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Report Highlights:

MY2021/22 cotton import demand is expected to increase 9 percent, well below average annual import demand prior to the COVID-19 pandemic due to slow economic recovery. MY2020/21 cotton imports further declined 15 percent from MY2019/20. Imports of U.S. cotton declined by a larger degree at 32 percent due to competition from Australian cotton.

Executive Summary

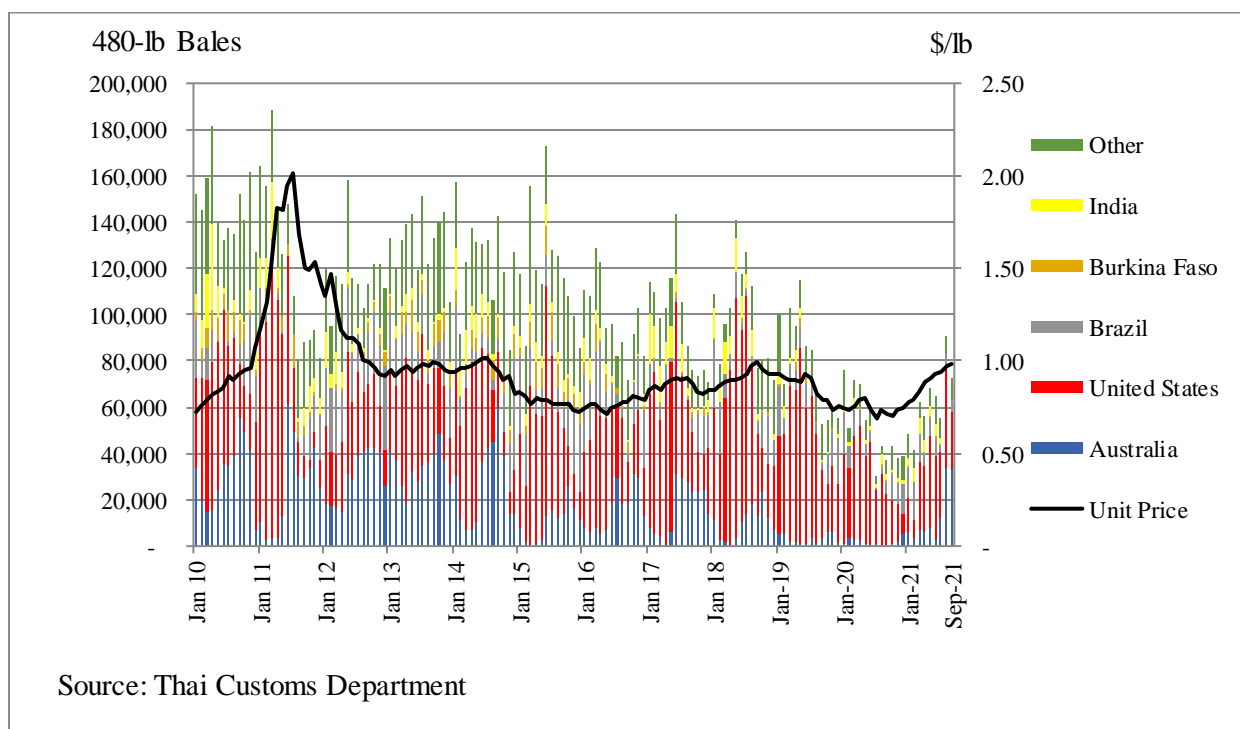
Marketing year (MY) 2021/22 cotton imports are expected to increase 9 percent from MY2020/21, which is well below the average annual import demand prior to the COVID-19 pandemic due to slow economic recovery in 2021 and 2022. Imports of U.S. cotton are expected to increase to 300,000 bales, up 5 percent from the previous year, as spinning mills rely on high-quality cotton for their fine-count yarn production. Cotton and cotton-blended yarn production in the first two months of MY2021/22 increased 47 percent from the same period last year as spinners were running low on cotton yarn inventory at the beginning of MY2021/22.

MY2020/21 cotton imports totaled 597,836 bales, down further 15 percent from MY2019/20 due to prolonged outbreak of COVID-19. Imports of U.S. cotton declined by a larger degree at 32 percent due to competition from Australian cotton. MY2020/21 cotton and cotton-blended yarn production further declined 5 percent from MY2019/20 due to slow economic recovery in 2021. Also, the government's stringent measures to control the outbreak of COVID-19 in 2021 caused a 10-20 percent reduction in the garment production capacity utilization.

Cotton and Products Update

Cotton imports doubled in the first two months of MY2021/22 as spinners were reportedly running low on cotton yarn inventories and gradually increased their cotton yarn production since the second quarter of 2021 (Figures 1 and 2). Import demand for U.S. cotton increased 29 percent from the same period last year. U.S. cotton market share declined to 42 percent of total imports, compared to 66 percent in the previous year due to competition from Australian cotton following the recovery in Australian cotton supplies.

Figure 1: Thailand's Imports of Raw Cotton by Country and Average Import Prices



Cotton and cotton-blended yarn production in the first two months of MY2021/22 increased 47 percent from the same period last year as spinners were running low on cotton yarn inventory at the beginning of MY2021/22. Cotton and cotton-blended yarn inventories in the first two months of MY2021/22 declined 28 percent from the same period last year (Figure 3). Spinners expect cotton and cotton-blended yarn production will slowly recover in MY2021/22 in line with the garment sector. The Thai Garment Manufacturers Association expects a recovery in garment production in 2023 in anticipation of the sustained economic growth, driven by a recovery in the numbers of foreign tourists. The government expects that the Thai economy will grow by 4 percent in 2022, as the numbers of foreign tourists are expected to gradually increase to 5 million in 2022, and to recover to around 40 million foreign tourists by 2024.

Figure 2: Thailand's Manufacturing Index of Cotton Yarn Production

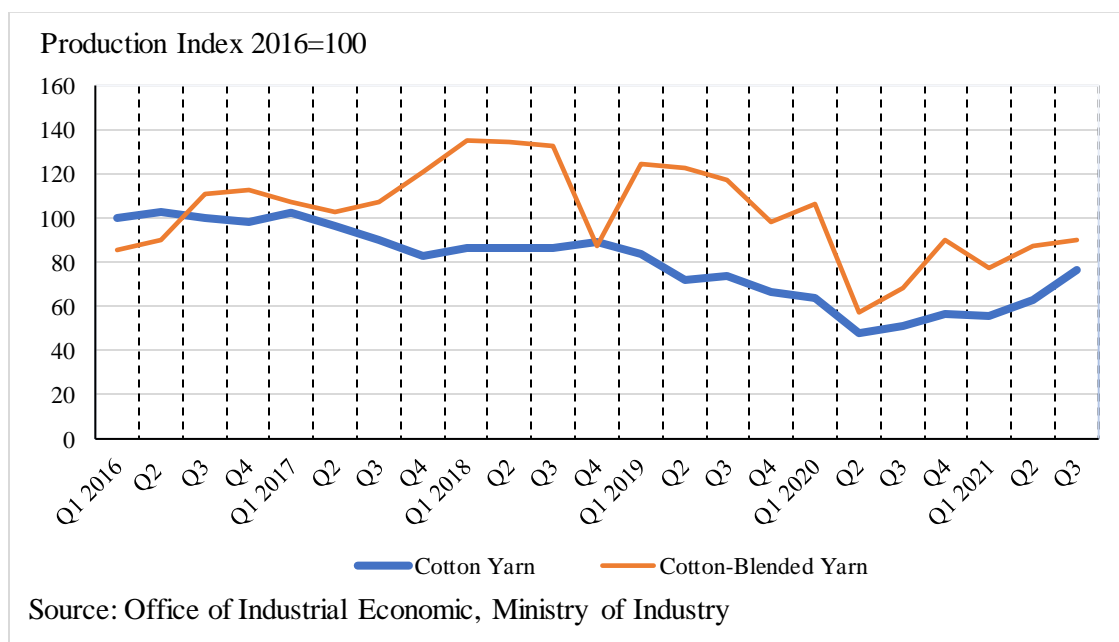
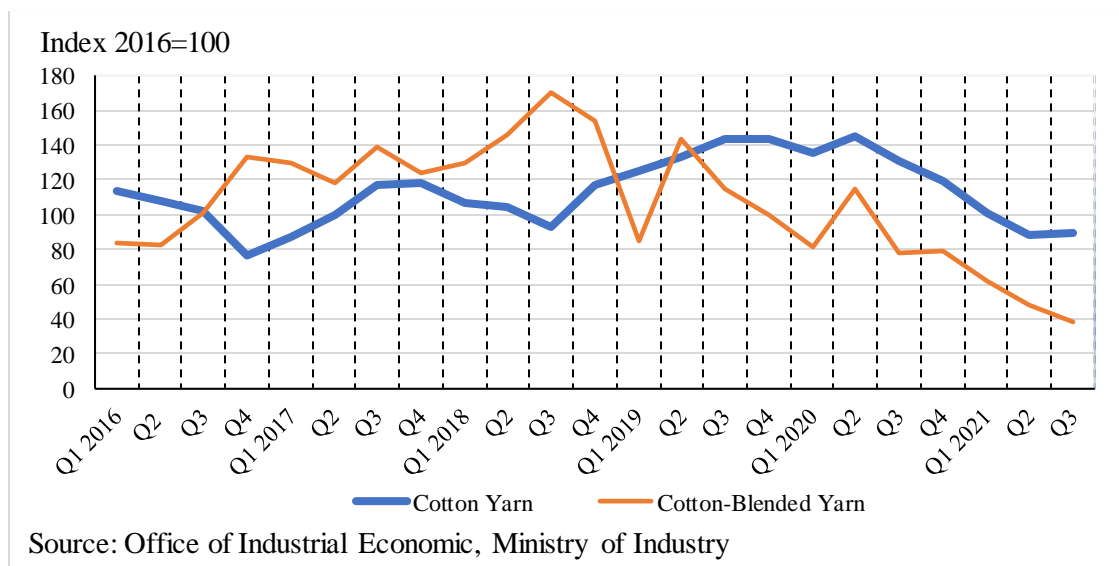


Figure 3: Thailand's Manufacturing Index of Cotton Yarn Inventories



MY2021/22 cotton imports are expected to increase to 650,000 bales, up around 9 percent from MY2020/21. This is well below the average annual import demand of around one million bales prior to the COVID-19 pandemic due to slow economic recovery in 2021 and 2022. Also, spinners are cautious in building up their yarn inventories due to current high import prices of raw cotton. Imports of U.S. cotton are expected to increase to 300,000 bales, up around 5 percent from the previous year, as spinning mills still rely on high-quality cotton for their fine-count yarn production.

MY2020/21 cotton imports totaled 597,836 bales, down further 15 percent from a 35 percent reduction in MY2019/20, as spinners were cautious about the economic recovery which was slower than expected

due to prolonged outbreak of COVID-19. Imports of U.S. cotton totaled 284,948 bales, down by a larger degree at 32 percent, as U.S. cotton lost market share to Australian cotton. Imports of Australian cotton totaled 52,148 bales, up 66 percent from the previous year due to a recovery in Australian cotton production.

MY2020/21 cotton and cotton-blended yarn production further declined 5 percent from MY2019/20 production levels which fell 26 percent from MY2018/19 due to slow economic recovery in 2021 (Figure 2). The economic recovery was slow at around 1.5 percent in the first nine months of 2021, compared to a negative growth of 7 percent in the same period last year (Figure 4). The Thai Garment Association estimated that the government's stringent measures to control COVID-19 pandemic in 2021 caused a 10-20 percent reduction in the garment production capacity utilization, especially during the second and third quarter of 2021 due to the labor shortages and the curfew measures.

Garment manufacturers reportedly relocated some of the production of exported-oriented garment products to their facilities in neighboring countries to fulfil the contracted shipments. This resulted in a 22 percent reduction in garment production in MY2020/21 (Figure 5). In addition, domestic sales of garment in MY2020/21 declined around 19 percent from MY2019/20 as domestic economy is affected by the prolonged outbreak of COVID-19. The shrinking domestic demand for garments caused a 10 percent reduction in domestic cotton fabric production and respectively 4 and 21 percent reduction in import demand for cotton fabric and cotton yarn in MY2020/21 (Figures 5-7; Appendix Tables 3 and 5). Also, cotton fabric and yarn exports respectively declined 11 and 22 percent in MY2020/21 due to slow global economic recovery and less competitive prices of Thai fabric and yarn, following the strengthening of the Thai baht to a seven-year record at 30.88 baht/\$1.00 in 2020 (Appendix Tables 4 and 6).

Figure 4: Thailand's Quarterly GDP

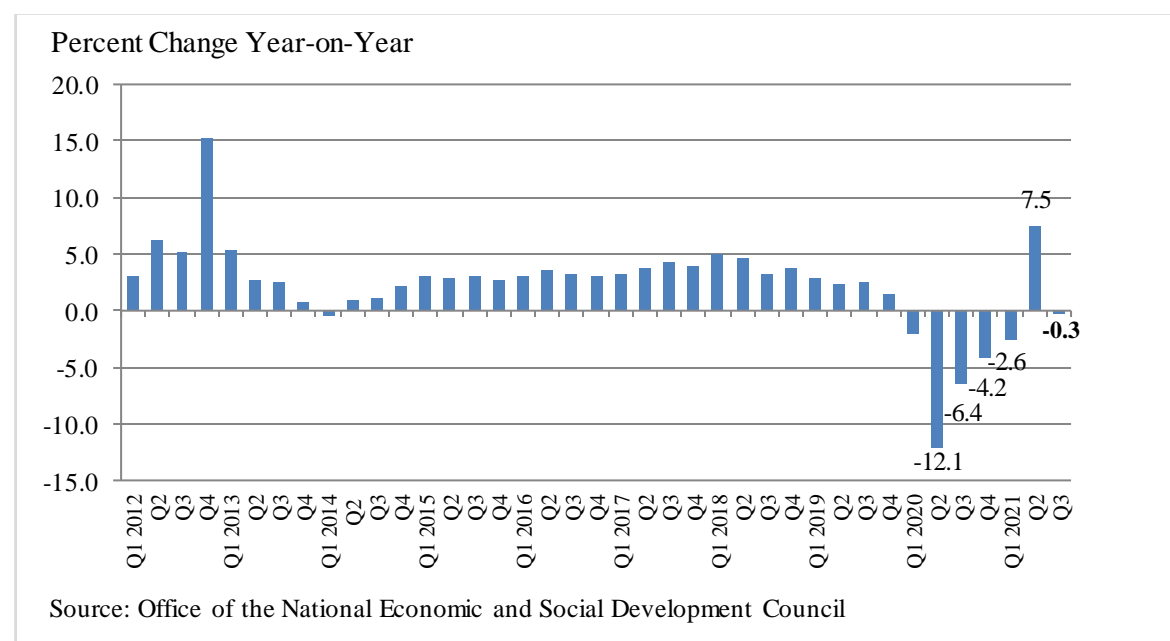


Figure 5: Thailand's Manufacturing Production Index of Fabric and Garment

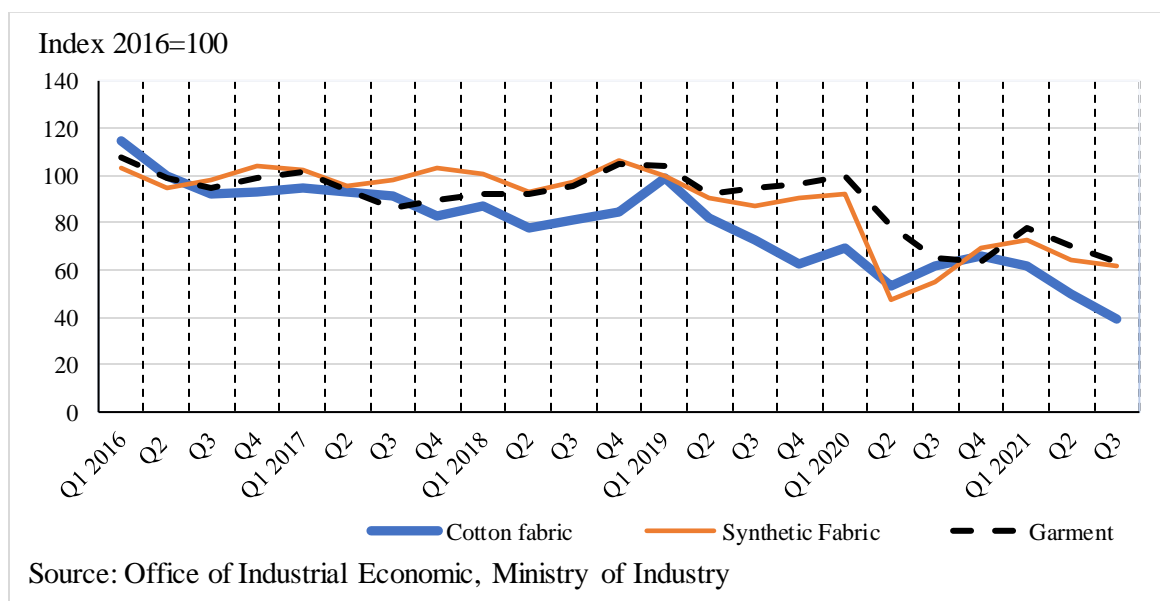


Figure 6: Thailand's Cotton Yarn Imports and Exports

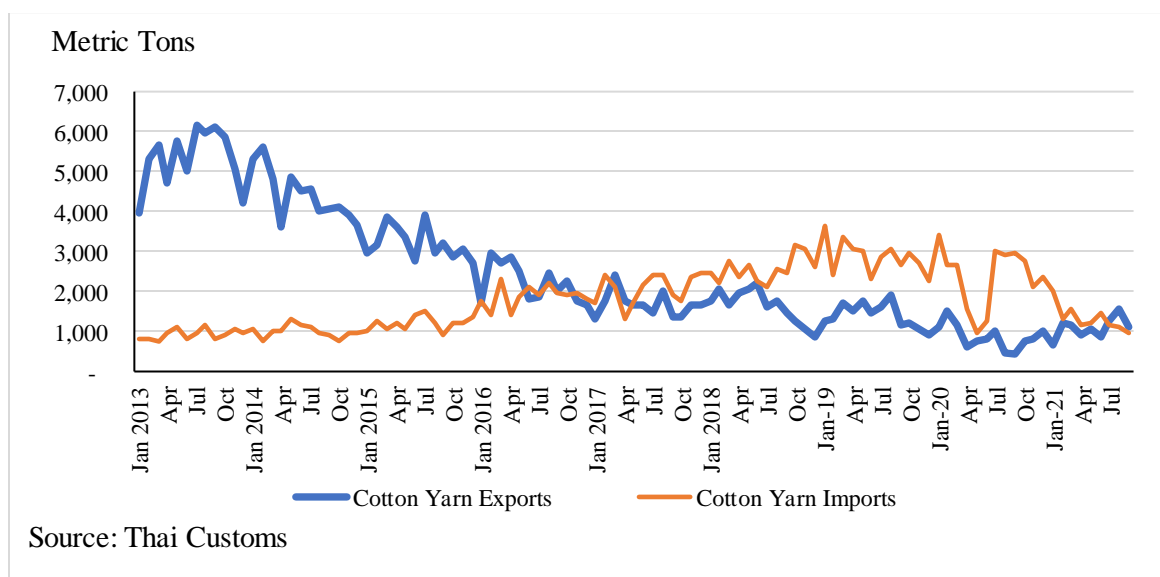
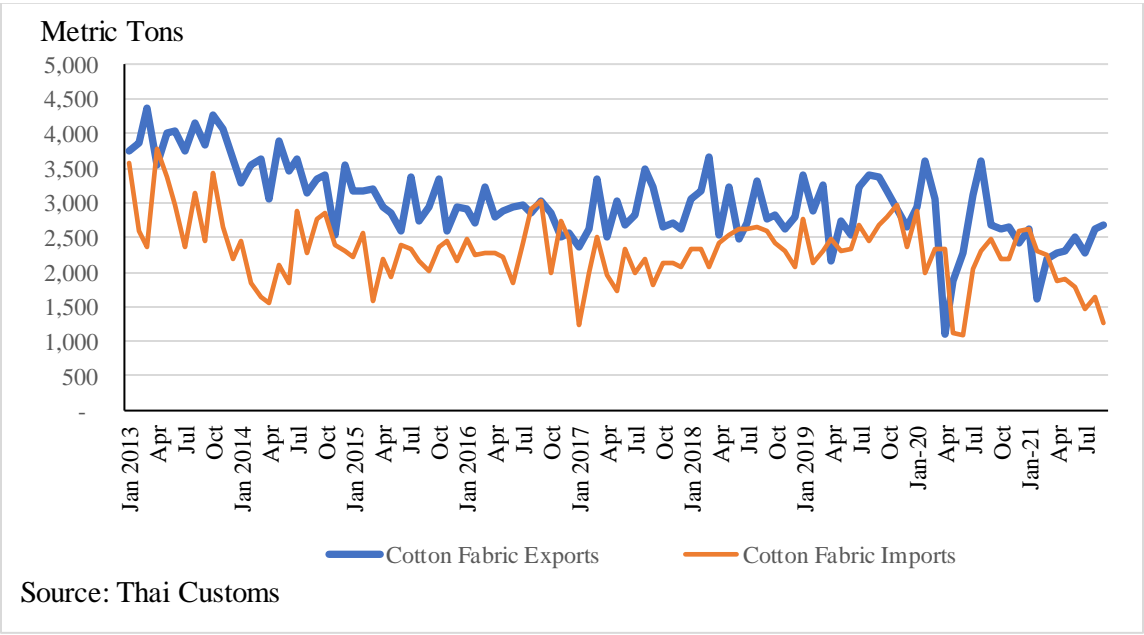


Figure 7: Thailand's Cotton Fabric Imports and Exports



Appendix Tables

Table 1: Thailand's Cotton Production, Supply and Distribution

Cotton	2019/2020		2020/2021		2021/2022	
Market Year Begins	Aug 2019		Aug 2020		Aug 2021	
Thailand	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	0	1	0	1	0	1
Area Harvested (1000 HA)	1	1	1	1	1	1
Beginning Stocks 1000 480 lb. Bales	202	202	103	104	107	78
Production 1000 480 lb. Bales	2	2	2	2	2	2
Imports 1000 480 lb. Bales	700	700	598	598	600	650
MY Imports from U.S. 1000 480 lb. Bales	0	420	0	285	0	300
Total Supply 1000 480 lb. Bales	904	904	703	704	709	730
Exports 1000 480 lb. Bales	1	0	1	1	1	1
Use 1000 480 lb. Bales	780	780	570	610	580	630
Loss 1000 480 lb. Bales	20	20	25	15	25	15
Total Dom. Cons. 1000 480 lb. Bales	800	800	595	625	605	645
Ending Stocks 1000 480 lb. Bales	103	104	107	78	103	84
Total Distribution 1000 480 lb. Bales	904	904	703	704	709	730
Stock to Use % (PERCENT)	13.19	13.33	18.74	12.77	17.73	13.31
Yield (KG/HA)	435	435	435	435	435	435
(1000 HA) ,1000 480 lb. Bales, (PERCENT), (KG/HA)						

Table 2: Thailand's Imports of Raw Cotton

Marketing Year (August/July)	MY18/19	MY19/20	MY20/21	% Change	August - September		
					MY20/21	MY21/22	% Change
United States	588,625	420,579	284,948	-32.2	53,238	68,752	29.1
Australia	94,068	31,468	52,148	65.7	582	66,901	11395.0
Brazil	125,210	111,045	104,652	-5.8	8,173	9,775	19.6
Mali	37,102	29,605	22,032	-25.6	2,295	5,469	138.3
Burkina Faso	16,005	4,724	7,222	52.3	2,267	451	-80.1
Cote d'Ivoire	20,685	9,177	16,690	81.9	459	916	99.6
India	38,565	17,037	44,199	159.4	6,375	151	-97.6
Tanzania	28,431	10,948	3,703	-66.2	766	-	-
Pakistan	5,070	182	-	-	-	-	-
Argentina	43,215	15,347	17,281	12.6	2,597	933	-64.1
Mexico	3,801	2,654	882	-66.8	-	-	-
Zimbabwe	1,667	2,329	5,778	148.1	946	914	-3.4
Spain	20,582	5,428	-	-	-	-	-
Benin	4,184	2,293	2,935	28.0	454	-	-
Others	48,263	42,315	41,138	-2.8	9,136	9,156	0.2
World	1,075,473	700,407	597,836	-14.6	80,919	163,418	102.0

Unit: 480-lb bale

Table 3: Thailand's Imports of Cotton Yarn (Marketing Year: August/July)

	MY17/18	MY18/19	MY19/20	MY20/21	% Change	August - September		
						MY20/21	MY21/22	% Change
India	12,528	18,458	13,360	9,692	-27.5	2,285	900	-60.6
Vietnam	6,810	9,253	10,065	8,279	-17.7	2,387	410	-82.8
China	3,672	3,412	3,334	3,191	-4.3	701	458	-34.7
Indonesia	627	356	1,364	1,217	-10.8	471	80	-83.0
Philippines	-	-	-	364	-	-	-	-
Pakistan	218	134	37	82	121.6	-	41	-
Malaysia	-	295	115	40	-65.2	38	-	-
Japan	2,710	2,104	729	34	-95.3	10	187	1770.0
Taiwan	41	42	14	32	128.6	9	-	-
Cambodia	-	9	-	18	-	7	-	-
Other	1,238	531	170	45	-73.5	7	2	-71.4
World	27,844	34,594	29,188	22,994	-21.2	5,915	2,078	-64.9

Unit: Metric Tons

Source: Thai Customs Department

Table 4: Thailand's Exports of Cotton Yarn (Marketing Year: August/July)

	MY17/18	MY18/19	MY19/20	MY20/21	% Change	August - September		
						MY20/21	MY21/22	% Change
China	10,509	7,450	4,273	3,125	-26.9	127	742	484.3
Japan	3,102	2,903	3,416	2,866	-16.1	352	662	88.1
South Korea	4,947	4,132	3,730	1,622	-56.5	172	459	166.9
Indonesia	501	600	538	660	22.7	98	103	5.1
Vietnam	193	284	390	492	26.2	27	30	11.1
Pakistan	2	110	226	458	102.7	22	370	1581.8
Bangladesh	1,142	573	6	443	7283.3	11	196	1681.8
Laos	45	39	61	139	127.9	19	19	0.0
Cambodia	-	61	94	118	25.5	11	19	72.7
Taiwan	16	-	-	112	-	-	20	-
Other	995	832	502	342	-31.9	66	59	-10.6
World	21,452	16,984	13,236	10,377	-21.6	905	2,679	196.0

Unit: Metric Tons

Source: Thai Customs Department

Table 5: Thailand's Imports of Cotton Fabric (Marketing Year: August/July)

	MY17/18	MY18/19	MY19/20	MY20/21	% Change	August - September		
						MY20/21	MY21/22	% Change
China	17,706	15,863	15,823	15,264	-3.5	2,371	1,832	-22.7
India	7,679	10,843	9,583	9,368	-2.2	2,173	960	-55.8
Vietnam	61	319	242	354	46.3	57	14	-75.4
Japan	425	394	375	245	-34.7	67	27	-59.7
Indonesia	187	376	403	158	-60.8	44	40	-9.1
Italy	98	132	112	92	-17.9	11	21	90.9
South Korea	61	104	114	88	-22.8	21	6	-71.4
Other	1,051	959	415	358	91	29	30	165
World	27,268	28,990	27,067	25,927	-4.2	4,773	2,930	-38.6

Unit: Metric Tons

Source: Thai Customs Department

Table 6: Thailand's Exports of Cotton Fabric (Marketing Year: August/July)

	MY17/18	MY18/19	MY19/20	MY20/21	% Change	August - September		
						MY20/21	MY21/22	% Change
Burma	7,834	8,181	7,882	7,794	-1.1	1,569	557	-64.5
Bangladesh	6,836	4,280	5,166	5,084	-1.6	693	1,615	133.0
Japan	2,454	2,027	1,800	2,231	23.9	462	440	-4.8
India	35	1,760	2,696	1,693	-37.2	532	242	-54.5
Laos	529	564	1,626	1,428	-12.2	284	253	-10.9
Cambodia	2,122	1,542	1,413	1,381	-2.3	325	279	-14.2
United States	1,137	1,126	1,131	1,376	21.7	506	146	-71.1
Vietnam	3,708	1,961	1,192	1,356	13.8	210	227	8.1
South Korea	1,012	1,292	1,610	1,167	-27.5	202	144	-28.7
China	999	2,341	1,978	1,032	-47.8	265	620	134.0
Indonesia	610	1,674	885	682	-22.9	297	64	-78.5
Philippines	811	1,018	1,436	680	-52.6	209	9	-95.7
Netherlands	741	820	774	496	-35.9	114	62	-45.6
Sri Lanka	1,184	928	716	466	-34.9	121	62	-48.8
United Kingdom	304	310	463	441	-4.8	157	32	-79.6
Other	5,218	4,680	2,652	2,433	-8.3	343	556	62.1
World	35,534	34,504	33,420	29,740	-11.0	6,289	5,308	-15.6

Unit: Metric Tons

Source: Thai Customs Department

Attachments:

No Attachments