



China Cotton Market Weekly Journal

(Aug 11-Aug 15)

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	14201	14032	13751	13616	13255	1598
Change	-105	-69	-47	-47	-56	-21

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	79.78	77.26	75.38
Change	-0.36	0.09	0.06

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	Aug 8	Change				
MA0808	7500	-1600	10520	-3120	13578	13260	13531	-40
MA0809	7640	1000	7760	-520	13600	13519	13565	-6
MA0812	6880	1120	7240	60	13798	13627	13702	-38

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) (Aug 11 - Aug 15)

Contract	Price						Volume		O/I	
	Open	High	Low	Settle	Average	Change	Accumulated	Change	Aug 15	Change
CF809	12860	13300	12855	13130	13145	13325	-180	6606	-664	6170
CF901	14000	14245	13840	13845	13895	14160	-265	53132	-24342	20548
CF905	14585	14770	14420	14420	14475	14705	-230	2382	-1258	2900

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	2818	1.25	9953	4037
Change	44	-0.02	-751	105

Price in RMB Yuan per ton

6.Exchange Rate of RMB vs US dollar

Date	Aug 11	Aug 12	Aug 13	Aug 14	Aug 15
Middling rate	6.8638	6.8659	6.8628	6.8630	6.8649

II Market review

1. Spot market

With coming end of 2007/08 cotton year, enterprises with cotton stocks were eager to sell their cotton. Mills also finished their equipment maintenance and were preparing for the new cotton delivery. Off season and unclear future of textile industry prevented mills from buying more cotton. Thus spot market went down further, CC Index 328 averaged at 13615 yuan per tonne weekly, down 47 yuan; CC Index 229 averaged at 14032 yuan per tonne, down 69 yuan and CC Index 527 averaged at 12598 yuan per tonne, down 21 yuan.

2. Imported cotton

The imported cotton sale recorded in the slight volume, the decline ICE cotton futures had not supplied so much chance for the spot market. The so weak domestic market was the same reason for the weak import with the last couple of weeks.

Overseas suppliers of imported raw cotton should register with the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ), according to a notice published on the official website of AQSIQ. It is stated that the purpose of this registration is to strengthen the management of imported cotton inspection and quarantine, to avoid quality defaults and to guarantee the quality of imported cotton. AQSIQ will start to accept registrations from September 15, 2008.

3. Forward trading of CNCE

The decline trend repeated in the CNCE e-trading business this week. The spot contracts MA0808 averaged at 13,531 yuan per tonne for the week, which was 40 yuan per tonne lower than the previous month.

The slight volume fully showed the weak confidence for the market. And the open interests also cut down.





4.Zhengzhou Commodities Exchange (ZCE)

The weak tone still filled in the ZCE cotton futures market. On first two sessions, the market shook on the level of 14,000 yuan per tonne. On Wednesday it bounced from the bottom as the strong outside market. But during the last two sessions it come back to the weaker trend and penetrated the resistance to the low level at 13840 yuan per tonne. On Friday the main contract CF901 settled at 13,845 yuan per tonne, which lost 275 yuan per tonne from the previous Friday.

The open interests and volume moved down with the weaker price.

5.Textile market

This week deep decline of cotton spot and future markets did not stimulate mills to buy more cotton. In fact quite a few factories only kept stocks for 7-10 days consumption. It was known that China government would buy Xinjiang cotton to supplement national cotton reserve at the price of 13500 yuan per tonne (229 Grade), which will offer some support for continuous declining of cotton price, also protect interests of cotton farmers through increasing the purchasing price for seed cotton.

This week, power shortage in Shandong and Henan was lessened. Some medium to large mills started operation regularly. Supply of low count carded yarn increased and demand for C32S and C21S rose, but market for high count yarn and high end products was not improving and cash flow for medium and large mills was serious.

III Economic News & Weather

Macro-economic News

1. According to the National Bureau of Statistics, the producer price index (PPI) for China's industrial products rose 10.0 percent year on year in July, and China's consumer price index (CPI) was up 6.3 percent in July.

2. From January to July, total amount of China's foreign trade reached 1482.11 billion USD, growing at 26.4%. Trade deficit went down 9.6% to 123.72 billion USD.



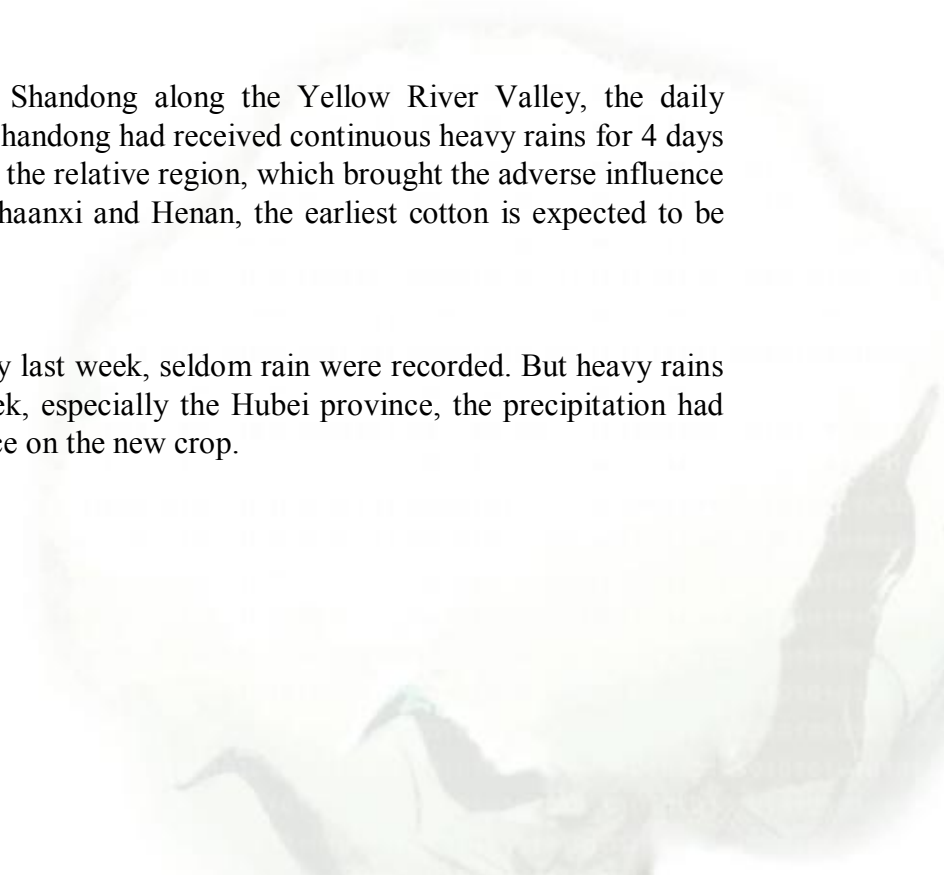


Weather in China's cotton regions

Isolated rains were received in north Xinjiang region, including Kaxgar, Gulja and Urumqi, the precipitation was less than 10mm. Temperature in some region had reached 40°C, which influenced the development of cotton.

Moderate to heavy rains were recorded in Hebei and Shandong along the Yellow River Valley, the daily precipitation was around 50mm. The south Henan, west Shandong had received continuous heavy rains for 4 days during last week and cooler temperature were recorded in the relative region, which brought the adverse influence on the crop. Normal weather had prevailed in Shanxi, Shaanxi and Henan, the earliest cotton is expected to be delivered to market by the end of this month.

Open weather prevailed along Yangtze River Valley early last week, seldom rain were recorded. But heavy rains were reported in Jiangsu, Anhui and Hubei late last week, especially the Hubei province, the precipitation had reached 50mm. However, it didn't take too much influence on the new crop.





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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