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Japan

Cotton and Products

Annual

2000

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Report Highlights:
Stable quality and reliable delivery of raw cotton are considered the highest priorities for the Japanese Spinning Industry and consequently Japanese raw cotton imports continue to rely on Australia and the U.S. which account for about 85 percent of total imports. Australia is expected to remain the largest supplier of raw cotton imports in MY 99/00 with 50 percent of the market share. Total imports of raw cotton in MY 99/00 are expected to be slightly lower than the previous year, but predicted to decrease by 7 percent in MY 00/01. Imports of cotton goods continue to flow into the Japanese market comprising 90 percent of total cotton goods supply. Consequently, domestic manufacturing will comprise just 10 percent of the total resulting in further reduction of raw cotton consumption in MY 00/01.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Osaka ATO [JA3], JA

Section I. Situation and Outlook

Stable quality and reliable delivery are the highest priorities for the Japanese spinning industry in their importation of raw cotton and consequently Japanese raw cotton imports continue to rely on two countries; the United States and Australia. Total imports of raw cotton into Japan in MY 1999/00 are estimated to be 270,000 metric tons, slightly lower than the previous year. The combined imports from U.S. and Australia in MY 1999/00 are estimated to occupy 85 percent of total imports with 35 percent from the U.S. and 50 percent from Australia. Australia is expected to remain the largest supplier of raw cotton for Japan in MY 00/01 as the improved quality of its cotton is competitive with SJV cotton, but at much lower prices favoring the exchange rate. Total imports of Japanese raw cotton in MY 00/01 are forecasted to decrease by about 7 percent due to further reduction in domestic manufacturing caused by increased imports of finished products. The Japanese spinning industry has been trying minimize stocks of raw cotton to keep warehouse costs low and make orders for shorter terms. Thus, a stable and reliable supply is very important for the industry to respond to the market needs quickly. The U.S. Pima cotton continues to be the preferred type for Extra- Long-Staple (ELS) Cotton and is expected to account for 20,000 metric tons,or nearly 80 percent of total ELS cotton imports. The ELS cotton imports have accounted for about 10 percent of the total raw cotton imports in the past several years and is predicted to maintain the same ratio in MY00/01.

With the Japanese economy still sluggish, sales by Japan's top 500 retailers in CY 1999 accounted for only a 1.1 percent increase from the 1998 level, which was lower than the expected increase of 3.5 percent.

Clothing sales in various retail store formats have suffered in this environment as consumers have not had the confidence to spend money, particularly on high price domestic brands. As a result, inexpensive imported products from other Asian countries, especially from China, continue to increase in market share. Imports of finished cotton products in CY 1999 grew by 15 percent from the previous year and now occupy nearly 90 percent of total cotton goods supply and are expected to penetrate further into the market in CY 2000.
Consequently, domestic manufacturing comprises just 10 percent of the total goods supply putting pressure on the Japanese spinning industry to further downsize their domestic manufacturing capacity . Japanese spinning capacity continues to decline and now consists of just 57 mills and 2,333 spindles operating at 83.6 percent capacity. This is less than 45 percent of the capacity of what it was in 1990. There is a possibility that more mills will be closed in MY00/01, according to the industry.

Major Japanese spinners which have survived up until now, manufacture not only yarns but also fabrics and finished goods (in some cases) and have been working closely with apparel manufacturers and/or large retailers to develop products for them without other intermediate layers in order to reduce the costs as well as to respond to the market needs quickly. Quick Response (QR) has been one of the highest priority in the Japanese apparel industry.

The quality of finished products made in China has been improving, which makes the products more and more acceptable to the Japanese market at low prices. The First Retailing Co., Ltd. has been expanding their chain outlets specializing in casual clothing "Uni-Qlo" nation wide. Their products are designed domestically but pmanufactured in China, partnered with major trade houses and attracting Japanese consumers with reasonable prices and good quality products. In 1999, there were 368 outlets with annual sales of over 111 billion yen (about $1.1 billion).

Although domestic consumption of cotton goods in Japan increased by 11 percent in CY 1999, domestic manufacturing decreased slightly due primarily to a 15 percent increase in imports of 15 percent. The same result is observed in the synthetic fiber goods supply and demand situation. Imports of synthetic fiber goods in CY1999 grew by nearly 20 percent from the previous year while domestic manufacturing decreased by 10 percent. Imports of Synthetic fiber goods in CY 1999 occupied 67 percent of the total synthetic fiber goods supply and is expected to increase further in CY 2000.

The Osaka Price Quotation for 40-count pure cotton yarn is now at the lowest level of the past 10 years at 157.5 yen per pound as of April 2000. The price for synthetic fiber was 93 yen per pound as of May 2000. According to the Japanese spinning industry, producing cotton yarn and selling at this price would not bring them any profit.

There is no major change to report in the status of trade barriers. Raw cotton has a zero import duty in Japan. The tariff for cotton yarn (tariff code 52.05) from developing countries is free and 6.7 percent from others. The tariff for cotton fabric (tariff code 52.08) is 5.6 percent. Tariffs for finished cotton products vary depending upon the product and the countries that the products are imported from. However, the tariff is not significant enough to discourage imports. For example, the tariff for T-shirts from China is 12.1 percent in general but 6.05% for the companies applicable to the Preferential duty.

No major GMO concerns for raw cotton have been observed among the Japanese consumers. However, there are some inquiries regarding the issue, according to the industry.

Section II. Statistical Tables

PS & D Table

PSD Table						
Country	Japan					
Commodity	Cotton				(HECTARES)(MT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		08/1998		08/1999		08/2000
Area Planted	0	0	0	0	0	0
Area Harvested	0	0	0	0	0	0
Beginning Stocks	62705	62000	70979	63000	70979	63000
Production	0	0	0	0	0	0
Imports	274989	275000	261272	270000	0	250000
TOTAL SUPPLY	337694	337000	332251	333000	70979	313000
Exports	0	0	0	0	0	0
USE Dom. Consumption	266715	274000	261272	270000	0	250000
Loss Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	266715	274000	261272	270000	0	250000
Ending Stocks	70979	63000	70979	63000	0	63000
TOTAL DISTRIBUTION	337694	337000	332251	333000	0	313000

Japanese Cotton Goods Supply and Demand
(1,000 Metric Tons Yarn Equivalent)
Calendar Year

	1997	1998	1999	2000 (as of March)
Beginning Stocks	140	134	127	118
Production	184	174	171	41
Imports	696	619	711	203
Total Supply	1,020	927	1,009	362
Exports	67	63	69	17
Domestic Consumption	819	737	821	225
Ending Stocks	134	127	118	120
Total Disappearance	1,020	927	1,009	362

Source: Japan Spinners' Association

Japanese Synthetic Fiber Goods Supply and Demand
(1000 Metric Tons Yarn Equivalent)
Calendar Year

	1997	1998	1999
Beginning Stocks	83	87	83
Production	214	177	159
Imports	286	273	327
Total Supply	583	537	569
Export	41	36	36
Domestic Consumption	455	418	462
Ending Stock	87	83	71
Total Disappearance	583	537	569

Source: Japan Spinners' Association

Price

	Osaka Price Quotations for 40-count pure cotton yarn Average of month, yen per pound	Synthetic Fiber Average of month, yen per pound
1997	219.5	95.3
1998	198.9	94.4
1999	173.5	90.8
2000 As of Apr.	157.5	93.05

Trade Data for Japanese Imports of Raw Cotton by Country

Import Trade Matrix			
Country	Japan		
Commodity	Cotton		
Time period	August-July	Units:	Metric Tons
Imports for:	1998		1999
U.S.	92909	U.S.	95000
Others		Others	
Australia	129012		135000
Syria	10712		
Mexico	9046		
India	7653		
Uzbekistan	6195		
Zimbabwe	3499		
Argentina	3430		
Egypt	3358		
Total for Others	172905		
Others not Listed	9183		40000
Grand Total	274997		270000

Data for 1999/00 is Agricultural Trade Office's Estimate

Extra-Long Staple (ELS) Cotton Imports Into Japan 1/
(Metric Tons)
August-July Marketing Year

	1997/98	1998/99	1999/00
U.S.A.	25,000	20,000	20,000
Egypt	5,000	3,000	4,000
Sudan	1,000	1,000	1,000
Other	1,000	1,000	1,000
Total	33,000	25,000	26,000

1/Agricultural Trade Office Estimate.
Source: Japan Cotton Trade Association.

Japanese Imports of Cotton Finished Goods containing more than 50 percent of cotton
Calendar Year
Metric Tons

Country of Origin	1998	1999
China	280,223	348,332
Korea	17,763	20,452
Vietnam	13,372	14,701
India	12,464	12,570
U.S.	9,298	8,983
Other	35,072	34,128
Grand Total	368,192	439,166