



China Cotton Market Weekly Journal

BEIJING COTTON OUTLOOK CONSULTING CO.,LTD.

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.



I. Weekly Statistics

1. Cotton China Index (CC Index)

	129	229	329	328	429	527
Average	14522	14257	13897	13758	13413	12679
Change	-117	-97	-68	-69	-35	-25

Quotations in RMB Yuan per ton, delivered mill

2. FC Index (Foreign Cotton Index)

FC Index	FC Index SM	FC Index M	FC Index SLM
Average	81.39	78.10	76.47
Change	0.07	0.17	-0.33

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 18	Change				
MA0807	17540	1660	8420	-6820	13855	13775	13817	-42
MA0808	9160	-2680	23400	-640	13960	13820	13895	-22
MA0812	5720	-3100	7440	1400	14398	14080	14182	-18

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) (July 14- July 18)

Contract	Price						Volume		O/I	
	Open	High	Low	Settle	Average	Change	Accumulated	Change	July 11	Change
CF807	13420	13600	13400	13540	—	13535	—	3208	-10724	0
CF901	14750	15005	14665	14725	14710	14885	-175	108684	57800	31496
CF905	15250	15490	15205	15260	15265	15410	-145	4988	1978	2474

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

5. Cotton byproducts price

	Cotton Meal (42%)	Cotton Seed (13%)	Cottonseed Oil (Level 4)	Second-cut Linter
Average	2845	1.31	11228	4007
Change	35	-0.01	-18	-11

Price in RMB Yuan per ton

II Market review

1. Spot market

This week, domestic spot cotton still kept weak, some grade went down deeper. Coming deadline to pay the ADB loans and weak price for whole week made cotton and textile enterprises feel unrest. CC Index 328 averaged at 13759 yuan per tonne, down 68 yuan than previous week; CC Index 229 averaged at 14257 yuan per tonne, down 97 yuan; CC Index 527 averaged at 12679 yuan per tonne, 25 yuan lower than the previous year.

2. Imported cotton

According to our survey, the bonded cotton stock was totaled at 300,750 tons in the end of the mid-July. Recently the bonded cotton was sold in the normal way, especially for US and Indian cotton. The price for the Indian cotton was contracted in the low level. 13800-13900 per ton (76-77 cent/lbs) was the normal level, and some traders sold out it on 13600-13700 yuan per ton (74-75 cent/lbs) for getting cash in time.

One or two international traders delivered Indian cotton from China then to sell to Indian textile mills. Whether the Indian cotton export would be banned or restricted news got so many attentions.

3. Forward trading of CNCE

The market was ranged on the narrow area this week. The averaged price for each MA contracts was moved down from last week. The MA0810 was dropped near 100 Yuan, the others was almost lower 50 Yuan. The pressures for the market included the loan refund to the Agricultural Development Bank of China, the quantities of Xinjiang cotton had been delivering to the inland market, the price of the inland cotton slightly moved down.

The e-business volume was obvious active according to the contracts for advanced delivery and the cotton supermarket online. The open interests were decreased from last week.



4.Zhengzhou Commodities Exchange (ZCE)

The first three trading days for the market moved up slightly, the main contract CF901 touched the week high on 15,005 Yuan/ton. But no full power support the market in the next two days, it went to be lower. On Friday CF901 settled at on 14,725 Yuan/ton, 50 Yuan less than the previous Friday.

The expectation for the decreasing stocks in ZCE market stimulated the bounce of the beginning of this week. Monday was the last trading day for CF807, it finished at 13,540 Yuan. To accept physical delivery for the discount off CF807 was the main activity for some commercial buyers recently. As August 14 would be the last delivery day of CF807, traders expected the stocks on the ZCE market would be less as the delivery of the spot contract. In fact, the stocks down lowed. The ZCE Friday stocks report showed that the certificated stocks on that day were 3,323 contracts decreased 2188 contracts than last Friday. The market tried back to the normal trend after the change from the decreased stocks. The weak spot market hindered the ZCE market to be higher.

5.Textile market

Entering July, demand for C40S and C32S kept rising, however orders for high count yarn and high density gray were still few. According to some enterprises, most cloth factories are making warm-keeping shirts and autumn or winter clothes, thus demand for coarse yarn is rising, but for medium to large cotton mills, coarse yarn making consumes large quantity cotton and lots of cash flow, however only small margin is made from coarse yarn manufacturing. Textile enterprises urgently expect preferential policies from the government, such as slowdown of the RMB appreciation and uprising of tariff rebate rate for textile products. Cotton price is considered by textile enterprises to be lowered to 13 thousand yuan per ton in near future.



6. CottonChina.org investigation

During June, China-less-Xinjiang cotton was consumed much quickly. Also domestic cotton warehouses were full of cotton shipped from Xinjiang encouraged by 400 yuan per ton shipment subsidy. Fast shipment of Xinjiang cotton made it difficult to be sold, thus the price was lowered by 50-100 yuan per ton. Mills accelerated to buy more cotton in order to replenish their warehouse. Cotton enterprises need to pay the loan from Agricultural Development Bank of China (ADB), thus they were forced to sell the cotton. However, price kept relatively stable. Insufficient supply of low grade cotton thus prompted the price go higher.

By the end of June 2008, domestic commercial stocks was 1.35 million tones (including foreign cotton but no national reserve cotton), about 400 thousand tons less than that by the end of May. Among, about 820 thousand tons for cotton stock in Xinjiang and 530 thousand tons for other places.

As for cotton sale in July, about 42% enterprises thought the market would be stable as June. Reasons are insufficient cotton supply would be supplemented by large quantity of Xinjiang cotton and also demand from the mills will not be expanded quickly, lastly the government hope the cotton price will be stable. 36% enterprises consider the market would go down. Mills are facing so many difficulties, such as off season, uprising cost from electricity and oil price, and the lack of fund, which prevents them from buying more cotton. For cotton enterprises, they had to sell their cotton to pay ADB loan by the coming deadline. Only 19% are optimistic about the future market and other remaining 3% enterprises said the future market would be uncertain.

Remark: more detailed information and such investigation reports can be found in <http://www.cottonchina.org/english/index.php>.



III Economic News & Weather

Macro-economic News

1. On July 17, the National Bureau of Statistics (NBS) announced that China's economy grew stably and rapidly at a speed of 10.4 percent during the first half of the year, which was 1.8 percentage points slower than the same period of last year. China's consumer price index (CPI) rose 7.9 percent in the first half over the same period last year, 0.2 percentage points lower than the first five months.

2. Chinese government will spend 12.7 billion yuan (1.85 billion U.S. dollars) on upgrading lower-yield farmland this year, the State Office for Comprehensive Agricultural Development said on July 16.

3. China's currency, the yuan, on July 16 broke the 6.82 mark to set a new high against the weakening U.S. dollar for six consecutive days. The central parity rate of the yuan, or Renminbi (RMB), was set at 6.8128 yuan against the dollar, according to the China Foreign Exchange Trading System.





Weather in China's cotton regions

Isolated light rains were recorded in north Xinjiang last week, the daily precipitation ranged from 1 to 9 mm. A heavy hail was reported in Awat County, which located in south Aksu. The damaged area was 1920 hectares (including 600 hectares which damaged proportion was more than 88%).

Shanxi and Shaanxi province along Yellow River Valley had received more moisture; the highest daily precipitation in Hebei and Shandong reached 50mm. The center and northwest region in Henan received a heavy rain from Monday to Tuesday; the precipitation was more than 100mm. The crop condition in Shanxi and Shaanxi was described as optimism. Cop producers in Hebei and Shandong considered the output will be depending on the following weather, since producers are waiting for the open and warm weather.

Some growth regions along Yangtze River Valley had received heavy rains, including south Anhui, Hubei, south Jiangsu and north Hubei, the average daily precipitation was 25-50mm.

Some pest infestations were reported in Xijiang region and Yellow River Valley; and the infestations were relatively under control.

Beijing Cotton Outlook Consulting Co. Ltd.(www.cottonchina.org)

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, 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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