



Cotton and Wool Outlook: July 2022

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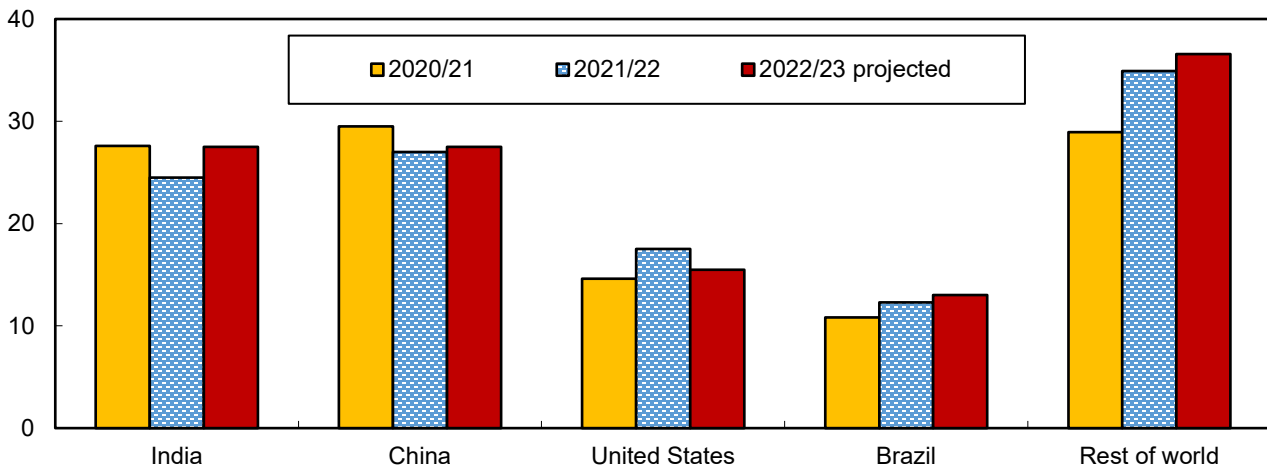
India and China Lead 2022/23 Global Cotton Production Forecast

The latest U.S. Department of Agriculture (USDA) cotton projections for 2022/23 (August-July) indicate that global cotton production is forecast 3 percent higher than the year before, the result of increased harvested area. World cotton production is projected at 120.1 million bales in 2022/23, with the top 4 producers contributing 70 percent of the total. India and China are each expected to produce 27.5 million bales in 2022/23, with the United States and Brazil accounting for an additional 15.5 million bales and 13 million bales, respectively (figure 1).

World cotton mill use is projected marginally higher at 119.9 million bales in 2022/23, the sixth highest on record. Global cotton trade is forecast to expand to 46.4 million bales, with gains for Brazil and Australia more than offsetting declines for the United States and India. With world cotton production and mill use approximately balanced in 2022/23, stocks and the global stocks-to-use ratio are nearly unchanged from 2021/22. As a result, above-average prices are expected to continue into 2022/23.

Figure 1
Leading global cotton producers

Million bales



Note: 1 bale = 480 pounds.

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

Domestic Outlook

U.S. 2022 Cotton Crop Projection Lowered in July

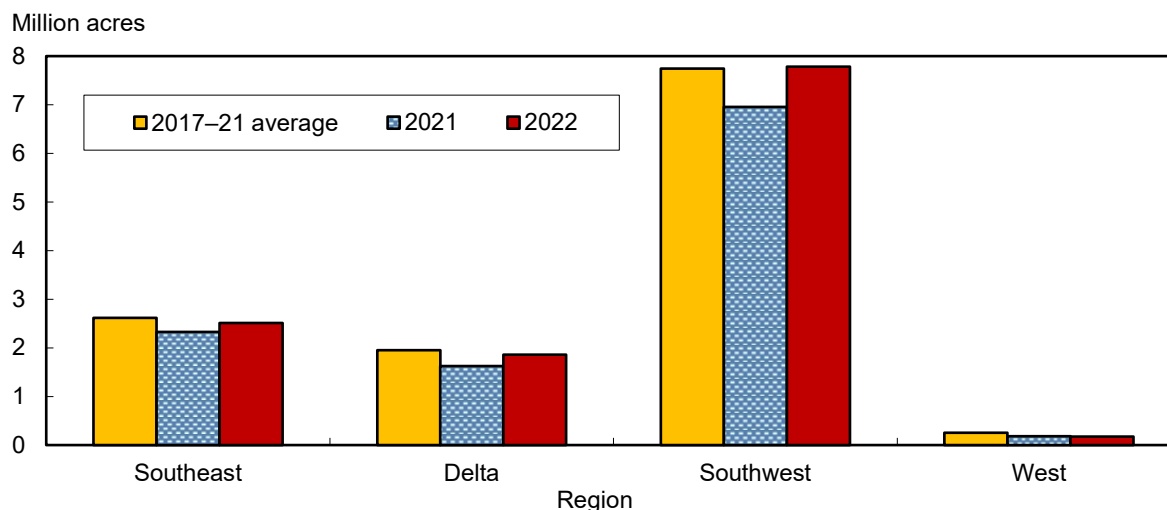
U.S. cotton production in 2022 is projected at 15.5 million bales this month, 1 million bales lower than the June projection and 2 million bales (11.5 percent) below the 2021 crop. Based on USDA's *Acreage* report released June 30, U.S. producers planted or intended to plant approximately 12.5 million acres to cotton in 2022, about 2 percent (less than 250,000 acres) above the March indications but 11 percent higher than the final 2021 plantings (see table 10 associated with this report). However, below-average rainfall in Texas during 2022 is expected to increase abandonment there considerably and reduce total harvested acreage this season.

The upland cotton area projection is higher for three of the Cotton Belt regions in 2022, with the West marginally below 2021 (figure 2). Planted area in the Southwest is forecast at nearly 7.8 million acres, 825,000 acres above 2021 and the highest in 3 years. The Southwest is expected to account for 63 percent of total U.S. upland area in 2022—comparable to the previous 2 years—indicating the region's importance to U.S. cotton crop expectations.

In the Southeast, 2022 cotton acreage is projected at 2.5 million acres, 8 percent above 2021 but below the 2017–21 average. The Southeast is forecast to account for 20 percent of the U.S. area in 2022, similar to the 5-year average. For the Delta region, the 2022 cotton area—estimated at 1.9 million acres—is the highest in 3 years but slightly below the 5-year average. The Delta is expected to account for 15 percent of the U.S. upland area in 2022, similar to the previous 2 seasons.

Upland cotton plantings in the West are forecast to decrease slightly to 172,000 acres, about 1.5 percent of the U.S. total and the lowest area since 2015. Extra-long staple (ELS) cotton acreage—mostly grown in the West—is forecast at 156,000 acres in 2022. Although 23 percent higher than a year earlier, 2022 ELS area is the second lowest in more than a decade, as water availability issues limit area despite strong demand and relatively high ELS cotton farm prices.

Figure 2
U.S. regional upland cotton planted area



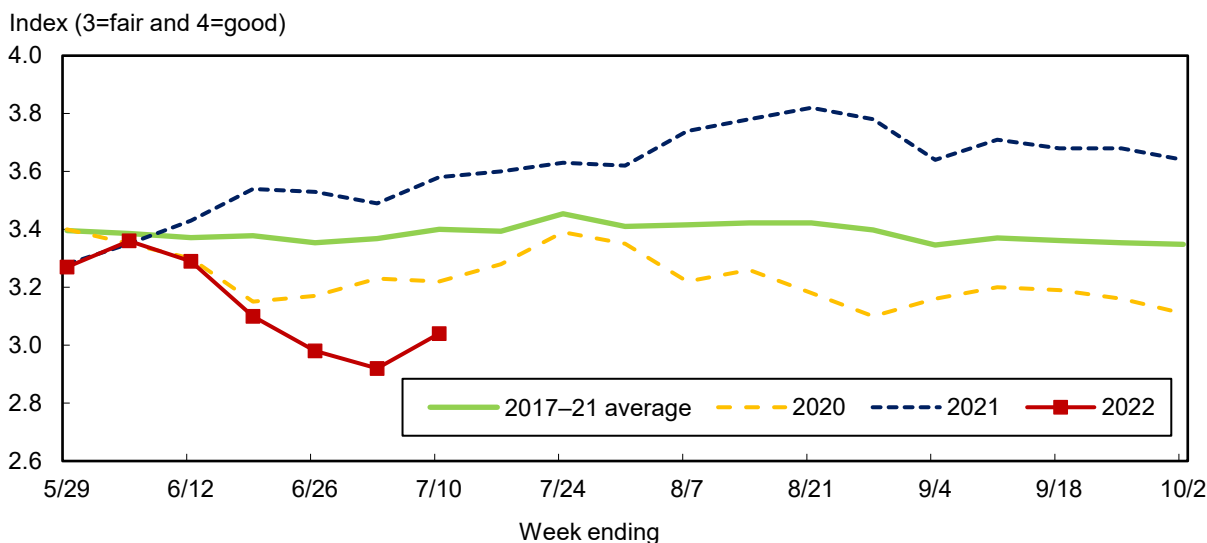
Note: 2022 based on *Acreage* report.

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

Total 2022 cotton harvested area is projected in July at 8.55 million acres, nearly 17 percent below 2021. U.S. abandonment in 2022 is forecast at 31.5 percent, compared with 8.5 percent last season and 32 percent in 2020. The abandonment projection is based on 10-year averages by region, with the Southwest adjusted to nearly 50 percent—the third highest on record—reflecting the extreme drought conditions to date. The U.S. cotton yield—projected at 870 pounds per harvested acre—is based on 10-year average yields by region. The U.S. yield would be the highest in 4 years, as a large proportion of lower-yielding Southwest acreage is abandoned, elevating the national yield. In August, USDA’s National Agricultural Statistics Service (NASS) will publish its first survey-based estimates for 2022.

U.S. cotton crop development as of July 10 indicated that 57 percent of the 2022 crop was squaring, compared with 53 percent last season and 58 percent for the 2017–21 average. In addition, cotton area setting bolls reached 22 percent, compared with 15 percent in 2021 and a 5-year average of 18 percent. Meanwhile, 2022 U.S. cotton crop conditions since mid-June were below the previous 2 years and the 5-year average (figure 3). As of July 10, 39 percent of the U.S. cotton area was rated “good” or “excellent,” compared with 56 percent in 2021, while 27 percent was rated “poor” or “very poor,” compared with 9 percent a year ago.

Figure 3
U.S. cotton crop conditions



Source: USDA, *Crop Progress* reports.

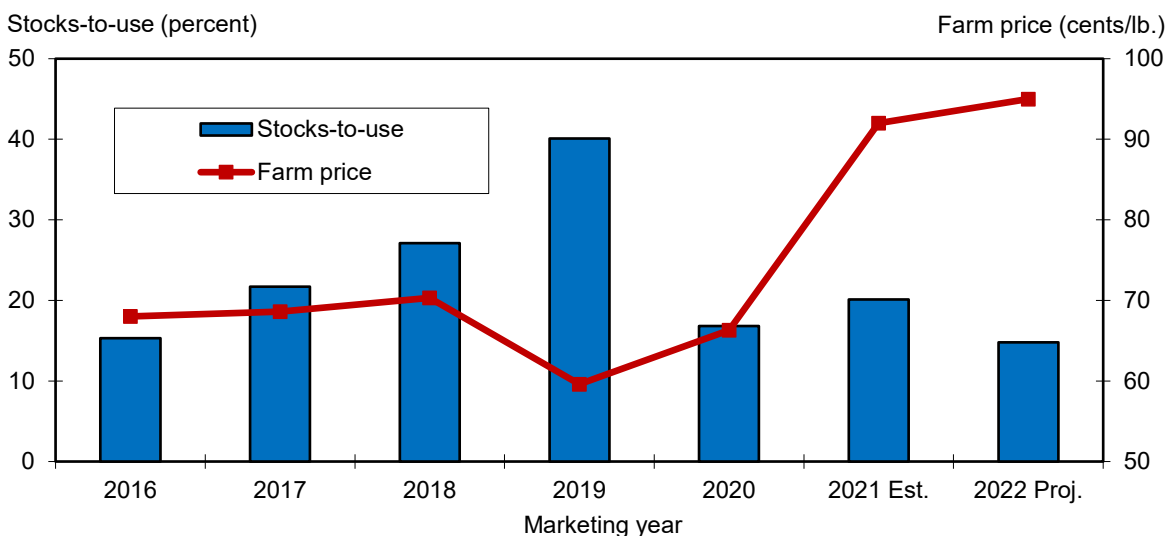
U.S. Cotton Export and Stock Estimates Revised

The U.S. cotton demand (mill use plus exports) forecast for 2022/23 decreased in July to 16.5 million bales—500,000 bales below the June projection. The estimate is 800,000 bales below 2021/22 and the lowest since 2015/16. For 2022/23, U.S. cotton mill use is forecast at 2.5 million bales, slightly below 2021/22. Lower 2022/23 U.S. supplies—the smallest in 7 years—are expected to limit exports which are projected at 14 million bales. Also, higher supplies for other exporting countries are expected to support increased shipments, leading to a lower U.S. share of world trade; for 2022/23, the U.S. share is projected at 30 percent, compared with approximately 33.5 percent in each of the previous 2 years.

U.S. cotton exports for 2021/22 are unchanged this month at 14.75 million bales and are forecast to be the lowest since 2015/16. However, 2020/21 U.S. cotton exports were adjusted slightly (-19,000 bales) to 16.35 million bales based on revisions to the U.S. Census Bureau data, which are used in conjunction with *Export Sales* shipment data to determine the USDA export estimate.

Based on USDA’s July supply and demand estimates, 2022/23 U.S. cotton ending stocks are projected at only 2.4 million bales, 1 million below the year before and the lowest in 9 years. In addition, the 2022/23 stocks-to-use ratio (15 percent) is forecast at its lowest in 12 years (figure 4). As a result, U.S. supply and demand estimates are expected to continue to support cotton prices. For 2022/23, the U.S. upland farm price is forecast at a record 95 cents per pound, compared with 92 cents per pound estimated for 2021/22 and 2020/21’s 66.3 cents per pound.

Figure 4
U.S. cotton stocks-to-use and prices



Note: Farm price = average received by upland producers.
 Source: USDA, Interagency Commodity Estimates Committee.

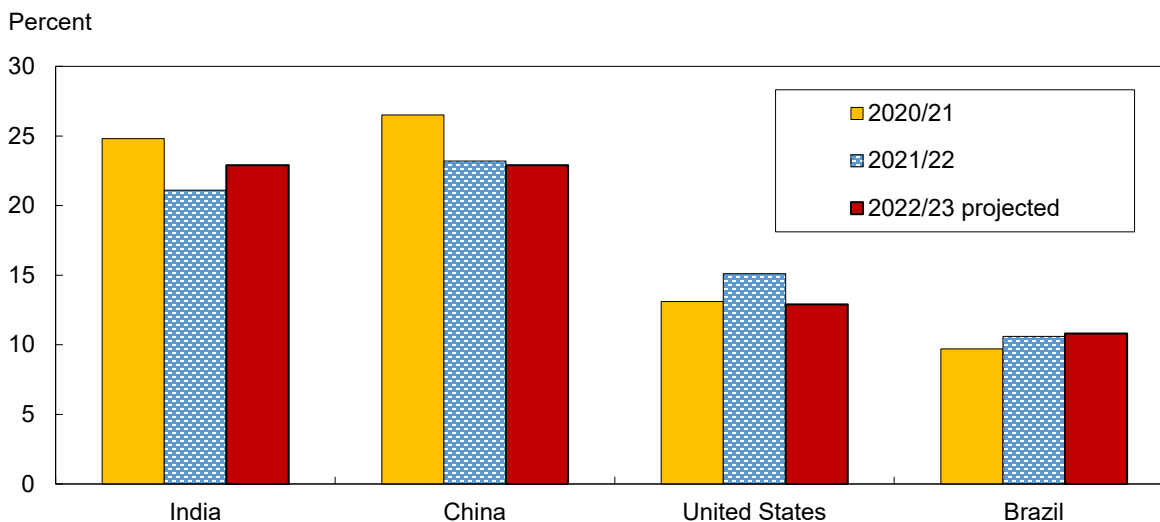
International Outlook

World Cotton Production To Increase in 2022/23

Global cotton production in 2022/23 is projected at 120.1 million bales, 3 percent (3.9 million bales) above the previous year and its highest in 5 years. In 2022/23, cotton production prospects for most major-producing countries are for larger crops, with the United States the notable exception. World cotton harvested area is forecast at 33.3 million hectares (82.3 million acres), approximately 3 percent above 2021/22's 32.3 million hectares (79.7 million acres), which was one of the lowest of the last 5 years. The harvested area increase is largely attributable to India and Pakistan, as abandonment in the United States is expected to reduce harvested area by 17 percent. The 2022/23 global cotton yield is forecast at 785 kilograms (kg) per hectare (700 pounds per acre), marginally above the 2021/22 yield.

World cotton production is concentrated among a few countries, with the top 4 countries accounting for 70 percent of total production in 2022/23, similar to the previous season (figure 5). India and China—with identical crop forecasts—are expected to be the leading cotton producers in 2022/23, each accounting for 23 percent of the global total. India is projected to produce 27.5 million bales of cotton in 2022/23, 12 percent (3 million bales) above the previous year. A rebound in area to 13.2 million hectares and a slightly higher yield expectation (454 kg per hectare) are projected to raise India's crop to near the 2020/21 level. While China's 2022/23 cotton crop is also forecast at 27.5 million bales, the expected gains are considerably smaller. Production is forecast 2 percent higher (500,000 bales) than 2021/22, as area is expected to rise slightly with a marginal gain in yield. 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. Subsequently, the yield declined 4 percent in 2021/22 and is projected to remain near that level in 2022/23, at 1,901 kg per hectare, with area forecast at 3.15 million hectares.

Figure 5
Share of total cotton production by major producer



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

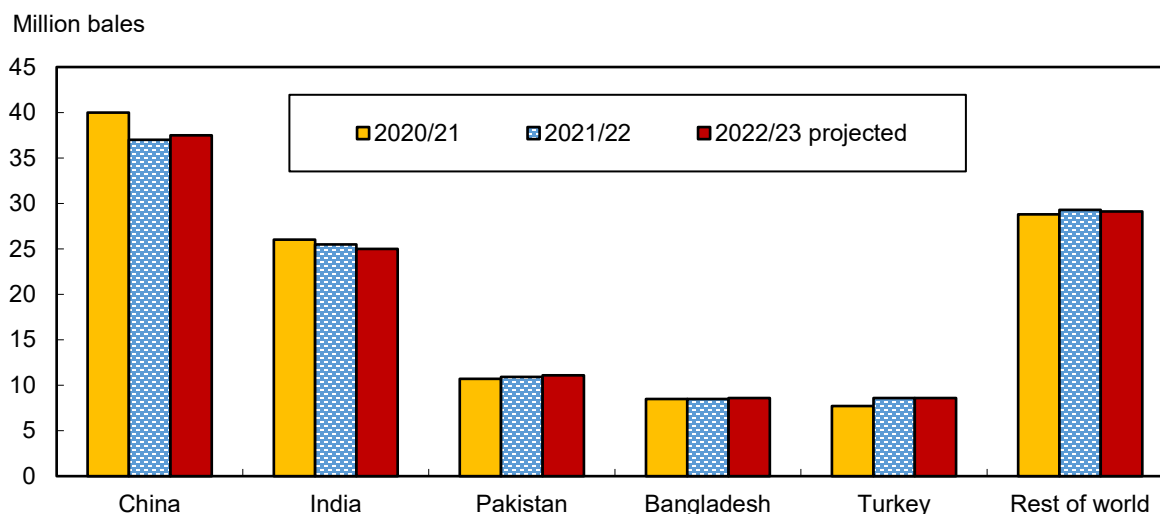
Production gains are also projected for Brazil and Pakistan, while Australia’s crop is expected to remain flat in 2022/23. Cotton production in Brazil is forecast at 13 million bales for 2022/23, nearly 6 percent (700,000 bales) higher than 2021/22. The larger crop projection is the result of a rebound in yield, as area planted—which will largely occur in January—is expected to remain near the 2021/22 level of 1.6 million hectares. Brazil’s yield is forecast at 1,769 kg per hectare in 2022/23, the second highest behind 2019/20’s record of 1,802 kg per hectare. For Pakistan, the 2022/23 cotton crop is forecast at 6.2 million bales (+200,000 bales), as a rebound in area to 2.2 million hectares more than offsets a decline in yield—which has varied considerably in recent years—to 614 kg per hectare. For Australia, cotton production is forecast unchanged at 5.5 million bales in 2022/23, as adequate irrigation supplies appear readily available for the upcoming season. Area is forecast at 550,000 hectares, while yield is projected at 2,177 kg per hectare.

Global Cotton Mill Use Flat in 2022/23, World Trade and Stocks To Rise

World cotton mill use estimates decreased in July for both 2022/23 and 2021/22 as the global economy slows, including consumer demand for cotton textile and apparel products. World cotton mill use for 2022/23 is forecast at 119.9 million bales, marginally above the revised 2021/22 estimate of 119.8 million bales.

Given the uncertainties about the global economy, mill use for the major cotton-spinning countries is forecast to vary in 2022/23 (figure 6). China is expected to continue as the largest mill user of cotton as it remains a key exporter of cotton apparel products. China is forecast to account for 31 percent (37.5 million bales) of global cotton mill use in 2022/23. India’s mill use, on the other hand, is projected to decline 2 percent (500,000 bales) to 25 million bales and contribute 21 percent of the global total in 2022/23. In Pakistan, cotton mill use is expected to reach 11.1 million bales in 2022/23, 2 percent or 200,000 bales above the year before. Meanwhile, Bangladesh and Turkey are each forecast to use 8.6 million bales in 2022/23, with Bangladesh reaching a new record and Turkey matching last season’s record.

Figure 6
Leading global cotton consumers



Note: 1 bale = 480 pounds.

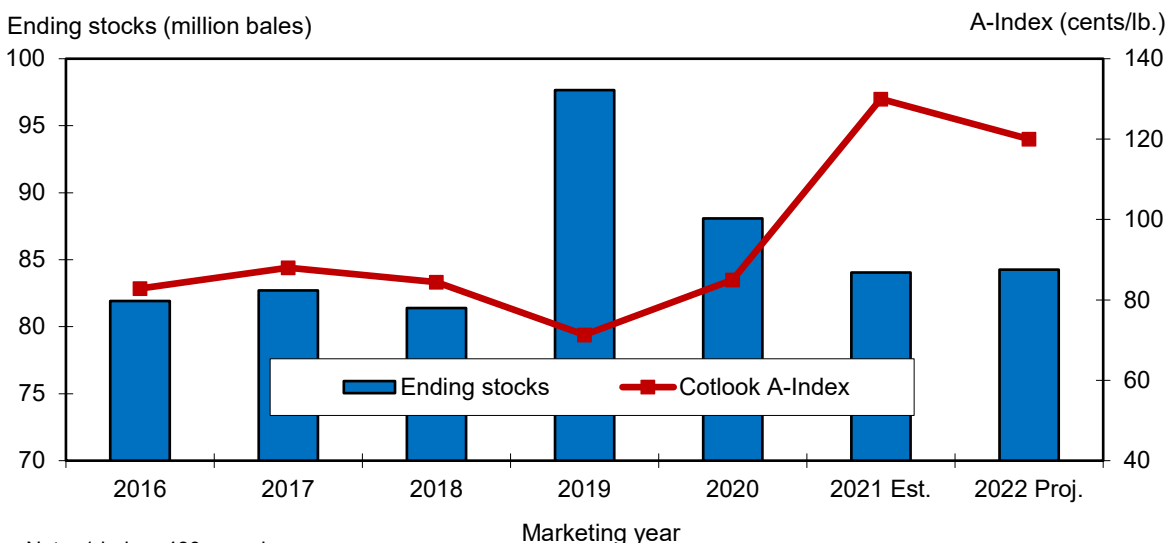
Source: USDA, *World Agricultural Supply and Demand Estimates* reports.

Global cotton trade in 2022/23 is projected at 46.4 million bales, about 5.5 percent above 2021/22 but below 2020/21's record of 48.5 million bales. Total trade is forecast nearly 2.5 million bales higher, led by gains for Australia, Brazil, and Mali, where additional supplies are likely to support exports. Shipments from Brazil and Australia in 2022/23 are forecast at 9.3 million bales (+1.4 million bales) and 6 million bales (+2 million bales), respectively, while Mali's cotton exports are projected to increase 300,000 bales to 1.4 million. Somewhat offsetting these gains are export reductions for the United States and India, where 2022/23 cotton exports are forecast at 14 million bales (-750,000 bales) and 3.7 million bales (-300,000 bales), respectively.

The higher world cotton import projection is largely the result of increased imports by several leading importers, including China, Bangladesh, Vietnam, and Pakistan. Raw cotton imports by China in 2022/23 are forecast at 10 million bales, 1.8 million bales (22 percent) above 2021/22 and one of the highest import levels in recent years. For Bangladesh and Vietnam, 2022/23 imports are projected at 8.5 million bales (+6 percent) and 7.2 million bales (+6 percent), respectively, with each country near its 2020/21 record. Pakistan's cotton imports are forecast at 5 million bales (+500,000 bales) for 2022/23, supporting its mill use expansion.

World cotton ending stocks are forecast at 84.3 million bales in 2022/23, only 200,000 bales above 2021/22, as global production and mill use are projected at similar levels (figure 7). Stocks are expected to remain at one of their lowest levels since 2018/19, with the decrease anticipated for the United States (-1 million bales) nearly offsetting increases expected for Brazil (+515,000 bales) and India (+500,000 bales). Stocks in China are forecast at 37.3 million bales for 2022/23, similar to the year before. China and Brazil hold the most cotton stocks, accounting for 44 percent and 15 percent, respectively. Like stocks, the 2022/23 stocks-to-use ratio is forecast to remain stable at 70 percent and continue to support price expectations. The world cotton price (A-Index) is expected to average near 120 cents per pound in 2022/23, compared with the 2021/22 estimate near 130 cents per pound.

Figure 7
Global cotton stocks and prices



Note: 1 bale = 480 pounds.

Sources: Cotlook and USDA, Interagency Commodity Estimates Committee.

Suggested Citation

Meyer, Leslie A. and Taylor Dew, *Cotton and Wool Outlook*, CWS-22g, U.S. Department of Agriculture, Economic Research Service, July 14, 2022.

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