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## **China - Peoples Republic of**

### **Cotton and Products Annual**

#### **Sustained Demand Fuels Steady Import Growth**

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**Report Highlights:**

China's marketing year (MY) 19/20 cotton production is forecast at 6 million metric tons (MMT), compared to an estimated 6.07 MMT in MY18/19. The basically flat production is based on a minimal decrease in acreage from the previous year. Imports are forecast to increase to 2 MMT in MY19/20 from an estimated 1.8 MMT in MY18/19, due to growing consumption and insufficient domestic production. Imports of U.S. cotton continue to be constrained by the additional 25 percent tariff that China implemented in July 2018. In the first half of MY18/19 (August-January), U.S. cotton exports to China reached 119,000 tons, or 11.2 percent of China's total import volume of 1.07 MMT. In contrast, the U.S. market share in the previous marketing year was 45 percent. Australia and Brazil increased their market shares during the first half of MY18/19, to 32 and 27 percent, respectively.

**Executive Summary:**

China's marketing year (MY) 19/20 cotton production is forecast basically flat at 6 million metric tons (MMT), compared to an estimated 6.07 MMT in MY18/19. The smaller production is based on a slight decrease in acreage from the previous year. MY19/20 planting area is forecast at 3.22 million hectares (MHa), about a 1 percent decrease from an estimated 3.25 MHa in MY18/19. The government's "Target Price-based Subsidy" for Xinjiang province, along with the high yield achieved in that province, contributed to good profits from growing cotton in MY18/19 and is expected to result in a stable cotton planted area in MY19/20. However, due to lower subsidies and less favorable weather conditions, cotton acreage is forecast to fall in the other cotton-producing provinces in MY19/20, resulting in the forecast overall area decline.

MY19/20 cotton consumption is forecast at 8.95 MMT, compared to an estimated 8.9 MMT in MY18/19. The slight growth is mainly due to a more competitive domestic cotton price, which is expected to reduce yarn imports and stabilize cotton fiber use in domestic yarn production. Growth in domestic demand for textiles and apparel products continues to be a driving force for China's cotton consumption.

China's cotton imports are forecast to increase to 2 MMT in MY19/20 from an estimated 1.8 MMT in MY18/19. The expected higher imports in MY19/20 are due to a combination of growing consumption and insufficient domestic production. Imports of U.S. cotton continue to be constrained by the additional 25 percent tariff that China implemented in July 2018. While Chinese end-users favor the quality and reliability of U.S. cotton, the additional tariff reduces U.S. cotton's competitiveness in comparison with other suppliers, including Australia, Brazil, and India. Industry sources estimate that the tariff adds RMB 4,000 (\$600)/ton to cotton imported from the United States. In the first half of MY18/19 (August-January), U.S. cotton exports to China reached 119,000 tons, or 11.2 percent of China's total import volume of 1.07 MMT. In contrast, the U.S. market share in the previous marketing year was 45 percent. Australia and Brazil increased their market shares during the first half of MY18/19, to 32 and 27 percent, respectively.

Due to increased sales from the state reserves and relatively low domestic cotton production, China's total cotton stocks are forecast to fall to 6.2 MMT by the end of MY19/20. This is a significant decrease from an estimated 10 MMT of cotton stocks at the beginning of MY17/18. Between March and September 2018, the government offered 4.3 MMT in daily auctions, of which 2.51 MMT, or 58 percent, were sold. Industry sources estimate a state cotton reserve volume of 3 MMT upon completion of the 2018 auctions, which represents about half of total ending stocks.

## **I. Production**

China's domestic cotton production is forecast at 6 million metric tons (MMT) in marketing year (MY) 19/20, down 1.2 percent from an estimated 6.07 MMT in MY18/19. The forecast is based on stable yield and planted area of 3.22 million hectares (MHa), representing a 0.9 decrease from the previous marketing year.

Yield and planted area continue to vary by region. Xinjiang province, which has benefitted from a target-price subsidy since 2017, exhibits a stable planted area and higher yield than China's other main cotton production areas. Outside of Xinjiang, cotton farmers are at a relative disadvantage in terms of

government subsidies. Therefore, in these areas, yield is consistently lower and planted area continues to decline.

China’s National Bureau of Statistics (NBS) estimated Xinjiang’s MY18/19 cotton production at 5.11 MMT, or 84 percent of China’s total cotton production (see Figure 1). This estimate is somewhat higher than the classified volume reported by the China Fiber Inspection Bureau (CFIB), since not all of the cotton produced is submitted for classification. As of late March, the CFIB official classified volume for Xinjiang was 4.95 MMT out of a total classified volume of 5.24 MMT. Xinjiang accounts for a larger share of the classified volume than of the overall production volume because a higher percentage of Xinjiang cotton is submitted for classification as compared to the other cotton production areas.

**Figure 1 – China’s Main Cotton Production Areas  
MY18/19**



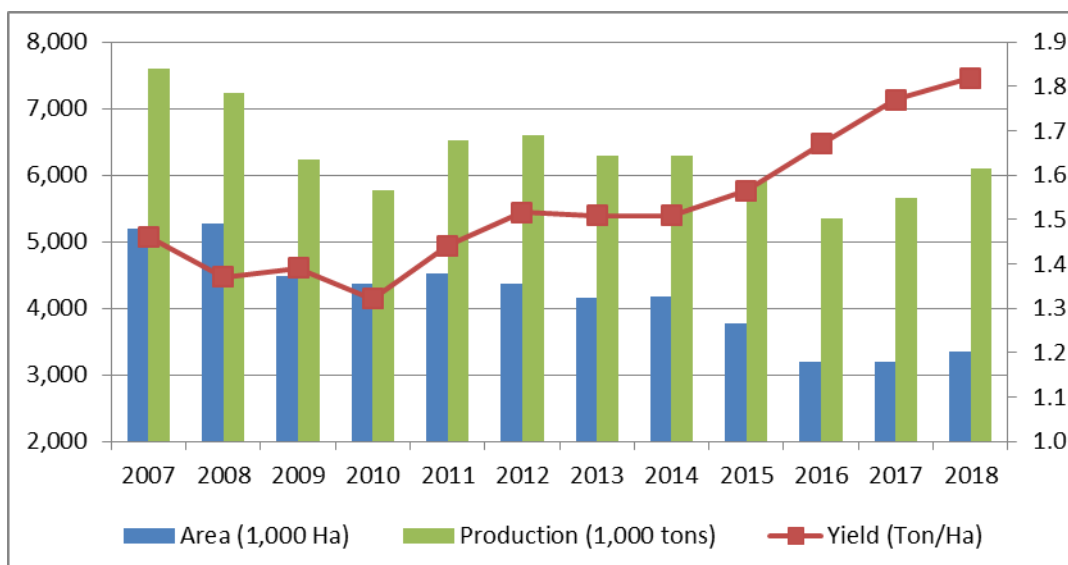
Source: NBS

Legend:

- Xinjiang = 84 % of total production
- Hebei, Hubei, Shandong combined production = 10% of total production
- Anhui = 1.5% of total production

In October 2018, the NBS published adjusted historical crop data for 2007-2017 based on China’s 3rd Agricultural Census. As Chart 1 indicates, the adjusted data combined with NBS estimates for 2018 show a production recovery beginning in 2017. The recovery coincides with the government’s establishment of significant subsidies for Xinjiang cotton farmers.

**Chart 1 – China’s Cotton Area, Production, and Yield (right axis)  
2007-2018**



Source: NBS

In recent years, various government and industry sources have differed substantially in their estimates and forecasts for cotton production and area. In a notable contrast this year, the available estimates for MY18/19 area and production are relatively closer than in previous years. Table 1 provides MY18/19 estimates and MY19/20 forecasts from a variety of sources.

**Table 1 – Cotton Production (MMT) and Area (MHa)  
MY18/19 Estimates and 19/20 Forecasts**

	CCA		NCMMN		MARA		NBS	
	Area	Production	Area	Production	Area	Production	Area	Production
MY18/19	3.27	6.11	3.27	6.07	3.37	6.04	3.35	6.1
MY19/20	3.15	Not available	3.29	Not available	3.33	Not available	Not available	Not available
Area Change (MY18/19 to MY19/20)	-3.6%		+0.6%		-1.1%			

Sources: China Cotton Association (CCA), National Cotton Market Monitoring Network (NCMMN), Chinese Ministry of Agriculture and Rural Affairs (MARA), Chinese National Bureau of Statistics (NBS)

### ***Yield***

MY19/20 cotton yield is forecast at 1,863 Kg/Ha, consistent with the increasing yield trend of recent years (see Chart 1). This reflects Xinjiang’s high yield compared to the other cotton regions and the province’s increasing share of total cotton area. The MY19/20 yield forecast is slightly lower than that for MY18/19, a year when above average weather conditions resulted in a record yield. According to NBS, average cotton yield reached 1,818 Kg/Ha in MY18/19, up 16 percent from MY15/16.

The higher yields in Xinjiang are due to a relatively advantageous climate for cotton farming as well as the ongoing mechanization process in the province, which is expected to continue. The benefits of mechanization are especially large for those farms under the umbrella of the governmental Production

and Construction Corporation (PCC), which are organized on a larger scale than the non-PCC farms and are better equipped to incorporate the latest technologies. The PCC farms benefit from more investment in infrastructure as well as superior extension services. The PCC reported that more than 80 percent of its cotton area was mechanically harvested in MY18/19. On the other hand, the benefits of mechanization are beginning to be felt on non-PCC farms as well, where the rate of mechanized harvest reached 30 percent in MY18/19, up from 21 percent in MY16/17.

### ***Planted Area***

MY19/20 total planted area is forecast at 3.22 MHa, about a 1 percent decrease from an estimated 3.25 MHa the previous year. Specifically, Xinjiang planted area is forecast unchanged at 2.49 MHa, based on stable, relatively high earnings in MY18/19. On the other hand, planted area for all other provinces is forecast to decline by 3.9 percent, to 0.73 MHa, in response to relative disadvantage in terms of the government price subsidy and stagnant earnings.

The forecast decrease in MY19/20 planting area is partly in response to a lower seed cotton purchase price in MY18/19. At the same time, the MY19/20 cotton area forecast takes into account offsetting factors that will offset the dampening effect of the lower MY18/19 seed cotton price. These other factors, which include higher yield, lower labor costs because of mechanization, and the government's target price program, ensured satisfactory returns to Xinjiang farmers in MY18/19 and are thus expected to support stable planted area in the province in MY19/20.

On the other hand, the government price subsidy of RMB18,600/ton (\$2,906/ton) available to Xinjiang farmers through 2019 continues to disadvantage farmers in the Yangtze River and Yellow River regions. Several Chinese industry sources estimated cotton production outside of Xinjiang at less than 1 MMT in MY18/19. The relative regional disadvantage is expected to preclude planted area expansion in those regions in MY19/20.

The MY19/20 cotton area forecast differs from the findings of the February 2019 planting intention survey conducted by the China Cotton Association (CCA). CCA reported a 3.6 percent nationwide decrease in cotton planting intention in MY19/20 compared to the previous year. The reported decrease in planting intention from MY18/19 to MY19/20 varies by region, with a 3 percent lower planting intention for Xinjiang and larger decreases in the other areas: 4.8 percent for the Yellow River region and 5.8 percent for the Yangtze River region. However, a different survey by a leading industry source indicated a 0.6 percent increase in overall farmers' planting intention in MY19/20.

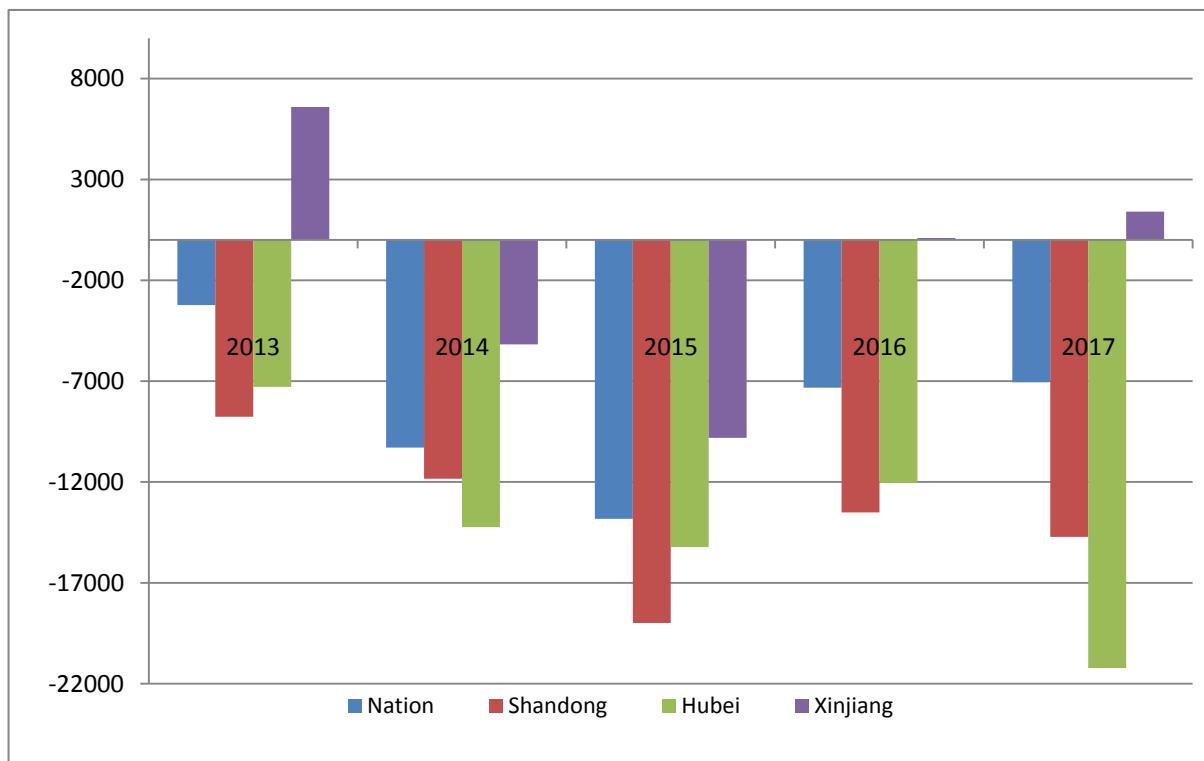
The government's "Target Price-based Subsidy" program (MY17/18 - MY19/20) guarantees basic cotton profits for Xinjiang farmers. The subsidy program stipulates a maximum annual volume of 5.47 MMT<sup>1</sup> that is eligible for the subsidy. The NBS estimate for MY18/19 cotton production of 5.11 MMT is below the annual maximum eligible for the subsidy, indicating a continuing incentive for Xinjiang to increase production. Farmers' increased profits from yield gains along with the subsidy maintain cotton's place as the most reliable income crop in Xinjiang. Chart 2 shows China's National Development and Reform Commission (NDRC) estimated profits for cotton in three representative provinces through MY17/18. The net profits for Xinjiang cotton stood at RMB1,405 (\$210)/Ha in MY17/18. This is in addition to an estimated family labor income of RMB6,800 (\$1,015)/Ha.

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<sup>1</sup> The cap volume of 5.47 MMT is 85 percent of the average national cotton production from 2012 to 2014.

In MY18/19, many Chinese farmers reported similar or higher earnings per acreage compared to the previous year given the good yield gained in addition to the government's subsidy. According to the Xinjiang Provincial Development and Reform Commission, the seed cotton market price fell about 13 percent between September and December 2018. Given the fixed target price, the subsidy rate is expected to rise accordingly. Contacts in Xinjiang reported that most cotton farmers expect similar or higher cotton profits in MY18/19 as compared to the previous year.

**Chart 2 – Average Net Earnings\* from Cotton Planting in Recent Years**  
(2013-2017; RMB/Ha)



Source: National Development and Reform Commission (NDRC); \*Excludes labor income

For cotton-producing provinces outside of Xinjiang, MY19/20 cotton acreage is expected to decline moderately due to low earnings from cotton profits in MY18/19. Additionally, cotton planting in these provinces continues to be challenged by increases in labor costs (as almost 100 percent of harvest is hand-picked) and stagnant yields. Cotton planting in these regions is also impacted as farmers have more crop choices including grain and oilseeds (both demanding less labor inputs) and more informal work opportunities available in cities within the Yangtze River and the Yellow River regions.

## **II. Consumption**

MY19/20 cotton consumption is forecast at 8.95 MMT, compared to an estimated 8.9 MMT in MY18/19. The slight growth is mainly due to a more competitive domestic cotton price, which is expected to reduce yarn imports and stabilize cotton fiber use in yarn production. China's large spinning sector, with an estimated 118 million spindles at the end of 2018, remains one of the key domestic industries. The anticipated growth in domestic demand for textiles and apparel products continues to be a driving force for cotton use. Chinese textile and apparel exports, on the other hand, are constrained by the additional U.S. tariffs on Chinese imports along with continuing competition from Southeast Asian suppliers with lower labor costs. The available government and industry estimates for China's MY18/19 cotton use range from CCA's 8.23 MMT to MARA's 8.45 MMT. The estimates reflect importers' uncertainty regarding the ongoing U.S.-China trade negotiations and the availability of TRQ for U.S. origin cotton.

### ***Textiles and Apparel***

Domestic demand for textiles and apparel continues to be robust. Chinese industry sources estimated that in 2018, the domestic market accounted for 88 percent of textile and apparel sales, compared to only 12 percent for the export market. China's overall increase in demand for textile and apparel products is fueled by higher disposable income, rising living standards, population growth, and urbanization. China's GDP growth hit 6.6 percent in 2018 and is expected to remain above 6 percent in 2019. Population growth was 5.3 million in 2018. Additionally, rapid urbanization continues, with annual urban population growth averaging 20.6 million from 2011 to 2017, and 17.9 million new urban residents added in 2018.

According to NBS data, the total sales value of textiles and apparel products increased 8 percent in 2018 as compared to the previous year. In addition, an industry source indicated that investment in fixed assets is growing in the textile sector, with a 5.4 percent increase in the investment growth rate during the first eleven months of 2018 compared to the same period in 2017. Total output value and profits for the textile sector both increased in the first 11 months of 2018, up 4 percent and 7.9 percent, respectively, over the previous year.

According to CCA, the gap between the domestic and international cotton prices is shrinking, a development which is likely to bolster the domestic spinning sector at the expense of yarn imports. Indeed, preliminary data show a nearly 7 percent decrease in yarn imports during the first seven months of MY18/19 compared to the same period of MY17/18, with the market favoring domestically-produced yarn. A Chinese industry survey in February confirmed that spinning sector operations remain robust.

MY18/19 textile and apparel exports are estimated basically flat, up 0.5 percent from the previous marketing year. This compares to a 5.1 percent growth rate in MY17/18. Preliminary official statistics

for the first two months of 2019 put China’s total textile and apparel exports at \$38.2 billion, a decrease of 11.6 percent compared to the same period in 2018. Chinese exporters reportedly accelerated their shipments to the U.S. during the fourth quarter of 2018 in order to avoid additional U.S. tariffs on imports from China.

**Chart 3 – China’s Textile and Apparel Exports**  
(2014-2018; Value in \$100 million)



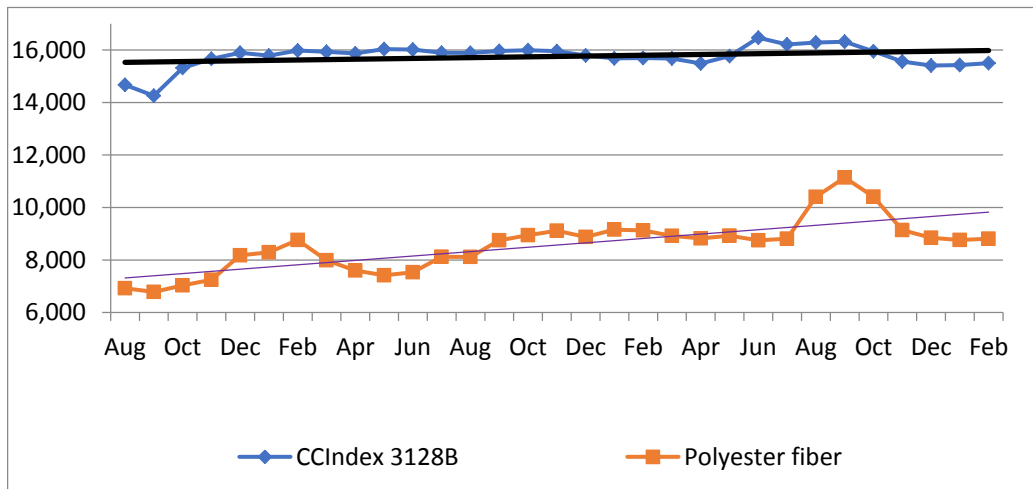
Source: NSB Yearly Social and Economic Development Report; Exchange rate used in 2018 is \$1=RMB6.62

***Cotton Share in Yarn Production***

The cotton share in China’s yarn production has been declining in recent years, due to the high domestic cotton price and quality improvements in man-made fibers. However, the cotton fiber share in Chinese yarn production is expected to recover gradually in 2019. According to an industry source, the average price of polyester fiber has exhibited a growing trend since MY16/17, while the China cotton index has remained stable (see Chart 4). China’s increasingly competitive domestic cotton price, along with the stronger purchasing power and higher demand for 100 percent cotton garments among Chinese consumers, are expected to boost the cotton fiber share in yarn spinning in 2019 and beyond.



**Chart 4 – China Cotton Index vs Polyester Fiber Price (RMB/Ton)**  
(August 2016 - February 2019)



Source: cottonchina.org

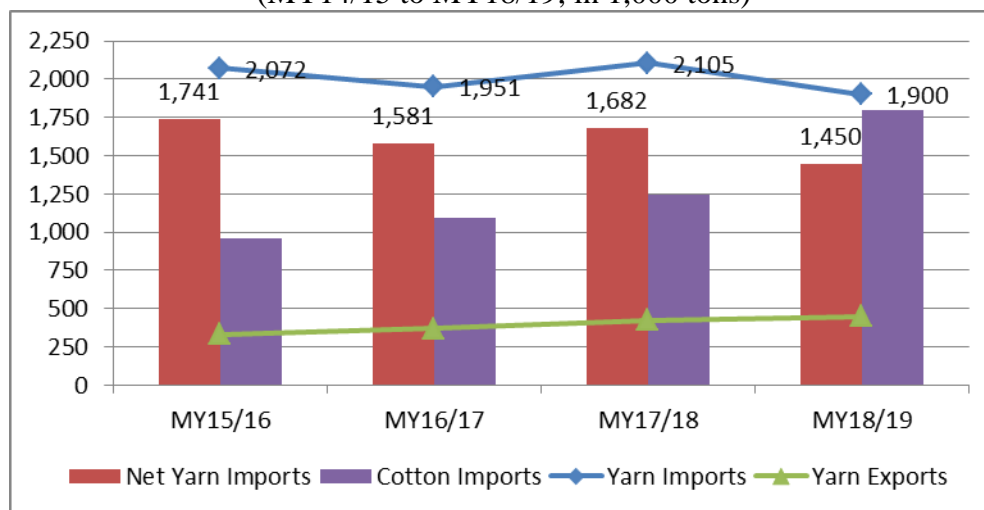
### III. Trade

China’s cotton imports are forecast to increase to 2 MMT in MY19/20 from an estimated 1.8 MMT in MY18/19. The expected higher imports in MY19/20 are due to a combination of growing consumption and insufficient domestic production.

China’s WTO commitments include an obligation to allocate 894,000 tons of cotton TRQ imports annually, subject to an in-quota one percent tariff. It is unclear whether China allocated additional import quotas outside of the WTO TRQ between 2015 and 2017, as it had done in 2014 and earlier. However, in mid-2018, China allocated an additional 0.8 MMT of cotton import TRQ (see Table 15). The additional quota pushed estimated MY18/19 cotton imports up to 1.8 MMT, significantly higher than the 1.25 MMT imports in the previous year. MY19/20 cotton imports are expected to further increase to satisfy the Chinese textile industry’s continuing need for higher-grade foreign cotton.

Unlike cotton imports, yarn imports do not face quota restrictions, and thus serve to compensate for lower cotton imports in years when no additional cotton TRQ quota is allocated. Given the additional import TRQ allocation in 2018, yarn imports are expected to fall to 1.9 MMT in MY18/19 and to continue declining in MY19/20 (see Chart 3).

**Chart 5 – China’s Yarn Trade and Cotton Imports**  
(MY14/15 to MY18/19; in 1,000 tons)



Source: Global Trade Atlas; Data for MY17/18 is Post’s estimate

Imports of U.S. cotton continue to be constrained by the additional 25 percent tariff that China implemented in July 2018. While Chinese end-users favor the quality and reliability of U.S. cotton, the additional tariff reduces U.S. cotton’s competitiveness in comparison with other suppliers, including Australia, Brazil, and India. Industry sources estimate that the tariff adds RMB 4,000 (\$600)/ton to cotton imported from the United States.

In the first half of MY18/19 (August-January), U.S. cotton exports to China reached 119,000 tons, or 11.2 percent of China’s total import volume of 1.07 MMT. In contrast, the U.S. market share in the previous marketing year was 45 percent. Australia and Brazil increased their market shares during the first half of MY18/19, to 32 and 27 percent, respectively.

China’s cotton exports are small in comparison to its total cotton use, and are forecast to remain low in MY18/19. Chinese cotton exports reached the highest level in 10 years in MY17/18 at 30,000 tons, mainly due to a more market-driven domestic cotton price. Limited cotton exports are expected to continue, with total exports estimated at 40,000 tons in MY18/19 and down to 30,000 tons in MY19/20.

#### **IV. Stocks**

Due to increased sales from the state reserves and low domestic cotton production, China’s total cotton stocks are forecast to fall to 6.2 MMT by the end of MY19/20. This is a significant decrease from an estimated 10 MMT of cotton stocks at the beginning of MY17/18. Beginning in 2014, the Chinese government moved to reduce the volume of the state cotton reserve through auctions. Between March and September 2018, the government offered 4.3 MMT in daily auctions, of which 2.51 MMT, or 58 percent, were sold. Xinjiang cotton comprised 62 percent of the cotton sold. Industry sources estimate a state cotton reserve volume of 3 MMT upon completion of the 2018 auctions, which represents about half of total ending stocks.

## V. Policy

### *Xinjiang Subsidy*

The “Target Price-based Subsidy” for Xinjiang, which was established in 2017 will remain in effect through MY19/20 (see GAIN report [CH18014](#)). Table 3 provides estimates of total central government expenditures for the subsidy, based on NBS production data and FAS/Beijing calculations of the gap between the target price and the average domestic market price.

**Table 2 – Target Price-based Subsidy Payouts**  
(USD billion)

	<b>MY15/16</b>	<b>MY16/17</b>	<b>MY17/18</b>	<b>MY18/19</b>
<b>Xinjiang</b>	RMB25.6 (\$4.13)	RMB9.7 (\$1.46)	RMB12.6 (\$1.89)	RMB7.65 (\$1.15)
<b>Other Cotton Producing Provinces</b>	RMB3.98 (\$0.64)	Subsidy not available	Subsidy not available	Subsidy not available
<b>Total</b>	RMB29.58 (\$4.8)	RMB9.7 (\$1.46)	RMB12.6 (\$1.89)	RMB7.65 (\$1.15)

Source: NBS, FAS/Beijing estimates

### *Subsidy for Other Provinces*

The Chinese government’s fixed subsidy rate of RMB2,000 (\$315)/ton for cotton production in the other nine producing provinces is expected to continue in MY19/20 (see GAIN report [CH18014](#)). Typically, the central government calculates the total subsidy amount based on province-level production data and the gap between the market and target prices. The central government then provides the funds to provincial authorities, who develop their own plans to distribute the payments in their respective provinces

Although official reports regarding the distribution of the subsidy are rarely available, a Hebei provincial government document shows cotton farmers did receive the subsidy in MY18/19. In addition, Chinese regional media reported that cotton farmers in Shandong province received about RMB150/Mu (or \$336/Ha) in MY17/18. In early 2019, the Shandong provincial agricultural department issued a notice requesting all cities to certify cotton acreage for the purpose of implementing the government’s cotton policy precisely. It is likely that cotton farmers in these provinces will receive the subsidy in MY19/20.

### *Additional Subsidies*

In MY19/20, the government will continue to provide the long-standing seed subsidy of about \$36/Ha for selected “high quality variety” seeds to improve the cotton quality in all provinces.

In Xinjiang, the local government continues to encourage farmers to plant the same cotton variety in an effort to achieve a uniform, province-wide cotton quality. Additionally, the government continues to provide a RMB500/ton subsidy to transport companies for cotton shipments out of Xinjiang.

### ***Targeted Loans***

The Agriculture Development Bank of China (ADBC) continues to provide farmers with targeted loans at favorable terms for seed cotton purchases. Chinese media reported total loans amounted to RMB43 billion in MY18/19 (as of mid-December 2018), up 3 percent over the previous year. The increase in loans reflects higher MY18/19 cotton production in Xinjiang. According to the ADBC, a total of RMB46.2 billion in MY17/18 cotton loans were fully repaid, with interest, by September 2018.

### ***Registration System for Overseas Cotton Suppliers***

Overseas cotton suppliers must register with the General Administration for Customs of China (GACC) before exporting cotton to the Chinese market. GACC regularly updates the supplier list on its website to include newly registered or renewed overseas cotton suppliers. [The latest update](#) was on January 2, 2019. U.S. cotton traders intending to export cotton to China are recommended to submit applications to GACC for registration before exportation (<http://www.aqsiq.gov.cn/bsdt/jyzy/jkmhjwghqydj/blzn/>).

### ***National Standard on Cotton Baling***

On December 31, 2013, China's National Standardization Technical Committee on Cotton Processing published a National Standard on cotton baling (GB6975-2013) which went into effect in April 2014 (see GAIN report [CH14033](#)). As cotton baling practices differ among world cotton suppliers, full implementation of China's revised standards remains impractical. Thus far, U.S. cotton exports have not faced problems related to this standard.

## **VI. Marketing**

U.S. cotton exporters interested in exporting cotton to China may request marketing assistance by contacting the USDA-FAS Agricultural Trade Offices (ATO) in Beijing, Chengdu, Guangzhou, Shanghai and Shenyang.

The China International Cotton Conference, a biannual event sponsored by CCA and MARA, attracts a worldwide audience from the cotton/textile industry. The 2019 conference will be held in Qingdao, Shandong in June 2019. CCA, in collaboration with the China National Cotton Exchange, also holds an annual event known as the China Cotton Industry Development Forum. The 2018 Forum will be held in Harbin, Heilongjiang Province on June 7-8.

Note: Exchange rate is: \$1=RMB6.64 in 2016; \$1=RMB6.75 in 2017; \$1=RMB6.62 in 2018

## Tables

### Production, Supply and Demand (PSD)

**Table 3. PSD (in 1,000 Bales and 1,000 Ha)**

Cotton China	2017/2018		2018/2019		2019/2020	
	Market Year Begin: Aug 2017		Market Year Begin: Aug 2018		Market Year Begin: Aug 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	3,200	0	3,250	0	3,220
Area Harvested	3,400	3,200	3,350	3,250	0	3,220
Beginning Stocks	45,919	45,919	38,019	37,959	0	33,044
Production	27,500	27,330	27,500	27,880	0	27,558
Imports	5,725	5,725	7,500	8,267	0	9,186
MY Imports from U.S.	0	0	0	0	0	0
Total Supply	79,144	78,974	73,019	74,106	0	69,788
Exports	125	137	150	184	0	138
Use	41,000	40,878	40,500	40,878	0	41,107
Loss	0	0	0	0	0	0
Total Dom. Cons.	41,000	40,878	40,500	40,878	0	41,107
Ending Stocks	38,019	37,959	32,369	33,044	0	28,543
Total Distribution	79,144	78,974	73,019	74,106	0	69,788
Stock to Use %	92	93	80	80	0	69
Yield	1,761	1,860	1,787	1,868	0	1,863
TS=TD	0	0	0	0	0	0

**Table 4. PSD (in 1,000 Tons and 1,000 Ha)**

Cotton China	2017/2018		2018/2019		2019/2020	
	Market Year Begin: Aug 2017		Market Year Begin: Aug 2018		Market Year Begin: Aug 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	3,200	0	3,250	0	3,220
Area Harvested	3,400	3,200	3,350	3,250	0	3,220
Beginning Stocks	9,998	9,998	8,278	8,265	0	7,194
Production	5,987	5,950	5,987	6,070	0	6,000
Imports	1,246	1,246	1,633	1,800	0	2,000
MY Imports from U.S.	0	0	0	0	0	0
Total Supply	17,231	17,194	15,898	16,135	0	15,194
Exports	27	30	33	40	0	30
Use	8,927	8,900	8,818	8,900	0	8,950
Loss	0	0	0	0	0	0
Total Domestic Consumption	8,927	8,900	8,818	8,900	0	8,950
Ending Stocks	8,278	8,265	7,047	7,194	0	6,214
Total Distribution	17,231	17,194	15,898	16,135	0	15,194
Stock to Use %	92	93	80	80	0	69
Yield	1,761	1,860	1,787	1,868	0	1,863
TS=TD	0	0	0	0	0	0

## Trade Tables

**Table 5. China's Monthly Cotton Imports**

Unit: Tons					
Month	2015	2016	2017	2018	2019
January	161,230	95,588	114,924	133,908	280,528
February	159,095	56,231	138,262	102,700	
March	127,919	57,903	121,004	107,502	
April	160,761	70,004	105,170	104,989	
May	163,073	78,778	85,482	131,714	
June	161,775	72,750	72,413	98,843	
July	105,659	94,855	89,592	137,482	
August	70,019	69,533	83,976	162,424	
September	50,948	60,644	92,847	135,526	
October	42,109	41,334	78,128	108,311	
November	84,465	54,972	72,363	132,286	
December	188,157	143,551	100,415	218,919	
<b>TOTAL</b>	<b>1,475,210</b>	<b>896,143</b>	<b>1,154,576</b>	<b>1,574,604</b>	
Unit: Bales					
Month	2015	2016	2017	2018	2019
January	740,529	439,036	527,846	615,039	1,288,465
February	730,723	258,269	635,037	471,701	
March	587,532	265,948	555,771	493,757	
April	738,375	321,528	483,046	482,214	
May	748,994	361,827	392,619	604,962	
June	743,033	334,141	332,593	453,986	
July	485,292	435,669	411,496	631,455	
August	321,597	319,365	385,702	746,013	
September	234,004	278,538	426,446	622,471	
October	193,407	189,847	358,842	497,472	
November	387,948	252,486	332,363	607,590	
December	864,205	659,330	461,206	1,005,495	
<b>TOTAL</b>	<b>6,775,640</b>	<b>4,115,985</b>	<b>5,302,968</b>	<b>7,232,156</b>	

Source: Global Trade Atlas

**Table 6. China's Cotton Imports by Country of Origin**

Unit: Tons

Country	MY14/15	MY15/16	MY16/17	MY17/18	MY18/19*
Australia	272,075	268,389	199,963	282,467	341,826
<b>United States</b>	<b>153,372</b>	<b>191,680</b>	<b>501,178</b>	<b>558,777</b>	<b>119,411</b>
Uzbekistan	107,675	137,415	68,616	85,020	9,603
India	160,723	120,980	151,826	120,125	123,150
Brazil	134,084	116,075	44,571	82,148	292,176
Burkina Faso	18,588	5,557	4,464	10,501	
Cameroon	8,811	51,233	14,795	3,291	
Mali	2,238	2,862	4,608	502	
Benin	6,582	13,918	26,710	9,501	
Mexico	11,271	14,788	9,635	22,010	
Cote d Ivoire	3,224	8,283	5,575	9,634	
Zimbabwe	12,542	2,345	1,654	3,544	
Others	35,951	28,281	63,287	57,349	
Total	927,136	961,806	1,096,882	1,244,869	1,037,994
Price \$/ton	1,840	1,716	1,858	1,950	

\* First six month data of MY18/19; Source: Global Trade Atlas



**Table 7. China's Monthly Cotton Exports**

Unit: Tons					
Month	2015	2016	2017	2018	2019
January	516	200	40	473	3,529
February	533	574	778	2,048	
March	845	487	137	4,749	
April	150	433	1,237	4,773	
May	0	557	3,303	2,462	
June	1,544	446	1,063	2,751	
July	1,459	1,351	2,995	4,901	
August	12,047	1,197	1,091	7,229	
September	4,293	387	1,554	9,667	
October	2,826	239	1,590	1,862	
November	3,549	987	920	3,818	
December	1,153	899	2,375	2,617	
<b>TOTAL</b>	<b>28,915</b>	<b>7,757</b>	<b>17,083</b>	<b>47,350</b>	
Unit: 480-lb Bales					
Month	2015	2016	2017	2018	2019
January	2,370	919	184	2,172	16,209
February	2,448	2,636	3,573	9,406	
March	3,881	2,237	629	21,812	
April	689	1,989	5,682	21,922	
May	0	2,558	15,171	11,308	
June	7,092	2,048	4,882	12,635	
July	6,701	6,205	13,756	22,510	
August	55,332	5,498	5,011	33,203	
September	19,718	1,777	7,138	44,401	
October	12,980	1,098	7,303	8,552	
November	16,301	4,533	4,226	17,536	
December	5,296	4,129	10,908	12,020	
<b>TOTAL</b>	<b>132,807</b>	<b>35,628</b>	<b>78,462</b>	<b>217,479</b>	

Source: Global Trade Atlas

**Table 8. China's Monthly Cotton Yarn and Thread Imports**

Unit: Tons

Month	2015	2016	2017	2018	2019
January	217,843	161,490	174,281	195,754	164,755
February	124,091	115,953	173,467	92,081	
March	248,568	190,540	182,451	172,157	
April	215,583	164,621	141,013	157,245	
May	184,435	170,963	141,904	209,293	
June	193,558	159,339	150,042	195,786	
July	215,671	163,693	142,462	204,750	
August	207,673	170,417	158,773	202,857	
September	217,860	153,966	167,404	175,349	
October	174,326	140,745	169,598	141,009	
November	159,505	178,832	193,874	161,792	
December	186,270	201,699	188,184	155,886	
<b>TOTAL</b>	<b>2,345,383</b>	<b>1,972,258</b>	<b>1,983,453</b>	<b>2,063,959</b>	
<b>Marketing Year</b>	Aug/15- Jul/16	Aug/16- Jul/17	Aug/17- Jul/18		
<b>TOTAL</b>	<b>2,072,233</b>	<b>1,951,279</b>	<b>2,104,899</b>		

Source: Global Trade Atlas

**Table 9. China's Monthly Cotton Yarn and Thread Exports**

Unit: Tons

Month	2015	2016	2017	2018	2019
January	37,419	26,183	28,147	38,165	39,118
February	22,913	18,911	21,691	31,406	
March	29,445	31,001	35,737	34,592	
April	33,292	31,066	32,720	42,789	
May	31,396	32,024	36,137	37,960	
June	30,874	30,089	34,047	32,563	
July	31,168	35,713	31,963	33,902	
August	28,116	35,768	34,967	32,262	
September	25,847	30,133	35,155	30,577	
October	22,739	26,320	32,035	27,960	
November	20,394	26,200	33,938	27,398	
December	28,460	30,888	35,064	30,648	
<b>TOTAL</b>	<b>342,063</b>	<b>354,296</b>	<b>391,601</b>	<b>400,222</b>	
<b>Marketing Year</b>	Aug/15-Jul/16	Aug/16-Jul/17	Aug/17- Jul/18	38,165	
<b>TOTAL</b>	<b>413,656</b>	<b>437,704</b>	<b>422,536</b>		

Source: Global Trade Atlas

**Table 10. China's Monthly Cotton Fabric Imports**

Unit: 1,000 Square Meters

Month	2015	2016	2017	2018	2019
January	37,275	25,469	14,869	25,380	18,562
February	25,127	19,124	18,218	13,412	
March	50,279	26,885	19,581	25,776	
April	45,715	27,881	20,581	24,913	
May	37,295	24,641	18,958	28,457	
June	40,496	28,651	23,567	25,384	
July	41,323	26,311	23,093	26,316	
August	34,816	26,136	19,997	24,144	
September	36,373	24,871	22,700	20,862	
October	34,927	21,013	22,536	19,711	
November	34,010	23,537	27,902	21,343	
December	36,270	25,105	26,917	19,484	
<b>TOTAL</b>	<b>453,904</b>	<b>299,624</b>	<b>258,919</b>	<b>275,182</b>	

Source: Global Trade Atlas

**Table 11. China's Monthly Cotton Fabric Exports**

Unit: 1,000 Square Meters

Month	2015	2016	2017	2018	2019
January	550,266	643,228	624,364	583,712	566,890
February	463,496	428,582	284,083	485,612	
March	349,172	616,650	666,513	462,239	
April	559,964	667,348	686,395	687,560	
May	601,174	685,033	687,562	706,050	
June	516,393	582,197	615,492	585,777	
July	559,230	624,459	581,575	566,862	
August	591,247	701,082	644,524	579,097	
September	633,045	578,439	627,746	589,576	
October	674,052	575,869	674,682	532,742	
November	580,570	554,328	648,073	566,273	
December	617,955	551,292	586,974	471,267	
<b>TOTAL</b>	<b>6,696,564</b>	<b>7,208,507</b>	<b>7,327,983</b>	<b>6,816,766</b>	

Source: Global Trade Atlas

## Other Tables

**Table 12. Cotton Planted Area and Production by Province**

<b>Area</b>			
<b>Year</b>	<b>MY17/18</b>	<b>MY18/19</b>	<b>MY19/20</b>
Xinjiang	2,408	2,490	2,490
Shandong	180	180	
Hebei	185	190	
Hubei	150	142	
Henan	40	32	
Anhui	80	80	
Jiangsu	30	15	
Hunan	60	60	
Gansu	17	21	
Other	50	40	
<b>Total</b>	<b>3,200</b>	<b>3,250</b>	<b>3,220</b>
<b>Production</b>			
<b>Year</b>	<b>MY17/18</b>	<b>MY18/19</b>	<b>MY19/20</b>
Xinjiang	5,000	5,130	
Shandong	245	245	
Hebei	185	218	
Hubei	146	141	
Henan	42	35	
Anhui	98	83	
Jiangsu	55	27	
Hunan	80	90	
Gansu	36	34	
Other	63	67	
<b>Total</b>	<b>5,950</b>	<b>6,070</b>	<b>6,000</b>
<b>Average Yield (Kg/Ha)</b>	<b>1,859</b>	<b>1,868</b>	<b>1,863</b>

Note: FAS/Beijing estimate and forecast

**Table 13. Cotton Tariffs as of January 1, 2018 (continued)**

Description	HS Code	M.F.N.(%)	Gen(%)	VAT	ED	Unit
Cotton, not carded or combed	5201.0000					Kg
Cotton, not carded or combed, including degreased cotton -in quota	5201.0000.01	1	125	11	11	
Cotton, not carded or combed, including absorbent cotton – custom, out of quota, interim	5201.0000.80		0	11	11	
Cotton, not carded or combed, including degreased cotton -out of quota	5201.0000.90	40	125	11	11	
Cotton waste, yarn waste	5202.1000	10	30	17		Kg
Cotton waste, garnetted stock	5202.9100	10	30	17		Kg
Cotton waste, other	5202.9900	10	30	17		Kg
Cotton, carded or combed	5203.0000		125	17	13	Kg
Cotton, carded or combed, in quota	5203.0000.01	1	125	17	11	
Cotton, carded or combed, out of quota	5203.0000.90	40	125	17	11	
Cotton sewing thread, containing 85% or more by weight of cotton	5204.1100	5	40	17	17	Kg
Other	5204.1900	5	40	17	17	Kg
Put up for retail sale	5204.2000	5	50	17	17	Kg
Cotton yarn (other than sewing thread), containing 85% or more by weight of cotton, not for retail sale	5205.1100 to 5205.4800	5	40	17	17	Kg
Cotton yarn (other than sewing thread) containing less than 85% by weight of cotton, not put for retail sale	5206.1100 to 5206.4500	5	40	17	17	Kg
Cotton yarn (other than sewing thread), containing 85% or more	5207.1000 to 5207.9000	6	50	17	17	Kg

Note: VAT--Value Added Tax; ED--Export Drawback Rate; Source: PRC Customs Import & Export Tariff, 2018

**Table 14. Cotton Tariffs as of January 1, 2018 (continued)**

Description	HS Code	M.F.N.(%)	Gen(%)	VAT	ED	Unit
Woven fabrics of cotton,	5208.1100	10	70	17	17	M/Kg
containing 85% or more by weight of cotton, weighing not more than 200 g/square meter	to 5208.5990*					
"	5208.5990*					
Woven fabrics of cotton, containing 85% or more by weight of cotton, weighing more than 200 g/square meter	*Except:					
"	5208.2300	12	70	17	17	M/Kg
"	5209.1100	10	70	17	17	M/Kg
"	5209.1200	10	70	17	17	M/Kg
"	5209.1900	10	70	17	17	M/Kg
"	5209.2100	12	70	17	17	M/Kg
"	5209.2200	12	70	17	17	M/Kg
"	5209.2900	12	70	17	17	M/Kg
"	5209.3100	10	70	17	17	M/Kg
"	5209.3200	10	70	17	17	M/Kg
"	5209.3900	10	70	17	17	M/Kg
"	5209.4100	10	70	17	17	M/Kg
"	5209.4200	10	70	17	17	M/Kg
"	5209.4300	10	70	17	17	M/Kg
"	5209.5900	10	70	17	17	M/Kg

Note: VAT--Value Added Tax; ED--Export Drawback Rate;

Source: PRC Customs Import & Export Tariff, 2018

**Table 15. Tariff Rate Quota**

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%	
	5203 - 0000	1%	1%	
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				
2005 -- 894,000 MT (China added 1.4 MMT TRQ in 2005)				
2006 -- 894,000 MT (China added 2.7 MMT TRQ in 2006, subject to variable import duty)				
2007 -- 894,000 MT (China added 2.6 MMT TRQ in 2007, subject to variable import duty)				
2008 -- 894,000 MT (China added 2.6 MMT TRQ in 2008, subject to variable import duty)				
2009 -- 894,000 MT (China added 400,000 MT TRQ only for processing trade, due to weak demands for cotton)				
2010 -- 894,000 MT (China added 2.67 MMT TRQ subject to variable import duty)				
2011 -- 894,000 MT (China added 2.7 MMT of TRQ subject to variable import duty)				
2012 -- 894,000 tons (China added 2.4 million tons of TRQ subject to variable import duty)				
2013 -- 894,000 tons (China added an estimated 2.3 million tons additional TRQ subject to variable duty or for processing trade)				
2014 -- 894,000 tons (China added about 1.3 million tons additional TRQ subject to variable duty were distributed but not officially announced)				
2015 -- 894,000 tons distributed (Industry sources estimated about 300,000 tons of cotton were imported by China's bonded zones* and destined for processing-trade for re-export in 2015)				
2016 -- 894,000 tons distributed				
2017 -- 894,000 tons distributed				
2018 -- 894,000 tons distributed ( <i>Added 0.8 MMT of TRQ subject to variable tariff import duty which was distributed in October 2018 and valid till the end of February 2019</i> )				
2019 -- Announced starting application for the 894,000 tons in mid-October 2018 and the quotas reach end-users usually in January 2019				

\*Cotton imports by China's bonded zones are included in China's total cotton import data. However, industry sources explained that these imports are not subject to TRQ control if the processed products are proven to be exported.

Note: China's WTO commitment does NOT mandate a TRQ for CY05 and after, but China maintained an identical quantity of TRQ as CY04. In addition to those volumes, China adds TRQs based on market demand. The added TRQs are subject to a variable import duty.

Source: NDRC and industry estimates.

