



Cotton and Wool Outlook

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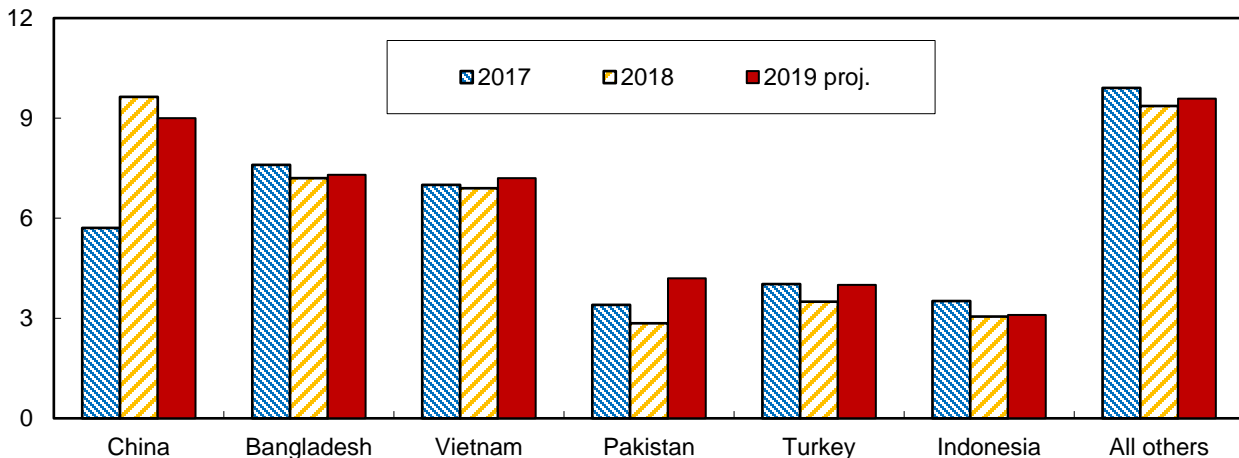
Global Cotton Imports Projected at 7-Year High

The latest U.S. Department of Agriculture (USDA) cotton estimates for 2019/20 project that world cotton imports will reach 44.4 million bales, 1.9 million (nearly 4.5 percent) above last season, and their highest since 2012/13's record of 47.6 million bales.

Global cotton imports are forecast to rise for the fourth consecutive season in 2019/20, as increases are expected in many non-cotton-producing countries as well as some producing countries (fig. 1). Although China—a major producer—is projected as the leading importer in 2019/20, imports are expected below a year ago as cotton mill use there is forecast to decline for the second consecutive season. In contrast, all other major importers are expected to secure additional imports this season. For Bangladesh and Vietnam, higher cotton imports are seen supporting the recent textile and apparel industry expansion. At the same time, a 3-decade-low production forecast for Pakistan in 2019/20 is expected to result in record-high cotton imports to help sustain its spinning industry. Meanwhile, higher imports are also forecast for Turkey, Indonesia, and India in 2019/20.

Figure 1
Leading cotton importers

Million bales



Note: 1 bale = 480 pounds.

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

Domestic Outlook

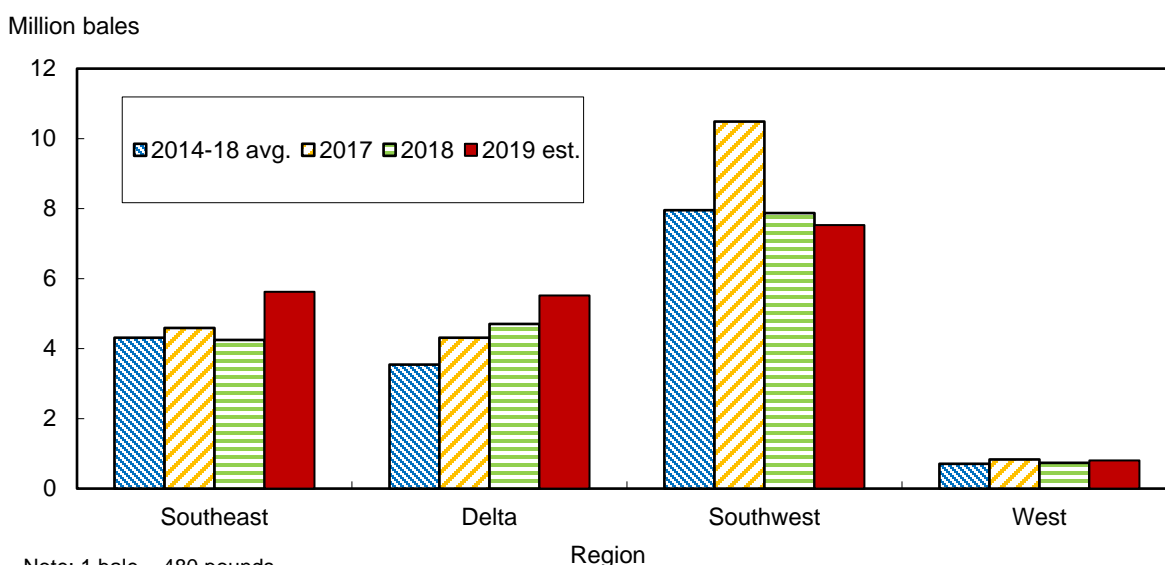
U.S. Cotton Production Estimate Reduced in December

According to USDA's December *Crop Production* report, 2019 U.S. cotton production is estimated at 20.2 million bales, 611,000 bales below last month's forecast but 10 percent (1.8 million bales) above the 2018 crop. Harvested area this season is estimated at 12.5 million acres, indicating an abandonment rate of only 9 percent, compared with last season's 28 percent. The 2019 national yield is forecast at 775 pounds per harvested acre, below last season's 864 pounds and more than 100 pounds below the 3-year average. Upland cotton production is estimated at 19.5 million bales, the second-largest crop in over a decade. Meanwhile, the extra-long staple (ELS) crop is forecast at 726,000 bales, the second-largest crop since 2012's 780,000 bales. For current production estimates by State, see table 10, published separately with this report.

Upland cotton production is forecast to increase in three of the four Cotton Belt regions this season (fig. 2). In the Southwest—the only region with a year-over-year decline—the upland crop is projected at 7.5 million bales in 2019, compared with last season's 7.9 million bales, and the smallest crop in 4 years. Favorable weather throughout much of the growing season kept abandonment (14.5 percent) below the 5-year average, resulting in the highest Southwest harvested upland cotton area since 1981. Consequently, the region's yield was below average, reaching only 537 pounds per harvested acre this season—the lowest since the 2003 crop.

In the Southeast, 2019 cotton production is projected at 5.6 million bales, 1.4 million above last season's crop, which was affected by Hurricane Florence and Hurricane Michael. Cotton harvested area—estimated at 2.9 million acres in 2019—is 500,000 acres above the 5-year average, and the highest since 2011. The Southeast yield is projected at 922 pounds per harvested acre this season, the highest in 5 years and the third highest on record.

Figure 2
U.S. regional upland cotton production



Source: USDA, *Crop Production* reports.

For the Delta, 2019 cotton production is forecast at 5.5 million bales—the largest since 2006—as area continues its expansion from the 2015 low. Cotton harvested acreage is forecast at 2.4 million acres in 2019, compared with the 5-year average of 1.5 million. Meanwhile, the region's yield is estimated at 1,124 pounds per harvested acre, slightly below last season's record.

In the West, upland production is projected at 805,000 bales in 2019, compared with 738,000 bales in 2018 and a 3-year average of 760,000 bales. A higher yield expectation this season more than offsets lower area, with an above-average yield estimated at 1,498 pounds per harvested acre in 2019.

U.S. Cotton Demand Estimates Unchanged; Stocks Lowered

Projected 2019/20 U.S. cotton demand was unchanged in December at 19.5 million bales, 10 percent above last season but equal to 2017/18. U.S. cotton exports are forecast at 16.5 million bales while mill use remains at 3.0 million bales. U.S. cotton is projected to remain relatively competitive on the global market this season. An expansion in foreign import demand for raw cotton is expected to support the 1.7-million-bale increase in this season's U.S. cotton export forecast. Based on the current global cotton trade estimates, the U.S. share of world trade is forecast at 37 percent in 2019/20, slightly above last season but below the preceding 2 years, as uncertainties remain surrounding U.S.-China trade.

With the U.S. cotton demand projection unchanged from November, the production decrease this month reduced the ending stocks estimate by a similar amount. For 2019/20, cotton ending stocks are currently projected at 5.5 million bales, 600,000 bales below last month but still 650,000 bales above beginning stocks. Although U.S. ending stocks would be the highest since 2008/09, the more relevant stocks-to-use ratio of 28 percent is only slightly above last season's level. Based on the latest world cotton supply and demand outlook and recent prices for 2019/20, the average upland cotton farm price is projected at 61 cents per pound, below the final estimate of 70.3 cents per pound for 2018/19 and similar to 2015/16.

International Outlook

Global Cotton Production Higher in 2019/20

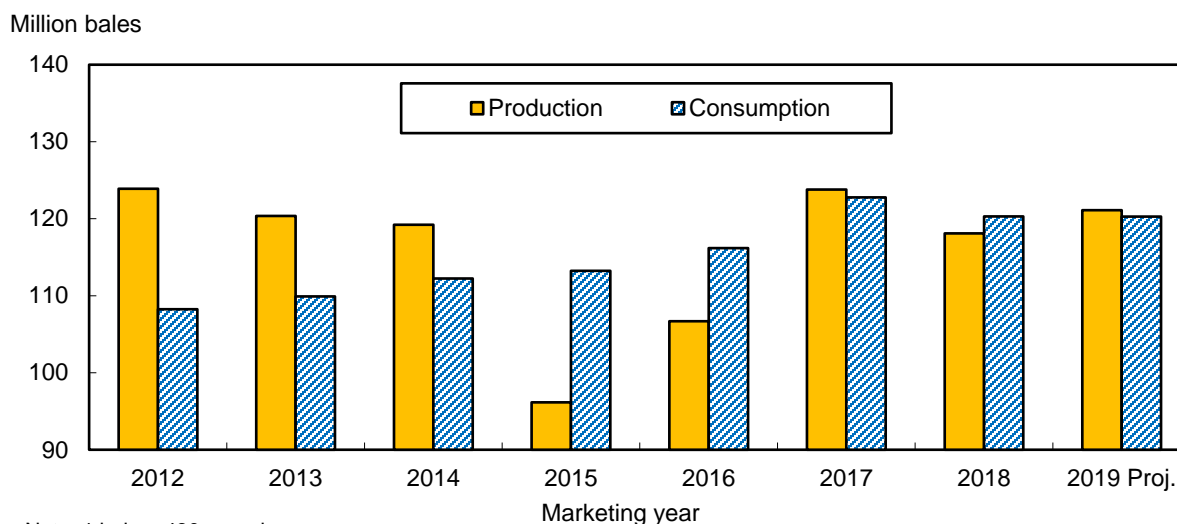
World cotton production in 2019/20 is projected at 121.1 million bales, 800,000 bales below the November projection but 3 million bales (2.5 percent) above last season, as an area increase this season more than offsets a slight yield reduction (fig. 3). Global harvested area is forecast at 34.9 million hectares (86.2 million acres) this season—4 percent higher—due mainly to the increase in U.S. harvested area, which rebounded more than 20 percent in 2019/20. The global yield is forecast at 756 kilograms (kg) per hectare (674 pounds per acre), slightly below the 3-year average.

Cotton production in 2019/20 is mixed, with the United States and India above a year ago while most other major producers are expecting smaller crops this season. Production in India—the leading cotton producer—is forecast at 29.5 million bales, 14 percent above 2018/19 and the largest since a similarly-sized crop in 2014/15. Harvested area in India is projected at a record 13 million hectares in 2019/20, as domestic prices and internal support price prospects favored cotton over other crops. In addition, a higher yield is forecast this season as above-average monsoon rainfall provides the opportunity for an extended picking season.

For China, 2019/20 cotton production is projected at 27.25 million bales, 500,000 bales (2 percent) below a year earlier, with both harvested area and yield slightly lower this season. With most of China's cotton shifting to the high-yielding Xinjiang region relatively recently, a record yield for China of 1,761 kg per hectare occurred as recently as 2017/18. For 2019/20, however, the national yield is forecast slightly lower at 1,720 kg per hectare.

Pakistan's production in 2019/20 is forecast at only 6.2 million bales, 18 percent (1.4 million bales) below a year earlier and the smallest crop there since 1986/87. Recent gin arrival reports support the reduced crop prospects, with Pakistan's yield forecast at 540 kg per hectare, one of the lowest during the last 2 decades.

Figure 3
Global cotton production and consumption



Note: 1 bale = 480 pounds.

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

For the Southern Hemisphere countries of Brazil and Australia, 2019/20 cotton production is projected similar to 2018/19 for the former and dramatically lower for the latter. Brazil's cotton production is forecast at 12.5 million bales, marginally below 2018/19, as area remains flat. This season's forecast yield—1,680 kg per hectare—is near the 3-year average but below the 2017/18 record of 1,708 kg per hectare. In contrast, Australia's cotton crop in 2019/20 is forecast at only 850,000 bales, about 40 percent of the previous season's crop and the lowest since 2007/08. Without adequate rainfall to support dryland cotton production and replenish reservoirs for the irrigated crop, Australia's cotton area of only 80,000 hectares is expected to be its lowest in 12 years.

World Cotton Mill Use Forecast Stable in 2019/20

Global cotton consumption in 2019/20 is projected nearly identical to the year before at 120.3 million bales, the fifth largest on record, however. Growth in world cotton mill use expanded considerably in 2017/18—supported by a strong global economy—but retreated since, as cotton prices were relatively high last season and a less robust global economy is forecast this season. China is the leading spinner of raw cotton and the largest supplier of textile and apparel products to the world. In 2019/20, China's cotton mill use is estimated at 38.5 million bales, 1 million below the previous year but equal to 2016/17.

Cotton mill use for the other major spinning countries is projected to increase slightly or remain relatively stable in 2019/20. Cotton consumption in India is expected to rise 2 percent (500,000 bales) to 24.5 million bales in 2019/20—near the record set in 2015/16. Mill use in Pakistan, however, is forecast to decline 1 percent to 10.6 million bales, as the lower crop forecast suggests increased stress for its textile industry in 2019/20. Cotton mill use in Bangladesh is expected to remain at 7.4 million bales this season after several years of robust growth. On the other hand, a 3-percent increase is projected for Vietnam and Turkey in 2019/20. For Vietnam, cotton mill use is forecast to continue its expansion, reaching 7.2 million bales this season that reflects growth in yarn exports. For Turkey, a rebound in cotton mill use is anticipated, with 2019/20 consumption reaching 7.1 million bales.

Although total global cotton mill use in 2019/20 is similar to the previous season, world cotton trade is expected to rise as cotton supplies shift from producing to consuming countries. In 2019/20, global cotton exports are forecast at 44.4 million bales, 3.1 million bales above 2018/19. World cotton exports outside the United States this season are projected to expand mainly from Brazil and India. For Brazil, cotton exports are expected to rise 2.8 million bales to 8.8 million in 2019/20, as their record crop of 2018/19—coupled with a similar 2019/20 crop—is forecast to move out of the country this season. For India, this season's projected larger crop is expected to provide an additional 500,000 bales of exports, with cotton exports rebounding to 4.0 million bales in 2019/20.

Global Cotton Stocks Projected To Rise in 2019/20

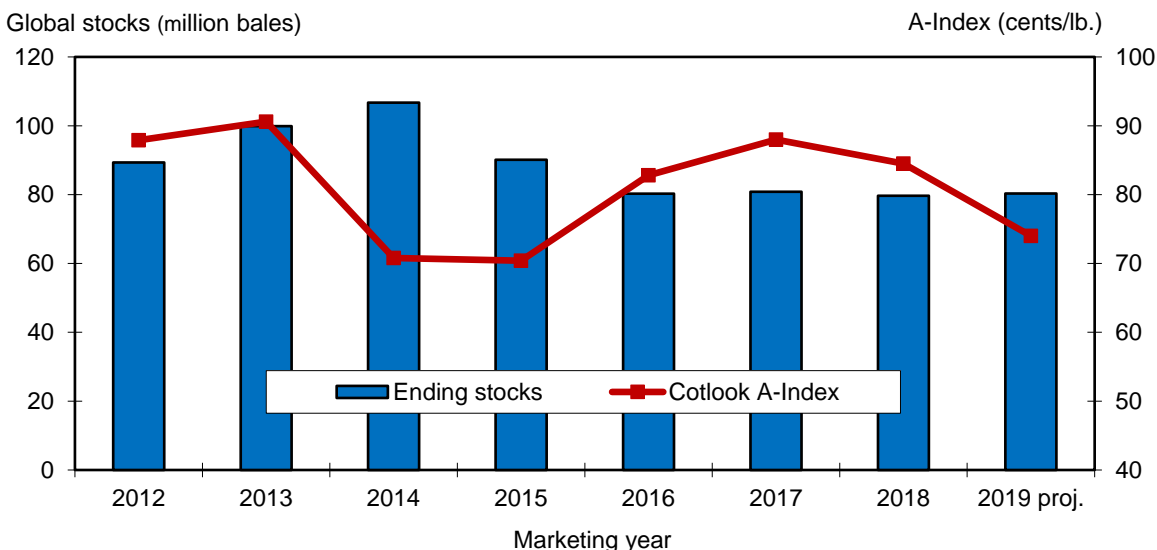
World cotton stocks are projected at 80.3 million bales at the end of 2019/20, compared with 79.7 million bales last season and a record 106.7 million bales in 2014/15 (fig. 4). Global stocks are expected to increase in a number of countries this season, but will be partially offset by declines in China and Pakistan. Cotton ending stocks continue to decrease in China as its stocks outside the State reserve are expected to be drawn down; however, China remains the largest stockholder, accounting for 41 percent of global cotton stocks this season. China's total ending stocks are projected at about 33.3 million bales, or 7 percent below 2018/19. Meanwhile, Pakistan's stock reduction is associated with this season's aforementioned crop shortfall.

In addition to rising cotton stocks in the United States, higher stocks are forecast for India and Brazil in 2019/20. For India, a larger crop is expected to push cotton stocks 3.2 million bales higher to 12.5 million bales at the end of this season. Ending stocks in Brazil are forecast to rise only modestly (nearly 3 percent) in 2019/20 to 12.1 million bales, as larger export prospects limit the growth in ending stocks. India and Brazil are each expected to account for approximately 15 percent of global cotton stocks in 2019/20.

Although world cotton stocks and the associated stocks-to-use ratio are forecast to increase only slightly in 2019/20, stocks outside of China are projected to expand for the fourth consecutive season. In 2019/20, cotton stocks outside of China are projected at a record 47.1 million bales, a 3.1-million-bale increase year over year. Consequently, the Cotlook A Index price is expected to decline from 2018/19's 84.5-cent average, with this season's expected price closer to the level seen four or five years ago.

Figure 4

Global cotton stocks and prices



Note: 1 bale = 480 pounds.

Sources: Cotlook and USDA, Interagency Commodity Estimates Committee.