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Vietnam

Cotton and Products Annual

Commodity Report 2016

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Report Highlights:

Post estimates that cotton planted area in Vietnam likely drops to less than 1,000 hectares. Cotton imports are forecast to increase to 1.17 million tons or 5.37 million bales in the MY2015/2016, up 25 percent over MY 2014/2015. U.S. cotton continues to dominate the Vietnam market in MY 2015/2016 with an estimated volume of 486,200 tons, up 20% over the previous MY. Vietnam's cotton consumption in MY 2016/2017 is projected to continue rising at strong pace.

Commodities:
Cotton

Author defined:

SITUATION AND OUTLOOK

Textile Industry

Vietnam is now ranked among the world's top five textile and apparel-exporting countries. Despite difficulties in the global economy, the pace of growth of Vietnam exports of textile and apparel products expanded in 2015 with an export value of $27.2 billion - an increase of 9.43 percent over 2014, slightly lower than the $28-billion target. The United States remains the largest market for the Vietnam textile and garment industry. In 2015, Vietnam garment exports to the U.S. increased 11.5 percent to $10.9 billion, accounting for 40.3 percent of its total export value. Other important international markets for Vietnam apparel products include the EU (12.5 percent), Japan (10.2 percent) and South Korea (7.8 percent).

Vietnam's textile and apparel sector are expected to continue experiencing robust growth rates in the short to medium term. This is due to sizeable local and foreign investments in different supply chain production processes including spinning, weaving and knitting, dyeing and finishing, and garment making. Newly established and expanded investment projects have been made to capture opportunities offered by free trade agreements that Vietnam has signed with its trade partners, such as the Trans-Pacific Partnership Agreement (TPP), the Free Trade Agreement with the EU, the Asian Economic Community (AEC) and FTA Vietnam – Korea. Vietnam's textile and apparel exports in 2016 are projected to rise by 12 percent from $29.5 billion to $30 billion.

Based on the latest official data, foreign direct investments (FDIs) flow into Vietnam in 2015 increased to $22.75 billion, which is an increase of 12.5 percent year on year. An estimated amount of $2 billion was channeled into the textile and garment sectors. The following companies received significant amount of investment inflows - Hyosung Dong Nai (Turkish, investment capital of $660 million), Polytex Far Eastern Vietnam (Taiwanese, investment capital of $274 million), Ilshin Vietnam (Korea, investment capital of $177 million) and Worldon Vietnam (Hong Kong, $160 million extended capital) . FDI flow into this attractive growth sector is expected to continue. The increasing number of new and existing spinning mills being registered in 2015 increased the number of spindles in Vietnam from 6.3 million in 2014/2015 to 8.27 million in 2016/2017. The increasing number of spindles would also create a strong demand for cotton. It is estimated that Vietnam annual spinning capacity reached 990,000 tons at the end of 2015, up about 10 percent over 2014.

Table 1: Vietnam Textile/Spinning Industry Overview

	2012	2013	2014	2015
Total Number of Spindles	5,100,000	6,000,000	6,100,000	6,300,000
Total Number of Rotors	103,348	103,348	103,348	103,348
Yarn Production from cotton and polyester/rayon (Unit: Ton)	680,000	720,000	930,000	990,000
Yarns Exports (Unit: Ton)	628,000	720,000	858,500	961,800
Yarn Imports (Unit: Ton)	646,000	695,000	740,000	791,800
Fabric Production (billion m2)	1.0	1.3	3	3
Fabric Imports (billion USD)	7.0	8.3	9.4	10.2

Source: Vietnam Spinning Association (VCOSA), Customs Vietnam and Post's estimate

Vietnam exports about 65 percent of the yarns (including cotton yarn) that it produces to international markets, especially to China, Turkey and South Korea. In CY 2015 yarn export volume was up 12 percent to 961,777 tons, of which 498,100 tons were shipped to China, up 26 percent over 2014; 92,400 tons to Turkey, down 15 percent; and 75,700 tons to Korea, up 12 percent.

Table 2: Vietnam exports of yarns to worldwide markets (quantity in thousand tons)

Reporting Country	Calendar Year				Market share in CY 2015
	2013	2014	2015	% change 2015/2014	
China	282	394.7	498.1	26%	51.79%
Turkey	137.8	109.2	92.4	-15%	9.61%
Korea (Republic)	72.6	67.8	75.7	12%	7.87%
Thailand	25.7	31.1	33.4	8%	3.48%
Brazil	12.6	24.9	17.1	-31%	1.78%
Others	154.7	185	209.8	13%	21.81%
Others not listed	34.6	45.8	35.2	-23%	3.66%
Grand total	720	858.5	961.8	12%	

Source: Customs Vietnam and Post's estimate

Table 3: Vietnam imports of yarns from worldwide markets (quantity in thousand tons)

Reporting Country	Calendar Year				Market share in CY 2015
	2013	2014	2015	% change 2015/2014	
China	215.7	261.0	301.1	15%	38%
Taiwan	217.7	208.6	192.7	-8%	24%
Thailand	86.3	80.0	82.8	4%	10%
Korea (Republic)	77.8	76.8	79.6	4%	10%
Indonesia	29.3	46.7	53.4	14%	7%
Others	60.0	58.0	69.7	20%	9%
Others not listed	8.3	8.9	12.5	41%	2%
Grand Total	695.0	740.0	791.8	7%	100%

Source: Customs Vietnam and Post's estimate

Cotton Market

Vietnam continues to rely heavily on imported cotton to feed its growing spinning industry. The country's top five cotton suppliers include the U.S., India, Brazil, Australia and Cote d'Ivoire. These five countries make up 70% to 80% of the total cotton supply to Vietnam. Although Vietnam cotton buyers have been looking for other suppliers from South Americana and Africa, alternative import quantity is still negligible.

Vietnam has signed trade pacts with several foreign trade partners. As a result, the country is currently benefiting from significant gains from different sources, including increasing cotton yarn imports from international markets, especially from China, Turkey and South Korea. Vietnam is likely to remain the fastest growing cotton consumer among worldwide largest spinners. In other words, the country will continue to import more cotton in the coming years. Further analysis about Vietnam cotton imports is elaborated in the following Trade and Consumption sections.

PRODUCTION: (see Tables 4 and 5 for details)

Vietnam's Cotton Production in MY 2015/2016

Vietnam's cotton planted area continues to shrink in MY 2015/2016. As cotton loses ground as a strategic crop, it's becoming difficult to find hard and reliable data on cotton in ministerial and provincial reports. Post estimates that cotton planted area will likely drops to less than 1,000 hectares and Vietnam will soon become a net importer of cotton. There are several reasons that help explain the dramatic decline of cotton planted area in Vietnam:

1) International cotton price has been dropping in the last few years while local cotton production cost remains uncompetitive.
2) Cotton is facing increasingly tougher competition from other cash crops including coffee, cashew, corn, and cassava. These cash crops are more profitable to growers.

3) Lesser incentives offered by State entities and no constant commitments made by cotton ginning mills to guarantee farmers' profit
4) Increasing investments in cattle livestock in Central Highland regions is taking over cultivated land, including those for cotton plantation; and
5) China is importing less cotton and causing more supply from international producers (USA, Australian, India, Brazil and Pakistan)

Table 4: Vietnam's Cotton Production (from 2013/14 to 2015/2016)

Description	2013/2014	2014/2015	2015/2016*	% change 2016/15 vs 2014/2015
Crop area (thousand hectares)	2.50	1.20	1.0	-20%
Crop yield (Ton/HA)	1.39	1.38	1.38	-
Seed cotton production (Thousand tons)	3.47	1.66	1.38	-17%
GOR (%)	36.5	36.5	36.5	
Cotton fiber production (thousand tons)	1.27	0.6	0.5	-17%
Bales Equivalent Quantity (1,000 bales, 218kg/bale)	5.82	2.78	2.31	-17%

Source: MARD, GSO, other trade sources and *Post's projection

Table 5: Vietnam's cotton production by region, 2013/2014 – 2015/2016

Growing region	2013/2014			2014/2015			2015/2016*		
	Area	Yield	Prod.	Area	Yield	Prod.	Area	Yield	Prod.
	THA	T/HA	TMT	THA	T/HA	TMT	THA	T/HA	TMT
North East	-	-	-	-	-	-	-	-	-
North West	0.90	1.30	1.17	-	1.30	-	-	-	-
North Central Coast	-	-	-	-	-	-	-	-	-
South Central Coast	0.40	1.45	0.58	0.50	1.45	0.73	-	-	-
Central Highland	1.10	1.40	1.54	0.66	1.40	0.92	1.00	1.38	1.38
South East	0.10	1.40	0.14	-	-	-	-	-	-
Mekong Delta River	-	-	-	0.03	1.40	0.04	-	-	-
Total cotton seed production	2.50	1.39	3.47	1.19	1.38	1.64	1.00	1.38	1.38

Source: MARD, GSO, other trade sources and Post's projection

Note:

- Prod.: Production; THA: Thousand Hectares; T/HA: Ton per Hectare
- TMT: Thousand Tons
- (*): estimates

TRADE:

Vietnam Imports of Cotton by Calendar Year and Vietnam's Primary Cotton Suppliers:

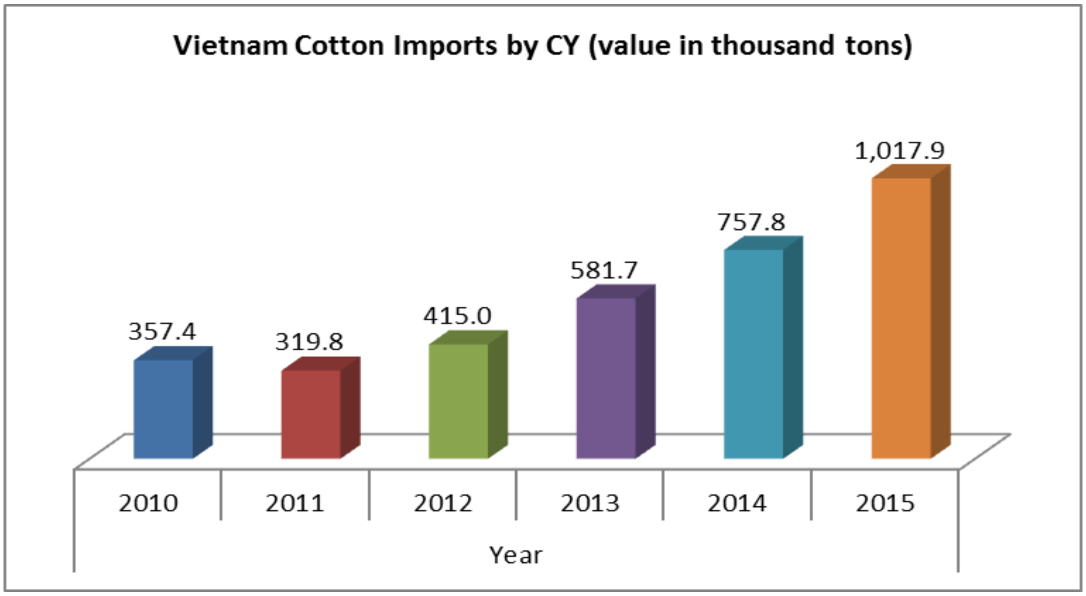
Strong demand for cotton yarns from international markets, especially from China, Turkey and South Korea, encourages Vietnam to import more cotton to feed its growing spinning sector. Total cotton imports in CY 2015 were reported at 1.02 million tons or 4.67 million bales, up 34 percent over the previous CY, but a little bit less than Post's previous estimates of 1.1 million tons (or 5.04 million bales) due to sudden decline in import volume in the last three months of the calendar 2015.

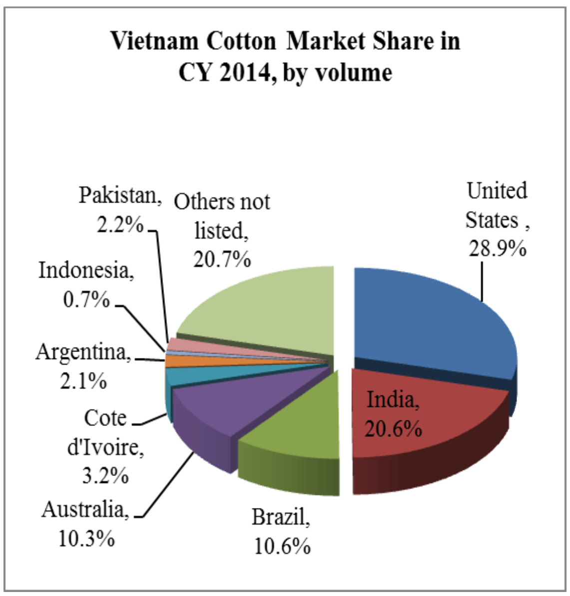
The United States has topped the list of cotton suppliers to Vietnam for nearly a decade. U.S. cotton exports to Vietnam in calendar 2015 totaled 432,000 tons, with a value $623.6 million, up 97% in volume and 59% in value. The U.S. market share went up to 42.4 percent from 28.9 percent in the CY 2014, reflecting its commitment in dealing with tougher competition from other major cotton suppliers, such as India, Australia and Brazil. Statistical data showed that in CY 2015, just three countries including the U.S., Brazil and Cote D'Ivoire experienced positive growth in exporting cotton to Vietnam, while export volumes for all other countries fell. Further details are available at table 6 below.

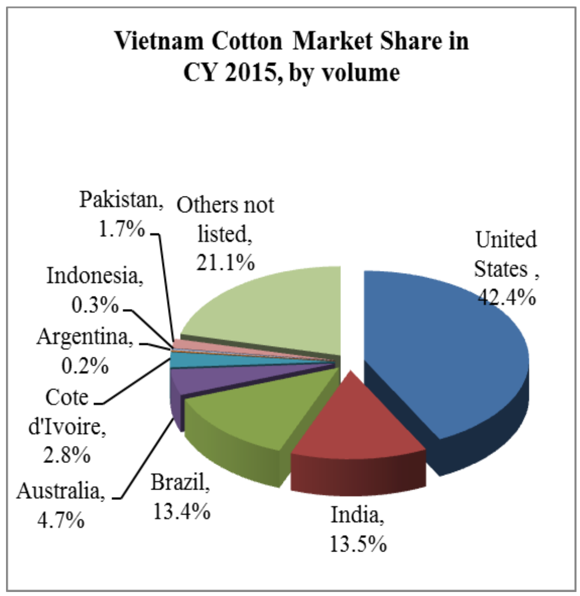
Table 6: Import Trade Matrix
Country: Vietnam
Commodity: Cotton
Unit: Thousand Ton

Reporting Country	Calendar Year			% change 2015/2014	Market share by quantity	
	2013	2014	2015		2014	2015
United States	**215**	**219**	**432**	**97%**	**28.9%**	**42.4%**
Others						
India	105	156	137	-12%	20.6%	13.5%
Brazil	38	80	136	70%	10.6%	13.4%
Australia	38	78	48	-38%	10.3%	4.7%
Cote d'Ivoire	13	24	28	17%	3.2%	2.8%
Argentina	2	16	2	-88%	2.1%	0.2%
Indonesia	2	5	3	-40%	0.7%	0.3%
Pakistan	21	17	17	0%	2.2%	1.7%
Total of others	**219**	**376**	**371**	**-1%**	**49.6%**	**36.4%**
Others not listed	**156**	**157**	**215**	**37%**	**20.7%**	**21.1%**
Grand total	**582**	**758**	**1,018**	**34%**		

Source: Global Trade Atlas, Vietnam Customs







Vietnam imports of cotton by Marketing Year (August 2015-July 2016):

Vietnam imported a record of 935,900 tons (or 4.29 million bales) of cotton, valued at $1.55 billion in MY 2014/2015, a sharp increase of 35 percent in quantity and 11 percent in value over the previous MY year. Post forecasts Vietnam's cotton imports will reach 1.17 million tons or 5.37 million bales in the MY2015/2016, up 25 percent over MY 2014/2015.

Table 7: Vietnam's Monthly Cotton Imports (MY2012/13 – MY 2015/2016)
Unit: Quantity in 1000 tons; Value in $US million

Month	2012/2013		2013/2014		2014/2015		2015/2016 *		Average price in 2015/2016 (US$/ton)
	Qty	Value	Qty	Value	Qty	Value	Qty	Value	
Aug	34.0	65.0	46.7	95.5	42.0	82.3	88.2	145.7	1.65
Sep	32.0	62.0	48.5	100.5	74.6	137.3	102.2	166.2	1.63
Oct	44.0	85.0	63.1	131.4	68.2	122.2	71.9	114.1	1.59
Nov	40.0	77.0	52.4	108.8	59.8	102.6	64.4	101.5	1.58
Dec	36.0	68.0	32.0	62.5	64.6	106.0	64.5	100.3	1.56
Jan	51.0	98.0	49.9	97.1	82.3	130.4	93.7	144.7	1.54
Feb	36.0	67.0	61.5	118.8	50.3	80.5			
Mar	66.0	128.0	73.3	145.8	109.2	175.5			
Apr	46.0	92.0	70.2	139.5	101.4	161.8			
May	50.0	104.0	78.0	158.1	100.6	158.6			
Jun	42.0	86.0	65.7	138.3	96.0	155.0			
Jul	48.0	98.0	50.0	102.3	86.9	140.7			
TOTAL	**525.0**	**1,030.0**	**691.3**	**1,398.6**	**935.9**	**1,552.9**	**484.9**	**772.5**	**1.59**
Yearly Average Price (US$/ton)	**1.96**		**2.02**		**1.66**		**1.59**		
% change	49%	19%	32%	36%	35%	11%	24%*	13%*	
Bales	**2,408**		**3,171**		**4,293**		**2,224**		

* % changes over the same period of the previous MY
Sources: Vietnam Customs and other trade sources.

U.S. Cotton Exports to Vietnam

U.S. exports of cotton to Vietnam skyrocketed to a record-breaking volume of 432,000 tons in calendar 2015, up 97% over the previous calendar year. This significant gain helped the U.S. increase its market share from 28.9% in CY 2014 to 42.4% in CY 2015 and partially offset the decline in exports to the other markets, such as China and Turkey where U.S. cotton exports in calendar 2015 dropped 6% to 494,000 tons and 29% to 303,000 tons, respectively. U.S. cotton success story in Vietnam in the calendar 2015 is attributed to various factors, include but not limited to:

- Vietnam's cotton imports strongly increased to meet growing demand for cotton yarns from both domestic and export markets, specifically from China, Turkey and South Korea
- Major spinners in Vietnam, which are Chinese, Taiwanese and Korean's investments, continue to favor U.S. cotton for its stable and premium quality, availability and competitive price
- India's cotton exports reduced due to global falling prices

- Pakistan’s cotton supply significantly dropped due to lower production caused by whitefly outbreak

Table 8: U.S. Cotton Exports to Vietnam

Calendar year	2010	2011	2012	2013	2014	2015	% change 2015/2014
Quantity (1000T)	132.9	133.2	126.6	214.7	219.3	431.8	97%
Value ($million)	248.8	362.3	247.8	401.1	392.9	623.6	59%

Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics

Table 9: U.S Cotton Exports to Vietnam by Grades (Quantity in tons)

HS Code	Product	Calendar year					% change
		2011	2012	2013	2014	2015	
5201001090	Cotton > 1 < 1 1/8	82,224	80,905	115,999	160,540	222,103	38%
5201009000	Cotton Other > 1 1/8	46,549	42,474	94,060	56,161	206,722	271%
5201001025	Cotton < 1	2,543	2,986	3,878	775	628	-19%
5201002030	Pima >= 1 3/8	1,861	212	760	1,810	2,312	28%
1404200000	Cotton Linters	17	0	4	7	12	69%
Grand Total		**133,194**	**126,576**	**214,701**	**219,292**	**431,777**	**97%**

Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics

Table 10: U.S. Cotton Exports to Vietnam by Grades (Value in thousand US dollars)

HS Code	Product	Calendar year					% change
		2011	2012	2013	2014	2015	
5201001090	Cotton > 1 < 1 1/8	184,844	153,418	214,701	282,905	305,094	8%
5201009000	Cotton Other > 1 1/8	162,321	85,197	177,298	103,996	312,280	203%
5201001025	Cotton < 1	7,612	8,423	7,301	1,606	863	-46%
5201002030	Pima >= 1 3/8	7,563	651	1,792	4,404	5,317	21%
1404200000	Cotton Linters	8	0	3	7	11	72%
Grand Total		**362,349**	**247,689**	**401,095**	**392,918**	**623,565**	**59%**

Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics

U.S. cotton exports to Vietnam in MY 2014/2015 reached 405,200 tons (or 1.86 million bales) for a value of $593 million, a year-on-year increase of 82 percent in quantity and 41 percent in value. The growth rate was much higher than it had been in MY 2013/2014 (14.6 percent in quantity and 20.2 percent in value). Based on some favorable factors that have benefitted U.S. cotton in the Vietnam market especially against its competitors as aforementioned, Post forecasts U.S. cotton exports to Vietnam will increase about 20% over the MY 2014/2015.

Table 11: U.S. Cotton Exports to Vietnam by Marketing Year

	2011-2012	2012-2013	2013 - 2014	2014 - 2015	2015 – 2016*	% Change 2016 versus 2015
	Aug-Jul	Aug-Jul	Aug-Jul	Aug-Jul	Aug – July	
Quantity (1000 tons)	113.3	194.7	222.7	405.2	486.2	20%
Value ($ million USD)	248.4	350.2	420.0	593.0	711.6	20%

Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics
* Post's estimate

CONSUMPTION:

Vietnam's domestic cotton consumption continues to increase in order to meet strong demand from its expanding textile industry. Demand for yarns is strong, both for export and domestic markets. Vietnam is one of a very few countries in Asia that have expanded their yarn spinning sector in recent years. Vietnam is currently home to over 100 spinning mills with about 6.3 – 6.5 million spindles (equivalent) that generate an estimated capacity of over 900,000 tons of cotton-based and man-made yarns. Industry experts estimates that new and existing spinning projects being registered in 2015 will raise the number of spindles in Vietnam from 6.3 – 6.5 million in 2014/2015 to 8.2 million in 2016/2017.

Vietnam's cotton consumption has been increasing strongly at an average rate of 22 percent, per year, for the last five years. Domestic cotton consumption for MY 2014/2015 reached 935,900 tons, equivalent to 4.29 million bales, valued at $1.55 billion, a sharp increase of 35 percent in quantity and 11 percent in value over the previous year. Post estimates that Vietnam spinning industry will probably consume a volume of 1.17 million tons or 5.37 million bales in the MY2015/2016, up 25 percent over MY 2014/2015.

Based on several key factors that could affect Vietnam's cotton consumption such as: 1) China's policies remain largely unchanged, 2) global cotton price is likely stable at low level, 3) in addition to expansions of existing spinning mills, foreign investors either establish new spinning mills or relocate their mills to Vietnam to capture opportunities offered by several trade pacts that Vietnam has signed with other trade partners, Post forecasts Vietnam cotton consumption will continue to increase in MY 2016/2017 at a strong pace, in the region of 20 percent over the MY 2015/2016.

Higher exportable supplies of U.S. cotton in MY 2016/2017 to the global markets in general and to Vietnam in particular are expected as production is projected to increase about 10 percent, price is likely stable at low level and stocks remain flat. These three key elements will definitely result in more U.S. cotton being exported to the growing Vietnamese market. Post forecasts U.S. cotton exports to Vietnam will likely reach another record in MY 2016/2017 at an estimated rate of 20 percent.

PRICES

Table 12 illustrates monthly average price of cotton imported into Vietnam in recent marketing years. Cotton import price steadily decreased during the first 6 months of MY 2015/2016.

Table 12: Cotton Average Import Price in 2011-2016
Country: Vietnam
Commodity: Cotton
Unit: USD / Kg

Month	Marketing Year					
	2010/2011	**2011/2012**	**2012/2013**	**2013/2014**	**2014/2015**	**2015/2016**
Aug	1.95	2.76	1.91	2.04	1.96	1.65
Sep	1.93	3.67	1.94	2.07	1.84	1.63
Oct	2.07	2.67	1.93	2.08	1.79	1.59
Nov	2.21	2.82	1.93	2.08	1.72	1.58
Dec	2.55	2.52	1.89	1.95	1.64	1.56
Jan	3.33	2.61	1.92	1.95	1.58	1.54
Feb	3.03	2.33	1.86	1.93	1.60	
Mar	3.40	2.24	1.94	1.99	1.61	
Apr	3.69	2.28	2.00	1.99	1.60	
May	4.18	2.19	2.08	2.03	1.58	
Jun	3.98	2.14	2.05	2.11	1.61	
Jul	3.92	2.24	2.04	2.05	1.62	
Average Price	**3.02**	**2.54**	**1.96**	**2.02**	**1.66**	**1.59**
		Exchange rate: **22,265,** local currency / US dollar as of March 03, 2016				

Source: Vietnam Customs Department & Vietnam Commercial Bank

Domestic Prices:

Seed cotton price decreased about 8.4% from the previous crop, to about $0.494/kg (note: in the previous crop, seed cotton was bought at $0.535/kg). As domestic cotton production is getting smaller - less than 1% of the total cotton consumption - as described in the Production section, domestic cotton price is totally influenced by the international price.

STOCKS:

Although bank interest rates have gradually softened in the recent months of MY 2015-2016, which allows cotton users and traders to be able to take on a larger inventory, stocks-to-use ratio is forecast at a lower rate due to the following reasons:

- Cotton price has been rapidly declining as China has reduced cotton imports. There is growing concern from businessmen in the sector that price could decline further. Local spinners, therefore, do not want to keep large stocks which can lower their profitability.
- China's import reduction seriously affects global reserves. In other words, local importers can more easily and competitively source cotton and, therefore, do not need to keep large stocks.

Post estimates the stocks-to-use ratio in MY2015/2016 remains at 13.6 percent, down 2.12 percent from the previous MY.

MARKETING/ POLICY:

Tariff on Cotton

Cotton lint (HS code 5201 and 5203) has a zero tariff but a 5 percent value added tax is assessed.

Tariff on cotton yarn

Cotton yarn (HS code 5205-5206-5207) has a 5 percent tariff and a 10 percent value added tax.

Biotech Policy and Cotton Production

Commercialization of biotech cotton is not yet approved in Vietnam. Although confined field trails for biotech cotton are authorized, to date, field trials have not been conducted. For more information on agricultural biotechnology in Vietnam, please refer to the USDA Gain Report "Vietnam Agricultural Biotechnology Report" VM4020 dated August 6, 2014. http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Agricultural%20Biotechnology%20Annual_Hanoi_Vietnam_8-6-2014.pdf

PRODUCTION, SUPPLY AND DEMAND DATA STATISTICS:

Table 13: Vietnam's Cotton Production, Supply and Demand

Cotton	2014/2015		2015/2016		2016/2017	
Market Begin Year	Aug 2014		Aug 2015		Aug 2016	
Vietnam	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	1	0	1	0	1
Area Harvested	1	1	1	1	0	1
Beginning Stocks	498	498	701	601	0	713
Production	3	3	3	3	0	3
Imports	4300	4293	5200	5366	0	6439
MY Imports from U.S.	0	1859	0	2230	0	2677
Total Supply	4801	4794	5904	5970	0	7155
Exports	0	0	0	0	0	0
Use	4100	4193	5100	5257	0	6297
Loss	0	0	0	0	0	0
Total Dom. Cons.	4100	4193	5100	5257	0	6297
Ending Stocks	701	601	804	713	0	858
Total Distribution	4801	4794	5904	5970	0	7155

Source: FAS, Official USDA's estimate and Post's estimate

Note for unit measures:

- Planted area/Harvest area: 1,000 ha
- Yield: kg/ha
- Beginning stocks/Production/Imports/ MY imports from U.S/ Total Supply/Exports/Use/Total Domestic Consumption/Ending Stocks/Total distribution: 1,000 bales (480-lb bale equivalent to 218-kg bale)