



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
<http://ageconsearch.umn.edu>
aesearch@umn.edu

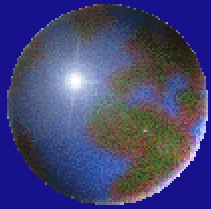
*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

U.S. Department of Agriculture
Agricultural Outlook Forum 2004
February 19 & 20, 2004

Meeting China's Cotton Mill Demands:
A Western Merchant's Perspective

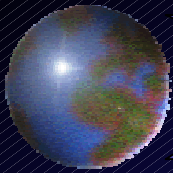
By

Gary W. Taylor



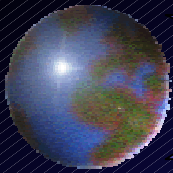
MEETING CHINA'S COTTON MILL DEMANDS

**A WESTERN MERCHANT'S
PERSPECTIVE**



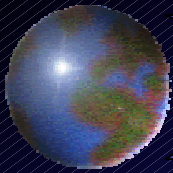
BACKGROUND AND INTRODUCTION

- **HOW DO CHINESE MILLS BUY CHINESE COTTON?**
- **WHO ARE THE BUYERS OF IMPORTED COTTON?**
- **WHAT GROWTHS, QUALITIES AND QUANTITIES DO THEY BUY?**
- **WHAT ARE THE MAJOR CHALLENGES AND**
- **HOW DOES BUSINESS GET DONE?**
- **LOOKING FORWARD, WHAT CHANGES ARE LIKELY?**



HOW DO CHINESE MILLS BUY CHINESE COTTON?

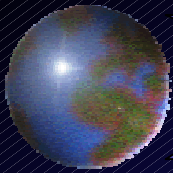
- Cotton and Jute
- Gin/merchant/mill privatization
- Governmental buying organizations
- Strategic reserves



CHINA'S COTTON BUYERS

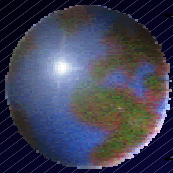
MAJOR GOVERNMENTAL BUYING ORGANIZATIONS

- China National Textiles Import and Export Corporation (CHINATEX)
- China National Cotton Reserves Corporation (CNCRC)
- China National Cotton Group Corporation (CNCGC)



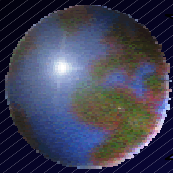
MAJOR PRIVATELY OWNED (EXPORTING) MILLS

- ✚ Weiqiao
- ✚ Huafang
- ✚ Others (approximately 225 mills were granted import licenses)



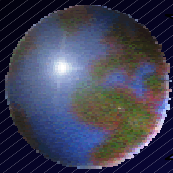
STATE RUN MILLS

- ❖ Inefficient, old equipment
- ❖ Large payrolls/retired employees
- ❖ Poor management
- ❖ Nonperforming Loans



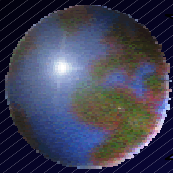
GROWTHS, QUALITIES AND QUANTITIES CHINA BUYS

- ❖ **Determined by China's cotton production**
- ❖ **Government policy**
- ❖ **Timing (availability), price**
- ❖ **Other major origins include Uzbekistan, West African, Greek and Australian**



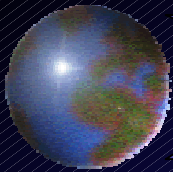
MAJOR CHALLENGES/DIFFERENCES OF THE CHINESE MARKET

- Uneducated buyers
- Current trade utilizes Chinatex rules (LCA,ACSA, GAFTA?)
- Lack of price/risk-management tools
- Government policies—CIQ, quotas
- Corrupt legal/arbitration system
- Culture



HOW THE BUSINESS GETS DONE

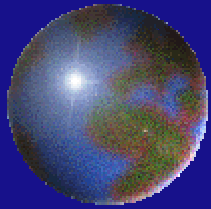
- Major merchants have a presence in China
- All merchants use agents
- Imports are priced relative to New York futures
- Much discussion regarding terms, credit, trade rules, etc.



A LOOK FORWARD

WHAT CHANGES ARE LIKELY

- **China's imports will grow—many more mills will deal with world exporters**
- **Trading rules will get resolved**
- **Less government intervention**
- **Less trade with government bodies**



MEETING CHINA'S COTTON MILL DEMANDS

**A WESTERN MERCHANT'S
PERSPECTIVE**