



Cotton and Wool Outlook

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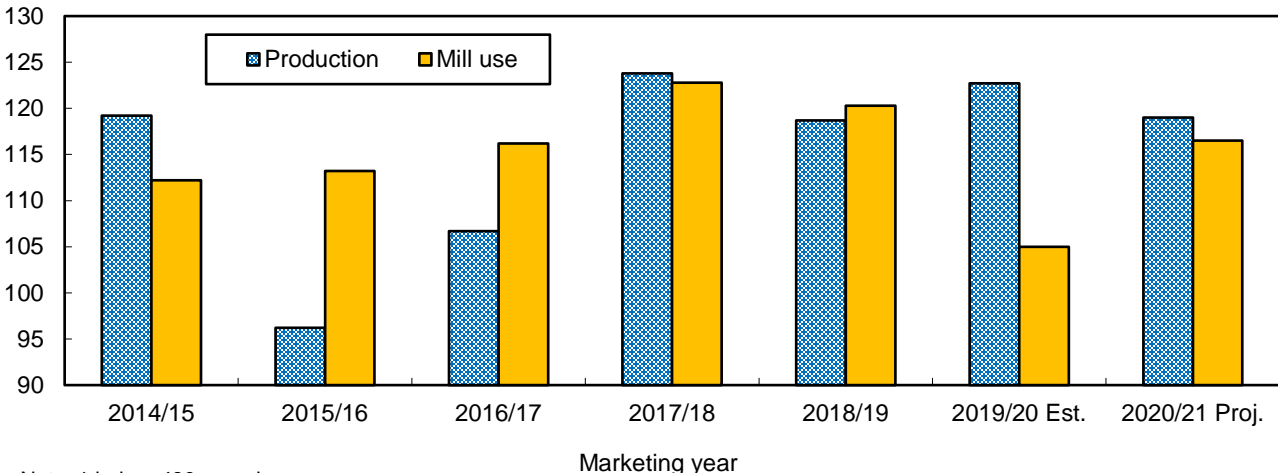
Global Cotton Production and Mill Use Projections More Closely Balanced in 2020/21

The initial U.S. Department of Agriculture (USDA) cotton projections for 2020/21 (August-July) include a closer balance between global cotton production and use than in 2019/20 (fig. 1). Even so, ending stocks in 2020/21 are forecast to increase to their highest in 6 years. World cotton mill use is forecast to begin its rebound from the COVID-19 disruptions that have affected the global cotton supply chain from spinning to retail. For 2020/21, cotton mill use is projected at 116.5 million bales, 11 percent above the 2019/20 estimate that has seen significant reductions for many countries. In 2020/21, cotton use in most of these countries is expected to rebound, with China, India, and Pakistan leading the increase.

World cotton production in 2020/21 is forecast at 119.0 million bales, 3 percent below the year before. Based on USDA’s initial 2020/21 projection, major cotton producers—India, China, the United States, and Brazil—are expected to lead the decrease, as global area is forecast to decline 4 percent amid lower cotton prices during the spring planting season; in addition, 2019/20 stocks have risen as the COVID-19 pandemic effects continue to unfold and pressure prices.

Figure 1
Global cotton production and mill use

Million bales



Note: 1 bale = 480 pounds.

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

Domestic Outlook

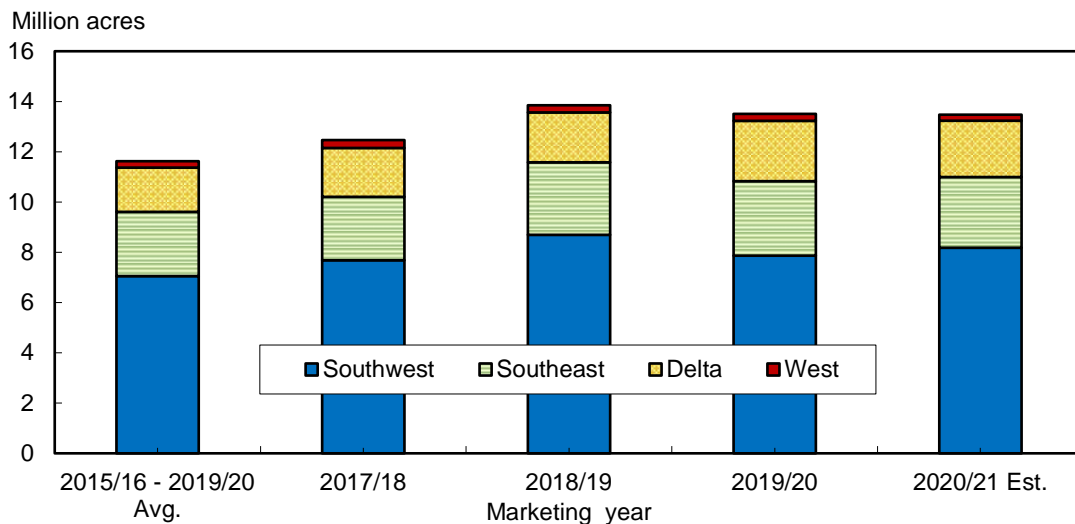
U.S. Cotton Crop Forecast To Decrease in 2020

According to USDA’s initial projection for the 2020 crop, U.S. cotton production is forecast at 19.5 million bales, 2 percent (400,000 bales) below the final 2019 estimate. Based on the March *Prospective Plantings* report, 2020 cotton area is estimated at 13.7 million acres. While nearly identical to area in 2019, relative harvest price expectations going into planting season would have suggested (at least on a historical basis) that 2020 cotton acreage would decrease moderately. However, other factors—such as weather, production costs, and potential program benefits—also help determine the acreage planted to cotton each year. USDA will update the initial plantings estimate at the end of June.

Planted area for both upland and extra-long staple (ELS) cotton is forecast to remain similar in 2020. For the upcoming season, upland acreage is projected to be lower in three of the Cotton Belt regions, while rising in the Southwest (fig. 2). Based on *Prospective Plantings*, the Southwest upland area is estimated at nearly 8.2 million acres, the second largest since 1980, behind only 2018. The Southwest is forecast to account for 61 percent of the total 2020 upland area, near the 5-year average. Cotton acreage in the Southeast is projected at 2.8 million acres, 150,000 acres below 2019 but still above the past decade’s average. In 2020, the Southeast is expected to contribute 21 percent of the total upland area, slightly below the 5-year average.

For the Delta, cotton acreage is projected 160,000 acres lower in 2020, but remains one of the largest of the past 10 years at 2.2 million acres. In 2020, the Delta’s share of total upland area is expected to approach 17 percent, slightly below 2019 but above the 5-year average. Upland cotton area in the West is also expected to decline in 2020, reaching only 240,000 acres, the smallest in 4 years. Nevertheless, the region will account for approximately 2 percent of the total U.S. upland cotton area in 2020. ELS cotton, meanwhile, remains concentrated in the West, where 94 percent of the 228,000-acre total is expected to be planted in 2020. California is the leading ELS-producing State, accounting for 195,000 acres of the total.

Figure 2
U.S. upland cotton planted area, by region



Source: USDA, *Crop Production and Prospective Plantings* reports.

As of early May, moisture conditions across the Cotton Belt remain relatively favorable—except for South Texas, where drought conditions persist. On the High Plains of Texas, where 60 percent of the State’s cotton is planted, accumulated precipitation from November 2019 to April 2020 was above the long-term average. Weather conditions will continue to influence cotton plantings, crop progress, and yield. As of May 10, 32 percent of the U.S. cotton area had been planted—above both last season and the 2015-19 average—largely due to Texas’ favorable planting progress that reached its highest over the past 10 years. However, several States were considerably below their 5-year averages as of May 10, including Missouri, Arkansas, Tennessee, and Mississippi.

U.S. cotton harvested area for 2020 is projected at 11.35 million acres, 2 percent (260,000 acres) below the final 2019 estimate. The preliminary 2020 forecast is based on the 2010-19 average abandonment, weighted by region. As a result, the U.S. abandonment rate is projected at 17 percent, slightly above the 15.5 percent recorded for 2019. The national yield is forecast at 825 pounds per harvested acre and is based on the 2015-19 crop average yields, weighted by region. The initial U.S. yield for 2020 is slightly (2 pounds) above the final 2019 yield estimate.

U.S. Cotton Demand Projected To Rebound in 2020/21

U.S. cotton demand (mill use plus exports) is forecast to rise moderately in 2020/21 to 18.9 million bales, 7 percent above 2019/20 and the highest in 3 years. As previously discussed, the unprecedented COVID-19 impacts on the 2019/20 global cotton industry is expected to ease as the industry begins to rebound. With the United States remaining the leading raw cotton exporter to the world, an increase in 2020/21 global imports and mill use supports higher U.S. cotton exports. In addition, increased export prospects related to the U.S.-China trade deal are supportive as is the largest U.S. cotton supply since 2007/08. The initial U.S. export projection for 2020/21 is 16.0 million bales, 1 million bales above the previous year. In 2020/21, the U.S. share of global trade is projected near 37.5 percent, similar to 2019/20. U.S. cotton exports are forecast to account for 85 percent of U.S. cotton demand in 2020/21, also near 2019/20. Meanwhile, U.S. cotton mill use is projected to rise to 2.9 million bales in 2020/21.

With U.S. cotton production forecast to exceed demand in 2020/21, ending stocks are projected to increase further. Cotton stocks are forecast 8 percent higher at 7.7 million bales on July 31, 2021, the fourth consecutive increase and the largest stock level since 2007/08. The stocks-to-use ratio (41 percent) is also the highest in 13 years, but is only slightly above 2019/20 as demand rebounds. Based on these initial projections, the 2020/21 U.S. upland farm price is forecast at 57 cents per pound, or 2 cents below the 2019/20 estimate of 59 cents per pound.

U.S. Estimates for 2019/20 Revised in May

U.S. cotton production for 2019/20 was adjusted upward in May as USDA released its final cotton production estimates, with minor revisions to area, yield, and production (see table 10 associated with this report). The U.S. cotton crop was finalized at 19.91 million bales, with a national yield of 823 pounds per harvested acre; production was more than 8 percent above 2018/19, while the national yield was 7 percent below 2018/19, as more area in the lower-yielding Southwest region was harvested than the year before. On the demand side, U.S. cotton exports remain estimated at 15.0 million bales, after April’s substantial reduction related to the global pandemic. However, U.S. mill use was further reduced 200,000 bales this month to 2.7 million bales for 2019/20 as the U.S. textile industry has also been affected. Based on the latest estimates for 2019/20, U.S. ending stocks are forecast at 7.1 million bales, 46 percent above a year earlier and a stocks-to-use ratio of 40 percent, 13 percentage points above 2018/19.

International Outlook

Global Cotton Production Forecast Lower in 2020/21

USDA's initial projection for the 2020/21 world cotton crop is 119.0 million bales, 3.7 million bales (3 percent) below the 2019/20 estimate. A modest decline in global cotton harvested area, partially offset by a slight increase in yield, supports the lower production estimate. Global area is forecast at 33.4 million hectares (82.5 million acres), 4 percent below 2019/20 but similar to 2018/19. The world yield is forecast higher in 2020/21, at 775 kilograms (kg) per hectare (691 pounds per acre).

Many cotton-producing countries are forecast to have lower crops in 2020/21, with a few exceptions. India is expected to remain the top producer in 2020/21, with China a close second. For India, a lower cotton production forecast is mainly the result of reduced area in 2020/21, as yield remains relatively flat. India's cotton area is projected to decline 6 percent to 12.5 million hectares (30.9 million acres), as prices are pressured by domestic stocks that continue to reach new records. The national yield is forecast near its recent average at 496 kg per hectare.

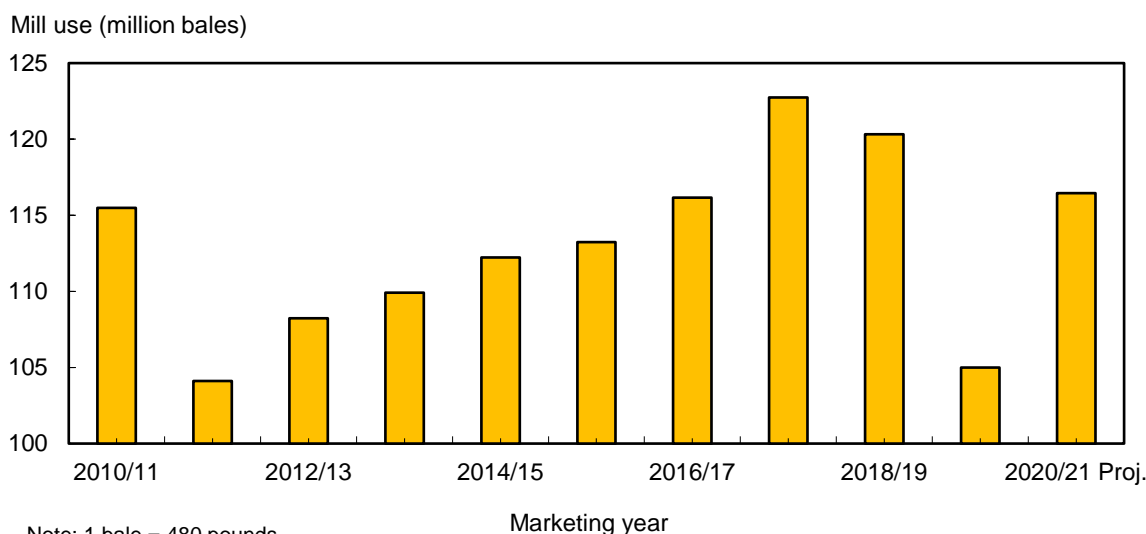
China's cotton production is forecast at 26.5 million bales in 2020/21, 3 percent lower than the year before, as lower area more than offsets a higher yield expectation. Harvested area in China is projected at 3.3 million hectares (8.2 million acres), as Government-policies keep most of the country's cotton plantings in the high-yielding Xinjiang region. The 2020 national yield is forecast at 1,748 kg per hectare (1,559 pounds per acre). For Brazil, cotton production in 2020/21 is projected to decline from the previous season's record, as reductions for both area and yield are anticipated. Based on cotton area of 1.55 million hectares and a yield of 1,686 kg per hectare, Brazil's 2020/21 production is forecast at 12.0 million bales, a 9-percent reduction.

In contrast, cotton production in Pakistan and Australia is projected to rebound in 2020/21 after reduced crops in 2019/20. For Pakistan, only a slight increase in production is anticipated, with the yield rising modestly from the year before and more than offsetting a 10-percent reduction in area to 2.2 million hectares. For Australia, cotton production is forecast to increase 1.1 million bales in 2020/21, after significant drought conditions in 2019/20 limited area to a 40-year low of only 60,000 hectares. With recent rainfall to help ease the drought and assist in reservoir recharge, 2020/21 Australian cotton is expected to rebound—albeit moderately—with both area and production improving.

World Cotton Mill Use Projected Higher in 2020/21

World cotton consumption generally follows global economic activity. 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 116.5 million bales with USDA's initial 2020/21 projection, 11 percent (11.5 million bales) above the 2019/20 estimate. Excluding the dramatic decline in world cotton mill use experienced in 2019/20, the upcoming season's projection is near the average level achieved during 2014/15 to 2018/19 (fig. 3). Just as the 2019/20 decline affected countries to varying degrees, the recovery in 2020/21 will also vary by country. For 2020/21, cotton mill use is expected to be led by China, India, and Pakistan, with a combined 2020/21 mill use forecast at 72.0 million bales, or 62 percent of the world total.

Figure 3
World cotton mill use



In China, cotton mill use is projected to rise 12 percent in 2020/21 to 38.0 million bales, 4 million bales above 2019/20, as the country looks to recover much of the decline experienced in 2019/20. Similarly, India's consumption is forecast to increase 3 million bales (nearly 15 percent) to 23.5 million bales in 2020/21, compared with India's mill use of 24.0 million bales in 2018/19. For Pakistan, cotton mill use is expected to rise 1.5 million bales (nearly 17 percent) in 2020/21 to 10.5 million bales. Increases are also expected for other major-spinning countries, including Turkey, Bangladesh, and Vietnam. In 2020/21, cotton mill use for these countries is forecast to reach 7.0 million bales (+600,000 bales), 7.0 million bales (+500,000 bales), and 6.8 million bales (+500,000 bales), respectively.

Global Cotton Trade and Stocks Higher

World cotton trade in 2020/21 is forecast at 42.9 million bales, 7 percent above the previous season and the highest since 2012/13. Higher trade expectations are projected as mills around the world reopen and/or increase spinning rates in response to the anticipated rise in global demand for cotton products. China is projected to import the largest volume of cotton in 2020/21 at 9.5 million bales, as the country purchases cotton for rotation in China's national reserve. Bangladesh and Vietnam are forecast to import about 7.0 million bales each during the upcoming season as textile spinning activities rebound.

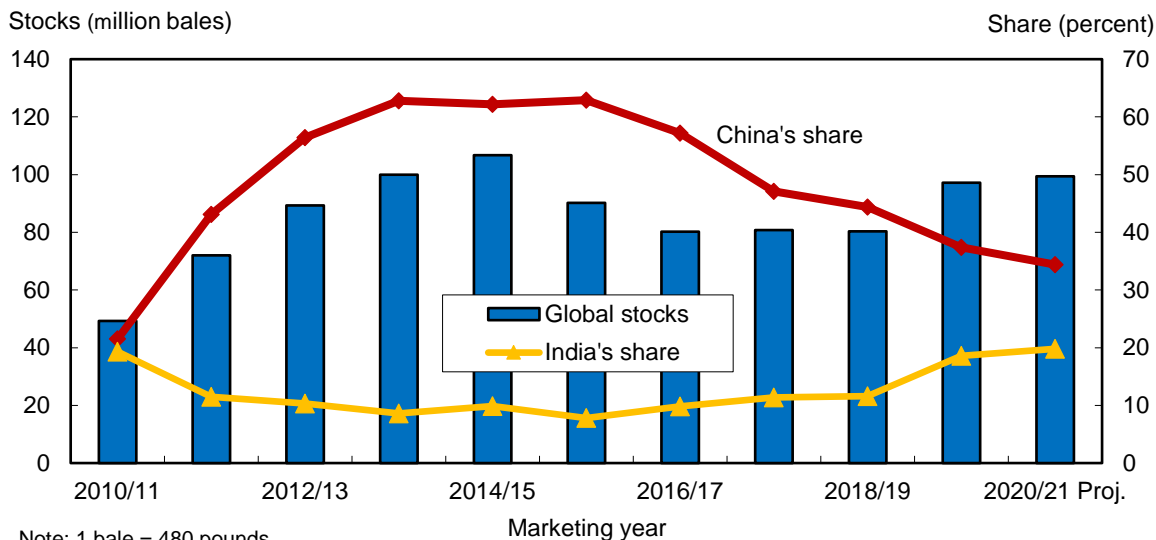
Projections for exports by country indicate that the United States, Brazil, and India are likely to benefit the most from increased trade as supplies increase in these countries. While U.S. cotton exports are expected to expand 1.0 million bales (7 percent), Brazil's exports are forecast to rise 5 percent to 9.0 million bales, and India's exports are projected to increase 1.3 million bales to 4.5 million in 2020/21.

With global cotton production forecast to exceed mill use, 2020/21 world ending stocks are expected to expand to their highest in 6 years. Stocks are projected at 99.4 million bales, 2.3 million bales above 2019/20. However, China's stocks are expected to decline in 2020/21, with stocks there estimated at 34.1 million bales at the end of the season. As a share of global

stocks, China is expected to hold its smallest share in a decade. Meanwhile, stocks outside of China are projected to increase in 2020/21, led by India. Cotton stocks in India have risen in recent years and are forecast to reach 19.7 million bales by the end of 2020/21—about 20 percent of the global total—its highest share in a decade (fig. 4).

Figure 4

China and India's share of global cotton ending stocks



Note: 1 bale = 480 pounds.

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

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