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Vietnam

Cotton and Products Update

Commodity Report 2018

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Report Highlights:

Post estimates Vietnam's cotton imports in marketing year (MY) 2017/2018 up to 1.5 million metric tons (MMT), a 26 percent increase over MY16/17, as Vietnam's spinning sector continues to expand alongside its textile and garment industry. In MY18/19, FAS/Vietnam forecasts Vietnam's cotton imports up 10 percent over the previous year. U.S. cotton continues to dominate the Vietnam market, accounting for 48 percent in MY17/18.

Commodities:

Cotton

SITUATION AND OUTLOOK

Textile Industry

Vietnam's textile and garment sector is growing steadily and remains one of the country's top export industries, significantly contributing to the country's Gross Domestic Product (GDP) growth. Vietnam Textile and Garment Association estimates that export revenue in calendar year (CY) 2018 will reach \$36 billion, up about 14 percent over the previous year.

The escalating trade tensions between the United States and China has given Vietnam an opportunity to increase apparel exports to the United States. In anticipation of potential punitive tariffs, there have been movements of orders and production facilities from China to Southeast Asia, including Vietnam. Garment exports from Vietnam to the United States reached \$12.4 billion in the first 11 months of CY18, up 9 percent over the same period last year.

When the ongoing trade tensions between the United States and China began, the spinning community in Vietnam was seriously concerned about a possible decline in exports of Chinese garments to the United States, which could have potentially led to lower cotton yarn imports from Vietnam. However, the trade tensions has not yet adversely affected Vietnam's cotton yarn exports to China. In fact, Vietnam Customs data shows that cotton yarn exports to China will reach about 780 thousand metric tons (TMT) in CY18, up 9 percent over CY17. Investment inflows from both foreign and domestic sources into the textile and garment industry generally, and the spinning sector specifically, continued to grow in 2018.

Table 1: Vietnam Textile/Spinning Industry Overview

	Unit	2013	2014	2015	2016	2017*
Total number of spindles	Thousand	6,000	6,100	6,300	7,000	7,500
Total number of rotors	Thousand	103	103	103	103	103
Total yarn production	TMT	720	930	990	1,550	2,050
Yarn exports	TMT	720	858	962	1,167	1,349
Yarn imports	TMT	695	740	792	861	876
Fabric production	Billion m ²	1.3	1.5	1.7	2	2.3
Fabric imports	Billion USD	8.3	9.4	10.2	10.2	10.7

Source: Trade Associations, Customs Vietnam; *Post estimate

In CY18, Post estimates Vietnam’s total yarn exports at 1.45 MMT, up about 7 percent over the previous year, of which approximately 1.05 MMT were cotton yarns (HS 5205 and 5206). China, South Korea, and Turkey remain the largest importers, comprising over 80 percent of Vietnam’s total cotton yarn exports. The decline in exports to Turkey was more than offset by higher exports to China and South Korea (see Table 2 and Figure 1). Vietnam will continue to maximize the advantages offered by geographic proximity, competitive cost, and the benefits conferred by FTAs to attempt to boost yarn exports to all three markets.

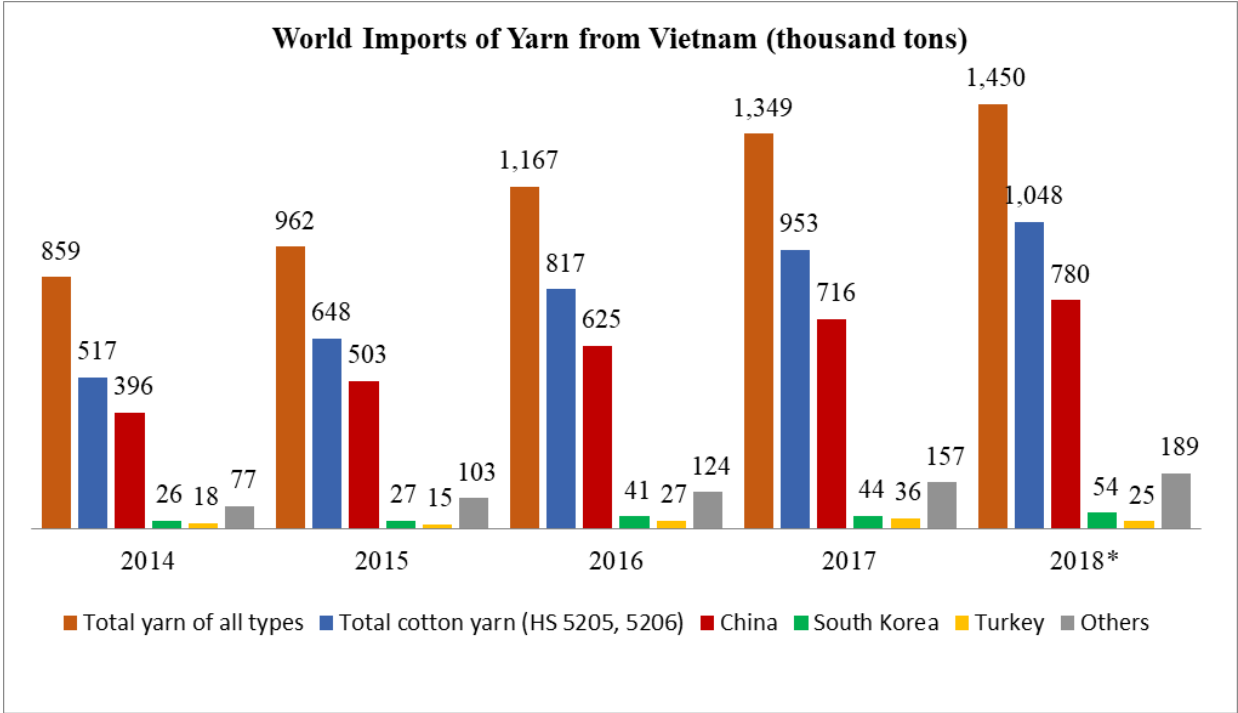
Table 2: Vietnam Yarn Exports to Global Markets (TMT)

Importing countries	Calendar year					Change b/w 2018/2017	Market share in 2018
	2014	2015	2016	2017	2018*		
Total cotton yarn (HS 5205, 5206)	517	648	817	953	1,048	10%	
China	396	503	625	716	780	9%	74%
South Korea	26	27	41	44	54	23%	5%
Turkey	18	15	27	36	25	-31%	2%
Others	77	103	124	157	189	20%	18%
Total yarn of all types	859	962	1,167	1,349	1,450	7%	
% cotton yarn/ total yarn	60%	67%	70%	71%	72%		

Source:

Global Trade Atlas, Customs Vietnam; *Post estimate

Figure 1: World Imports of Yarn from Vietnam



Source: Global Trade Atlas, Customs Vietnam; *Post estimate

Vietnam also imports yarn for its weaving and knitting industry. Most of the imports are man-made. Vietnam's cotton yarn imports are insignificant compared to total yarn imports, reflecting an improving supply of domestic cotton yarn (see Table 3).

Table 3: Vietnam Imports of Yarns from Worldwide Markets (TMT)

Reporting Country	Calendar Year						Market share in CY 2018
	2014	2015	2016	2017	2018*	% change 2018/2018	
Total yarns imported	740	792	861	876	1,020	16%	
China	261	301	359	383	500	31%	49%
Taiwan	209	193	195	173	180	4%	18%
Thailand	80	83	79	78	80	3%	8%
South Korea	77	80	78	82	86	5%	8%
Indonesia	47	53	60	61	60	-2%	6%
Others	67	83	91	99	114	15%	11%
Cotton yarns imported	155	80	65	78	60	-23%	
% cotton yarns/ total yarns imported	21%	10%	8%	9%	6%		

Source: Global Trade Atlas, Customs Vietnam; *Post estimate

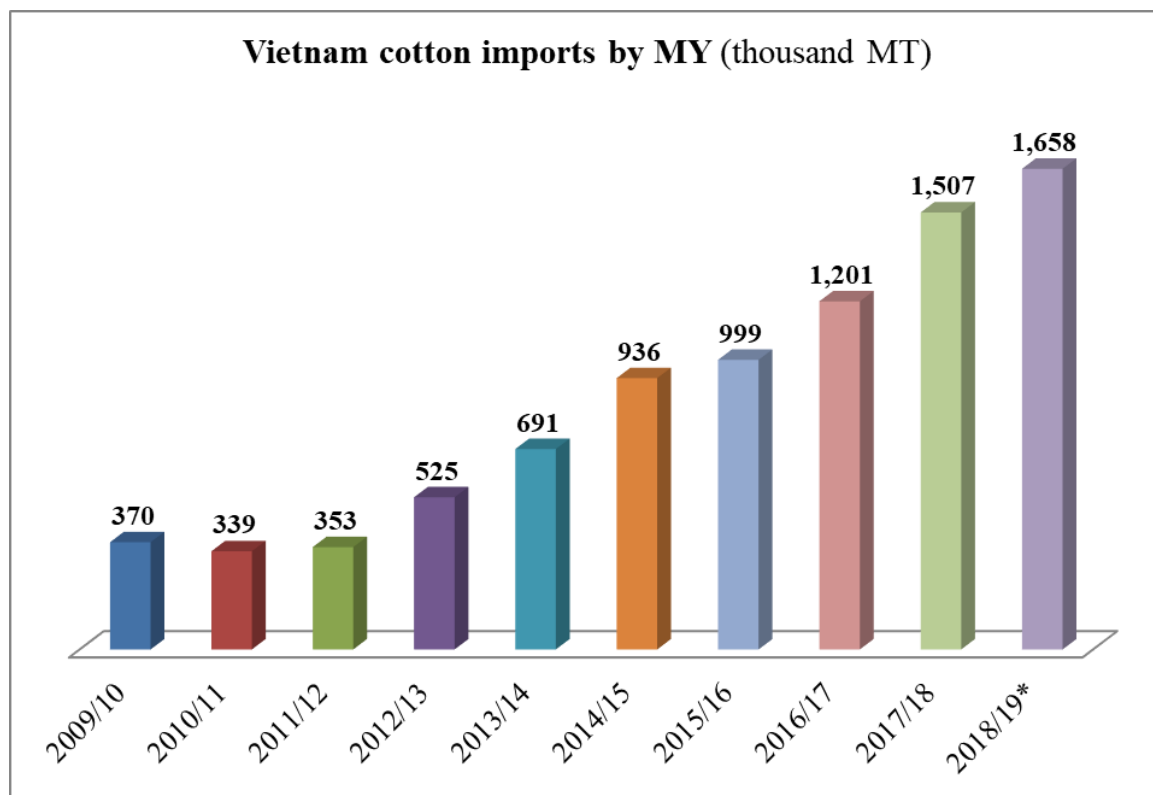
PRODUCTION

Vietnam's cotton planted area continues to shrink to an insignificant amount. FAS/Vietnam estimates domestic cotton supply at less than 1 percent of total market demand. For a further discussion of the decline in planted area, please see [GAIN Report VM7019: Cotton and Products Annual 2017](#).

TRADE

Post revises Vietnam's cotton imports in MY17/18 to 1.50 MMT, or just over 6.9 million bales, up 26 percent over MY16/17, due to higher exports of cotton yarns to China and South Korea. For MY18/19, based on the recent developments in the textile and apparel sector noted above, Post forecasts imports at 7.6 million bales or 1.66 MMT, a 10 percent increase over MY17/18.

Figure 2: Vietnam Cotton Imports by Marketing Year



Source: Global Trade Atlas; * Post estimates

Vietnam’s Top Cotton Suppliers

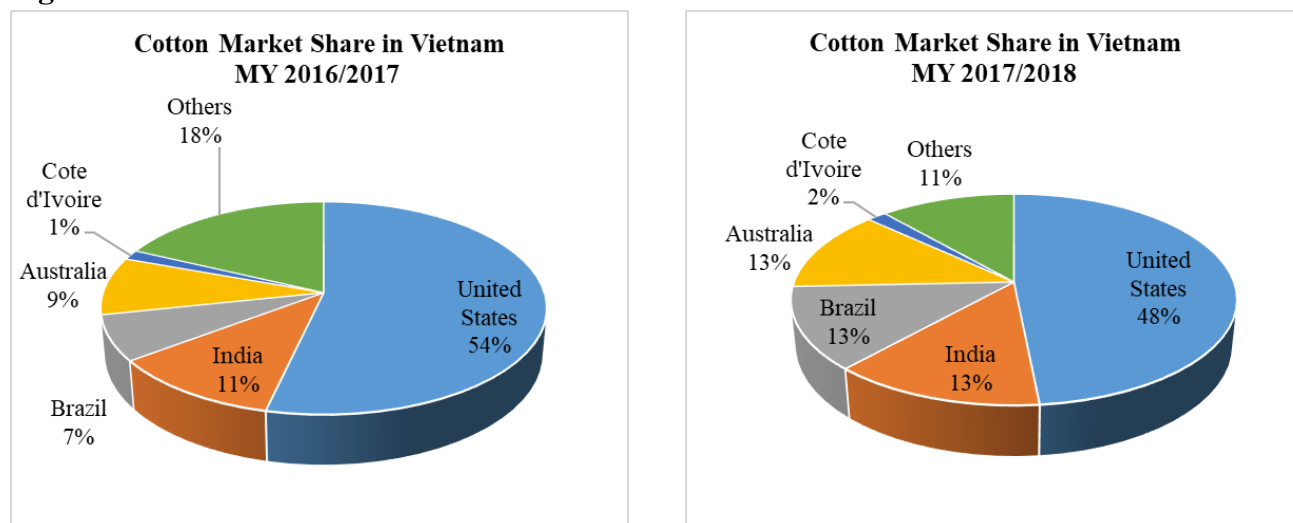
The country’s top five cotton suppliers are the United States, India, Brazil, Australia, and Cote d’Ivoire. These countries make up 70 to 80 percent of the total cotton supply to Vietnam.

Table 4: Vietnam Cotton Imports by Marketing Year (TMT)

Reporting Country	Marketing Year			% Change 2017/2018 vs 2016/2017	Market share		
	2015/ 2016	2016/ 2017	2017/ 2018		2015/ 2016	2016/ 2017	2017/ 2018
United States	421	644	730	13%	42%	54%	48%
India	114	134	200	49%	11%	11%	13%
Brazil	142	83	190	129%	14%	7%	13%
Australia	85	106	189	78%	9%	9%	13%
Cote d’Ivoire	21	18	25	39%	2%	2%	2%
Others	216	216	173	-20%	22%	18%	11%
Total	999	1,200	1,507	26%			

Source: Global Trade Atlas and Vietnam Customs

Figure 3: Cotton Market Share in Vietnam



Source: Global Trade Atlas and Vietnam Customs

The United States has topped the list of cotton suppliers to Vietnam for nearly a decade. In MY17/18, U.S. cotton exports to Vietnam hit a record-breaking volume of 730,000 MT or roughly 3.35 million bales, valued at about \$1.24 billion. This was a year-on-year increase of 13 percent in quantity and 16 percent in value. The vast majority (over 90 percent) of U.S. cotton imported into Vietnam is upland cotton.

Table 5: U.S. Cotton Exports to Vietnam by Grade (MT)

HS Code	Product	Marketing Year (August - July)			
		2014/ 2015	2015/ 2016	2016/ 2017	2017/ 2018
5201001090	Cotton,>25.4,<28.58	227,574	215,925	340,972	363,010
5201009000	Cotton, not Pima,>28.58	174,953	199,679	282,671	334,676
5201001025	Raw cotton,<25.4	628	2,367	15,523	24,762
5201002030	Pima,>28.58	1,646	2,849	4,578	7,205
1404200000	Cotton linters	12	14	14	128
	Total	404,814	420,834	643,758	729,781
	% Change	82%	4%	53%	13%

Source: U.S. Census Bureau Trade Data

In MY18/19, FAS/Vietnam forecasts that U.S. cotton exports to Vietnam will continue to grow 10 percent, reaching about 803,000 MT or 3.68 million bales. As in previous years, the U.S. cotton success story in Vietnam is based on various factors, including:

- Vietnam’s cotton imports increased strongly to feed a growing demand for cotton yarn from both the domestic and export market, most notably from China and South Korea.
- Major spinners in Vietnam representing Chinese, Taiwanese, and Korean investments continue to favor U.S. cotton for its stability, quality, availability, and price competitiveness.

Table 6: U.S. Cotton Exports to Vietnam by Grade (Thousand USD)

HS Code	Product	Marketing Year (August - July)			
		2014/ 2015	2015/ 2016	2016/ 2017	2017/ 2018
5201001090	Cotton,>25.4,<28.58	319,487	293,467	537,839	592,200
5201009000	Cotton, not Pima,>28.58	267,033	294,164	490,668	584,759
5201001025	Raw cotton,<25.4	863	3,077	25,974	42,291
5201002030	Pima,>28.58	3,801	7,057	13,604	19,154
1404200000	Cotton linters	12	12	13	51
	Total	591,195	597,777	1,068,099	1,238,455
	% Change	41%	1%	79%	16%

Source: U.S. Census Bureau Trade Data

CONSUMPTION

Vietnam’s cotton consumption continues to increase to meet the growing demand for cotton yarn from export markets, most significantly China, South Korea, and Turkey. FAS/Vietnam estimates that 80 percent of imported cotton was spun into cotton yarn (HS 5205, 5206) for export, while the rest was made into yarns of various types for domestic consumption. There are no records of cotton re-exports. Vietnam’s cotton consumption heavily depends on China’s demand for cotton yarn, while domestic consumption of cotton yarn is less robust. Overall, China’s policy of favoring imports of cotton yarn from Vietnam while reducing imports from India and Pakistan increased Vietnam’s cotton consumption in MY17/18.

In MY18/19, FAS/Vietnam forecasts Vietnam’s cotton consumption at 7.5 million bales or approximately 1.64 MMT, up about 10 percent over MY 2017/18, due to recent developments in the textile and spinning sector.

PRICES

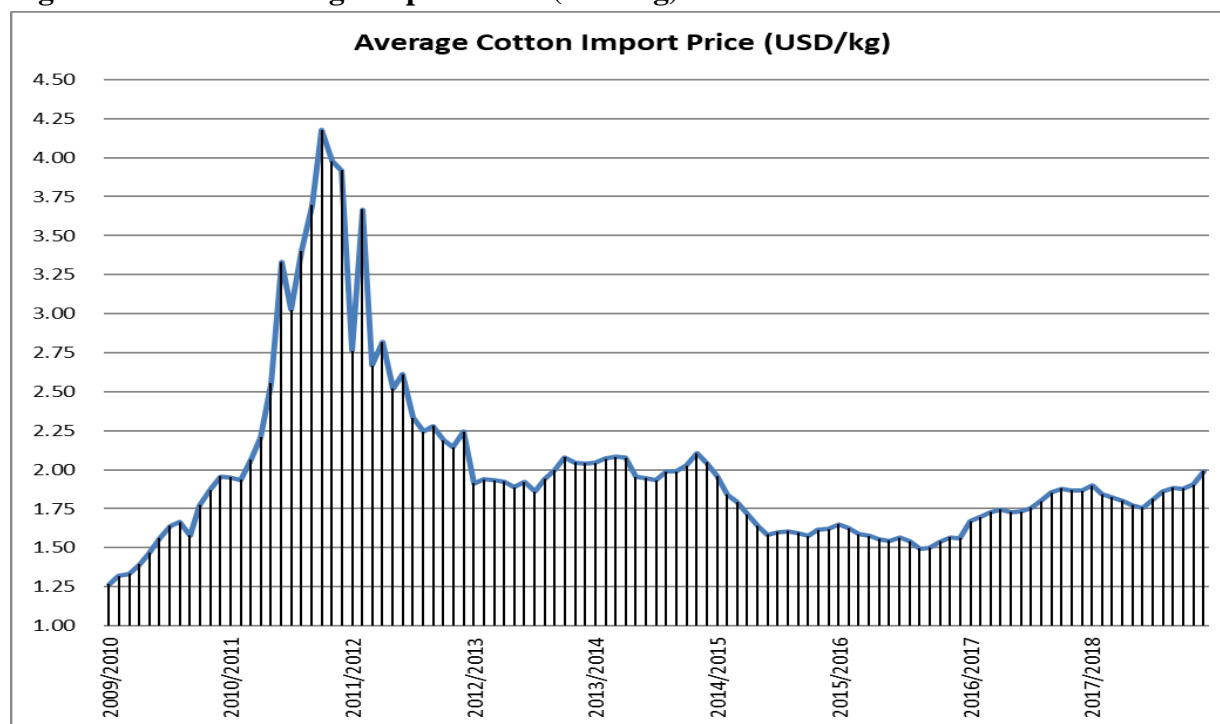
Average prices have rebounded from lows in MY15/16 and have been at comparatively high levels throughout MY17/18 (see Table 7).

Table 7: Cotton Average Import Price (USD/kg)

Month	Marketing Year								
	2009/ 10	2010/ 11	2011/ 2012	2012/ 2013	2013/ 2014	2014/ 2015	2015/ 2016	2016/ 2017	2017/ 2018
Aug	1.27	1.95	2.76	1.91	2.04	1.96	1.65	1.67	1.87
Sep	1.32	1.93	3.67	1.94	2.07	1.84	1.63	1.70	1.84
Oct	1.33	2.07	2.67	1.93	2.08	1.79	1.59	1.73	1.82
Nov	1.39	2.21	2.82	1.93	2.08	1.72	1.58	1.75	1.80
Dec	1.47	2.55	2.52	1.89	1.95	1.64	1.56	1.73	1.77
Jan	1.56	3.33	2.61	1.92	1.95	1.58	1.54	1.73	1.76
Feb	1.64	3.03	2.33	1.86	1.93	1.60	1.57	1.76	1.81
Mar	1.66	3.40	2.24	1.94	1.99	1.61	1.54	1.80	1.86
Apr	1.58	3.69	2.28	2.00	1.99	1.60	1.50	1.85	1.88
May	1.77	4.18	2.19	2.08	2.03	1.58	1.50	1.88	1.88
Jun	1.87	3.98	2.14	2.05	2.11	1.61	1.54	1.87	1.90
Jul	1.96	3.92	2.24	2.04	2.05	1.62	1.57	1.87	1.99
Average price	1.57	3.02	2.54	1.96	2.02	1.68	1.56	1.78	1.85

Source: Vietnam Customs Department

Figure 4: Cotton Average Import Price (USD/kg)



Source: Post estimates

STOCKS

Since the global supply of cotton is estimated to be larger than in previous years, local importers can easily and competitively source cotton and do not need to keep large stocks. Spinners have reduced stocks for production from 60 days to 45 or even 30 days. FAS/Vietnam estimates that the stocks-to-use ratio in MY17/18 varied between 15 and 17 percent.

MARKETING/ POLICY

Tariff on cotton

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

Tariff on cotton yarn

Cotton yarn (HS codes 5204, 5205, 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. However, 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 GAIN Report [VM8051](#)

PRODUCTION, SUPPLY AND DEMAND DATA STATISTICS:

Table 8: Vietnam’s Cotton Production, Supply, and Demand

Cotton	2016/2017		2017/2018		2018/2019	
Market Begin Year	Aug 2016		Aug 2017		Aug 2018	
Vietnam	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	-	-	-	-	-	-
Area Harvested	1	1	1	1	1	1
Beginning Stocks	779	779	882	890	1,185	1,208
Production	3	3	3	3	3	3
Imports	5,500	5,508	6,900	6,915	7,600	7,600
MY Imports from U.S.	-	2,955	-	3,349	-	3,683
Total Supply	6,282	6,290	7,785	7,808	8,788	8,811
Exports	-	-	-	-	-	-
Use	5,400	5,400	6,600	6,600	7,500	7,500
Loss	-	-	-	-	-	-
Total Dom. Cons.	5,400	5,400	6,600	6,600	7,500	7,500
Ending Stocks	882	890	1,185	1,208	1,288	1,311
Total Distribution	6,282	6,290	7,785	7,808	8,788	8,811
Stock to Use %	16	16	18	18	17	17
Yield	653	653	653	653	653	653
(1000 HA), 1000 480 lb. Bales, (PERCENT), (KG/HA)						

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)