



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) 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	14384	14164	13820	13684	13336	12640
Change	-89	-52	-36	-34	-41	-22

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	82.18	79.25	77.22
Change	1.58	1.49	1.18

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				
MA0808	17300	8220	16480	-5400	13706	13510	13574	-210
MA0809	8900	1600	8540	520	13795	13550	13650	-223
MA0812	8300	320	7040	-180	13980	13736	13827	-173

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 28- Aug 1)

Contract	Price						Volume		O/I	
	Open	High	Low	Settle	Average	Change	Accumulated	Change	Aug 1	Change
CF809	13610	13610	13425	13480	13510	13580	-70	5662	-846	10058
CF901	14375	14545	14205	14470	14480	14335	145	89892	19452	26120
CF905	14890	15040	14760	14985	14985	14875	110	2610	-358	2698

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	2811	1.31	11088	3946
Change	-55	-0.01	-102	-59

Price in RMB Yuan per ton

6.Exchange Rate of RMB vs US dollar

Date	July 28	July 29	July 30	July 31	Aug 1
Middling rate	6.8277	6.8205	6.8351	6.8388	8.6423



II Market review

1. Spot market

During this week, domestic cotton kept weak again. Although preferential policy about tariff rebate for textile products was released this week, cotton can not find any support from the continual weak market. Cotton price went down further. CC Index 328 averaged at 13684 yuan per tonne weekly, down 34 yuan than previous week; CC Index 229 averaged at 14164 yuan per tonne, down 52 yuan; CC Index 527 averaged at 12640 yuan per tonne, 22 lower than before.

2. Imported cotton

The cotton import trade could not be active as same condition of the recent light volume because the buyers were waiting for the price to be lowered to the range they could accept. This week, the first four days ICE cotton futures traded in the narrow range of 73-75 cent, which was above the recent buyers mind level at 71 cent. Even the market had gone lower at the last trading day, the weaker and weaker domestic spot price and the inactive trade gave pressure for the cotton import.

We had seen some Brazil, US, West Africa and Indian cotton to be traded in the bonded trade zone.

One or two traders had tested to export Xinjiang ELS cotton to the outside market.

3. Forward trading of CNCE

The CNCE e-business recorded to be weaker. The spot contract MA0808 penetrated the key resistance 13,600 Yuan. The market sharply went down in the first two trading days as the lack of confidence. Though it recovered some from the bottom as the good news from the textile side, but the weekly average level was still lower than the previous week. The MA0808 averaged at 13,574 Yuan per ton, which was 200 Yuan per ton lower than last Friday. Other MA contracts also got more than 200 Yuan per ton lower each.

The daily volume kept above 10,000 tons, which was in the same level with the week ended on July 25. The open interests moved down.



4.Zhengzhou Commodities Exchange (ZCE)

The ZCE market bounced up from the record bottom of the previous week. The main contract CF901 went down in the first two trading days, and it nearly touched the recent lowest level. From Wednesday CF901 bounced up from the technical side and the overnight steady ICE cotton futures. Finally, the CF901 settled at 14,470 Yuan per ton, 150 Yuan increased from last Friday.

The trade volume was more active, while the open interests moved down.

5.Textile market

Cotton price on Zhengzhou Commodities Exchange, CNCE and spot market went lower again, but such condition did not stimulate cotton enterprises to buy more raw materials. Grade three cotton concluded at 13200-13300 yuan per tonne. Demand for C21S and C32S was rising, but demand for JC40S was few, the reason was decreasing export of high end shirts and bed sheets. Stimulated by the preferential policy, mills became more active in export and purchasing raw material. Recently industrial electricity consumption was limited in Shandong, Henan and Jiangsu provinces, thus some mills were forced to close the machine.



III Economic News & Weather

Macro-economic News

1.The Ministry of Finance (MOF) said on July 29 that 3.5 billion yuan from the 2008 central budget will be used to support smaller companies that are having difficulties amid economic restructuring, which will be 25 percent more than that of last year.

2.On July 29, the National Bureau of Statistics of China (NBSC) publicized the results of its economic monitoring. For the first half of the year, China's macroeconomic early-warning index was 114.9, which placed the economy clearly in the "green light zone."

3.According to National Development and Reform Committee, China Energy Bureau was officially founded on July 29. The newly bureau will be responsible for China's energy policy and operate under the NDRC.





Weather in China's cotton regions

South Xinjiang had received beneficial rains during last week, but the precipitation was just around 10mm, the long period of dry and hot weather was taking a toll on the crop.

Some rains were reported along Yellow River Valley. Hebei province had experienced open weather during the early last week, but rains prevailed in south region for two days during the late period. There was not much adverse effect, if the rain wouldn't hold any longer. Similar condition was recorded in Shandong growth region. Most clear weather prevailed in Henan, conditions appeared generally beneficial for the cotton in Puyang and Shangqiu. Sunny weather was reported in Shanxi, cotton in this region has begun opening bolls.

Typhoon Fung Wong landed on the Fujian last Monday, the typhoon became weaker in Jiangxi, and takes some affect in the lower region along Yangtze River. Moderate to heavy rains were recorded in north Anhui, Jiangsu, Jiangxi and Hubei, and rainstorm was reported in isolated region. Temperature in relative region decreased 5-10°C, the cooler and cloudy weather was taking some adverse affect on the crops.

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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