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Outlook

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Cotton and Wool Outlook: April 2023

Leslie Meyer and Taylor Dew

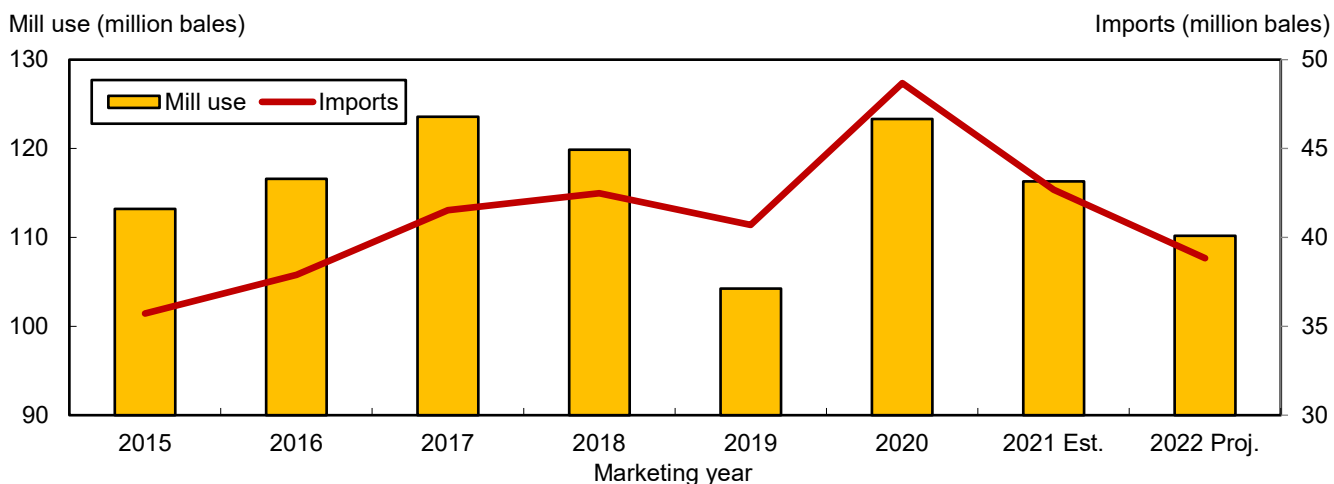
Global Cotton Imports Continue to Decline as Mill Use Weakens

The latest U.S. Department of Agriculture (USDA) cotton estimates indicate that global mill use for 2022/23 (August–July) is projected at 110.2 million bales, 5 percent (6.1 million bales) below last season and, besides 2019/20, is the lowest since 2013/14. With cotton product demand weakening from the recent high in 2020/21, world cotton imports—estimated at 38.8 million bales—continue to decline for a second consecutive year (figure 1). Bangladesh accounts for the largest share of world cotton imports in 2022/23, while China contributes the largest share of mill use. China is the only major country expected to have higher mill use in 2022/23 than in 2021/22.

World cotton production is forecast at 115.9 million bales in 2022/23, slightly below the previous year, as an increase in the global yield almost offsets the 3 percent drop in harvested area. Global exports in 2022/23 are led by the United States, Brazil, and Australia, accounting for a combined 66 percent of world cotton exports. Meanwhile, world cotton stocks (92 million bales) and the stocks-to-use ratio (84 percent) are expected to be the highest in 3 years.

Figure 1

Global cotton mill use and imports



Note: 1 bale = 480 pounds.

Source: USDA, Economic Research Service based on USDA, *World Agricultural Supply and Demand Estimates* reports.

Domestic Outlook

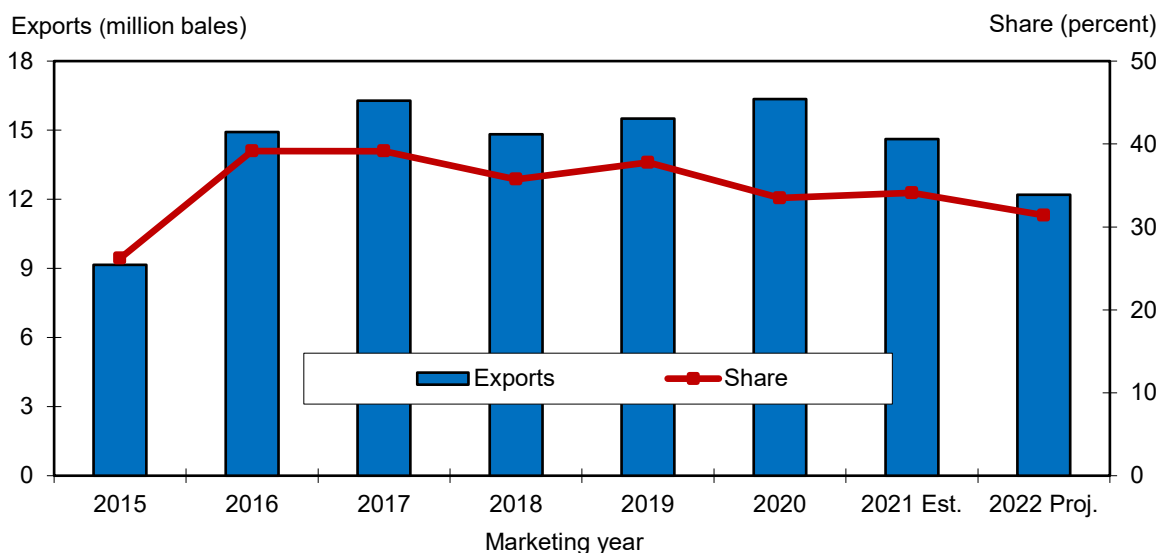
U.S. Cotton Supply Estimate Unchanged; Exports Increased

The 2022/23 U.S. cotton crop remains estimated at nearly 14.7 million bales (upland at 14.2 million bales and extra-long staple at 474,000 bales). This estimate is 16 percent below the 2021 crop but similar in size to 2020. USDA will release the final U.S. cotton production estimates for the 2022 crop on May 12. Based on the latest production estimate and beginning stocks of 3.75 million bales, the 2022/23 cotton supply totals 18.4 million bales, about 2.2 million below 2021/22 and the lowest in 7 years.

U.S. cotton demand in 2022/23 is projected at 14.3 million bales, nearly 17 percent below 2021/22 and—like supply—is the lowest since 2015/16, with U.S. mill use and exports both lower this season. U.S. cotton mill use is forecast at 2.1 million bales in 2022/23, the lowest in over a century, as uncertainties about a sluggish global economy and the effects of burdensome inventories have reduced demand for yarn. Based on data through the first 7 months of 2022/23, U.S. textile mills used approximately 1.2 million bales of cotton, 15 percent below the comparable period of 2021/22.

U.S. cotton export prospects are also lower this season as a result of reduced U.S. cotton supplies and the uncertainty surrounding the world economy. Exports are projected at 12.2 million bales in 2022/23, 2.4 million below 2021/22 and the lowest shipments in 7 years. During the first 8 months of 2022/23, U.S. cotton exports totaled 7.1 million bales, or 59 percent of the season's forecast. The pace of shipments is expected to accelerate over the next several months as U.S. cotton becomes more competitive on the world market. As a result, the U.S. share of global trade is forecast at 31 percent, compared with the 3-year average near 35 percent (figure 2).

Figure 2
U.S. cotton exports and share of global trade



Note: 1 bale = 480 pounds.

Source: USDA, Economic Research Service based on USDA, *World Agricultural Supply and Demand Estimates* reports.

U.S. Ending Stocks Reduced in April; Farm Price Revised

U.S. cotton ending stocks for 2022/23 are forecast at 4.1 million bales, 9 percent (350,000 bales) above 2021/22 and one of the highest levels of the last decade. The current stocks-to-use ratio is estimated at 29 percent, compared with the previous 2 years which averaged 19 percent. With uncertainty surrounding the global economy—along with the latest U.S. and world cotton supply and demand projections—cotton prices have moderated this season. The average U.S. upland cotton farm price for 2022/23 is projected at 82 cents per pound, down from 2021/22's record of 91.4 cents, and 1 cent below the March forecast.

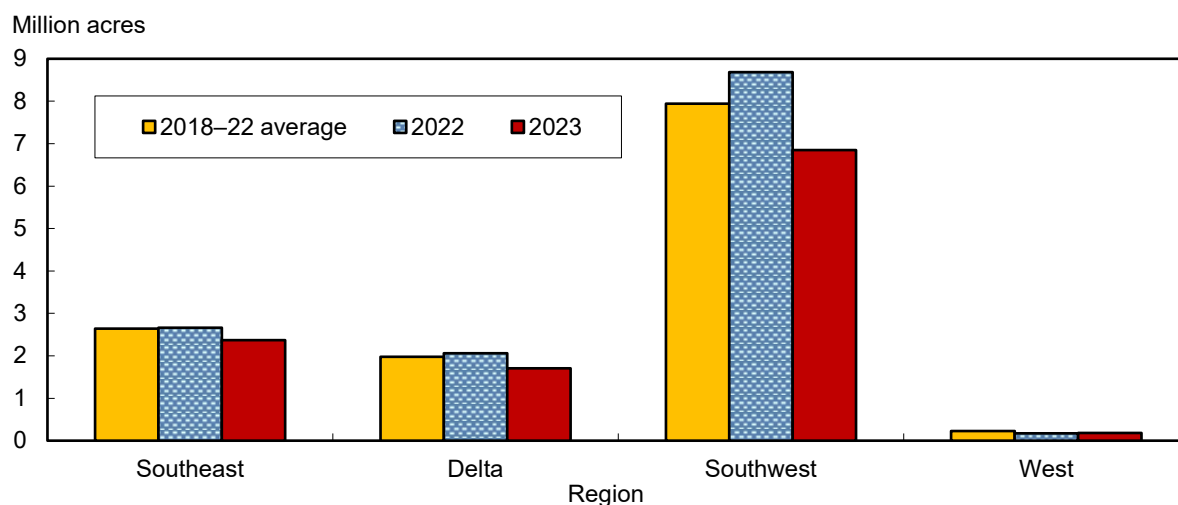
Lower U.S. Cotton Acreage Projected for 2023

Total U.S. cotton acreage is projected 18 percent lower in 2023 after an increase in 2022. Based on the USDA, National Agricultural Statistics Service's (NASS) *Prospective Plantings* report that surveyed farmers in early March, producers intended to plant nearly 11.3 million acres of cotton in 2023. The initial projection is 2.5 million acres below 2022 plantings but similar to the 2021 planted area. Upland acreage is forecast at 11.1 million acres in 2023, while extra-long staple (ELS) area is expected at 154,000 acres, below last season and the second lowest since 2009. For area projections by State and region, see table 10 associated with this report.

Upland cotton area is expected to decline from last season as relative prices for competing crops have been more favorable than a year ago. Three of the four Cotton Belt regions are forecast to plant less cotton in 2023, with the West region indicating a marginal increase in area devoted to cotton (figure 3). However, recent flooding in California may keep cotton area from rising there and excessive moisture in the Delta may push the cotton area in the region below the early indications. Effects of the ongoing drought in the Southwest may also alter planting expectations again this season. In addition, high crop production costs—relative to expected prices—could also play a role in area planted to cotton. As a result, the 2023 planting intentions remain tentative; estimates will be updated at the end of June in USDA, NASS's *Acreage* report.

Figure 3

U.S. regional upland cotton planted area



Note: 2023 based on *Prospective Plantings* report.

Source: USDA, Economic Research Service based on USDA, National Agricultural Statistics Service, *Crop Production* reports.

The Southwest is forecast to plant 6.8 million acres to upland cotton in 2023, 21 percent (1.8 million acres) below 2022 but similar to 2021 and the long-term average. Meanwhile, corn acreage in the region is projected to match 2021 with soybean area forecast to decline in 2023. The Southwest is expected to account for 62 percent of total U.S. upland cotton acreage in 2023, similar to the 5-year average. As a result, production prospects in the region will play an influential role in the size of the 2023 U.S. cotton crop.

In the Southeast, 2023 cotton plantings are forecast to decrease 11 percent (290,000 acres) from a year ago to approximately 2.4 million acres, as higher corn and soybean area is expected this season. Cotton acreage in the Southeast is forecast to contribute 21 percent of the U.S. upland total, equal to the 5-year average. In the Delta, where cotton area is forecast to decline 17 percent (355,000 acres), 2023 upland acreage is projected at 1.7 million acres. Meanwhile, soybean area in the Delta is expected lower but corn acreage is forecast to expand in 2023. Delta cotton planted area is expected to account for 15 percent of the total upland cotton acreage in 2023, equal to the 5-year average.

Upland cotton area in the West is projected at 180,000 acres in 2023, similar to the previous 2 years. In 2023, the region's upland acreage is forecast to account for about 1.5 percent of the U.S. total and one of the smallest shares in over 8 decades. ELS cotton area—grown mainly in the West—is projected to decrease 16 percent to 154,000 acres in 2023, compared with the 5-year average of approximately 200,000 acres. A jump in ELS stock levels associated with the larger 2022 crop and sluggish demand for the higher-priced cotton, as well as alternative crop opportunities, are expected to moderate prospects for ELS area in 2023. The West region is forecast to account for 77 percent of the total ELS cotton area in 2023, with Texas contributing the remaining 23 percent.

International Outlook

World Cotton Production Nearly Unchanged in 2022/23

Global cotton production in 2022/23 is forecast at 115.9 million bales, slightly below last season's estimate. Lower world harvested area is nearly offset by a rebound in the global yield this season. Global cotton area is forecast at 31.6 million hectares (78.2 million acres) in 2022/23, 3 percent below 2021/22 and below the 5-year average of 33.1 million hectares. The 2022/23 world cotton yield is projected at 798 kilograms (kg) per hectare (712 pounds per acre), the highest since a record-setting yield of 804 kg per hectare was realized in 2017/18.

Cotton production estimates have been mixed this season for the major-producing countries, as gains in China, India, and Brazil mostly offset smaller crops in the United States, Pakistan, and Australia. Production in China—the leading cotton producer in 2022/23—is forecast at 30.5 million bales, nearly 14 percent (3.7 million bales) higher year-over-year. A yield rebound is responsible for the largest crop there since 2013/14 as harvested area is estimated marginally lower in 2022/23. Favorable crop conditions in China pushed this season's yield to a record 2,177 kg per hectare, with most of the crop located in the high-yielding Xinjiang region. China is expected to account for more than 26 percent of global cotton production this season.

For India, 2022/23 cotton production is projected at 24.5 million bales, slightly above last season's crop. Although an area increase of nearly 3 percent is estimated, this season's national yield is expected to decline to only 420 kg per hectare, the lowest since 2003/04. Nevertheless, India is forecast to account for 21 percent of world cotton production in 2022/23. Brazil's cotton crop is projected at 13 million bales in 2022/23, 11 percent (1.3 million bales) above the previous season. Both harvested area and yield are expected higher in 2022/23. Harvested area is forecast at 1.6 million hectares while yield is projected at 1,736 kg per hectare, the second highest on record behind only 2019/20.

In contrast, the largest year-to-year reduction in 2022/23 cotton production is estimated for the United States, with the crop 2.8 million bales lower—about 14.7 million bales. Pakistan's 2022/23 cotton production (3.9 million bales) is forecast 35 percent (2.1 million bales) below the previous year as flood-related damage reduced the crop to its lowest level since 1983/84. With harvested area estimated 10 percent lower at 1.8 million hectares, a considerably lower yield of 472 kg per hectare is also projected. Pakistan is forecast to account for only 3 percent of the global cotton crop in 2022/23. For Australia, 2022/23 cotton production is projected at 5.5 million bales, 6 percent below last year. Harvested area is forecast at 675,000 hectares, 5.5 percent higher. However, with much of the area increase in dryland production, the national yield is projected below the last several seasons at 1,774 kg per hectare. Australia's share of the global crop is forecast to remain near 5 percent in 2022/23.

Lower Global Cotton Mill Use Forecast in 2022/23

World cotton mill use in 2022/23 is projected at 110.2 million bales, 5 percent (6.1 million bales) below last season as overall global economic conditions and textile mill demand for cotton weakened in 2022/23. Mill use is forecast to decrease for a second consecutive year and is expected to fall to its second lowest since 2013/14. The top 5 consuming countries are once again projected to account for more than 75 percent of global cotton mill use in 2022/23. Mill use in most of these countries is expected to decline this season as economic uncertainties persist. China is the exception, however, as cotton mill use is forecast to rebound there in

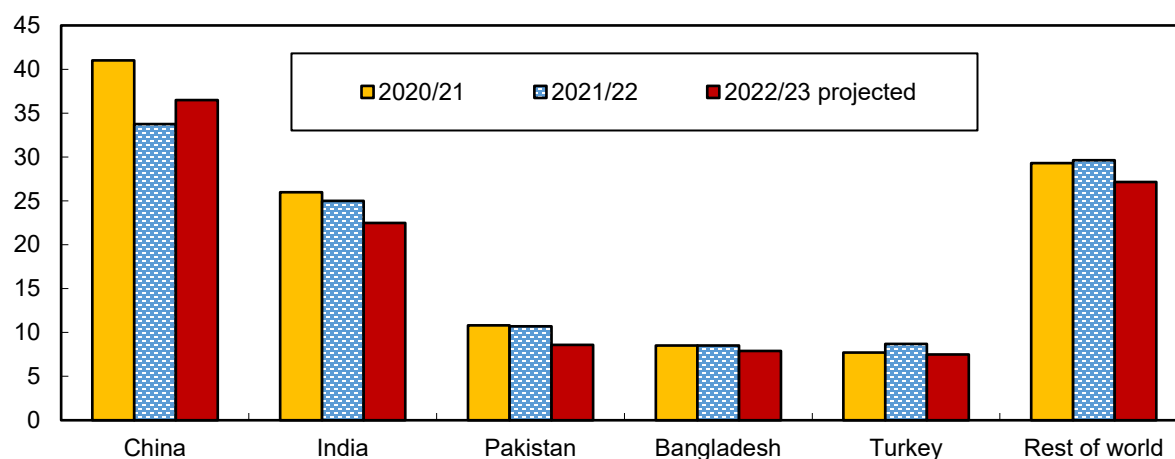
2022/23 after nearly an 18-percent reduction during the previous year that resulted from stringent Coronavirus (COVID-19) pandemic lockdowns (figure 4). For China, cotton mill use is forecast at 36.5 million bales in 2022/23, 8 percent (2.75 million bales) above 2021/22. China is expected to account for 33 percent of global cotton mill use in 2022/23.

Cotton mill use in India is projected 10 percent lower in 2022/23, at 22.5 million bales, as lower supplies and a less competitive textile industry have reduced prospects there. Cotton mill use in India is forecast to contribute 20 percent of the world total in 2022/23. Lower cotton mill use is also forecast for Pakistan, Bangladesh, and Turkey in 2022/23. For Pakistan—the third largest spinner of cotton—mill use is forecast at only 8.6 million bales (-20 percent) this season, the lowest in two decades. The significant crop reduction and financing issues have limited cotton spinning prospects in Pakistan this season. Cotton mill use in Bangladesh is forecast at 7.9 million bales (-7 percent), the lowest since 2019/20; however, Bangladesh is projected to be the fourth largest user of raw cotton and account for 7 percent of the global total. Turkey is expected to slip in the global rankings to become the fifth largest spinner of cotton. Turkey's 2022/23 mill use forecast, at 7.5 million bales, is 14 percent lower than a year earlier and is attributable to disruptions caused by the recent earthquake and the global economic conditions affecting demand for cotton products.

Figure 4

Leading global cotton consumers

Million bales



Note: 1 bale = 480 pounds.

Source: USDA, Economic Research Service based on USDA, *World Agricultural Supply and Demand Estimates* reports.

World Cotton Trade Lower; Stocks Increase in 2022/23

Global cotton trade for 2022/23 is forecast to decrease 9 percent from 2021/22, the result of a second consecutive year of lower world cotton mill use. Global cotton imports are led by Bangladesh, China, and Vietnam in 2022/23 and account for a combined 54 percent of the total. Bangladesh is forecast to remain the largest cotton importer this season although imports are projected 10 percent lower at 7.4 million bales, compared with 8.2 million bales in 2021/22. For China, cotton imports are expected to approach 7.3 million bales or 7.5 percent lower in 2022/23 despite rising mill use there. In Vietnam, cotton imports are projected at 6.3 million bales (-5 percent) in 2022/23, equal to their mill use estimate.

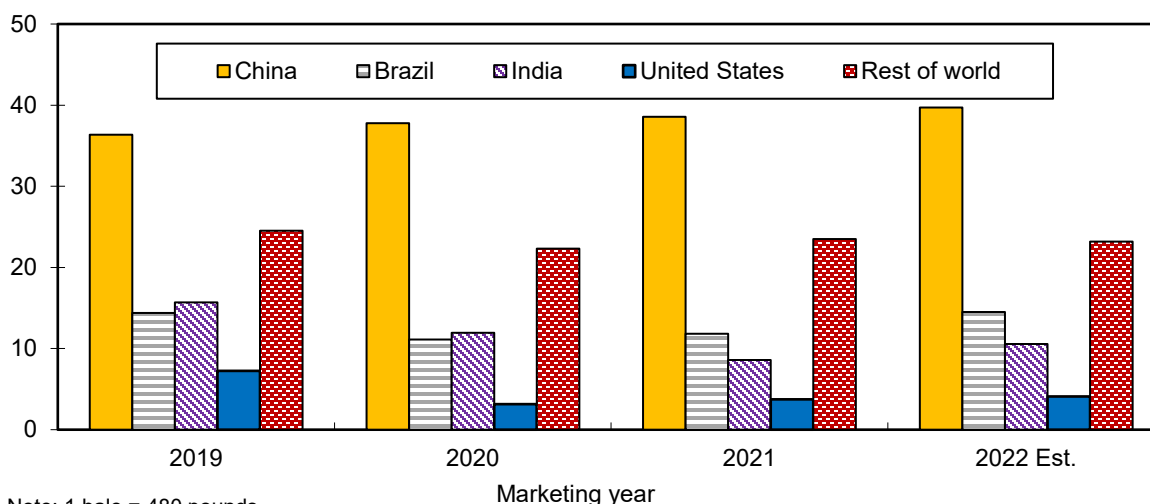
World cotton exports in 2022/23 are projected at approximately 38.9 million bales, 9 percent or 4 million bales lower than last season and the lowest in 6 years. Export reductions are led by the United States, India, and Brazil but are somewhat offset by an increase for Australia. U.S. cotton exports are forecast 2.4 million bales lower at 12.2 million bales in 2022/23. For India, cotton exports are expected to decline by more than 50 percent to 1.8 million bales as supplies there are at a 13-year low. Brazil's cotton exports are forecast at nearly 7.2 million bales this season, down 7.5 percent as global import demand remains lethargic. In contrast, Australia's cotton exports in 2022/23 are forecast to rise considerably (+2.7 million bales) to 6.3 million bales as last season's record production is shipped out of the country.

Based on these global cotton supply and demand projections, 2022/23 world stocks are forecast to rise 5.8 million bales (nearly 7 percent) from the previous year to 92 million bales. Stocks in China—the largest holder of cotton—are forecast to rise this season as are cotton stocks in Brazil, India, and the United States (figure 5). In China, cotton stocks at the end of 2022/23 are projected at 39.7 million bales, or 43 percent of the global total. Ending stocks in Brazil are forecast 22.5 percent higher to a record 14.5 million bales, slightly above the previous record in 2019/20. Brazil is expected to account for 16 percent of the world total in 2022/23. For India, cotton stocks are forecast to rebound considerably (about 23 percent) to nearly 10.6 million bales after last season's significant reduction resulting from India's production shortfall. India is forecast to account for 11 percent of the global stock total. Meanwhile, U.S. cotton stocks are forecast at 4.1 million bales, or 4 percent of the world total. Stocks for the rest of the world are expected to remain relatively stable, contributing 25 percent of the total.

Figure 5

Global cotton ending stocks

Million bales



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