



# *China Cotton Market Weekly Journal*

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](http://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
<b>Average</b>	14473	14216	13856	13718	13377	12662
<b>Change</b>	-49	-41	-41	-40	-36	-17

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
<b>Average</b>	80.60	77.77	76.04
<b>Change</b>	-0.79	-0.33	-0.43

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 25	Change				
<b>MA0807</b>	1380	-16160	8620	200	13820	13701	13730	-87
<b>MA0808</b>	9080	-80	21880	-1520	13960	13691	13784	-111
<b>MA0812</b>	7980	2260	7220	-220	14145	13850	14000	-182

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 21- July 25)

Contract	Price						Volume		O/I	
	Open	High	Low	Settle	Average	Change	Accumulated	Change	July 25	Change
CF809	13770	13820	13495	13590	13580	13805	-225	6508	-382	12430
CF901	14705	14785	14195	14320	14335	14710	-375	70440	-38244	28054
CF905	15230	15310	14760	14855	14875	15265	-390	2968	-2020	2708

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	2866	1.32	11190	4005
Change	21	0.01	-38	-2

Price in RMB Yuan per ton

#### 6. Exchange Rate of RMB vs US dollar

Date	July 21	July 22	July 23	July 24	July 25
Middling rate	6.8271	6.8219	6.8279	6.8297	6.8255



## II Market review

### 1. Spot market

This week domestic spot market kept going down. More and more cotton enterprises waited for no time to sell the cotton stock for the cash, even at the price lower than the cost. However, textile enterprises bought cotton only for their urgent requirement. Large quantity of cotton selling in short time attracted the mills to wait for lower price. Thus sales concluded were small. CC Index 328 averaged at 13718 yuan per tonne, down 41 yuan than previous week; CC Index 229 averaged at 14216 yuan per tonne, down 41 yuan.

### 2. Imported cotton

Trade for imported cotton this week was light. The consignment cotton sold in the slow trend. The contracts for shipping were less, but some September shipment of US cotton had been heard to contract. Some mills had interests to purchase the low-grade import cotton using the quota tariff at 1%. There were concerns for Indian cotton quotation of the new season, but the offering by some Indian trader were beyond the buyer's expectation. What the affects will bring by the new Indian cotton export policy absorbs so many attentions.

### 3. Forward trading of CNCE

Unlike the relative stable ICE cotton futures, the CNCE e-trading was in the downside this week. MA0808, the spot contract weekly averaged at 13784 Yuan per tonne, 111 Yuan lower than the previous week. Most of the further contracts lowered more than 200 Yuan per tonne. The market sank as the pressure on textile industry and the large volume Xinjiang cotton in the inland warehouses.

Total volume was slim for this week, and the daily volume was less than ten thousand tones. The open interests slightly moved up. Weekly average of spot contract MA0808 was 13784 yuan per tonne, breaking the support of 13800.



#### **4.Zhengzhou Commodities Exchange (ZCE)**

The ZCE market was weak in this week. The main contract CF901 kept the down trend in the first three trading days, the lowest level settled at 14,195 Yuan per tonne. Followed with the bounced ICE cotton futures, on Thursday the ZCE market slightly moved up. But as it failed to break the key resistance on Thursday, Friday the market lowered the head. The CF901 settled on 14320 Yuan per tonne, which was 405 Yuan per tonne lower than previous Friday. CF809 is about to be delivered, which settled at 13,590 Yuan per tonne, 210-Yuan loss. The volume and open interests both kept on the low level.

#### **5.Textile market**

With hotter weather, power shortage became common in some places, but yarn market was still weak. Under such condition, some mills chose to close down some machines. Common products, such as C21S, C32S and C40S were still traded well, and the price trend was going up. This week, although official notice was not publicized about export rebate rate for textile products, but the pictures became more and more clear: rebate rate for textile products will be increased to 13%, rising 2 percent point; 4% for clothes export rebate, and the highest increase is 10 percent point up from 5% to 15% for viscose fibre, key raw material for textile products. However, the final policy will be released at the end of July or next month.



### III Economic News & Weather

#### Macro-economic News

1. According to National Development and Reform Commission, different government agencies will further strengthen management of foreign investment projects and check foreign exchange inflow. Foreign enterprises can only be founded after the projects are approved by Chinese related government in order to prevent the foundation of shell companies.

2. Gao Hucheng, Vice Minister of Ministry of Commerce said on July 22, although foreign trade met the objective during the previous half year, the government will continue its effort to improve the adjustment of trade structure. Although export showed some decreasing, foreign trade kept increasing at 25.7% for first half year, which was satisfactory.



## Weather in China's cotton regions

Isolated rains were received in northwest of Xinjiang cotton growth region last week. The heaviest precipitation was reported in Kashi and Korla, which had reached 10-25mm. The heavy winds from 20 to 40 miles per hour were reported in isolated region, which made adverse effect on the crop.

Cleared and warm weather prevailed in Hebei province after the center region had received heavy rains early last week. The sunny weather helped the crop to develop. The east Shandong received downpour late last week, but not spread to the main growth region in southwest. More than 100mm of rainfall were received in south Henan. The heavy rain attacked some regions. Weather during the following week is most important for the new crop.

North Anhui, Hubei, and north Jiangsu had received downpour last week, the average daily precipitation was more than 100mm. The heavy moisture weather had made the temperature cooler than normal; the development of cotton will be delayed for about 10 days. Producers in aforementioned regions were trying their best to protect crop from the adverse weather. If good weather prevails in the next two weeks, the output would not be pessimism.



### **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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