



中国棉花协会
CHINA COTTON ASSOCIATION

CHINA COTTON REPORT

<http://english.china-cotton.org>

November-2013



China Cotton Monthly Review – November

During the month of November, seed cotton picking was generally completed nationwide. China Cotton Association adjusted national cotton output of 2013 to 6.77 million ton, less than last estimate. Large contract expedited reserve purchase, which surpassed 3 million ton. At the same time, more bales disqualified from reserve purchase were removed from reserve stock once verified. By the end of the month, reserve release started at 18,000 Yuan per ton for standard type, which dominated domestic cotton buying. According to CCA, by the end of November, 77.7% of seasonal yield was sold nationwide, 5% slower than the corresponding time last year, 99% of Xinjiang seed cotton was sold, nearly 80% in Yangtze regions and less than half in Yellow River. The seed cotton buying price decreased slightly over last month, while still higher than last November.

By the end of October, China Cotton Association published cotton company name list qualified for reserve release via large contract transaction, and also the gins and warehouses qualified. During the month, 1.98 million ton of cotton was sold to reserve, doubled the volume of October, 16.8% more than last November, and more than 40% was via large contract. By the end of November, reserve purchase of 2013/14 season totaled 3.06 million ton, 16% down Y/Y, with 77% of Xinjiang cotton.

By the end of November, 185 batches of cotton from 107 ginners were removed from reserve for quality reasons.

On 28th November, reserve release started for 2013/14 season. For the month 48,800 ton was offered on auction, and 26,800 ton was sold at last with transaction percentage of 55%.

Domestic spot market shrank further. CC Index 3128B had monthly average price of 19,603 Yuan per ton, 0.4% up over the month. During the same time, import volume increased largely because that price gap between home and abroad enlarged, import quotas of this year approached expiration. According to Customs, in November, China imported cotton of 173,000 ton, 22.6% up over the month, while 43% down Y/Y.

In the current hand-to-mouth purchase of raw materials, commercial cotton carryover stock reduced to 330,000 ton, 32.9% down over the month, and 12.8% down Y/Y.

Cotton demand from downstream was sluggish, during the month raw material purchase and stock reduced over last month, product output kept increasing with more sales and declined price, finished product stock also reduced. According to National Bureau of Statistics, yarn output in November was 3.43 million ton, 5.1% up over the month, 7.2% more Y/Y. according to Customs, textile and apparel export in November valued 24.5 billion USD, 1.6% up over the month, 16.6% more Y/Y.



Main Indexes in November

Category		Nov.	M/M	Y/Y	2013 Running total	Y/Y	2013/14 Running total	Y/Y	
Price	CC Index 3128B avg. price (Yuan/ton)	19676	0.5%	-	-	-	19590	-	
	FC Index Avg. price	FC Index M (cent/L)	89.24	-5.2%	6.3%	94.19	1.4%	93.28	8.5%
		Under 1% tariff (Yuan/ton)	13989	-5.3%	3.6%	14924	-0.2%	14646	5.4%
		Under sliding duties (Yuan/ton)	15019	-3.7%	3.8%	15700	0.1%	15496	4.9%
	ZCE nearby contracts average settlement price(Yuan/ton)	19761	-2.4%	1.3%	20253	4.4%	20184	5.0	
	CNCE nearby contracts average settlement price(Yuan/ton)	19297	1.2%	2.0%	19174	0.3	18816	-0.4%	
Reserve	Reserve Purchase (10 thousand ton)	197.90	101.2%	16.8%	421.2	-8.6%	306.34	-16.1%	
	Reserve Release (10 thousand ton)	2.68	-	-	374.8	659.3%	4.88	-94.6%	
Import & Export	Cotton Import (10 thousand ton)	17.31	22.6%	-43.0%	354.08	-23.1%	51.56	-38.5%	
	Cotton Yarn Import (10 thousand ton)	17.61	-3.6%	20.7%	192.68	41.6%	55.97	36.4%	
	Textile & apparel export (100 million USD)	244.59	1.6%	16.6%	2580.03	11.8%	751.29	11.8%	
Yarn Output (10 thousand ton)		343.6	5.1%	7.2%	3292.1	8.3%	1036.6	10.3%	
Commercial cotton storage (10 thousand ton)		33.13	-32.9%	-12.8%					
2013 cotton production estimate (10 thousand ton)		677		-12.5%					

China Cotton Import Volume – November, 2013

(10, 000ton)

	Nov.	Change over March	Change Y/Y	Running total of 2013	Change Y/Y	Running total of 2013/14 season	Change Y/Y
Gross	17.31	22.6%	-43.0%	354.08	-23.1%	51.56	-38.5%
Trade Means							
General Trade	7.05	18.5%	-51.7%	157.25	-38.4%	19.93	-59.0%
Processing with Supplied Materials	0.02	-83.3%	-93.5%	0.7	110.1%	0.22	-29.5%
Processing with Imported Materials	5.57	49.8%	-47.3%	67.54	-6.2%	13.99	-35.1%
Goods in Bonded Area	1.79	74.6%	0.0%	49.06	-7.6%	6.86	47.2%
Logistics Goods in Custom Special Control Area	2.88	-12.9%	-7.0%	79.52	-0.4%	10.57	20.7%
Major Sourcing Countries							
US	2.3	7.0%	-60.2%	108.21	-21.8%	8.03	-57.0%
India	0.84	76.3%	-36.3%	85.13	-34.8%	2.56	49.7%
Australia	7.72	-6.3%	-22.8%	75.23	5.9%	26.08	-13.9%
Uzbekistan	0.2	82.4%	-84.4%	23.02	-11.8%	1.32	-75.6%
Brazil	1.22	62.1%	-82.6%	12.55	-56.4%	2.21	-84.8%

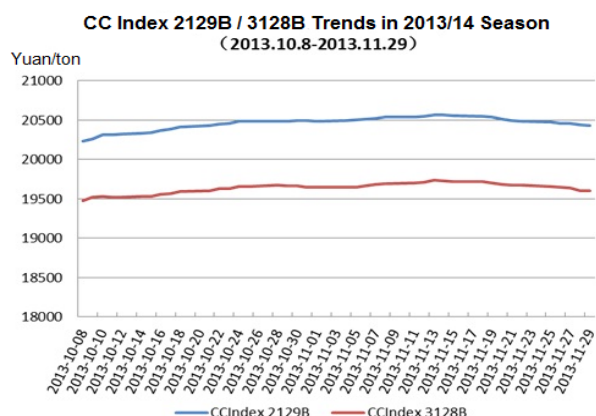
COTTON FOCUS



China Fibre Inspection Bureau (CFIB) accused of three **fraudulent transactions** to reserve purchase by ginning companies in Tianjin, Shandong and Hebei, and disqualified them from national instrument testing. Punitive announcements followed by China National Cotton Reserve Corporation, China National Cotton Exchange and China Cotton Association. Cotton already summited shall be removed from reserve, storage and interest charges already incurred being charged to the accounts of the accused parties. Last week, a joint meeting was held by NDRC to ask relevant authorities to take frequent supervision and punish the frauds in the coordinate way.

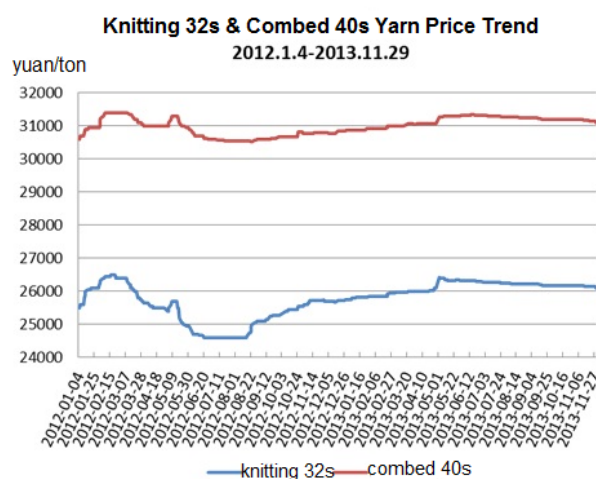
State reserve cotton release started from 28th November, 2013 and would close by 31st August, 2014, via China National Cotton Exchange (CNCE) to cotton textiles at price of 18,000 Yuan per ton for standard grade. The first batch would be 2011/12 seasonal cotton, that has already passed exit-warehouse inspection conducted by China Fibre Inspection Bureau(CFIB) under previous cotton quality system would be cleared based on old value difference, and the rest has to be tested under the new cotton quality system and cleared under new value difference. The simultaneous movement of reserve purchase and release increased risks on trade fraud, which shall be supervised from aspects of purchase qualification control, goods delivery, transportation, usage and cotton processing by parties concerned, measures were also taken on report and punishment mechanism.

During the first half month **CC Index** increased continually, while the reserve release expectation changed the direction of the movement. By the end of the month, CC Index 3128B was 19,603 Yuan per ton, 48 Yuan down over October. The monthly average price for 3128B was 19,676 Yuan per ton, 88 Yuan up over the month.

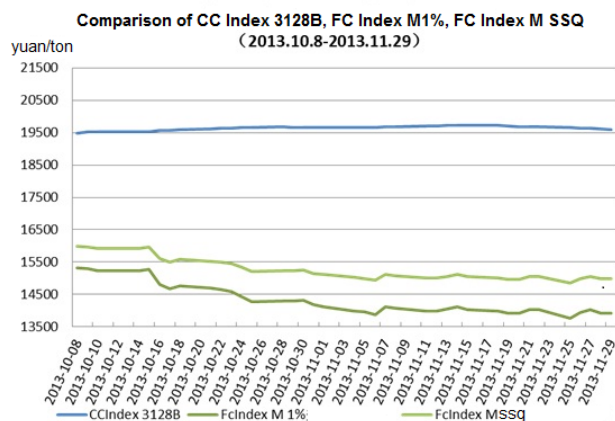


For November, monthly average price of nearby contract MA1311 was down by 413 Yuan, and price of the

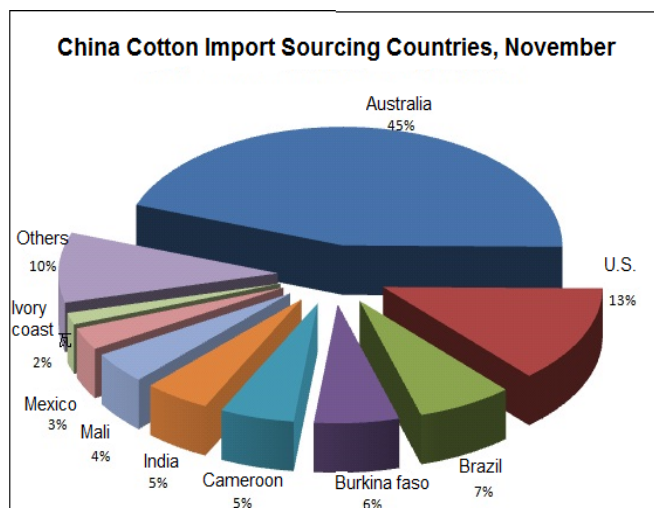
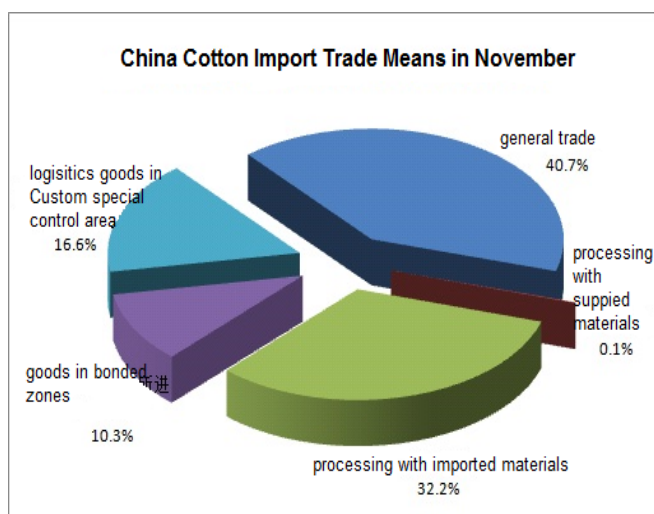
forward contract MA1403 decreased by 704 Yuan, all the other contracts decreased in different degrees.



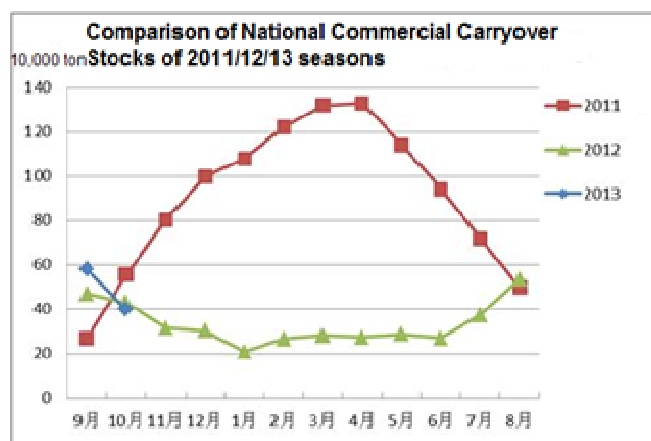
as for the import cotton price, FC Index M has monthly average price of 89.24 cent/lb, 4.88cent down over the month, which was 13,989 Yuan/ton under 1% tariff, 5,687 Yuan down over domestic equivalent, and 15,019 Yuan/ton under sliding duties, 4,657 Yuan down over domestic equivalent.



By the end of November, reserve release during the new season was launched. **Import cotton** offers were welcomed by mills and sold out quickly, while domestic cotton had around 50% transaction percentage. As the New Year approaches, cotton import quotas will run out of validity, therefore import increased largely at slightly higher average price, for the first time higher than last annual average price.



Reserve purchase of the season totaled 3.06 million ton. **Commercial carryover stock** reduced due to this season's shrunken production and large state reserve stock. According to survey conducted by CCA cotton warehousing and logistics branch to 168 member warehouses, by the end of November, 2013, commercial carryover stock was 268,000 ton, comprising 249,000 ton in inland warehouses, and 19,000 ton in Xinjiang. The current commercial stock was reduced by 130,000 ton than last month, and 77,000 ton less Y/Y. The stock was consisted of 44% of import cotton, 41% of Xinjiang cotton and 15% of inland cotton. Calculation of national stock was 331,300 ton, 162,300 ton less over the month. During this month, 20,000 ton commercial cotton was dispatched to inland via railway from 25 Xinjiang transfer stations.



Reserve cotton release and approaching expiration of import quotas both affected cotton purchase of **textiles production** during the month.

Textile Production in November, 2013					
Category	November	Change over Sept.	Change Y/Y	Cumulation from Jan. to Nov.	Change Y/Y
Yarn(1,000 ton)	3436	5.11%	7.20%	32921	8.30%
Cloth (1 billion meter)	6.49	4.68%	-0.50%	61.66	5.60%
Chemical fibre (1,000 ton)	3697	1.40%	8.40%	37640	7.60%



China & US Cotton Policy Seminar

On morning of 5th November, China & US Cotton Policy Seminar organized by China Cotton Association was held in meeting room of CNCE. Mr. Gary Adams, vice president of National Cotton Council (NCC), was invited to give a presentation of *Overview of U.S. Farm Cotton Policy*, covering cotton policy changes since 1981 and impacts to its cotton industry. Open and heated discussion focusing on target price for example processed afterwards. This seminar provided platform for policy study and experience sharing between China and U.S. cotton industry.

U.S. representatives included Mr. Mark Lange, President & CEO of NCC, Gary Adams, Vice president of NCC, Kevin Latner, Vice President of NCC, and Executive Director of Cotton Council International(CCI), Karin Malmstrom, Director of CCI China.Chinese representatives from Development Research Center of The State Council, Rural Development Institute Chinese Academy of Social Sciences, National Development and Reform Commission, Ministry of Agriculture, Ministry of Commerce, Agricultural Development Bank of China, China Cotton Association, China Cotton Association and other organizations concerned.



On-the-spot Meeting of Cotton Production Mechanization in Xiajin County, Shandong Province

On morning of 8th November, CCA visited Xiajin County, Shandong Province for the on-the-spot meeting of cotton production mechanization. Different agriculture modern machinery was demonstrated for the whole production process from soil preparation, film imbedding, sowing, chemical control, cotton picking and cotton stalk processing.

As one of the five trial counties chosen by China Co-op, Shandong Province, Xiajin County made cotton mechanization experiments on 70 mu of cotton fields. Technology, farm machinery and chemical control were provided by local co-ops and agriculture machinery bureau. The cost reduction is estimated to be 468 Yuan/mu given the overall mechanization implementation, and 150 Yuan/mu would be the reduction if only cotton picking is conducted by machines.

