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Cotton and Products

Annual

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Report Highlights:

A recent downturn in the local spinning and textile industry and a buildup of MY99/00 stocks due to low cotton prices are forecast to result in a sharp decline in cotton imports from a record 1.44 million bales (313 tmt) in MY99/00 to 1.08 million bales (235 tmt) in MY00/01. The US market share, 35 percent for MY99/00, is forecast to remain relatively high at an estimated 30 percent for MY00/01 due to the price competitiveness of US cotton. MY01/02 imports are forecast to drop to 1.01 million bales (220 tmt) due to the uncertain textile market. Taiwan textile exports totaled over \$15 billion in 2000, up 7 percent from 1999.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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**Cotton Annual Report
Taiwan 2001
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I. SITUATION AND OUTLOOK

Cotton imports will decline sharply in MY00/01 as the local spinning industry suffers a downturn while also working off very high cotton stocks built up due to favorable prices during MY99/00. MY01/02 cotton imports are forecast to remain at low level due to uncertain textile markets.

Taiwan's demand for cotton is supplied entirely by imports. Taiwan cotton imports in MY99/00 reached 1.44 million bales. This is a 5 percent increase from a year earlier and a 19 percent rise over two years ago. The increase in imports was due primarily to low world cotton prices, which averaged CIF \$0.54 per lb in MY99/00. World cotton prices have remained rather low during MY00/01, but Taiwan cotton imports have slowed down. Based on the first 8 months of MY00/01 arrival statistics of Taiwan Customs (totaling 128 tmt), the current projection for MY00/01 imports is 1.08 million bales (235 tmt). There are two reasons for low cotton import forecasts. One, high cotton stocks built up due to favorable prices during MY99/00. Two, the local spinning and textile industry suffered a downturn resulting in a decrease in cotton demand. Industry sources indicate, the total number of spindles in use are forecast to decline to 2.4 million in 2001, compared to 2.6 million in mid 2000 and 2.8 million in mid 1999 (see *Table 4*). The declining trend of cotton spinning is due to a stagnating textile industry, and because some millers have shifted their operations abroad (see *TW0041*). Taiwan's textile industry is export oriented and the global economy always affects Taiwan's textile performance. As seen in *Table 6 & 7*, in 2000, Taiwan's two-way textile trade has increased, reflecting a recovery from the Asian economic crisis. However, due to a slowdown in current global economy, textile exports are forecast to decrease 15 percent based on the first five months of 2001 textile export statistics. Industry sources predict a continued downturn in the Taiwan cotton spinning industry in 2002 due to uncertain global economic climate. The import forecast for MY01/02 is 1.01 million bales (220 tmt).

Taiwan imports cotton from a long list of countries. However, in MY99/00, 88 percent of its cotton imports were concentrated among the top ten suppliers. The US had a 35 percent share of the Taiwan cotton import market, a 50 percent increase from a year earlier. The US has remained Taiwan's single largest cotton supplier. The US share of the Taiwan cotton import market is expected to remain strong in MY00/01 and MY01/02 due to its price competitiveness plus consistent quality and a reliable delivery system. The second largest supplier to Taiwan's cotton imports has been the Ivory Coast, which had a 14 percent of share, and Australia, the third largest supplier, had a 10 percent market share, the same as a year earlier. China stays on the list of Taiwan's top 10 suppliers with 6.6 percent share, a 2.1 percent increase from the previous year. The importation of most PRC agricultural products is prohibited. However, this prohibition does not extend to cotton. Therefore, Taiwan and the PRC's entry into the WTO, which will likely take place within a year, will have no major foreseeable impact on the composition of Taiwan's cotton imports. According to local spinners, Xinjiang (PRC) and Australian cotton are quite competitive with US California SJV cotton which is suitable for spinning 40-count cotton yarn, the most important cotton yarn item manufactured on Taiwan.

In 2000, 88 percent of all locally manufactured cotton and cotton blended yarns were used to manufacture fabrics on Taiwan, and the remaining 12 percent were exported. Imported cotton accounts for 16 percent of total demand of 372 tmt. This situation of cotton yarn production, supply and demand in recent years remains unchanged. In general, Taiwan imports lower valued cotton yarns, average CIF price of \$2,304 per mt, and exports higher valued cotton yarns, average FOB price of \$2,645 per mt. Taiwan's most important export market for cotton yarns was still Hong Kong, which accounted for 53 percent of total exports. About 4 percent of Taiwan's yarn exports (worth \$4.6 million) went to the US, up 34 percent in value terms from a year earlier. If the US does not place import quotas on cotton yarns after 2005, cotton yarn exports to the US are expected to

increase significantly. Taiwan cotton yarns are made on ring spindles, while US yarns are produced by open-end spindles. Taiwan's cotton yarn demand for locally manufacturing cotton fabric is expected to reflect global economic downturn for 2001 and 2002. The decrease in cotton fabric production depresses cotton spinning. However, as seen in *Table 1*, spindles used for producing cotton and cotton blended yarns are arising. In 2000, combined they accounted for 59 percent of total spindles in operations, this is a 5 percent increase from a year earlier. In addition, percentages of spindles in the production of pure cotton yarns and cotton blended yarns with a higher cotton content all increased. These increases are due primarily to low world cotton prices. Taiwan cotton consumption in MY99/00 is calculated at 1.42 million bales (310 tmt) based on total cotton yarn production and types of cotton yarn produced (see *Table 4 & 7*). The MY99/00 cotton consumption increases 4 percent from the previous year as both pure, 100 percent cotton yarn production and cotton content in blended cotton yarns increased. MY00/01 consumption is forecast at 1.12 million bales (263 tmt), a 15 percent decrease from the MY98/99. MY01/02 consumption is forecast at 1.09 million bale (237 tmt), a 25 percent decrease from the MY99/00, due to uncertain textile markets which will respond to the global economic climate.

The tariff on cotton is zero. The tariffs for cotton yarn and man-made spun yarn are both 4.5 percent. The tariffs for cotton grey cloth and man-made grey cloth are currently both 7.5 percent. The tariff for man-made fiber is currently 1.875 percent. Tariffs on yarns, grey cloth and man-made fibers are temporary, effective October 14, 2000 to October 13, 2001. These temporary tariff rates are 50 percent higher than the official rates. Temporarily higher rates were implemented to protect the domestic industry from imports. These temporary rates can be renewed each year by the Executive Yuan until the Legislative Yuan passes them into law.

II. STATISTICAL TABLES

Table 1. Cotton Production, Supply and Demand in MT

PSD Table						
Country	Taiwan					
Commodity	Cotton				(HECTARES)(MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		08/1999		08/2000		08/2002
Area Planted	0	0	0	0	0	0
Area Harvested	0	0	0	0	0	0
Beginning Stocks	75333	87959	47247	91565	47247	63065
Production	1	0	0	0	0	0
Imports	223170	313606	0	235000	0	220000
TOTAL SUPPLY	298504	401565	47247	326565	47247	283065
Exports	871	0	0	0	0	0
USE Dom. Consumption	250386	310000	0	263500	0	237150
Loss Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	250386	310000	0	263500	0	237150
Ending Stocks	47247	91565	47247	63065	0	45915
TOTAL DISTRIBUTION	298504	401565	47247	326565	0	283065

Table 2. Import Trade Matrix for Raw Cotton in MT

Import Trade Matrix			
Country	Taiwan		
Commodity	Cotton		
Time period	08/1998	Units:	Metric ton
Imports for:	1999		2000
U.S.	50347	U.S.	110397
Others		Others	
Cote D'ivoir	39755	Cote D'ivoir	43939
Uzbekistan	32076	Australia	28484
Australia	29355	Uzbekistan	25716
Argentina	23975	China	20859
Togo	22066	Togo	15463
China	13670	Zimbabwe	10064
Mali	13561	Argentina	8655
Zimbabwe	9573	Mali	8535
Chad	4906	Pakistan	4704
		Tanzania	4047
Total for Others	188937		170466
Others not Listed	60160		32743
Grand Total	299444		313606

Table 3. Cotton Import Price CIF in Cent per Pound

Prices Table			
Country	Taiwan		
Commodity	Cotton		
Prices in	Cent	per uom	Pound
Year	1999	2000	% Change
Jan	64	54	-15.62%
Feb	65	51	-21.54%
Mar	64	49	-23.44%
Apr	62	51	-17.74%
May	62	52	-16.13%
Jun	62	57	-8.06%
Jul	58	58	0.00%
Aug	59	59	0.00%
Sep	57	59	3.51%
Oct	58	59	1.72%
Nov	52	57	9.62%
Dec	54	60	11.11%
Exchange Rate	NT\$34/\$1	Local currency/US \$	

Table 4. Number of Operating Spindles in 1998-2000 by Yarn Types

Type of Yarn Produced	Year	Ring Spindles	Open-end Spindles	Jet Spinning Spindles	Spindles Used for Producing Yarn	% of total Spindles in Use
Cotton Yarn	1998	459,940	31,984		491,920	17%
	1999	519,880	33,660		553,540	20%
	2000	638,112	26,919		665,031	25%
CVC Cotton/ Blended	1998	381,986	10,652		392,638	13%
	1999	405,438	11,416		416,854	15%
	2000	437,291	10,420		447,711	17%
T/C Cotton/ Blended	1998	673,224	34,628	1,800	709,652	25%
	1999	531,550	29,465	2,520	563,535	20%
	2000	424,828	19,288	2,160	446,276	17%
Spun Yarn	1998	513,511	3,094	1,056	518,471	17%
	1999	494,724	8,200	756	503,680	18%
	2000	414,549	9,016	816	424,381	16%
Rayon, T/R & T/W Blended	1998	651,453	11,544	1,380	664,377	22%
	1999	613,260	5,576	960	619,796	22%
	2000	514,584	6,306	1,260	522,150	20%
Acrylic & Acrylic/ Blended Yarn	1998	187,417	5,048		192,465	6%
	1999	121,254	4,379		125,633	5%
	2000	117,921	1,959		119,880	5%
Total Operating Spindles	1998	2,867,531	97,760	4,236	2,969,527	
	1999	2,686,106	92,696	4,236	2,783,038	(-6.3%)
	2000	2,547,285	73,908	4,236	2,625,429	(-5.7%)
Source: Annual surveys conducted by the Taiwan Cotton Spinners' Association and Taiwan Man-made Fiber Spinners Association (TCSA & TMFSA)						

Table 5. Taiwan Imports of Textile Products in 1999 & 2000

Textile Imports	Volume in 1,000 mt			Value in \$1,000,000		
Item	2000	1999	% of Change	2000	1999	% of Change
Fiber	464	490	-5	622	670	-7
Yarn	224	267	-17	641	723	-11
Fabric	105	107	-2	607	592	+3
Apparel	79	60	+32	843	750	+12
Accessories	19	14	+38	178	142	+25
Total	891	938	-5	2,892	2,877	+1
Source: The Taiwan Textile Federation (TTF)						

Table 6. Taiwan Exports of Textile Products in 1999 & 2000

Textile Exports	Volume in 1,000 mt			Value in \$1,000,000		
Item	2000	1999	% of Change	2000	1999	% of Change
Fiber	896	793	+13	947	747	+27
Yarn	900	835	+8	1,799	1,565	+15
Fabric	1,973	1,933	+2	9,516	9,043	+5
Apparel	1,263	125	-1	2,210	2,119	+4
Accessories	123	141	+1	711	711	+2
Total	4,036	3,827	+5	15,195	14,185	+7
Source: The Taiwan Textile Federation (TTF)						

Table 7. Cotton Yarn in MT & Cotton Fabric Production in Square Meter for 1997-2000

Cotton Yarn and Cotton Blended Yarn in mt			Cotton Fabric & Cotton Blended Fabric in 1,000 square meter		
Year	Production	% of Change	Year	Production	% of Change
1997	365,080	2.57%	1997	970,574	3.10%
1998	363,947	-0.31%	1998	983,979	1.38%
1999	353,590	-2.85%	1999	1,061,736	7.90%
2000	337,566	-4.54%	2000	1,059,629	-0.20%
Source: Industrial Production Statistics by the Department of Statistics, Ministry of Economic affairs (MOEA)					

Table 8. Cotton Yarn Imports in MT for CY1999 & CY2000

Import Trade Matrix			
Country:		Units:	Metric Tons
Commodity:	Cotton Yarn		
Time period:	01/2000		
Imports for	2000		1999
US	7	US	13
Others		Others	
Pakistan	26168	Pakistan	27109
India	17450	India	21471
Malaysia	9971	Malaysia	12469
Indonesia	2385	Indonesia	3881
Vietnam	514	Korea	693
Korea	402	Vietnam	466
Total for Others	56890		66089
Others not listed	1438		1257
Grand Total	58335		67346

Table 9. Cotton Yarn Exports in MT for 1999 & 2000

Export Trade Matrix			
Country:		Units:	Metric Tons
Commodity:	Cotton Yarn		
Time period:	01/2000		
Exports for	2000		1999
US	1549	US	1262
Others		Others	
Hongkong	25219	Hongkong	15666
Philippines	3649	Philippines	5442
Vietnam	2563	Vietnam	2594
Indonesia	1396	Indonesia	1425
Mexico	1165	Japan	1259
Japan	1149	Korea	1086
Total for Others	35141		27472
Others not listed	4055		4459
Grand Total	40745		33193