

# Cotton Outlook

Special Feature

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**World Long Staple Market**  
After surplus, return to deficit





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# 2012 Chinese Long Staple Market Overview

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From 2011/2012, given that the international political and economic environment turned increasingly complicated, that domestic consumer prices and labour costs surged sharply, and that the textile sector was in a downturn, the long staple market appeared gradually to be neglected.

According to the local agricultural sector, the area planted to long staples in 2011/12 was 969,500 mu, comprising 169,500 by the PCC's Agricultural Division I (AD I) and 800,000 mu in Awati County from which the lint outturn was 94,000 tonnes. However, the real output figure was probably between 120,000 and 140,000 tonnes.

## I. Yield

1. Actual 2011/12 yield			
Item	Planting area	Per unit area yield	Lint yield
Region	(mu)	(kg/mu)	('0,000 tons)
Xinjiang Production and Construction Corps Agricultural Division I	169,500	95	1.6
Awati County	800,000	98	7.8
Total			9.4
(note 1 mu=0.0667 hectare)			

In 2012/13, the same agricultural source gives the planted are as 579,500 mu – a like for like decline of 40% – with a prospective lint outturn of 55,000 tonnes.

According to our knowledge, however, AD I has planted 160,000 mu of cotton. Regiments 1, 2, 3 and 7 have each planted small amounts of long staple cotton. Total output is thus expected to be about 60,000 tonnes, down 30% to 50% from last year.

Over recent years, the long staple bases of AD I have been mostly located in Regiments 1 and 2, whereas Regiments 12 and 9 in Arar have planted a very limited area of long staple. On the one hand, AD I has aimed at preventing plant diseases and insect pests with rotation of crops between rice and cotton. On the other hand, as long staples have been less readily marketable in recent years, growers in Arar have not been very enthusiastic about producing the crop. AD I has been gradually reducing the area devoted to long staples, year by year, and has reserved only part of the areas for it. Agricultural Division III ("AD III"), meanwhile, has not planted long staples for the past five years; although AD III previously used planting seed from stocks provided by AD I, due to environmental or soil factors, the fibres produced in AD III's

2. Estimated 2012/13 yield			
Item	Planting area	Per unit area yield	Lint yield
Region	(mu)	(kg/mu)	('0,000 tons)
Xinjiang Production and Construction Corps Agricultural Division I	129,500	115	1.5
Awati County	450,000	88	4
Total			5.5



region proved to be rather short, in particular in the second planting year.

The reasons for this year's sharp decline in planted area in Awati County are as follows: some farmers believe that the current year in the local calendar (a 'leap year') is not propitious for agricultural production; despite inputs for long staples costing more, compared with upland cotton, and hand-picking costs being higher, the per unit area yield of long staples is lower than upland. If the long staple seed cotton price is not at least higher than the fine staple price by Rmb 2/kg, farmers will regard growing long staples as losing money. The difference in 2011 was near to that level (between Rmb 2/kg and Rmb 2.5/kg), so farmers' enthusiasm for long staples has diminished drastically. At present, the processing plant of the Awati County Cotton and Jute Company is leased to a private company and has not any proprietary business. When a private company runs a ginnery, its purchase of seed cotton depends on the marketability of the final product. In a poor market, a private company has little incentive to be an active buyer of long staple seed cotton.

## **II. Cultivation costs for long staples (Awati County, 2011)**

Growing long staple involves the land rent or management fee, ploughing and damming fields; purchasing mulching film, seeds, drip tapes, fertilizers, topping, pesticides/herbicides; paying for sowing, water fees, picking, fuel and labor management. These and other costs total Rmb 2,300/mu, which is Rmb 110/mu more than for upland cotton. In a normal year, upland yield is typically 330 per kg, whereas the yield of long staples is 280 per kg. As a result, the cost of producing long staples is higher than that for upland styles by Rmb 1.6/kg.

## **III. Sowing and Growth**

This being a Chinese lunar year sowing was relatively late, most of it having taken place around the end of April and in early May. In the course of sowing, the weather was very good without any strong winds or heavy rain and, therefore, was favourable for sowing. At the time of writing (early June) long staple plants were 26 to 38 cm in height and entering the budding period. Each plant was showing 4 to 6 buds and 9 to 11 leaves. Cotton plants were thriving.

## **IV. Quality Inspection**

In May 2012, China's first Long Staple Research and Development Centre was set up in Awati County, Xinjiang, the hometown of long staples in China. The centre has established several departments, including Seed Breeding, High Quality Seed Breeding, Cultivation and Technical Services, and the General Cultivation Biological and Biochemical Laboratory.



**Long Staples in Aksu**

As previously stated, the actual long staple output in 2011/12 amounted to between 120,000 and 140,000 tonnes. The Aksu Fiber Inspection Laboratory has been offering notarized inspections for long staples on a trial basis. To date, 30,000 tonnes have been inspected, 75 percent of which consists of cotton belonging to AD I and local growers accounting for the balance. The inspection results show 88.32% of the fibres as being 36 to 39 mm in length; Grades 1, 2, 3, and 4 account for 35.58%, 55.9%, 8.07% and 0.44%, respectively. According to the notarized inspection results, therefore, this year's long staple characteristics show relatively good and stable quality.

## **V. Consumption**

Given the price inversion between the domestic and overseas markets, there have been no exports over the past three years.

In 2011, the domestic consumption of long staples was between 60,000 and 80,000 tonnes.

## **VI. Price Trend**

Since demand for long staples is not robust, and most spinners buy them to meet known consumption requirements, domestic prices have been declining. Long staple cotton is not covered by the state reserves scheme. To help long staple enterprises in Xinjiang, the Agricultural Development Bank (ADB) has arranged for eight enterprises that borrowed money from it to sell their cotton via the on-line supermarket on the website of the China National Cotton Exchange ([www.cnce.com](http://www.cnce.com)). On May 3, 5,649 tonnes of long staple were available for sale on line. In future, more long staple cotton will be offered in the same way.

In the coming season, cotton output is expected to be reduced by nearly 50%. However, 2011/2012 cotton inventories will be plentiful, and demand and supply may reach a balance. As at the date of writing this article, no sign had emerged of improvement in the long staple market.