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China Policy and Market Report

June 2020

Provided by:



SUBJECT	KEY FINDINGS
<p>Cotton Market</p>	<p>a) China's Cotton Imports</p> <p>In May China imported 321,578 bales (70,015 MT) of cotton, representing a decrease of 43.91 percent month-on-month (m/m), and a decrease of 61.06 percent year-on-year (y/y). The total value was USD 123.06 million, representing a decrease of 46.63 percent m/m, a decrease of 64.52 percent y/y.</p> <p>U.S. ranked as the largest cotton supplier to China, Brazil the second, and India the third.</p> <ul style="list-style-type: none"> • U.S. Imports: 189,079 bales (41,167 MT), representing a decrease of 41.87 percent m/m, and a decrease of 35.18 percent y/y. U.S. cotton imports accounted for 58.80 percent of the total. • Brazil Imports: 61,569 bales (13,405 MT), representing a decrease of 47.39 percent m/m, and a decrease of 50.47 percent y/y. Brazil cotton imports accounted for 19.15 percent of the total. • India Imports: 23,720 bales (5,164 MT), representing a decrease of 69.38 percent m/m, and a decrease of 62.21 percent y/y. India cotton imports accounted for 7.38 percent of the total. <p>In 2020, Chinese cotton imports totaled 3,711,434 bales (808,070 MT), a decrease of 20.88 percent y/y. Brazil was ranked as largest supplier with a total 1,635,849 bales (356,164 MT), accounting for 44.08 percent of total imports. U.S. was ranked as the second largest with a total quantity of 1,085,017 bales (236,235 MT), accounting for 29.23 percent of total imports. India and Australia were the third and fourth largest supplier, marking 12.63 percent and 5.56 percent, respectively.</p> <p><i>(See the tables and charts below for a breakdown of cotton imports by country.)</i></p> <p>b) China Cotton Planting Area in 2020</p> <p>According to the China Cotton Association's latest survey among total 2,292 cotton farmers in 12 inland provinces as well as Xinjiang, the total planting area is 3.08 million ha (46.16 million mu), representing a decrease of 4.15 percent y/y. As of the end of May,</p>

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	<p>the national cotton planted 99.56 percent, representing a decrease of 0.14 percent y/y. In Xinjiang, the cotton planting has been completed. As for the Yellow river and Yangtze river area, the planting progress was respectively 99.90 percent and 95.26 percent, representing a decrease of 0.10 percent and 2.05 percent.</p> <p>c) Cotton Price</p> <p><u>Imported cotton</u></p> <p>In May, the average price of imported cotton was USD 79.72 Cents /Pound, representing a decrease of 4.85 percent m/m, and a decrease of 8.88 percent y/y. Average prices for cotton from U.S., Brazil and India were:</p> <ul style="list-style-type: none"> • U.S. cotton: USD 82.12 Cents/Pound, representing a decrease of 7.74 percent m/m, and a decrease of 10.10 percent y/y. • Brazil cotton: USD 75.96 Cents/Pound, representing a decrease of 0.28 percent m/m, and a decrease of 9.79 percent y/y. • India cotton: USD 74.65 Cents/Pound, representing a decrease of 0.83 percent m/m, and a decrease of 7.50 percent y/y. <p><u>Domestic Cotton</u></p> <p>The CC Index 2129B average price in May was USD 76.27 Cents/Pound (RMB 11,958 /MT), representing an increase of 1.32 percent m/m, and a decrease of 25.52 percent y/y. It increased from USD 74.67 Cents/ Pound (RMB 11,695/MT on May 6th to USD 76.78 Cents/ Pound (RMB 12,081/MT) on May 29th.</p> <p><i>(In May, USD 1 = RMB 7.11; from the State Administration of Foreign Exchange)</i></p>
<p>Textile Industry</p>	<p>a) Man-made Fiber Production</p> <p>According to the National Bureau of Statistics (NBS), man-made fiber production for May was 5.37 MMT, representing an increase of 3.5 percent m/m, and an increase of 3.6 percent y/y. As of May, total production of man-made fiber in 2020 reached 22.94 MMT, with a decrease of 3.2 percent y/y.</p> <p>b) Textile and Apparel Exports</p> <p>According to the General Administration of Customs of China (GACC), China's textile and apparel exports in May totaled USD 29.55 billion, representing an increase of 38.36 percent m/m, and an increase of 24.02 percent y/y. The textile accounted for USD 20.65 billion, representing an increase of 41.23 percent m/m, and an increase of 77.34 percent y/y; the apparel accounted for USD 8.91 billion, representing an increase of 32.13 percent m/m, and a decrease of 26.93 percent y/y.</p> <p>China's textile and apparel exports totaled for first five months of 2020 reached USD 97.97 billion, a decrease of 2.00 percent y/y.</p>
<p>Policy Updates</p>	<ul style="list-style-type: none"> ● Hawaii meeting and recent GMO approval indicates recovering relations and ongoing implementation of Phase One Deal

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	<p>China sent positive messages on the outcomes of the meeting between Chinese State Councilor Yang Jiechi and Secretary of State Mike Pompeo to show the ongoing dialogue between two parties amid the recently intense bilateral relations is on track. Although the geopolitical issues require further negotiation and more trust with cooperation, both sides highlighted the consensus on promoting the cooperation in addressing Covid-19 pandemic as well as the implementation of Phase One Trade Agreement. China continues to fulfill its commitment under the Phase One trade deal with the U.S. judging from recent GM approval (the certificates' validity period has extended from three to five years). After the Hong Kong National Security Law was reportedly passed by the NPC Standing Committee (NPCSC) session on June 30th, as a result the U.S. will follow through with previously announced visa restrictions on some Chinese officials, and China has announced it will reciprocate with restrictions on some U.S. officials as well. In addition, U.S. Commerce Secretary Wilbur Ross announced the U.S. would restrict some exports of sensitive technologies to Hong Kong, citing the passage of the law as the reason for the change. China views Hong Kong as a purely internal matter and any actions from the U.S. in this area will be seen as foreign interference and met with pushback.</p> <ul style="list-style-type: none"> ● China to explore domestic market in face of a deteriorated external world <p>On June 18th, during the Lujiazui Forum, one of China's largest events in financial sector, Chinese Vice Premier LIU He expressed China's economic recovery strategy that a duo-engine model that prioritizes domestic market and leverage the international trade and investment as complementary driver. This clearly indicated that even though China's unweaving determination and efforts in open trade and foreign direct investment. China now would pay more attention on the domestic market exploration considering the external relations is deteriorated and more challenges is foreseen.</p> <p>On June 22nd, China's State Council published policy to support the export products to sell domestically, as a way to protect those export-oriented industries which contributed greatly to China's economic development and employment, including textile industry. Moving forward, it is hard to see the international demands on textile in general will pick up soon, with the uncertain external relations, China's textile and apparel industry is expected to see further consolidation while those small and medium sized low added-value enterprises may be merged by those large ones under the pressure of bankrupting. Relying on technology innovation to add more value to survive and maintain competitive seems like the only choice for the labor-intensive textile industry, which despite the overall weak demand, the high-quality US cotton will be needed.</p> <p>With China explores cooperation with Belt and Road countries and ASEAN, the dynamics of Chinese textile's investment in those countries especially Vietnam therefore should be closely monitored as the ultimate consumption remain in China, and "the Chinese market" is gradually expand to a larger concept and scope.</p>

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	<p>Reports of the month: 2020/06/19_Hawaii meeting indicated improving bilateral relations 2020/06/09_ Meeting Recap of ACSA CNTAC Meeting</p>

Appendix:

Table 1: May 2020 China's Cotton Imports by Country of Export

Country	Quantity (Metric Tons)	Value (Million \$ U.S.)	Value Per Unit (\$/MT)	Share of Total Quantity (%)	Share of Total Value (%)
U.S.	41,167.01	74.53	1,810.38	58.80%	60.56%
Brazil	13,405.14	22.45	1,674.97	19.15%	18.25%
India	5,164.48	8.50	1,645.56	7.38%	6.91%
Australia	4,734.24	8.95	1,890.13	6.76%	7.27%
Sudan	1,098.84	1.37	1,245.32	1.57%	1.11%
Mali	1,048.31	1.31	1,245.60	1.50%	1.06%
Benin	996.39	2.27	2,277.22	1.42%	1.84%
Burkina Faso	795.30	1.17	1,468.85	1.14%	0.95%
Mexico	630.44	0.87	1,372.74	0.90%	0.70%
Turkey	405.53	0.91	2,256.04	0.58%	0.74%
Others	569.66	0.74	1,304.74	0.81%	0.60%
Total	70015.34	123.06	1,757.66	100.0%	100.0%

Chart 1: May 2020 China Cotton Imports by Country of Export (Quantity)

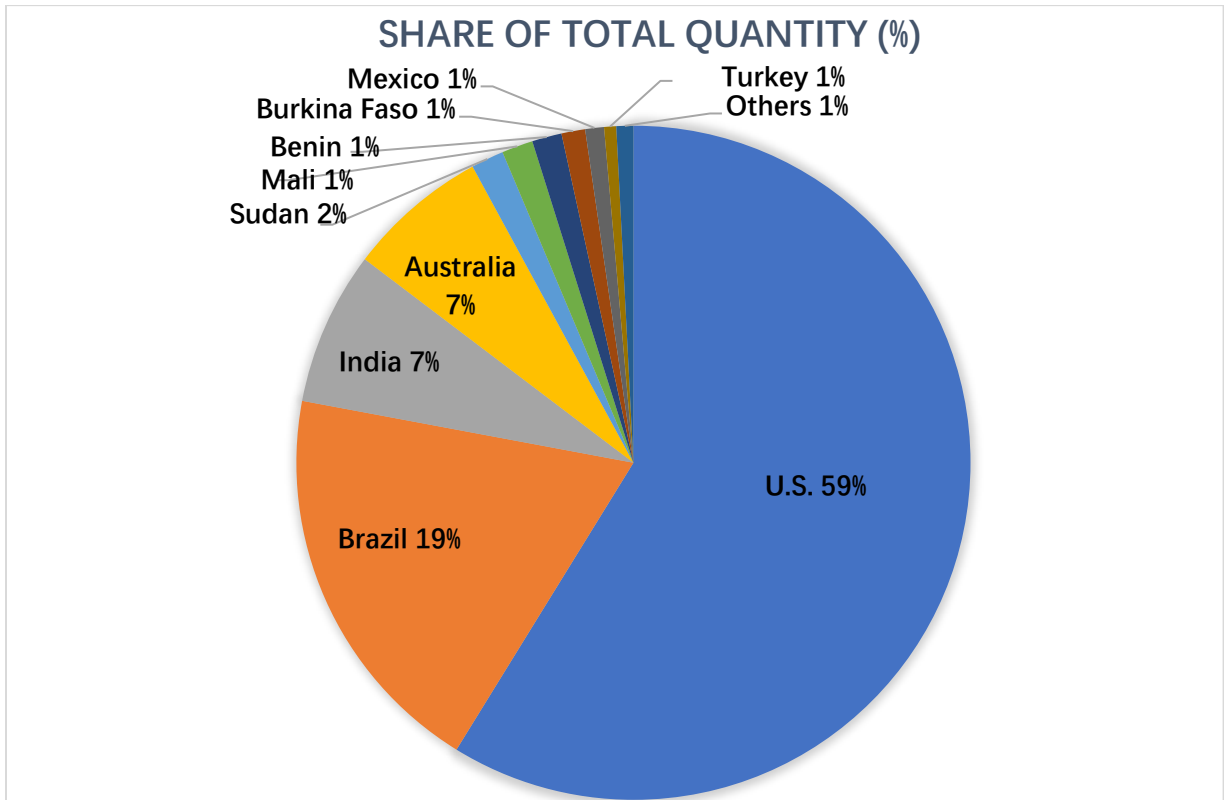


Table 2: China's Cotton Imports by Country of Export in 2020

Country	January-February	March	April	May	Total Quantity by Country	Share of Total Quantity (%)
Brazil	233,249.71	84,030.35	25,478.98	13,405.14	356,164.18	44.08%
U.S.	71,900.56	52,349.86	70,817.28	41,167.01	236,234.71	29.23%
India	46,817.94	33,218.78	16,864.60	5,164.48	102,065.80	12.63%
Australia	28,024.34	5,972.14	6,174.44	4,734.24	44,905.15	5.56%
Sudan	7,495.93	3,314.36	1,150.76	1,098.84	13,059.88	1.62%
Others	24,809	22,042	4,344	4,446	55,639.89	6.89%
Total	412,297	200,927	124,830	70,015	808,069.62	100.00%

Chart 2: China Cotton Imports by Country (Quantity) in 2020

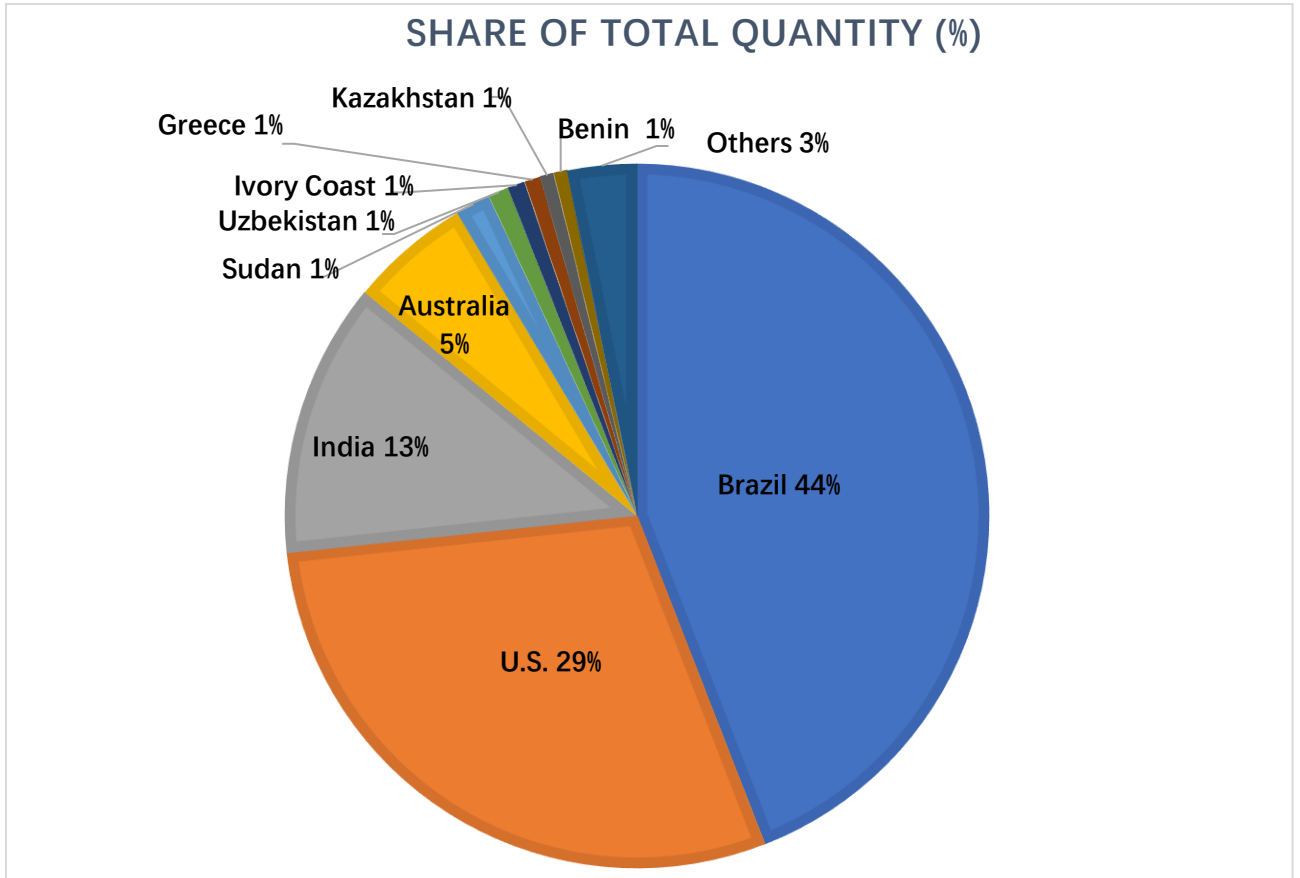


Chart 3: China Imports of U.S., India and Brazil Cotton in May 2020

