

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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China - Peoples Republic of

Cotton and Products Annual

Annual Report

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Report Highlights:

China's cotton imports in MY10/11 are forecast at 3.2 million metric tons (MMT), up 28 percent over the estimated 2.5 MMT the previous year. Forecast higher imports are mainly driven by expected consumption growth in response to domestic GDP growth and the recovery of the global economy. China's cotton use in MY10/11 is forecast at 10.9 MMT, up seven percent from the previous year. The slightly increased forecast MY10/11 domestic production of 7.4 MMT and reduced carry-over stocks will widen the supply and demand gap in MY10/11. Low farm returns for cotton compared to other products will continue to limit production growth, with total MY10/11 output forecast to rise three percent, but still down eight percent from MY08/09 levels.

Executive Summary

China's MY10/11 cotton imports are forecast at 3.2 MMT, up 28 percent over the estimated 2.5 MMT for MY09/10. The high import forecast is based on weak gains in domestic production in conjunction with an anticipated increase of cotton use in response to the expected recovery of global demand for textile products from 2010. Additionally, the impact of the economic crisis on China's domestic demand for textile products in MY09/10 remains limited based on China's 8.7 percent GDP growth in 2009 and likely 10 percent in 2010. The lower volume of 1.5 MMT cotton imports in MY08/09 was mainly due to a sizable reduction in cotton use coupled with government regulation of imports through the tariff rate quota (TRQ) system and periodic release of the state cotton reserve. China's textile and garment exports in 2010 are expected to increase dramatically as a result of stronger domestic demand following the recovery of the global economy. Cotton imports are regulated by the existing TRQ system and a sliding tariff rate scheme. In 2009, the Government of China (GOC) implemented the "Registration System for Overseas Cotton Suppliers" and "Quality and Credit Assessment." (See details in GAIN CH8075 and GAIN CH9004). USDA conducted in-depth consultations with the GOC and will continue to work to ensure trade continues smoothly. To date, there have been no reports of trade interruptions related to the registration regime. Given the vast production capacity of China's textile industry, domestic cotton consumption is expected to rise along with growth in the world economy. FAS/Beijing forecasts China's cotton consumption for MY10/11 at 10.9 MMT, up seven percent from an estimated 10.2 MMT for MY09/10.

China's domestic cotton production in MY10/11 is forecast at 7.4 MMT based on a moderate recovery of planted area to 5.7 MHa, compared to the estimated 5.55 MHa in the previous year. Despite government efforts to boost cotton production, growth in the domestic planted area for cotton has been limited by government support policies to increase grain production and ensure food security, and the relative per-unit returns from cotton versus other competing crops. The cotton seed subsidy continued to cover all cotton area in MY10/11 and is expected to remain in place in the foreseeable future. Technology advancements in recent years have boosted cotton yields to nearly 1,300 Kg/Ha. Yields are expected to remain generally stable over the next two years.

Lack of reliable data on domestic cotton production, consumption, and stocks continues to confuse the industry, causing uncertainty and impacting global cotton trade.

Production

China's MY10/11 cotton production is forecast at 7.4 MMT, up from last year's revised estimate of 7.2 MMT. This increase is based on a moderate expansion in planted area from 5.9 to 5.7 MHa with yields remaining similar to the previous year. China's cotton planted area slid in MY09/10 mainly due to low returns when compared with other crops. Post had originally estimated MY09/10 production at 7.4 MMT (GAIN CH9035). However, China's National Statistics Bureau's (NSB) "2009 National Economy

and Development Communiqué” quoted MY09/10 cotton production at 6.4 MMT, based on a planted area of 4.95 MHa. An early report by China’s Ministry of Agriculture (MOA) estimated MY09/10 production ranging from 6.4 to 6.7 MMT. Based on recent market developments and trade analysis, FAS/Beijing adjusted the MY09/10 domestic production to 7.2 MMT, still significantly higher than the NSB reported 6.4 MMT, but more in line with industry insiders’ expectations and accounting for historical under-reporting of official statistics. As stated in previous reports, under-estimated planted area in Xinjiang Province appears to be the main factor contributing to the differences in production figures. Most Chinese industry insiders believe MY08/09 Xinjiang cotton production was actually 500,000 MT higher than the three MMT released by NSB. According to China’s industry sources (and mainly based on Xinjiang Railway Records), by the end of March, 1.7 MMT of MY09/10 cotton had been shipped out of Xinjiang, with an estimated 1.4 MMT remaining. Combined information and analysis supports MY09/10 Xinjiang cotton production far exceeding three MMT, if an estimated 400,000 MT consumed locally is included. Therefore, the NSB estimate of 2.5 MMT in MY09/10 is clearly underestimated. Although most other provinces reported a decrease in production, Xinjiang accounts for the largest share of total cotton production, so FAS/Beijing estimates total domestic production of 7.2 MMT in MY09/10. (See Table 12 for planted area and production by province). The marketing of the MY09/10 crop was reportedly faster than the previous year and the farm-gate price continued to rise mainly due to recovery of demand, coupled with a decrease in production and limited imports. In general, farmer returns from cotton in MY09/10 increased compared to the previous year, and the GOC policies continue to favor maintaining stable cotton planted area. However, planting intention surveys conducted by various industry agencies agree that MY10/11

planted area is not likely to increase by much. After considering all available sources, FAS/Beijing favors information supporting moderate growth in cotton production to 7.4 MMT based on a three-percent increase of planted area in MY10/11.

Planted Area

MY10/11 domestic cotton planted area is forecast at 5.7 MHa, up three percent from the previous year's estimated 5.55 MHa, mainly in response to increased returns from cotton in MY09/10. Although the MY10/11 cotton planting intention forecasts vary among major Chinese industry agencies, most believe a stable to moderate area recovery is likely, and farmers might plant more cotton in response to the current bullish cotton price due to the widely expected tight supply.

China Cotton Research Institute Survey

In February 2010, China Cotton Research Institute (CRI) forecasted planting intentions for MY10/11 would decline by five percent from the previous year. The CRI survey also indicated that 48 percent of the interviewed farms would reduce cotton area in the three major cotton-producing regions. Specifically, the planting intention is expected to slide by nine and seven percent, respectively in the Northwest and the Yellow River regions, but increase seven percent in the Yangtze River region. CRI believes that despite the seed cotton price surge (up 34 percent compared to the previous year), the per-unit profit farmers received from cotton in MY09/10 did not increase significantly from the MY07/08 level (see the following table). CRI's survey showed that the MY09/10 profit from cotton averaged \$1,200 per hectare, significantly higher than the mere \$5 per hectare in the previous year, but a slight recovery from the \$1,087 per hectare in MY07/08. This is particularly true in the Yellow River region where farmers have more options and the government's grain subsidy drove the comparative advantage of grain crops even higher compared to cotton. Although a good profit margin typically results in expanded planted area the following year (as we saw in MY08/09), CRI believes the decline

in planting intention for MY10/11 is mainly attributed to the “unpredictable cotton market/price” for farmers, and fewer returns when directly compared with the profit margin for grain production. In addition, the intensive labor input and fewer mechanized farms means cotton planting is one of the “hardest” rural jobs. Moreover, the GOC’s combined subsidies for grain production, estimated at \$198 per hectare, are far above the \$33 per hectare for cotton. In Xinjiang, the local government’s diversification plan for agriculture resulted in more fruit trees and cash crops including tomatoes, peppers and grapes, and forage/grain for animal husbandry.

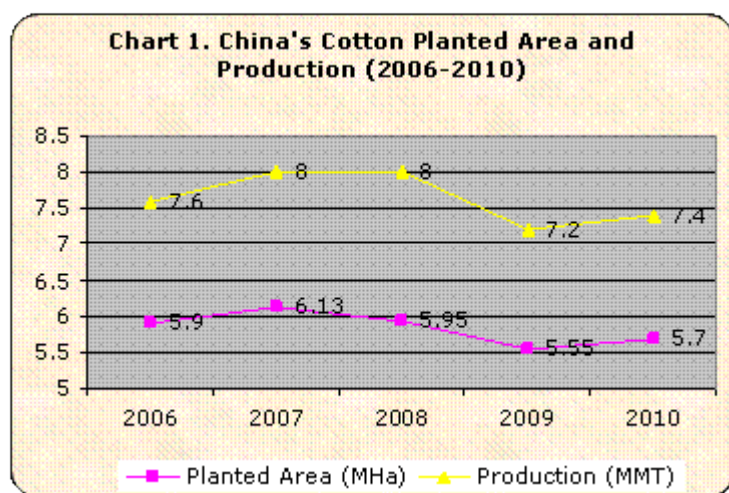
CRI Cotton Planting Profits from 2007-2009 (\$1= RMB6.8)

Year	Output Value		Total Cost		Profit	
	RMB/Ha	%Change	RMB/Ha	%Change	RMB/Ha	%Change
2007	22,477	+12	15,076	-3	7,401	+12
2008	17,263	-23	17,235	+14	28	-100
2009	23,757	+37	15,579	-10	8,178	+543

National Cotton Market Monitoring Network Survey

Another survey conducted in March by the National Cotton Market Monitoring Network (NCMMN) showed the cotton planting intention in MY10/11 stood at 5.2 MHa, only one percent higher than the previous year. More specifically, the planting intention in the Yangtze River region and the Northwest region increased by six and two percent, respectively, while intentions in the Yellow River region fell by more than four percent. In the Yellow River region, total planting intention was 2.1 MHa (31 million Mu) with Henan and Hebei Provinces down nine and eight percent, respectively. In the Yangtze River region, total planting intention is estimated at 1.4 MHa (21.7 million Mu), up more than six percent on average, with the highest growth in Hunan, Jiangsu and Hubei Provinces. The high seed cotton price in MY09/10 (up 47 percent over the previous year) boosted planting intention in the Yangtze River and the Northwest regions. The relatively high yields in Hunan (up 17 percent) and Hubei (up 13 percent) Provinces and increased returns boosted confidence in cotton planting in these two

provinces. The planting intention for the Northwest region grew slightly more than two percent. It is worth noting that in Xinjiang the Production Construction Corporation (PCC) planting intention slid by more than eight percent mainly due to the “PCC Restructuring Plan of Crop Mix” and deterioration of irrigation as a result of reduced rainfall. The reduced planting intention in the Yellow River region, however, is mainly attributable to low yields, coupled with a lower comparative profit received by farmers in MY09/10. NCMMN survey results reflected higher profits gained from competing crops (corn and wheat), and cited that in Hengshui City, Hebei Province, the profit from grain crops was \$2,867 per hectare, higher than the \$2,140 per hectare for cotton in MY09/10.



An earlier NCMMN survey in November 2009, however, indicated MY10/11 cotton planting intention would increase by three percent from the previous year. Some information collected in the survey did not support a strong recovery of cotton planting intention though the situation varies in the three cotton-producing regions. For instance, the per-unit net returns from cotton were \$1,380 per hectare (RMB625 per Mu) compared to the \$1,425 -3,735 per hectare (RMB650 - 1700 per Mu) from vegetables in North Jiangsu Province (source: farmer surveys in Dafeng County); The net income from grain (corn and wheat) is \$3,555 per

hectare (RMB1,620 per Mu) relative to the \$2,220 per hectare (RMB1,010 per Mu) from cotton in Hebei Province (source: farmer surveys in Cunzhou City). The surveyed farmers also complained that the returns from cotton are unpredictable as cotton is affected by both domestic and international markets.

China Cotton Association Survey

In mid-March 2010, the China Cotton Association (CCA) released the results of a MY10/11 cotton planting intention survey conducted in early March. It showed an unchanged planting intention from the previous year based on results from 2,057 fixed cotton farmers in 13 cotton-producing provinces. The general planting intention remained unchanged from the previous year, with intention down eight percent in the Yellow River region, up nine percent in the Yangtze River region, and stable in the Northwest region (but up three percent in Xinjiang). In the Yellow River region, prolonged rainy weather resulted in low cotton yield and poor quality in MY09/10, which reduced profits. While in the Yangtze River region, favorable weather conditions in MY09/10 resulted in recovery of cotton yield and profit.

In the largest producing province, Xinjiang, the local government pushed farmers to diversify crops to minimize price risk. The Xinjiang Agriculture Bureau plans to maintain grain and cotton areas similar to those in MY09/10, with 1.9 MHa (28.5 million Mu) of grain crops and 1.33 MHa (20 million Mu) of cotton, respectively. The provincial bureau also forecast cotton production will be similar to the 2.5 MMT in MY09/10.

In the National Agriculture Conference held at the end of 2009, MOA instructed all relevant provincial agencies to promote recovery of cotton planting area to reach 5,667,000 Ha (85 million Mu) in MY10/11, up 13 percent from the previous year. Currently, MY10/11 cotton planting is in process. However, lower temperatures and snow in Xinjiang delayed cotton sowing by about ten days, while low temperatures and excessive moisture in the Yangtze River region delayed cotton seed sprouting. Some farmers have yet to make

final planting decisions. Given the current state of play, FAS/Beijing favors a moderate recovery of cotton area in MY10/11, up three percent over the previous year.

Yield

China's cotton yield for MY10/11 is forecast to be 1,298Kg per hectare, almost unchanged from MY09/10, and similar to the three-year average of 1,294Kg per hectare from MY06/07 to MY08/09 (NSB data). Steady yields are mainly attributable to technical advancements in the Xinjiang production region and in the dissemination of biotechnology (Bt) cotton varieties in the Yangtze and Yellow River regions.

The Bt cotton share of China's cotton planted area is expected to remain stable or increase in MY10/11, mainly supported by a nationwide cotton seed subsidy. Some experts believe that Bt variety coverage reached 100 percent in Henan, Hebei, Shandong, and Anhui Provinces. Additionally, MOA plans to increase the "3-line Cross-bred Bt Cotton Varieties" developed by Chinese scientists. These varieties are reported to increase yield by 25 percent compared to the conventional varieties.

In Xinjiang, Bt varieties are reportedly not planted due to fewer outbreaks of diseases/pests. The development of conventional varieties with specific traits such as dwarf plant size and early maturity are expected to continue boosting yields. Expanded application of advanced techniques including high density sowing, plastic sheet covering, and drip irrigation technology that will contribute to additional yield gains. These advancements are particularly significant for Xinjiang PCC farms. Industry sources reported that drip irrigated in the planted cotton area accounted for 80 percent of the PCC planted area in 2008.

For MY 10/11, in general the sowing of cotton is expected to be delayed by one week to ten days in Northern Xinjiang due to low temperatures and remaining snow on the ground and low temperatures

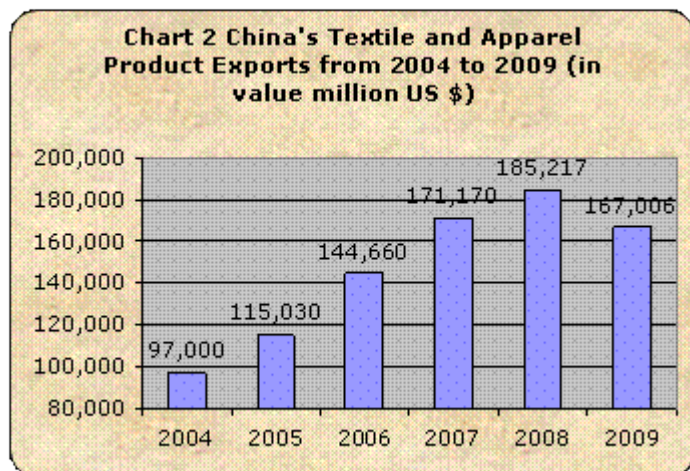
coupled with excessive moisture in the Yangtze River region. The sowing in the Yellow River region seems to be moving along at a normal pace and soil moisture is favorable for cotton planting.

Consumption

China's cotton consumption in MY10/11 is forecast at 10.9 MMT, up seven percent from an estimated 10.2 MMT for MY09/10. This forecast growth is mainly due to expected recovery of world demand, together with strong domestic demand for textile and apparel products. China's cotton consumption dropped to 9.5 MMT in MY08/09 from the record 11.2 MMT in MY07/08 as a result of the slowdown of global economy.

China's Textile Producing Capacity Remains Strong

After considering a number of varying industry statistics, FAS/Beijing estimates China's textile and apparel exports were valued \$171 billion in 2009, down 10 percent from the previous year. Exports have rebounded since January, with the total export value in the first quarter of 2010 at \$39.2 billion, an increase of 15 percent over the same period in 2009. Meanwhile, the continued high cotton price in the domestic market also reflects strong demand for cotton. According to NSB, China's GDP growth rebounded to 9.1 percent in the third quarter and reached 10.7 percent in the fourth quarter of 2009. The strong recovery of exports, together with expected improved domestic demand (based on an anticipated 10 percent GDP growth in 2010), will continue to foster a recovery in cotton consumption in the remaining months of 2010. Additionally, China's vast textile producing capacity will continue to facilitate cotton consumption when world demand for textile and apparel products recovers. Over the long term, cotton consumption is expected to increase, mainly boosted by China's domestic textile/apparel consumption.



Source: CNCotton.com

Despite lower textile sales in 2009, investment in China's textile sector remained strong. According to industry sources, fixed asset investment in the textile industry stood at \$45.6 billion in 2009, up 14 percent from the previous year. The total investment of \$40 billion (RMB 272.4 billion) in 2008 was seven percent higher than the previous year. This growth rate, however, is significantly lower than the 26 and 27 percent increases, respectively, in 2007 and 2006. Industry insiders believe the priority for many textile enterprises in 2009 was to survive in a stagnant market by utilizing existing capacity. The share of new investment for the central region continued to grow, while the eastern and western regions declined. This indicates that the industry continues to move processing to the labor abundant central provinces, and will continue this trend in 2010 in search of lower labor costs and a favorable environmental and financial climate for investment. Industry sources estimate by the end of 2009 the total spindle count reached 110 million. The average profit margin for the cotton textile sector stood at four percent for the first eleven months of 2009, up from the 3.5 percent in the previous year. It is also estimated that more than 94 percent of profits were generated by about 4,200 enterprises (accounting for 36 percent of total 11,700 cotton textile enterprises). This

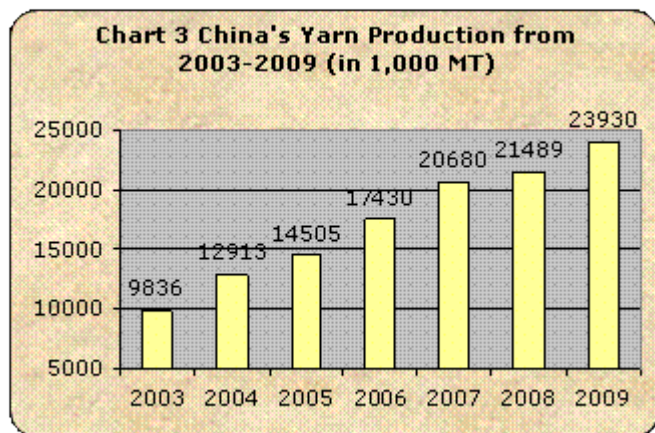
indicated that the industry profit margins remained very thin for most enterprises in 2009.

In 2010, the textile industry will remain one of China's "pillar industries." According to China's 11th Five Year (2006-2010) Plan for Development of the Textile Industry, total fiber production is forecast to reach 36 MMT by 2010, with an annual growth rate of six percent. Moreover, per capita fiber consumption is expected to rise from 16.8 to 18 kg, an annual growth rate of seven percent. Employees involved in this sector are expected to reach 23 million, up from the current 20 million.

Domestic Consumption to Increase

Sales of textiles and apparel are increasingly driven by domestic consumption resulting from higher disposable incomes and population growth. The China Textile Industry Association (CTIA) estimates the domestic share of the sector's total sales output accounted for 80 percent in 2009, up from 77 percent in 2008. According to NSB, the per capita expenditure on clothing by urban residents remained 5.5 times that of rural residents in 2008. Nevertheless, as rural incomes rise, better clothing will be high on the list of new purchases for China's 800-plus million rural residents. Net growth of the urban population stood at 12 million in 2008 as urbanization expanded. The GOC is expected to release its 2010 census data in November 2010, but the trend towards urbanization is expected to continue into the future.

China's textile and apparel product export growth is expected to remain strong in the remaining months of 2010. CTIA emphasized it hopes to maintain the domestic market share at 80 percent in 2010, though exports are likely to grow in response to the demand recovery by major developed economies. However, the increase of labor costs and wide expectation of RMB appreciation cast shadows on the rejuvenation of the cotton textile industry and the expansion of cotton use in MY10/11.



Yarn production is forecast at 25 MMT in 2010, up five percent over 2009 (See chart 3: Source: 2003-2009 by NSB and 2009 by CTIA estimate). CTIA estimated that yarn production reached 23.9 MMT in 2009, up 11 percent over the NSB production data for the previous year. Yarn production for the first quarter of 2010 exceeded 5.6 MMT, up 20 percent over the previous year. Out of the total, cotton yarn production reached 4.4 MMT, up 19 percent over the previous year; synthetic fiber yarn production increased by 30 percent to reach 777,000 MT. It is likely this growing trend will continue in the remaining months of 2010 and beyond.

Misreporting of Yarn Categories and Volume – A Continuing Problem

Converting yarn production into cotton use remains a challenge due to the lack of reliable data. According to CTIA, total yarn production for 2009 was reported at 23.9 MMT, which FAS/Beijing believes is exaggerated. Out of the total yarn production, a total of 18.7 MMT was reported as pure cotton yarn, 2.3 MMT blended yarn, and 3 MMT synthetic yarn. These figures are obviously contradictory when compared to China's average cotton use, which has ranged from 10 - 11 MMT annually in recent years. CTIA also acknowledged this contradiction and believes misreporting of yarn category and volume by mills (estimated number of cotton textile enterprises exceeds 11,700 in 2009) are the causes.

Adding to the uncertainty, mills constantly change the cotton ratio in yarn production depending on market

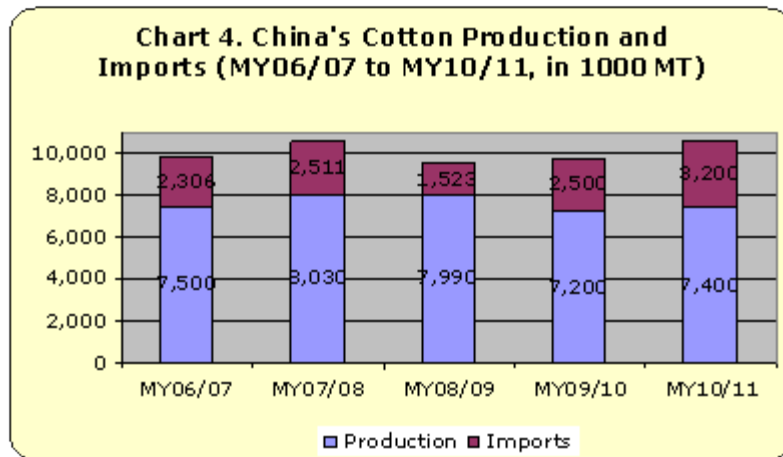
conditions and price ratios between cotton and synthetic fibers, making accurate reporting difficult. For example, a single percentage change in the cotton share can drastically alter cotton consumption by about 200,000 MT. Post believes that a number of factors led to the current dilemma, including over-reporting of total yarn and pure cotton yarn production, the under-reporting of synthetic fiber ratio and cotton consumption, or a combination of all three. Based on CTIA data, total chemical fiber production in 2009 was 27.3 MMT, up more than 14 percent over the previous year. Recognizing the negative impact unreliable data has on the development of the sector, CTIA initiated and NDRC approved an overhaul of China's yarn production reporting system. Hopefully this program will result in more accurate yarn data thus more reliable cotton use estimate in the near future.

Along with price ratio changes between cotton and synthetic fibers and dependant on the ratios the market demands at the time of production, mills can be expected to readjust cotton shares in yarn production more often in 2010. Historically, the price of cotton fiber is approximately 20 percent higher than that of synthetic fibers. Industry experts expect that the share of synthetic fibers in yarn production may increase in 2010 due to anticipated tight global cotton supplies and resulting higher prices.

Trade

MY10/11 imports are forecast to surge to 3.2 MMT, up 28 percent from the estimated 2.5 MMT in MY09/10. This increased forecast is based on stagnant domestic production, coupled with an increase in consumption. As mentioned above, MY10/11 cotton consumption is forecast at 10.9 MMT, up seven percent from the 10.2 MMT in MY09/10. (See chart 4: Source - Production: MY06/07 from NSB; MY07/08 to MY10/11 by Post. Imports: World Trade Atlas; MY09/10 and MY10/11 by Post). China's cotton exports average about 10,000 MT annually, an insignificant amount compared to the total cotton use figure. Cotton yarn and

thread trade remains stable, with the annual import volume exceeding exports by 350,000 MT in recent years.



U.S. Competes with India for Share of China's Market

Despite the drop in cotton imports in MY08/09, the United States continued to be the largest exporter to China, followed by India and Uzbekistan accounting for 60, 10, and 10 percent of the total, respectively. However, India's share in the first eight months of MY09/10 increased significantly to 40 percent while the United States dropped to 27 percent. According to World Trade Atlas data, the price of Indian cotton averaged \$0.2/kg lower than U.S. cotton during the first eight months of MY09/10. In addition to the Indian government's decision to levy a three-percent duty on cotton exports beginning in mid-April, the government also suspended cotton exports beginning April 19, 2010, with no stated end-date. This will most certainly reduce India's cotton exports to China for the remaining months of MY09/10. Industry sources report that as of April 15, Indian cotton contracted for export stood at 1.45 MMT with more than 400,000 MT yet to be delivered. India's cotton production is likely to continue growing in the coming years, along with technical advancements and dissemination of Bt cotton. Relatively lower prices and convenient transportation/delivery also contribute to India's competitiveness in China's market. Indian traders are

actively engaged in promoting cotton in China. Although cotton originating from the United States remains the best choice for Chinese end-users based on quality and reliability of supply, it is expected to continue facing fiercer competition from Indian cotton in the next few years because of India's large planted area and yield growth.

Consignment Trade to Recover

Consignment trade is likely to recover in MY10/11. Most Chinese enterprises, in particular the medium and small-scale mills will continue to take a "hand to mouth" purchasing approach in MY10/11. Consignment trade has advantages such as short delivery time, flexibility, and convenient quality verification. Industry insiders expect more domestic buyers will choose consignment trade as a way to alleviate financial difficulties.

Stocks

Stocks continue to be difficult to estimate. China still has not established an official cotton market information system although several relevant agencies are trying to develop supply and demand balance sheets. The lack of transparent and reliable data (production, consumption, and stocks) has been even more pronounced in recent years due to rapid expansion and diversified scales of production. The already numerous players continue to diversify ownership in the industry chain, including the millions of cotton farmers, gins, merchants and mills. All these entities contribute to making the collection of reliable production statistics in China an extremely difficult task.

Based on the 2nd Ag Census, NSB adjusted domestic cotton production upward for 2006 and 2007. The major justification was under-reported planted area and under-estimated lint ratios by province. However, production data before 2006 is yet to be re-calculated. Some industry leaders believe total cumulative under-reported production from 2002 to 2005 could reach 2.7 MMT. More time may be needed to justify these new

indexes (area and lint ratios). However, FAS/Beijing and most industry insiders believe NSB cotton production data for 2007 through 2009 continues to be under-estimated. As mentioned above, converting yarn production into cotton use figures remains difficult a challenge. The combination of “unknown production and consumption,” together with the GOC’s “unknown” state cotton reserves make estimating true stock levels almost impossible. It is worth mentioning that “consignment trade” remains dynamic because of its advantages of flexibility and quick delivery, making low industry inventory possible. Based on an industry source, total cotton under “consignment trade” in China’s bonded warehouses is estimated at 270,000 MT.

The forecast ending stocks for MY10/11 are 3.6 MMT with the stock-to-use ratio at 33 percent. The forecast recovery of “consignment trade” may justify a relatively low stock-to-use ratio in MY10/11.

Marketing

Marketing of MY09/10 Crop

The marketing of MY09/10 crop has been expedited because of increasingly tight supplies since harvest. The tight supply is in response to a combination of several factors but mainly reduced imports and decreased production in the Yangtze River and the Yellow River regions. The shortage of railcars in Xinjiang continues to act as a bottleneck for getting Xinjiang cotton to market. Although the GOC released a total of 2.62 MMT of state reserves in three batches between May and November 2009, mills/traders rushed to purchase cotton to avoid a shortage. The GOC did not purchase any MY09/10 crop for reserve, but this policy will continue to be a support mechanism to safeguard farmer incomes when cotton prices and profitability falls.

Transporting Cotton out of Xinjiang Province

Transporting cotton out of Xinjiang remained difficult in MY09/10. The GOC currently provides subsidies for the shipping of Xinjiang cotton to mills in coastal and

southern cities. Industry insiders said the number of railcars needed for shipping goods *out* of Xinjiang far exceeds that for shipping *into* Xinjiang, and this situation is unlikely to change in the near future. Heavy snow in parts of Xinjiang made railcar supply even tighter for cotton transportation. In mid-April 2010, China's State Council gave special instructions to add railcars for cotton shipments. An industry source estimated that 300,000 MT of cotton would be shipped out by the end of April 2010, totaling 2 MMT shipped out of Xinjiang from the harvest of MY09/10 crop.

Other Marketing Related Issues

The GOC already approved a few international traders to engage in China's domestic cotton trade. These traders, however, are taking a cautious approach to entering the domestic cotton market because of its size and complexity. There has been limited interest from international traders in the marketing of domestic cotton.

U.S. cotton exporters interested in exporting cotton to China in need of marketing assistance may contact USDA/FAS's Agricultural Trade Offices (ATO) in Beijing, Chengdu, Guangzhou, Shanghai and Shenyang. They can be contacted via email at, ATOBeijing@usda.gov, ATOChengdu@usda.gov, ATOGuangzhou@usda.gov, ATOShanghai@usda.gov, and ATOShenyang@USDA.gov, respectively. Cotton Council International (CCI) is also actively involved in promoting U.S. cotton in China and throughout Asia. CCI serves China regionally from its Hong Kong Office. CCI can be reached via email at cci-hongkong@cotton.org. Both CCI and the ATO's organize events designed to bring U.S. cotton exporters in close contact with Chinese buyers.

The China International Cotton Conference, a biannual event sponsored by CCA, MOA, and FAO, attracts a worldwide audience from the cotton/textile industry. The next conference will be held in 2011. CCA, in collaboration with China National

Cotton Exchange also holds an annual event, the China Cotton Industry Development Forum focusing on analysis and outlook of the market situation.

Policy

Registration System for Overseas Cotton Suppliers

In 2008, China's General Administration for Quality Supervision, Inspection and Quarantine (AQSIQ) published Announcement No. 87, a new registration system for overseas cotton suppliers and in November published a related circular on "Quality Credit Assessment Measures" (GAIN CH8075 and CH9035). Since the publishing of the Announcement, USDA expressed serious concerns to AQSIQ through consultations and official letters regarding the potential trade impact and, requested AQSIQ delay the implementation of the system for six months to allow for technical consultations. However, AQSIQ moved ahead as planned, enforcing the registration system, though added that the "Quality Credit Assessment" would be "in a trial implementation stage." As of this report, AQSIQ has approved 218 registered overseas cotton suppliers in eight tranches. (<http://www.china-cotton.org/article/2010/03/02/zt42.php>).

USDA continues to engage AQSIQ to address outstanding industry concerns related to the registration system. In mid-April, AQSIQ sent a team to the Agricultural Marketing Service's central cotton lab in Memphis, Tennessee to learn about the USDA cotton classification system. The visit enhanced mutual understanding and laid a solid foundation for both sides to carry out additional cooperation on cotton import inspections. As of this report, there have been no reports of trade disruptions as a result of the registration and "Quality Credit Assessment Measures."

Seed Subsidy Continues to Cover Total Planted Area in 2010

In 2007, the GOC began to partly subsidize cotton production through a multi-year "seed subsidy" program (GAIN CH7033). The seed subsidies were expanded to cover all of China's cotton planted area in 2009. The

subsidy continues to be allocated to large seed producers/traders for selected “high quality varieties” through an open bidding process. The rate remained unchanged at approximately \$32 per hectare (RMB 15 per Mu; GAIN CH9035). In mid January 2010, China’s Ministry of Finance and MOA issued an announcement on “Administrative Measures on Subsidies to Cotton Planting Seeds.” The announcement specified that the 2010 subsidy program will remain unchanged from 2009. While the amount of the seed subsidy is not officially published, total appropriations in 2010 are expected to exceed \$160 million if based on the NSB’s 4.95 MHa planted area for MY09/10. According to the relevant provincial agricultural authorities, it appears funds have been distributed as scheduled.

The seed subsidy policy is aimed at stabilizing planted area. It is also expected that cotton quality will be more uniform because of selected “high quality varieties” (seeds eligible to be subsidized) are likely to increase in area coverage. Given the increasing cotton supply gap and the importance placed on maintaining a stable planting area, this policy is likely to remain in place in the foreseeable future.

Transportation of Xinjiang Cotton Continues to be Subsidized

The long distance from Xinjiang to the end-users in east and south China increases transportation costs for Xinjiang cotton. The GOC began to provide a transportation subsidy of \$59 (RMB 400)/MT for the shipment of cotton out of Xinjiang, effective MY08/09 through MY09/10 (the end date is tentative). The subsidy facilitated the shipment of Xinjiang cotton to coastal provinces. Most industry insiders believe this subsidy is likely to remain in place in the coming years to ensure the shipment of cotton in a timely manner.

Cotton Classification Reform

China’s cotton classification reform continued in MY09/10 and the new classification system will be fully enforced in MY10/11. According to China Fiber Inspection Bureau (CFIB)

(<http://www.cqsc.gov.cn/cotton/report?act=x&rls=0&type=6&infoType=1&ID=61>), a total of 1,450 gins participated in cotton HVI classification, up from the 1,216 in the previous year. As of April 27, 2010, total cotton baled and classed on the new classification system reached 2.5 MMT, which is lower than 2.8 MMT in the previous year when total cotton production was one MMT higher. According to China's cotton classification plan, the new system is scheduled to be fully in force by September 2010. However, some industry insiders expect CFIB may face challenges because some mills are reluctant to purchase the necessary equipment to enable them to accept the larger bales. As a result, these mills are likely to continue to purchase "small bales" of cotton from gins without "official classification." They will likely use the excuse that manual handling is more convenient, particularly when supply becomes tight. This situation is a drawback, because the new classing system is expected to help facilitate domestic cotton production estimates and upgrade the quality level of China's ginning sector.

Cotton imports are regulated by TRQ regime

The TRQ regime will remain in place in the foreseeable future as the GOC maintains that the TRQ regime is necessary to regulate the market and protect the interests of both farmers and the domestic textile industry. China's current willingness to expand the TRQ beyond its WTO commitments should continue into the near future because domestic production cannot meet the demand of the textile industry. As usual, China distributed 894,000 MT of cotton TRQ for 2010 (subject to one percent import tariff) at the end of 2009. Simultaneously, in response to requests by the textile industry and to curb rising cotton prices, the GOC distributed an additional 1 MMT of TRQ subject to a variable tariff rate. The total TRQ reached traders/mills in January 2010. The GOC did not add additional TRQ volume (subject to variable tariff) in 2009 because of sufficient domestic supplies and weak demand for textiles and apparel by overseas markets. However, in July 2009, NDRC approved distribution of 400,000 MT

cotton import quota specifically for “Processing Trade.” This approval was targeted to help some large export-oriented mills maintain operations. A large textile company was said to receive most of the 400,000 MT import quota. Because the quota is designated for “processing trade” it is exempted from any duties, however, the finished products must be exported. Distribution and allocation of the TRQ remains non-transparent.

2.6 MMT of State Cotton Reserve Released in 2009

The GOC maintains an unknown volume of state cotton reserves used to regulate the domestic cotton market. The state cotton reserve management policy is expected to continue in the foreseeable future. State purchases of domestic cotton for the reserve are also considered a means to enhance the ongoing classification reform by paying out a premium for the large bale cotton. In an effort to support the domestic cotton price/farmer’s income and facilitate the marketing of domestic cotton, the GOC purchased 2.72 MMT of MY08/09 domestic crop, accounting for almost one third of the total production (GAIN CH9035). Total purchased volume reached 2.87 MMT if the 150,000 MT of Xinjiang cotton purchased in August 2008 is added. However, in mid 2009, cotton supply became tight in the domestic market and prices began to climb as a result of limited imports (mainly due to shortage of import TRQ) and a widely expected smaller domestic production in MY09/10. The GOC thus released a total of 2.6 MMT of state reserve starting from late May through November 2009 to meet industry demands. The GOC believes the state reserve policy, together with cotton import TRQ regime; maintain “the domestic cotton supply/demand balance.” The GOC did not purchase new crop of MY09/10 for state reserve mainly because of a reduced domestic production at price considered to be above the floor level.

Targeted Loans

In MY09/10, the Agriculture Development Bank of China (ADBC) continued to provide targeted loans with favorable terms for the purchase of cotton. ADBC earmarked \$5.5 billion for this program, compared to the record \$7.7 billion in the previous year. The reduced loan may reflect a smaller production and improved financial conditions for gins/traders in MY09/10. ADBC will continue to financially assist domestic cotton marketing in MY10/11.

Textile Industry Remains One of the Pillar Industries

In the beginning of 2009, the GOC approved a stimulus plan to revitalize China's textile industry. The Plan was made in response to the slowdown in exports since late 2008 as a result of weak demand by overseas markets. The Plan includes measures to encourage exports, foster domestic brands and provide financial support for textile enterprises. According to the Plan, the GOC will expedite the phase-out of obsolete producing facilities, eliminating energy-inefficient and polluting equipment, and encourage textile and garment manufacturers to relocate operations to central and western areas from southeastern parts of China. New production bases for high quality cotton yarn, fabric, and textile products will be built in Xinjiang Province. The GOC will also take a proactive attitude to boost domestic textile/apparel consumption through innovation of new products and exploiting domestic rural markets.

According to industry sources, continued restructuring and upgrading of the sector remains the priority in 2010. Despite the weaker demand for textile products, China's textile industry maintained profitability in 2009. Though the sector faces tight profit margins resulting from increasing labor and raw material (cotton) costs and likely appreciation of China's currency eroding the sector's profit, China's industry leaders also expressed confidence on a steady growth of the industry in 2010.

Tables

Production, Supply and Demand (PSD)

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

Cotton	China	2008		2009		2010	
		2008/2009		2009/2010		2010/2011	
		Market Year Begin: Aug 2008		Market Year Begin: Aug 2009		Market Year Begin: Aug 2010	
		USDA Official Data	New Post	USDA Official Data	New Post	USDA Official Data	New Post
			Data		Data		Data
Area Planted		0	5,950	0	5,550		5,700
Area Harvested		6,000	5,950	5,150	5,550		5,700
Beginning Stocks		20,504	20,504	22,366	20,516		18,156
Production		36,700	36,700	31,500	33,070		33,988
Imports		6,996	6,996	9,500	11,480		14,700
MY Imports from U.S.		0	4,170	0	4,200		8,700
Total Supply		64,200	64,200	63,366	65,066		66,844
Exports		84	84	75	60		70
Use		44,000	43,600	47,500	46,850		50,060
Loss		-2,250		-2,500			
Total Dom. Cons.		41,750	43,600	45,000	46,850		50,060
Ending Stocks		22,366	20,516	18,291	18,156		16,714
Total Distribution		64,200	64,200	63,366	65,066		66,844
Stock to Use %		51	47	38	39		33
Yield		1,332.	1,343.	1,332.	1,297.		1,298.

Table 2. PSD (in 1,000 Metric Tons and 1,000 Ha)

Cotton	China	2008	2009	2010
		2008/2009	2009/2010	2010/2011

	Market Year Begin: Aug 2008			Market Year Begin: Aug 2009			Market Year Begin: Aug 2010		
	USDA Official Data		New Post	USDA Official Data		New Post	USDA Official Data		New Post
			Data			Data			Data
Area Planted	0	0	5,950	0	0	5,550	0	0	5,700
Area Harvested	6,000	0	5,950	5,150	0	5,550	0	0	5,700
Beginning Stocks	4,464	0	4,464	4,870	0	4,467	0	0	3,953
Production	7,990	0	7,990	6,858	0	7,200	0	0	7,400
Imports	1,523	0	1,523	2,068	0	2,500	0	0	3,200
MY Imports from U.S.	0	0	908	0	0	910	0	0	1,900
Total Supply	13,978	0	13,978	13,796	0	14,166	0	0	14,553
Exports	18	0	18	16	0	13	0	0	15
Use	9,580	0	9,500	10,342	0	10,200	0	0	10,900
Loss	-490	0	0	-544	0	0	0	0	0
Total Dom. Cons.	9,090	0	9,493	9,798	0	10,200	0	0	10,900
Ending Stocks	4,870	0	4,467	3,982	0	3,953	0	0	3,639
Total Distribution	13,978	0	13,978	13,796	0	14,166	0	0	14,553
Stock to Use %	51	0	47	38	0	39	0	0	33
Yield	1,332.	0	1,343.	1,332.	0	1,297.	0	0	1,298.

Trade Tables

Table 3. China's Monthly Cotton Imports

Unit: Metric Tons						
Month	2005	2006	2007	2008	2009	2010
January	113,076	301,372	123,092	157,712	77,993	301,359
February	70,599	321,280	125,235	158,168	93,083	221,046
March	101,487	495,049	259,846	213,221	98,763	323,800
April	169,815	490,704	215,093	263,417	145,560	
May	160,891	463,809	201,205	240,159	151,524	

June	206,024	380,674	252,460	211,043	168,619	
July	294,416	290,358	228,945	212,580	131,440	
August	373,295	285,958	258,667	186,875	109,711	
September	313,304	134,364	234,451	129,057	102,162	
October	198,167	84,985	137,031	96,155	118,604	
November	224,991	154,592	101,846	76,141	112,866	
December	347,517	240,338	322,575	168,433	216,776	
TOTAL	2,573,582	3,643,482	2,460,445	2,112,961	1,527,101	
Marketing Year	Aug/05-Jul/06	Aug/06-Jul/07	Aug/07-Jul/08	Aug/08-Jul/09	Aug/09-Jul/10	
TOTAL	4,200,521	2,306,112	2,510,869	1,523,643		
Unit: 480-lb Bales						
Month	2005	2006	2007	2008	2009	2010
January	519,358	1,384,200	565,359	724,373	358,222	1,384,141
February	324,263	1,475,641	575,205	726,468	427,529	1,015,262
March	466,128	2,273,762	1,193,474	979,323	453,619	1,487,200
April	779,959	2,253,801	987,920	1,209,874	668,557	
May	738,972	2,130,276	924,135	1,103,049	695,952	
June	946,269	1,748,434	1,159,550	969,321	774,466	
July	1,352,252	1,333,612	1,051,545	976,378	603,702	
August	1,714,546	1,313,403	1,188,058	858,318	503,901	
September	1,439,007	617,133	1,076,833	592,759	469,232	
October	910,179	390,338	629,382	441,641	544,749	
November	1,033,385	710,040	467,777	349,715	518,392	
December	1,596,146	1,103,872	1,481,585	773,613	995,653	
TOTAL	11,820,464	16,734,513	11,300,825	9,704,831	7,013,974	
Marketing Year	Aug/05-Jul/06	Aug/06-Jul/07	Aug/07-Jul/08	Aug/08-Jul/09	Aug/09-Jul/10	
TOTAL	19,292,992	10,591,973	11,300,825	6,998,092		

Source: World Trade Atlas

Table 4. China's Quarterly Cotton Imports by Country of Origin

Unit: Metric Tons

Marketing Year: 2007/2008					
Country	Jul-Sep /07	Oct-Dec /07	Jan-Mar/08	Apr-Jun/08	TOTAL
United States	475,248	188,013	134,116	272,987	1,070,364
India	55,392	216,650	295,524	244,968	812,533
Uzbekistan	33,332	21,088	17,555	90,794	162,768
Australia	42,356	30,649	6,192	19,930	99,127
Burkina Faso	33,501	15,523	14,555	13,899	77,478
Benin	20,701	6,928	4,374	27,148	59,151
Mali	10,568	6,793	13,226	13,865	44,452
Mexico	4,477	12,760	14,016	10,458	41,711
Cameroon	11,651	13,173	7,491	5,524	37,840
Egypt	2,381	3,429	3,454	2,077	11,342

Brazil	4,646	16,813	6,288	1,290	29,037
Cote d'Ivoire	4,442	1,144	2,863	4,093	12,543
Other	23,370	28,486	9,448	7,585	68,890
TOTAL	722,063	561,451	529,102	714,619	2,527,235
Marketing Year: 2008/2009					
Country	Jul-Sep /08	Oct-Dec /08	Jan- Mar/09	Apr- Jun/09	TOTAL
United States	342,427	238,339	160,056	255,213	996,035
India	29,849	37,151	27,261	51,330	145,591
Uzbekistan	58,427	1,794	50,763	50,648	161,631
Australia	29,701	21,049	5,509	27,945	84,204
Brazil	2,579	14,149	13,051	17,276	47,055
Benin	15,976	664	400	16,651	33,691
Burkina Faso	8,595	464	594	18,120	27,774
Cameroon	9,106	800	1,275	7,690	18,870
Mali	5,862	118	760	5,172	11,912
Mexico	6,547	8,743	3,755	6,265	25,310
Other	19,444	17,459	6,415	9,393	52,711
TOTAL	528,512	340,729	269,839	465,703	1,604,783
Marketing Year: 2009/2010					
Country	Jul-Sep /09	Oct-Dec /09	Jan- Mar/10	Apr- Jun/10	TOTAL
India	53,627	183,167			236,794
United States	130,250	86,299			216,548
Burkina Faso	27,320	39,029			66,349
Australia	37,479	31,568			69,048
Brazil	5,329	17,308			22,637
Pakistan	1,437	12,290			13,727
Benin	22,038	12,250			34,288
Uzbekistan	27,844	11,109			38,953
Cameroon	10,125	10,913			21,038
Mali	4,395	6,697			11,092
Cote d'Ivoire	7,243	4,397			11,641
Other	16,225	33,219			49,444
TOTAL	343,313	448,246			791,559

Source: World Trade Atlas

Table 5. China's Monthly Cotton Exports

Unit: Metric Tons					
Month	2006	2007	2008	2009	2010
January	1,450	2,404	221	581	86
February	581	362	393	606	0
March	0	2,149	811	2,969	
April	488	2,634	962	193	
May	944	932	854	887	

June	2,198	2,656	655	348	
July	665	1,038	866	1,401	
August	1,179	880	2,043	830	
September	1,229	835	3,503	114	
October	1,589	2,709	2,451	97	
November	1,142	2,887	1,916	8	
December	1,572	1,608	1,687	215	
TOTAL	13,039	21,094	16,361	8,249	
Marketing Year	Aug/06-Jul/07	Aug/07-Jul/08	Aug/08-Jul/09	Aug/09-Jul/10	
TOTAL	18,887	13,681	18,584		
Unit: 480-lb Bales					
Month	2006	2007	2008	2009	2010
January	6,662	11,044	1,014	2,670	393
February	2,668	1,663	1,805	2,785	0
March	0	9,871	3,726	13,635	
April	2,241	12,100	4,421	888	
May	4,337	4,278	3,921	4,073	
June	10,097	12,197	3,007	1,597	
July	3,056	4,767	3,979	6,437	
August	5,417	4,040	9,381	3,812	
September	5,647	3,837	16,088	522	
October	7,300	12,444	11,256	446	
November	5,245	13,260	8,800	35	
December	7,220	7,385	7,747	988	
TOTAL	59,890	96,886	75,145	37,887	
Marketing Year	Aug/06-Jul/07	Aug/07-Jul/08	Aug/08-Jul/09	Aug/09-Jul/10	
TOTAL	86,750	62,839	85,356		

Source: world Trade Atlas

Table 6. China's Quarterly Cotton Exports by Destination

Marketing Year: 2007/2008					
Country	Jul-Sep /07	Oct-Dec /07	Jan-Mar /08	Apr-Jun /08	TOTAL
India	88	660	514	487	1,749
Thailand	506	0	201	492	1,199
Taiwan	305	2,485	120	0	2,909
Vietnam	205	1,788	61	0	2,054
Japan	515	1,977	294	339	3,125
Other	1,134	294	236	1,153	2,816
TOTAL	2,753	7,204	1,425	2,471	13,853
Marketing Year: 2008/2009					
Country	Jul-Sep /08	Oct-Dec /08	Jan-Mar /09	Apr-Jun /09	TOTAL

Japan	30	44	125	57	257
India	1,885	1,224	416	98	3,622
Malaysia	0	171	0	0	171
Pakistan	2,032	687	0	0	2,720
Bangladesh	0	1,458	0	196	1,654
Korea, North	1,300	172	3,080	0	4,552
Hong Kong	283	343	0	0	626
Other	881	1,954	535	1,077	4,448
TOTAL	6,412	6,053	4,156	1,428	18,049

Marketing Year: 2009/2010

Country	Jul-Sep /09	Oct-Dec /09	Jan-Mar /10	Apr-Jun /10	TOTAL
Belgium	0	203			203
Japan	437	67			504
India	284	49			333
Other	1,624	2			1,625
TOTAL	2,345	320			2,665

Source: World Trade Atlas

Table 7. China's Monthly Cotton Yarn and Thread Imports

Unit: Metric Tons

Month	2006	2007	2008	2009	2010
January	62,896	75,289	59,448	38,702	102,478
February	61,535	46,631	42,289	61,569	58,667
March	88,313	88,089	73,161	78,186	
April	81,974	86,136	73,963	81,291	
May	75,690	83,350	69,424	78,993	
June	72,098	80,296	63,709	84,389	
July	69,185	74,507	70,838	88,031	
August	83,238	79,033	57,922	81,865	
September	75,944	64,743	59,406	88,651	
October	67,583	55,459	58,069	77,214	
November	68,989	56,936	46,705	90,793	
December	75,147	60,448	50,603	105,186	
TOTAL	882,592	850,919	725,539	954,871	
Marketing Year	Aug/06- Jul/07	Aug/07- Jul/08	Aug/08- Jul/09	Aug/09- Jul/10	
TOTAL	905,198	850,919	783,866		

Source: World Trade Atlas

Table 8. China's Monthly Cotton Yarn and Thread Exports

Unit: Metric Tons

Month	2006	2007	2008	2009	2010
January	26,322	39,434	37,114	25,208	39,795
February	33,121	27,261	28,436	26,468	24,800

March	53,124	43,847	55,410	39,808	
April	48,898	48,235	54,685	45,606	
May	46,251	49,864	50,120	42,557	
June	44,601	47,980	46,381	47,772	
July	44,321	47,382	45,580	43,592	
August	50,092	50,663	39,480	37,850	
September	45,748	45,760	36,414	41,776	
October	43,383	39,810	33,036	36,413	
November	42,682	39,890	28,855	44,509	
December	41,114	38,956	26,744	45,598	
TOTAL	519,657	519,081	482,255	477,157	
Marketing Year	Aug/06-Jul/07	Aug/07-Jul/08	Aug/08-Jul/09	Aug/09-Jul/10	
TOTAL	527,021	519,081	435,540		

Source: World Trade Atlas

Table 9. China's Monthly Cotton Fabric Imports

Unit: 1,000 Square Meters

Month	2006	2007	2008	2009	2010
January	78,984	101,379	82,988	45,848	47,637
February	76,877	67,268	56,821	55,264	34,968
March	111,700	107,980	81,949	68,193	
April	119,070	118,344	94,619	75,033	
May	104,379	104,325	84,718	66,003	
June	110,729	97,849	73,092	63,213	
July	107,165	91,328	76,626	65,614	
August	102,195	96,122	72,614	61,830	
September	117,464	94,349	82,838	70,214	
October	114,202	93,816	84,724	69,609	
November	127,051	111,609	81,936	69,042	
December	128,070	109,458	76,055	85,019	
TOTAL	1,297,886	1,193,828	948,983	47,637	
Marketing Year	Aug/06-Jul/07	Aug/07-Jul/08	Aug/08-Jul/09	Aug/09-Jul/10	
TOTAL	1,277,456	1,056,169	837,335		

Table 10. China's Quarterly Cotton Fabric Imports by Country of Origin

Unit: 1,000 Square Meters

Calendar Year: 2007					
Country	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	TOTAL
China	116,273	141,493	125,251	149,744	532,761
Hong Kong	69,157	87,482	72,420	81,584	310,643
Japan	30,483	27,380	20,493	26,332	104,689
Pakistan	27,719	25,812	31,704	24,044	109,279

Taiwan	12,647	17,013	12,670	13,897	56,227
Korea, South	9,143	9,268	8,153	7,302	33,866
Italy	1,708	2,823	2,688	2,862	10,080
Indonesia	2,687	1,621	1,955	2,108	8,370
Other	6,810	7,626	6,466	7,010	27,913
TOTAL	276,627	320,519	281,800	314,883	1,193,828
Calendar Year: 2008					
Country	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	TOTAL
China	98,024	119,604	114,453	116,304	448,385
Hong Kong	54,873	67,806	50,684	49,740	223,103
Japan	25,673	21,957	17,694	24,262	89,585
Pakistan	18,294	12,446	20,941	23,361	75,042
Taiwan	10,034	12,168	10,846	11,234	44,284
Korea, South	6,418	6,208	6,900	7,832	27,358
India	1,523	1,990	2,332	2,619	8,465
Italy	1,926	2,697	2,603	1,887	9,113
Other	4,993	7,553	5,626	5,477	23,648
TOTAL	221,759	252,429	232,078	242,716	948,983
Calendar Year: 2009					
Country	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	TOTAL
China	69,343	91,661	85,966	108,259	355,229
Hong Kong	31,612	42,538	38,805	39,386	152,341
Pakistan	29,171	35,124	38,410	31,859	134,564
Japan	20,300	13,975	13,131	16,720	64,126
Taiwan	6,285	7,730	6,671	7,581	28,267
Korea, South	4,325	4,921	5,472	6,345	21,064
India	3,646	1,754	2,399	4,049	11,849
Thailand	415	614	1,490	2,496	5,015
Turkey	769	1,019	1,187	1,686	4,661
Italy	1,030	1,762	1,059	1,522	5,373
Indonesia	1,013	983	828	1,224	4,049
Other	1,394	2,166	2,240	2,543	8,343
TOTAL	169,305	204,249	197,658	223,670	794,882

Source: World Trade Atlas

Table 11. China's Monthly Cotton Fabric Exports

Unit: 1,000 Square Meters						
Month	2005	2006	2007	2008	2009	2010
January	367,102	436,041	425,476	507,658	405,793	548,804
February	284,965	273,382	411,280	370,832	232,178	407,887
March	437,819	468,117	392,312	489,945	472,667	
April	417,040	448,958	496,096	533,580	468,673	
May	385,868	434,668	439,481	472,541	438,233	
June	414,540	444,517	424,101	487,795	437,932	
July	398,196	428,935	439,774	486,933	455,192	
August	419,847	485,664	474,342	514,674	468,003	

September	437,275	485,395	507,569	523,854	563,082	
October	424,741	471,032	490,385	506,479	510,625	
November	441,006	513,640	546,508	447,964	578,917	
December	447,263	522,728	513,499	419,117	669,986	
TOTAL	4,875,663	5,413,079	5,560,822	5,761,372	5,701,281	
Marketing Year	Aug/05-Jul/06	Aug/06-Jul/07	Aug/07-Jul/08	Aug/08-Jul/09	Aug/09-Jul/10	
TOTAL	5,104,752	5,506,981	5,560,822	5,322,756		

Source: World Trade Atlas

Other Tables

Table 12. Cotton Planted Area and Production by Province

Planted Area (1,000 hectares)					
Year	2006**	2007	2008	2009***	2010
Post - Total*	5,900	6,126	5,950	5,550	5,700
NSB - Total	5,816	5,926	5,754	4,950	
Xinjiang	1,900	1,783	1,718	NA	
Shandong	930	900	888	NA	
Henan	801	700	606	537	
Hebei	623	680	690	620	
Anhui	375	376	390	344	
Jiangsu	355	327	300	252	
Hubei	382	514	543	460	
Hunan	136	172	183	160	
Gansu	77	79	73		
Jiangxi	88	82	67		
Production (1,000 MT)					
Year	2006**	2007	2008	2009	2010
Post - Total*	7,600	8,030	7,990	7,200	7,400
NSB - Total	6,746	7,624	7,492	6,400	
Xinjiang	2,189	3,013	3,026	2,520	
Shandong	1,023	1,001	1,041	921	
Henan	830	750	651	520	
Hebei	628	725	737	605	
Anhui	408	374	363	351	
Jiangsu	381	348	326	256	
Hubei	449	557	513	480	
Hunan	248	244	247	242	
Gansu	128	129	123		
Jiangxi	95	128	112		
* Data estimate or forecast by Post; ** the 2006 total area and production is the NSB adjusted data based on 2nd Ag Census but the data by province not adjusted; ***data by province based on 2009 Provincial Statistics Report					
NSB-Average Yield(Kg/Ha)	1,160	1,287	1,302	1,293	

Source: NSB

Table 13. Cotton Tariffs as of January 1, 2010

Description	HS Code	M.F.N.(%)	Gen(%)	VAT	ED	Unit
Cotton, not carded or combed	5201-0000	T3	T3	13	13	Kg
Cotton waste, yarn waste	5202-1000	10	30	17	13	Kg
Cotton waste, garnetted stock	5202-9100	10	30	17	13	Kg
Cotton waste, other	5202-9900	10	30	17	13	Kg
Cotton, carded or combed	5203-0000	T3	T3	17	13	Kg
Cotton sewing thread, containing 85% or more by weight of cotton	5204-1100	5	40	17	16	Kg
Other	5204-1900	5	40	17	16	Kg
Put up for retail sale	5204-2000	5	50	17	16	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	16	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	16	Kg
Cotton yarn (other than sewing thread), containing 85% or more by weight of cotton, for retail sale	5207-1000	6	50	17	16	Kg
Woven fabrics of cotton,	5207-9000	6	50	17	16	Kg
	5208-1100	10	70	17	16	M/Kg

Source: PRC Customs Import & Export Tariff, 2010

Table 13. Cotton Tariffs as of January 1, 2010 (continued)

Description	HS Code	M.F.N.(%)	Gen(%)	VAT	ED	Unit
containing 85% or more by weight of cotton, weighing not more than 200 g/square meter	to					
	5208-5990*					
	*Except:					
"	5208-2300	12	70	17	16	M/Kg
Woven fabrics of cotton, containing 85% or more by weight of cotton, weighing more than 200 g/square meter	5209-1100	10	70	17	16	M/Kg
	5209-1200	10	70	17	16	M/Kg
	5209-1900	10	70	17	16	M/Kg
	5209-2100	12	70	17	16	M/Kg
"	5209-	12	70	17	16	M/Kg

	2200					
	5209-2900	12	70	17	16	M/Kg
	5209-3100	10	70	17	16	M/Kg
	5209-3200	10	70	17	16	M/Kg
	5209-3900	10	70	17	16	M/Kg
	5209-4100	10	70	17	16	M/Kg
"	5209-4200	10	70	17	16	M/Kg
	5209-4300	10	70	17	16	M/Kg
	5209-4900	10	70	17	16	M/Kg
	5209-5100	10	70	17	16	M/Kg
	5209-5200	10	70	17	16	M/Kg
	5209-5900	10	70	17	16	M/Kg

Note: VAT--Value Added Tax; ED--Export Drawback Rate; T3--Subject to Quato Control, in-Quato Duty Rate is 1%, Out-quato subject to sliding rate.

Source: PRC Customs Import & Export Tariff, 2010

Table 14. 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 did not add TRQ due to weak demands for cotton)				

2010 - 894,000 MT (and as of this report added 1 MMT of TRQ subject to variable import duty; China's WTO commitment does NOT mandate a TRQ for CY05 to CY09, but China maintained an identical quantity of TRQ as CY04. In addition to those volumes, based on market demand, China adds TRQs yearly. The added TRQs are subject to a variable import duty)