



Cotton and Wool Outlook: May 2022

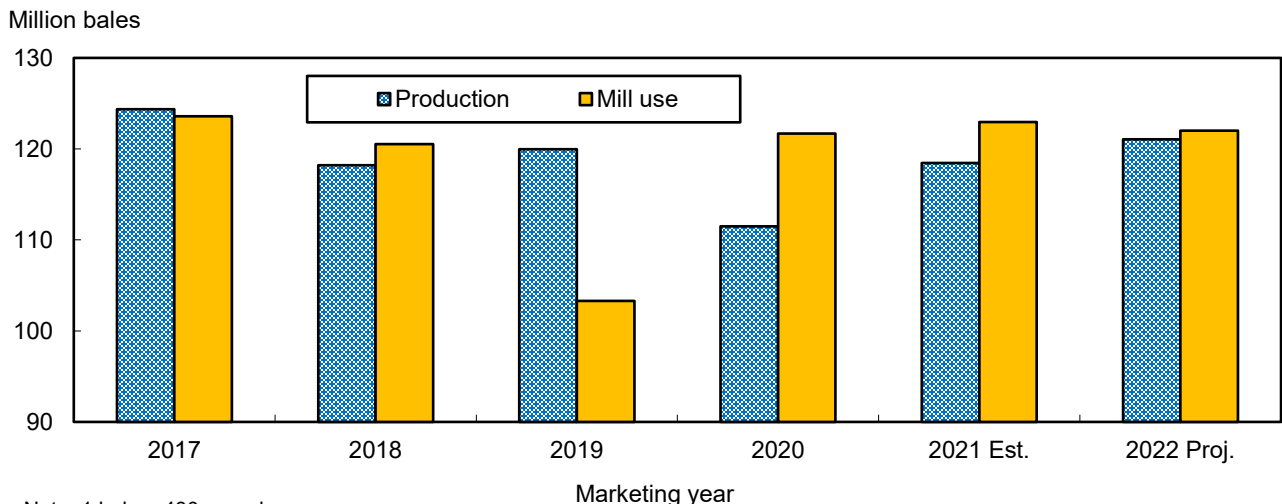
Leslie A. Meyer and Taylor Dew

Global Cotton Mill Use Projected Above Production for Third Consecutive Year in 2022/23

The initial U.S. Department of Agriculture (USDA) cotton projections for 2022/23 (August–July) include slightly higher world production and lower mill use than in 2021/22 (figure 1). Ending stocks are expected to be marginally lower as mill use exceeds production for the third consecutive season. Global cotton mill use is projected to remain near the level of the previous 2 years after the rebound from the disruptions that affected the global cotton supply chain. Global 2022/23 cotton prices are also projected to continue to average near last season’s elevated levels. For 2022/23, cotton mill use is projected at 122 million bales, 0.8 percent below 2021/22. In 2022/23, cotton use is led by China, India, Pakistan, and Bangladesh.

World cotton production in 2022/23 is forecast at 121.1 million bales, 2.6 million above the year before. In 2022/23, cotton production is led by China, India, and the United States, with China and India projected to increase production from 2021/22. U.S. cotton production in 2022/23 is forecast lower as significant drought conditions are present in the Southwest.

Figure 1
Global cotton production and mill use



Note: 1 bale = 480 pounds.

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

Domestic Outlook

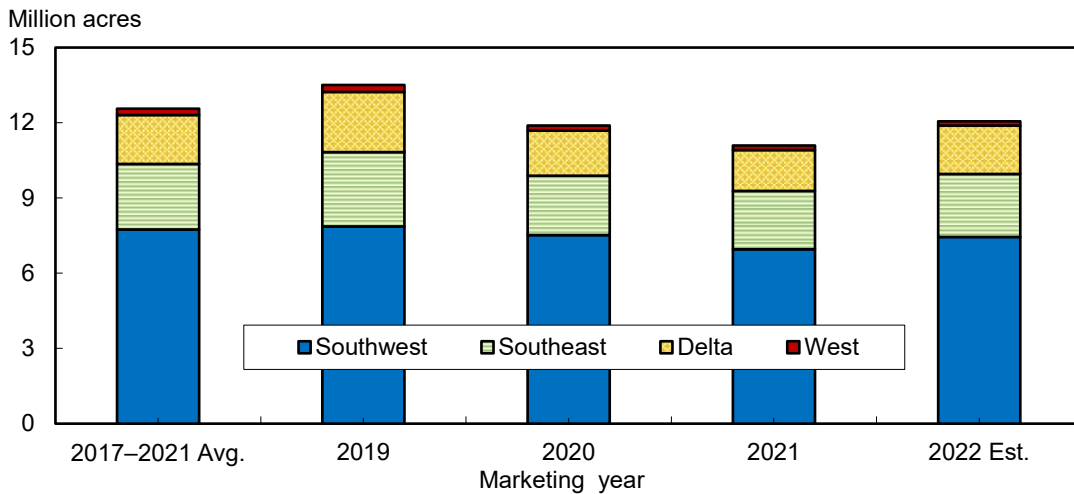
U.S. Cotton Crop Forecast To Decrease in 2022

According to USDA’s initial projection for the 2022 crop, U.S. cotton production is forecast at 16.5 million bales, nearly 6 percent (1 million bales) below the final 2021 estimate. Based on March *Prospective Plantings*, 2022 cotton area is estimated at 12.2 million acres, 1 million above planted area in 2021. While cotton prices were considerably higher than a year ago going into planting season, relative harvest price expectations for competing crops also were elevated which limited the increase in 2022 cotton acreage intentions. Other factors—such as weather, production costs, and potential program benefits—will also play an important role in the acreage planted to cotton this year. USDA will update the initial plantings estimate at the end of June.

While planted area for upland cotton is forecast 9 percent larger in 2022, extra-long staple (ELS) cotton is expected to increase 39 percent from 2021. For the upcoming season, upland acreage is projected higher in three of the Cotton Belt regions, with the West marginally lower (figure 2). Based on *Prospective Plantings*, the Southwest upland area is estimated at 7.4 million acres, 500,000 acres (7 percent) above 2021. The Southwest is forecast to account for 62 percent of the total 2022 upland area, near the 5-year average. Cotton acreage in the Southeast is projected at 2.5 million acres, 8 percent above 2021 but below the 5-year average. In 2022, the Southeast is expected to contribute 21 percent of the total area.

For the Delta, 2022 cotton acreage is projected at 1.9 million acres, 18 percent larger than 2021 but near the 5-year average. The Delta’s share of total upland area is expected to reach 16 percent, the highest in 3 years. Upland cotton area in the West is expected 7 percent lower in 2022, reaching only 170,000 acres, one of the smallest on record. The region will account for only 1.4 percent of the U.S. upland cotton area in 2022. Meanwhile, ELS cotton remains concentrated in the West, where nearly 88 percent of the 176,000-acre total is forecast to be planted in 2022. California is the leading ELS-producing State, accounting for 117,000 acres of the total.

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



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

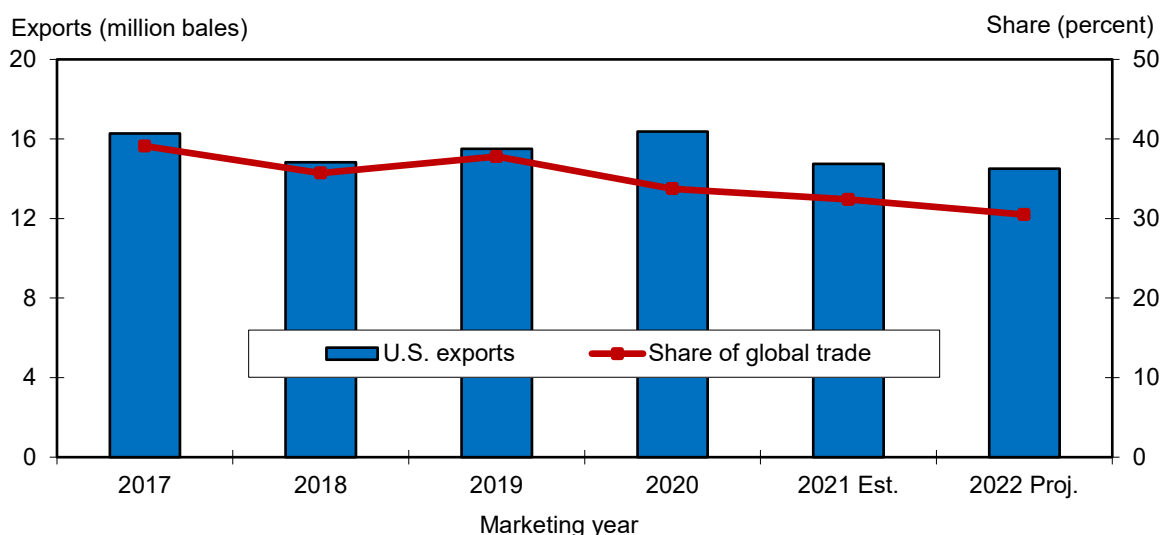
As of early May, drought conditions are prevalent across the western half of the Cotton Belt, while conditions are more favorable for the eastern half. On the High Plains of Texas, where much of the State’s cotton is planted, accumulated precipitation from November 2021 through April 2022 was well below the long-term average, raising early concerns about crop potential. Weather conditions moving forward will influence cotton plantings, crop conditions, and yield. As of May 8, 24 percent of the U.S. cotton area had been planted—matching both last season and the 2017–21 average. However, several States were considerably above their 5-year averages as of May 8, including California, Louisiana, and Mississippi.

U.S. cotton harvested area for 2022 is projected at 9.1 million acres, 11 percent (1.1 million acres) below the final 2021 estimate. The initial 2022 forecast is based on the 2012–21 average abandonment, weighted by region, with Southwest abandonment higher based on moisture conditions through April. The U.S. abandonment rate is projected at 25 percent, compared with 8.5 percent recorded for 2021. The national yield is forecast at 867 pounds per harvested acre and is based on the 2017–21 crop average yields, weighted by region. The initial U.S. yield for 2022 is projected at its highest in 4 years.

U.S. Cotton Demand Forecast Lower in 2022/23

U.S. cotton demand (mill use plus exports) is projected to decrease slightly in 2022/23 to 17 million bales, 1.7 percent below 2021/22. Although the United States remains the leading raw cotton exporter to the world, a decrease in 2022/23 U.S. supply to its lowest since 2015/16 is expected to limit U.S. exports. The initial U.S. export projection for 2022/23 is 14.5 million bales, 250,000 bales below the previous year and the lowest in 7 years (figure 3). In 2022/23, the U.S. share of global trade is projected at 30.5 percent, 2 percentage points below 2021/22 and the lowest share of world trade since 2015/16. U.S. cotton exports are forecast to account for 85 percent of U.S. cotton demand in 2022/23, with U.S. mill use projected to decline marginally to 2.5 million bales.

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.

With total U.S. cotton demand forecast to exceed production in 2022/23, ending stocks are projected to decline. Cotton stocks are forecast nearly 15 percent (500,000 bales) lower at 2.9 million bales on July 31, 2023, the lowest stock level since 2016/17. In addition, the 2022/23 stocks-to-use ratio (17 percent) is expected below 2021/22's 20 percent but equal to 2020/21's level. Based on these initial projections, the 2022/23 U.S. upland farm price is forecast at 90 cents per pound, compared with the 2021/22 estimate of 92 cents and the 2020/21 estimate of 66.3 cents.

U.S. Estimates for 2021/22 Revised in May

U.S. cotton production for the 2021 crop was adjusted downward in May as USDA released its final cotton production estimates, with revisions to area, yield, and production (see table 10 associated with this report). The U.S. cotton crop was finalized at 17.52 million bales, with a national yield of 819 pounds per harvested acre; production was 20 percent above 2020/21, while the national yield was 4 percent lower, as more area from the lower-yielding Southwest region was harvested than the year before. U.S. 2021/22 demand estimates were unchanged in May, with U.S. cotton exports forecast at 14.75 million bales for the season, while mill use remains at 2.55 million bales. Based on the latest estimates for 2021/22, U.S. cotton ending stocks are forecast at 3.4 million bales, 250,000 bales above a year earlier and a stocks-to-use ratio of 20 percent, compared with 17 percent for 2020/21.

International Outlook

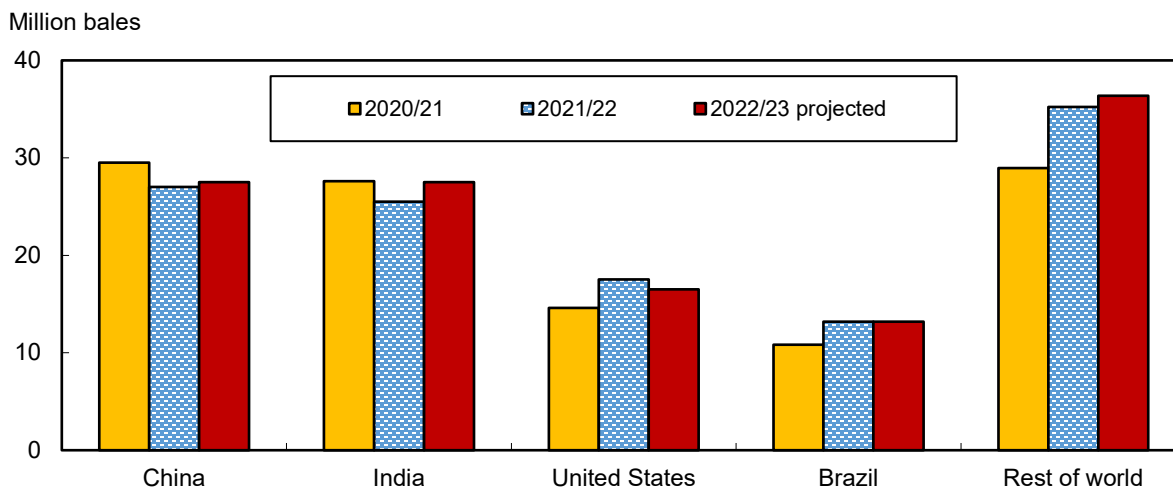
World Cotton Production Forecast Modestly Higher in 2022/23

USDA's initial projection for the 2022/23 global cotton crop is 121.1 million bales, 2.6 million bales (2.2 percent) above the 2021/22 estimate. The larger 2022/23 crop is the result of a small increase in cotton area—supported by higher world cotton prices—while the global yield remains stable. Global harvested area is forecast at 32.9 million hectares (81.4 million acres), 2 percent above 2021/22 and the highest in 3 years. The world yield is forecast at 800 kilograms (kg) per hectare (714 pounds per acre) in 2022/23, the same as the year before but above the 5-year average.

Several major cotton-producing countries are forecast to have larger crops in 2022/23, with the United States and Brazil being notable exceptions (figure 4). China and India continue as the leading cotton producers and USDA's initial forecasts for 2022/23 indicate identical crops there. For China, the 27.5-million-bale crop projection is 500,000 bales above 2021/22 as marginally higher area and yield are expected in 2022/23. China's harvested area is forecast at 3.15 million hectares (7.8 million acres), compared with 3.1 million hectares in 2021/22. Government policies and limited mechanization options in Eastern China keep most of the country's cotton plantings in the high-yielding Xinjiang region. For 2022/23, the national yield is forecast at 1,901 kg per hectare (1,696 pounds per acre), slightly above the year before but below 2020/21's record of 1,976 kg per hectare (1,763 pounds per acre).

India's production—also projected at 27.5 million bales in 2022/23—is 2 million bales above the 2021/22 crop, which was reduced to its lowest since 2009/10 by weather and pest infestations. The larger crop forecast for 2022/23 is the result of a rebound in both harvested area and yield. India's cotton harvested area is projected at 12.7 million hectares (31.4 million acres) in 2022/23, a 4.5-percent increase. The national yield is also forecast higher at 471 kg per hectare—3 percent above the 3-year average—after several consecutive seasons of disappointing yields.

Figure 4
Leading global cotton producers



Note: 1 bale = 480 pounds.

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

In contrast, lower crop expectations for the United States were previously discussed, while cotton production in Brazil and Australia are forecast unchanged in 2022/23 as planting of the Southern Hemisphere cotton crop is more than 6 months away. For Brazil, cotton production is projected at 13.2 million bales—the second largest crop on record—with area of 1.6 million hectares and a yield of 1,796 kg per hectare. For Australia, cotton production is forecast at 5.5 million bales in 2022/23, matching the largest crop on record. A second year of reservoir recharge has kept area and yield prospects near that of 2021/22. Meanwhile, Pakistan’s cotton crop is anticipated slightly higher (+200,000 bales) in 2022/23—at 6.2 million bales—as increased area is somewhat offset by a lower but above-average yield.

World Cotton Mill Use Projected Lower in 2022/23

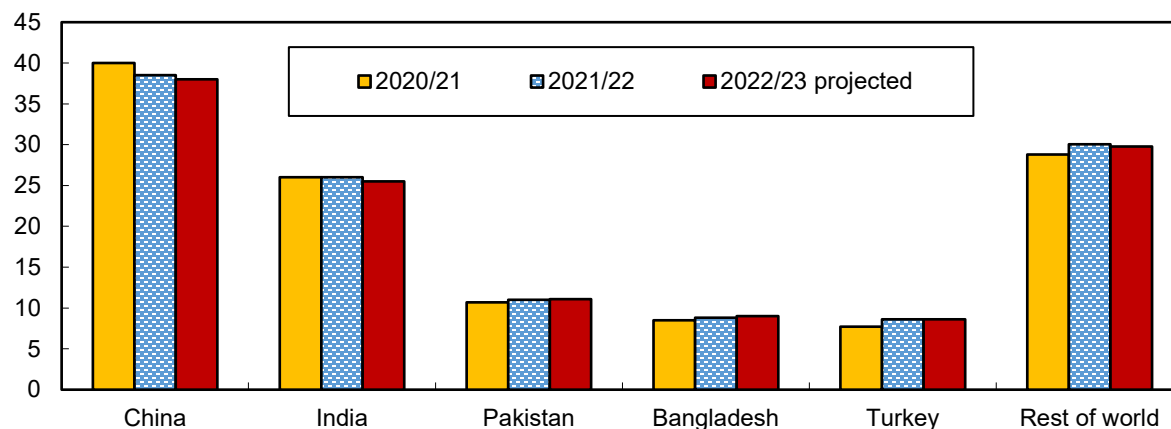
Global cotton mill use generally follows world economic activity. As world economic growth slows with inflationary pressures and shift in spending away from goods and towards services likely reducing consumer demand for clothing products—in addition to very competitive polyester fiber prices—cotton mill use is expected to decline. USDA’s initial 2022/23 projection for global cotton mill use is 122 million bales, 900,000 bales below the 2021/22 estimate. At the current projection, 2022/23 world mill use would experience its first decrease in 3 years although it would remain near the 2020/21–2021/22 average. Cotton mill use in 2022/23—compared with 2021/22—is expected to vary by country, with most experiencing modest changes (figure 5). Cotton mill use in 2022/23 is expected to be led by China, India, and Pakistan, with a combined forecast of 74.6 million bales, or 61 percent of the world total.

In China, cotton mill use is projected to decline for a second consecutive year in 2022/23, although it remains by far the largest user of raw cotton. Mill use is forecast at 38 million bales, slightly (500,000 bales) below 2021/22 and the lowest in 3 years. Similarly, India’s consumption is forecast to decrease 500,000 bales (2 percent) to 25.5 million bales in 2022/23, down from record levels of the previous 2 years. For Pakistan, cotton mill use is expected to rise marginally in 2022/23 to 11.1 million bales. Increases are also expected for other major-spinning countries, including Bangladesh and Vietnam, while mill use in Turkey remains flat. In 2022/23, cotton mill use for these countries is forecast to reach 9 million bales (+200,000 bales), 7.5 million bales (+100,000 bales), and 8.6 million bales (unchanged), respectively. Mill use in each of these 3 countries is on an upward trend and is forecast to reach a record in 2022/23.

Figure 5

Leading global cotton consumers

Million bales



Note: 1 bale = 480 pounds.

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

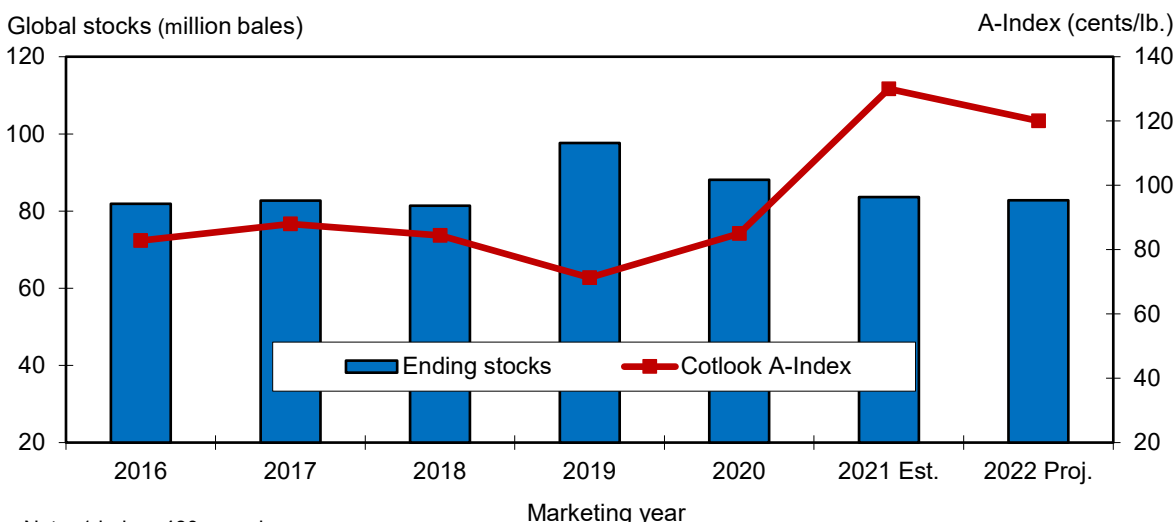
World Cotton Trade To Rise; Stocks Forecast Lower

Global cotton trade in 2022/23 is forecast at nearly 47.6 million bales, 2 million above the previous season but 1 million bales below 2020/21's record. Despite a lower world cotton mill use projection, China is expected to import significantly more cotton during 2022/23 than in 2021/22 to supplement its State Reserve, while some non-producing countries that have expanded their textile capacity recently must import to continue their mill use growth. China is projected to import the largest volume of cotton in 2022/23, at 10.5 million bales, as the country purchases raw cotton for textile and apparel manufacturing for finished product export. Bangladesh and Vietnam are each forecast to import more cotton in 2022/23, with Bangladesh importing 8.8 million bales during the upcoming season and Vietnam—a leading yarn supplier to China—importing 7.5 million bales of raw cotton.

Cotton trade projections by country indicate that supply limitations in the United States and India are likely to reduce 2022/23 exports there, while others (such as Brazil and Australia) are likely to see higher shipments as cotton supplies are more plentiful in these countries. While U.S. cotton exports are expected to decline slightly (250,000 bales), India's exports are projected to decrease 700,000 bales to 4 million bales, the lowest in 3 years. In contrast, Brazil's exports are forecast at 10 million bales (+2.1 million) while Australia's cotton exports are projected to reach 5.7 million bales (+1.3 million) in 2022/23.

With world cotton mill use forecast to exceed production slightly in 2022/23, global ending stocks are projected at their lowest in 4 years, supporting relatively high cotton prices (figure 6). Stocks are projected at 82.8 million bales, 800,000 bales (1 percent) below 2021/22. Most major producing countries are expected to hold similar stocks at the end of 2022/23, except for the United States and India where stocks are forecast to decrease by 500,000 bales and 300,000 bales, respectively. China's stocks are forecast virtually unchanged at 36.4 million bales while stocks in Brazil—a Southern Hemisphere country that will be in the middle of a large harvest—are forecast at approximately 13.3 million bales on July 31, 2023. As a share of global stocks, China is projected to account for 44 percent of the total in 2022/23, while Brazil accounts for an additional 16 percent.

Figure 6
Global cotton stocks and prices



Note: 1 bale = 480 pounds.

Sources: Cotlook and USDA, Interagency Commodity Estimates Committee.

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