incorrect, FAS/Beijing will have to revise its analysis.

On April 15, 2003, the Chinese press announced that a futures market for cotton was being implemented on the Zhengzhou Commodity Exchange. It is in the experimental stages as of this writing, but is scheduled to be operational as of July 2003.