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USDA
United States Department of Agriculture

USDA's
94th
Annual

Agricultural Outlook Forum
THE ROOTS OF PROSPERITY

February 22-23, 2018 • Crystal Gateway Marriott Hotel, Arlington, Virginia

Cotton Outlook

Friday, February 23, 2018

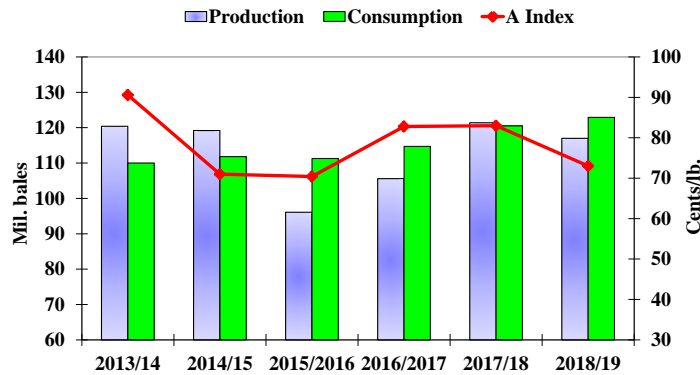
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THE WORLD AND UNITED STATES COTTON OUTLOOK

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 Leslie Meyer, and Lyman Stone.
 U.S. Department of Agriculture

Introduction

**World Production, Consumption, and Prices
 2013/14 through 2018/19 projection**



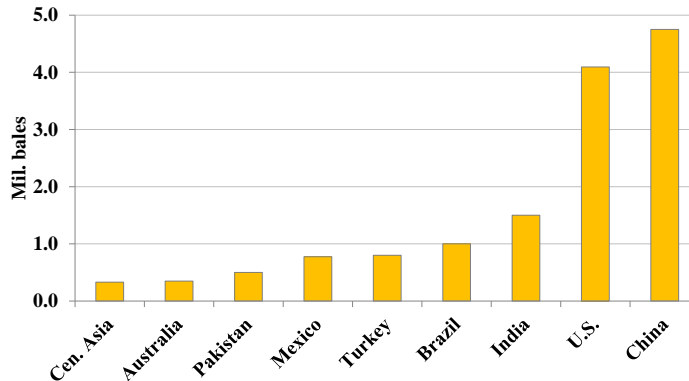
The U.S. Department of Agriculture’s (USDA’s) first 2018/19 world cotton projections anticipate that consumption will exceed production, bringing world stocks down by 6 million bales, more than offsetting 2017/18’s 900,000-bale increase. World cotton production is expected to fall 3.6 percent with yields declining in some countries and area falling in a number of producing countries. Global consumption is expected to continue growing, but at a more moderate pace. It is expected that China will continue to pursue policies limiting imports in order to dispose of surplus government-held stocks. The A Index is forecast to decline about 10 cents to 73 cents per pound due to projected higher stocks outside of China.

U.S. 2018/19 cotton production is expected to fall to 19.5 million bales, based on a 5.5-percent increase in planted area, offset by higher abandonment and lower yields. Domestic mill use is projected marginally above the 2017/18 level, and exports are expected to rise, but ending stocks are expected to remain unchanged.

World Cotton Situation, 2017/18

World Cotton Production, 2017/18

Estimated Changes in World Production, 2017/18 compared with 2016/17



Global 2017/18 cotton production is expected to rise by 14 percent from the previous year to 121.4 million bales, as nearly all significant producing countries saw increases. The United States, China, Turkey, Greece, Egypt, and Argentina rose more than 20 percent, while production in Mexico more than doubled. The increase in production was largely driven by higher area, with world 2017/18 area up 13 percent to 33.4 million hectares. The world average yield is forecast at 792 kg/hectare, up 1 percent from a year earlier and above the 5-year average of 764 kg.

India's 2017/18 production is estimated at 28.5 million bales, up 5.6 percent from the preceding year on much higher area, despite lower yields. Harvested area is estimated at 12.3 million hectares, up 13 percent from 2016/17, as favorable relative prices shifted land from alternative crops. India's 2017/18 yield is estimated at 504 kg/hectare, down 7 percent from the previous season as pest problems reduced what earlier appeared to be an even larger crop.

China's 2017/18 crop is estimated at 27.5 million bales, a 21-percent increase from last season. Production in the eastern cotton areas appears to have stabilized after nearly a decade of decline, while higher area and yields in the Xinjiang Autonomous Region push production there to a record level. China remains the world's second-largest producer, behind India. China's 2017/18 harvested area is estimated at 3.4 million hectares, 500,000 above 2016/17, while yield is expected to reach 1,761 kg/hectare, up 3.1 percent.

2017/18 China Supply and Demand

China Cotton Supply and Demand 2016/17 and 2017/18 est.

	<u>Unit</u>	<u>2016/17</u>	<u>2017/18</u>	<u>Change (%)</u>
Beg. Stocks	mil. bales	58.2	48.4	-16.8
Production	"	22.8	27.5	20.9
Imports	"	5.0	5.0	-0.6
Total supply	"	86.0	80.9	-5.9
Consumption	"	37.5	40.0	6.7
Exports	"	0.1	0.1	-18.0
Total use	"	37.6	40.1	6.6
Ending stocks	"	48.4	40.9	-15.6
Reserve stocks	"	29.5	18.0	-38.9
Stocks-to-use	%	128.9	102.0	-20.9
% of world stks	"	55.2	46.2	-16.3

With consumption exceeding production and imports only slightly above the WTO TRQ level, China is expected to continue to draw down its massive stocks for the third consecutive season in 2017/18. However, total stocks are expected to remain above use, and the projected stocks-to-use ratio of 102 percent is still well above historical levels. While sales from the State Reserve in 2017/18 are expected to be well below the 14.3-million-bale level seen in 2016/17, government stocks are expected to fall to the lowest level since a price support program backed by purchases for the National Reserve was introduced in 2011/12.

Higher cotton prices outside of China coupled with relatively stable internal prices have increased the competitiveness of China's textile industry. The shift in relative prices, coupled with ample available supplies, is supporting an expected 6.7-percent rate of consumption growth in 2017/18, just slightly below the 7.1-percent rate seen in 2016/17. Further supporting demand is the rapid growth of spinning capacity in Xinjiang, which continues to benefit from government support.

2017/18 World Consumption, Trade, Ending Stocks, and Prices

World cotton consumption in 2017/18 is expected to reach 120.5 million bales, a robust 5.0-percent-growth rate, and the highest level since 2007/08. Consumption growth is forecast in all of the top-ten consuming countries, which account for 90 percent of total world use. Very strong growth is expected in Vietnam and Uzbekistan, up 18 and 12 percent, respectively. In addition to China, growth above 5 percent is expected in Bangladesh, Turkey, and Brazil in 2017/18.

World Cotton Supply and Demand 2016/17 and 2017/18 est.

	<u>Unit</u>	<u>2016/17</u>	<u>2017/18</u>	<u>Change</u> <u>(%)</u>
Beg. Stocks	mil. bales	95.3	87.7	-8.1
Production	"	106.6	121.4	13.9
Imports	"	<u>37.6</u>	<u>38.2</u>	<u>1.7</u>
Total supply	"	239.5	247.3	3.2
Consumption	"	114.7	120.5	5.0
Exports	"	<u>37.2</u>	<u>38.2</u>	<u>2.7</u>
Total use	"	152.0	158.7	4.4
Ending stocks	"	87.7	88.6	1.0
Stocks-to-consumption	%	76.4	73.5	-3.8

World trade is expected to increase to 38.2 million bales in 2017/18. Strong demand in import-dependent countries, such as Vietnam and Bangladesh, is boosting their import demand and will more than offset lower imports by India. Significantly higher production in Turkey and Mexico has reduced their import demand. Very large carry-in stocks in Australia and Brazil, due to much larger crops in CY 2017, are leading to dramatically higher exports in 2017/18 for those countries. U.S. exports are expected to decline slightly, despite a much larger crop, as are exports by Uzbekistan, Turkmenistan, and Kazakhstan. Export by India are also expected to fall, but India's falling imports are expected to more than offset lower exports, as larger production there drives net exports higher.

With world production and consumption nearly balanced in 2017/18, world ending stocks are expected to rise only slightly. However, with the large decline in China's stocks, stocks outside of China will increase by over 20 percent or 8.5 million bales, the second largest increase on record. Stocks are expected to increase in all top-ten importers and exporters (other than China).

Despite the large increase in stocks outside of China, the A Index is forecast to average 83 cents per pound in 2017/18, up slightly from the 82.8 cents from last season. Surging world demand and reduced competition from polyester are allowing cotton prices to reach equilibrium at a higher level in 2017/18, despite larger stocks.

U.S. Cotton Situation, 2017/18

Area and Production

U.S. all-cotton production in 2017/18 is estimated at approximately 21.3 million bales, nearly 24 percent higher than last season's crop. Cotton planted acreage increased 25 percent in 2017 as relative prices favored cotton over alternative crops. At 12.6 million acres, planted area rose 2.5 million acres from 2016 and was the highest since 2011. The U.S. abandonment rate nearly doubled to 10 percent in 2017, but was below the 5-year average of approximately 16 percent. Meanwhile, the U.S. 2017 yield averaged a record 899 pounds per harvested acre. Upland production is estimated at nearly 20.6 million bales—4 million above 2016—with an average yield of 889 pounds per harvested acre, also a record. Extra-long staple (ELS) cotton production is estimated 22 percent higher—at 693,000 bales—as larger area more than offset a lower yield, resulting in the largest ELS crop since 2012.

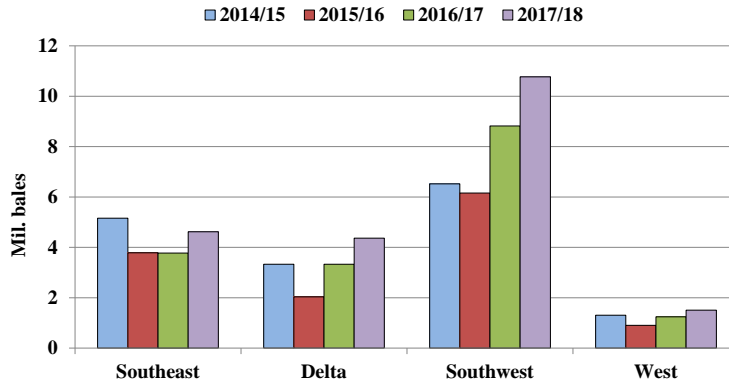
U.S. Cotton Area, Abandonment, Yield, and Production

	Unit	2013/14	2014/15	2015/16	2016/17	2017/18
Planted acres	mil. acres	10.4	11.0	8.6	10.1	12.6
Harvested acres	mil. acres	7.5	9.3	8.1	9.5	11.3
Abandonment rate	%	27.5	15.3	5.9	5.6	10.0
Yield/harvested acre	lbs./acre	821	838	766	867	899
Production	mil. Bales	12.9	16.3	12.9	17.2	21.3

Compared with last season, 2017 upland cotton production was larger in each region of the Cotton Belt. Upland cotton production in the Southwest increased 22 percent to an all-time high of 10.7 million bales, accounting for 52 percent of total U.S. upland production. While Southwest abandonment approached 16 percent—double the 2016 rate—an excellent growing season led to a yield of 807 pounds per harvested acre, the second highest for the region.

Southeast cotton production—like in the Southwest—rose 22 percent in 2017 to 4.6 million bales. Planted area increased above the 5-year average to 2.5 million acres, as area shifted from corn and soybeans. A relatively low abandonment and an above-average yield of 888 pounds per harvested acre pushed the crop to a 3-year high. Cotton production in the Delta region increased over 1 million bales from the previous year to 4.4 million bales in 2017. Delta planted area reached a 5-year high of 1.9 million acres. With a yield similar to 2016, at 1,093 pounds per harvested acre, the Delta crop increased to its highest level in 6 years.

U.S. Cotton Regional Production, 2014/15 to 2017/18



Upland planted area and production in the West continued the rebound that began in 2016. In the West, 2017 area rose to 314,000 acres from 230,000 acres—the second lowest in nearly a century. Although insect pressure and extreme heat reduced the yield to 1,376 pounds per harvested acre—the West’s lowest yield in more than a decade—upland production reached 840,000 bales, the highest in 4 years. ELS planted area in the West increased more than one-third to 237,500 acres and, despite a lower yield, ELS production for the region reached 670,000 bales. As a result, total cotton production in the West equaled 1.5 million bales, compared with 1.2 million bales in 2016.

U.S. Cotton Supply and Demand 2016/17 and 2017/18 est.

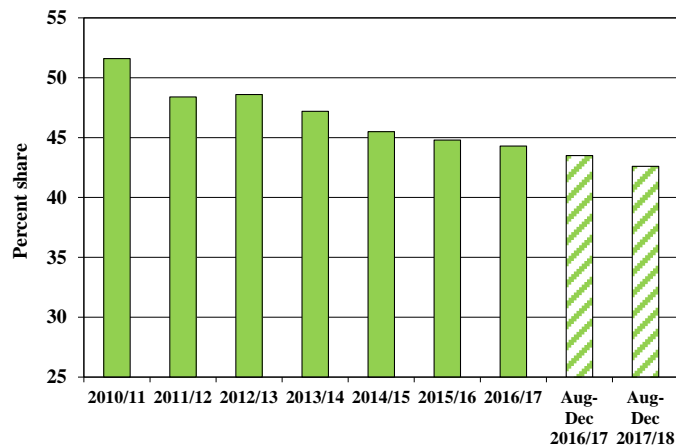
	Unit	2016/17	2017/18	Change (%)
Beg. Stocks	mil bales	3.8	2.8	-27.6
Production	"	17.2	21.3	23.8
Imports	"	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total supply	"	21.0	24.0	14.5
Mill use	"	3.3	3.4	3.1
Exports	"	<u>14.9</u>	<u>14.5</u>	-2.8
Total use	"	18.2	17.9	-1.7
Ending stocks	"	2.8	6.0	118.2
Stocks-to-use	%	15.1	33.6	122.5
Farm price	cents/lb.	68.0	69.0	1.5

Domestic Mill Use and Consumer Demand

U.S. cotton mill use for 2017/18 is forecast at 3.35 million bales, 3 percent above 2016/17. Mill use is expected to rebound after two years of decline as cotton lost share to polyester fiber. During the first 5 months of 2017/18, mill use reached approximately 1.35 million bales, similar to the year-ago level. With relative fiber prices improving for cotton recently, the pace of U.S. cotton mill use is expected to improve slightly during the second half of 2017/18.

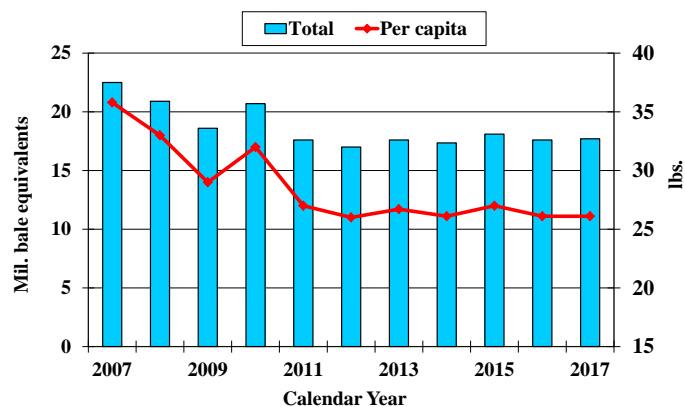
U.S. consumer demand for textiles and apparel products follows the global economy. As U.S. GDP growth strengthened in calendar year 2017, total U.S. fiber product imports increased 2 percent to a record, with synthetic fiber products accounting for the majority of imports. In 2017, U.S. cotton textile and apparel imports rose 1 percent to 18.0 million bale-equivalents, while synthetic product imports gained 3 percent. Competitively-priced synthetic fibers—like polyester—and consumer demand for athleisure clothing reduced the U.S. cotton product import share slightly in calendar 2017 to just under 44 percent. During the first 5 months of 2017/18, cotton's share was slightly below the corresponding period of 2016/17.

**Cotton's Share of U.S. Textile Imports,
2010/11 to Aug-Dec 2017/18**
(raw-fiber-equivalent basis)



Meanwhile, U.S. cotton product exports decreased 1 percent in calendar 2017 to 3.5 million bale-equivalents, the smallest since 2012. As a result, U.S. domestic consumption of cotton (mill use plus net textile trade) in calendar 2017 is estimated at 17.7 million bale-equivalents, up marginally from 2016 and the second highest over the previous 7 years. In addition, U.S. per capita cotton consumption was unchanged in calendar 2017 at approximately 26 pounds.

U.S. Domestic Cotton Consumption: Total and Per Capita



2017/18 U.S. Exports, Ending Stocks, and Prices

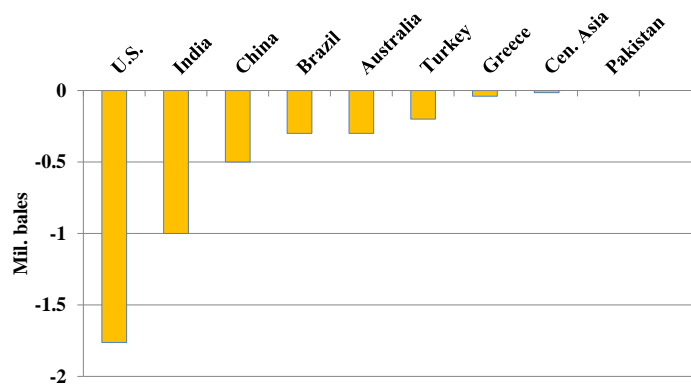
Relatively low carry-over stocks limited early season U.S. exports, and, coupled with large crops in nearly all major competitors, are expected to constrain 2017/18 exports. U.S. cotton exports for 2017/18 are forecast at 14.5 million bales, down 400,000 from 2016/17, despite sharply higher production and an increase in exportable supply. As a result, U.S. ending stocks are expected to more than double to 6.0 million bales, the highest level since 2008/09. Despite rising stocks, the average farm price is expected to reach 69 cents per pound, slightly higher than the previous season's 68 cents.

World Cotton Outlook, 2018/19

World Cotton Production, 2018/19

World cotton production is expected to fall 3.6 percent in 2018/19 to 117 million bales. Area devoted to cotton is projected to fall more than 3 percent, to about 32 million hectares, as Indian producers in states affected by bollworm resistance reduce plantings and Southern Hemisphere producers respond to lower relative prices following the Northern Hemisphere harvest. For global production, the largest year-to-year decline of any country is expected to occur in the United States—despite little change in harvested area—as yields drop from the record-high realized in 2017/18.

Estimated Changes in World Production, 2018/19 compared with 2017/18



The world's largest cotton producer, India, is expected to reduce production by 1 million bales from 2017/18, to 27.5 million. Area is also declining, to 11.5 million hectares, but yields are expected to rise after falling 7 percent in 2017/18. Higher yields are expected as higher-yielding states that were less affected by pest pressure in 2017/18 maintain cotton area, and have a larger share in India's national-average yield in 2018/19.

A smaller decrease is foreseen in China's production, forecast down 2 percent or 500,000 bales from the year before, to 27.0 million bales. A small increase in Xinjiang's planted area has been indicated by early surveys of intentions, but lower planted area in China's eastern provinces is expected to be more than offsetting. Yield is also expected to be lower as Xinjiang's yield returns closer to trend levels.

Brazil's 2018/19 production is expected to fall 300,000 bales as area declines slightly with lower relative cotton prices during the Southern Hemisphere planting season. Australia's 300,000-bale decline matches Brazil's, but is proportionally higher—6.8 percent compared with 3.8 percent—as reservoir levels there have fallen significantly since October 2017, likely constraining irrigation capacity.

USDA Projections for China, 2018/19

USDA's China outlook is based on the assumption that China's policies will remain largely unchanged (see Appendix), with consumption rising, and production and stocks falling in 2018/19. China's production is projected to decline after rising for two consecutive seasons, as output in the east again declines and Xinjiang production stabilizes. Assuming a similar pattern of reserve sales in 2018 as in 2017, China's reserve could fall to just about 20 percent of its peak of 53 million bales by the end of 2018/19. Declining reserve stocks might set the stage for a

more liberal China import policy later in 2018/19.

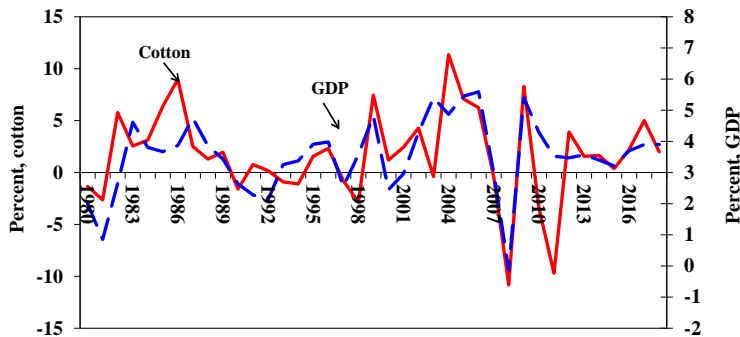
China Cotton Supply and Demand
2017/18 est. and 2018/19 proj.

	Unit	2017/18	2018/19	<u>Change</u> (%)
Beg. Stocks	mil bales	48.4	40.9	-15.6
Production	"	27.5	27.0	-1.8
Imports	"	5.0	7.0	40.0
Total supply	"	80.9	74.9	-7.5
Consumption	"	40.0	41.2	3.0
Exports	"	0.1	0.1	0.0
Total use	"	40.1	41.3	3.1
Ending stocks	"	40.9	33.6	-17.8
Reserve stocks	"	18.0	10.5	-42.0
Stocks-to-use	%	102.0	81.3	-20.3

World Cotton Consumption, 2018/19

World cotton consumption is expected to continue growing in 2018/19, with a 2.0-percent increase from the year before, to 122.9 million bales. Consumption in China is likely to grow slightly faster than the world average for the fourth consecutive year—reaching 41.2 million bales—and slower growth is expected on average elsewhere in the world. Growth in Southeast Asia will be mixed, with above-average growth in Vietnam offsetting lower growth in Indonesia and stagnation in Thailand. In South Asia, growth outside of Bangladesh is likely to be below the world average, while Bangladesh continues its above-average pace of expansion. The fastest growth, however, is expected in Central Asia, where rapid expansion in Uzbekistan’s textile sector will lead to substantially above-world-average growth rates. With world income growth forecast by the International Monetary Fund (IMF) in 2019 at its highest rate in 8 years—3.9 percent—cotton consumption can be expected to continue to rise.

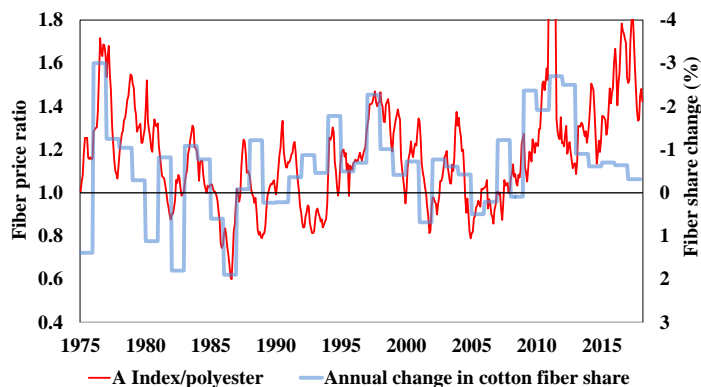
World Cotton Consumption and Economic Growth



Sources: USDA and International Monetary Fund.

Another factor boosting cotton consumption in 2017/18 has been competitive cotton prices vs. polyester. This is likely to persist into 2018/19, as cotton prices are expected to decline. Over the 2009-2012 seasons, cotton suffered a loss in its share of world fiber consumption that was unprecedented in its severity and persistence. Since then, cotton has managed to lose share more slowly than its 1960-2008 median annual rate of decline. The return of China's textile industry to greater participation in cotton yarn production offers a positive factor to sustaining cotton's share of world fiber use, as does the expected downward movement in prices. Additional demand for cotton will continue to be largely derived from increased demand for all fibers rather than a recovery in cotton's share of fibers, but favorable prices have slowed or perhaps temporarily halted the pace of cotton's share loss.

Cotton/Polyester Price Ratio Shifts in Cotton's Favor



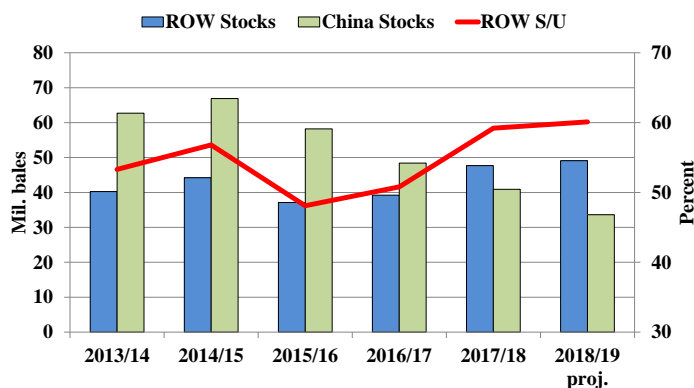
Source: USDA calculations based on data from Cotlook Ltd., Ccotton, National Cotton Council, and International Cotton Advisory Committee.

**World Cotton Supply and Demand
2017/18 est. and 2018/19 proj.**

	<u>Unit</u>	<u>2017/18</u>	<u>2018/19</u>	<u>Change (%)</u>
Beg. Stocks	mil bales	87.7	88.6	1.0
Production	"	121.4	117.0	-3.6
Imports	"	<u>38.2</u>	<u>40.0</u>	<u>4.6</u>
Total supply	"	247.3	245.6	-0.7
Consumption	"	120.5	122.9	2.0
Exports	"	<u>38.2</u>	<u>40.0</u>	<u>4.7</u>
Total use	"	158.7	162.9	2.6
Ending stocks	"	88.6	82.7	-6.7
China stocks	"	40.9	33.6	-17.8
Stocks-to-consumption	%	73.5	67.3	-8.4

World trade in 2018/19 is projected at 40.0 million bales, up modestly from 2017/18. China's imports are projected higher, as are those for Vietnam and Bangladesh. With larger supplies outside of China, stocks outside of China are likely to increase again in 2018/19. The A Index is projected 10 cents below its expected 2017/18 average, at 73 cents per pound.

**China's Stocks, Stocks Outside China,
and Stocks Outside China as % of Use**



U.S. Cotton Outlook for 2018/19

Area, Production, and Supply

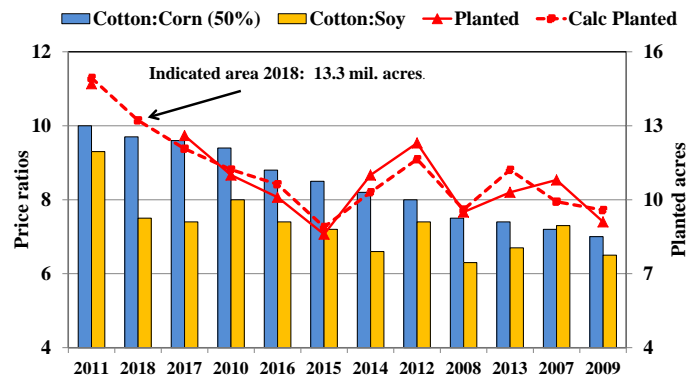
The early USDA projection for 2018 U.S. cotton planted acreage is 13.3 million acres, an increase of 5.5 percent from 2017. Analysis of historical area response shows a strong correlation between cotton planted area and the ratios of expected cotton prices to corn and soybeans, further adjusted for early June soil moisture conditions on the Texas High Plains. Cotton futures prices for January through early February 2018 averaged about 4.5 percent above price expectations in early 2017; at the same time, prices for corn and soybeans have declined 1 percent and 2 percent, respectively. In addition, U.S. cotton farmers generally had positive results in 2017 from a combination of relatively high prices and favorable yields.

U.S. Cotton Area, Yield, and Production 2017/18 and 2018/19 proj.

	Unit	2017/18	2018/19	<u>Change</u> (%)
Planted area	mil. acres	12.61	13.30	5.5
Harvested area	"	11.35	11.30	-0.4
Abandonment rate	%	10.0	15.0	50.0
Yield/harvested acre	lbs./acre	899	828	-7.9
Production	mil. bales	21.26	19.50	-8.3

The USDA projection is about 2 percent (222,000 acres) above the recent National Cotton Council (NCC) survey, which indicated 2018 cotton plantings near 13.1 million acres; the NCC survey was released on February 10, reflecting responses received from mid-December through mid-January. Survey respondents reported 2018 upland cotton area increases for two of the four Cotton Belt regions, with the Delta unchanged and the West indicating a modest area decline. In the Southeast, the NCC survey revealed that cotton acreage would increase 2 percent in 2018, with various gains indicated across the States. For the Delta region, intentions similar to 2017 plantings were expected as mixed crop results were reported. The survey indicated a nearly 6-percent increase in Southwest cotton acreage as producers shift area mainly out of corn. In the West, the NCC reported that upland cotton acreage is expected to decline nearly 7 percent due mainly to a decrease in Arizona—where shifts to other crops were indicated—as changes for California and New Mexico were offsetting. Meanwhile, the survey indicated that producers intend to plant slightly more ELS cotton in 2018.

**All-Cotton Planted Acres Based on
Relative Prices, Winter Wheat Area, Texas Moisture Index,
2007-2018 proj.**



USDA anticipates that cotton planted area will be higher than the NCC survey results in part because of the recently passed legislation—incorporated into the 2014 farm bill for 2018—that provides an opportunity to reassign generic base acres to “seed cotton” base and/or other covered commodities based on an established planting history. Previously, a covered commodity—which excluded cotton—had to be planted to the generic base to be eligible for potential program payments; for 2018, cotton can now be planted on the former generic base without forfeiting program eligibility, potentially resulting in additional cotton plantings this spring. USDA’s first survey of producer planting intentions—Prospective Plantings—will be conducted in early March and published on March 29, 2018.

For the purposes of this analysis, cotton plantings of 13.3 million acres are estimated to result in harvested acreage of about 11.3 million acres, which is marginally below 2017. The projected 15-percent national abandonment rate is based on regional long-run averages, with the exception of the Southwest, where 2018 abandonment of more than 20 percent is projected—above the previous 3 seasons but below the long-run average. Southwest abandonment rates are highly variable and conditions there will have a considerable impact on the U.S. crop. As of mid-February, the NOAA seasonal outlook for the Southwest indicates that drought will persist through the end of May for much of the region, with the probability of below-average precipitation forecast.

USDA is forecasting a national average yield of 828 pounds per harvested acre, based on regional average yields. The 2018 U.S. cotton crop is projected at 19.5 million bales, 8 percent below 2017, despite a similar harvested area projection. The anticipated reduction is mainly linked to the Southwest, where the yield is expected to decline from 2017’s second highest on record. With higher carry-in stocks of 6.0 million bales, the total supply—25.5 million bales—would rise 1.5 million bales from 2017/18 and reach its highest since 2007/08.

U.S. Disappearance, Ending Stocks, and Farm Price

**U.S. Cotton Supply and Demand
2017/18 est. and 2018/19 proj.**

	Unit	2017/18	2018/19	Change(%)
Beg. Stocks	mil bales	2.75	6.00	118.2
Production	"	21.26	19.50	-8.3
Imports	"	0.01	0.01	0.0
Total supply	"	24.02	25.51	6.2
Mill use	"	3.35	3.40	1.5
Exports	"	14.50	16.00	10.3
Total use	"	17.85	19.40	8.7
Ending stocks	"	6.00	6.00	0.0
Stocks-to-use	%	33.6	30.9	-8.0
Farm price	cents/lb.	69.0	63.0	-8.7

U.S. domestic mill use is projected at 3.4 million bales, a slight increase from 2017/18, due to large domestic supplies and moderate growth in demand. U.S. cotton mill use will also be sustained by a rebound in semi-processed textile and apparel exports—mainly to Mexico and the CAFTA-DR/CBI countries—that are finished and shipped back to the United States. Another positive factor will be relatively competitive prices for cotton versus polyester.

U.S. cotton exports are projected at a 13-year high of 16.0 million bales in 2018/19, due to expectations of a large U.S. exportable surplus. Ending stocks are projected to remain at 6.0 million bales, which would be the highest level since 2008/09. However, the ending stocks-to-use ratio is expected to fall slightly as U.S. exports and the U.S. share of world trade rise. Increased supplies outside of China are expected to pressure cotton prices in 2018/19, and the average price received by producers could fall within the range of 58-68 cents per pound, compared with the 2017/18 current forecast of 69 cents.

Appendix: China Cotton Policy and USDA Assumptions

Import Policy: 2018 same as 2017 and 2016

- Out-of-quota import duty is 40% ad valorem.
- 894,000 metric tons (MT) TRQ at 1% duty, calendar year basis, one-third reserved for State Enterprises.
- Duty-free processing imports, limited amount allowed.
- Sliding scale import licenses, assume none to be issued in calendar year 2018. Not issued since 2014.

State Reserve Policy:

2016

- Sales ran from May 3 thru September 30, 2016; daily 30,000 MT offered for sale, 88% bought in total; 2.6 million MT sold, 2.0 million MT initially offered, increased when sale period extended.

2017

- Sales from March 6 thru September 30, 2017; extended past initial August 31 conclusion.
- Daily offers of 30,000 MT; 3.22 million MT sold, 75 percent of total amount offered.

2018

- Sales from March 6 thru August 31, 2018; may be extended.
- Daily offers of 30,000 MT, may be increased if sales strong.
- Offer price based on weekly average of internal price and A Index (same as 2016 and 2017).

Domestic Support Policies:

Target Price policy

2016/17 and 2017/18

- Target price of 18,600 renminbi (RMB)/MT for Xinjiang.
- Xinjiang subsidy level based on difference between target price and average price received by gins during ginning period.
- For inland farmers, subsidy equals lesser of 2,000 RMB/MT or 60 percent of Xinjiang.
- Further shift to payments being linked to production rather than area. Xinjiang yearly (2017-19) volume entitled for subsidy capped at 85 percent of 2012-14 average China cotton production. Some regions in Xinjiang have set ceilings on seedcotton yield that can be attributed to individual farmers, limiting ability of production from unregistered land to receive subsidy payments.
- Subsidy for long staple cotton at 1.3 times base rate.

2018/19

- No formal announcement yet, no major changes expected. Xinjiang target price fixed at least until 2019/20.

Other Support for Cotton

- High quality planting seeds: A subsidy is paid for the use of high quality planting seeds.
- Xinjiang transport subsidy: Subsidies are provided to transport cotton lint and cotton containing yarns from Xinjiang to other regions.
- Government support for spinning in Xinjiang: Government provides direct support for spinning and for investment in spinning capacity in Xinjiang.