Introduction on China Cotton Industry Development in Past Decade

Reform on China cotton circulation system was implemented by China State Council in 1999. Since then, it has been nearly 15 years since China opened its domestic cotton doors to unpredictable changes.

During these years, China society transformed in fundamental ways, and experienced incredible challenges such as joining WTO and financial crisis. China textile industry closed its chapter of export quota and welcomed its double digital increase, meanwhile China cotton price fluctuated as things change.

The development of China cotton textile industry was an impressing one. In 2013, export value for textile and apparel surpassed 250 billion USD, 6 times of that in 1999. Annual yarn production approached 30 million ton, 5 times of the 1999 output. 120 million spindles are made and nearly 10 million ton of cotton is consumed every year. China became the largest cotton consumption country, while the largest cotton importer in the world. Import cotton accounts for 1/3 for annual cotton demand and contributes for around 40% of global cotton trade.

China cotton acreage varied geographically as time went by. Supported by government policy and agriculture technology, lint unit yield has increased from 1,050 kilograms per hectare in 1999 to nearly 1,500 kilograms per hectare in 2013, and annual lint output is around 7 million ton nationwide.

State policy on cotton adjusted itself continually. Policy tools like import cotton sliding duty quotas, temporary reserve purchase and better cotton seed subsidy functioned to protect domestic cotton growers and ensure textile raw material supply.

Ⅰ. China Cotton Production
Since the open of domestic cotton market in 1999, cotton acreage fluctuation range narrowed down relatively than one decade before. The unit cotton output increased thanks to the research and promotion of insect-resistant gene-modified cotton seed and hybrid cotton, application of stereotyped cultivation techniques. Currently China produces around 1/4 to 1/3 global cotton productions every year, supporting domestic textile industry steadily.

During the past decade, there were seven features in China cotton production: relative smooth planting acreage variation; declining acreage in general; weakened correlation between acreage and price; stronger influence from increasing production cost, concentration of cotton acreage, and Xinjiang cotton for more than half output nationally.
II. China Cotton Price
Since China cotton circulation system reform started in 1999, the market restored its price finding power. The establishment of China National Cotton Exchange and Zhengzhou Commodity Exchange provided trading platforms for cotton futures and E-Commerce trade. After China joined WTO in 2001, the domestic cotton market was linked and influenced by the international cotton market in more than one ways.

During the time period of 2003 to 2012, the major influential factors on cotton price are as following:

1. Demand and Supply
Demand and supply plays the decisive factor in cotton market price. China cotton yarn production contributes to the most cotton demand; meanwhile domestic cotton output, cotton import and beginning stock ensure the supply. As cotton demand climbed largely during 2003-2012 cotton seasons; cotton price increased gradually with exceptional cases in 2004, 2006 and 2008 due to bumper years.

2. Macro economy
As global economic integration deepened, cotton price was increasingly exposed to the international economy. China apparel and textiles product export to U.S., E.U. and ASEAN massively, which affects domestic cotton price in very close way.

3. Substitute Fiber
As the main substitute for cotton, price change of chemical fiber also affect cotton demand and price indirectly. The recent several years witnessed global oil price increase, which brought up chemical fiber price and finally cotton price in consequence.
III. China Cotton Import

China textile industry created large cotton consumption since China joined WTO. Export value of China textile and apparel witnessed rapid increase during the past decade. In 2003, China textile and apparel export totaled 78.96 billion USD, 19.5% of the global gross. In 2012, the export of China textile and apparel reached 254.92 billion USD, 34.4% of the global gross. Enlarged export demand and domestic consumption motivated textile production. During 2003 to 2012, China yarn production increased from 9.28 million ton to 30.02 million ton, the increase rate was 323%. The domestic cotton production capacity could not meet the increasing demand, which need to be balanced by import.

The fast development of Chinese textile industry and improvement of trade environment leveled up the cotton import largely. During 2003 to 2012, China annual cotton import increased from 870,000 ton to 5,140,000 ton, the increase rate was 590%; during 2007-2009, global financial crisis and domestic bumper harvest reduced import volume; while due to large price gap domestic and abroad, cotton import of 2011/12 season was historical high of 5.14 million ton, accounted for nearly half of the global cotton import and export trade during that time period.
Cotton imported to China mostly comes from U.S., India, Australia and Uzbekistan; these four countries account for more than 70% of China import during 2003-2012. U.S. is the largest import origin during these years with one exception of India being the top in 2011. India exported cotton of 2,000 ton to China in 2003, then more than 1 million ton in 2011, becoming the second import source country during recent years. Australia cotton also takes more and more percentage in China cotton import trade due to its increasing production in recent years, meanwhile Uzbekistan cotton share shrank.

IV. Cotton Cooperation between China and Africa
On 14th December, 2011, just before the opening of 8th ministerial conference of WTO, China and African four cotton countries (Benin, Burkina Faso, Mali and Chad) announced their joint cooperation plan under WTO framework in Geneva.
Under the cooperation framework and joint declaration, China endeavored at helping these four cotton countries to build capacity on cotton production, processing, storage and trade. The
cooperation includes aspects of infrastructure construction, farming materials assistance, cotton training seminar, technical and equipment assistance, transportation cooperation. This cotton program involves 20 million USD provided by China, starting from 2011 and would last to the end of 2014.

Invited by Ministry of Commerce, and international exchange center of Ministry of Agriculture, experts of China Cotton Association have given lectures in Africa Cotton Planting Technology Officer Seminar attended by peers from Benin, Mali, Chad, Burkina faso; also held the China & Africa Cotton Seminar cooperatively with ITC by giving lectures and arranging visits to Chinese mills and cotton cooperatives.

Cotton trade between China and African countries has developed steadily. China imports around 200,000 -300,000 tons of African cotton annually, which enjoys reputation of good quality and relative cheap price in Chinese textile companies. It is firmly believed cotton cooperation between China and Africa will embrace bright future together.