Country Report for the 81st ICAC Plenary Meeting

(Mumbai India-December 2023)

Japan Spinners' Association
The Japan Cotton Traders' Association

On behalf of both sectors of Spinners and Cotton Traders in Japan, the following is a summary report of the Japanese cotton industries' current situation and proposals to the industry as a cotton consuming country.

1. Recent Situation of Japanese Cotton Industry

Although the Japanese economy continues a moderate recovery from slowdown due to the COVID-19 pandemic, domestic consumption shows signs of difficulty due to uncertain global economic outlook resulting from high inflation worldwide.

In 2022, Japan's production of the cotton yarn was 36.5 thousand tons and the imports of cotton goods into Japan reached 411.4 thousand tons (cotton yarn, fabric and made-up goods), totaling 447.9 thousand tons of cotton goods (in yarn volume equivalent) were supplied to the Japanese market. A vast majority of these cotton yarn, fabric and goods were consumed in Japan.

The domestic spinning capacity of all the types decreased by 6.6% from 769 thousand spindles in 2021 to 718 thousand spindles in 2022. Japanese spinners have been relocating their spinning capacity overseas the past several years. Currently a total of 694 thousand spindles are estimated to operate in joint-venture textile mills that include 380 thousand spindles in Indonesia, 74 thousand spindles in Thailand and 121 thousand spindles in Brazil.

Japan's imports of raw cotton increased by 14% from 38.4 thousand tons in 2021 to 43.6 thousand tons in 2022. In 2022, United States accounted for 49.7% of Japan's total cotton imports. Australia and Greek imported 20.3% and 12.2% respectively. The share of these top three countries accounted for 82.2% of Japan's total cotton imports.

2. Proposals to Cotton Producing Countries

(1) Prevention of Foreign Matters in Cotton

After repeated request, there has not been any significant improvement of foreign matter contamination in cotton and continues to be a grave and serious problem to the spinners.

In recent seasons, there have been numerous reports that colored plastic films, undoubtedly coming from “round module wraps” used in certain producing countries are mixed into cotton. All these cause troubles to spinning mills.
Cotton consuming countries have made considerable investments installing foreign matter detectors in the spinning process as well as spending a great amount of money on labor to discover foreign matter mixed in unprocessed cotton to prevent the quality issues created by foreign matter. Despite these efforts of consuming countries, the foreign matter contamination cannot be completely prevented.
We believe plastic film contamination can be avoided if Round Modules are properly handled following the industry guidelines.
Recently, there was a case of metal fragments being mixed into cotton bales. Contaminated metal fragments can cause serious accidents such as fires at ginning factories and spinning mills, so strict measures are required to prevent contamination.
We would like the producing countries to fully understand the situation of the consuming countries and request maximum efforts and measures are implemented to prevent the foreign matter mix of any kind.

(2) Supply of High Spinnability Cotton

To produce desirable and trouble-free yarns, we spinners require that cotton is free from contamination problems including neps, stickiness and all extraneous matter including seed coat fragment and bark. We would like the cotton producing countries to share our values and supply us high spinnability cotton.

(3) Traceability of Cotton

In recent years, corporate social responsibility has been increasingly challenged, and it has become mandatory for companies to take care not to violate their social responsibilities in the process of manufacturing and distributing raw materials used. Spinners must ensure that the raw cotton they use does not violate their social responsibilities in the process of production and distribution. We believe that it is important and necessary to keep the traceability and to secure the sustainability through the whole cotton supply chain and keep our customers and consumers well-informed of their origin of purchase.
We suggest that all producing countries establish a system like the Permanent Bale Identification (PBI) used for U.S. Cotton, which makes it possible to obtain all the necessary information including the original producer for every bale of cotton.

(4) Stable supply of specialty cotton

The supply of specialty cotton, including Extra Long Staple (ELS) cotton, is unstable

and prices are volatile.
We, cotton-consuming countries, strongly hope for a stable supply and price of specialty cotton.

(5) Excellent Sustainability of Cotton

The problem of ocean pollution caused by plastic waste is a matter of global concern and poses a global threat to our environment. Without question, cotton is biodegradable, excellent fiber for sustainability and friendly to the environment. We firmly believe that the value of cotton will be highly recognized as the global environment becomes more severe in the future.
We believe it is necessary to make a strong and repeated appeal to the end-users to gain their awareness of the environmentally good points of cotton. This is an important challenge for the world cotton industry to address seriously.

(6) Compliance with delivery terms

The delivery schedule is one of the most important contract terms to fulfill conscientiously. Any delay, inaccuracy or failure thereof could result in production disruptions in spinning mills.
Japanese cotton importers have never defaulted on contracts even when global cotton prices soared.
In addition, recently, wet cotton bales presumed to be country damage have arrived in Japan. Wet raw cotton greatly reduces its spinnability, so we would like you to pay close attention to prevent such problems.
We hope that the shipper recognizes the importance of the contracted delivery schedule for the cotton trade and to make shipments within contract terms.

Thank you very much.

Table 1　　Spinning Capacity and Yarn Production in Japan

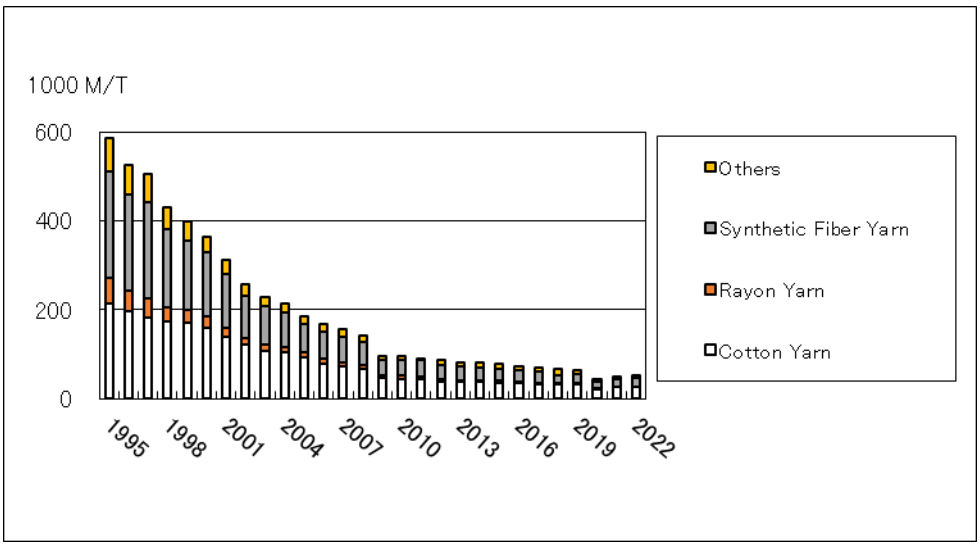
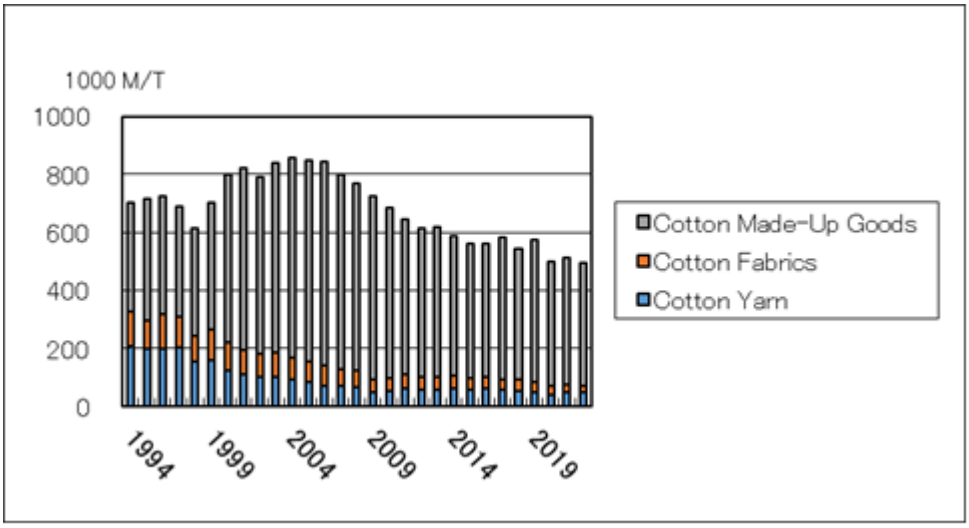


Table 1　　Spinning Capacity and Yarn Production in Japan

	Spinning Capacity (1,000Spds)			Yarn Production (1,000 Metric Tons)				
	Cotton Type	Others		Cotton Yarn	Rayon Yarn	Synthetic Fiber Yarn	Others	
2013	N/A	N/A	1,070	36.9	5.5	29.3	11.1	82.8
2014	N/A	N/A	1,050	37.4	4.6	29.4	10.4	81.7
2015	N/A	N/A	932	36.6	3.9	27.3	10.7	78.5
2016	N/A	N/A	889	34.2	3.4	26.0	9.4	73.0
2017	N/A	N/A	886	33.2	3.4	25.2	8.2	70.1
2018	N/A	N/A	851	31.9	3.4	23.6	7.7	66.5
2019	N/A	N/A	838	31.1	3.0	22.1	7.8	64.0
2020	N/A	N/A	781	21.3	2.0	16.1	5.9	45.3
2021	N/A	N/A	769	26.4	1.4	17.3	5.5	50.6
2022	N/A	N/A	718	26.5	1.6	18.5	6.0	52.6

Source : Ministry of Economy, Trade and Industry

Table 2　　Japan's Imports of Cotton Yarn, Cotton Fabrics And Cotton Made-Up Goods

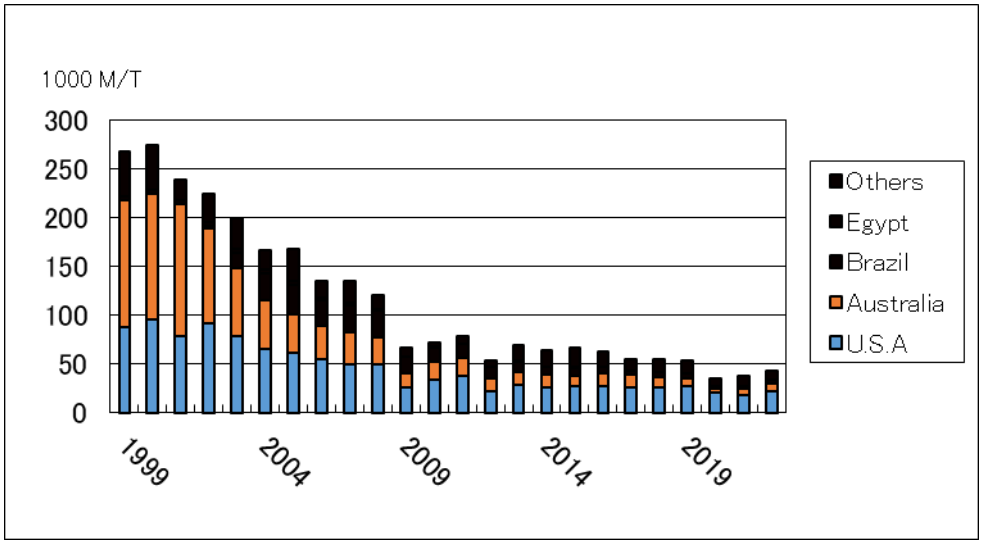


Unit : 1,000 Metric Tons (Million Sq. Meter)

	Cotton Yarn				Cotton Fabrics				Cotton Made-Up Goods		
		Pakistan	Indonesia	China			China			China	Vietnam
2013	57.4	11.1	20.6	7.5	43.8	(292.2)	23.1	(175.3)	518.6	385.3	53.7
2014	63.0	10.7	21.7	7.1	43.7	(290.4)	19.7	(150.4)	482.6	334.7	58.1
2015	58.3	11.5	19.9	5.6	40.4	(269.9)	17.0	(131.8)	463.7	299.3	64.2
2016	62.4	11.8	22.2	5.6	40.9	(266.5)	16.1	(124.8)	460.1	281.0	67.4
2017	56.3	10.5	19.0	5.1	38.7	(255.2)	15.2	(118.9)	489.1	273.1	74.3
2018	55.7	12.7	17.7	4.8	37.7	(250.4)	14.2	(111.8)	450.8	245.2	85.7
2019	49.7	8.9	15.3	4.3	34.0	(223.9)	11.3	(89.0)	491.6	251.1	101.1
2020	39.6	7.4	11.1	3.2	32.5	(226.6)	13.1	(107.3)	427.2	218.5	84.6
2021	47.8	8.9	14.3	3.7	28.4	(188.5)	10.3	(80.4)	436.9	223.6	80.8
2022	47.3	10.3	12.7	3.6	26.0	(170.9)	9.6	(74.8)	423.2	201.7	91.7

Source : Ministry of Finance

Table 3 Japan's Raw Cotton Imports by Country



Unit : Metric Ton

	U.S.A	Australia	Greece	Brazil	Egypt	Others	Total
2013	28,326	13,930	10,729	10,779	688	4,713	69,165
2014	25,588	14,139	9,850	7,354	465	7,208	64,604
2015	28,011	9,731	10,870	8,754	583	8,329	66,278
2016	27,180	13,664	10,730	5,769	167	6,092	63,602
2017	25,904	13,086	7,159	4,135	130	5,080	55,494
2018	25,824	10,582	8,199	5,527	224	5,078	55,433
2019	27,042	8,327	6,742	5,565	283	5,500	53,459
2020	20,372	4,226	3,706	3,044	150	3,460	34,958
2021	18,188	6,075	6,087	3,609	75	4,342	38,376
2022	21,693	8,854	5,322	3,653	96	3,998	43,616

Source : Ministry of Finance