



Cotton and Wool Outlook

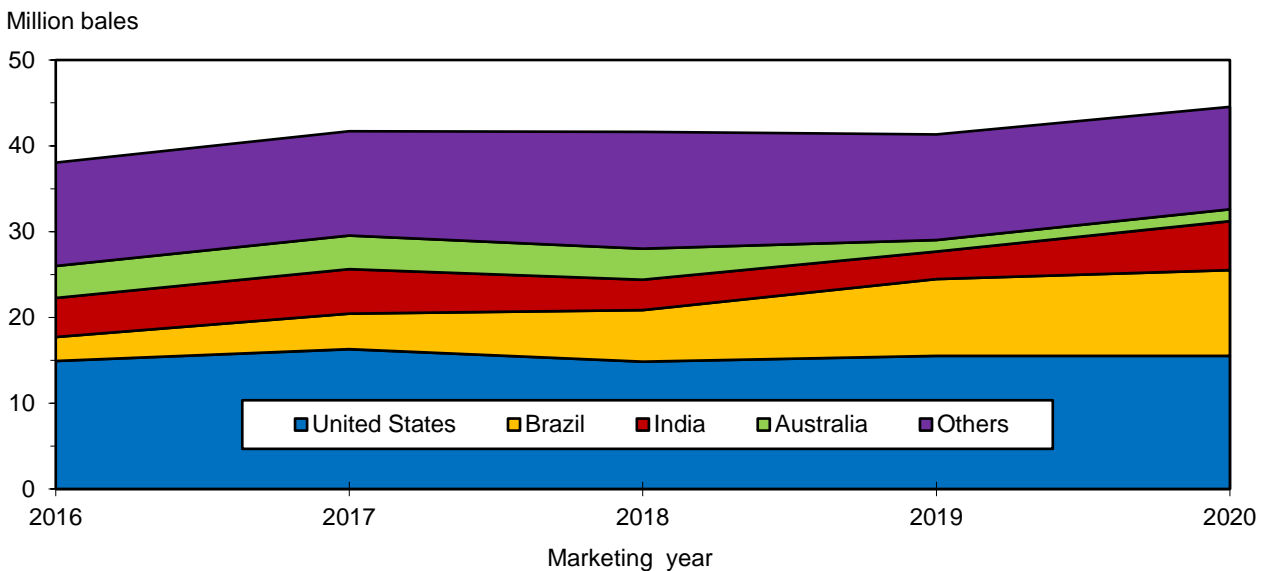
Leslie A. Meyer

Global Cotton Trade Rising to 8-Year High

The latest U.S. Department of Agriculture (USDA) estimates indicate that world cotton trade in 2020/21 is projected at 44.5 million bales—nearly 8 percent above 2019/20 and the highest export level since 2012/13. Leading the way are the United States and Brazil, where projected exports account for 35 percent and 22 percent, respectively, of the world total (figure 1). In addition, India’s exports are expected to rebound. Meanwhile, the leading importers include China, Bangladesh, and Vietnam.

The rising world cotton trade is a result of increased mill demand expectations. Global cotton mill use in 2020/21 is projected at 117.5 million bales, 14.5 percent above last season’s 16-year low. On the other hand, world cotton production in 2020/21—led by China and India—is projected at 113.3 million bales, 7 percent below 2019/20 and the smallest crop in 4 years. With mill use exceeding production, global cotton stocks are forecast to decrease this season. World cotton stocks in 2020/21 are forecast at 94.6 million bales—a 4-percent reduction. Consequently, a lower global stocks-to-use ratio is also forecast in 2020/21 and supports the higher cotton prices experienced this season.

Figure 1
Global cotton exports led by the United States and Brazil



Note: 1 bale = 480 pounds

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

Domestic Outlook

U.S. Cotton Supply Lowered in March; Demand Reduced

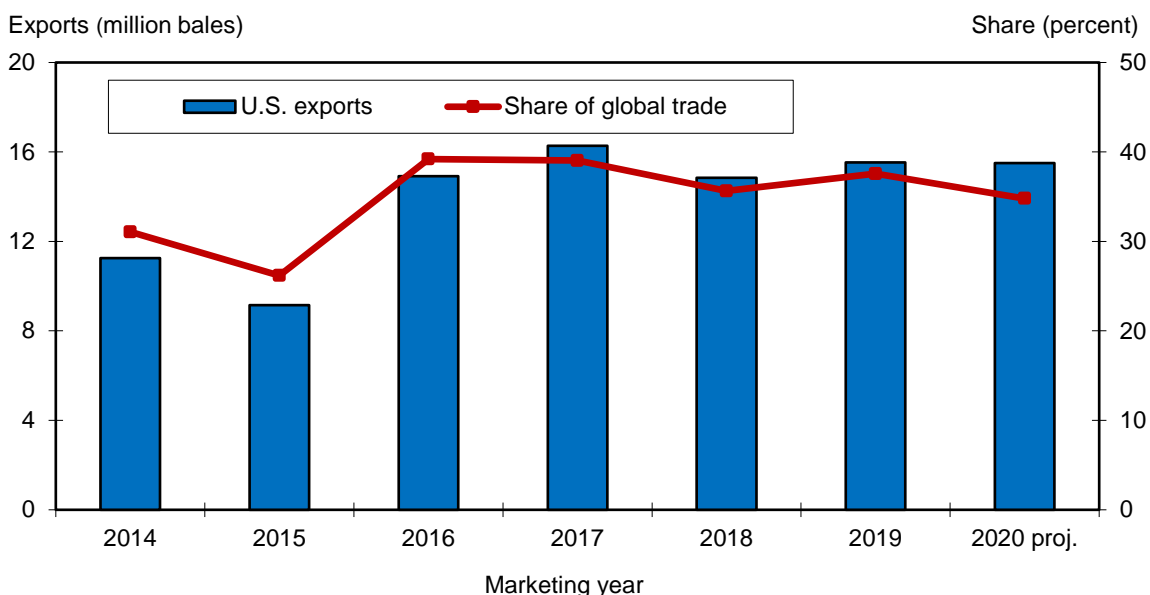
The U.S. cotton crop estimate for 2020/21 was reduced 250,000 bales this month to 14.7 million bales (upland at approximately 14.2 million bales and extra-long staple at 535,000 bales) based on data in the March *Cotton Ginnings* report. The latest estimate is 26 percent below the 2019 crop and would be the smallest U.S. production in 5 years. USDA will release the final U.S. cotton production estimate for the 2020 crop on May 12. Based on the current production estimate and beginning stocks of 7.25 million bales, the 2020/21 cotton supply totals nearly 22 million bales, 11 percent below 2019/20 and the lowest since 2016/17.

U.S. cotton demand in 2020/21 is projected at 17.8 million bales, slightly below the February projection but similar to the previous 2 seasons. While U.S. cotton mill use is estimated at 2.3 million bales—7 percent above 2019/20—exports are forecast at 15.5 million bales, nearly identical to last season's shipments. Through the first 6 months of 2020/21, U.S. textile mills used approximately 1.1 million bales of cotton—24 percent below the corresponding period last season—as the industry recovers from the various impacts of the pandemic. Based on the latest estimate, cotton mill use is expected to improve slightly during the second half of the season.

Meanwhile, competitively priced cotton from some foreign producers is expected to keep U.S. cotton exports relatively stable in 2020/21 despite a nearly 10-percent increase in global cotton imports this season. U.S. cotton export commitments through the first 7 months of 2020/21 reached 14.7 million bales, compared with 15.0 million bales for the same period last season. Based on the 2020/21 export projection, the U.S. share of global trade is forecast near 35 percent, below the 3-year average of 37 percent (figure 2).

Figure 2

U.S. cotton exports and share of global trade



Note: 1 bale = 480 pounds.

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

With U.S. cotton demand above production, 2020/21 U.S. ending stocks are projected more than 3 million bales (42 percent) lower at 4.2 million bales. Based on the current supply and demand estimates, the 2020/21 U.S. stocks-to-use ratio is forecast near 23.5 percent, compared with 41 percent in 2019/20. As a result, the average price received by U.S. upland cotton producers is expected to increase nearly 10 cents this season to 69 cents per pound, compared with 59.6 cents per pound in 2019/20, as the global economy and world cotton mill use projections have strengthened this season, reducing stocks for the major producers outside of China.

U.S. Net Textile and Apparel Imports Decrease in 2020

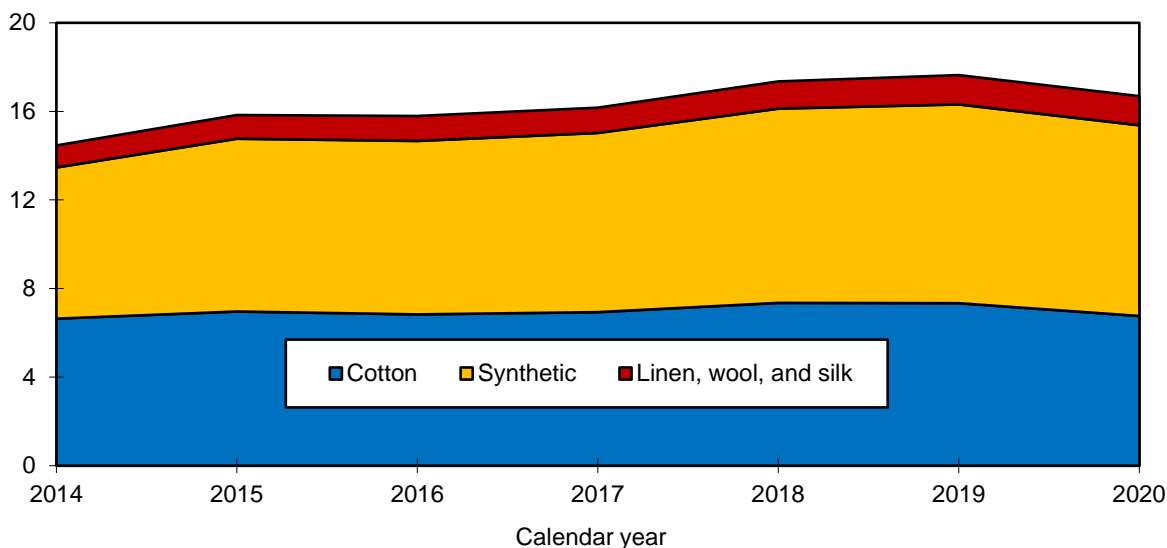
U.S. net textile and apparel fiber imports declined in calendar 2020, as the effects of COVID-19 impacted the entire industry as well as consumer demand for clothing. Net imports decreased to 16.7 billion raw-fiber-equivalent pounds in 2020, nearly 5.5 percent below a year earlier (figure 3). Total fiber product imports approached 19.3 billion pounds in 2020, compared with 21.0 billion pounds in 2019. Meanwhile, textile and apparel exports in 2020 declined 23 percent to 2.6 billion pounds, the lowest since 1993.

Although net product imports for each fiber decreased in 2020, synthetic textile and apparel products have accounted for the largest share of the total since 2014, as the popularity of athleisure wear increased. Consequently, cotton's share of total net fiber product imports has steadily decreased since 2007. In 2020, synthetic textile and apparel products accounted for 52 percent of the total, while cotton products contributed 40 percent, and linen, wool, and silk combined for an additional 8 percent.

Figure 3

U.S. net imports of textile and apparel fiber products

Billion pounds



Note: Raw-fiber-equivalent pounds.

Sources: USDA, Economic Research Service and U.S. Department of Commerce, U.S. Census Bureau.

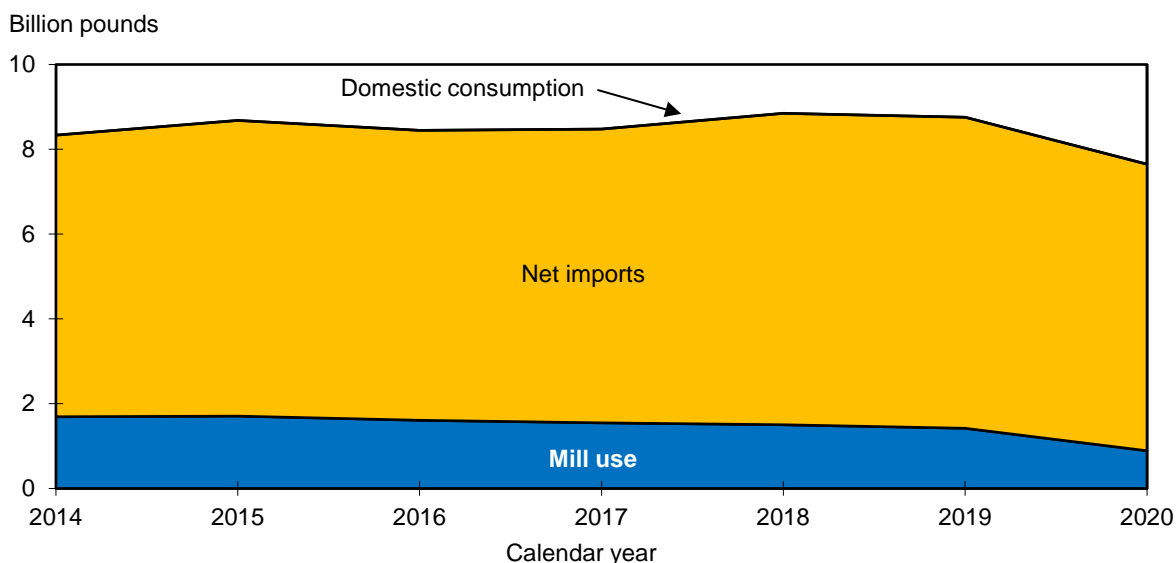
U.S. 2020 Retail Cotton Consumption Smaller

U.S. domestic cotton consumption (mill use plus net textile imports) declined more than 12 percent in calendar 2020, after a slight 1-percent reduction in 2019, as consumer purchases of cotton products decreased. Retail consumption in 2020 was estimated near 7.7 billion (raw-fiber-equivalent) pounds, or 15.9 million bale-equivalents for the year (figure 4). While domestic cotton consumption was relatively flat in 2018 and 2019, the effects of the pandemic resulted in 2020 consumption at its lowest level in more than 25 years and approximately 30 percent below the calendar 2006 record of 10.9 billion pounds.

U.S. cotton product imports and exports each declined in 2020. Cotton product imports reached 7.9 billion pounds in calendar year 2020, compared with 8.9 billion pounds in 2019 and the lowest since 2001. At the same time, 2020 cotton product exports decreased from 1.6 billion pounds in 2019 to only 1.1 billion pounds in 2020, the lowest since 1994. Meanwhile, U.S. cotton mill use in calendar 2020 declined 37 percent to 0.9 billion pounds. As a result, the U.S. per capita estimate of retail cotton consumption decreased to approximately 23.5 pounds in 2020, 3 pounds lower than in 2019. However, a rebound in retail cotton consumption is expected in calendar 2021 as the global economy—an indicator of consumer demand—is forecast to expand at its strongest rate in 14 years.

Figure 4

U.S. domestic consumption of cotton



Note: Raw-fiber-equivalent pounds.

Sources: USDA, Economic Research Service and U.S. Department of Commerce, U.S. Census Bureau.

International Outlook

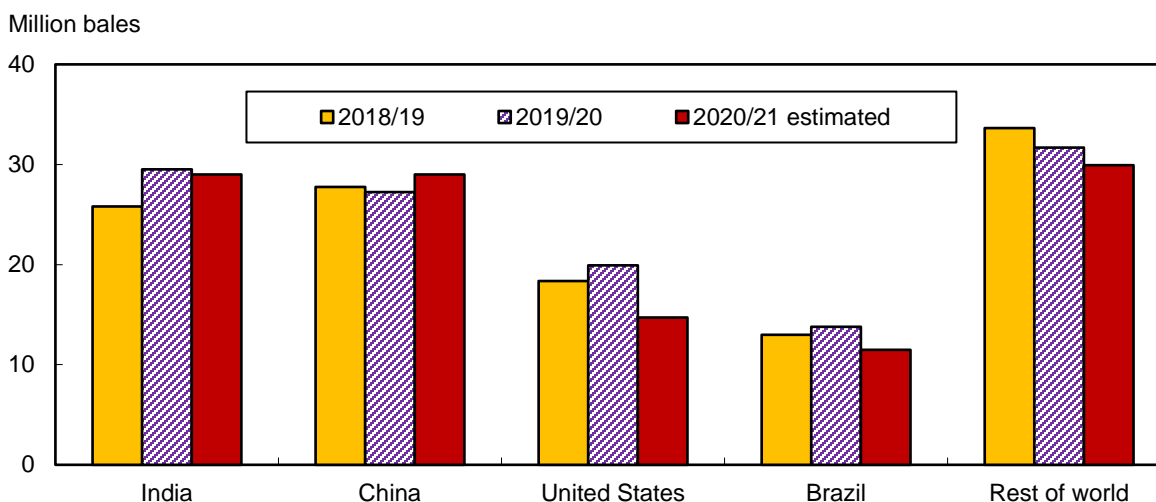
Global Cotton Production Lower in 2020/21

World cotton production in 2020/21 is projected at 113.3 million bales, 7 percent (8.8 million bales) below last season and the smallest since 2016/17. The production decrease is largely due to a lower harvested area, which is estimated at 32.2 million hectares (79.6 million acres) this season—an 8-percent reduction. Meanwhile, the global yield is forecast at 766 kilograms (kg) per hectare (683 pounds per acre), slightly above last season. Among the major cotton-producing countries, the United States and Brazil lead the reduction while production in China and Australia are forecast higher in 2020/21 (figure 5).

Production in India and China—the leading producers—is forecast to be identical this season at 29.0 million bales. India’s crop is projected 500,000 bales lower than in 2019/20, as both area and yield are forecast slightly lower. India’s harvested area is placed at 13.35 million hectares—compared with 2019/20’s record of 13.5 million hectares—with a yield of 473 kg per hectare, near the 3-year average. For China, 2020/21 cotton production is projected to increase nearly 6.5 percent (1.75 million bales) above a year earlier, as a record yield more than offsets lower area. With most of China’s cotton area now in the high-yielding Xinjiang region, a national yield for China of 1,943 kg per hectare is forecast this season that is well above the 3-year average of 1,736 kg per hectare.

For Brazil, cotton production is projected at 11.5 million bales in 2020/21, below the record set last season (nearly 13.8 million bales) for the Southern Hemisphere country. In 2020/21, harvested area of 1.45 million hectares is forecast—the smallest in 3 years—as a late soybean harvest where cotton is double-cropped and attractive corn prices limit cotton plantings this season. In addition, a forecast yield of 1,727 kg per hectare—below 2019/20’s record of 1,802 kg per hectare—is expected to help reduce Brazil’s crop 16.5 percent in 2020/21. However, large-scale production efficiencies and increased export prospects in recent years have permitted Brazil to become the fourth largest cotton producer.

Figure 5
Leading global cotton producers



Note: 1 bale = 480 pounds.

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

Pakistan's production in 2020/21 is forecast at 4.5 million bales, 27 percent (1.7 million bales) below a year earlier and the smallest crop there since 1983/84. Gin arrival reports support the reduced crop prospects, with Pakistan's yield forecast at only 445 kg per hectare, the lowest in more than 35 years. For Australia, 2020/21 cotton production is projected at 2.6 million bales, a considerable rebound from last season's drought-reduced crop of only 630,000 bales.

World Cotton Mill Use Higher; Stocks Decrease

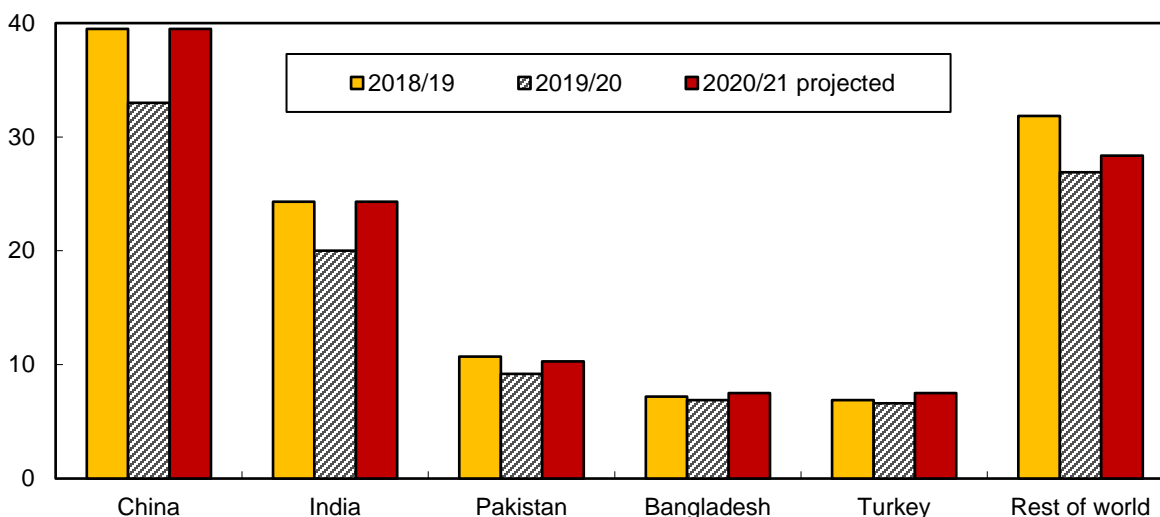
Global cotton consumption in 2020/21 is forecast at 117.5 million bales, 14.5 percent (nearly 14.9 million bales) above last season as overall global economic activity—and the textile and apparel industry, in particular—continues recovering from the impacts of the COVID-19 pandemic. However, projected mill use remains below the 2018/19 level of 120.5 million bales. This season's cotton mill use expansion is led by China and India—the largest users of raw cotton—where mill use is expected to rebound to 2018/19 levels (figure 6). For China, mill use is forecast at 39.5 million bales, 6.5 million bales (20 percent) higher than in 2019/20. China is expected to account for one-third of global cotton mill use this season. Similarly, India is projected to rebound to 24.3 million bales in 2020/21, a gain of 4.3 million bales (21.5 percent) from a year ago. India is forecast to contribute 21 percent of world cotton mill use this season.

Meanwhile, cotton spinning is also expected to increase in Pakistan, Bangladesh, and Turkey in 2019/20 after last season's declines. In Pakistan—the third largest spinner of cotton—mill use is forecast 12 percent higher at 10.3 million bales but remains 400,000 bales below the 2018/19 level. Pakistan is expected to contribute about 9 percent of total mill use in 2020/21. Cotton mill use in Bangladesh and Turkey are each projected at 7.5 million bales in 2020/21, as improvement in textile activities for these countries expand cotton use to 3-year highs. Combined, Bangladesh and Turkey account for 13 percent of global cotton mill use this season.

Figure 6

Leading global cotton consumers

Million bales



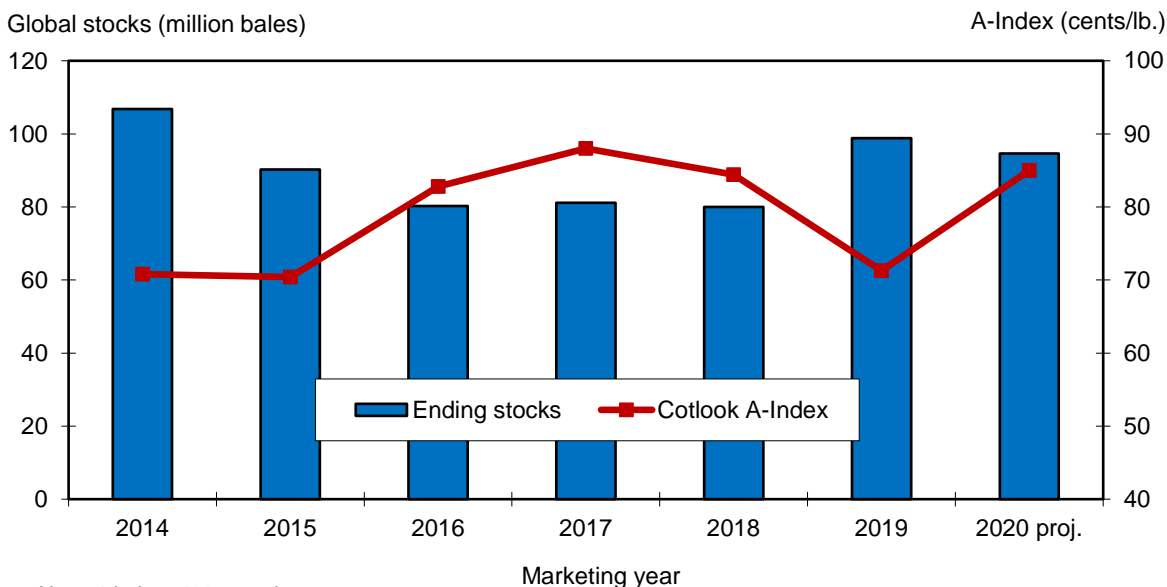
Note: 1 bale = 480 pounds.

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

With global cotton consumption forecast above production in 2020/21, world cotton stocks are projected to decline 4 percent. Based on the March world cotton supply and demand estimates, 2020/21 global ending stocks are forecast at 94.6 million bales, nearly 4.3 million bales below 2019/20 but still the second highest since 2014/15 (figure 7). The decrease is largely attributable to the United States and Brazil, where stocks are projected to decline 3.1 million bales and 1.5 million bales, respectively. While U.S. cotton stocks are forecast at 4.2 million bales, Brazil's stocks are projected at 12.9 million bales this season.

Additional declines for Pakistan and India are somewhat offset by an increase for China, where ending stocks are expected to rise slightly for the second consecutive season. After a 3-percent gain in 2019/20, stocks in China are projected to increase 1 percent this season, reaching 37.3 million bales by the end of 2020/21, their highest in 3 years. With global stocks decreasing and consumption increasing in 2020/21, the stocks-to-use ratio (81 percent) is declining to the average of the previous 2 seasons. In addition, 2020/21 stocks and the stocks-to-use ratio for the world excluding China are projected to decline from last season's record, supporting higher world cotton price expectations in 2020/21 compared with a year earlier.

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., *Cotton and Wool Outlook*, CWS-21c, U.S. Department of Agriculture, Economic Research Service, March 11, 2021.

Use of commercial and trade names does not imply approval or constitute endorsement by USDA.

In accordance with Federal civil rights law and USDA civil rights regulations and policies, the USDA, its Agencies, offices, and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, religion, sex, gender identity (including gender expression), sexual orientation, disability, age, marital status, family/parental status, income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity, in any program or activity conducted or funded by USDA (not all bases apply to all programs). Remedies and complaint filing deadlines vary by program or incident.

Persons with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotope, American Sign Language, etc.) should contact the responsible Agency or USDA's TARGET Center at (202) 720-2600 (voice and TTY) or contact USDA through the Federal Relay Service at (800) 877-8339. Additionally, program information may be made available in languages other than English.

To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form, AD-3027, found online at [How to File a Program Discrimination Complaint](#) and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by: (1) mail: U.S. Department of Agriculture, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue, SW, Washington, D.C. 20250-9410; (2) fax: (202) 690-7442; or (3) email: program.intake@usda.gov.

USDA is an equal opportunity provider, employer, and lender.