



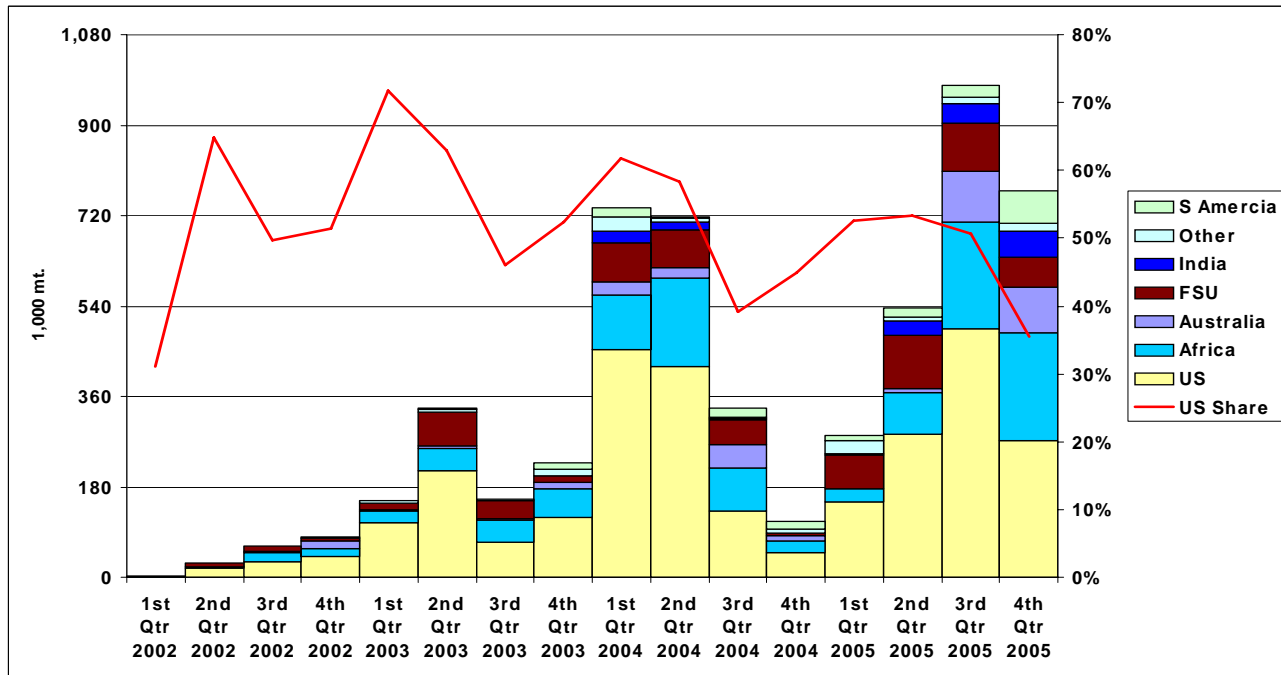
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# Cotton: World Markets and Trade

## U.S. Share in China Declines



The United States has traditionally been the largest supplier of cotton to China, with a 52 percent share of China's cotton imports since January 1995. However, since the beginning of the 2005/06 marketing year, the US share has averaged only 40 percent and has declined steadily during that period, reaching only 25 percent in January 2006. Nearly all other competitors have seen gains in market share since the beginning of the marketing year. The most notable are Africa, Australia, and India whose combined share so far in 2005/06 is 42 percent compared to 28 percent since the beginning of 1995. One factor in this change is that exportable supplies in the rest of the world outside of China in 2004/05 and 2005/06 are more than 25 percent higher than any time in the preceding 15 years.

Australia's large crops of the early 2000's coincided with a period that saw very low imports by China and very strong demand in Indonesia. While China's import demand increased in late 2003 and dramatically in early 2004, Australia was faced with significantly smaller crops. The larger Australian crops in 04/05 and 05/06 are well placed to compete with the US in China.

African cotton production was stagnant in the early and mid 1990's as China's import demand increased, while demand in traditional African markets such as Europe remained firm. As demand in traditional markets began to decline in the late 1990's so did import demand in China; however, now with continued declining demand in other markets, exports to China have expanded.

India's shift from being a net importer to a net exporter and the decline in demand in India's traditional export markets of Japan and Europe, have been a major factor in their growth in share in China.

Approved by the World Agricultural Outlook Board