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China's Cotton Use Trimmed by Growing Efficiency and a Slowing Economy

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Since the 1980s, as global textile production has shifted from developed to less developed countries, China has become a major exporter of cotton textiles, an importer of cotton fiber, and a significant market for U.S. cotton exports. At the same time, intense global competition in textiles has stimulated cost-cutting measures and new investments that have significantly increased the efficiency of transforming cotton fiber into yarn. Higher efficiency combined with changes in fiber blending has reduced the volume of cotton fiber needed to produce China's textile and clothing exports. These changes have important implications for understanding world cotton markets and the size of the world's largest cotton textile industry.

Although China is the largest market for U.S. cotton, it has proven difficult to accurately estimate China's cotton import needs. Data

on China's cotton sector are imprecise and incomplete. But data on China's textile trade is widely available, and widespread monitoring by importing countries improves the accuracy of the data. Converting data on China's textile trade to its equivalent in cotton fiber use by textile mills offers insight into China's actual demand for cotton.

USDA research in the 1980s and earlier found that producing cotton yarn resulted in a 10-percent loss of the initial fiber. Since then, this conversion rate has been applied to data on U.S. textile trade to estimate the amount of cotton that textile mills around the world consume to satisfy U.S. import demand for cotton textiles. Analysts have applied this same "textile-to-cotton" conversion to China's textile trade data, in an effort to resolve longstanding concerns about the size of China's cotton textile industry.

However, yarn is now spun from fiber more efficiently than in the 1980s, and the industry recycles more waste. ERS research shows that about 5 percent of the raw cotton currently consumed by Chinese textile mills is lost. Using this conversion rate, China's textile mills needed 8.7 million tons of cotton to produce textile exports in 2008. With 1.3 billion consumers in China's domestic market, China's mills would have consumed more than 10 million tons to meet combined domestic and export textile demand.

With a slowing world economy in 2009, China's cotton textile exports are likely to decline for the first time since 1996. Smaller domestic needs also are expected, and demand for cotton fiber is projected to shrink considerably in the United States' largest export market. **W**

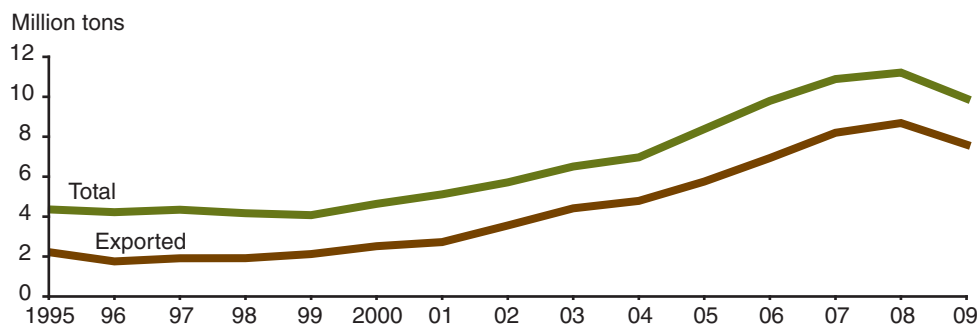
Stephen MacDonald,
stephenm@ers.usda.gov

Sarah Whitley

This finding is drawn from . . .

Fiber Use for Textiles and China's Cotton Textile Exports, by Stephen MacDonald and Sarah Whitley, CWS-08i-01, USDA, Economic Research Service, March 2009, available at: www.ers.usda.gov/publications/cws/2009/03mar/cws08i01/

China's cotton use for exports likely to decline in 2009



Sources: USDA, Economic Research Service using data from USDA's *World Agricultural Supply and Demand Estimates* (various issues), China Customs, and Global Insight.