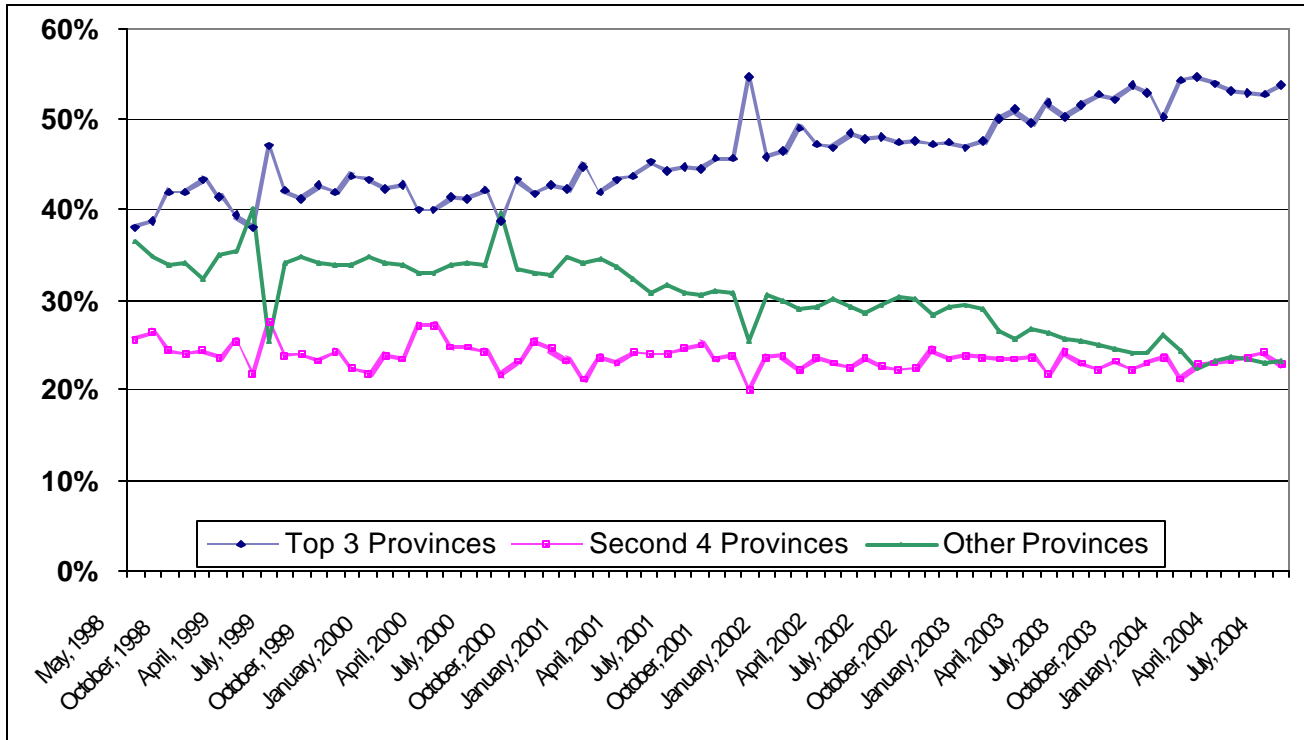




Cotton: World Markets and Trade

Yarn Production in China Concentrates in Eastern Provinces



As Chinese consumption hits a record, yarn production changes underscore the need for cotton imports. China is forecast to consume a record 34.5 million bales of cotton in MY 2004/05, nearly one third of the world total. Production of all types of yarn in China has grown by more than 80 percent since 1998. Although, cotton still accounts for approximately 60 percent of yarn produced, cotton's share of yarn production in China has been declining since the early 1990's.

The rapid growth in China's yarn production has not been evenly spread across the entire Chinese spinning sector. While spinning occurs in nearly all of China's provinces, it has grown increasingly more concentrated in a few eastern provinces with good access to domestic and imported cotton. The concentration has increased in recent years as the share of total yarn production in the top three provinces (Jiangsu, Shandong, and Henan) has risen from about 40 percent in 1998 to nearly 55 percent in 2004. The quantity produced in these provinces has increased by 150 percent. The share of total production in the next four largest spinning provinces (Hebei, Hubei, Zhejiang, and Fujian) has been trending downward slightly. The share of total yarn production in the remaining 23 provinces in China has fallen from about 35 percent to just over 20 percent.

Concentration in the coastal regions, which have easier access to imported cotton, should provide greater opportunity for imported cotton to compete with Chinese cotton. This concentration has been driven in part by proximity to the export-driven textile and apparel industry that also relies on access to port facilities on the eastern coast.