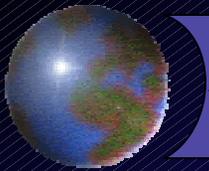


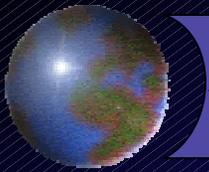
# **MEETING CHINA'S COTTON MILL DEMANDS**

**A WESTERN MERCHANT'S  
PERSPECTIVE**



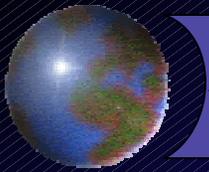
## **BACKGROUND AND INTRODUCTION**

- **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?

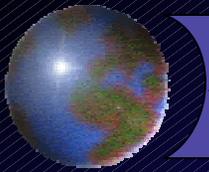
- Cotton and Jute
- Gin/merchant/mill privatization
- Governmental buying organizations
- Strategic reserves



# CHINA'S COTTON BUYERS

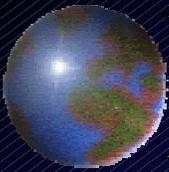
## MAJOR GOVERNMENTAL BUYING ORGANIZATIONS

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



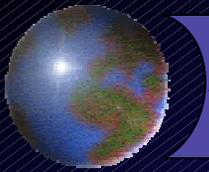
## MAJOR PRIVATELY OWNED (EXPORTING) MILLS

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



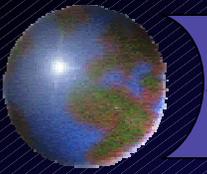
# STATE RUN MILLS

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



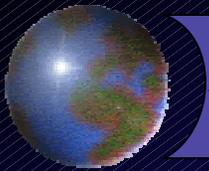
## **GROWTHS, QUALITIES AND QUANTITIES CHINA BUYS**

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



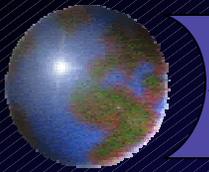
## **MAJOR CHALLENGES/DIFFERENCES OF THE CHINESE MARKET**

- **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**



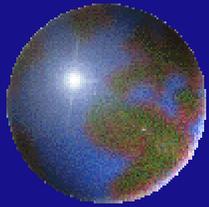
## HOW THE BUSINESS GETS DONE

- 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**