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Cotton and Wool Outlook: October 2022

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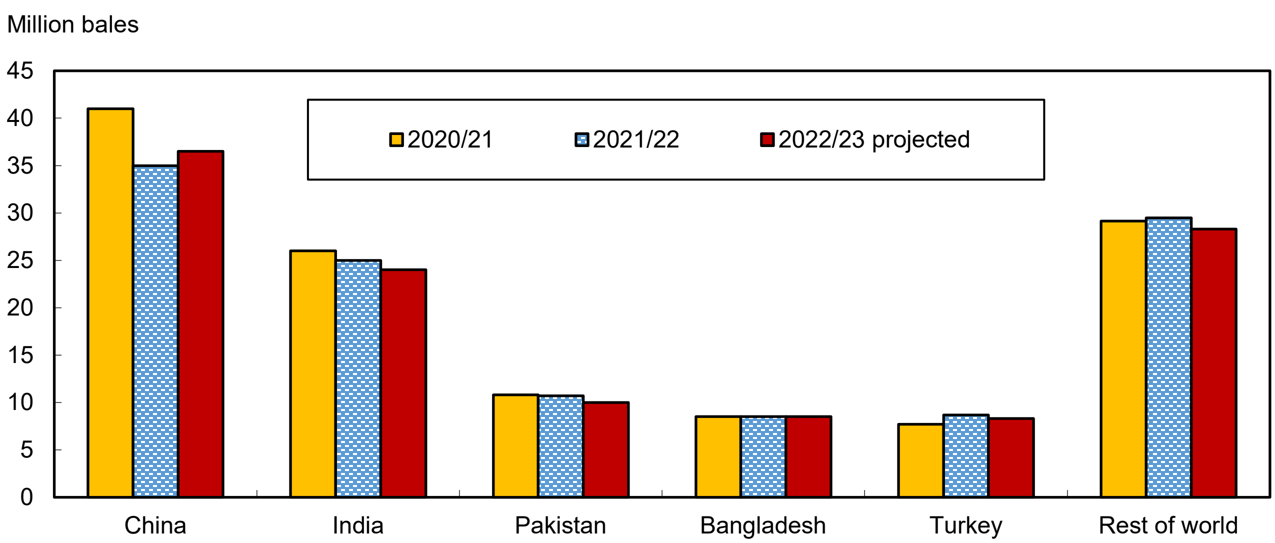
Global 2022/23 Cotton Mill Use Reduced

The latest U.S. Department of Agriculture (USDA) estimates indicate that world cotton mill use in 2022/23 (August–July) is projected at 115.6 million bales, a 1.5-percent decrease from 2021/22. India, Pakistan, and Turkey are primarily responsible for the global decline, offset somewhat by China's increase (figure 1). China and India remain the leading cotton-spinning countries, with the top 5 countries projected to account for 75.5 percent of world cotton mill use in 2022/23, slightly above 2021/22.

Global cotton production is forecast at 118.1 million bales in 2022/23, 2 percent above the previous year as both area and yield increase. The production gain is largely attributable to India, Brazil, and China, with offsets from the United States and Pakistan. World cotton trade is projected to rise slightly this season despite global economic uncertainties that are forecast to reduce global mill use. With production expected to exceed mill use in 2022/23, global ending stocks and the stocks-to-use ratio are forecast to increase to their highest levels in 3 years.

Figure 1
Leading global cotton consumers



Note: 1 bale = 480 pounds.

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

Domestic Outlook

U.S. Cotton Crop Forecast Marginally Lower in October

USDA's October *Crop Production* report forecasts 2022 U.S. cotton production at 13.8 million bales, nearly identical to last month's forecast but 21 percent (3.7 million bales) below the 2021 crop. This season's lower forecast is attributable to reductions in harvested area, particularly in the Southwest region. If realized, the 2022 U.S. cotton crop would be the smallest in 7 years.

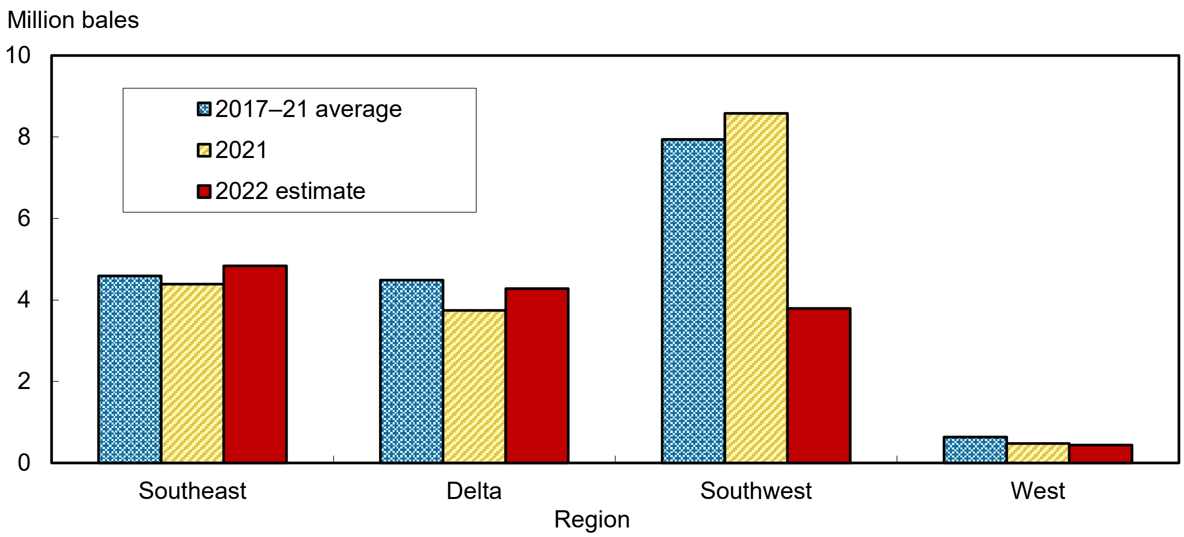
The 2022 U.S. upland cotton crop is forecast at 13.3 million bales, compared with last season's 17.2 million bales. During the previous 20 years, the October upland production estimate was above the final estimate 12 times and below it 7 times; no production forecast was published in 2013. Past differences between the October forecast and the final production estimates indicate a 2 out of 3 chance for the 2022 upland crop to range between 12.4 million and 14.25 million bales.

Upland cotton production this season is forecast higher in two of the Cotton Belt regions while lower in the other two (figure 2). In the Southeast, 2022 cotton production is projected at 4.8 million bales—10 percent above 2021 and 5 percent above the 2017–21 average—as the highest area in 3 years is partially offset by a lower yield. Cotton harvested area in 2022 is forecast at 2.6 million acres. The Southeast yield is projected at 886 pounds per harvested acre in 2022, compared with the 5-year average of 868 pounds.

Cotton production in the Delta is estimated at approximately 4.3 million bales in 2022, the largest since 2019, as area is also the highest in 3 years. In 2022, cotton harvested acreage is forecast at about 2 million acres, slightly above the 5-year average of 1.9 million acres. In contrast, the region's yield is projected at 1,045 pounds per harvested acre, the lowest in 7 years.

Figure 2

U.S. regional upland cotton production



Note: 1 bale = 480 pounds.

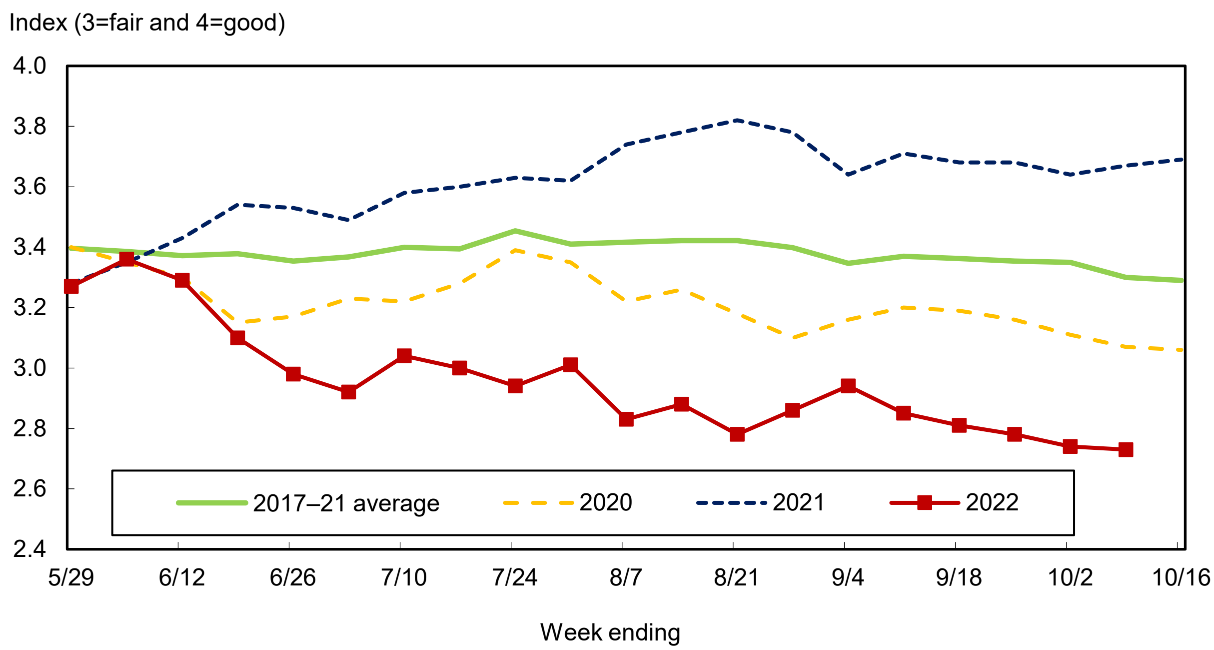
Source: USDA, National Agricultural Statistics Service, *Crop Production* reports.

In the Southwest, the 2022 upland crop is forecast at only 3.8 million bales, the smallest since 2011's 3.7 million bales. While 2022 planted area (8.7 million acres) was the highest in nearly 70 years, drought conditions this season raised abandonment significantly and reduced harvested area to an estimated 3 million acres, similar to 2011. As a result, 2022 Southwest abandonment is projected at 66 percent, well above last season and a record, if realized. The 2022 Southwest upland yield, meanwhile, is projected at 614 pounds per harvested acre, compared with the 5-year average of 716 pounds.

In the West, the 2022 upland crop is projected at only 440,000 bales, 8 percent below 2021 and the lowest production in nearly 9 decades. The region's upland cotton harvested area (167,000 acres) is the lowest since 2015, while this season's yield (1,268 pounds per harvested acre) is forecast 3.5 percent below the 5-year average. The extra-long staple (ELS) crop—grown mainly in the West—is projected at 468,000 bales in 2022, compared with 332,000 bales in 2021. With last season's considerably lower ending stocks—the lowest in 12 years—record ELS prices ($2.46 per pound) supported an area increase in 2022 of nearly 34 percent.

Total 2022 U.S. cotton harvested area is estimated at 7.9 million acres, compared with last season's 10.3 million acres and the lowest since 2013. The national yield is projected at 842 pounds per harvested acre, compared with 2021's 819 pounds. As of October 9, 29 percent of the U.S. cotton crop was harvested, above last season's 19 percent and the 2017–21 average of 25 percent. As a result, more than 1.1 million bales were ginned as of October 1, compared with less than 750,000 bales a year earlier. Meanwhile, U.S. cotton crop conditions for most of the season were below the last several seasons (figure 3). As of October 9, only 30 percent of the cotton area was rated "good" or "excellent," compared with 64 percent last year, while 47 percent of the crop area was rated "poor" or "very poor," compared with 6 percent a year ago. For current production estimates by State, see table 10 published separately with this report.

Figure 3
U.S. cotton crop conditions



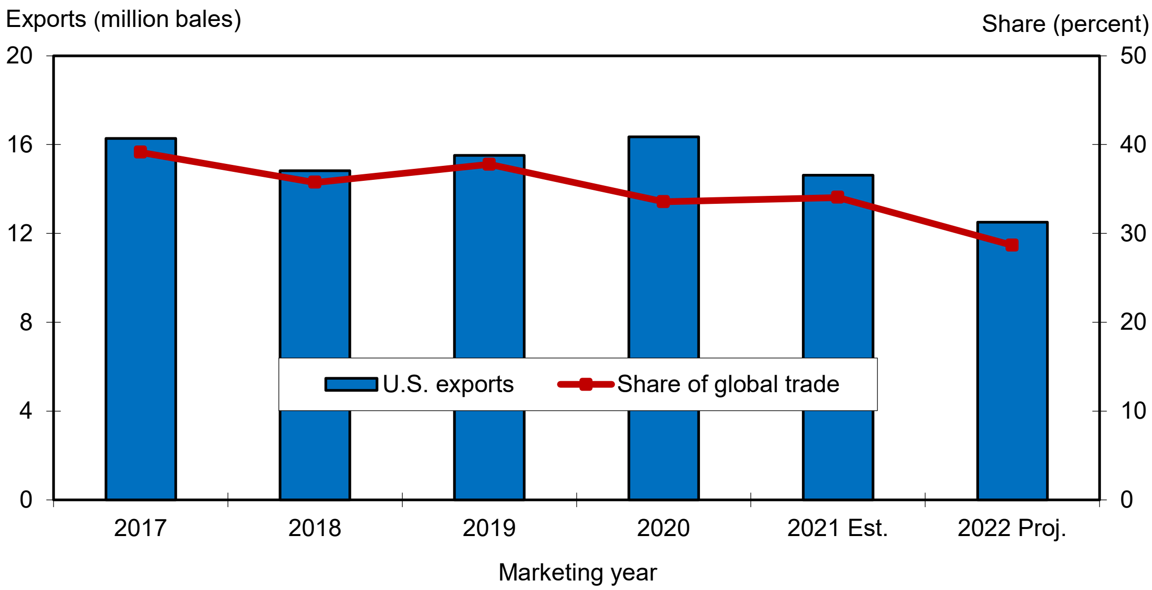
Source: USDA, *Crop Progress* reports.

U.S. Cotton Demand and Stocks Estimates Adjusted Slightly

The U.S. cotton demand estimate for 2022/23 is projected at 14.8 million bales in October, 2.4 million bales (14 percent) below 2021/22 and nearly 3.1 million bales below the 3-year average. U.S. cotton exports account for the bulk of demand and are forecast at 12.5 million bales in 2022/23, with mill use expected to contribute the remaining 2.3 million bales. Despite a higher world trade forecast this season and a relatively strong foreign import demand, U.S. cotton supplies—expected to be their lowest in 7 years—are limiting export prospects. In addition, uncertainties about the world economy are weighing on the global cotton mill use outlook in 2022/23. Based on the October projections, the 2022/23 U.S. share of world trade is forecast near 29 percent—5 percentage points below 2021/22 and the lowest since 2015/16 (figure 4).

With the U.S. cotton demand projection marginally lower in October and the production estimate essentially unchanged, the 2022/23 U.S. ending stocks estimate is slightly higher this month at 2.8 million bales; however, stocks are nearly 1 million bales below last season and the lowest since 2016/17 when a similar level was recorded. The stocks-to-use ratio is forecast at 19 percent at the end of 2022/23, slightly below last season and among the lowest of the previous 5 years. Based on the U.S. and global cotton supply and demand estimates and recent prices, the 2022/23 average U.S. upland cotton farm price is forecast at 90 cents per pound, compared with the final 2021/22 record price of 91.4 cents per pound.

Figure 4
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

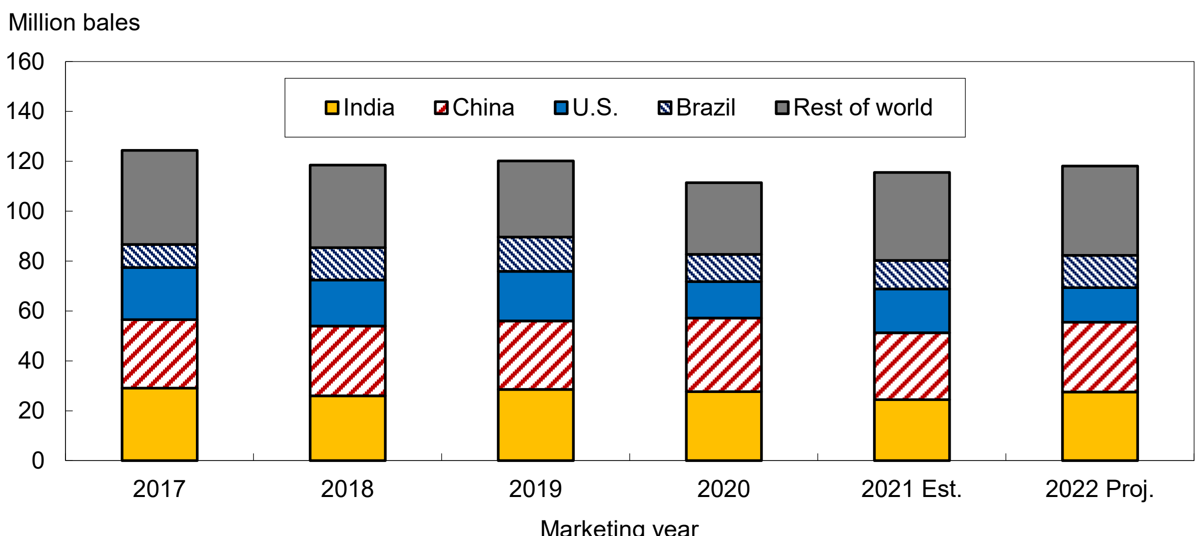
Global Cotton Production To Increase in 2022/23

World cotton production in 2022/23 is projected at 118.1 million bales, a decrease of 395,000 bales from last month's projection but 2.5 million bales (2 percent) higher than 2021/22. The October production estimate includes an increase for Burkina-Faso and decreases for Pakistan, Benin, and the United States. Global harvested area is forecast at 32.5 million hectares (80.3 million acres) in 2022/23, slightly higher than last season. The world cotton yield in 2022/23 is projected at 791 kilograms (kg) per hectare (706 pounds per acre), compared with the 3-year average of 770 kg per hectare (687 pounds per acre).

Cotton production among the major producing countries this season is mixed compared with 2021/22 (figure 5). Production in China—this year's projected leading cotton producer—is forecast at 28 million bales, up 1.2 million bales from 2021/22, on the strength of a record yield of 2,032 kg per hectare. Favorable weather conditions in the high-yielding Xinjiang region, where cotton production is concentrated, offset some drier weather in other regions and a slightly reduced harvested area this year. China is expected to account for 24 percent of world production this season.

For India, 2022/23 cotton production is projected at 27.5 million bales,12 percent (3 million bales) above the year before, with increases in both area and yield. Harvested area is forecast about 7 percent higher, at 13 million hectares, and yield is also projected 5 percent higher than last year at 461 kg per hectare, as more normal weather patterns allowed cotton plantings and production to rebound in key regions. India is expected to account for 23 percent of world production this season. On the other hand, the estimate of 2022/23 cotton production in Pakistan was reduced another 300,000 bales this month as damage from recent floods became more apparent. Projections now show a year-to-year decrease of 800,000 bales (13 percent) to 5.2 million bales, the second lowest production level in nearly 40 years.

Figure 5
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, increases in 2022/23 cotton production are projected. For Brazil, a cotton crop of 13 million bales is forecast, an increase of 1.5 million bales (13 percent), attributable to a projected 10-percent rebound in forecast yield to 1,769 kg per hectare. For Australia, 2022/23 cotton production is forecast to increase 250,000 bales to 6 million, as projected area for 2022/23 is forecast to increase 8 percent to 650,000 hectares—the second highest level on record—supported by continued favorable reservoir levels. Together, Brazil and Australia are expected to account for 16 percent of the world's cotton production in 2022/23.

World Cotton Mill Use Projected To Decrease in 2022/23

Global cotton consumption in 2022/23 was cut 3 million bales this month to 115.6 million bales, a decrease of 1.8 million bales from 2021/22's global mill use—which was also cut this month by 2 million bales to 117.4 million bales. Consumption in 2022/23 was reduced across many countries this month, given recent lower projections for global economic growth in 2022 and 2023, the largest monthly reduction since the early part of the Coronavirus (COVID-19) pandemic.

For most of the top cotton-spinning countries, 2022/23 consumption forecasts were cut this month, with India and China's mill use reduced by 1 million bales each and Pakistan's decreased by 500,0000 bales. In addition, Turkey, Vietnam, and Mexico's mill use were reduced by 200,000, 100,000, and 100,000 bales, respectively, this month.

Year-to-year declines were also seen in top spinning countries, except for China whose mill use is forecast to increase 1.5 million bales from 2021/22 to 36.5 million bales in 2022/23—in part due to a historical revision in China's consumption which cut their 2021/22 mill use by 2 million bales. China is expected to account for 32 percent of total global cotton consumption in 2022/23. India's mill use is projected at 24 million bales in 2022/23, a decrease of 1 million bales (4 percent) from 2021/22 and is forecast to account for 21 percent of global consumption.

Cotton mill use is also forecast to decline in Pakistan to 10 million bales in 2022/23, 700,000 bales (7 percent) below 2021/22. Similarly, cotton mill use in Turkey is expected to decline 400,000 bales (5 percent) year-to-year to 8.3 million bales. Mill use in Vietnam for 2022/23 is forecast unchanged from 2021/22 at 6.7 million bales. Likewise, Bangladesh's mill use is forecast to remain unchanged year-to-year at 8.5 million bales. As with the other major spinners, these countries' 2022/23 share of global mill use is near last season's level.

Global Cotton Trade and Stocks Increase in 2022/23

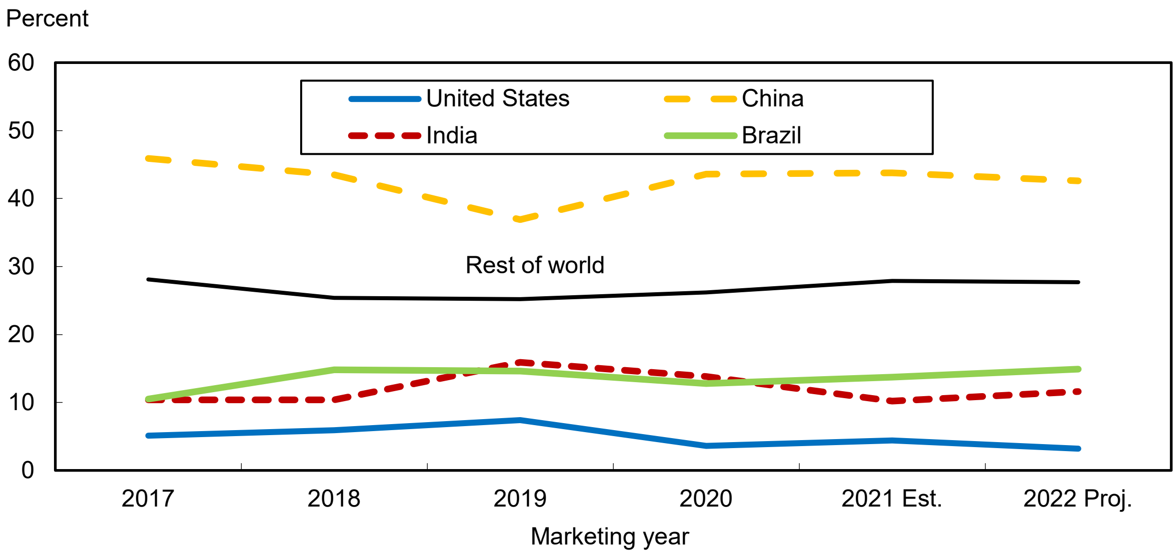
World cotton trade for 2022/23 was cut this month by 1 million bales to a projected 43.6 million bales, but is still forecast to increase 670,000 bales (1.6 percent) above last season's level. Cotton exports for the United States are at 12.5 million bales in 2022/23, down 2.1 million bales or 14.5 percent from 2021/22, given the reduced crop. For India, this season's cotton exports are projected to reach 3.5 million bales, down from 3.7 million bales in 2021/22. On the other hand, cotton exports for Brazil in 2022/23 are expected to increase 670,000 bales (9 percent) to 8.4 million bales, while Australia's exports are expected to increase 2.5 million bales (65 percent) year-to-year to a record 6.2 million bales in 2022/23.

With global mill use declining this season, China, Bangladesh, and Vietnam are projected as the leading raw cotton importers in 2022/23. Imports by China are forecast at 8.7 million bales this season, up from 7.8 million in 2021/22. For Bangladesh, 2022/23 imports are forecast at 8.4

million bales (up 200,000 bales), while imports by Vietnam are projected at 6.8 million bales (up 170,000 bales) in 2022/23; cotton imports continue to support the textile industries in these countries.

Based on the latest cotton supply and demand projections, world ending stocks are forecast at 87.9 million bales in 2022/23, 3 percent (2.6 million bales) above a year ago. For the major producing countries, 2022/23 stock changes are forecast to vary considerably. Stocks in China are projected to increase marginally by 150,000 bales to 37.5 million bales, or 43 percent of the global total in 2022/23 (figure 6). In contrast, cotton stocks in India are projected to increase 1.5 million bales (17 percent) to 10.2 million bales, accounting for 12 percent of 2022/23 global ending stocks. Similarly, stocks are expected to rise 1.4 million bales (12 percent) in Brazil to 13.1 million bales in 2022/23; Brazil is projected to hold 15 percent of the global stock total at the end of July 2023. Meanwhile, the global stocks-to-use ratio is estimated at 76 percent in 2022/23, compared with last season's 73 percent. With global cotton demand declining and stocks increasing, the 2022/23 Cotlook A-Index average is expected to decrease from 2021/22's relatively high level of 131.7 cents per pound.

Figure 6
Share of global cotton ending stocks



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

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