



January, August & Final Reports

REPORTS

Part 1 - Summary Details

Please use your TAB key to complete part 1 & 2.

CRDC Project Number: 227C

January Report: Due 29-Jan-02
August Report: Due 02-Aug-02
Final Report: Due within 3 months of project completion

Project Title: Cotton Fibre Research Reports - ACSA Promotion Trip to China February 2003

Project Commencement Date: 16/2/03 **Project Completion Date:** 26/2/03
Research Program: Processing and Market

Part 2 – Contact Details

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Organisation:
Postal Address:
Ph: **Fx:** **E-mail:**

Researcher 2 (Name & position of additional researcher or supervisor).

Organisation:
Postal Address:
Ph: **Fx:** **E-mail:**

Signature of Research Provider Representative: _____

Part 3 – January & August Report Format

(Maximum four pages)

- 1. What were your major project objectives for the past year? (Please list).**
- 2. Which of these objectives have been achieved?**
- 3. Which objectives were not achieved and why? (Please provide detail of any problems you have had during the year).**
- 4. What are your specific project objectives for the coming financial year?**
- 5. What aspects of your research project do you envisage having problems with in the coming year and why?**

NOTE: This question is aimed at identifying areas in which CRDC may be able to implement assistance to help avoid potential problems. ***Needs to also ask how they plan to rectify these problems

- 6. To what extent have your research results to date been disseminated to other researchers growers or the industry?**
- 7. (a) How will your research results be useful to other researchers /growers /industry in the next year?**

(b) How do you intend to communicate these results or findings?
- 8. Were there major highlights in your work over the last six months? Please give a brief outline.**
- 9. Are changes to the Intellectual Property register required?**

You may also submit a separate confidential report of information, which should be included in the report but which you reasonably consider is confidential information.

Part 4 – Project Variations for January Report

Detail and justify any variations to the original project proposal that you anticipate for the coming financial year (July to June).

(Eg Variations to outcomes or objectives, project time-line, budgets, or personnel).

Part 3 – Final Report Format

The points below are to be used as a guideline when completing your final report.

1. Outline the background to the project.

CSIRO Textile and Fibre Technology were invited to be part of the Australian Cotton Shipper Association (ACSA) trade promotion delegation to China during February. The invitation was extended to give the delegation the technical credentials with which to comment on the spinning ability of Australian cotton. It was also thought that a preliminary report on the Cotton CRC Mill Survey project outcomes (from Japan, Korea and Australia) to be delivered at the seminars sponsored by ACSA on this mission would provide useful information to Chinese spinners contemplating using Australian cotton. For the same reason Mr Peter Cottle, Director of Cotton Australia and General Manager of Cotton Operations at Clyde Agriculture, was invited to provide expertise in sustainable cotton growing. The trip was organized by ACSA with help from the Austrade Offices in Beijing, Shanghai and Guangzhou. It was the second trip to China by an ACSA delegation in two years.

2. List the project objectives and the extent to which these have been achieved.

The objective of the mission was to promote Australian cotton amongst Chinese traders and spinners. Cotton exporters around the world anticipate that in the next few years China will need to import large volumes of foreign growths to feed its mills. In addition the delegation had the added objective of understanding the extent of State control of cotton imports into China. There are nominally six State Departments that control the storage, import, arbitration, quality and quarantine policy of imported cotton.

3. How has your research addressed the Corporations three outputs: Sustainability, profitability and international competitiveness, and/or people and community?

Knowledge of the Chinese market will be essential as China moves towards being one of Australian cotton's major export destinations.

4. Detail the methodology and justify the methodology used.

The schedule for the mission appears below. Four cities were visited; Beijing, Jinan, Shanghai and Guangzhou. Seminars for traders and spinners were held in the latter three cities. The seminars were well attended with each one attracting over 70 participants from the cotton spinning and trading sectors. Many participants had travelled from neighbouring provinces to attend the seminars.

TIME	CONTACT/LOCATION
<i>17 February, Monday</i>	
9:30 am	Bureau of Economic Operations, State Economic & Trade Commission (SETC). Meet with Ms Zhang Li, Director of Bureau of Economic Operations.
14:00 pm	General Administration of Quality Supervision, Inspection and Quarantine of China (AQSIQ). Meet with Mr Song Xiushun, Deputy Director, Mr Yuan Chang Xiang, Deputy Director General, Mr Qu Jun and Mr Chin, Engineer Wool/Cotton Inspection. Tel: 86 10 8226 1929, 86 10 8226 1939 Fax: 86 10 8226 0220

16:00 pm	Chinese International Economic and Trade Arbitration Commission (CIETAC). Meet with Mr Zhu Jianlin, Secretary General and Mr Wang Chenjie, Deputy Secretary General. Tel: 86 10 6464 6688 Mob: 13901029423 Fax: 86 10 6464 3500
18:30 pm	Evening function for PRC Government Officials Venue: Qin Dynasty Room, 3 rd Floor Hilton Beijing
<i>18 February, Tuesday</i>	
8:30 am	State Planning and Development Commission (SPDC). Meet with Mr Ma Zhanping, Deputy Director, Trade and Distribution Department, and Mr Jiang Xian Bin. Tel: 86 10 6850 1422 Fax: 86 10 6319 3625
10:10 am	Bureau of Cotton and Jute, All China Federation of Supply and Marketing Cooperatives. Meet with Mr Shi Jianwei, Director. Visit China National Cotton Exchange E-trading market before 11 am and physical spot auction after 11:30 am. Meet with Mr Wang Huigui, Deputy Director and Mr Wenlong Gong, CEO. Tel: 86 10 6852 9008 Fax: 86 10 6858 0313
14:00 pm	China Cotton Reserve Management Corporation. Meet with Mrs Lei Xiangju, Director.
16:00 pm	China Cotton Textile Association and China Yarn Dyed Weaving Association. Meet with Ms. Zhu Bei Na, Secretary General, and Mr Xu Wen Ying, Senior Engineer. Tel: 86 10 6464 6688 Fax: 86 10 6464 3500
<i>19 February, Wednesday</i>	
14:30 pm	Seminar in Jinan Venue: Guiquan Room, 7 th Floor, Crowne Plaza
	Welcome by Trade Commissioner (Beijing) <ul style="list-style-type: none"> • Introduction by ACSA Chairman (DW) • Background on current situation in Australia (GG) • Report on cotton quality (CM) • Breeding for fibre quality (DA) • Post-harvest fibre research (SG) • Cotton yield, quality & the environment - grower's perspective (PC) • Trading issues (CW)
<i>20 February, Thursday</i>	
12:00 pm	Depart Jinan for Shanghai, flight SC127
<i>21 February, Friday</i>	
08:30 – 09:00 am	Seminar in Shanghai Venue: Room C Ball Room, 2 nd Floor Hilton
09:00 am	Welcome by Consul General (Shanghai)

	<ul style="list-style-type: none"> • Introduction by ACSA Chairman (DW) • Background on current situation in Australia (GG) • Report on cotton quality (CM) • Breeding for fibre quality (DA) • Post-harvest fibre research (SG) • Cotton yield, quality & the environment - grower's perspective (PC) • Trading issues (CW)
<i>24 February, Monday</i>	
11:00 am	Austrade briefing in Austrade Guangzhou office Room 1505, 15 Floor, Main Building, GITIC Plaza
13:30- 14:00 pm	Seminar in Guangzhou The Longevity Room, the 2 nd Floor GITIC
14:00 pm	Welcome by Trade Commissioner (Guangzhou) <ul style="list-style-type: none"> • Introduction by ACSA Chairman (DW) • Background on current situation in Australia (GG) • Report on cotton quality (CM) • Breeding for fibre quality (DA) • Post-harvest fibre research (SG) • Cotton yield, quality & the environment - grower's perspective (PC) • Trading issues (CW)

DW – Dorcen Walters – Walters Cotton/ ACSA Chair

GG – George Gallacher – Auscott

CM – Craig Miller – ECOM Cotton

DA – David Anthony – Auscott

SG – Stuart Gordon – CSIRO Textile and Fibre Technology

PC – Peter Cottle – Cotton Australia

CW – Cliff White – Queensland Cotton

5. **Detail results including the statistical analysis of results.**

6. **Discuss the results, and include an analysis of research outcomes compared with objectives.**

7. **Provide an assessment of the likely impact of the results and conclusions of the research project for the cotton industry. Where possible include a statement of the costs and potential benefits to the Australian cotton industry and future research needs.**

The statistics describing China's cotton production and usage are mind-blowing. China's population is growing by 12M people/yr and the per capita consumption is 7kg/person (compared with 3.2 kg/person elsewhere). By these figures China figures it will need to increase acreage or import quotas to meet demand. China currently produces about 5M t of cotton and the volume is expected to stay around this level because of land pressures – population in the

east and salinity in the west. Last year (2001/02) China spun 8M t of cotton rich blend yarn from domestic and imported cotton – 65% of the 8M t was cotton.

Last year 200K t (880K bales) were imported and the number is likely to grow over the next few years. The Chinese textile industry is looking forward to WTO accession. As part of the WTO, China sees further opportunities for developing export markets on the basis of its good and cheap labor (48th in the world in terms of labor costs) and cheaper raw materials through the international market. The socio-economic importance with which provincial city governments regard textile industries represents another important driver for the industry.

The ANZ Bank in Shanghai provided the delegation with a briefing paper on the current state of cotton production and textile manufacture in China if more detailed statistics are required. A copy of the paper entitled 'ANZ China – Information Pack for Delegates of the Australian Cotton Industry, February 2003' is attached to a hard copy of this report.

One issue for traders of cotton into China may be the nep and short fibre content (SFC) standards that the Chinese will apply to imported cotton. The test methods, the 'Roller Length Analyzer' for SFC and a web based nep counting standard, are essentially unknown outside China. Both test methods are reliant upon an operator preparing the sample for counting and/or interpretation, which is going to make arbitration difficult if not impossible due to the inter-laboratory (operator) variation. The China WTO/TBT National Enquiry Point described the reasons why China will be using these test methods in a letter to the Australian Beijing Consulate – see attached to hard copy of this report. The Twynam Agricultural Group of Australia has obtained translated versions of the test methods although no-one has any idea of the apparatus used to prepare the samples.

- 8. Describe the project technology (eg. commercially significant developments, patents applied for or granted licenses etc).**
- 9. Provide a technical summary of any other information developed as part of the research project. Include discoveries in methodology, equipment design, etc.**
- 10. Detail a plan for the activities or other steps that may be taken;**
 - (a) to further develop or to exploit the project technology.**

CSIRO TFT is investigating the prospects of undertaking a study to investigate the differences in the way in which the Chinese and Australians grade their cotton.
 - (b) for the future presentation and dissemination of the project outcomes.**
- 11. List the publications arising from the research project.**
- 12. Are changes to the Intellectual Property register required?**

Part 4 – Final Report Plain English Summary

Background notes on State organizations in China responsible for cotton production, distribution, storage, imports, exports, pricing and quarantine.

Bureau of Economic Operations, State Economic & Trade Commission (SETC)

SETC is responsible for the guidance and coordination of the key industrial operations. It monitors and analyses the operational situation and regulate the current national economic operations. Textile industry is one of the industries under the supervision and guidance of SETC.

www.setc.gov.cn

General Administration of Quality Supervision, Inspection and Quarantine of China (AQSIQ)

AQSIQ monitors quarantine of imports and exports. The organization has 12 cotton inspection centers for inspecting quality and reconciliation of disputes. Defines and polices quality standards for all imports.

No web page

Chinese International Economic and Trade Arbitration Commission (CIETAC)

The China International Economic and Trade Arbitration Commission (hereinafter referred to as the Arbitration Commission and also known as the Court of Arbitration of the China Chamber of International Commerce from 1 October 2000) is a permanent international commercial arbitration institution which independently and impartially resolves, by means of arbitration, contractual or non contractual, economic and trade disputes.

www.cietac.org.cn

State Planning & Development Commission (SPDC)

SPDC reports directly to the State Council. This agency is responsible for devising the national policy for national economic and social development, balancing total demand and supply, import and export, planning the trade of key farm produce, regulating the market to prevent shortage or surplus, coordinating major developments and monitoring investment projects. It sets rules governing the imports of key agricultural commodities including cotton under the tariff-rate quota (TRQ) system. One division is in charge of the allocation of the annual cotton quota.

www.sdpc.gov.cn

Bureau of Cotton and Jute

All China Federation of Supply and Marketing Cooperatives (SMC)

SMC is a government organisation responsible for the procurement, processing, marketing and distribution of cotton in China. China freed up the All-China

Federation of Supply and Marketing Cooperative's monopoly over cotton procurement, marketing and distribution system in 1999 and again in 2001. It is likely to be restructured into a new organisation called the China Cotton Association.

China National Cotton Exchange

Established in 1999, the Exchange's major function is to manage the National Cotton Exchange Market, China's version of a cotton trading market, not a real futures market. Twenty-two remote terminals have been established in the main cotton distribution centres.

www.cottonchina.org

China Cotton Reserve Management Corporation

Previously this organization was part of SMC. Its primary role is to manage the national cotton reserve in accordance with national policy.

www.cncotton.com

Ministry of Foreign Trade and Economic Cooperation

It formulates and implements specific policies and reform plans for foreign trade, economic cooperation and foreign investment.

www.moftec.gov.cn

China Cotton Textile Association

Previously this organisation was one section of the Ministry. It is now an industry organisation with membership from the industry itself. The Association is funded through membership fees, some government support and revenue generated from events and services. It collects and researches industry information and advises on state industry policies and industrial standards.

Additional Note:

Recent reports have stated that SDPC, SETC and MOFTEC will be restructured and amalgamated into one government body possibly this year. However, these organisations currently all exist.

Part 5 – January Supervisor Report (Scholarships Only)

The Scholarship Recipient's Supervisor is to provide a brief statement on the Recipient's progress and achievements during the relevant year and whether the Recipient is fulfilling the requirements of the postgraduate or undergraduate course in which the Recipient is enrolled.