

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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China - Peoples Republic of

Cotton and Products Annual

Approved By:

Scandurra Laura G

Prepared By:

M. Melinda Meador and Wu Xinping

Report Highlights:

MY12/13 domestic cotton production is forecast to drop to 6.85 million metric ton (MMT) on lower forecast planted area of 5.05 million hectares (MHa), while cotton consumption is expected to increase to 10 MMT. High domestic stock levels could weaken import demand in MY12/13, depending on the level of China's market intervention measures. The U.S. remains China's largest cotton supplier with MY10/11 sales of 1.2 MMT.

Executive Summary:

Weak profit signals are luring cotton farmers to alternative crops, thus placing minimum production targets to meet growing consumption demands in jeopardy. To entice farmers to plant cotton, the government buys domestic cotton at an inflated price, in MY11/12 rmb19,800/MT, and holds it in reserve, currently estimated at 4MMT, for later use on behalf of the textile industry. Depending on China's agenda for market intervention through release of reserve cotton and control of TRQ's, imports could be negatively impacted in MY12/13.

Note: China has no official cotton market information collection system. The lack of transparent and reliable data (production, consumption, and stocks) has been more pronounced in recent years due to the rapid expansion and diversified scale of production. The numerous players continue to diversify ownership in the industry chain, including the large number 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.

Production

Recently, the National Development and Reform Commission (NDRC) issued a notice regarding indigenous development where cotton was characterized as a crop of economic significance with a targeted minimum production. China's textile industry is the world's largest consumer of cotton and depends on Chinese farmers to produce up to 70 percent of its demand. Domestic production, however, has not kept pace with the rapid growth and increasing sophistication of the textile industry. Economic factors, including preferential government support to grain crops, volatile price signals and low technological adaptation, have slowed industry advancement. Nevertheless, governmental policies are targeted at maintaining cotton production through measures that provide income support, encourage production stability and minimize price volatility.

Post forecasts MY11/12 domestic production at 7.2 MMT, reflecting yield losses from pre-harvest weather issues in the Yangtze River and the Yellow River regions and Xinjiang cotton production in excess of 3.5MMT. [Note: In late 2011, the Xinjiang Statistics Bureau reported MY11/12 Xinjiang cotton production of 2.9 MMT. China Fiber Inspection Bureau (CFIB), as of the end of March, reported total classified MY11/12 Xinjiang cotton at 3.32 MMT. As we've reported before, inconsistencies in Xinjiang's reported planted area frequently distorts total production figures (GAIN CH10033).] China's National Statistics Bureau (NSB) puts MY11/12 production at 6.6 MMT.

MY11/12

Due to a 21 percent rise in production costs, including labor, and a 30 percent drop in world seed cotton prices in MY 11/12, profits fell by 58.5 percent to \$1,134/Ha (chart 1), except for Xinjiang where cotton profits fared better.

Comparison of Cotton Production Output Value and Profit in MY10/11 and MY11/12

Item	Output Value		Total Cost		Physical Cost		Profit	
	RMB/Mu	Change	RMB/Mu	Change	RMB/Mu	Change	RMB/Mu	Change
MY11/12	1995.5	-18%	1503.6	+21%	584.7	+5.4%	491.5	-58.8%
MY10/11	2433.2	+46.7%	1242.6	+17.5%	554.5	+13.5%	1190.6	+97.9%

Source: CRI; Note: Exchange rate: 2010-\$1=RMB6.7; 2011-\$ 1=RMB6.5; 1 Ha = 15 Mu

To boost farmer's income, the Government purchased large amounts of the MY11/12 crop for state reserves at a set floor price of RMB19,800/MT, a price well above world market price. Despite this financial influx, however, cotton farmers will be considering the higher \$1,410/Ha profit from the production of "wheat plus corn" last year (in Dongping, Shandong, for

example), plus subsidies of \$34/Ha for cotton, compared to an estimated \$230/Ha for wheat, in making this year's planting decisions.

MY12/13

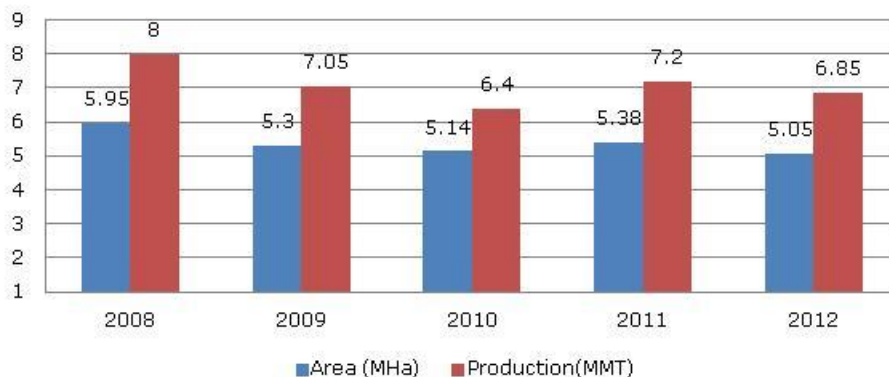
In light of last year's depressed profits and more lucrative alternative cash crops, MY12/13 cotton production is expected to fall 4.9% to 6.85MMT, due to a reduction in planted acreage with average yield of 1,356kg/ha. (See Chart 2). (See Table 10 for planted area and production by province).

Planted Area

Despite the government's early confirmation of an increase in the floor price to RMB20,400/MT to encourage a minimum production of 7MMT, Post forecasts MY12/13 planted area will fall 6.1 percent from 5.38 MHa in MY11/12 to 5.05MHa due to the financial lure of competing crops.

The 2011 spike in planted area, in response to historically high cotton prices in 2010 is an anomaly which distracts from the trend that cotton planting area has been declining over time.

Chart 1. China Cotton Planted Area and Production (2006-2012)



For the future, planting intention forecasts signal a continuing decline. The Ministry of Agriculture (MOA) forecasts a five percent decline in MY12/13, with a drop in a majority of cotton-producing regions, including Shandong (down 100,000 Ha) Xinjiang (down 53,000 Ha), then Hunan, Hubei, Anhui and Henan, with combined planting intentions down by 53,000 Ha.

The China Academy of Agricultural Science's Cotton Research Institute reports a 6.1 percent fall in MY12/13 cotton planting intentions to 5,085,000 Ha, a dip from its estimated area of 5,416,000 Ha in MY11/12, with the Yangtze River Region down 4.1%, Yellow River Region down 8%, and the Northwest Region down 3.4% (North Xinjiang down 2.7%, South Xinjiang down 3.3%).

China Cotton Association (CCA), in December, forecast MY12/13 cotton planting intention down to 5.2MHa, a 10.5 percent drop over the previous year, with the Yangtze River region down 10.8%, the Yellow River region down 16.5%, and the Northwest region down 5%.

The National Cotton Market Monitoring Network showed MY12/13 cotton planting intention down 8.2 percent from the previous year to 4.8MHa.

China Cotton Area and Production by Major Sources

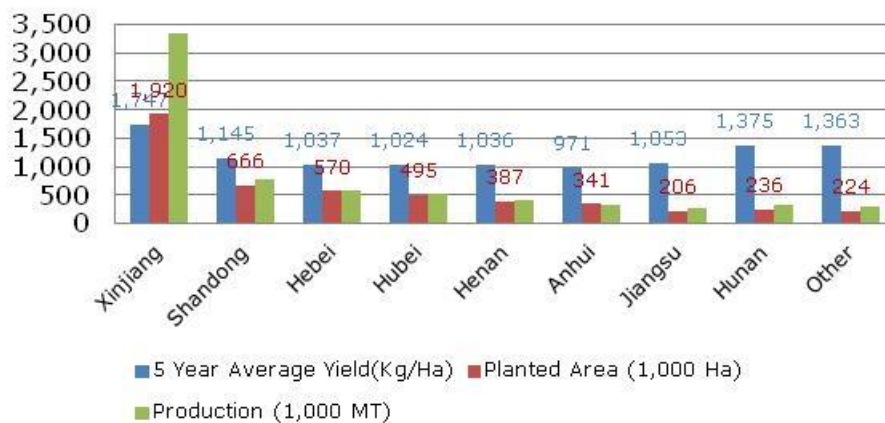
	Planted Area (1,000 Ha)		
	MY11/12	MY12/13	Change%
NSB	5,040	NA	
CCA Dec	5,810	5,200	-10.5%
CCA Mar	5,810	4,840	-16.7%
MOA	5,040	4,800	-5.0%
CRI	5,416	5,085	-6.1%
NCMMN Mar*	5,294	4,812	-9.1%
Post	5,380	5,050	-6.1%

*Intention comparison

Yield

In general, China's average cotton yield by individual province/autonomous region varies significantly, ranging from 971Kg/Ha in Anhui to 1,747Kg/Ha in Xinjiang. MY11/12 average cotton yield was 1,310kg/Ha (NSB total production divided by planted area). MY12/13 average cotton yield is forecast at 1,356Kg per hectare.

Chart 2. Forecast MY12/13 Cotton Yield, Area and Production by Province (Kg/Ha; 1000 Ha)



Yield improvements as a result of Bt cotton use is expected to remain strong in MY12/13, potentially reaching 100 percent in Henan, Hebei, Shandong, and Anhui Provinces. The MOA plans to encourage usage of domestically developed “3-line Cross-bred Bt Cotton Varieties” which reportedly increases yield by 25 percent compared to conventional varieties. According to the China Academy of Agriculture Science (CAAS), this domestic variety has been planted on 300,000Ha as of MY11/12 and will be expanded in MY12/13.

In Xinjiang's dry climate, Bt cotton is less prevalent due to a lower risk of diseases/pests. More applicable are the conventional varieties with specific traits, such as dwarf plant size and early maturity, which continue to raise yields in Xinjiang. The Xinjiang Production and Construction Corp (PCC) farms, which are organized over a larger area, incorporate particular agronomic practices, such as high density sowing, plastic sheet covering, and drip irrigation technology to improve yields. However, increased mechanized harvesting in MY 11/12, which offsets growing labor costs, reportedly had lower harvesting accuracy, compared to hand picking, which reduced overall per hectare yield in Xinjiang.

Additional Supply Considerations

The State Purchase of Domestic Cotton Program, which establishes a floor price for the purchase of domestic cotton for state reserves and the cotton TRQ regime are government programs enacted to maintain “the domestic cotton supply/demand balance.” The State Purchase Program had been suspended for the past two marketing years due to high market prices but was revived in MY11/12 when cotton prices fell below the established floor price of rmb19,800/MT for grade 328 cotton. The Government has already announced an increase in the MY 12/13 floor price to rmb20,400/MT.

Stocks

The GOC’s current stock reserve is likely to exceed 4 MMT, based on combined purchases of up to 3.13MMT from the MY11/12 crop, (surpassing the 2.89 MMT purchased in MY08/09), an estimated 800,000 MT of imports for reserve and approximately 300,000 MT of carry-in stocks. Given the forecast decline in planting area, the government will likely hold a higher level of stocks in preparation for potential mill demand. Many industry insiders believe the GOC will reserve any state stock release until after the MY12/13 crop is planted to avoid increasing supply at the same time farmers are making planting decisions.

Post forecasts MY12/13 ending stocks will remain high at 3.9 MMT, but this forecast will be impacted by many factors including consumption recovery and the price gap between domestic and international marketplaces. The stock to use ratio remains high at about 40 percent in MY11/12 and 12/13.

Imports

Annual import volume is controlled by the Government of China through a tariff rate quota system. This policy is in place to protect domestic production and regulate supply for textile demand.

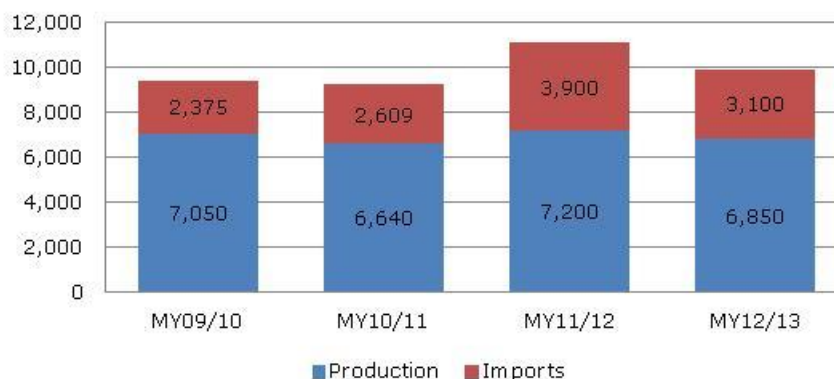
For MY 11/12, the government authorized 894,000MT of cotton imports (subject to one percent import tariff) and in response to textile industry requests, distributed an additional 1.32 MMT of TRQ subject to a variable tariff rate. This heavy import demand was stimulated by a combination of lower domestic supply due to large government purchases for state reserve and favorable international cotton prices, which in turn partly attributed to the early release of additional TRQ (See table 12).

The impact for MY 12/13 imports of high domestic stocks will depend on the balance between many factors, including the health of domestic production, strength of cotton consumption, level of governmental reserves and extent of market intervention measures and the price gap between domestic and world price.

Due to its high stock levels and finite warehouse storage capacity, the government is less likely to purchase significant amounts of the MY12/13 domestic crop. This will give mills greater access to domestic supply making them less reliant on imports. (See chart 3-Production: Post’s estimate or forecast; Imports: Global Trade Atlas). Mills will be able to access imported cotton through TRQ’s, but still look to the government to release additional stocks if market constraints dictate. The significant reserve levels remain an uncertainty for cotton trade, especially if the GOC decides to release inventory but restrict additional import TRQ.

Depending on the level of government reserves released to mills, cotton imports could decline up to 20 percent in MY12/13, falling to 3.1 MMT from an estimated 3.9 MMT in MY11/12.

**Chart 3. China's Cotton Production and Imports
(1,000 MT)**



Consumption

Moderate growth of 4.2 percent to 10MMT is expected in China's cotton consumption in MY12/13. Rising domestic and emerging market demands for apparel and textile products will be counterbalanced by sluggish economic performance in developed markets and an end to China's economic stimulus package, both of which will slow consumer spending and weaken demand. Depending on the price ratio changes between cotton and synthetic fibers, and depending on the ratio the market demands at the time of production, mills can be expected to adjust the cotton percentage in yarn production more often in 2012. Historically, the price of cotton fiber is approximately 20 percent higher than that of synthetic fibers. Industry experts anticipate that the share of synthetic fibers in yarn production may increase in 2012 due to higher domestic cotton prices. According to NSB, total chemical fiber production in 2011 was 33.8 MMT, up 8.9 percent over the previous year. Due to a period of sustained high cotton prices, the share of "pure cotton" reportedly declined by 5.5 percent while "synthetic yarn" rose 7.2 percent in 2011, respectively, over 2008.

Textile Industry Faces New Challenges

According to China's 12th Five Year (2011-2015) Plan, China will support and upgrade the development of the textile sector which employs over 23 million people and is considered a pillar industry. According to NSB, fixed asset investment in the textile industry in 2011 stood at \$56.4 billion, up 30.9 percent over 2010. Additional growth is also causing some consolidation as small to medium-scale textile enterprises face multiple challenges, including higher priced raw materials and rising labor costs.

The GOC reported that the average monthly wage for the country's migrant workers rose 21 per cent in 2011 from the previous year, and this wage growth trend continued in 2012 as many coastal factories faced a serious shortage of workers in the first quarter. The increase in production costs and likely appreciation of China's currency are forcing the industry to improve efficiency and productivity to maintain profit margins.

China's Textile Sector Production/Investment Trends

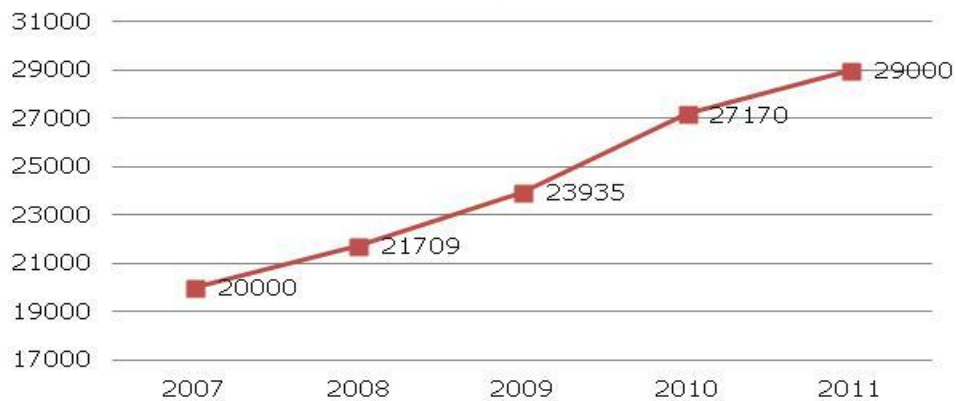
Year/Item	2008	2009	2010	2011	Change %
Yarn Production (MMT)	21.49	23.93	27.17	29	6.7
Fabrics Production (Million Meters)	710	740	800	837	4.6
Chemical Fiber Production (MMT)	24.15	27.3	30.9	33.9	9.7

Fixed Asset Investment in Textile Sector (RMB billion)	153.4	176.8	257	366.9	30.9/26.4
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Source: China Economic and Social Development Report by NSB

Textile investments in China’s central and western regions (up by 57 percent and 49 percent, respectively over 2010) reflect movement toward lower labor inputs and a favorable investment climate. According to the following table, 2011 yarn production for central and western provinces saw double-digit growth rates (with exception of Xinjiang) while the six coastal provinces only reached seven percent. Steady growth is expected to continue assuming strong domestic and recovering developed market economic demand for China’s textile products. Xinjiang yarn production remains stable. However, industry insiders believe it will increase in the next few years if potential spinning capacity is fully implemented.

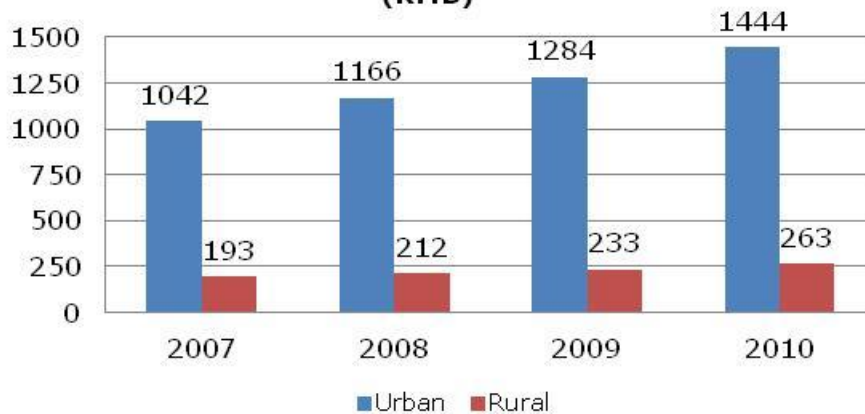
Chart 4. Yarn Production (2007-2011;1,000 MT)



Domestic Consumption to Increase

Domestic consumption of textiles and apparel continues to show steady growth. According to the China Textile Industry Association (CTIA), the domestic market accounted for more than 82.9 percent of the sector’s total sales value in 2011 (up 1.7 percentage points over 2010). With GDP over 9.2 percent in 2011 and expected to exceed 7.5 percent in 2012, growing incomes and rising living standards of Chinese consumers are driving retail consumption to the benefit of cotton products. For example, as indicated in Chart 5, the 2010 per capita expenditures on clothing increased for both urban and rural residents, up 12.5 percent for urban and 12.8 percent for rural over the previous year, with urban residents far outspending their rural neighbors (see Chart 5: Source: NSB and \$1=RMB6.7 in 2010). Urban residents bought more, and better quality, products. China’s 674.1 million rural residents are expected to follow this pattern as their incomes rise as well. This will support continued demand for domestic cotton products.

Chart 5. Per Capita Expenditures on Clothing (RMB)



Misreporting of Yarn Categories and Volume Continue

A long standing problem in consumption forecasting is the difficulty in matching cotton consumption data with finished product figures due to a lack of reliable data. For example, according to NSB, total yarn production for 2011 was reported at 29 MMT, out of which a total of 22 MMT (accounting for 75.4 percent) was reported as pure cotton yarn, with the remainder as blended yarn and synthetic yarn. These figures are problematic when compared to China's average cotton consumption, which has ranged from 10 - 11 MMT annually in recent years, and other fibers available for spinning, which cannot produce this large volume of yarn. Over-reporting of total yarn and pure cotton yarn production, under-reporting of synthetic fiber ratio and cotton consumption, or some combination of these, also complicates accurate analysis. China's industry insiders acknowledge misreporting of yarn categories and volume by mills is the basis for the problem.

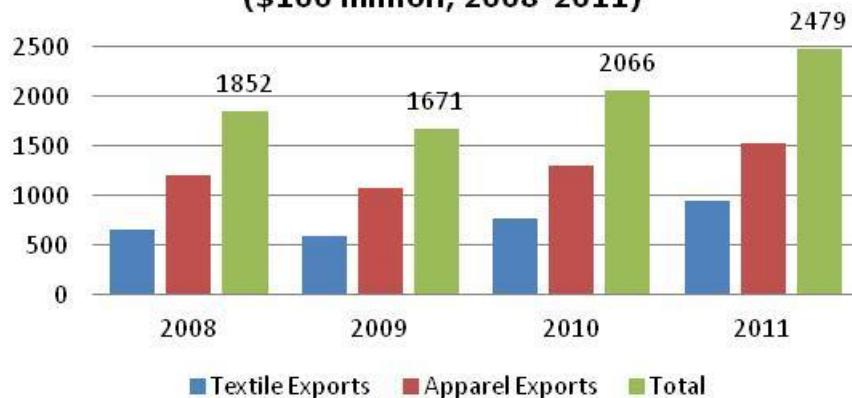
Trade

China's cotton exports average about 10,000 MT annually, insignificant compared to total cotton use. Cotton yarn and thread trade decreased in MY10/11 with total imports at 848,000 MT (down 18 percent), and exports at 347,000 MT (down 31 percent) over the previous year. The net imported volume remained constant at about 500,000 MT, compared to 537,000 MT in MY10/11.

Textile and apparel exports expected moderate growth in 2012

According to NSB, China's textile and apparel export value surged to \$247.9 billion in 2011, up 20 percent from the 206.6 billion in the previous year (See Chart 6; source: NSB) but only 0.5 percent higher by volume. Exports remained weak in the first two months of 2012 with the total export valued at \$31.2 billion, slightly lower than the \$32 billion in the same period of 2011.

**Chart 6. China Textile and Apparel Exports
(\$100 million; 2008-2011)**



Source: NSB

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

In MY10/11 the United States regained its status as China's largest cotton supplier with total export volume of 1.19 MMT, far surpassing the previous year's top supplier India (with 631,000 MT in MY10/11). U.S. cotton quality and reliability are attractive to China's end-users but it faces fierce competition from India's price and transportation advantages. Indian cotton exports to China reached 829,000 MT, accounting for 38 percent of China's total imports in the first half of MY11/12 (while the U.S. share fell to 11 percent from the 37 percent in MY10/11). India's cotton production is expected to continue growing as it incorporates new technology, expands Bt cotton dissemination and actively promotes its product.

Consignment Trade

Due to strong demand for lower priced imported cotton since late 2011, consignment trade has seen a recovery. With bumper harvests expected from some of the major cotton producing countries, world supplies may ease somewhat and facilitate a resumption of this trade practice. China's small to medium-sized mills choose consignment purchases due to the flexibility they offer, including short delivery time, convenient quality verification and lower financial commitment.

Seed Subsidy

Large seed producers/traders currently compete for the \$34/Ha subsidy provided for selected "high quality variety" seeds to improve quality cotton coverage. Total expenditure in 2011, though unpublished, is believed to exceed \$175 million (if based on the NSB's 5.04 MHa planted area for MY11/12).

Marketing

Transporting Cotton from Xinjiang Province

The GOC continues to provide a transportation subsidy of \$59 (RMB 400/MT) for Xinjiang origin cotton shipped to mills in coastal and southern cities. Xinjiang province provides 40 percent of China's domestic cotton production yet there is only one rail line to move the raw product cross-country to the textile producing areas. Harvest time can be a bottleneck. The shipping congestion improved slightly in MY11/12 when the GOC purchased most of the Xinjiang cotton for reserve and stored it locally, thus reducing the pressure on rail transportation.

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 2011 conference was held in Dalian, Liaoning Province. CCA, in collaboration with China National Cotton Exchange also holds an annual event, the China Cotton Industry Development Forum, which focuses on analysis and outlook of the market situation.

Policy

Registration System for Overseas Cotton Suppliers

On December 8, 2011, the General Administration of Quality Supervision, Inspection and Quarantine of People's Republic of China (AQSIQ) published "Supervision and Administration Measures for Inspection of Import Cotton (Draft for soliciting comments)". Preliminary review indicates the Measures are a combination of the AQSIQ Announcement No.87 (GAIN 8075) and AQSIQ Circular on Quality and Credit Assessment on Overseas Cotton Exporters (GAIN 9004) with modifications to the Appeal and Dispute Settlement system (Article 23). AQSIQ plans the current comment period to be "the first legislative stage" for the measures and has not confirmed whether the measures will be notified to the World Trade Organization following this "first legislative stage."

USDA continues to work with AQSIQ on industry concerns related to the registration system and to enhance mutual understanding and provide a solid foundation for both sides to carry out additional cooperation for cotton import inspections.

MY11/12 official classified cotton hit record of 5.51 MMT (as of April 10)

China's cotton classification reform is expected to continue in MY12/13. According to China's Fiber Inspection Bureau (CFIB), more than 1,700 gins participated in cotton HVI classification, up from the 1,514 in the previous year. As of April 10, 2011, total cotton baled and classed on the new classification system reached 5.51 MMT, accounting for 83 percent of the total production in MY11/12 (based on NSB data at 6.6 MMT), up 105 percent over the 2.68 MMT in the previous year. The increase in officially classified volume is mainly driven by the state reserve purchase which requires cotton to be classified.

The goal of having domestically produced cotton fully covered by the new classification system remained unfulfilled in MY11/12. 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 is tight. The new classing system is expected to help facilitate domestic cotton production estimates and upgrade the quality levels of China's ginning sector. CFIB MY11/12 classing data (as of April 10) shows 3.37 MMT of Xinjiang cotton was classified, already much higher than the NSB released MY11/12 Xinjiang production of 2.9 MMT, indicating continuing under estimate of Xinjiang cotton production.

Targeted Loans

In MY11/12, the Agriculture Development Bank of China (ADBC) continued to provide targeted loans with favorable terms for the purchase of seed cotton. Total loans surged to RMB66.2 billion (\$10.1 billion, up 76.5 percent over the previous year) for the purchase of 3.27 MMT of cotton (up 75.5 percent over the previous year), thereby significantly facilitating the marketing of seed cotton when prices remained weak and commercial loans declined in MY11/12. Out of the total loans, Xinjiang received the majority with RMB48.6 billion increased 97 percent over the previous year, and covered 2.35 MMT of cotton, double of the volume in the previous year. ADBC will continue to provide financial assistance for domestic cotton marketing in MY12/13.

Tables

Production, Supply and Demand (PSD)

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

Cotton China	2010/2011		2011/2012		2012/1013	
	Market Year Begin: Aug 2010		Market Year Begin: Aug 2011		Market Year Begin: Aug 2012	
	USDA Offici al	New Post	USDA Offici al	New Post	USDA Offici al	New Post
Area Planted	5,100	5,138	5,500	5,380		5,050
Area Harvested	5,100	5,138	5,500	5,380		5,050
Beginning Stocks	15,246	15,244	11,603	11,675		18,519
Production	30,500	30,502	33,500	33,070		31,462
Imports	11,979	11,983	20,500	17,913		14,238
MY Imports from U.S.		5,484		5,512		5,052
Total Supply	57,725	57,729	65,603	62,658		64,219
Exports	122	124	25	46		46
Use	46,000	45,930	42,500	44,093		45,930
Loss	0	0	0	0		0
Total Dom. Cons.	46,000	45,930	42,500	44,093		45,930
Ending Stocks	11,603	11,675	23,078	18,519		18,243
Total Distribution	57,725	57,729	65,603	62,658		64,219
Stock to Use %	30	25	54	42		40
Yield	1,289	1,293	1,326	1,338		1,356
TS=TD	0	0	0	0		0

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

Cotton China	2010/2011		2011/2012		2012/1013	
	Market Year Begin: Aug 2010		Market Year Begin: Aug 2011		Market Year Begin: Aug 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	5,100	5,138	5,500	5,380		5,050
Area Harvested	5,100	5,138	5,500	5,380		5,050
Beginning Stocks	3,319	3,319	2,526	2,542		4,032
Production	6,641	6,641	7,294	7,200		6,850
Imports	2,608	2,609	4,463	3,900		3,100
MY Imports from U.S.		1,194		1,200		1,100
Total Supply	12,568	12,569	14,283	13,642		13,982
Exports	27	27	5	10		10
Use	10,015	10,000	9,253	9,600		10,000
Loss	0	0	0	0		0
Total Dom. Cons.	10,015	10,000	9,253	9,600		10,000
Ending Stocks	2,526	2,542	5,025	4,032		3,972
Total Distribution	12,568	12,569	14,283	13,642		13,982
Stock to Use %	25	25	54	42		40
Yield	1,289	1,293	1,326	1,338		1,356
TS=TD	0	0	0	0		0

Trade Tables

Table 3. China's Monthly Cotton Imports

Unit: Metric Tons						
Month	2007	2008	2009	2010	2011	2012
January	123,092	157,712	77,993	301,359	391,590	326,468
February	125,235	158,168	93,083	221,046	184,216	616,000
March	259,846	213,221	98,763	323,807	276,459	
April	215,093	263,417	145,560	323,819	210,453	
May	201,205	240,159	151,524	197,955	144,569	
June	252,460	211,043	168,619	177,248	120,017	
July	228,945	212,580	131,440	168,882	157,087	
August	258,667	186,875	109,711	240,172	207,048	
September	234,451	129,057	102,162	200,806	252,739	
October	137,031	96,155	118,604	96,136	252,315	
November	101,846	76,141	112,866	126,203	378,152	
December	322,575	168,433	216,776	461,657	790,402	
TOTAL	2,460,445	2,112,961	1,527,101	2,841,100	3,367,058	
Marketing Year	Aug/07-Jul/08	Aug/08-Jul/09	Aug/09-Jul/10	Aug/10-Jul/11	Aug/11-Jul/12	
TOTAL	2,510,869	1,523,643	2,374,346	2,609,365		
Unit: 480-lb Bales						
Month	2007	2008	2009	2010	2011	2012
January	565,359	724,373	358,222	1,384,142	1,798,573	1,499,468
February	575,205	726,468	427,529	1,015,264	846,104	2,829,288
March	1,193,474	979,323	453,619	1,487,246	1,269,776	
April	987,920	1,209,874	668,557	1,487,301	966,611	
May	924,135	1,103,049	695,952	909,207	664,005	
June	1,159,550	969,321	774,466	814,100	551,238	
July	1,051,545	976,378	603,702	775,675	721,501	
August	1,188,058	858,318	503,901	1,103,110	950,971	
September	1,076,833	592,759	469,232	922,302	1,160,830	
October	629,382	441,641	544,749	441,553	1,158,883	
November	467,777	349,715	518,392	579,650	1,736,852	
December	1,481,585	773,613	995,653	2,120,391	3,630,316	
TOTAL	11,300,825	9,704,831	7,013,974	13,041,950	15,464,897	
Marketing Year	Aug/07-Jul/08	Aug/08-Jul/09	Aug/09-Jul/10	Aug/10-Jul/11	Aug/11-Jul/12	
TOTAL	11,300,825	6,998,092	10,905,371	11,984,813		

Source: Global Trade Atlas

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

Unit: Metric Tons

Marketing Year: 2009/2010					
Country	Jul-Sep /09	Oct-Dec /09	Jan-Mar/10	Apr-Jun/10	TOTAL
India	53,627	183,167	397,165	172,760	806,719
United States	130,250	86,299	224,010	301,423	741,982
Uzbekistan	27,844	11,109	101,274	109,906	250,133
Australia	37,479	31,568	21,841	29,950	120,838
Burkina Faso	27,320	39,029	14,121	20,488	100,958
Cameroon	10,125	10,913	14,060	5,693	40,791
Brazil	5,329	17,308	12,558	4,977	40,172
Pakistan	1,437	12,290	7,691	1,448	22,866
Cote d Ivoire	7,243	4,397	2,184	8,310	22,134
Mali	4,395	6,697	1,840	9,762	22,694
Benin	22,038	12,250	1,046	19,621	54,955
Other	16,226	33,219	48,421	14,684	112,550
TOTAL	343,313	448,246	846,211	699,022	2,336,792
Marketing Year: 2010/2011					
Country	Jul-Sep /10	Oct-Dec /10	Jan-Mar/11	Apr-Jun/11	TOTAL
United States	293,588	189,588	415,927	318,546	1,217,649
India	42,126	255,970	322,615	10,312	631,023
Uzbekistan	30,832	102,814	54,138	22,737	210,521
Australia	143,968	9,135	52	39,984	193,139
Brazil	16,280	54,433	6,637	0	77,350
Burkina Faso	28,562	3,694	2,456	16,539	51,251
Cameroon	10,047	5,749	2,187	15,765	33,748
Benin	9,636	0	3,649	19,033	32,318
Egypt	6,313	4,742	10,414	5,564	27,033
Mexico	233	15,071	13,464	614	29,382
Pakistan	191	19,401	5,546	2,550	27,688
Mali	8,615	3,232	1,487	9,676	23,010
Other	19,468	20,167	13,694	13,719	67,048
TOTAL	609,859	683,996	852,266	475,039	2,621,160
Marketing Year: 2011/2012					
Country	Jul-Sep /11	Oct-Dec /11	Jan-Mar/12	Apr-Jun/12	TOTAL
India	78,544	602,910			681,454
Australia	280,665	208,774			489,439
United States	98,835	147,563			246,398
Brazil	17,674	191,260			208,934
Uzbekistan	43,257	47,600			90,857
Burkina Faso	26,098	22,893			48,991
Mali	20,855	10,122			30,977
Other	565,928	1,231,122	0	0	1,797,050
World	616,874	1,420,869			2,037,743

Source: Global Trade Atlas

Table 5. China's Monthly Cotton Exports

Unit: Metric Tons					
Month	2008	2009	2010	2011	2012
January	221	581	86	3,641	0
February	393	606	0	5,108	
March	811	2,969	578	1,908	
April	962	193	1136	5,240	
May	854	887	1474	6,124	
June	655	348	461	1,058	
July	866	1,401	86	820	
August	2,043	830	1052	1,097	
September	3,503	114	1240	456	
October	2,451	97	255	0	
November	1,916	8	55	90	
December	1,687	215	31	157	
TOTAL	16,361	8,249	8,464	27,710	
Marketing Year	Aug/08-Jul/09	Aug/09-Jul/10	Aug/10-Jul/11	Aug/11-Jul/12	
TOTAL	18,584	5,084	26,532		
Unit: 480-lb Bales					
Month	2008	2009	2010	2011	2012
January	1,014	2,670	395	16,723	0
February	1,805	2,785	0	23,461	
March	3,726	13,635	2,655	8,763	
April	4,421	888	5,218	24,067	
May	3,921	4,073	6,770	28,128	
June	3,007	1,597	2,117	4,859	
July	3,979	6,437	395	3,766	
August	9,381	3,812	4,832	5,039	
September	16,088	522	5,695	2,094	
October	11,256	446	1,171	0	
November	8,800	35	253	413	
December	7,747	988	142	721	
TOTAL	75,145	37,887	38,875	127,272	
Marketing Year	Aug/08-Jul/09	Aug/09-Jul/10	Aug/10-Jul/11	Aug/11-Jul/12	
TOTAL	85,356	23,353	121,861		

Source: Global Trade Atlas

Table 6. China's Monthly Cotton Yarn and Thread Imports

Unit: Metric Tons

Month	2008	2009	2010	2011	2012
January	59,448	38,702	102,478	90,812	65,637
February	42,289	61,569	58,667	50,986	
March	73,161	78,186	103,588	78,041	
April	73,963	81,291	93,393	53,412	
May	69,424	78,993	85,614	43,123	
June	63,709	84,389	74,473	40,781	
July	70,838	88,031	75,036	54,851	
August	57,922	81,865	80,202	63,562	
September	59,406	88,651	82,571	75,369	
October	58,069	77,214	75,846	83,269	
November	46,705	90,793	94,145	79,225	
December	50,603	105,186	102,953	90,537	
TOTAL	725,539	954,871	1,030,976	805,979	
Marketing Year	Aug/08-Jul/09	Aug/09-Jul/10	Aug/10-Jul/11	Aug/11-Jul/12	
TOTAL	783,866	1,036,959	847,723		

Source: Global Trade Atlas

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

Unit: Metric Tons

Month	2008	2009	2010	2011	2012
January	37,114	25,208	39,795	30,243	19,420
February	28,436	26,468	24,800	20,323	
March	55,410	39,808	48,377	48,893	
April	54,685	45,606	44,305	35,205	
May	50,120	42,557	49,254	23,469	
June	46,381	47,772	48,430	21,395	
July	45,580	43,592	39,325	18,717	
August	39,480	37,850	29,464	18,998	
September	36,414	41,776	24,584	18,095	
October	33,036	36,413	28,400	19,404	
November	28,855	44,509	35,875	17,802	
December	26,744	45,598	28,083	22,684	
TOTAL	482,255	477,157	442,702	297,239	
Marketing Year	Aug/08-Jul/09	Aug/09-Jul/10	Aug/10-Jul/11	Aug/11-Jul/12	
TOTAL	435,540	500,431	344,651		

Source: Global Trade Atlas

Table 8. China's Monthly Cotton Fabric Imports

Unit: 1,000 Square Meters

Month	2008	2009	2010	2011	2012
January	82,988	45,848	47,637	47,059	34,758
February	56,821	55,264	34,968	35,221	
March	81,949	68,193	61,634	60,125	
April	94,619	75,033	67,449	56,649	
May	84,718	66,003	61,830	47,997	
June	73,092	63,213	56,340	45,392	
July	76,626	65,614	63,384	48,742	
August	72,614	61,830	63,203	55,200	
September	82,838	70,214	68,941	56,258	
October	84,724	69,609	61,072	54,614	
November	81,936	69,042	65,074	60,027	
December	76,055	85,019	65,676	53,163	
TOTAL	948,983	794,882	719,218	622,458	
Marketing Year	Aug/08-Jul/09	Aug/09-Jul/10	Aug/10-Jul/11	Aug/10-Jul/11	
TOTAL	837,335	748,957	665,152		

Source: Global Trade Atlas

Table 9. China's Monthly Cotton Fabric Exports

Unit: 1,000 Square Meters						
Month	2007	2008	2009	2010	2011	2012
January	425,476	507,658	405,793	548,804	607,713	521,312
February	411,280	370,832	232,178	407,887	273,943	
March	392,312	489,945	472,667	464,281	563,878	
April	496,096	533,580	468,673	593,772	584,655	
May	439,481	472,541	438,233	586,272	535,058	
June	424,101	487,795	437,932	599,377	468,256	
July	439,774	486,933	455,192	600,973	566,527	
August	474,342	514,674	468,003	566,068	520,819	
September	507,569	523,854	563,082	627,066	543,470	
October	490,385	506,479	510,625	598,422	544,839	
November	546,508	447,964	578,917	656,363	613,750	
December	513,499	419,117	669,986	594,502	619,982	
TOTAL	5,560,822	5,761,372	5,701,281	6,845,796	6,444,901	
Marketing Year	Aug/07- Jul/08	Aug/08- Jul/09	Aug/09- Jul/10	Aug/10- Jul/11	Aug/10- Jul/11	
TOTAL	5,560,822	5,322,756	6,591,978	6,642,450		

Source: Global Trade Atlas

Other Tables

Table 10. Cotton Planted Area and Production by Province

Planted Area (1,000 hectares)					
Year	2008	2009	2010	2011	2012*
Post - Total	5,950	5,300	5,138	5,380	5,050
NSB - Total	5,754	4,952	4,850	5,040	
Xinjiang	1,719	1,409	NA	1,640	1,920
Shandong	888	800	766	766	666
Hebei	690	620	582	633	570
Hubei	543	460	480	489	495
Henan	606	537	467	397	387
Anhui	390	352	344	350	341
Jiangsu	300	252	236	239	206
Hunan	183	153	175	NA	All other total 224
Jiangxi	67	76	NA	NA	
Gansu	73	56	NA	NA	
Shanxi	89	73	NA	NA	
Tianjin	69	56	NA	NA	
Shannxi	85	62	NA	NA	
Other	52	46	NA	NA	
Production (1,000 MT)					
Year	2008	2009	2010	2011	2012*
Post - Total	7,990	7,050	6,400	7,200	6,850
NSB - Total	7,492	6,377	5,970	6,600	
Xinjiang	3,026	2,524	2,479	2,898	3,355
Shandong	1,041	921	724	785	763
Hebei	737	605	570	653	591
Hubei	513	480	472	523	507
Henan	651	517	447	382	415
Anhui	363	346	316	378	331
Jiangsu	326	255	261	247	269
Hunan	247	212	227	NA	All other total 305
Jiangxi	112	125	NA	NA	
Gansu	107	95	NA	NA	
Shanxi	123	84	NA	NA	
Tianjin	83	71	NA	NA	
Shannxi	101	86	NA	NA	
Other	62	56	NA	NA	
NSB-Average Yield(Kg/Ha)	1,302	1,288	1,231	1,309	1,356

Source: Data from 2008 to 2011 is based on NSB; 2012 data is forecast by Post.

Table 11. Cotton Tariffs as of January 1, 2012 (continued)

Description	HS Code	M.F.N.(%)	Gen(%)	VAT	ED	Unit
Cotton, not carded or combed	5201-0000		125	13		Kg
Cotton, not carded or combed, including degreased cotton -in qouta	5201-0000.01	1	125	13	13	
Cotton, not carded or combed, including degreased cotton - tarrif and out of qouta, interim	5201-0000.80	0	0	13	13	
Cotton, not carded or combed, including degreased cotton -out of quota	5201-0000.90	40	125	13	13	
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		125	17	13	Kg
Cotton, carded or combed, in quota	5203-0000.01	1	125	17	13	
Cotton, carded or combed, out of quota	5203-0000.90	40	125	17	13	
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) put up for retail sale- containing 85% or more by weight of cotton	5207-1000	6	50	17	16	Kg
Cotton yarn (other than sewing thread) put up for retail sale-Other	5207-9000	6	50	17	16	Kg
Woven fabrics of cotton, containing 85% or more by weight of cotton, weighing not more than 200 g/square meter	5208-1100 to 5208-5990*	10	70	17	16	M/Kg
	*Except:					
"	5208-2300	12	70	17	16	M/Kg

Note: VAT--Value Added Tax; ED--Export Drawback Rate;
Source: PRC Customs Import & Export Tariff, 2011

Table 11. Cotton Tariffs as of January 1, 2011 (continued)

Description	HS Code	M.F.N.(%)	Gen(%)	VAT	ED	Unit
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
	5209-2200	12	70	17	16	M/Kg
	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;

Source: PRC Customs Import & Export Tariff, 2012

Table 12. 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 MT (as of this report added 1.32 MMT of TRQ subject to variable import duty; 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, based on market demand, China adds TRQs yearly. The added TRQs are subject to a variable import duty)				