



Cotton and Wool Outlook: December 2021

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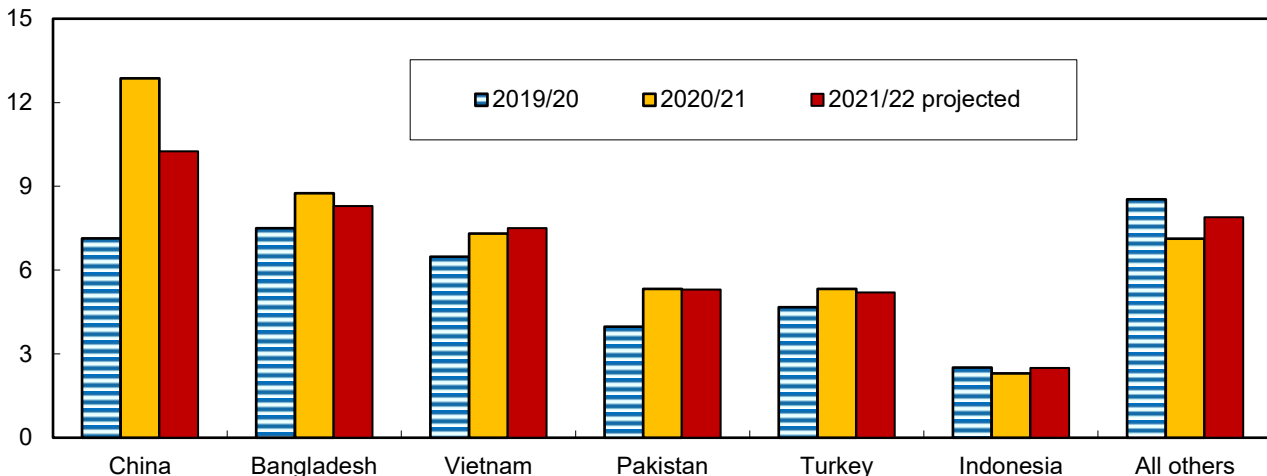
China Leads 2021/22 Global Cotton Imports

The latest U.S. Department of Agriculture (USDA) estimates indicate that world cotton imports in 2021/22 (August–July) are projected at 46.9 million bales; while 4 percent (2.1 million bales) below last season’s record, this season’s projection would be the third highest ever. China leads the way once again, accounting for 22 percent of the total (figure 1). In addition, strong imports are seen for Bangladesh, Vietnam, and others in support of their expanding cotton mill use.

World cotton production is forecast at 121.6 million bales in 2021/22—the largest in 4 years—resulting from increased yields and a higher harvested area. Meanwhile, global cotton mill use in 2021/22 is projected to rise nearly 3 percent to a record 124.3 million bales, as demand for cotton products continues to improve from 2019/20’s dramatic downturn. World cotton exports are led by the United States, Brazil, and India, contributing a combined 63 percent of the total in 2021/22. Global cotton ending stocks and the stocks-to-use ratio are both projected at their lowest in 3 years, supporting world cotton price levels not seen in a decade.

Figure 1
Leading cotton importers

Million bales



Note: 1 bale = 480 pounds.

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

Domestic Outlook

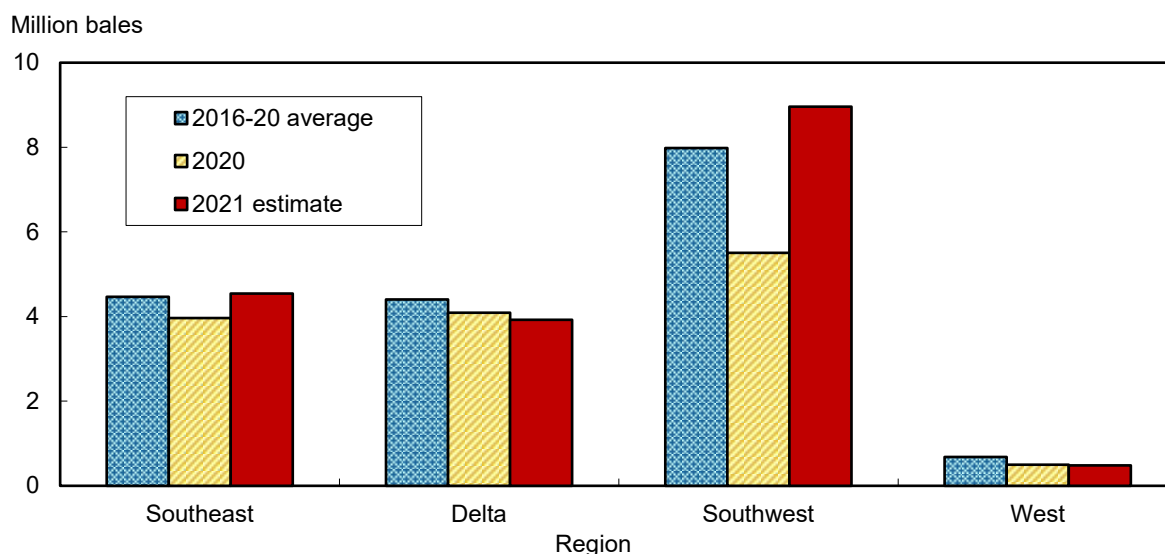
U.S. Cotton Crop Forecast Slightly Higher in December

USDA's December *Crop Production* report forecasts 2021 U.S. cotton production at 18.3 million bales, marginally above last month's forecast but 25 percent (3.7 million bales) above the 2020 crop. Harvested area this season is estimated at 9.9 million acres, indicating an abandonment rate of 11 percent, compared with last season's 32 percent. The 2021 national yield is forecast at 885 pounds per harvested acre, the highest since 2017's record of 905 pounds. Upland cotton production is estimated at 17.9 million bales, while the extra-long staple (ELS) crop is forecast at 374,000 bales. For current production estimates by State, see table 10 published separately with this report.

Upland cotton production is forecast higher in two of the Cotton Belt regions while lower in two regions (figure 2). In the Southwest, the 2021 upland crop is projected at 9 million bales, the second largest behind 2017's 10.5 million bales. Although 2021 planted area (6.9 million acres) was the lowest in 5 years, this season's improved crop conditions lowered abandonment and lifted harvested area to an estimated 5.8 million acres—similar to 2019. As a result, 2021 Southwest abandonment is projected at 17 percent, well below last season's 49 percent and the lowest since 2016. The 2021 Southwest upland yield is forecast higher at 746 pounds per harvested acre, compared with last season's 692 pounds and a 5-year average of 729 pounds.

In the Southeast, 2021 cotton production is projected at 4.5 million bales—15 percent (580,000 bales) above 2020 but similar to the 2016–20 average—as a higher yield more than offsets lower area. Cotton area in 2021 is forecast at its lowest in 5 years, with harvested area estimated about 2.3 million acres. Meanwhile, the Southeast yield is projected at 958 pounds per harvested acre in 2021, the second highest on record behind 2012's 1,033 pounds.

Figure 2
U.S. regional upland cotton production



Note: 1 bale = 480 pounds.

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

For the 2021 Delta cotton crop, production is estimated at 3.9 million bales, 4 percent below a year ago but similar to the 10-year average. Although this season's area—1.6 million acres—is the smallest since 2016, a record yield is projected for the region. The Delta yield is forecast to reach 1,187 pounds per harvested acre in 2021, surpassing 2018's 1,152 pounds.

In the West, 2021 upland production is projected at only 485,000 bales, compared with 499,000 bales in 2020, the lowest production in more than 80 years. Harvested area (172,000 acres) is the lowest since 2015, while this season's yield (1,353 pounds per harvested acre) is similar to the 5-year average. The U.S. ELS crop (374,000 bales)—grown mainly in the West—is projected at its smallest since 1995, with area at its lowest in 35 years. Meanwhile, the ELS yield is forecast above the 5-year average at 1,469 pounds per harvested acre.

U.S. Cotton Demand and Stocks Estimates Unchanged

U.S. cotton demand for 2021/22 remains projected at 18 million bales in December, 4 percent below 2020/21 but similar to the 3-year average. U.S. cotton exports contribute the bulk of demand and are projected at 15.5 million bales in 2021/22, with mill use forecast to account for the remaining 2.5 million bales. Although the global import estimate increased in December—supporting a higher world mill use—strong foreign competition and the smallest U.S. cotton supply in 6 years is expected to limit export prospects. In addition, ongoing supply chain disruptions and the recent surge in cotton prices add additional uncertainties to the global cotton market. Based on the December projections, the 2021/22 U.S. share of world trade is forecast at 33 percent—slightly below last season.

With the U.S. cotton demand projection unchanged this month and a marginal change in the production estimate, the 2021/22 U.S. ending stocks estimate remains at a relatively low 3.4 million bales, compared with last season's 3.15 million bales—the lowest since 2016/17. Similarly, the stocks-to-use ratio (19 percent) is forecast slightly higher at the end of 2021/22, but below the 5-year average of 24 percent. Based on the U.S. and world cotton supply and demand estimates and recent prices, the 2021/22 average U.S. upland cotton farm price is forecast at a record 90 cents per pound, compared with the final 2020/21 estimate of 66.3 cents per pound.

International Outlook

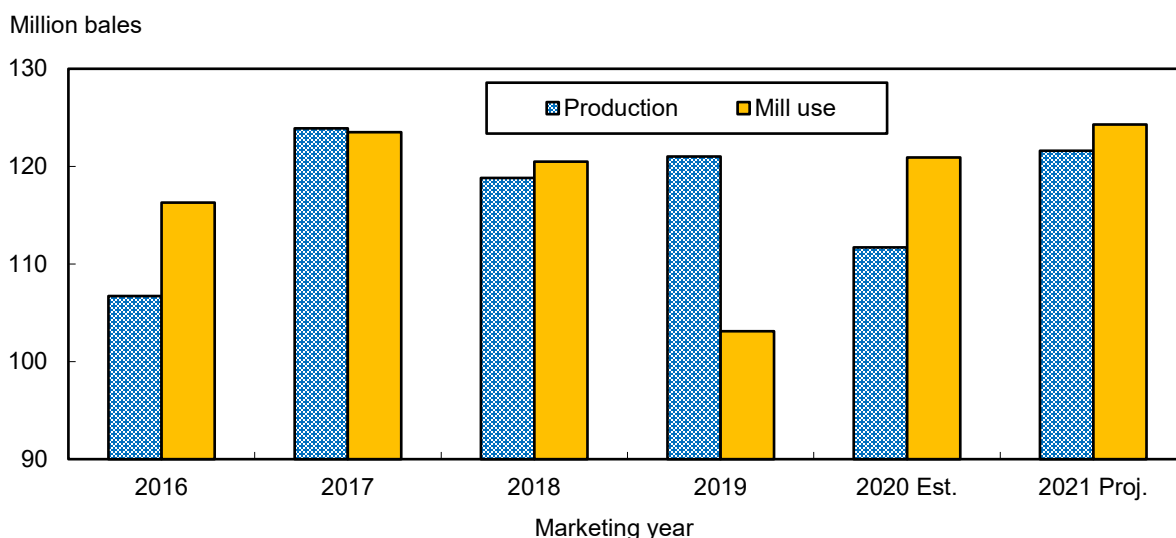
World Cotton Production Higher in 2021/22

Global cotton production in 2021/22 is projected at 121.6 million bales, marginally below last month's projection but 9.9 million bales (9 percent) above last season (figure 3). World harvested area and yield are each projected higher this season. Global area is forecast at nearly 32.7 million hectares (80.7 million acres) in 2021/22—1.25 million hectares above 2020/21. The world cotton yield in 2021/22 is projected at a record 811 kilograms (kg) per hectare (723 pounds per acre), compared with the 3-year average of 770 kg per hectare.

Cotton production prospects for the major-producing countries this season are positive—compared with 2020/21—with China the exception. Production in India—the leading cotton producer—is forecast at 28 million bales, 400,000 bales above 2020/21. Although lower area resulted from the monsoon's variation in key cotton regions in India this season, a higher projected national yield more than offset the area reduction. Harvested area in India is estimated at 12.4 million hectares in 2021/22, the lowest in 5 years. India's yield (492 kg per hectare) is forecast 7 percent above the 3-year average. In 2021/22, India is forecast to account for 23 percent of the global cotton crop.

For China, 2021/22 cotton production is projected at 26.75 million bales, 9 percent (2.75 million bales) below a year earlier, with reductions for both area and yield. Harvested area is forecast at 3.1 million hectares (-4.6 percent), while less favorable growing conditions lowered this season national yield (1,879 kg per hectare) that is 5 percent below 2020/21's record. China is expected to account for 22 percent of global production this season. Pakistan's cotton production is forecast at 5.7 million bales (+1.2 million), as a significant rebound in yield to 621 kg per hectare more than offsets a 40-year low in cotton area. Pakistan is forecast to account for about 5 percent of the global cotton crop in 2021/22.

Figure 3
Global cotton production and mill use



Note: 1 bale = 480 pounds.

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

For the Southern Hemisphere countries of Brazil and Australia, 2021/22 cotton production is projected higher for each country, as relatively high cotton prices are observed as planting begins. Brazil's cotton production is forecast at 13.2 million bales, 2.4 million above 2020/21, as area is expected to rise nearly 17 percent. Brazil's yield is also forecast slightly higher at 1,796 kg per hectare in 2021/22. For Australia, a cotton crop of 5.3 million bales is forecast for 2021/22, as area is expected to rebound with drought conditions easing and reservoir levels much improved. Australia's yield is projected at 1,923 kg per hectare, below 2020/21 as additional dryland area is planted this season. Combined, Brazil and Australia are expected to account for 15 percent of the global cotton crop in 2021/22.

Global Cotton Mill Use Forecast To Increase in 2021/22

World cotton consumption in 2021/22 is projected to expand nearly 3 percent to a record 124.3 million bales, as consumer demand for cotton products continues to recover from the coronavirus (COVID-19) impacts. Despite much higher world cotton prices this season, global mill use is expected to rise 3.35 million bales and surpass 2006/07's high of 124.2 million bales.

For the leading cotton-spinning countries, 2021/22 mill use is expected higher or unchanged from the year before, with the 6 top countries combining for 82 percent of the world total. In 2021/22, China's cotton mill use is estimated at 40 million bales, unchanged from 2020/21, which was the highest since 2017/18. China is expected to account for nearly one-third of total global cotton consumption in 2021/22. Cotton mill use in India is projected to increase 3 percent (+800,000 bales) from 2020/21 as its textile industry expands. Cotton mill use in India is forecast at a record 25.8 million bales in 2021/22, or 21 percent of the total.

Cotton mill use is also forecast to rise in Pakistan, Bangladesh, Turkey, and Vietnam in 2021/22. For Pakistan, mill use is expected to reach 11.1 million bales (+400,000 bales) this season, the highest since a similar amount was used in 2008/09. Mill use in Bangladesh is forecast at 8.8 million bales (+300,000 bales), a record. Similarly, cotton mill use in Turkey is also expected to reach a record in 2021/22 at 8.5 million bales (+800,000 bales). In addition, mill use in Vietnam is forecast to rise 200,000 bales to 7.5 million bales in 2021/22. As a result, these 4 countries are forecast to account for 29 percent of the global cotton mill use this season.

World Cotton Trade and Stocks To Decline in 2021/22

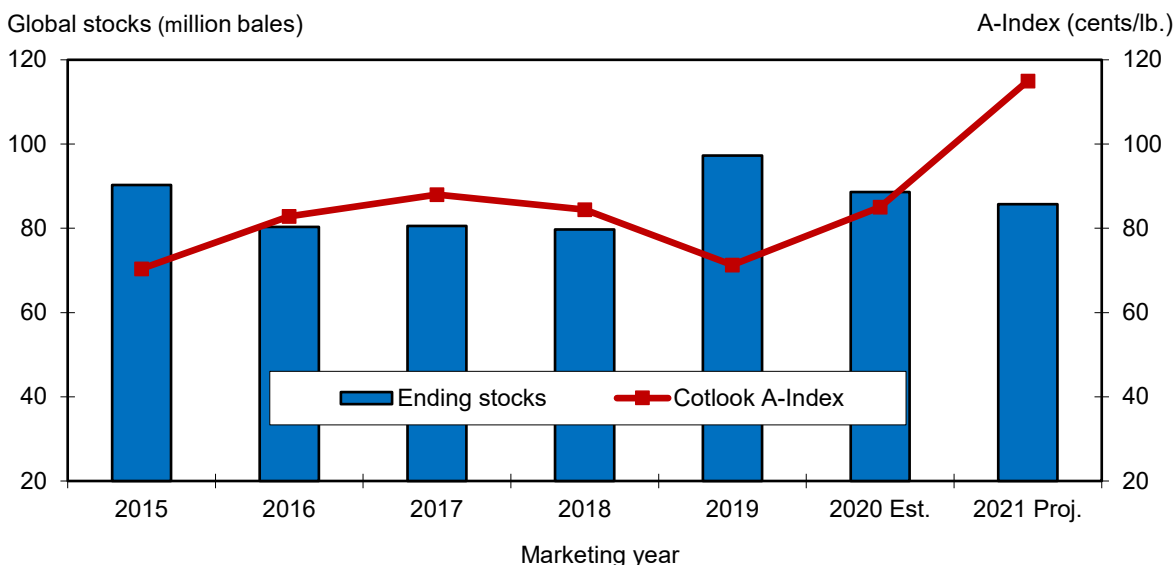
Despite record global cotton mill use in 2021/22, world cotton trade is forecast to decrease this season as cotton spinners imported a record level of supplies in 2020/21. Global imports are forecast at 46.9 million bales in 2021/22. China and Bangladesh—the leading cotton importers—are expected to import 10.25 million bales and 8.3 million bales, respectively, compared with 12.9 million and nearly 8.8 million a year ago.

As a result, cotton exports are projected to decrease for the major suppliers, including the United States, Brazil, and India, where supplies (beginning stocks + production + imports) are lower in 2021/22. For Brazil, 2021/22 cotton exports are expected to decline from a record 11 million bales last season to 8.3 million bales in 2021/22. For India, this season's cotton exports are projected at 5.8 million bales, compared with 6.2 million bales in 2020/21.

Meanwhile, global cotton stocks are projected at 85.7 million bales at the end of 2021/22, compared with 88.6 million bales last season, and 97.3 million bales in 2019/20 (figure 4). World cotton stocks are expected to decline in a number of countries this season but will be partially offset by increases in the United States and Brazil. China’s stocks—forecast at 36.2 million bales—are 3.1 million bales lower this season but China remains the largest stockholder in 2021/22, accounting for 42 percent of the world total. For India, stocks are expected to decrease 2.6 million bales to 10.8 million, or nearly 13 percent of the total. However, ending stocks for Brazil are projected to rise 1.7 million bales due to larger production, with stocks reaching 12.8 million bales at the end of 2021/22. Meanwhile, stocks in the United States are forecast 250,000 bales higher at 3.4 million bales.

Based on the latest cotton supply and demand projections, world cotton stocks are projected to decrease 3 percent in 2021/22, the lowest in 3 years. Meanwhile, the global stocks-to-use ratio is estimated at 69 percent in 2021/22, compared with last season’s 73 percent. With global cotton demand expanding and stocks declining for consecutive seasons, the 2021/22 Cotlook A-Index price is expected to increase from 2020/21’s average of 85 cents per pound to its highest in a decade at 115 cents per pound.

Figure 4
Global cotton stocks and prices



Note: 1 bale = 480 pounds.

Sources: Cotlook and USDA, Interagency Commodity Estimates Committee.

Suggested Citation

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