



Cotton and Wool Outlook

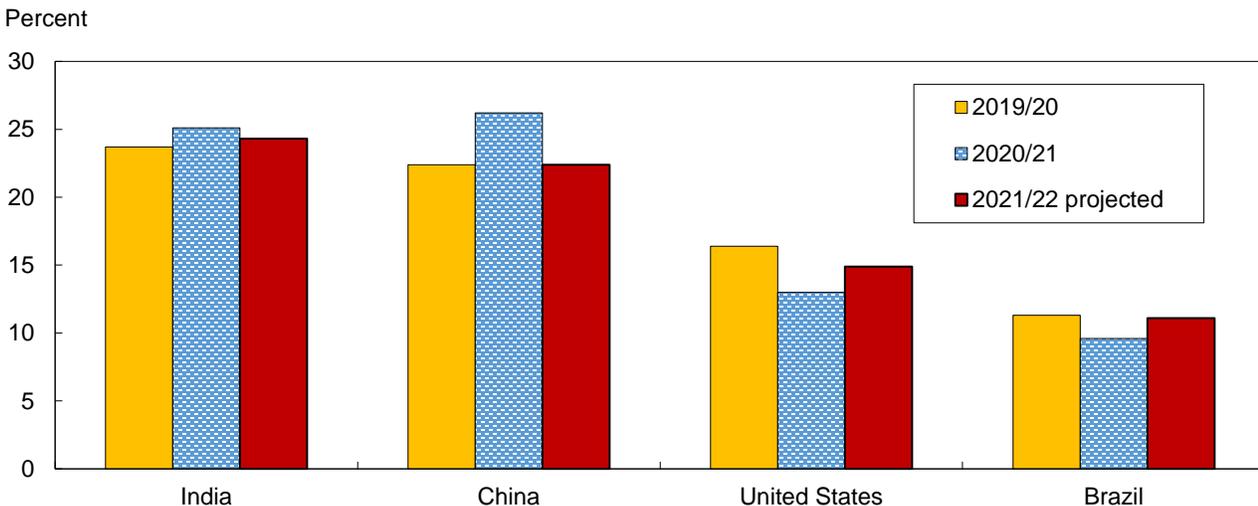
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India Leads 2021/22 Global Cotton Production

The latest U.S. Department of Agriculture (USDA) cotton projections for 2021/22 (August-July) indicate that global cotton production is forecast to increase 6 percent, largely the result of higher harvested area. World cotton production is projected at 119.4 million bales, with the top 4 producers contributing 73 percent of the total (figure 1). India is expected to account for the largest share (24 percent) in 2021/22, with China contributing 22 percent. The United States and Brazil account for 15 percent and 11 percent, respectively.

World cotton mill use is projected at 123.2 million bales in 2021/22, nearly 4.6 million bales (4 percent) above 2020/21 and the third highest on record. However, despite rising mill use, 2021/22 global cotton trade is expected to decrease 4 percent from 2020/21's record, as the United States accounts for one-third of total exports. With world cotton mill use above production, 2021/22 global ending stocks are forecast to decline for a second consecutive season. As a result, the world stocks-to-use ratio is projected at its lowest in 3 years and is expected to keep cotton prices above recent levels.

Figure 1
Share of total cotton production by major producer



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

Domestic Outlook

U.S. 2021 Cotton Crop Projection Increased in July

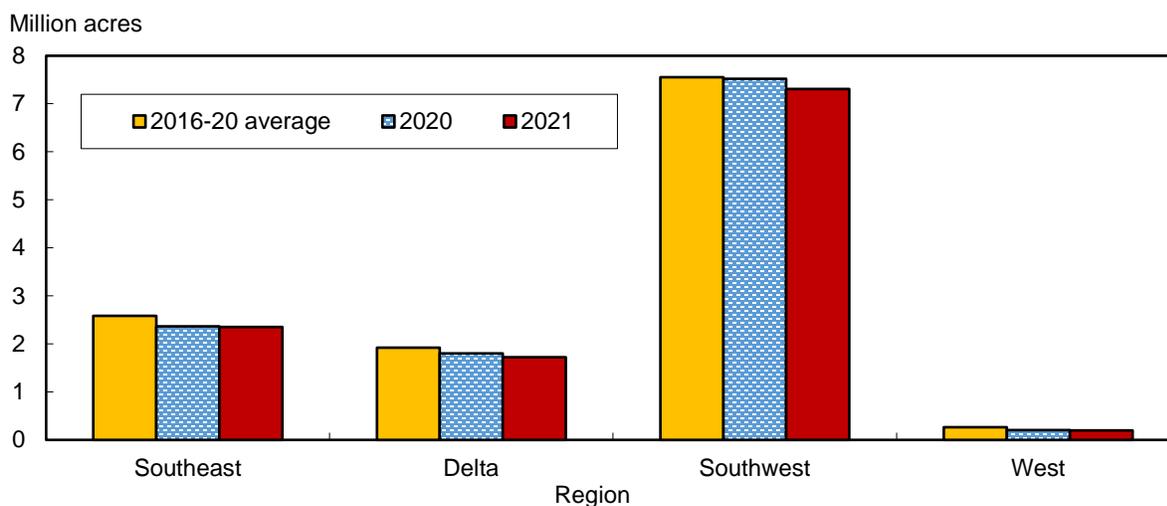
U.S. cotton production in 2021 is projected at 17.8 million bales this month, 800,000 bales higher than the June projection and 3.2 million bales (22 percent) above the 2020 crop. Based on USDA's *Acreage* report released June 30, U.S. producers planted or intended to plant approximately 11.7 million acres to cotton in 2021, about 3 percent (less than 400,000 acres) below both the March indications and the final 2020 plantings (see table 10 associated with this report). However, above average rainfall in Texas during May and June is expected to increase harvested acreage this season.

The upland cotton area projection is slightly lower for each region of the Cotton Belt in 2021 (figure 2). Area in the Southwest is forecast at 7.3 million acres, 210,000 acres below 2020 and the lowest in 5 years. However, the Southwest is expected to account for 63 percent of total U.S. upland area in 2021—similar to last season's record and indicating the region's importance to U.S. cotton crop expectations.

In the Southeast, 2021 cotton acreage is projected at 2.35 million acres, less than 1 percent below 2020 but the smallest planted area in 5 years. The Southeast is forecast to account for 20 percent of the U.S. area in 2021, slightly below the 5-year average. Similar to the Southeast, the 2021 Delta cotton area—estimated at 1.7 million acres—is the lowest since 2016. Although nearly 4.5 percent less than 2020, the region is expected to account for 15 percent of the U.S. upland area in 2021, similar to the previous season.

Meanwhile, upland cotton plantings in the West are expected to decrease slightly to 197,000 acres, less than 2 percent of the total and the lowest in 6 years. In addition, extra-long staple (ELS) cotton—mostly grown in the West—is forecast at 142,000 acres in 2021, 30 percent less than a year earlier and the lowest since a similar amount was planted in 2009.

Figure 2
U.S. regional upland cotton planted area



Note: 2021 based on *Acreage* report.

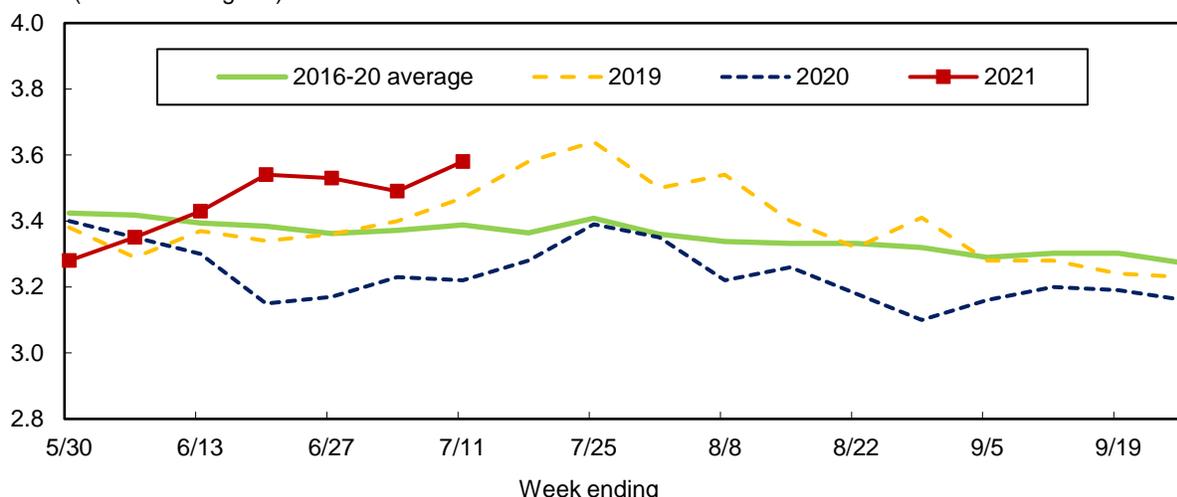
Source: USDA, National Agricultural Statistics Service, *Crop Production* reports.

Total cotton harvested area is projected in July at 10.5 million acres, 27 percent above 2020. U.S. abandonment in 2021 is forecast at 10 percent, compared with 31.5 percent in the previous year. The abandonment projection is based on 10-year averages by region, with the Southwest adjusted to 15 percent to reflect favorable moisture conditions to date. The U.S. cotton yield—projected at 814 pounds per harvested acre—is based on 10-year average yields by region, with the Southwest adjusted for current conditions; the U.S. yield would be the lowest in 6 years. In August, USDA’s National Agricultural Statistics Service (NASS) will publish its first survey-based estimates for 2021.

U.S. cotton crop development as of July 11 indicated that 55 percent of the 2021 crop was squaring, compared with 61 percent for both last season and the 2016-20 average. In addition, cotton area setting bolls reached 16 percent, compared with 17 percent in 2020 and a 5-year average of 20 percent. Meanwhile, 2021 U.S. cotton crop conditions since early June were above the previous 2 years and the 5-year average (figure 3). As of July 11, 56 percent of the U.S. cotton area was rated “good” or “excellent,” compared with 44 percent in 2020, while only 9 percent was rated “poor” or “very poor,” compared with 26 percent a year ago.

Figure 3
U.S. cotton crop conditions

Index (3=fair and 4=good)



Source: USDA, *Crop Progress* reports.

U.S. Cotton Export and Stock Estimates Revised

The U.S. cotton demand (mill use plus exports) projection for 2021/22 increased in July to 17.7 million bales—up 400,000 bales from the June forecast. The projection is 1 million bales below 2020/21 but similar to 2019/20. For 2021/22, U.S. mill use is forecast at 2.5 million bales, a rebound from 2020/21’s estimated 2.3 million bales. On the other hand, lower 2021/22 supplies—despite a higher crop projection—are expected to limit U.S. cotton exports which are projected at 15.2 million bales. A reduced foreign import demand is also forecast to lower the U.S. share of world trade slightly; for 2021/22, the U.S. share is projected at 33 percent, compared with 34 percent in 2020/21 and a 3-year average of nearly 36 percent.

U.S. cotton exports for 2020/21 are unchanged this month at 16.4 million bales and are expected to be the second highest on record behind only 2005/06. However, U.S. cotton exports were adjusted slightly for 2018/19 (-4,000 bales) and 2019/20 (-15,000 bales) based on revisions to the U.S. Census Bureau data, which are used in conjunction with *Export Sales* data to determine the USDA export estimate.

Based on USDA's July supply and demand estimates, 2021/22 U.S. cotton ending stocks are projected at 3.3 million bales, 150,000 bales above the year before but one of the lowest of the last decade. In addition, the 2021/22 stocks-to-use ratio (19 percent) is forecast slightly higher than 2020/21 but considerably below the 41 percent recorded for 2019/20. As a result, supply and demand estimates are expected to support cotton prices. For 2021/22, the U.S. upland farm price is forecast at 75 cents per pound, compared with 66.5 cents per pound estimated for 2020/21 and 2019/20's 59.6 cents per pound.

International Outlook

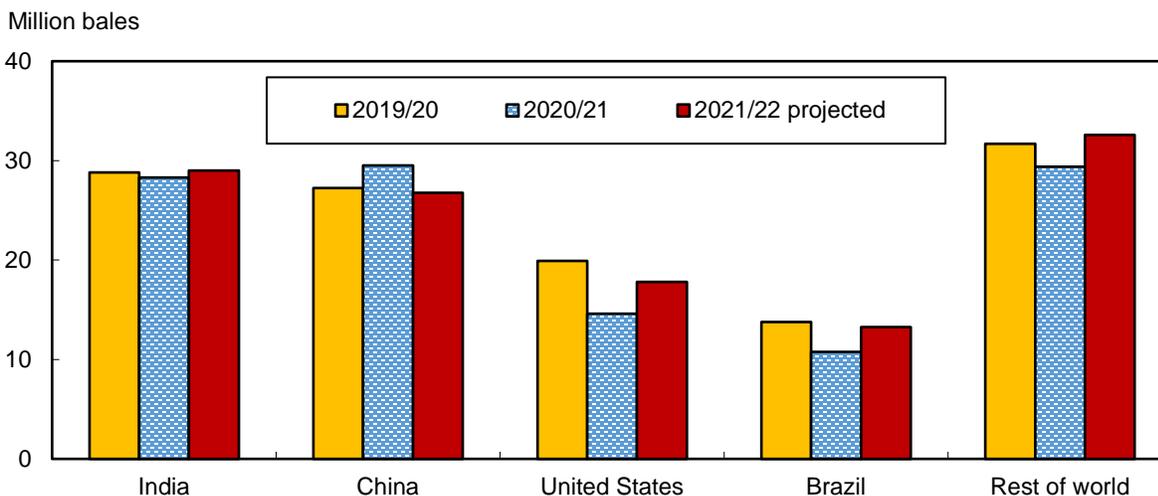
Global Cotton Production To Rise in 2021/22

World cotton production in 2021/22 is projected at 119.4 million bales, 6 percent (6.8 million bales) above the previous year but only slightly higher than the 4-year average. In 2021/22, cotton production expectations for most major-producing countries are for larger crops, with China the notable exception. World cotton harvested area is forecast at 33.35 million hectares (82.4 million acres), approximately 5.5 percent above 2020/21's 31.6 million hectares (78 million acres), which was the lowest since 2016/17. Half of the increase is attributable to the United States, as abandonment expectations are considerably lower than in 2020/21. The 2021/22 global cotton yield is forecast at 779 kilograms (kg) per hectare (695 pounds per acre), marginally above the 2020/21 yield.

Global cotton production remains concentrated among a few countries, with the top 4 accounting for 73 percent of total production, slightly below the previous 2 seasons (figure 4). India is forecast to be the leading cotton producer in 2021/22, after relinquishing the top spot to China last season. India is projected to produce 29 million bales of cotton in 2021/22, 2.5 percent (700,000 bales) above the previous year, as slightly higher yield expectations of 486 kg per hectare are forecast based on unchanged area of 13 million hectares. For China, 2021/22 cotton production is forecast at 26.75 million bales, 9 percent (2.75 million bales) below 2020/21 as both area and yield are expected lower. China's national yield reached a record (1,976 kg per hectare) in 2020/21 as excellent crop conditions prevailed in the high-yielding Xinjiang region, where China's cotton production is increasingly concentrated. For 2021/22, China's yield is projected to decrease 5 percent to 1,879 kg per hectare while area (3.1 million hectares) declines similarly to its lowest in 5 years.

In addition to the gain forecast for the United States, production increases are projected for other major producers. Cotton production in Brazil is forecast at 13.25 million bales in 2021/22, 2.5 million bales (23 percent) higher than 2020/21. A small crop and record exports in 2020/21

Figure 4
Leading global cotton producers



Note: 1 bale = 480 pounds.

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

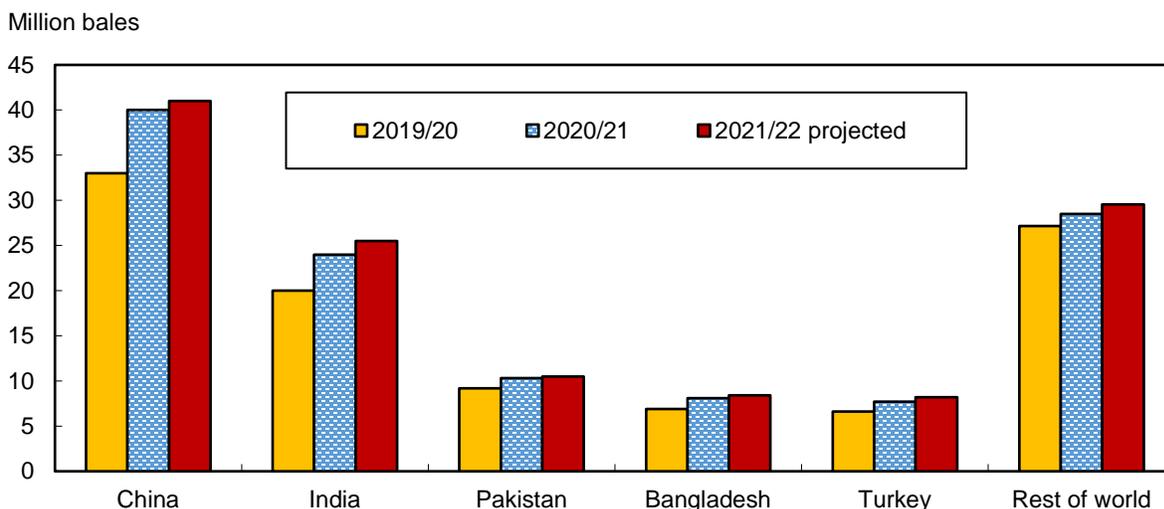
reduced Brazil's stocks and, as a result, cotton area is expected to rebound for Brazil's upcoming 2021/22 season, where planting will largely occur in January. Brazil's yield is also forecast higher in 2021/22, near the 2019/20 record of 1,802 kg per hectare. In Pakistan, the 2021/22 cotton crop is forecast at 5 million bales (+500,000 bales), as a rebound in yield to 544 kg per hectare more than offsets area (2 million hectares) that is expected at a 4-decade low. For Australia, both area and production are forecast to increase from the recent drought-reduced crops. Area is forecast at 410,000 hectares, while production is forecast at 3.9 million bales—1.1 million bales higher.

World Cotton Mill Use Higher in 2021/22, Trade and Stocks Lower

Estimates for global cotton mill use increased in July for both 2021/22 and 2020/21 as the global economy continues to improve, including consumer demand for cotton textile and apparel products. World cotton consumption for 2021/22 is forecast at 123.2 million bales or about 4 percent above the revised 2020/21 estimate of 118.6 million bales, which is 15 percent above 2019/20.

Cotton mill use for all major countries is forecast to expand for consecutive seasons in 2021/22 (figure 5). Adequate cotton supplies, along with the global economic expansion, are projected to push mill use to a 14-year high in 2021/22. China and India are expected to lead the increase as both countries are key exporters of cotton products. China is forecast to account for 33 percent (41 million bales) of global cotton mill use in 2021/22, while India contributes an additional 21 percent (25.5 million bales). In addition, Pakistan is expected to account for 8.5 percent (10.5 million bales), while Bangladesh and Turkey each contribute approximately 7 percent.

Figure 5
Leading global cotton consumers



Note: 1 bale = 480 pounds.

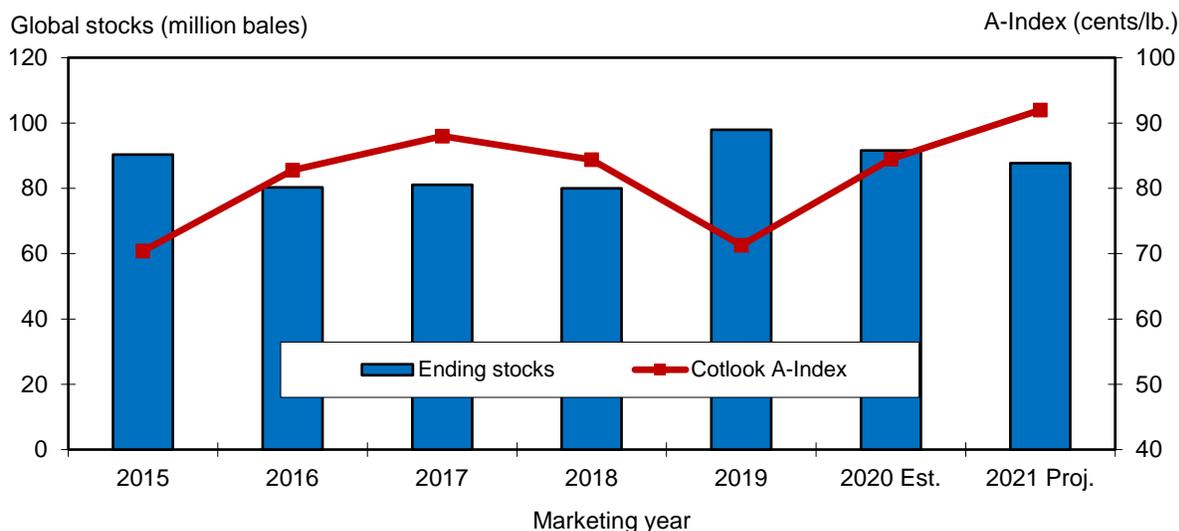
Source: USDA, *World Agricultural Supply and Demand Estimates* reports.

World cotton trade in 2021/22 is projected at 45.9 million bales, 4 percent below 2020/21's expected record of 48 million bales. Total trade is forecast 2.1 million bales lower, led by reductions in Brazil and the United States, where supplies are likely to limit exports. Shipments from Brazil and the United States in 2021/22 are forecast at 8.2 million bales (-2.9 million bales) and 15.2 million bales (-1.2 million bales), respectively. India's cotton exports are forecast at 6 million bales, near the 2020/21 level. Meanwhile, exports from Australia (+1.9 million bales) and Mali (+550,000 bales) are forecast to expand considerably in 2021/22.

The lower global cotton import projection is largely the result of reduced imports by the leading importer—China. Raw cotton imports by China in 2021/22 are forecast at 10 million bales, 2.5 million bales lower than the 2020/21 estimate but still one of the highest imports in recent years. In addition to raw cotton imports, China's textile and apparel industry in 2021/22 is also expected to have access to reserve stocks as well as imported cotton yarn. For Bangladesh and Vietnam, 2021/22 imports are projected at 8 million bales (-3 percent) and 7.6 million bales (+3 percent), respectively. Pakistan's cotton imports are forecast unchanged at 5.3 million bales for 2021/22.

Global cotton ending stocks are forecast at 87.7 million bales in 2021/22, 3.8 million bales (4 percent) below 2020/21, as world mill use is projected to exceed production for the second consecutive year (figure 6). Stocks are expected at their lowest in 3 years, with decreases anticipated for China and India in 2021/22. Stocks in China are forecast at 34.6 million bales (-4.3 million bales) while India's stocks decline to 14.4 million bales (-1.5 million bales). As a result, the 2021/22 stocks-to-use ratio is forecast to decrease from 2020/21's 77 percent to 71 percent. Lower stocks, coupled with the expansion of cotton mill use, support expectations for higher prices. The world cotton price (A-Index) is expected to average above 90 cents per pound in 2021/22, compared with the 2020/21 estimate of 84.5 cents per pound.

Figure 6
Global cotton stocks and prices



Note: 1 bale = 480 pounds.
 Sources: Cotlook and USDA, Interagency Commodity Estimates Committee.

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