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Cotton and Wool Outlook: May 2023

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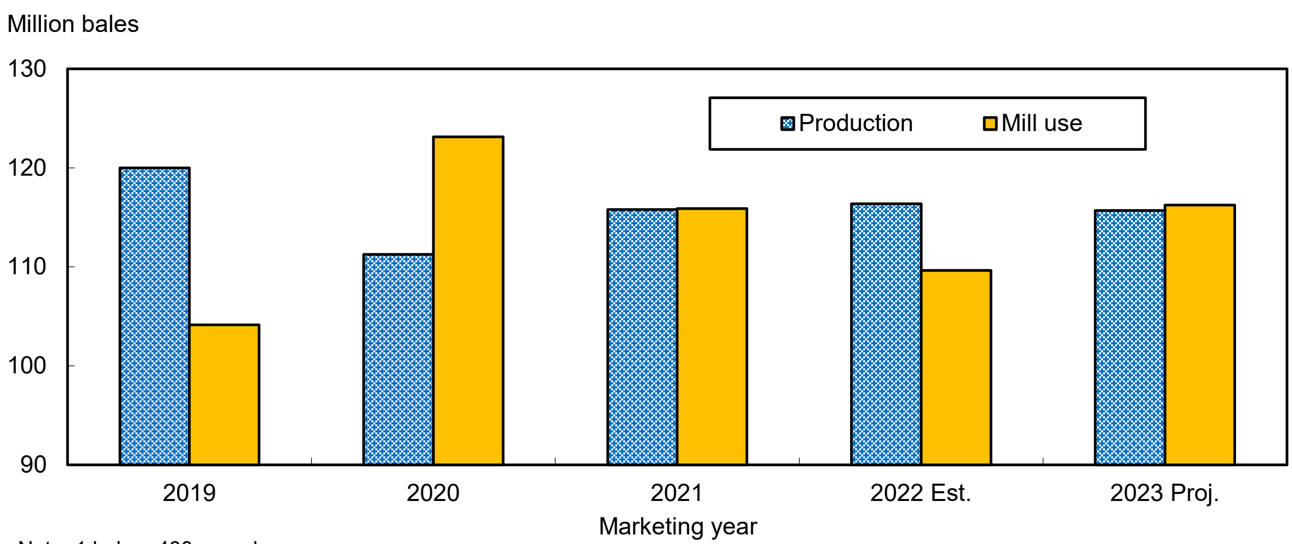
World 2023/24 Cotton Mill Use Rebound Projected

The initial U.S. Department of Agriculture (USDA) cotton projections for 2023/24 (August–July) indicate a rebound in global mill use and slightly lower world production compared with 2022/23 (figure 1). Ending stocks are expected to decline marginally as mill use is forecast above production in 2023/24. Global cotton mill use is projected at 116.2 million bales, a 6.6-million-bale (6 percent) increase from 2022/23. Each of the major cotton spinning countries is projected to increase from the previous year, with Pakistan showing the largest percentage increase. China, India, Pakistan, and Bangladesh are forecast to lead 2023/24 cotton mill use.

World cotton production in 2023/24 is forecast at 115.7 million bales, 670,000 bales (0.6 percent) lower than the year before. China, India, and the United States are expected to lead cotton production in 2023/24. The top producers, besides China, are projected to increase production. China's crop is projected at 27.5 million bales, a 3.2-million-bale (10 percent) decrease from 2022/23. A rebound is forecast for the United States, India, and Pakistan after last year's weather-related issues reduced production.

Figure 1
Global cotton production and mill use



Note: 1 bale = 480 pounds.
Source: USDA, Economic Research Service based on USDA, *World Agricultural Supply and Demand Estimates* reports.

Approved by USDA's World Agricultural Outlook Board

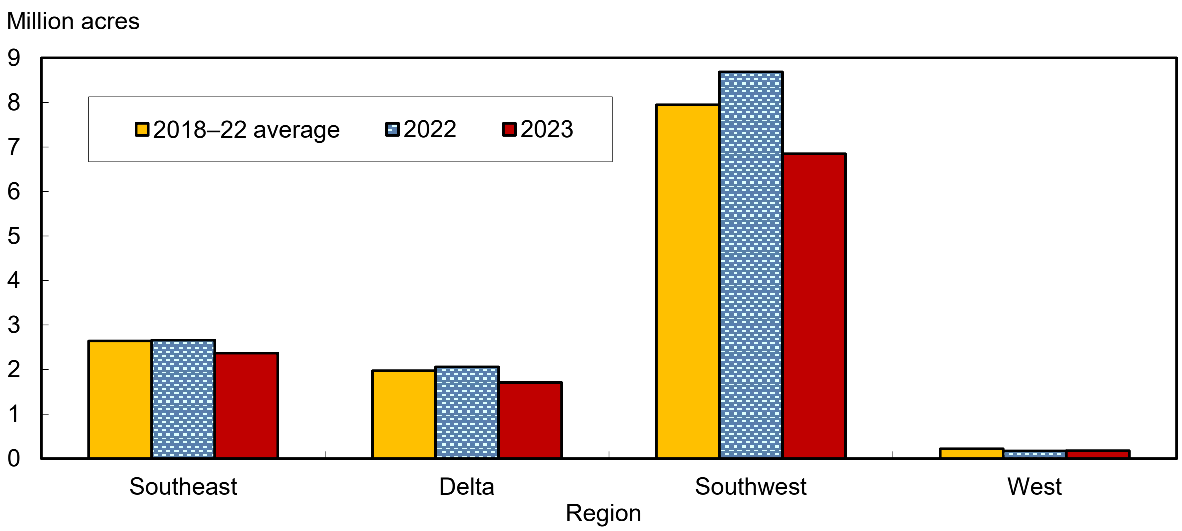
Domestic Outlook

U.S. Cotton Crop Forecast To Increase in 2023/24

USDA's initial projection for 2023/24 U.S. cotton production is 15.5 million bales, 7 percent (1 million bales) above the final 2022/23 estimate. Based on March *Prospective Plantings*, 2023/24 cotton planted area is estimated at approximately 11.3 million acres, 2.5 million acres below the 2022/23 estimate. As planting of the 2023/24 cotton crop approached, cotton prices were considerably lower than a year ago. Harvest price expectations also favored the planting of competing crops, limiting 2023/24 cotton acreage intentions. Other factors—such as weather, production costs, and potential program benefits—also play key roles in determining the total acreage planted to cotton this year. USDA will update the plantings estimate at the end of June.

Planted area for upland cotton is forecast 18 percent lower in 2023/24, with extra-long staple (ELS) cotton expected to decrease 15 percent from 2022/23. For the upcoming season, upland acreage is projected lower in three of the Cotton Belt regions, with the West expected marginally higher (figure 2). Based on *Prospective Plantings*, the Southwest upland area is estimated at 6.8 million acres, more than 1.8 million acres (21 percent) below 2022/23. The Southwest is forecast to account for 62 percent of the total 2023/24 upland area, near the 5-year average. Cotton acreage in the Southeast is projected at approximately 2.4 million acres, 11 percent below 2022/23 and 200,000 acres below the 5-year average. In 2023/24, the Southeast is expected to contribute 21 percent of the total cotton area.

Figure 2
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.

For the Delta, 2023/24 cotton acreage is forecast at 1.7 million acres, 17 percent lower than 2022/23 but equal to the 10-year average. The Delta's share of total upland area in 2023/24 is expected to remain at the 5-year average of 15 percent. Although upland cotton area in the West is expected 4 percent higher in the new marketing year—reaching 180,000 acres—it remains one of the smallest on record. The region will account for less than 2 percent of the U.S. upland cotton area for the fourth consecutive year in 2023/24. In contrast, ELS cotton remains concentrated in the West, where 77 percent of the 154,000-acre total is forecast to be planted in the 2023/24 marketing year. California is the leading ELS-producing State, accounting for 90,000 acres of the total.

As of early May, drought conditions are expected to remain across much of the Southwest cotton region. On the Texas High Plains, where most of the State’s cotton is planted, accumulated precipitation from November 2022 through April 2023 was about half the long-term average, raising early concerns about crop potential this season. Although precipitation prospects are forecast to improve, weather conditions moving forward will influence cotton plantings, crop conditions, and yield. As of May 14, 35 percent of the U.S. cotton area was planted—equal to last season and marginally below the 2018–22 average. Several States differed noticeably from their 5-year averages as of May 14, including South Carolina (-17 percent), North Carolina (-11 percent), Missouri (+28 percent), and Virginia (+29 percent).

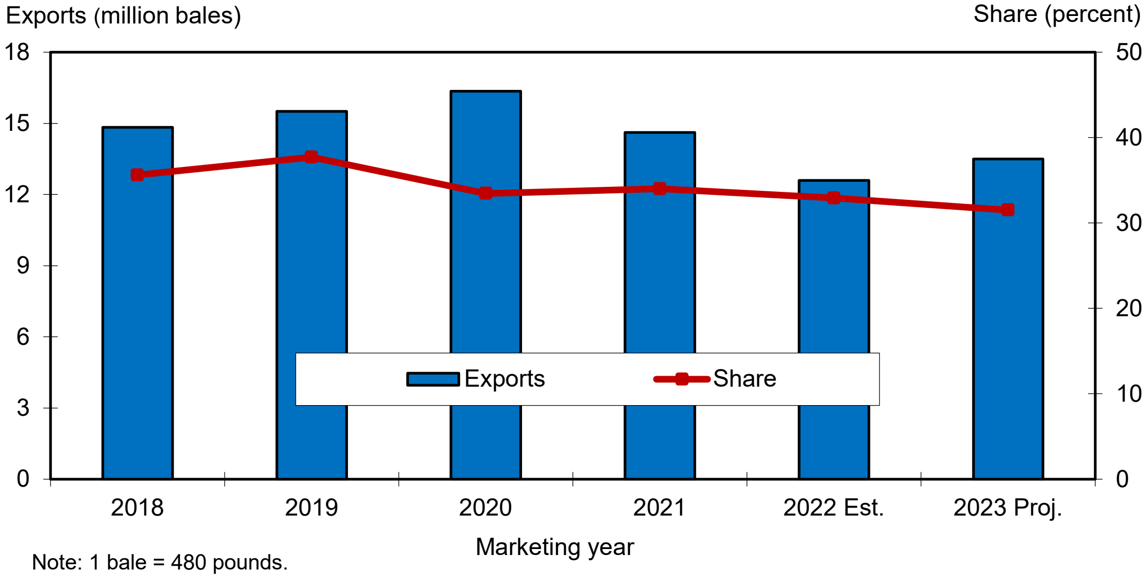
U.S. cotton harvested area for 2023/24 is projected at 8.7 million acres, 19 percent (1.4 million acres) above the final 2022/23 estimate. The initial 2023/24 forecast is based on the 2013–22 average abandonment, weighted by region, with Southwest abandonment adjusted slightly. The U.S. abandonment rate is projected at nearly 23 percent, compared with a record 47 percent recorded for 2022/23. The national yield is forecast at 854 pounds per harvested acre and is based on the 2018–22 crop average yields, weighted by region. The initial U.S. yield for 2023/24 is projected below the 2022/23 record of 950 pounds per harvested acre as higher area is expected to be harvested from the lower-yielding Southwest region in 2023/24.

U.S. Cotton Demand Projected Higher in 2023/24

U.S. cotton demand (mill use plus exports) is forecast to increase moderately in 2023/24 to 15.7 million bales, 7 percent above 2022/23. The United States remains the leading raw cotton exporter to the world and an increase in 2023/24 U.S. supply is expected to support higher U.S. cotton exports as global mill use and trade rebounds. The initial U.S. export projection for 2023/24 is 13.5 million bales, 900,000 bales above the previous year but the second lowest in 8 years. In 2023/24, the U.S. share of global trade is projected at 31.5 percent, slightly below the previous year and the lowest share of world trade since 2015/16 (figure 3). U.S. cotton exports are forecast to account for 86 percent of U.S. cotton demand in 2023/24, with U.S. mill use projected slightly higher at 2.2 million bales.

With total U.S. cotton demand forecast to exceed production slightly in 2023/24, ending stocks are projected to decrease. Cotton stocks are forecast approximately 5.5 percent (200,000 bales) lower at 3.3 million bales on July 31, 2024, the lowest stock level since 2020/21. In addition, the 2023/24 stocks-to-use ratio (21 percent) is expected to be the lowest in 3 years. Based on these initial projections, the 2023/24 U.S. upland farm price is forecast at 78 cents per pound, compared with the 2022/23 estimate of 82 cents and 2021/22’s record of 91.4 cents.

Figure 3
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. Estimates for 2022/23 Revised in May

U.S. cotton production for the 2022/23 crop was reduced in May as USDA released its final cotton production estimates, with revisions to area, yield, and production (see table 10 associated with this report). The U.S. cotton crop was finalized at 14.47 million bales, with a national yield of 950 pounds per harvested acre. Production was 17 percent below 2021/22, while the national yield was a record, as less area from the lower-yielding Southwest region was harvested than the year before. The U.S. 2022/23 demand estimate was increased in May, with U.S. cotton exports forecast at 12.6 million bales for the season, while mill use remains estimated at 2.1 million bales. Based on the latest estimates for 2022/23, U.S. cotton ending stocks are forecast at 3.5 million bales, 250,000 bales below a year earlier and a stocks-to-use ratio of 24 percent, compared with 22 percent for 2021/22.

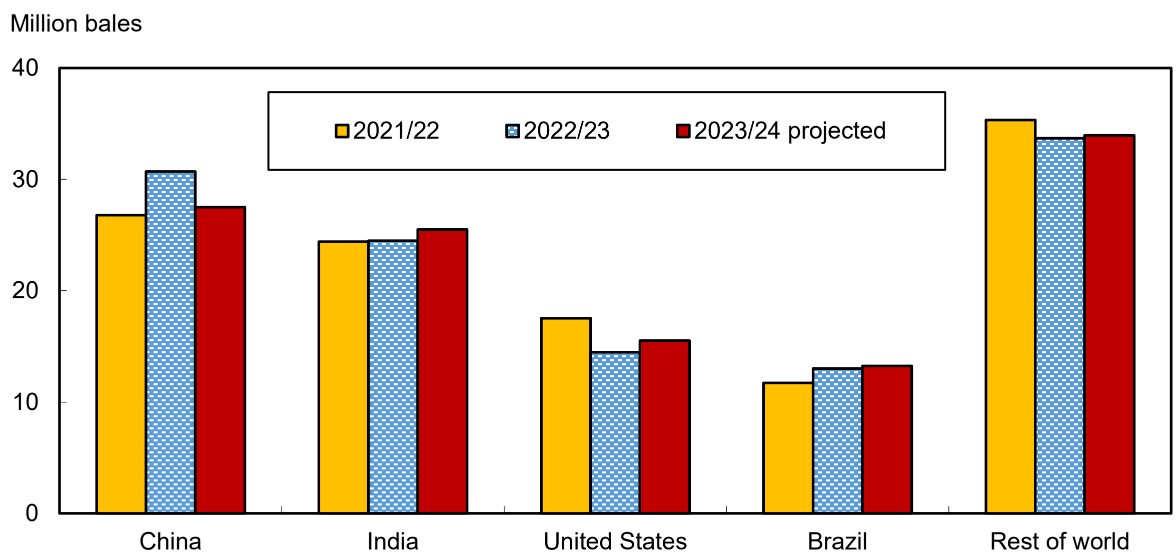
International Outlook

Global Cotton Production Forecast Slightly Lower in 2023/24

USDA's initial projection for 2023/24 world cotton production is 115.7 million bales, about 0.7 million bales (0.6 percent) below the 2022/23 estimate. The marginally lower 2023/24 crop is the result of a slight reduction in cotton harvested area that is mostly offset by an incremental increase in the global yield estimate. Global harvested area is projected at 31.5 million hectares (77.9 million acres), 1 percent below 2022/23 and the lowest in 3 years. The world yield is forecast at 799 kilograms (kg) per hectare (713 pounds per acre) in 2023/24, 2 percent above the 3-year average.

Most major cotton-producing countries are projected to have larger crops in 2023/24, with China the notable exception (figure 4). China remains the leading cotton producer and USDA's initial forecast for 2023/24 indicates a 10-percent reduction in the crop. Cotton production in China is projected at 27.5 million bales, 3.2 million bales below 2022/23 as lower harvested area is forecast. China's harvested area is forecast at approximately 3 million hectares (7.3 million acres), compared with 3.1 million hectares in each of the previous two seasons. Government policies and limited mechanization options in Eastern China will keep most of the country's cotton area in the high-yielding Xinjiang region. For 2023/24, however, the Xinjiang region experienced cooler than normal temperatures early in the growing season which is expected to limit the yield potential. China's 2023/24 cotton yield is forecast at 2,030 kg per hectare (1,811 pounds per acre), 6 percent below the previous year's record of 2,156 kg per hectare (1,923 pounds per acre).

Figure 4
Leading global cotton producers



Note: 1 bale = 480 pounds.
Source: USDA, Economic Research Service based on USDA, *World Agricultural Supply and Demand Estimates* reports.

Production in India—the second largest cotton-producing country—is projected at 25.5 million bales in 2023/24, 4 percent (1 million bales) above the 2022/23 crop, which was limited by the lowest yield since 2003/04. The larger crop forecast for 2023/24 is the result of a rebound in the projected yield as prospects for alternative crops are expected to reduce cotton area in 2023/24. India's cotton harvested area is projected at 12.4 million hectares (30.7 million acres) in 2023/24, a 600,000-hectare decrease. The national yield is forecast at 448 kg per hectare—4 percent above the 3-year average—after 2 consecutive seasons of disappointing yields.

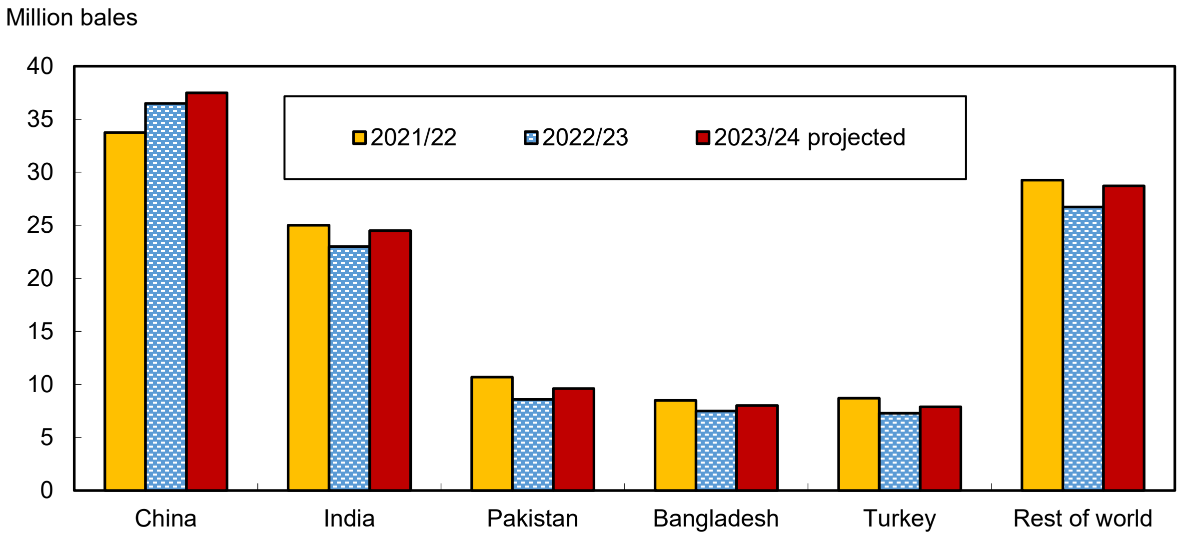
Higher crop expectations are also forecast for the United States, Pakistan, Brazil, and Australia. The projected U.S. cotton production gain (+1 million bales) is due to an increase in expected harvested area as abandonment is reduced from 2022/23's record of 47 percent. Pakistan's cotton crop is anticipated to rebound considerably (+36 percent) in 2023/24 to 5.3 million bales as the yield recovers from the flood-damaged crop of 2022/23. Cotton production is initially forecast slightly higher in Brazil (+250,000 bales) and Australia (+300,000 bales) for 2023/24 although planting of the Southern Hemisphere cotton crop is more than 6 months away. For Brazil, cotton production is projected at 13.25 million bales—the second largest crop on record—with area unchanged at 1.6 million hectares and a yield of 1,770 kg per hectare. For Australia, cotton production is forecast at 5.8 million bales in 2023/24, nearly matching 2021/22's record crop, as reservoir levels are expected to adequately support Australia's irrigated area in 2023/24.

World Cotton Mill Use Projected Higher in 2023/24

Global cotton mill use in 2023/24 is expected to rebound considerably after 2 consecutive years of reductions. With lower world cotton fiber prices and expectations of textile and apparel inventories moving lower to more normal levels, global spinning that began improving in late calendar year 2022 is expected to maintain this recovery into 2023/24. In addition, world economic growth is forecast to rise slightly in calendar year 2024 despite continued inflationary pressures on monetary policy. USDA's initial 2023/24 projection for global cotton mill use is 116.2 million bales, 6 percent (6.6 million bales) above the 2022/23 estimate. At the current projection, 2023/24 world mill use would experience its first increase since 2020/21's record mill use of 123.1 million bales. Cotton mill use by country in 2023/24—compared with 2022/23—is expected to see moderate growth in most countries (figure 5). China, India, and Pakistan are expected to lead cotton mill use in 2023/24, with a combined forecast of 71.6 million bales, or 62 percent of the world total.

In China, cotton mill use is projected to increase for a second consecutive year in 2023/24, although growth is forecast below the world average. China's mill use is forecast at 37.5 million bales, 1 million bales above 2022/23 and the highest in 3 years. India's use is forecast to grow faster than the global average rate at 6.5 percent (+1.5 million bales) to 24.5 million bales in 2023/24 but is still expected to remain below the 2 highest years on record in 2020/21 and 2021/22. For Pakistan, cotton mill use is projected to rise 1 million bales in 2023/24 to 9.6 million bales as a larger expected crop provides local mills with increased supply availability. Increases are also expected for other major-spinning countries, including Bangladesh, Turkey, and Vietnam. In 2023/24, cotton mill use for these countries is forecast to reach 8 million bales (+500,000 bales), 7.9 million bales (+600,000 bales), and 6.9 million bales (+500,000 bales), respectively. Mill use in these 3 countries is expected to account for a combined 20 percent of global cotton use in 2023/24.

Figure 5
Leading global cotton consumers



Note: 1 bale = 480 pounds.

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

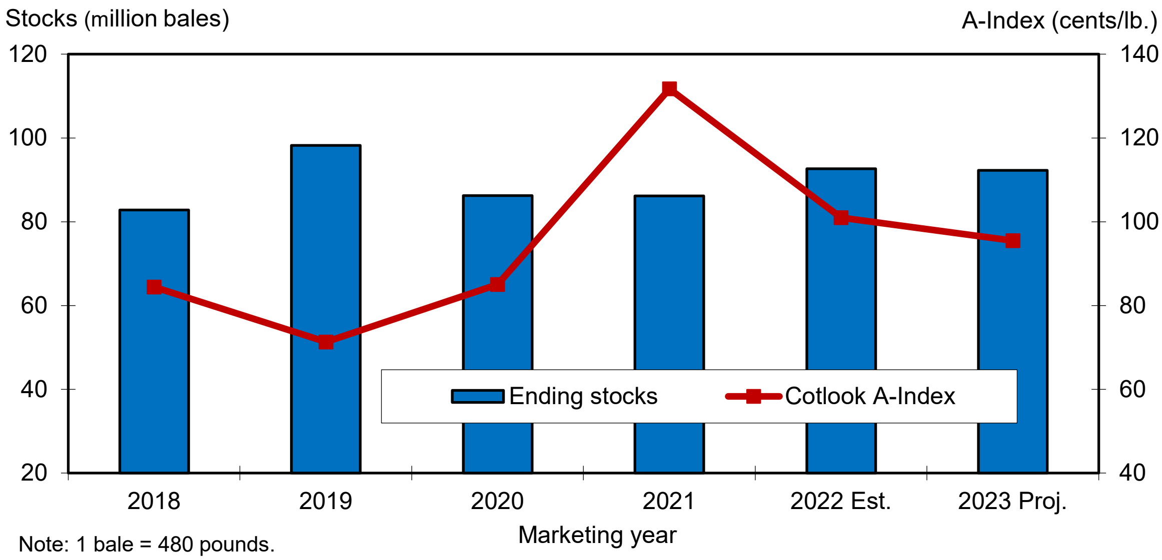
Global Cotton Trade To Rise; Stocks Forecast Slightly Lower

World cotton trade in 2023/24 is forecast at 42.8 million bales, 12 percent (4.6 million bales) above the previous season and nearly returning to the 2021/22 level. With a higher world cotton mill use projection, 2023/24 cotton import volumes by the major importing countries are projected higher. China is expected to import significantly more cotton (+32 percent) during 2023/24 than in 2022/23 to supplement its higher mill use as crop expectations are reduced. In addition, some non-producing countries must import additional cotton supplies as their textile output is forecast to rebound. China is projected to import the largest volume of cotton in 2023/24, at 9 million bales, followed closely by Bangladesh, at 8 million bales. Vietnam is forecast to be the third largest cotton importer in 2023/24, at 6.9 million bales. These 3 countries are expected to account for 56 percent of the global cotton imports in 2023/24.

Cotton trade projections by country indicate that additional supplies in the United States, Brazil, and India are likely to support higher exports in 2023/24 as global cotton mill use rebounds. While U.S. cotton exports (13.5 million bales) are expected to increase moderately (900,000 bales), cotton exports from Brazil and India are projected to rise considerably as record supplies for Brazil and the largest supplies in several years for India are forecast. Brazil's exports are forecast at 8.7 million bales (+1.8 million) while India's cotton exports are projected to reach 2.4 million bales (+1 million) in 2023/24.

With global cotton mill use projected to slightly exceed production in 2023/24, world ending stocks are forecast to decline after reaching a 3-year high in 2022/23. Stocks are projected at 92.3 million bales in 2023/24—about 350,000 bales below the year before—with global cotton prices moderating further from the recent highs in 2021/22 (figure 6). Stock changes for the major producing countries are expected to vary in 2023/24. China's stocks are forecast to decline the most in 2023/24 to 38.3 million bales (-1.1 million bales), with a smaller decrease projected for the United States (-200,000 bales). Stocks, however, are projected to rise with increased production in several countries. Stocks in Brazil (16 million bales), India (10.5 million bales), and Pakistan (1.9 million bales) are forecast to rise 1.3 million bales, 100,000 bales, and 375,000 bales, respectively, by the end of 2023/24. As a share of global stocks, China is projected to account for 42 percent of the 2023/24 total, while Brazil and India account for an additional 17 percent and 11 percent, respectively.

Figure 6
Global cotton stocks and prices



Note: 1 bale = 480 pounds.
Source: USDA, Economic Research Service using data from Cotlook and USDA, Interagency Commodity Estimates Committee.

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