



# Cotton and Wool Outlook: June 2022

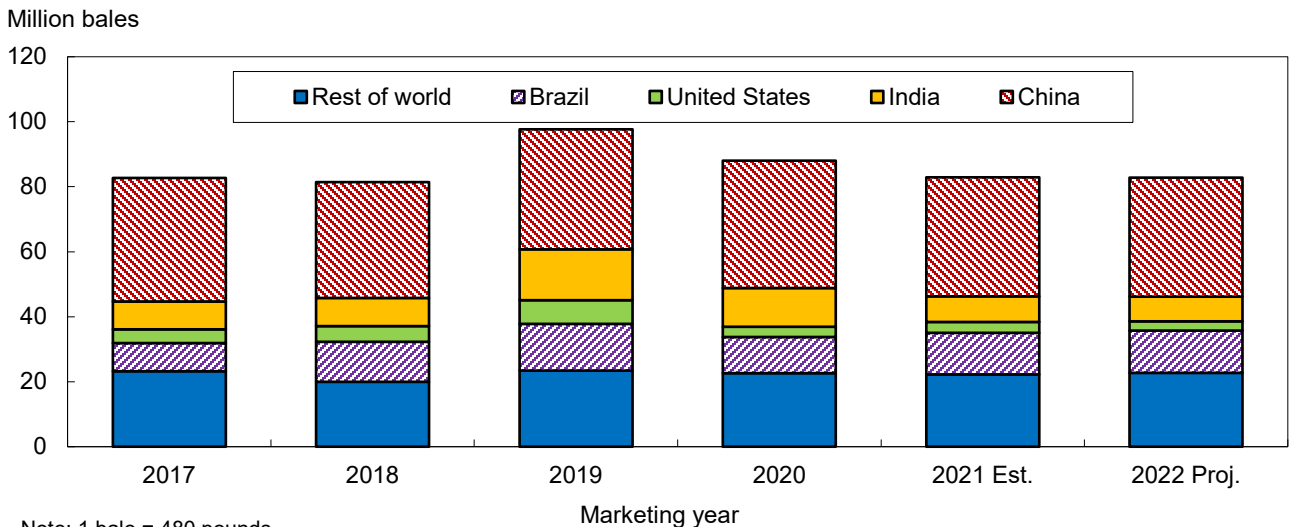
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## World Cotton Stock Decline Slows in 2022/23

The latest U.S. Department of Agriculture (USDA) cotton projections for 2022/23 (August-July) indicate a slight decline in global cotton ending stocks, compared with 2021/22, as mill use remains above production. World stocks are projected at 82.8 million bales at the end of 2022/23, the lowest in 4 years (figure 1). This season’s stock decline is led by the United States and India, although moderated somewhat by a projected increase for Brazil. China—the largest stockholder—is forecast to account for 44 percent of the 2022/23 global cotton stock total, while Brazil and India contribute an additional 16 percent and 9 percent, respectively.

Global cotton production is forecast nearly 4 percent higher at 121.3 million bales in 2022/23, the result of increased area. World cotton mill use is projected marginally lower at 121.5 million bales, as inflationary pressures impact the global economy. World cotton trade, however, is expected to rebound to its second highest on record, with the United States and Brazil the largest exporters. Meanwhile, elevated cotton prices are expected to continue in 2022/23 as the global stocks-to-use ratio remains at one of the lowest levels of the previous 10 years.

Figure 1  
Global cotton ending stocks



Note: 1 bale = 480 pounds.

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

# Domestic Outlook

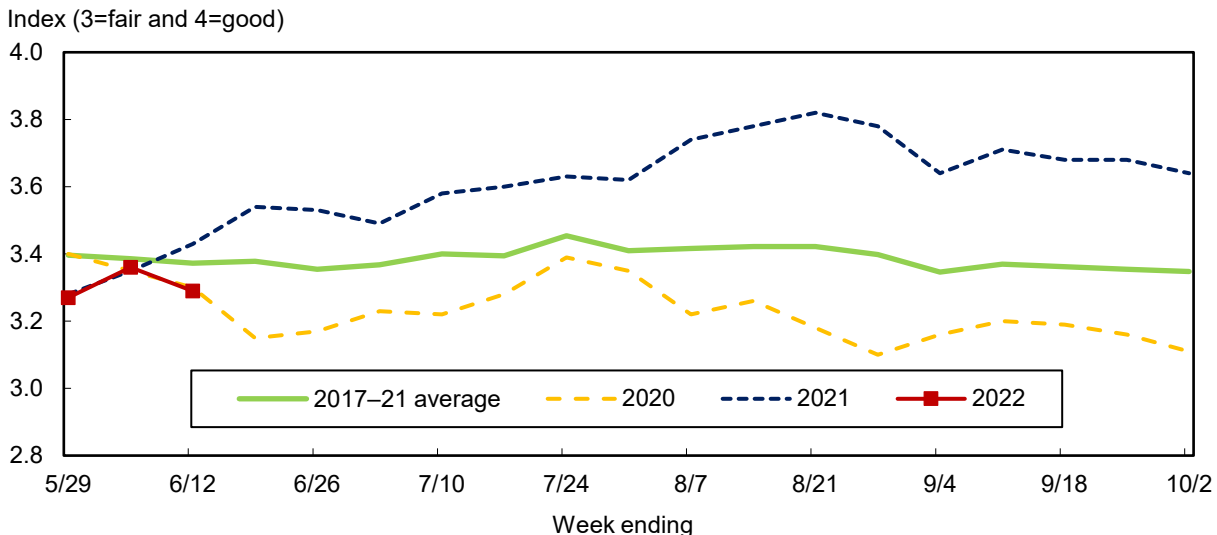
## U.S. Cotton Crop Forecast Unchanged in June

USDA’s 2022 U.S. cotton production projection remains at 16.5 million bales in June, nearly 6 percent (1 million bales) below the 2021 crop and 5 percent below the 3-year average. Upland production is estimated at 16 million bales—compared with 17.2 million bales last season—and the extra-long staple (ELS) crop is estimated at 500,000 bales—compared with 332,000 bales for the 2021 crop. Although cotton prices were above last year as planting time approached, prices were also higher for competing crops, keeping relative prices near those of a year ago. However, this season’s planting conditions were less than ideal—particularly in the Southwest—where drought conditions raised concerns about plantings and the potential crop. With 2022 planting still in progress, U.S. cotton area and the prospective yield remain tentative.

The U.S. cotton planting estimate of 12.2 million acres will be updated in USDA’s *Acreage* report released on June 30. The report will include actual plantings as of early June, as well as estimates of any remaining cotton to be planted. As of June 12, 90 percent of the forecast cotton acreage was planted, up from last season’s 87 percent and above the 2017–21 average of 88 percent. Likewise, early cotton development was slightly above both 2021 and the 5-year average; as of June 12, 14 percent of the area was squaring, compared with 12 percent for last season and the 2017–21 average of 15 percent. In addition, reporting of U.S. cotton crop conditions began recently and show conditions as of June 12, 2022 below last year and the 5-year average but near 2020 (figure 2).

Based on current projections, U.S. cotton harvested area is forecast at 9.1 million acres in 2022, reflecting a 10-year weighted average abandonment by region, with the Southwest adjusted to reflect unfavorable moisture conditions. U.S. abandonment is projected at 25 percent, compared with 2021’s 8.5 percent. The 2022 U.S. cotton yield—based on a 5-year weighted average by region—is forecast at 867 pounds per harvested acre, the highest in 4 years. USDA’s National Agricultural Statistics Service will begin in-field surveys in August.

Figure 2  
**U.S. cotton crop conditions**



Source: USDA, *Crop Progress* reports.

## U.S. Cotton Demand and Stock Estimates Also Unchanged

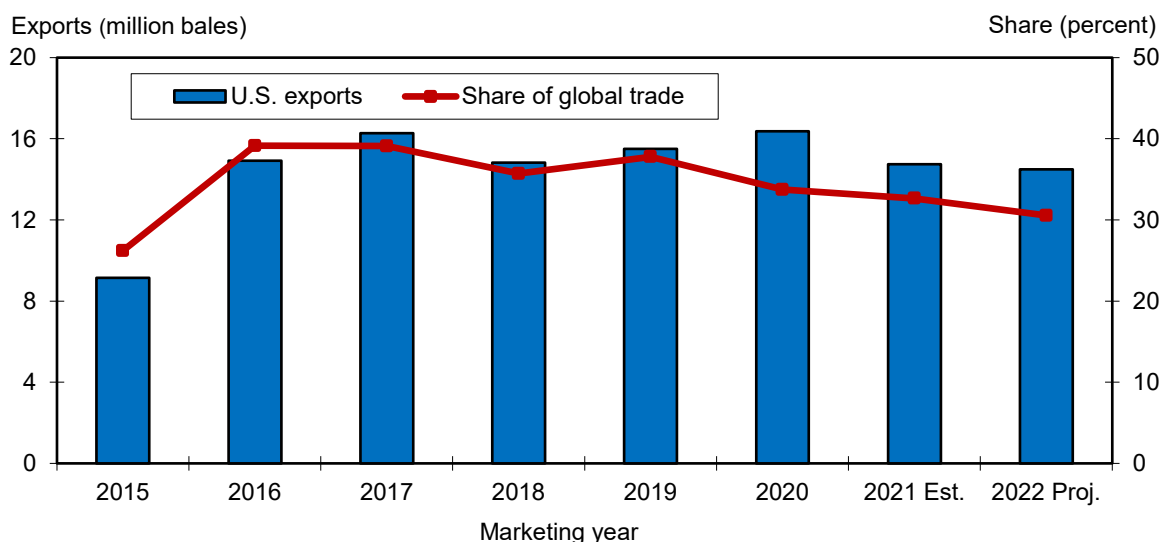
U.S. cotton demand (exports plus mill use) for 2022/23 is projected at 17 million bales—unchanged from the May forecast—compared with the 2021/22 estimate of 17.3 million bales. The slightly lower 2022/23 forecast is attributable to expectations for the smallest U.S. cotton supply since 2015/16. Additionally, export competition from other countries as well as the global economic uncertainties are expected to limit demand for U.S. cotton in 2022/23.

U.S. cotton exports in 2022/23 are forecast at 14.5 million bales, 250,000 bales below 2021/22 and the lowest in 7 years (figure 3). In addition to lower domestic supplies, increased competition supporting a relatively flat global cotton mill use projection for 2022/23 is expected to keep U.S. cotton exports below the 5-year average. Nevertheless, the United States is forecast to remain the world's leading cotton exporter, but other producing countries—like Brazil and Australia—are expected to have larger supplies to compete on the global market compared with the previous year. As a result, the 2022/23 U.S. share of global trade is forecast to decrease to 30.5 percent, the lowest since 2015/16. However, U.S. cotton exports are forecast to account for more than 85 percent of U.S. cotton demand in 2022/23, similar to the 5-year average. Meanwhile, U.S. cotton mill use is projected at 2.5 million bales in 2022/23, slightly below 2021/22; high cotton prices and a shift away from clothing purchases by consumers amid economic uncertainties is expected to limit U.S. cotton spinning operations in 2022/23.

Based on USDA's June supply and demand estimates, 2022/23 U.S. cotton ending stocks are projected at 2.9 million bales, 500,000 bales (nearly 15 percent) below the beginning level and the lowest in 6 years, when ending stocks were 2.75 million bales. Meanwhile, the stocks-to-use ratio is projected at a relatively low 17 percent in 2022/23, compared with an estimated 20 percent for 2021/22 and 17 percent in 2020/21. With projected U.S. ending stocks at their lowest since 2016/17, the 2022/23 U.S. upland farm price is forecast to increase from an estimated 92 cents per pound for 2021/22 to a record 95 cents per pound.

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.

# International Outlook

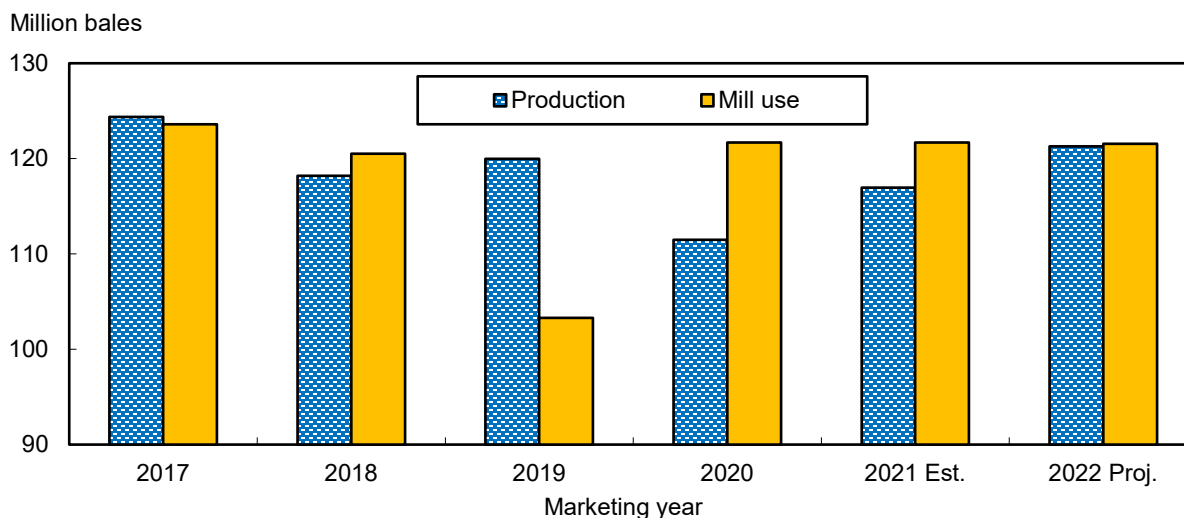
## Increased World Cotton Production Projected for 2022/23

Global cotton production in 2022/23 is forecast at 121.3 million bales, 4.3 million bales (3.7 percent) above the previous year and the largest crop in 5 years (figure 4). Larger production is forecast for most of the major cotton-producing countries in 2022/23, led by India (+3 million bales), China (+0.5 million bales), and Brazil (+0.5 million bales). A smaller crop in the United States, however, is expected to partially offset these increases. Global cotton harvested area in 2022/23 is forecast at 33.5 million hectares (82.9 million acres), approximately 4 percent above 2021/22 and the largest in 3 years, as higher global cotton prices encouraged area devoted to cotton. The world cotton yield is projected at 787 kilograms (kg) per hectare (702 pounds per acre) in 2022/23, marginally below the previous season.

India and China remain the top cotton-producing countries, with each country's production forecast at 27.5 million bales for 2022/23. For India, a 12-percent rebound is projected from the 2021/22 crop that was limited by both area and yield declines. For 2022/23, India's harvested area is forecast to recover to 13.2 million hectares, with a yield near the 3-year average at 454 kg per hectare. India is expected to account for approximately 23 percent of the world's production in 2022/23. Production in China is forecast 2 percent higher in 2022/23, as area and yield are each marginally higher at 3.15 million hectares and 1,901 kg per hectare, respectively. China—like India—is expected to contribute nearly 23 percent of global production in 2022/23.

In addition, 2022/23 cotton production is forecast higher for Brazil and Pakistan, while unchanged for Australia. For Brazil, production is projected at 13.2 million bales for 2022/23, 4 percent above 2021/22 and second only to 2019/20's record of nearly 13.8 million bales. The 2022/23 increase is attributable to a higher yield (1,796 kg per hectare), as area is projected to remain unchanged at 1.6 million hectares. Brazil is forecast to contribute 11 percent of the total world cotton crop in 2022/23. For Pakistan, production is forecast 200,000 bales higher for 2022/23, at 6.2 million bales. Despite a projected 10-percent increase in harvested area, a lower

Figure 4  
**Global cotton production and mill use**



Note: 1 bale = 480 pounds.

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

yield forecast is expected to keep the crop from expanding further. Pakistan is expected to account for 5 percent of the global cotton crop in 2022/23. Meanwhile, Australia's 2022/23 cotton production is projected at 5.5 million bales, equal to 2021/22's estimated crop and matching the record set in 2011/12. A second consecutive season of above-average reservoir levels bodes well for Australia's crop prospects again in 2022/23.

## Global Cotton Mill Use Marginally Lower in 2022/23

As global economic growth slows and shifts in spending from goods to services reduces consumer demand for clothing, cotton mill use—which generally follows global economic activity—is affected. Global cotton mill use is forecast at 121.5 million bales in 2022/23, marginally (150,000 bales) below both 2021/22 and 2020/21, but well above the 2019/20 level that was impacted by the onset of the Coronavirus (COVID-19) pandemic (see figure 4).

As with total mill use, each major cotton-spinning country is projected to remain near its year-ago level in 2022/23. For China, India, and Turkey, cotton mill use in each country is expected to equal that of 2021/22. Cotton mill use in China is projected at 38 million bales in 2022/23, similar to the 5-year average. China is expected to account for 31 percent of 2022/23 world cotton mill use. For India, cotton mill use is forecast at 25.5 million bales, its second highest level behind 2020/21's 26 million bales. India is projected to contribute 21 percent of the global total in 2022/23. Turkey's 2022/23 cotton mill use is forecast to remain at a record 8.6 million bales, or 7 percent of the global total.

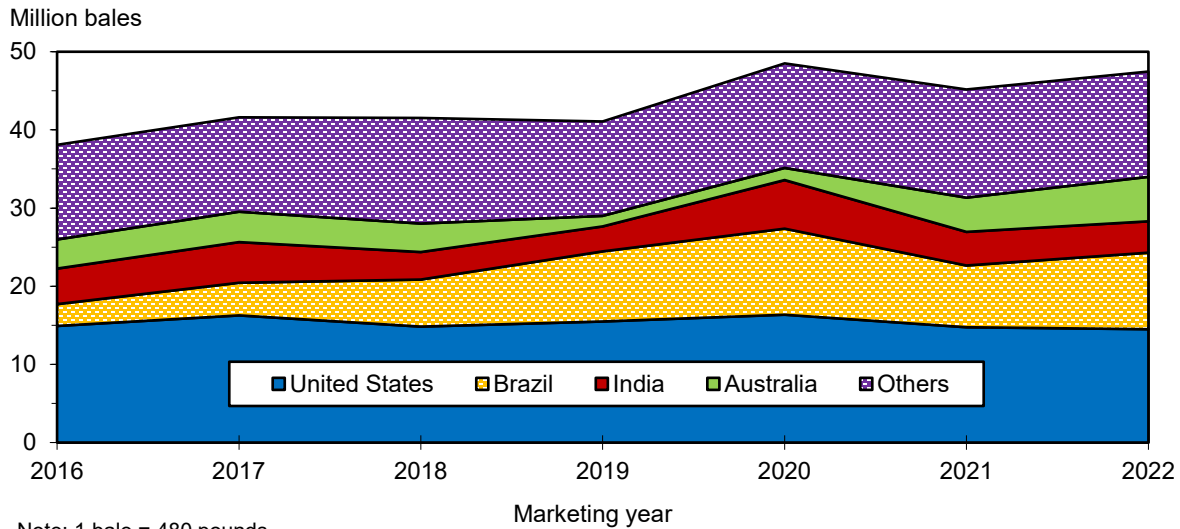
Meanwhile, 2022/23 cotton mill use expectations are slightly higher than the year before for several other major-spinning countries, including Pakistan, Bangladesh, and Vietnam. Textile mills in these countries are expected to have access to plentiful supplies as imports for these countries are projected to increase in 2022/23. For Pakistan, 2022/23 cotton mill use is forecast at 11.1 million bales, 100,000 bales (1 percent) above 2021/22 and the highest since 2008/09 when the same amount of cotton was used. Similar increases are also expected for Bangladesh and Vietnam in 2022/23, with cotton mill use forecast at 8.9 million bales (+100,000 bales) and 7.5 million bales (+100,000 bales), respectively; textile capacity continues to expand in these countries, with cotton mill use expected to reach record levels in 2022/23.

## Global Cotton Trade To Rise; Stocks To Decline

Despite a slight decrease in world cotton mill use in 2022/23, global cotton trade is forecast to increase 5 percent from 2021/22. World cotton trade in 2022/23 is forecast at 47.5 million bales, 2.3 million above the year before (figure 5). Higher trade expectations are projected mainly for Brazil and Australia, as increased supplies for each country are expected to push exports to their second highest on record. Brazil's cotton exports are forecast at 9.8 million bales (+1.9 million bales) in 2022/23, while Australia's exports are projected to reach 5.7 million bales (+1.3 million bales). Somewhat offsetting these gains, however, are decreases for the United States and India. While U.S. cotton exports are forecast to decrease 250,000 bales to 14.5 million bales in 2022/23, shipments from India are projected to decline 300,000 bales to 4 million bales.

With global cotton mill use projected to slightly exceed production in 2022/23, stocks are expected to decrease once again. World ending stocks are forecast at 82.8 million bales by the end of 2022/23, compared with 83 million bales for 2021/22. As a result, the 2022/23 global stocks-to-use ratio is forecast to remain flat for consecutive years. At 68 percent, the stocks-to-use ratio would be among the lowest since 2010/11 and is supportive of global cotton prices.

Figure 5  
**Leading global cotton exporters**



### Suggested Citation

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