



Cotton and Wool Outlook

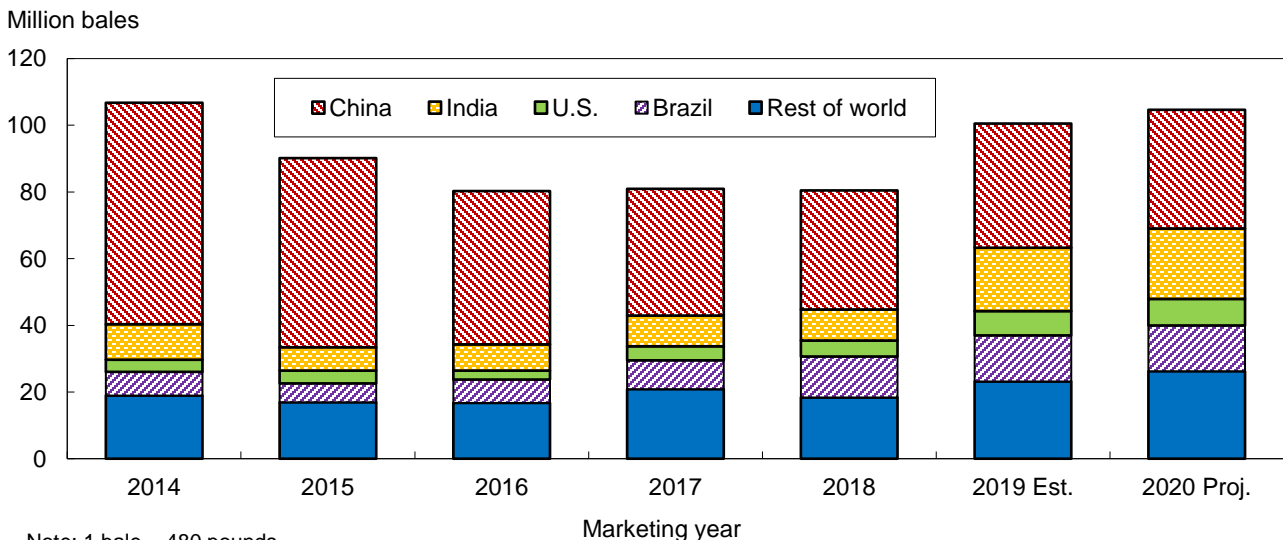
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Global Cotton Stocks Projected Highest in 6 Years

The latest U.S. Department of Agriculture (USDA) cotton projections for 2020/21 (August-July) indicate that global cotton ending stocks are forecast at their highest in 6 years. World stocks are projected to rise for the second consecutive season in 2020/21 to 104.7 million bales, 4 percent above 2019/20 and the second largest on record behind 2014/15 (fig. 1). Global stocks totaled 106.7 million bales at the end of 2014/15—with China accounting for 62 percent of the total as Government policies there resulted in surplus stock accumulations. As subsequent policies reduced China’s stocks, the share of global cotton supplies for other countries increased in recent years.

For 2020/21, cotton stocks in China are forecast lower at 35.6 million bales—34 percent of the world total. Meanwhile, stocks outside of China are expected to rise 9 percent to 69.1 million bales, with stock gains for India and the United States over the past 2 years leading the increase. For India, stocks are projected to reach a record 21.1 million bales (20 percent of the total) in 2020/21, resulting from large crops and reduced demand. For the United States, cotton stocks are forecast at 8.0 million bales (8 percent of the total), the highest since 2007/08.

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 Forecast Unchanged in June

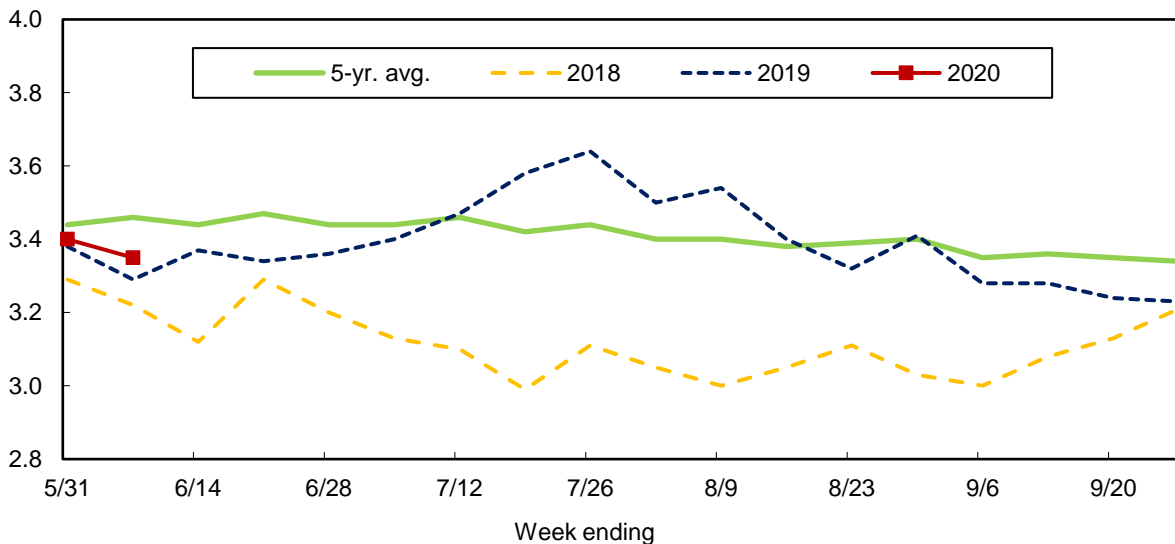
USDA's 2020 U.S. cotton production projection remains at 19.5 million bales in June, 2 percent (400,000 bales) below the 2019 crop. Upland production is estimated at 18.8 million bales, and the extra-long staple (ELS) crop is estimated at 665,000 bales, both below the 2019 crop. Planting conditions have been less than ideal this spring, with weather delaying planting in several States this season. With planting still in progress, the weather effects on total area and yield remain uncertain.

The U.S. planting estimate of 13.7 million acres will be updated in USDA's June *Acreage* report released on June 30. The report will include actual plantings as of early June, as well as estimates of any remaining cotton to be planted. As of June 7, 78 percent of the forecast cotton acreage had been planted, up slightly from last season's 74 percent but below the 2015-19 average of 81 percent. Meanwhile, early cotton development was ahead of both 2019 and the 5-year average; as of June 7, 13 percent of the cotton area was squaring, compared with 10 percent for both last season and the 2015-19 average. Reporting of U.S. cotton crop conditions has also begun, with early accounts confirming the less-than-favorable start to the 2020 season. As of early June, crop conditions were slightly above 2019 but below the 5-year average (fig. 2).

Based on current projections, U.S. cotton harvested area is forecast at 11.35 million acres in 2020, reflecting a 10-year weighted average abandonment by region. U.S. abandonment is projected at 17 percent, slightly above the 15.5 percent recorded for 2019. The 2020 U.S. cotton yield—based on a 10-year weighted average by region—is forecast at 825 pounds per harvested acre, slightly above the final 2019 yield of 823 pounds. USDA's National Agricultural Statistics Service will begin in-field surveys in August.

Figure 2
U.S. cotton crop conditions

Index (3=fair and 4=good)



Source: USDA, *Crop Progress* reports.

U.S. Cotton Mill Use and Stock Estimates Revised

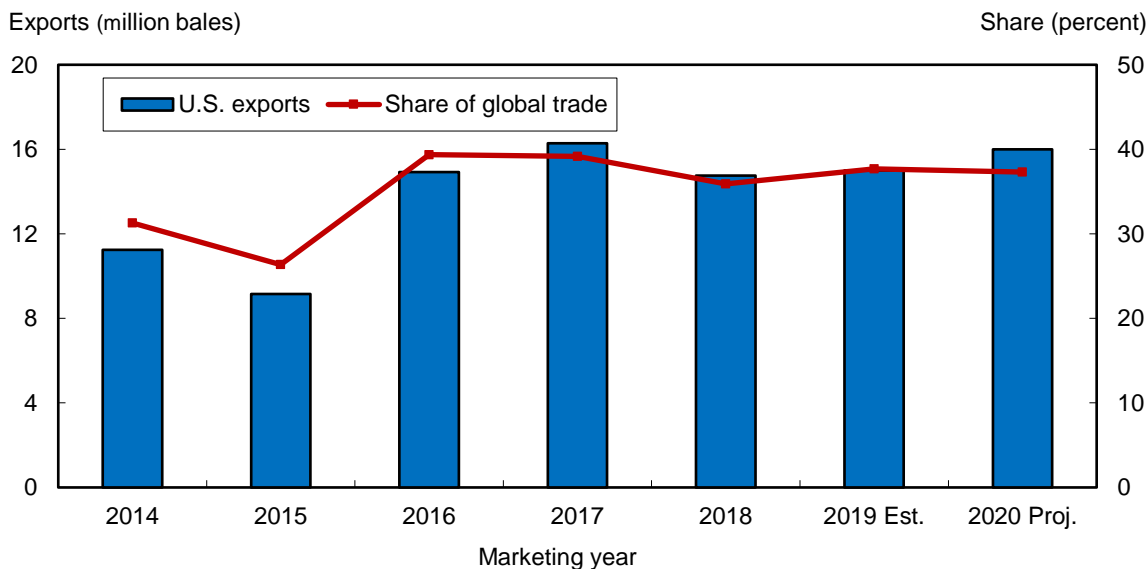
U.S. cotton demand (exports plus mill use) for 2020/21 is projected at 18.8 million bales—down slightly from the May forecast—compared with the 2019/20 estimate that was lowered in June to 17.5 million bales. The higher 2020/21 forecast is attributable to expectations for both exports and mill use rebounding from the COVID-19 impacts on 2019/20 cotton demand.

For 2020/21, U.S. cotton exports are projected at 16.0 million bales—1 million above 2019/20 and the third highest on record—as increased foreign import demand associated with a rise in global cotton mill use is projected (fig. 3). The United States is forecast to remain the leading cotton exporter despite facing strong competition from other leading producing countries like Brazil and India. The U.S. share of global trade in 2020/21 is projected near 37.5 percent, similar to the 3-year average. U.S. cotton exports are forecast to account for 85 percent of U.S. cotton demand in 2020/21, near that of 2019/20. Meanwhile, U.S. cotton mill use is projected to rise 12 percent to 2.8 million bales in 2020/21 as U.S. spinning operations recover with the reopening of the U.S. economy.

Based on USDA's June supply and demand estimates, 2020/21 U.S. cotton ending stocks are projected at 8.0 million bales, 700,000 bales (nearly 10 percent) above the beginning level and the highest in 13 years, when ending stocks were 10.1 million bales. Similarly, the stocks-to-use ratio is also forecast to increase; in 2020/21, the stocks-to-use ratio—which averaged 30 percent over the past 3 years—is expected to reach 43 percent, slightly above 2019/20 and the highest since 2007/08. As a result, the 2020/21 U.S. upland farm price is forecast to decline from 59 cents per pound estimated for 2019/20 to 57 cents per pound.

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

Global Cotton Production Forecast Lower in 2020/21

World cotton production in 2020/21 is forecast at 118.7 million bales, 3 percent (4.2 million bales) below the previous year but similar to 2018/19 production. Smaller cotton crops are forecast for most of the major cotton-producing countries in 2020/21, led by India (-2.0 million bales), Brazil (-1.2 million bales), and China (-750,000 bales). Larger crops in Australia and Pakistan are expected to partially offset these declines. Global cotton harvested area in 2020/21 is projected at approximately 33.5 million hectares (82.7 million acres), nearly 4.5 percent below 2019/20. The world cotton yield is forecast at 773 kilograms (kg) per hectare (690 pounds per acre) in 2020/21, slightly above the previous season but similar to 2018/19.

For 2020/21, India is expected to remain the leading cotton-producing country. A lower cotton crop there—projected at 28.5 million bales—is the result of a 6-percent reduction in 2020/21 area to 12.5 million hectares, while the yield is forecast near 2019/20 at 496 kg per hectare. India is expected to account for 24 percent of the world's cotton production in 2020/21.

Production in China is forecast nearly 3 percent lower in 2020/21 at 26.5 million bales, as area is reduced 4 percent to 3.3 million hectares. However, most of the area remains in the high-yielding Xinjiang region, and China's 2020/21 yield is projected to increase to 1,748 kg per hectare, somewhat offsetting the 4-year low area estimate. China is expected to account for 22 percent of total world cotton production in 2020/21. Cotton production in Pakistan is forecast at 6.3 million bales in 2020/21, 100,000 bales above 2019/20 when production was at a 33-year low. With reduced area, higher yield expectations are projected to improve Pakistan's cotton crop prospects slightly in 2020/21.

Meanwhile, cotton production in the Southern Hemisphere countries of Brazil and Australia is projected to move in opposite directions in 2020/21. For Brazil, production is forecast at 12.0 million bales, 9 percent below the 2019/20 record of 13.2 million bales. Lower prices and higher production costs are expected to reduce area 7 percent, with Brazil's yield also reduced for 2020/21. In contrast, Australia's cotton crop in 2020/21 is projected to rebound from the drought reduced crop of 2019/20 when cotton area fell to a 40-year low of only 60,000 hectares. For 2020/21, cotton area is forecast at 180,000 hectares, with Australia's crop expected to increase nearly 1.1 million bales to 1.7 million bales. Nevertheless, area and production remain below those reported just a few years ago when reservoir levels were considerably higher.

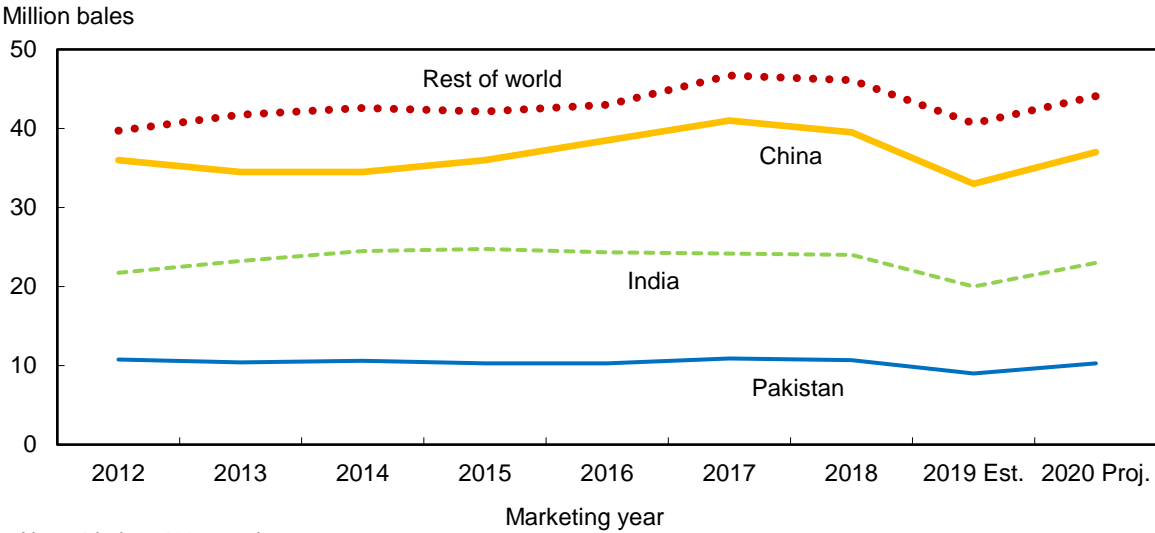
World Cotton Mill Use and Trade Projected Higher in 2020/21

As the global economy begins to recover from the COVID-19 pandemic, cotton mill use is also expected to rise. Global cotton mill use is forecast at 114.4 million bales in 2020/21, nearly 12 million bales (11.5 percent) above 2019/20. China and India continue as the largest users of raw cotton in 2020/21, and all major countries are forecast to experience a rebound as each country's cotton spinning industry adapts to the recovering global economy. For more details on the historic decline in 2019/20 global cotton mill use, see the Highlight section in this report.

For 2020/21, global cotton mill use is expected to be led by China, India, and Pakistan, with a combined mill use forecast at 70.3 million bales, or 61 percent of the world total (fig. 4). Cotton mill use in China is forecast at 37.0 million bales in 2020/21, 4 million bales (12 percent) above 2019/20 but below the previous 3 years. Textile mills in China are expected to have access to

Figure 4

Global cotton mill use



Note: 1 bale = 480 pounds.

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

plentiful supplies of domestic cotton in 2020/21, as well as cotton imports that are forecast to rise 20 percent. For India, cotton mill use is projected to increase 3 million bales (15 percent) to 23.0 million bales in 2020/21. Although India will have ample supplies with its record cotton stocks, 2020/21 mill use is forecast to remain below the recent pre-COVID-19 levels. For Pakistan, 2020/21 cotton mill use is projected at 10.3 million bales, 1.3 million bales (14 percent) above the year before. Like China and India, Pakistan's mill use is expected to rebound moderately but is still forecast below 2018/19. Similarly, countries outside of China, India, and Pakistan are forecast to increase mill use in 2020/21 but remain beneath the recent peak.

Global cotton trade is also forecast higher in 2020/21 and is projected at 42.9 million bales, 8 percent (3.1 million bales) above the previous season and the highest in 8 years. Higher trade expectations are projected as mills around the world reopen or increase spinning rates in response to the anticipated rise in global demand for cotton products. Increased supplies for the top exporting countries—the United States, Brazil, and India—are also expected to support higher shipments. While U.S. cotton exports are forecast to increase 1 million bales to 16.0 million bales in 2020/21, shipments from Brazil are projected to expand 400,000 bales to a record 9.0 million bales. Meanwhile, India's cotton exports are forecast to rise dramatically from 3.0 million bales in 2019/20 to 4.5 million bales in 2020/21, a 50-percent jump.

With world cotton production expected to exceed mill use in 2020/21, stocks are projected to increase. Global ending stocks are forecast at 104.7 million bales at the end of 2020/21, 4 percent (4.1 million bales) above the beginning level and the largest since 2014/15's record of 106.7 million bales. However, with world cotton mill use expected to increase in 2020/21, the global stocks-to-use ratio is forecast to decline slightly from 2019/20 to 91 percent in 2020/21.

Highlight

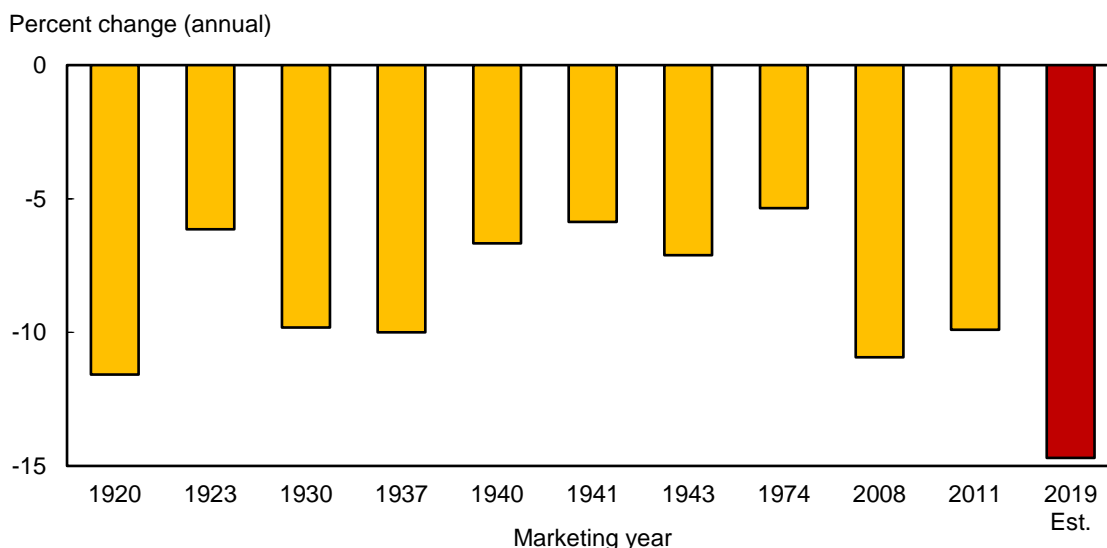
Global Cotton Mill Use Sustains Unprecedented Decline as COVID-19 Impact Unfolds

Cotton mill use generally follows global economic activity. When the world economy weakens—as during the COVID-19 pandemic—consumers often defer purchases of items such as clothing, and the associated industries adjust their operations accordingly. For the textile and apparel industry, these adjustments have included temporary closures or substantial reductions in manufacturing operations as postponement or cancellation of orders have had ripple effects throughout the entire supply chain, from raw fiber procurement to retail sales.

While the COVID-19 effect unfolds, the developing global economic slowdown has significantly reduced recent USDA monthly forecasts for world cotton demand for marketing year (MY) 2019 (August 2019-July 2020). Based on USDA's June 2020 forecast, MY 2019 global cotton mill use is estimated at a 16-year low. Although this low is noteworthy, the projected annual reduction is of historic proportion, with world cotton mill use estimated to plunge nearly 15 percent year-over-year (fig. 5). In fact, the projected MY 2019 decrease is unmatched during the past century. Global cotton mill use has declined more than 5 percent year-over-year in only 10 other years since MY 1920, with most of those reductions associated with global recessions, including the Great Depression. More recently, uncertainty surrounding the global financial crisis significantly limited world cotton demand in MY 2008, while a dramatic run-up in MY 2010 cotton prices to levels not experienced since the U.S. Civil War hampered mill use in MY 2011. Though the overall severity of the COVID-19 pandemic impact on the world economy remains unknown, the immediate and substantial shock to global cotton mill use has undoubtedly been historic.

Figure 5

Largest percentage declines in world cotton mill use, 1920-2019



Note: Marketing year begins August of year indicated.

Source: USDA, ERS calculations from USDA's *Statistics on Cotton* and USDA, Foreign Agricultural Service.

Suggested Citation

Meyer, Leslie A., *Cotton and Wool Outlook*, CWS-20f, U.S. Department of Agriculture, Economic Research Service, June 15, 2020

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