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## **Report Name:** Cotton and Products Update

**Country:** Vietnam

**Post:** Hanoi

**Report Category:** Cotton and Products

**Prepared By:** Kiet Vo

**Approved By:** Benjamin Petlock

### **Report Highlights:**

Vietnam cotton imports in marketing year 2021/22 (MY21/22) decreased 9 percent year on year to roughly 1.4 million metric tons (MMT) with a 30-percent higher value at \$3.5 billion, according to Vietnam Customs data. Cotton imports dropped significantly from April to July 2022, mostly due to low demand for cotton yarn, which dragged down total Vietnam cotton imports in MY21/22. U.S. cotton exports to Vietnam in MY21/22 significantly contracted by 36 percent year on year to 428 thousand metric tons (TMT), lower than Post's estimates of 25 percent in the 2022 Vietnam Cotton Annual Report. Australia cotton exports to Vietnam gained in market share with an increase of 146 percent, from 122 TMT in MY20/21 to 300 TMT in MY21/22. Post revises its forecast on Vietnam cotton imports in MY22/23 down 5 percent year on year to 6.3 million bales or 1.4 MMT due to volatility in prices and falling global demand for textile and apparel products.

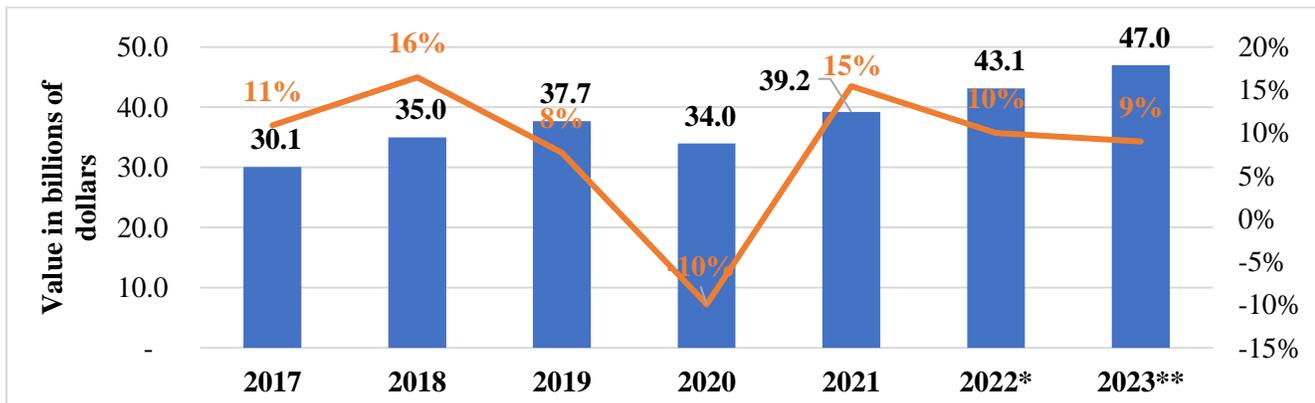
## SITUATION AND OUTLOOK

### Textile Industry

Vietnam textile and apparel exports in calendar year 2022 (CY22) are expected to reach \$43 billion, a 10 percent growth year on year, despite sharp declines in both orders and value during the fourth quarter of CY22 (Q4/22), according to the Vietnam Textile and Apparel Association (VITAS). Orders in Q4/22 plummeted by up to 50 percent over Q2/22.

The Vietnam textile industry expects this downward trend to continue over the next two quarters due to weakening demand in key markets, including the United States and the European Union (EU). While logistical issues, including port congestion, container shortages, and high ocean freights have gradually eased, emerging challenges such as large inventories, high inflation, and economic uncertainty in the U.S. and EU markets have hurt Vietnam textile and apparel exports. Despite concerns on a global economic downturn, which would weaken purchasing power, VITAS continues to set positive export goals for 2023, valued from \$46 billion to \$48 billion, noting that this target is subject to a recovery in global demand (Figure 1).

**Figure 1: Vietnam Textile and Apparel Exports Over Years**



Source: Vietnam Customs, \* Vietnam Textile and Apparel Association's estimate and \*\* forecast

### Yarn

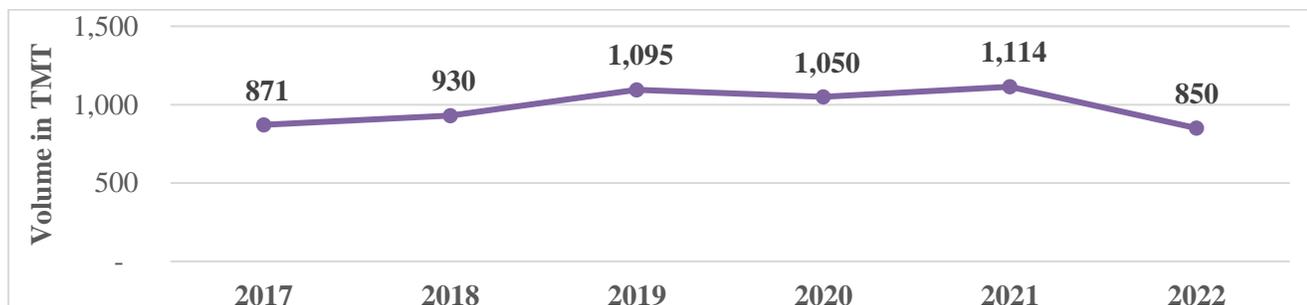
Vietnam all-type yarn exports in the first 10 months of CY22 (10M22) dropped 18 percent to 1.3 million metric tons (MMT), valued at roughly \$4.0 billion, an 11 percent decrease year on year, according to Vietnam Customs.

Vietnam cotton-yarn exports to its two largest markets, China and South Korea, fell 28 percent in 10M22 to 575 thousand metric tons (TMT) and 19 percent to 61 TMT, respectively. Forecasts of a possible increase in cotton-yarn exports to China as a result of the Uyghur Forced Labor Prevention Act failed to materialize due to falling global demand for textile and apparels.

Industry contacts note that several factors have limited Vietnam cotton-yarn exports, including volatility of cotton-fiber prices, falling cotton yarn prices, and weakening China cotton-yarn imports. As a result, Vietnam spinning mills are currently experiencing severe financial losses, resulting in reduced

operations, layoffs, and cancellations of cotton-fiber orders. Post estimates that Vietnam total cotton-yarn exports in CY22 to drop 24 percent year on year to their lowest level in five years (Figure 2).

**Figure 2: Vietnam’s Cotton Yarn Exports**



Source: Trade Data Monitor, LLC (TDM) and Post’s estimates

## TRADE

While major logistical issues including port congestions, shortages of containers, and ocean freight costs have gradually eased, Vietnam cotton-fiber imports have been hit hard by a number of other emerging global issues including volatility of cotton prices, Russia’s invasion of Ukraine, China’s zero-tolerance COVID-19 policy, and high inventories and inflation in major markets.

Vietnam cotton imports in MY21/22 dropped 9 percent year on year to approximately 6.6 million bales. Increases in cotton imports in the first seven months of MY21/22 did not offset declines in imports in the remaining months of MY21/22. Industry stakeholders expect this negative situation to continue into MY22/23. Therefore, Post revises its preliminary forecast on Vietnam cotton imports in MY22/23 down 5 percent year on year to 6.3 million bales or 1.4 MMT (Figure 3).

**Figure 3: Vietnam’s Cotton Imports by Marketing Year (TMT)**



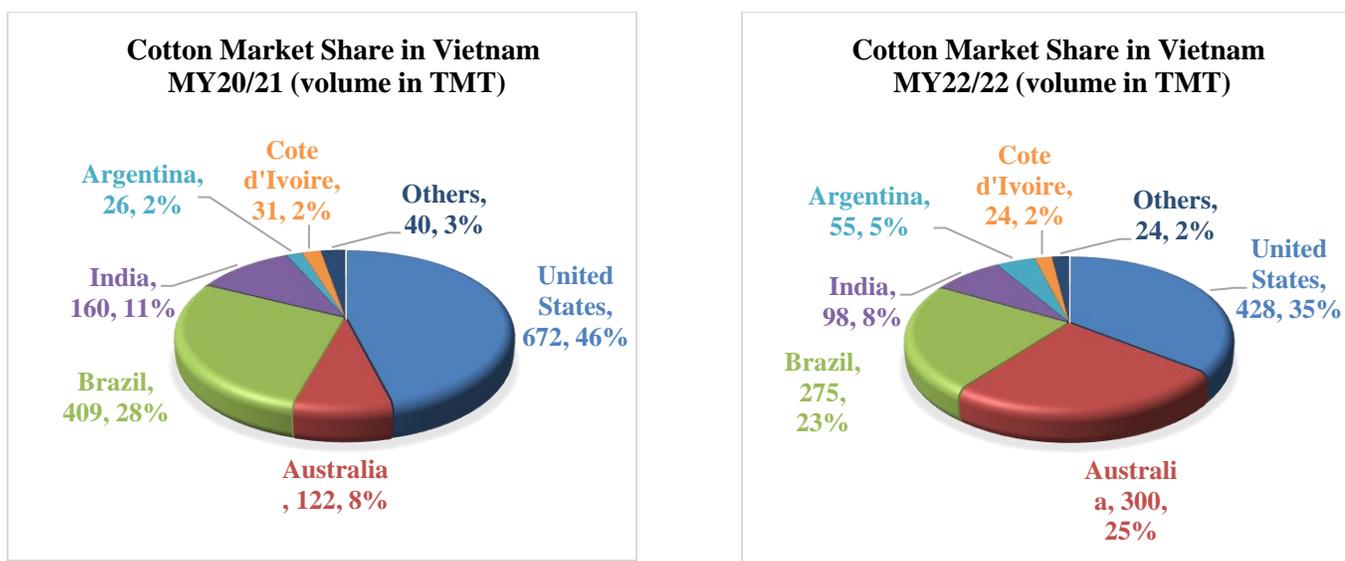
Source: Post’s processing on Vietnam Customs data, \* Post’s forecast

The United States retained its position as top cotton-supplier to Vietnam thanks to increases in exports in the second half of MY21/22 (H2MY21/22). However, U.S. cotton exports to Vietnam for all MY21/22 fell significantly by 36 percent year on year, to nearly two million bales or 428 TMT, due to volatility of prices and logistical issues. This decline was lower than the 25-percent contraction that Post originally estimated in its [Vietnam Cotton Annual Report 2022](#). Likewise, Brazil cotton exports to Vietnam in MY21/22 shrank by 33 percent to 275 TMT.

Australia cotton exports to Vietnam in MY21/22 gained in their market share with revenue climbing 146 percent year on year to 300 TMT, mostly due to competitive prices, good quality, and geographical proximity.

Argentina cotton exports to Vietnam increased significantly in MY21/22 to 55 TMT. With this growth, Argentina surpassed Cote D'Ivoire to become the fifth largest cotton supplier to Vietnam (Figure 4).

**Figure 4: Cotton Market Share in Vietnam**



Source: Trade Data Monitor, LLC

## CONSUMPTION

Vietnam cotton consumption, reflected by cotton imports and cotton yarn exports, was robust in H1MY21/22, but dropped sharply in H2MY21/22, mainly due to falling China cotton-yarn demand. According to Trade Data Monitor (TDM), Vietnam cotton yarn exports to China in MY21/22 were 575 TMT, down 28 percent over MY20/21. China's continuing zero-COVID strategy, combined with falling global demand for textile and apparel products, have reduced the country's textile production capacity which eventually reduced imports of Vietnam cotton yarn. Additionally, industry contacts noted that international sanctions may have resulted in more Xinjiang cotton being used in the China domestic market, reducing demand for imported yarn.

Lower cotton yarn exports to China have increased yarn stocks and reduced cotton consumption in the short term. As a result, Post revises its estimate that Vietnam cotton consumption in MY21/22 from 7.8 million bales to seven million bales (Table 1).

## PRICES

Along with falling demand for cotton yarn, volatility in cotton fiber and cotton yarn prices have severely hit the Vietnam spinning industry. Average cotton import prices in Vietnam steadily increased from \$2.0 per kg in August 2021 to over \$3.0 per kg in August 2022 and then started to drop to \$2.9 per kg in October 2022, according to Vietnam Customs data (Figure 5). Industry contacts noted that the cotton-fiber price plunged to \$2 – \$2.2 per kg at the end of November. Meanwhile, cotton-yarn export prices also dropped during H2 MY21/22 at a faster pace than cotton-fiber import prices. These negative effects have resulted in large inventories of cotton yarn which have reduced Vietnam demand for cotton-fiber imports.

**Figure 5: Cotton Average Import Price (USD/kg)**



Source: Post’s processing on Vietnam Customs data

## STOCKS

Due to the negative effects mentioned in the Trade section, Vietnam spinning mills are trying to minimize stocks. Cotton trade contacts note that spinning mills are placing small orders from bonded warehouses to feed their production rather than buying cotton through future contracts at lower prices. Stocks-to-use ratio in MY21/22 dropped at around 12 percent.

**Table 1: Production, Supply, and Demand Data Statistics**

<b>Cotton</b>	<b>2020/2021</b>		<b>2021/2022</b>		<b>2022/2023</b>		
<b>Market Begin Year</b>	<b>Aug 2020</b>		<b>Aug 2021</b>		<b>Aug 2022</b>		
<b>Vietnam</b>	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>	
							(Units)
Area Planted	-	-	-	-	-	-	(1000 HA)
Area Harvested	1	-	1	-	1	-	(1000 HA)
Beginning Stocks	1,097	1,097	1,088	1,273	1,022	870	1000 480 lb. Bales
Production	3	-	3	-	3	-	1000 480 lb. Bales
Imports	7,288	7,276	6,631	6,597	6,800	6,300	1000 480 lb. Bales
MY Imports from U.S.	-	3,078	-	1,963	-	2,000	1000 480 lb. Bales
Total Supply	8,388	8,373	7,722	7,870	7,825	7,170	1000 480 lb. Bales
Exports	-	-	-	-	-	-	1000 480 lb. Bales
Domestic Use	7,300	7,100	6,700	7,000	6,700	6,200	1000 480 lb. Bales
Loss	-	-	-	-	-	-	1000 480 lb. Bales
Total Dom. Cons.	7,300	7,100	6,700	7,000	6,700	6,200	1000 480 lb. Bales
Ending Stocks	1,088	1,273	1,022	870	1,125	970	1000 480 lb. Bales
Total Distribution	8,388	8,373	7,722	7,870	7,825	7,170	1000 480 lb. Bales
Stock to Use %	15	18	15	12	17	16	(PERCENT)
Yield	653	-	653	-	653	-	(KG/HA)

**Attachments:**

No Attachments