



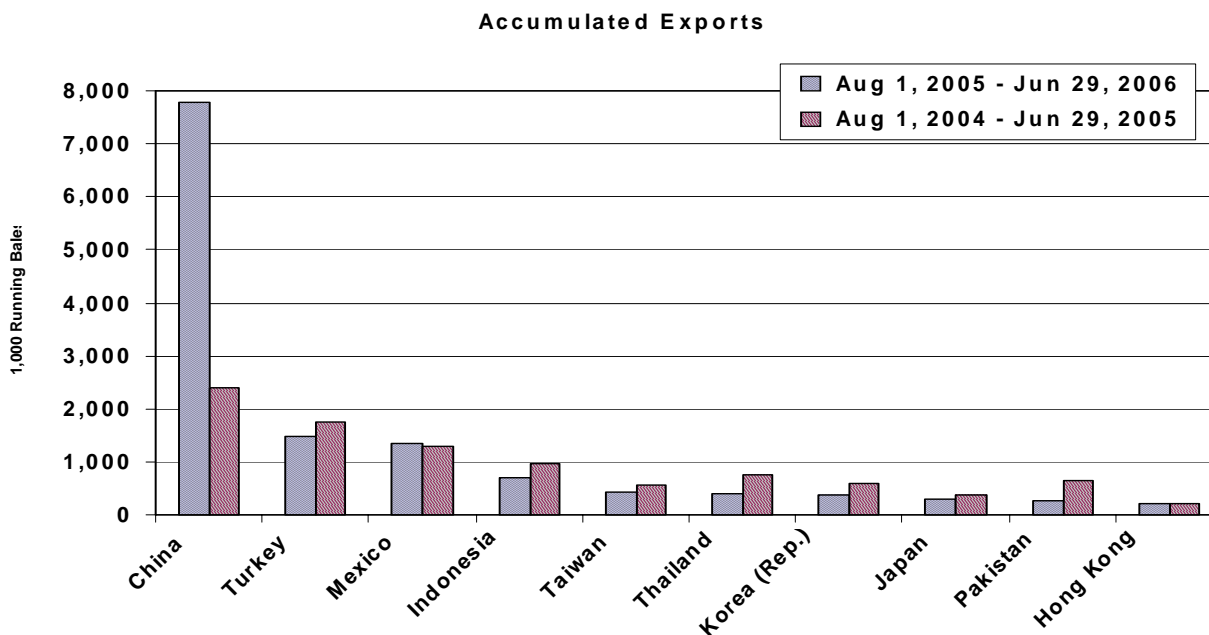
United States
Department of
Agriculture

Foreign
Agricultural
Service

Circular Series
FC-07-06
July 2006

Cotton: World Markets and Trade

China Dominant U.S. Export Market in 2005/06



As of June 29th, U.S. cotton exports in marketing year 2005/06 (Aug-Jul) exceeded 14.7 million running bales (RB) with exports to China of more than 7.7 million RB or 53 percent of total trade. The remaining top ten importers of U.S. cotton, including Turkey, Mexico and Indonesia, totaled over 5.5 million RB. U.S. cotton exports to the top ten markets including China are up 43 percent from a year ago, and account for 90 percent of exports, up from 83 percent last year. This growth is due to a 224-percent increase in exports to China. Exports are down to many of the other top markets compared to last year. Most of this can be attributed to lower import demand in these countries and increased export competition as competitors reduce large carryover stocks.

The U.S. remains the main source of Chinese cotton imports, although U.S. market share has declined somewhat as Chinese demand growth continues to outpace growth in U.S. exportable supply and foreign cotton supplies increase. From August through May, U.S. market share of Chinese cotton imports declined to 45 percent in 2005/06, a decrease of 4 percent from 2004/05.

In the case of Turkey, the recent removal of textile import quotas and a strong Turkish Lira relative to the dollar have hurt Turkish textile exports compared to other low-cost producers such as China. Mexico has actually maintained its imports, but they are expected to decline in 2006/07 due to sluggish cotton demand and large beginning stocks. In Indonesia, industry sources have suggested that fierce domestic competition from low-priced textiles from China has caused many mills to curtail output. Increased energy costs, a decline in Indonesian purchasing power, financing difficulties and a 10 percent value-added tax on cotton imports also contributed to the decrease in U.S. exports to Indonesia in 2005/06.