

Presently China has become the largest cotton producer, consumer and importer in the world. China's cotton production accounted for over 30% of the world total. Annual consumption was over 10 million tons, about 40% of world total. Every year, over 3 million tons are imported to China, which stands for over one-third. In one word, China now plays key role in world cotton industry.

In order to help international cotton related enterprises know more about China's cotton market, Cottonchina.org (www.cottonchina.org) now pushes forward **Weekly Journal for China Cotton Market**, covering spot market, forward trading on CNCE, Zhengzhou Commodities Exchange (ZCE) cotton futures, cotton by-products market and Chinese textile market conditions. What is more, industrial policy and news are also included in this journal. We kindly hope this weekly journal can be useful for you to know Chinese cotton market and help you win in the market.

In order to thank for your close attention to Chinese cotton market, Cottonchina.org made the decision that the first four issues of the journal will be released freely. Your valuable advice and detailed requirement as for this journal is appreciated. Based on your requirement we will make some adjustment because we really hope this journal can meet your demand. After the free issuance, subscription can be your choice if you still want to read this journal. Detailed fees can be found in the remarks.

Weekly Journal for China Cotton Market (June 30- July 4)

I. Weekly Statistics

1. Cotton China Index (CC Index)

	<b>129</b>	<b>229</b>	<b>329</b>	<b>328</b>	<b>429</b>	<b>527</b>
<b>Average</b>	14721	14409	13996	13857	13468	12716
<b>Change</b>	-15	-24	-9	-9	-11	0

Quotations in RMB Yuan per ton, delivered mill

2. FC Index (Foreign Cotton Index)

<b>FC Index</b>	<b>FC Index SM</b>	<b>FC Index M</b>	<b>FC Index SLM</b>
<b>Average</b>	82.58	79.44	78.20
<b>Change</b>	-1.20	-1.21	-0.38

FC index in US cents per lb CFR China ports

3. CNCE e-trading (China National Cotton Exchange)

Contract	Volume		O/I		High	Low	Average	Price
	Accumulated	Change	July 4	Change				
MA0806	12800	2380	23520	-4520	14120	13861	<b>13992</b>	-138
MA0808	10520	-3780	22820	-340	14319	14000	<b>14110</b>	-213
MA0811	8220	860	4680	600	14798	14380	<b>14527</b>	-113

Volume and Open Interests in tons, Price in RMB Yuan per ton

MA--China cotton 229B, MD--China cotton 428B, MJ--Foreign cotton 229B, MK-- Foreign cotton 428B

4. ZCE(Zhengzhou Commodities Exchange)(June 30- July 4)

Contract	Price						Volume		O/I	
	Open	High	Low	Settle	Average	Change	Accumulated	Change	July 4	Change
CF807	13655	13700	13490	13535	13535	-145	14622	3442	25302	-6468
CF901	15315	15355	14805	14845	14885	-510	63818	2348	25894	-4084
CF905	15815	15815	15370	15400	15410	-445	4126	-484	2698	210

Volume and Open Interests in contract, each contract is 5 tons. Price in RMB Yuan per ton

5. Cotton byproducts price

	<b>Cotton Meal (42%)</b>	<b>Cotton Seed (13%)</b>	<b>Cottonseed Oil (Level 4)</b>	<b>Second-cut Linter</b>
<b>Average</b>	2708	1.29	11151	4004
<b>Change</b>	128	0.05	222	-17

Price in RMB Yuan per ton

## II Market review

### 1. Spot market

Last week, market saw many policies. Firstly Xinjiang cotton shipment subsidy was confirmed, then according to Ministry of Railway, about 270 train wagons cotton will be shipped out of Xinjiang daily from July 10 to the end of August. Another influencing factor is rising railway transportation fee after the rising of oil and electricity price. Under such conditions, spot price for cotton continued weak, with soft trading. Weekly average price of CC Index 328 was 13857 yuan per ton, down 9 yuan.

### 2. Imported cotton

The buyers paid more attention on the official policy about Xinjiang cotton. Even the ICE cotton futures were sharply fell, the spot price dropped in the relative narrow zone. The volume was still slim, but the inquiry was more active.

### 3. Forward trading of CNCE

The market obviously decreased under the influence of the quite weak ICE cotton futures and the weaker spot market. Domestic spot market went to be weaker as the Xinjiang cotton delivery policy (the government supports the unsold Xinjiang cotton to deliver to inland in the rapid pace). The main contract was sharply lower, especially in Tuesday and Wednesday. The spot contract MA807 averaged 13992 yuan per ton weekly, 138 yuan/tones lowered than last week; and main contract MA0808 was 14,110 yuan per ton, 213 yuan lowered. The confidence of CNCE market was affected. The daily volume was around 10,000 tonnes, rising slightly than last week.

### 4. Zhengzhou Commodities Exchange (ZCE)

The market moved in the same trend with last week. The spot and main contract traced in the different ways. The spot contract CF807 was lowered in previous Monday, and the following trading days was up and down in the narrow area of 13,490 to 13550 yuan per ton. On Friday it settled at 13,535 yuan per ton, which was 140 yuan per ton lower than the former Friday. The later months were in the sharp lower trend. The CF901 dropped under the support of 15,000 yuan per ton after the first two days trading. Wednesday it recorded at the low level 14,805 yuan per ton, although that day it finally settled at the up area, the next two days also were very weak. CF901 settled at the near low level in 14848 yuan per ton, 500 yuan per ton lowered then the last Friday.

### 5. Textile market

Because of some clothes and textile plants prepares for the orders for autumn and winter, demand for carded yarn rises, especially for C21S, C32S and C40S. Supply of carded 40S yarn is limited, but few orders for JC 80S above. Since limited cotton stock for textile plants, mistake is frequent during cotton distributing, yarn quality will be badly influenced, orders with strict requirement were cancelled.

### III Economic News & Weather

#### 1. Macro-economic News

- China's economy might continue to decelerate as a result of slower industrial output growth and weakening overseas demand, according to the National Bureau of Statistics (NBS). Urban fixed-asset investment fell 0.3 percentage points to stand at 4 trillion yuan from January-May. Exports in the first five months rose 22.9 percent to 545.1 billion U.S. dollars, but the growth rate was 4.9 percentage points lower than a year earlier.
- On July 2, China State Council agreed at an executive meeting the plan to ensure grain output exceeds 500 billion kilograms until 2010, and reaches 540 billion kg by 2020. They approved a mid to long-term plan to ensure national grain security, which would make the country more than 95 percent self-sufficient. Grain production subsidies would increase annually to boost farmers' incomes, but no details were given.

#### 2. Weather in China's cotton regions

Unseasonably hot weather rules in northwest and center-west area of China, with above-average temperature was recorded. The sunny weather had prevailed in Xinjiang, helped the crop squaring and opening. Moisture received in North China and Huang Huai region has been sufficient for crop development. Drought condition was reported in western Huang Huai region, which taking a toll on the crop. The high soil moisture level along Yangtze River brought adverse effect on the crop as the heavy precipitation was received.

### **Beijing Cotton Outlook Consulting Co. Ltd**

In order to bring a first class global information service to Chinese cotton industry participants, China Cotton Association(CCA), China National Cotton Exchange(CNCE) Cotlook Ltd have combined the three parties' advantages in trading knowledge, information and organizational relationships and formed a new joint venture company—Beijing Cotton Outlook Consulting Limited(BCO) in August 2004. The establishment of BCO indicates that cotton consulting service in China becomes more professional.

Utilizing the advantages of three parties on cotton industry domestically and abroad,BCO tries to create more new services and products for cotton and textile companies, based on [www.cottonchina.org](http://www.cottonchina.org), which is operated and managed by Beijing Cotton Outlook Consulting Co., Ltd.

China Cotton Association: service, coordination, self-discipline and interest guarding

China National Cotton Exchange: Open, Impartiality, Equity

Cotlook Limited: a cotton information company with more than 80 years history and good reputation in global market located in Liverpool, UK.

China Cotton Information Web (<http://www.cottonchina.org>) was founded jointly by the Cotton and Jute Bureau of All China Federation of Supply and Marketing Cooperatives and China National Cotton Exchange in June 1998. It is formally functioned in June 1999. Drawing on its strong industry background and observing the principle of objectivity and impartiality for information release, CottonChina.org has become a website with nationwide influence and authority.

As a professional website, our website established fixed information contacts with more than 100 major cotton-producing areas and over 300 large and medium size textile mills. We also have information exchange with national ministries and commissions and cotton related firms. We have consultative relations with famous experts on cotton, textile and foreign business. Finally, we have close relations with foreign famous cotton websites, cotton firms and other cotton related agencies. Therefore, the comprehensive information channels and precise check system ensures CottonChina.org can post authoritative, accurate, comprehensive and timely cotton information.

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