



Cotton and Wool Outlook

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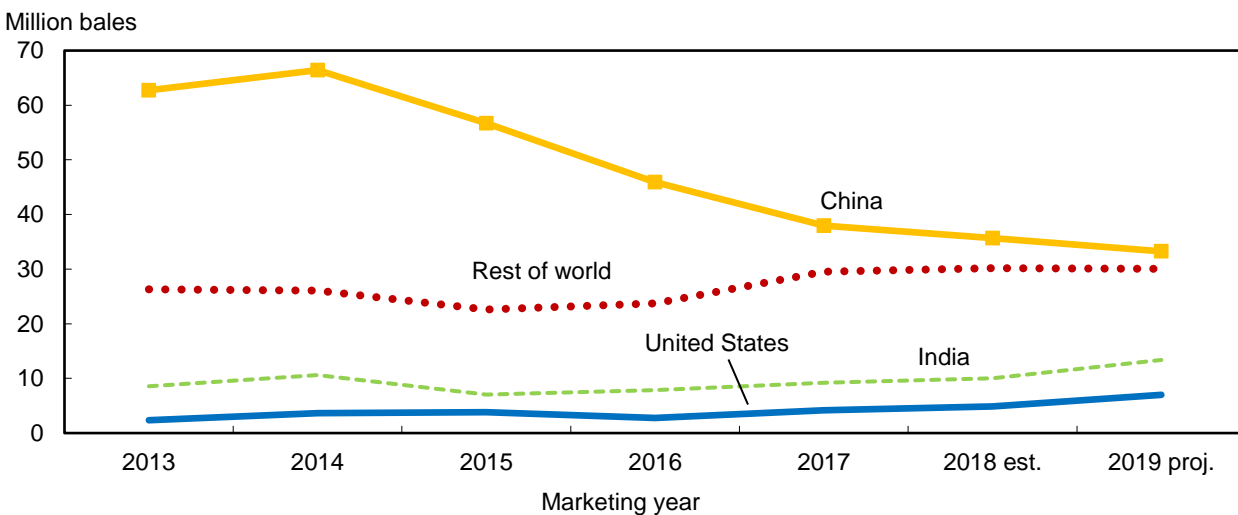
Cotton and Wool Outlook monthly tables, in excel format, can be found on the Cotton and Wool Outlook report page on USDA’s Economic Research Service website.

World Cotton Stocks Rise; China Lower in 2019/20

The latest U.S. Department of Agriculture (USDA) cotton estimates for 2019/20 project global ending stocks to increase 3.0 million bales from the previous season to 83.7 million bales. World cotton stocks are forecast nearly 4 percent higher at season’s end, despite reduced stocks in China (fig. 1).

Cotton stocks in China continue to trend lower from the 2014/15 peak of more than 66 million bales, or 62 percent of total global stocks that season. Sales from the national reserve, along with limited imports, during the past several years have reduced China’s stocks by half. By the end of 2019/20, China’s cotton stocks are projected at about 33.3 million bales, or nearly 40 percent of the world total. Meanwhile, stocks outside of China are forecast at a record 50.4 million bales in 2019/20, largely due to increases for India and the United States. India’s cotton stocks are expected to account for 16 percent of the global total this season, while the United States is forecast to account for 8 percent.

Figure 1
Global cotton ending stocks



Note: 1 bale = 480 pounds.

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

Domestic Outlook

U.S. Cotton Production Estimate Slightly Lower in October

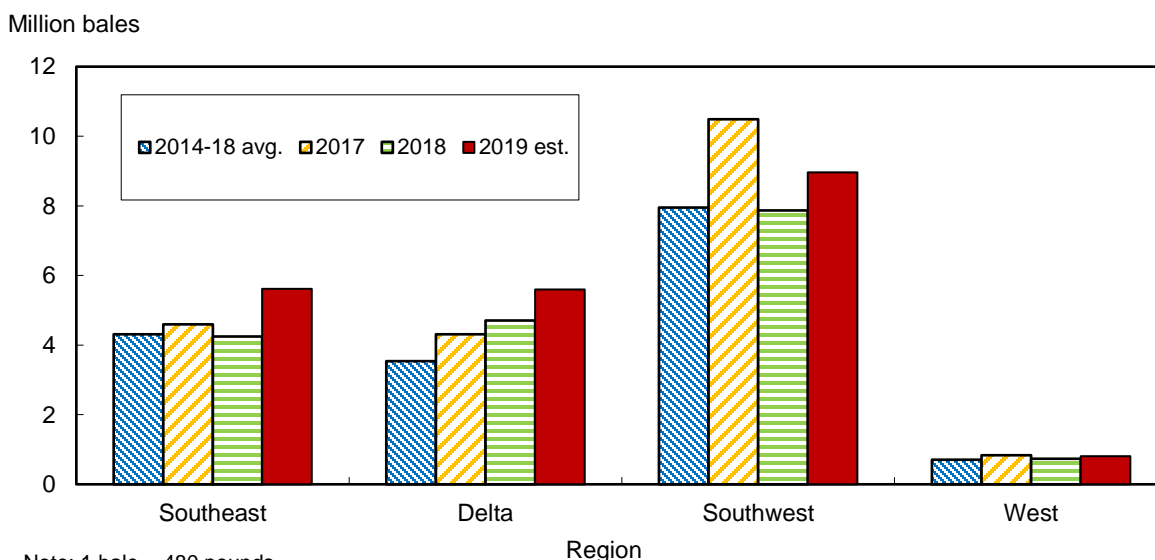
According to USDA's October *Crop Production* report, 2019 U.S. cotton production is estimated at 21.7 million bales, slightly below last month's forecast but 18 percent (3.3 million bales) above the 2018 crop. With the expected harvested area unchanged in October, the national yield was lowered, reducing the U.S. production estimate by 157,000 bales.

The U.S. upland cotton crop is forecast at 21.0 million bales this season, compared with the 2018 crop of 17.6 million bales. During the previous 20 years, the October estimate has been above final production 10 times and below it 9 times; no production forecast was published in 2013. Past differences between the October estimate and final production indicate that chances are two out of three that the 2019 U.S. upland cotton crop will range between 19.9 and 22.1 million bales.

Upland cotton production is forecast to increase in each region of the Cotton Belt this season (fig. 2). In the Southeast, 2019 cotton production is projected at 5.6 million bales, up 1.4 million from last season's crop, which was affected by Hurricane Florence and Hurricane Michael. Cotton area in 2019 is forecast at its highest since 2011, with harvested area estimated at 2.9 million acres—500,000 acres above the previous 5-year average. The Southeast yield is projected at 920 pounds per harvested acre in 2019—the highest in 5 years and the third highest on record.

The 2019 Delta cotton crop is also estimated at 5.6 million bales—the largest since 2006—as area continues its expansion from the 2015 low. In 2019, cotton harvested acreage is forecast at 2.4 million acres, compared with the 5-year average of 1.5 million. Meanwhile, the region's yield is projected at 1,140 pounds per harvested acre, slightly below last season's record.

Figure 2
U.S. regional upland cotton production



Note: 1 bale = 480 pounds.

Source: USDA, *Crop Production* reports.

In the Southwest, the 2019 upland crop is forecast at nearly 9.0 million bales, above last season but below 2017's record of 10.5 million bales. While planted area was reduced in 2019 to about 7.9 million acres, harvested area is projected to reach 6.7 million acres—the highest since 1981—resulting in an implied abandonment rate of only 14.5 percent, compared with last season's 42 percent and a 5-year average of 20.5 percent. Meanwhile, the 2019 Southwest upland yield is forecast at 639 pounds per harvested acre, the lowest in 4 years.

In the West, the upland cotton crop is projected at 806,000 bales in 2019, compared with 738,000 bales in 2018. Although the region's area is slightly below a year ago, the yield is forecast to reach 1,500 pounds per harvested acre, the highest in 3 years as crop conditions have been favorable this season; a record yield of 1,538 pounds per harvested acre was reached in 2016. The extra-long staple (ELS) cotton crop—grown mainly in the West—is projected at 724,000 bales in 2019, 10 percent below last season's crop. Both ELS area and yield are expected to be lower in 2019.

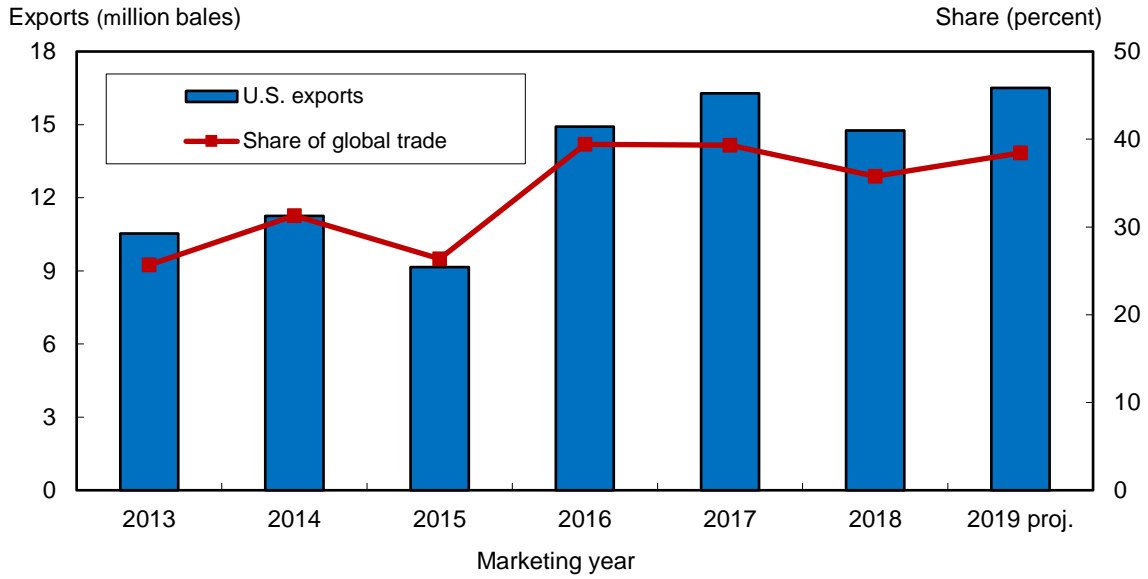
Total 2019 U.S. cotton harvested area is estimated at 12.5 million acres, compared with last season's 10.2 million. The national yield is projected at 833 pounds per harvested acre, compared with 2018's 864 pounds. As of October 6, 25 percent of the U.S. cotton crop had been harvested, similar to last season but slightly above the 2014-18 average of 20 percent. Cotton crop conditions are also similar to last season. As of October 6, 39 percent of the 2019 area was rated "good" or "excellent," compared with 2018's 42 percent. In addition, 19 percent of the area was rated "poor" or "very poor," compared with 25 percent in 2018. For current production estimates by State, see table 10 published separately with this report.

U.S. Demand Estimates Unchanged; Stocks Lowered

The U.S. cotton demand estimate for 2019/20 remains projected at 19.5 million bales, 10 percent above last season, but equal to 2017/18. U.S. exports—which account for the majority of demand—are forecast at 16.5 million bales, while mill use is estimated at 3.0 million bales. A slightly higher global mill use, along with increased foreign import demand for raw cotton, is expected to support the export forecast. U.S. cotton exports are projected to be the second highest on record in 2019/20, behind only 2005/06's exports of 17.7 million bales. The U.S. share of global trade is forecast at 38.5 percent in 2019/20, above last season but below the preceding 2 years, as uncertainties remain surrounding U.S.-China trade (fig. 3).

With the U.S. demand projection unchanged in October and the slightly lower production estimate, the U.S. ending stocks estimate declined 200,000 bales this month to 7.0 million bales. Even with the adjustment, 2019/20 stocks are forecast to rise nearly 2.2 million bales to their highest level since 2007/08 when stocks approached 10.1 million bales. In addition, this season's implied stocks-to-use ratio (36 percent) is expected to rise 9 percentage points above 2018/19. Based on the latest supply and demand estimates and recent prices, the average upland cotton farm price is projected at 58 cents per pound in 2019/20—compared with last season's estimate of 70.5 cents per pound—and would be the lowest in 11 years.

Figure 3
U.S. cotton exports and share of global trade



Note: 1 bale = 480 pounds.

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

International Outlook

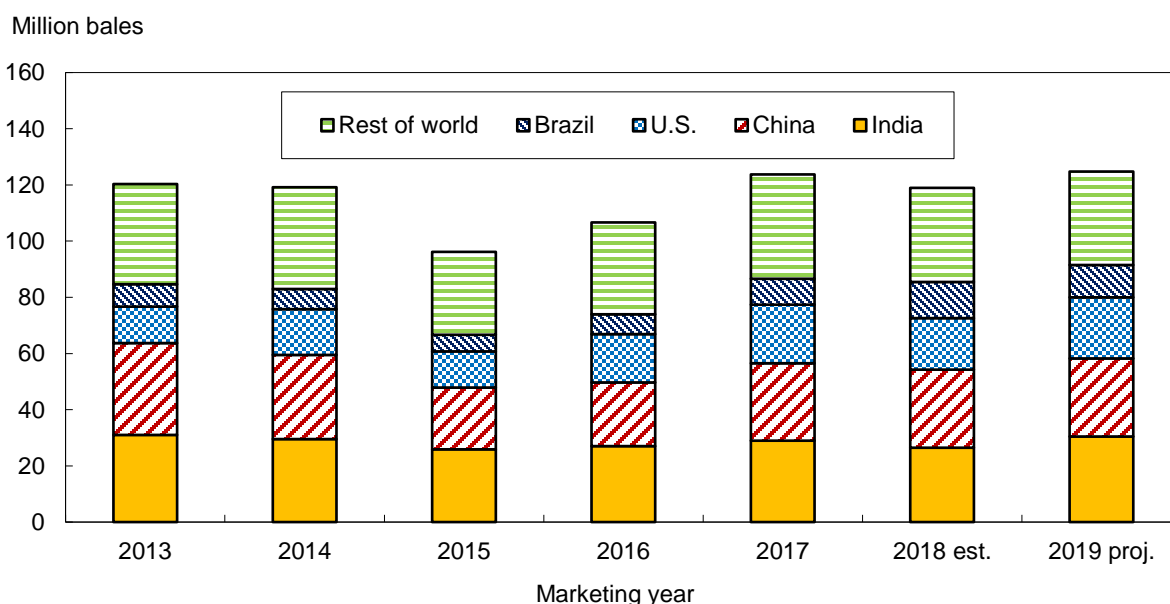
World Cotton Production To Rise in 2019/20

Global cotton production in 2019/20 is projected at 124.8 million bales, slightly below the September projection but nearly 5.8 million bales (5 percent) above 2018/19. The October production estimate includes decreases for Brazil, Pakistan, Australia, and the United States, which more than offset an increase for India. Global harvested area is forecast at 34.8 million hectares (85.9 million acres) in 2019/20, the largest since 2011/12. The world cotton yield is projected at 781 kilograms/hectare (kg/ha) in 2019/20, similar to the previous 3-year average—equivalent to 697 pounds per acre.

Cotton production among the major-producing countries this season is expected to vary compared with their 2018/19 output (fig. 4). Production in India—the leading cotton producer—is forecast at 30.5 million bales, 15 percent above 2018/19 and the second highest on record, as both area and yield in 2019/20 are expected higher. Harvested area in India is projected at a record 12.9 million hectares in 2019/20, as domestic prices and internal support price prospects favor cotton over competing crops. Also, recent above-average monsoon rainfall will likely provide an extended picking season, which is expected to increase the yield to a 3-year high.

While cotton production in the United States is also forecast to rise in 2019/20, production in China and Pakistan are projected to remain unchanged. In China, production is forecast at 27.75 million bales in 2019/20—equaling the largest crop in 5 years—as a marginally lower area of 3.45 million hectares is offset by a slightly higher yield (1,751 kg/ha). For Pakistan, cotton production is expected at 7.6 million bales—the same as in 2018/19—as a higher area of 2.5 million hectares offsets a reduced yield (662 kg/ha) this season.

Figure 4
World cotton production



Note: 1 bale = 480 pounds.

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

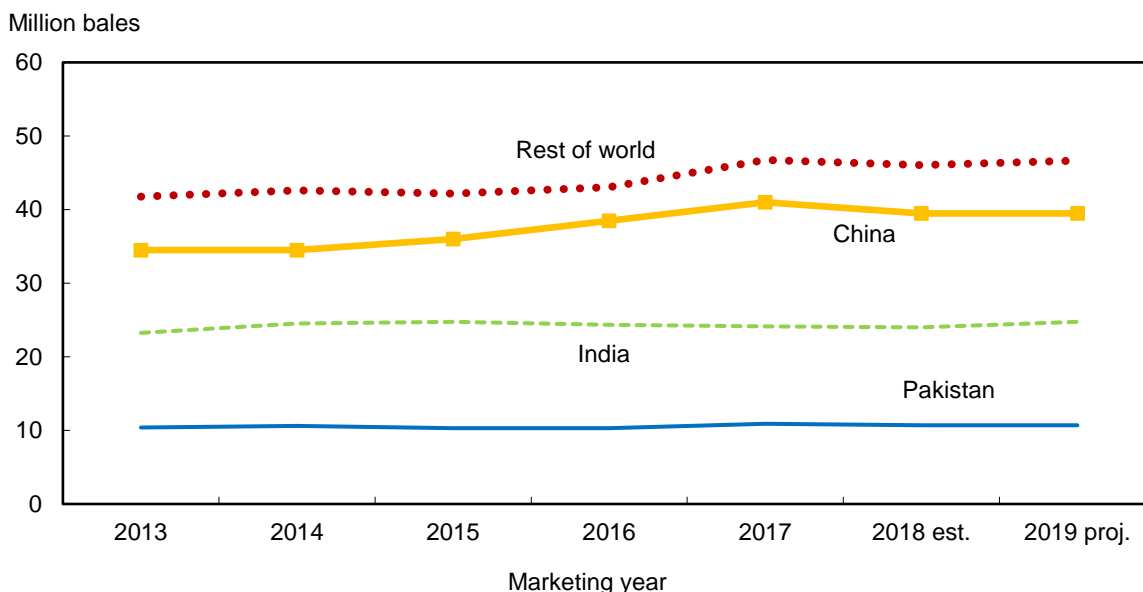
For the Southern Hemisphere countries of Brazil and Australia, 2019/20 cotton production is projected to decline. Although Brazil is coming off a record yield and production in 2018/19, lower world cotton prices are expected to reduce the incentive to plant cotton. In 2019/20, a 7-percent reduction in Brazil's area to 1.5 million hectares is forecast, along with a slight decrease in yield to 1,684 kg/ha—equal to the previous 3-year average. As a result, production is projected 9 percent lower in 2019/20 at 11.6 million bales. Australia's cotton crop in 2019/20 is forecast at only 1.2 million bales, nearly half the size of the previous season. Due to a lack of rainfall to support Australia's dryland production, as well as a shortage of reservoir replenishment to aid the irrigated cotton, area is expected at its lowest since 2008/09.

Global Cotton Mill Use Forecast To Rise in 2019/20

World cotton consumption in 2019/20 is projected to increase slightly this season to 121.6 million bales, 1.4 million above 2018/19. Growth in cotton mill use expanded considerably in 2017/18—supported by a strong global economy—but retreated in 2018/19, as cotton prices remained relatively high throughout the season and prospects for a less robust global economy developed.

Cotton mill use is projected to expand slightly or remain flat in most of the major spinning countries, with China leading the world (fig. 5). In 2019/20, China is forecast to use 39.5 million bales of raw cotton, the same as the year before. Reserve sales in China, coupled with imported cotton, are expected to support one of the highest mill use levels of the decade. Cotton consumption in India is expected to rise 3 percent to 24.75 million bales in 2019/20—equal to the record set in 2015/16. Mill use in Pakistan and Bangladesh, like China, is forecast to remain flat at 10.7 million bales and 7.4 million bales, respectively.

Figure 5
Global cotton mill use



Note: 1 bale = 480 pounds.

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

Vietnam and Turkey, on the other hand, are projected to see modest cotton mill use growth this season. For Vietnam, 2019/20 consumption is forecast at a record 7.4 million bales, 400,000 bales above 2018/19, as the country becomes one of the major textile and apparel producers. For Turkey, a rebound in cotton mill use is anticipated, with 2019/20 consumption reaching 6.9 million bales, similar to the preceding 3-year average.

With the total increase in cotton mill use in 2019/20, import demand is also expected to rise. In 2019/20, global cotton imports are forecast at 42.9 million bales, an increase of 1 percent (540,000 bales). The leading importers—China, Vietnam, and Bangladesh—are forecast to import 9.5 million bales, 7.5 million bales, and 7.3 million bales, respectively, in 2019/20 to help sustain their textile industries.

World cotton exports in 2019/20 are projected to expand in Brazil and India, in addition to the United States. For Brazil, exports are expected to rise 2.3 million bales to 8.3 million in 2019/20, as their record crop of 2018/19 is forecast to move out of the country this season. For India, this season's projected larger crop is expected to provide an additional 500,000 bales of exports, with cotton exports rebounding to 4.0 million bales in 2019/20.

World Cotton Stocks Forecast Higher in 2019/20

Based on the latest cotton supply and demand projections, global ending stocks are forecast at 83.7 million bales in 2019/20, nearly 4 percent (3 million bales) above a year ago and the highest in 4 years. With China's stock decline continuing—albeit slowing—stocks there are forecast at nearly 33.3 million bales or half the level of just 5 years ago. The 2019/20 expected reduction for China of 2.4 million bales is nearly offset by the increase in U.S. cotton stocks. Consequently, India's increased stock expectations to 13.4 million bales—associated with the higher production forecast—contribute significantly to this season's global stock gain. As a result, the world stocks-to-use ratio is projected to increase for the second consecutive season in 2019/20 to 69 percent, but remains one of the lowest of the decade.