



Cotton and Wool Outlook

Leslie A. Meyer

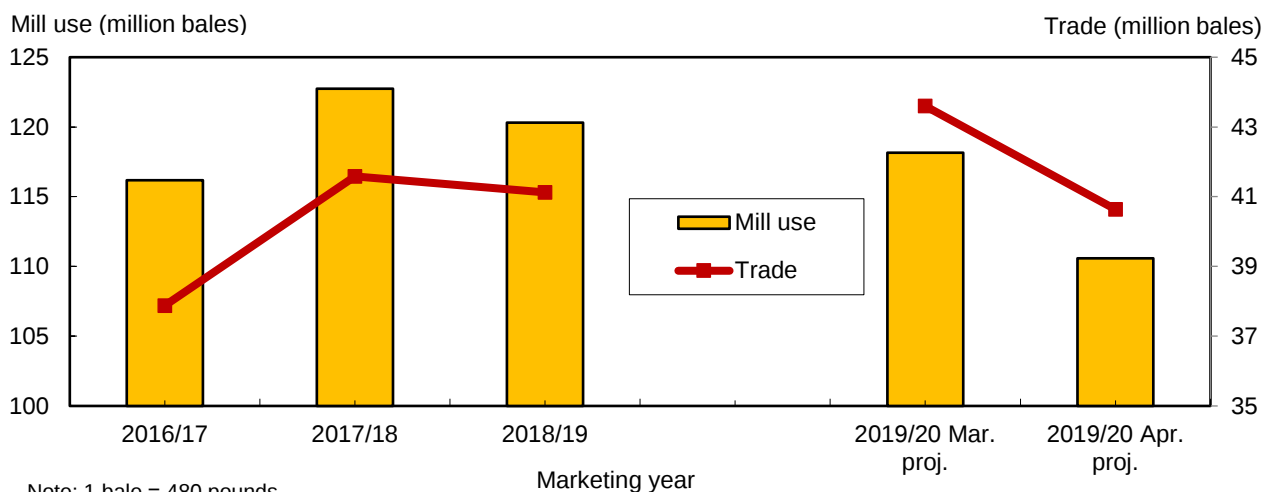
Global 2019/20 Cotton Demand Lowered Significantly Due to COVID-19 Pandemic

The April U.S. Department of Agriculture (USDA) cotton projections for 2019/20 (August-July) include substantial adjustments to the supply and demand balance, compared with the March projections. As the impact of the COVID-19 pandemic continues to unfold, a developing global economic slowdown with little precedent is expected to significantly reduce global cotton demand and trade in the near-term.

In April, the 2019/20 world cotton mill use estimate was reduced nearly 7.6 million bales (6.4 percent)—a record monthly change—as cotton sector disruptions from COVID-19 affect the supply chain from spinning to retail (fig. 1). Global mill use is now forecast at 110.6 million bales, 8 percent below 2018/19 and the lowest in 6 years. The reduction has also impacted raw cotton fiber demand at spinning mills, with the world trade estimate lowered 3.0 million bales (6.8 percent) this month as a result. Global cotton trade is now forecast slightly below 2018/19 at 40.6 million bales, the lowest in 3 years. While mill use and trade adjustments were made for most countries in April, the United States—the leading exporter—experienced one of the largest monthly reductions in projected U.S. cotton exports on record.

Figure 1

World cotton mill use and trade



Note: 1 bale = 480 pounds.

Source: USDA, *World Agricultural Supply and Demand Estimates* reports.

Domestic Outlook

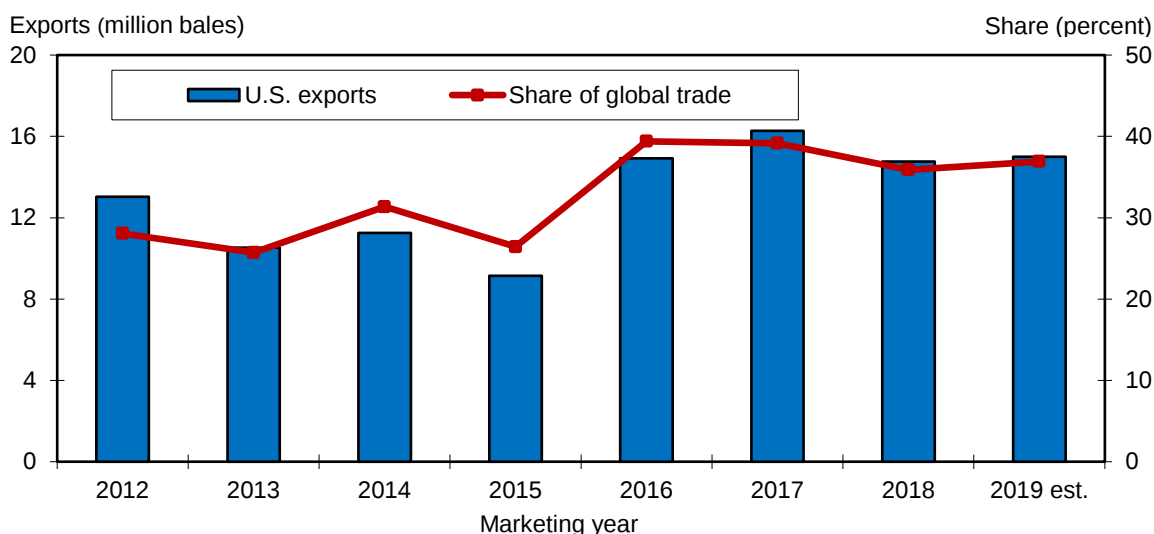
U.S. 2019/20 Cotton Supply Unchanged; Demand Reduced

The 2019/20 U.S. cotton supply remains estimated at 24.7 million bales, 2.1 million bales above the previous season and the largest since 2007/08. Beginning stocks are estimated at 4.85 million bales while production is estimated at 19.8 million bales. USDA will release updated 2019/20 production estimates on May 12.

While the cotton supply forecast remains unchanged in April, the U.S. demand estimate was reduced significantly based on effects that the COVID-19 pandemic is expected to have on the global economy, and the cotton sector specifically, for the remainder of 2019/20. Since the United States is the largest cotton exporter in the world, large adjustments in global mill use also are expected to impact the volume of U.S. cotton shipments to satisfy this demand. With 2019/20 global mill demand reduced nearly 6.5 percent this month, the United States—along with other major exporters—is forecast to have raw cotton shipments curtailed this season.

U.S. cotton exports are forecast at 15.0 million bales, 1.5 million bales below last month, but still about 250,000 bales above 2018/19. Despite the April export forecast being dramatically lower, U.S. cotton shipments are still expected to be the third largest on record in 2019/20. As with the export volume, the U.S. share of world trade is forecast slightly above the previous season, with the 2019/20 share near 37 percent, compared with 2018/19's 36 percent (fig. 2). Meanwhile, U.S. cotton mill use was also reduced 3 percent this month to 2.9 million bales, slightly below 2018/19.

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



Note: 1 bale = 480 pounds.

Source: USDA, *World Agricultural Supply and Demand Estimates* reports.

U.S. Ending Stocks Revised Upward; Farm Price Lowered

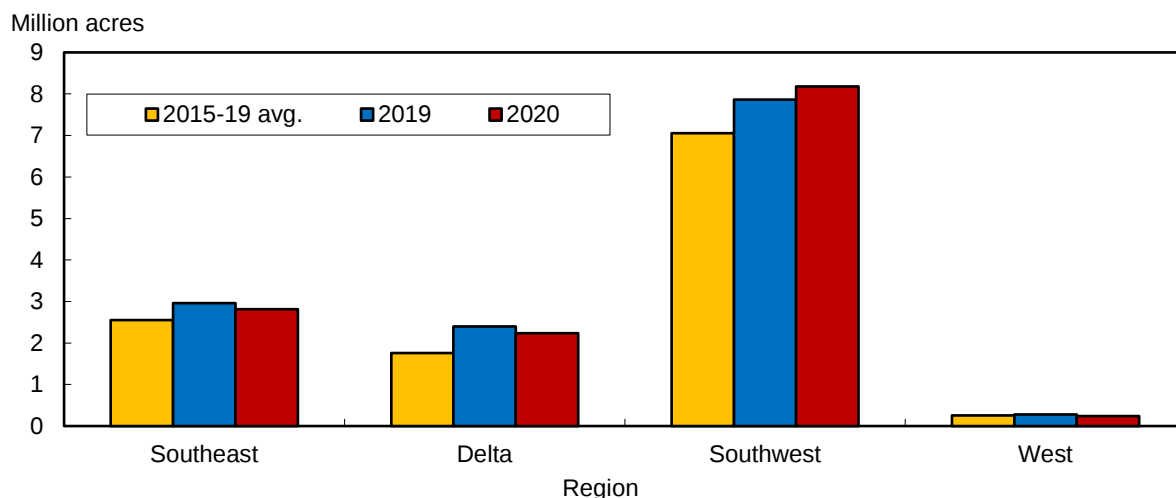
With the significant 1.6-million-bale reduction in U.S. cotton demand this month, 2019/20 U.S. ending stocks are forecast to increase by the same amount. U.S. cotton stocks are now forecast at 6.7 million bales, 38 percent above 2018/19 and the highest since 2007/08's 10.1 million bales. The current stocks-to-use ratio is estimated at 37 percent, 10 percentage points above 2018/19. As a result, the higher stocks and stocks-to-use ratio are expected to weigh on the U.S. farm price this season. The average price received by upland cotton producers for 2019/20 is projected at 59 cents per pound, down slightly from last month but considerably lower than 2018/19's average of 70.3 cents per pound.

U.S. Cotton Acreage Forecast Similar in 2020

Total U.S. cotton area is projected nearly unchanged in 2020 after a decline in 2019. Based on the National Agricultural Statistics Service's (NASS) *Prospective Plantings* report that surveyed farmers in early March, producers intended to plant approximately 13.7 million acres of cotton in 2020. The initial projection is marginally (35,000 acres) below 2019's plantings but still one of the highest of the past decade. Upland acreage is forecast at approximately 13.5 million acres in 2020, while extra-long staple (ELS) area is expected at 228,000 acres; for area projections by State and region, see table 10 associated with this report.

Cotton area is expected slightly lower this season as relative prices for competing crops at the time of the survey were similar to last year. Three of the four Cotton Belt regions are forecast to plant fewer cotton acres in 2020, with only the Southwest indicating additional area devoted to cotton (fig 3). However, cotton prices have decreased significantly since early March, with relative prices now favoring competing crops over cotton. Consequently, the planting intentions for 2020 may be more tentative than usual as some area intended for cotton could be switched to other crops. These estimates will be updated at the end of June in NASS's *Acreage* report.

Figure 3
U.S. regional upland cotton planted area



Note: 2020 based on *Prospective Plantings* report.

Source: USDA, National Agricultural Statistics Service, *Crop Production* reports.

The Southwest is expected to plant 8.2 million acres to upland cotton in 2020, about 4 percent (300,000 acres) above 2019, but 6 percent below 2018 when nearly 8.7 million acres were planted. Meanwhile, soybean and corn acreage in the region is also forecast to increase in 2020. The Southwest is expected to account for 61 percent of total U.S. upland cotton acreage in 2020, similar to the 5-year average. As a result, production prospects in the region will play a key role in the 2020 U.S. cotton crop.

In the Southeast, 2020 cotton plantings are projected to decrease 5 percent (150,000 acres) from a year ago to 2.8 million acres, as additional corn acreage is expected to keep cotton area at its lowest in 3 years. Cotton area in the Southeast is forecast to account for 21 percent of the U.S. upland total, similar to the past several years. Likewise, in the Delta, 2020 cotton area is forecast to decline 7 percent (160,000 acres) from 2019 to 2.2 million acres. While cotton acreage is lower, and indications are for corn and soybean area to rise in 2020, Delta cotton plantings are expected at their second highest in 9 years.

Upland cotton area in the West is forecast at only 240,000 acres in 2020, 38,000 acres below 2019 and the lowest in 4 years. In 2020, the region's upland cotton acreage is expected to account for less than 2 percent of the U.S. total. Meanwhile, ELS area in the West is forecast relatively stable, reaching 215,000 acres in 2020. The region will account for nearly 95 percent of the total ELS cotton area in 2020.

International Outlook

Global Cotton Production Higher in 2019/20

World cotton production in 2019/20 is forecast at 121.7 million bales, 3.1 million bales (2.6 percent) above last season but below 2017/18. Global harvested area in 2019/20 is estimated at 34.6 million hectares (85.6 million acres)—3 percent above 2018/19—as expected returns encouraged cotton plantings over alternative crops in several countries, particularly India, Brazil, Pakistan, and the United States. The global yield is forecast at 765 kilograms (kg) per hectare (682 pounds per acre) in 2019/20, the lowest since 2015/16.

Among the major cotton-producing countries, crop prospects this season have been mixed, with India, the United States, and Brazil more than offsetting declines in China, Pakistan, and Australia. Production in India—the largest producing country—is forecast at 29.5 million bales, 3.7 million bales above 2018/19, as area rose 3 percent to 13.0 million hectares. India's yield is projected at 494 kg per hectare, near the 3-year average. In the United States, 2019/20 cotton production is forecast at 19.8 million bales, 8 percent above the previous season and the second largest crop since 2006/07, as a higher harvested area more than offset a lower yield. For Brazil, the cotton crop is expected to reach a record 13.2 million bales this season. The largest harvested area (1.7 million hectares) since 1991/92, and a yield near the 3-year average at 1,691 kg per hectare lift the crop 200,000 bales above 2018/19.

Production in China—the second largest producing country—is projected at 27.25 million bales, 2 percent (500,000 bales) below 2018/19, as both area and yield decline slightly in 2019/20. In Pakistan, production is forecast 1 million bales (13 percent) lower this season at 6.6 million bales. A 20-percent reduction in the expected yield to 575 kg per hectare more than offsets a rebound in area in 2019/20. For Australia, drought conditions in 2019/20 limited area to a 40-year low of only 60,000 hectares. With limited rainfall to support the crop, cotton production in Australia is projected at a relatively low 625,000 bales, equaling that of 2007/08.

World Cotton Consumption Dramatically Reduced for 2019/20

Global cotton mill use in 2019/20 is now projected at 110.6 million bales, 6 percent (7.6 million bales) below the March forecast and 8 percent (9.7 million bales) below 2018/19. This month's dramatic reduction in the global consumption estimate is attributable to the developing impact of COVID-19 on global economic activity. For the textile and apparel industry, this economic slowdown includes temporary closure of some textile and apparel manufacturing operations and a postponement or cancellation of orders that have ripple effects throughout the entire supply chain from raw fiber procurement to retail consumer end use.

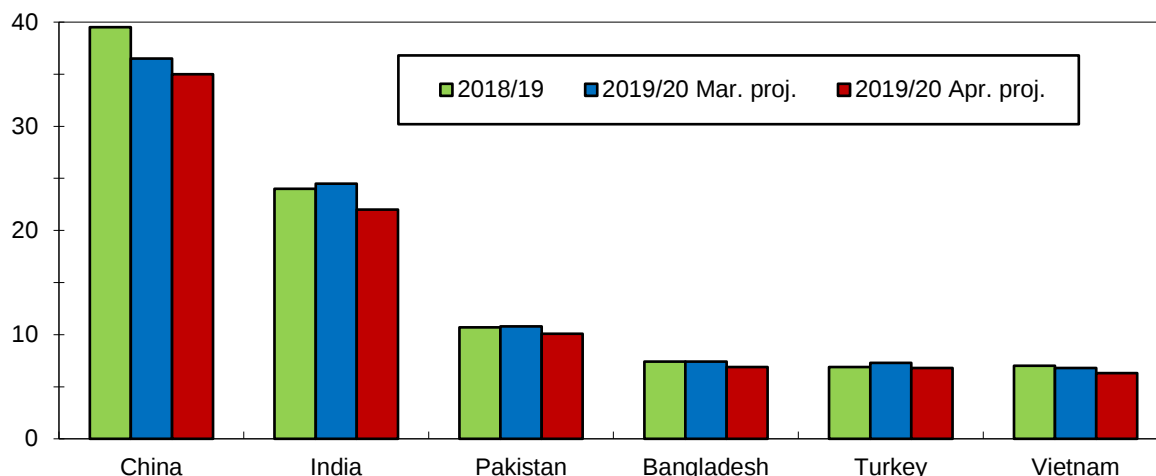
These economic influences are expected to effect numerous countries in varying degrees, depending on the scope of their textile and apparel industries. Cotton mill use estimates for many countries were adjusted downward this month. For the top six consuming countries, estimates were reduced a combined 6.2 million bales in April, accounting for 82 percent of the global reduction in the cotton mill use estimate this month (fig. 4). For China, cotton mill use is now forecast at 35.0 million bales for 2019/20, a 1.5-million-bale reduction in April that followed related declines there during February and March. China's mill use is 4.5 million bales below 2018/19 and is the lowest in 5 years. For India, cotton consumption is projected at 22.0 million bales in 2019/20, a decrease of 2.5 million bales in April and 2 million bales (8 percent) below 2018/19. For India, like China, the slowdown in global economic activity is expected to have

dramatic effects on the country's textile and apparel industry, at least in the near-term. For the other major consuming countries, cotton mill use was reduced approximately 7 percent each in April and are all below year-ago levels.

Figure 4

Cotton mill use for selected countries

Million bales



Note: 1 bale = 480 pounds.

Source: USDA, *World Agricultural Supply and Demand Estimates* reports.

Global Cotton Trade Decrease Pushes Stocks Higher

With the significant decline in the global consumption estimate, world cotton trade is also projected to decrease considerably in 2019/20, as importing countries adjust their raw cotton needs accordingly. China is projected to remain the largest importer in 2019/20, importing 7.5 million bales this season compared with 9.6 million bales in 2018/19. For Bangladesh, imports are forecast at 6.9 million bales this season, 300,000 bales below 2018/19. Similarly, Vietnam is expected to reduce its imports 500,000 bales this year to 6.4 million bales.

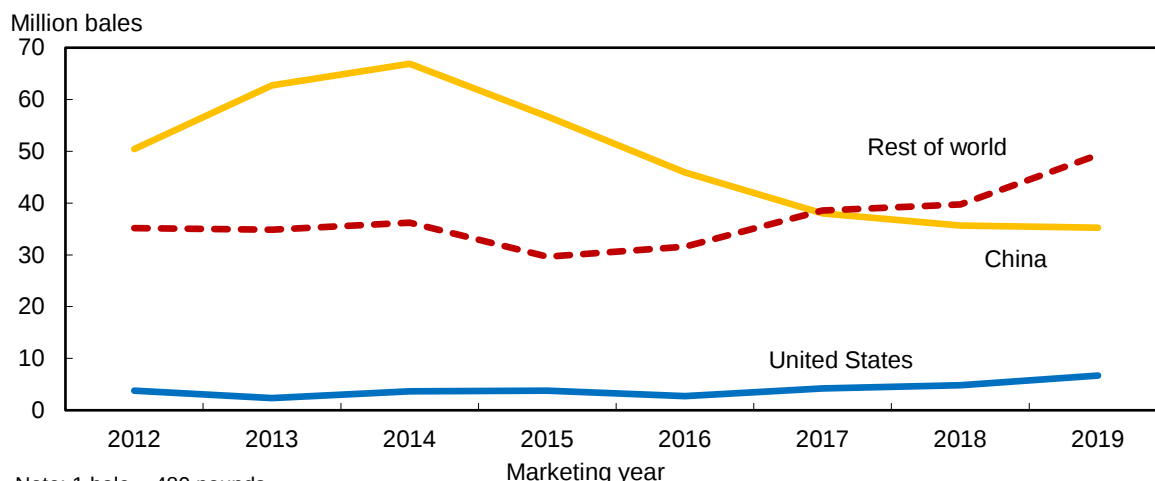
As of April, global trade is forecast at 40.6 million bales in 2019/20, 3 million bales below last month but only 500,000 bales beneath 2018/19. Although below the previous 2 years, world cotton trade remains at one of the highest levels since 2013/14. As discussed earlier, the United States is now expected to ship fewer bales of cotton this season than previously forecast, although total U.S. exports remain slightly above the 2018/19 level. Brazil's cotton exports are only reduced slightly this month, since most of their shipments for the season have already occurred. Brazil is forecast to export 8.6 million bales of cotton in 2019/20—2.6 million bales above 2018/19—as larger exportable supplies are the result of their record crop.

Based on these world cotton supply and demand estimates, 2019/20 global stocks are projected to rise nearly 8 million bales from the previous month's estimate to 91.3 million bales. World cotton stocks are forecast to increase 11 million bales from 2018/19 and are forecast at their largest in 5 years. China continues to hold the single largest stockpile of cotton, forecast at 35.2 million bales in 2019/20, although stocks there are at their lowest in 8 years (fig. 5). Stocks in China have leveled off in recent years, and account for about 39 percent of the estimated global total in 2019/20, compared with 63 percent of the total just a few years ago. Meanwhile, stocks in the United States and for the rest of the world are forecast to rise again this season. In

2019/20, U.S. cotton stocks are expected to reach their highest since 2007/08, while stocks in the rest of the world are projected to expand to a record 49.3 million bales, 24 percent above the previous high in 2018/19.

Figure 5

Global cotton ending stocks



Note: 1 bale = 480 pounds.

Source: USDA, *World Agricultural Supply and Demand Estimates* reports.

Suggested Citation

Meyer, Leslie A., *Cotton and Wool Outlook*, CWS-20d, U.S. Department of Agriculture, Economic Research Service, April 13, 2020

Use of commercial and trade names does not imply approval or constitute endorsement by USDA.

To ensure the quality of its research reports and satisfy governmentwide standards, ERS requires that all research reports with substantively new material be reviewed by qualified technical research peers. This technical peer review process, coordinated by ERS' Peer Review Coordinating Council, allows experts who possess the technical background, perspective, and expertise to provide an objective and meaningful assessment of the output's substantive content and clarity of communication during the publication's review.

In accordance with Federal civil rights law and USDA civil rights regulations and policies, the USDA, its Agencies, offices, and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, religion, sex, gender identity (including gender expression), sexual orientation, disability, age, marital status, family/parental status, income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity, in any program or activity conducted or funded by USDA (not all bases apply to all programs). Remedies and complaint filing deadlines vary by program or incident.

Persons with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotope, American Sign Language, etc.) should contact the responsible Agency or USDA's TARGET Center at (202) 720-2600 (voice and TTY) or contact USDA through the Federal Relay Service at (800) 877-8339. Additionally, program information may be made available in languages other than English.

To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form, AD-3027, found online at [How to File a Program Discrimination Complaint](#) and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by: (1) mail: U.S. Department of Agriculture, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue, SW, Washington, D.C. 20250-9410; (2) fax: (202) 690-7442; or (3) email: program.intake@usda.gov.

USDA is an equal opportunity provider, employer, and lender.

Contacts & Additional Information

Contact

Leslie A. Meyer

(202) 694-5307

E-mail

leslie.meyer@usda.gov

Subscribe to ERS e-mail notification service at <https://www.ers.usda.gov/subscribe-to-ers-e-newsletters.aspx> to receive timely notification of newsletter availability.

Data

Tables from the *Cotton and Wool Yearbook* are available at <https://www.ers.usda.gov/data-products/cotton-wool-and-textile-data/cotton-and-wool-yearbook/>

They contain historical information on production, use, prices, imports, and exports of cotton and wool.

Tables containing annual raw-fiber equivalents of U.S. textile trade data are available at <https://www.ers.usda.gov/data-products/cotton-wool-and-textile-data/raw-fiber-equivalents-of-us-textile-trade-data/>

Related Websites

Cotton and Wool Outlook

<http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documentID=1281>

WASDE <http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documentID=1194>

Cotton and Wool Topics <http://www.ers.usda.gov/topics/crops/cotton-wool/>

E-mail Notification

Readers of ERS outlook reports have two ways they can receive an e-mail notice about release of reports and associated data.

- Receive timely notification (soon after the report is posted on the web) via USDA's Economics, Statistics and Market Information System (which is housed at Cornell University's Mann Library). Go to <http://usda.mannlib.cornell.edu/MannUsda/aboutEmailService.do> and follow the instructions to receive e-mail notices about ERS, Agricultural Marketing Service, National Agricultural Statistics Service, and World Agricultural Outlook Board products.
- Receive weekly notification (on Friday afternoon) via the ERS website. Go to <http://www.ers.usda.gov/Updates/> and follow the instructions to receive notices about ERS outlook reports, *Amber Waves* magazine, and other reports and data products on specific topics. ERS also offers RSS (really simple syndication) feeds for all ERS products. Go to <http://www.ers.usda.gov/rss/> to get started.