

Weekly Journal for China Cotton Market (June 16-20)

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.

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Delivery time: every Wednesday

Fees: USD 300 for one quarter, USD 500 for half a year, USD 900 for year

Remittance method

Payee: Beijing Cotton Outlook Consulting Co., Ltd

Bank: Bank of China, Beijing Jin Rong Jie Sub-branch

Account: 811214758308092001

I. Weekly Statistics

1、 Cotton China Index (CC Index)

CC index Weekly average price(June 16-20): 13866 (+12)

	129	229	329	328	429	527
National Price	14721	14434	14004	13866	13479	12712

Change	12	7	12	12	14	6
Xinjiang Price	14000	13800	13600	13500	13200	--

2、 FC Index (Foreign Cotton Index)

Date	FC Index SM	FC Index M	FC Index SLM
Average	83.29	80.45	78.59
Change	3.43	3.39	3.08

3、 CNCE(China National Cotton Exchange)

Contract	Volume		O/I		High	Low	Average	
	June 16-20	Change	Accumulated	Change			June 16-20	Change
MA0806	11800	6420	14140	-3060	14140	13920	14063	-58
MA0808	14700	4280	19040	520	14500	14212	14422	6
MA0811	7180	2040	5780	1540	14728	14528	14657	47

4、 ZCE(Zhengzhou Commodities Exchange)(June 16-20)

Contract	June 9-13				Settlement			Volume		Open Interests	
	Open	High	Low	Settle	this week	Previous	Change	June 9-13	Change	Accumulated	Change
CF807	13780	13825	13715	13730	13740	13700	40	10950	-5822	35068	-2558
CF901	15260	15735	15240	15365	15445	15130	315	96480	71122	25714	1214
CF905	15845	16175	15680	15835	15895	15695	200	4726	1468	2420	578

5、 Cotton byproducts price

	Cotton Meal (42%)	Cotton Seed (13%)	Cottonseed Oil (Level 4)	Second-cut Linter
Average	2519	1.22	10965	4047
Change	+159	+0.04	+308	+9

II Market review

1. Spot market

Last week, textile mills had to buy some cotton to make up their lower stock, for cotton enterprises, they were forced to sell in order to pay the loans from Agricultural Development Bank of China (ADB), under such conditions, more active trade was seen in spot market. However, because of the heavy pressure for textile mills, week average price for CC index 328 was 13866 yuan per ton, rising only 12 yuan than previous week.

2. Foreign cotton imported

Last week, weekly average price for Foreign Cotton index Middling grade (FCM) was 80.45 cents per pound, rising 3.39 than previous week. So high price prevented more cotton imported to China.

Domestic textile mills imported a lot cotton when ICE cotton futures was at the lower level, which can meet the short-term demands, thus present demand for imported cotton tends to be weak..

3. Forward trading of CNCE

Characteristics for forward trading on CNCE last week was active trading but decreasing open interest. Forwarding trading went higher with the influence of ICE cotton futures initially but became weak again because of weak fundamental conditions. Week average price for MA0808, key contract of forwarding trading was 14422 yuan per ton, rising 6 yuan. Early delivery on Friday broke 2000 tons, which reflects large demand on spot market to some extent.

4. Zhengzhou Commodities Exchange (ZCE)

Although with the influence of ICE rise, ZCE seemed to go up higher during the week, but went down finally. In addition, increasing positions with the rise of ZCE disappeared completely, which reflects the fact that market confidence is not enough to push ZCE go higher now. Weekly rise for key contract CF901 was above 500 yuan with settlement of 15130 yuan per ton. Trading volume for CF901 was quite large, accounting for 71% volume of the total contracts

5. Textile market

Textile market keeps stable, most trade are in small scale. Pure cotton yarn is still the most welcomed. Under the whole weak condition of VSF, some viscose yarn kept continual down trend. According to textile mills, presently it is not peak season, also because of summer peak power using, some mills chose to decrease its productivity. Another focus is whether the tax rebate adjustment will be issued? Also, price hike for oil since June 20 and electricity price rise since July 1 surely add the cost for textile mills, making textile industry more difficult.

III Economic News & Weather

1. Macro-economic News

a. According to the report from RENMIN University, China's economic growth is expected to decrease remarkably as external demand falls sharply. It also estimated that China's GDP growth is expected to be lowered to 10.4% and 7.1% for CPI in 2008.

b. The National Development and Reform Commission (NDRC) announced rise of 1000 yuan per ton for gas oil and diesel oil price, and 1500 yuan per ton rise for the coal oil for aeroplane from June 20. Electric price will increase 2.5 cent (RMB) per KWH from July 20.

2. Weather in China's cotton regions

Many places in China have experienced heavy rain since the mid May. Last week, rainstorm happened in some key cotton planting regions, such as Jiangsu, Hunan, Gansu and Jiangxi provinces. By the end of last week, wheat harvest had already finished, but for cotton presently, continual rain was not welcome. The rain will both defer growth period of cotton and also make cotton more viable for insects.