



Cotton and Wool Outlook: July 2023

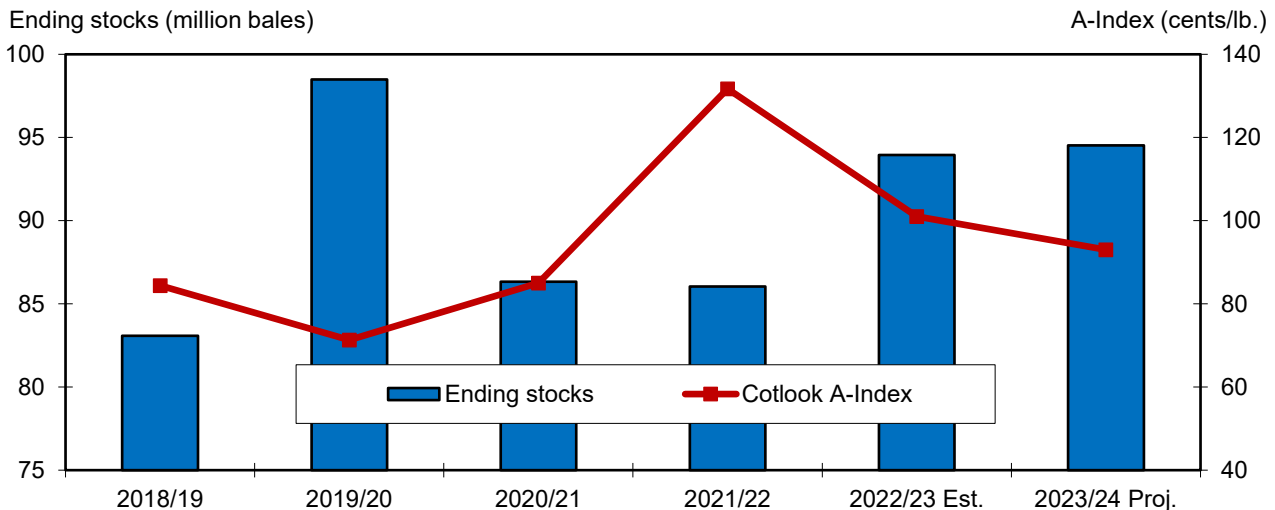
Leslie Meyer and Taylor Dew

Global 2023/24 Cotton Ending Stocks Increase; Prices Weaken

The latest U.S. Department of Agriculture (USDA) cotton projections for 2023/24 (August–July) indicate that global cotton ending stocks will increase 570,000 bales (0.6 percent) to 94.5 million bales, the second highest level since 2014/15. As production exceeds mill use for a second year in a row, world cotton prices are forecast lower than the \$1.01 per pound estimated for 2022/23 and the recent high in 2021/22 of nearly \$1.32 per pound (figure 1).

Although world harvested area is projected to increase 2 percent (610,000 hectares), a projected decrease in the global yield reduces the production estimate year-over-year. Global cotton production is forecast to decrease 1.1 million bales (1 percent) from 2022/23 to 116.8 million bales in 2023/24. Global cotton mill use is projected to increase 6 percent to 116.4 million bales in 2023/24, with the largest gains expected for Pakistan and India. World trade expectations (43.5 million bales) show a considerable increase from 2022/23, rising with the projected rebound in 2023/24 global cotton mill use.

Figure 1
Global cotton stocks and prices



Note: 1 bale = 480 pounds.

Source: USDA, Economic Research Service using data from Cotlook and USDA, Interagency Commodity Estimates Committee.

Domestic Outlook

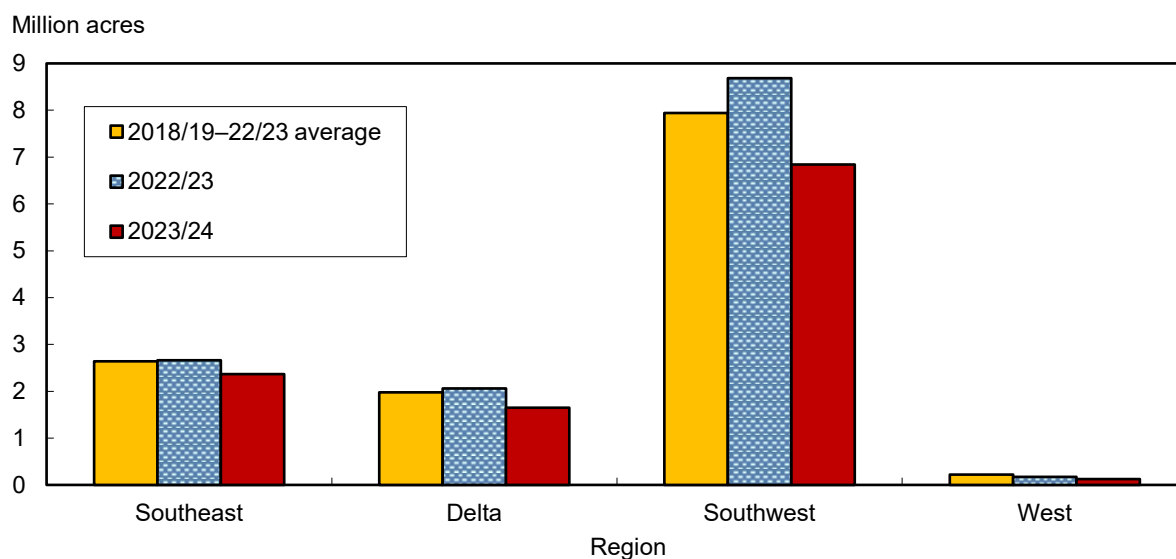
U.S. 2023/24 Cotton Crop Projection Unchanged in July

U.S. 2023/24 cotton production is projected at 16.5 million bales this month, unchanged from the June projection and 2 million bales (14 percent) above the 2022/23 crop. Based on USDA National Agricultural Statistics Service (NASS)'s *Acreage* report released June 30, U.S. producers planted or intended to plant approximately 11.1 million acres to cotton in 2023/24. This is 1.5 percent (nearly 170,000 acres) below the March indications but 19 percent lower than the final 2022 plantings (see table 10 associated with this report). Relatively higher competing crop prices were a major contributing factor to the reduced cotton planted area. However, drought-reducing rainfall occurred in the spring as 2023 planting time approached for much of Texas and is expected to reduce abandonment, resulting in higher total U.S. harvested acreage this season compared with a year ago.

Projected upland cotton area is lower for each of the Cotton Belt regions in 2023/24 and below the 5-year average (figure 2). Planted area in the Southwest is forecast at 6.8 million acres, 1.8 million acres below 2022/23 and the smallest in 7 years. The Southwest is expected to account for 62 percent of total U.S. upland area in 2023/24—comparable to the 5-year average—indicating the region's significance to U.S. cotton crop expectations.

In the Southeast, 2023/24 cotton acreage is projected at nearly 2.4 million acres, 11 percent lower than last season and 10.5 percent below the 2018/19–2022/23 average. The Southeast is forecast to account for 21.5 percent of the U.S. cotton area in 2023/24, slightly above the 5-year average. For the Delta region, the 2023/24 cotton area—estimated at 1.65 million acres—is similar to the 2021/22 level which was the lowest since 2016/17. The Delta is expected to account for 15 percent of the U.S. upland cotton area in 2023/24, similar to the 5-year average.

Figure 2
U.S. regional upland cotton planted area



Note: 2023/24 based on *Acreage* report.

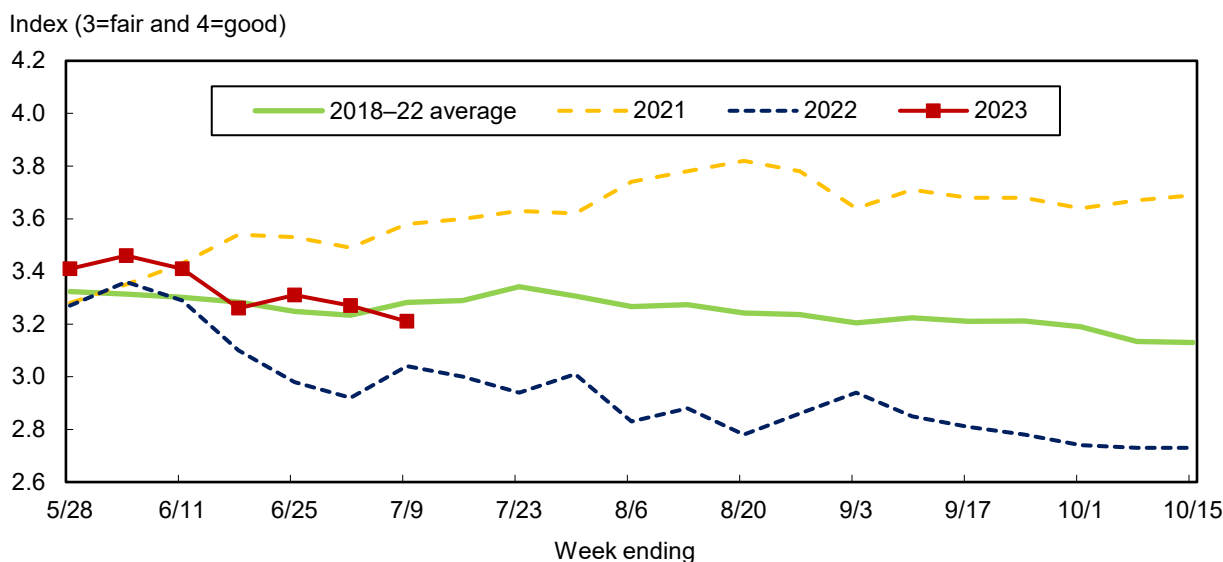
Source: USDA, Economic Research Service based on USDA, National Agricultural Statistics Service, *Crop Production* reports.

Upland cotton plantings in the West are forecast to decrease to 123,000 acres, about 1 percent of the U.S. total and the lowest area in more than a century. Extra-long staple (ELS) cotton acreage—mostly grown in the West—is forecast at 109,000 acres in 2023/24, 40 percent below a year ago. Reduced demand for the more expensive fiber in an uncertain economy and lower farm prices are forecast to reduce ELS area to its lowest since 1985/86.

Total 2023/24 cotton harvested area is projected in July at 9.5 million acres, 30 percent higher than 2022/23. U.S. abandonment in 2023/24 is forecast at 14 percent, compared with 47 percent last season and 8 percent in 2021/22. The abandonment projection is based on 10-year averages by region, with the estimate of Southwest abandonment adjusted to 21 percent, reflecting recent precipitation that reduced extreme drought conditions early this spring. The U.S. cotton yield is projected at 831 pounds per harvested acre based on 5-year average yields by region. If realized, the U.S. yield would be the second lowest since 2015/16, as a larger proportion of lower-yielding Southwest cotton acreage is projected to be harvested this season. USDA’s NASS will publish its first survey-based estimates for 2023/24 in August.

U.S. cotton crop development as of July 9 indicated that 55 percent of the 2023/24 crop was squaring, equal to last season and to the 2018–22 average. Cotton area setting bolls reached 17 percent, compared with 21 percent in 2022 and a 5-year average of 18 percent. U.S. cotton crop conditions this season remain above last year’s conditions and are near the 5-year average (figure 3). As of July 9, 48 percent of the U.S. cotton area was rated “good” or “excellent,” compared with 42 percent in 2022, while 25 percent was rated “poor” or “very poor,” compared with 27 percent a year ago.

Figure 3
U.S. cotton crop conditions



Source: USDA, Economic Research Service using data from USDA, *Crop Progress* reports.

U.S. Cotton Export and Stock Estimates Revised

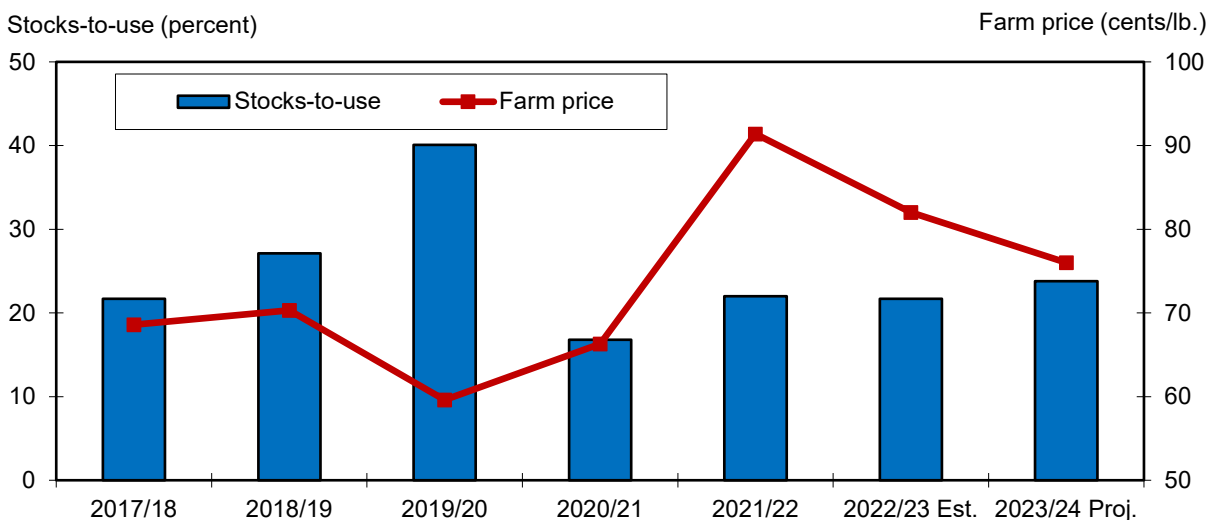
The U.S. cotton demand (mill use plus exports) forecast for 2023/24 decreased in July to nearly 16 million bales—down from June’s projections of 16.2 million bales. However, the estimate is 1 million bales above 2022/23. For 2023/24, U.S. cotton mill use is forecast at 2.2 million bales, 7 percent above 2022/23 but still one of the lowest levels on record. Higher U.S. supplies for

2023/24 are expected to bolster export prospects during the upcoming season, with exports projected at 13.75 million bales. However, increased supplies in other exporting countries are expected to limit U.S. shipments in 2023/24, leading to a lower U.S. share of world trade. For 2023/24, the U.S. share of global trade is projected at approximately 31.5 percent, compared with nearly 34 percent in each of the previous 2 years.

U.S. cotton demand for 2022/23 was revised this month to 14.95 million bales based on recent data. U.S. mill use was increased 50,000 bales to reflect data through May. Exports, however, were lowered 100,000 bales to 12.9 million bales and are forecast to be the lowest since 2015/16. In addition, 2021/22 U.S. cotton exports were adjusted lower (-141,000 bales) to 14.48 million bales. The adjustment was based on revisions to U.S. Census Bureau data, which are used in conjunction with *Export Sales* shipment data to determine the USDA export estimate.

Based on USDA's July supply and demand estimates, 2023/24 U.S. cotton ending stocks are projected at 3.8 million bales, 550,000 bales above the year before and the highest since 2019/20. The 2023/24 stocks-to-use ratio—rising to nearly 24 percent—is forecast at its highest in 4 years (figure 4). Based on current U.S. supply and demand estimates, cotton prices are expected to weaken in 2023/24. The average U.S. upland farm price is forecast at 76 cents per pound in 2023/24, compared with 82 cents per pound estimated for 2022/23. The record of 91.4 cents per pound occurred in 2021/22.

Figure 4
U.S. cotton stocks-to-use and prices



Note: Farm price = average received by upland producers.

Source: USDA, Economic Research Service using data from USDA, *World Agricultural Supply and Demand Estimates* reports.

International Outlook

World 2023/24 Cotton Production Forecast Slightly Lower

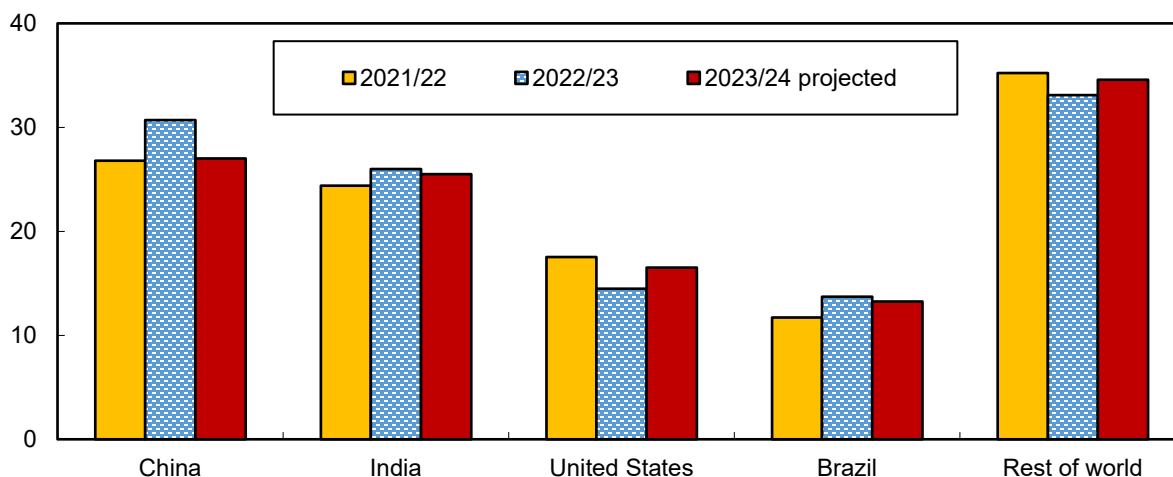
Global cotton production in 2023/24 is projected at 116.8 million bales, 1 percent (1.1 million bales) below the previous year but similar to the 5-year average. For 2023/24, cotton production prospects for the major-producing countries are mixed, with changes among the top five countries nearly offsetting, resulting in a minimal net change. World 2023/24 cotton harvested area is forecast at 32.4 million hectares (80 million acres), approximately 2 percent above 2022/23 and near the average of the last 4 years. The harvested area increase is largely attributable to rebounds for the United States and Pakistan after the significant weather events there in 2022/23. The 2023/24 global cotton yield is forecast at 786 kilograms (kg) per hectare (701 pounds per acre), below the previous season but equal to the 3-year average.

World cotton production is concentrated among a few countries, with the top four countries accounting for 70 percent of total expected production in 2023/24, compared with 72 percent for the previous season (figure 5). China and India are forecast to remain the leading cotton producers in 2023/24, accounting for 23 percent and 22 percent, respectively, of the global total. China is projected to produce 27 million bales of cotton in 2023/24, 12 percent (3.7 million bales) below the previous year. A reduction in area to 2.9 million hectares—the lowest since a similar harvested area in 2016/17—and a less than ideal start to the growing season in Xinjiang, China's major growing region, is expected to reduce the 2023/24 yield in China to 2,027 kg per hectare from 2022/23's record of 2,122 kg per hectare. Production in India is forecast at 25.5 million bales, 2 percent (500,000 bales) lower than 2022/23. Lower area indications more than offset a slightly higher yield forecast in 2023/24. Higher alternative crop expectations are projected to reduce India's cotton area about 4.5 percent in 2023/24 to 12.4 million hectares. The yield for India, however, is forecast at a 3-year high of 448 kg per hectare.

Figure 5

Leading global cotton producers

Million bales



Note: 1 bale = 480 pounds.

Source: USDA, Economic Research Service based on USDA, *World Agricultural Supply and Demand Estimates* reports.

A rebound in cotton production is projected for the United States and Pakistan in 2023/24, after devastating drought conditions and flooding, respectively, tempered their crops in 2022/23. U.S. cotton production is forecast to rise 2 million bales as the harvested area projection rises 30 percent. For Pakistan, the 2023/24 cotton crop is forecast at 6.5 million bales (+2.6 million bales), as area and yield are projected higher. Pakistan's harvested area (2.5 million hectares) is forecast 39 percent above 2022/23 and the highest since 2017/18. The national yield in Pakistan is expected to rebound 20 percent, reaching 566 kg per hectare in 2023/24.

Cotton production in Brazil is forecast at 13.25 million bales for 2023/24, 3 percent (450,000 bales) lower than 2022/23. The smaller crop projection is the result of a marginal decrease in area and a yield that is below 2022/23's record. Brazil's harvested area is projected to remain near the 2022/23 level of 1.6 million hectares. Brazil's yield is forecast at 1,770 kg per hectare in 2023/24, compared with 1,819 kg per hectare in 2022/23. Based on lower forecast harvested area (down 515,000 hectares), Australia's 2023/24 cotton production is projected to be 400,000 bales lower than the year before at 5.4 million bales. However, yield is expected to increase to 2,283 kg per hectare in Australia.

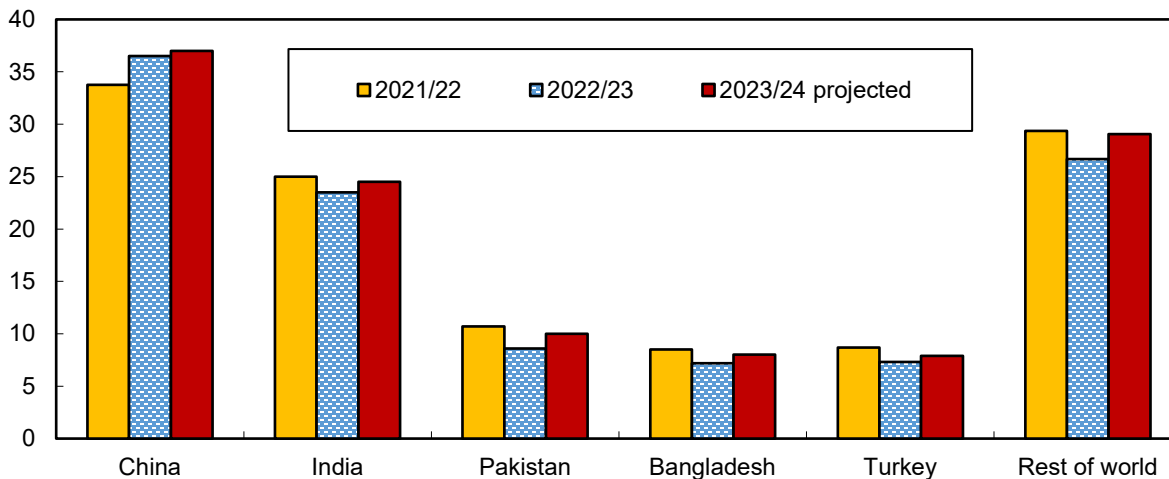
Global Cotton Mill Use Projected Higher in 2023/24

World cotton mill use is forecast to expand 6 percent (6.7 million bales) in 2023/24 to 116.4 million bales, the highest in 3 years. Relatively high cotton fiber prices and yarn and fabric inventories during the last 2 years reduced global mill use by 2022/23 to its lowest level (besides the 2019/20 pandemic year) since 2013/14. Cotton prices have stabilized lower and the inventory destocking that occurred in 2022/23 both support mill use growth expectations for 2023/24. Anticipated global economic growth will also be key in the mill use expansion.

Based on the latest world cotton projection, mill use for each of the major cotton-spinning countries is forecast to rise in 2023/24 (figure 6). The top five countries account for more than 75 percent of global cotton mill use. China is expected to continue as the largest cotton mill

Figure 6
Leading global cotton consumers

Million bales



Note: 1 bale = 480 pounds.

Source: USDA, Economic Research Service based on USDA, *World Agricultural Supply and Demand Estimates* reports.

user as it remains a key exporter of cotton apparel products. China is projected to account for nearly 32 percent (37 million bales) of global cotton mill use in 2023/24, up 500,000 bales from 2022/23. India's mill use is forecast to increase 4 percent (1 million bales) to 24.5 million bales and contribute 21 percent of the global cotton total in 2023/24. Pakistan's cotton mill use is expected to rebound 16 percent (1.4 million bales) to 10 million bales as adequate supplies and increased foreign exchange reserves—which were limited in 2022/23—are projected to support the textile industry in 2023/24. Bangladesh, Turkey, and Vietnam are also expected to experience significant above-average mill use gains in 2023/24, with cotton use reaching 8 million bales (+11 percent), 7.9 million bales (+8 percent), and 7 million bales (+8.5 percent), respectively.

World Cotton Trade Rising To Support Mill Use in 2023/24; Stocks Expected To Increase Slightly

Global cotton trade in 2023/24 is projected at 43.5 million bales, about 16 percent above 2022/23's 7-year low of 37.6 million bales. Total trade is forecast nearly 6 million bales higher in support of increased world cotton mill use, led by gains for most major cotton exporters except Australia. In addition to increased exports for the United States of 13.75 million bales, Brazil's cotton exports are forecast to rise considerably in 2023/24 and are projected to reach its second highest on record at 9.75 million bales. The United States is forecast to account for about 32 percent of global trade, with Brazil expected to contribute an additional 22 percent. Shipments from Australia in 2023/24, however, are forecast to decline from a 2022/23 record of 6.6 million bales. Australia's cotton exports are expected to remain elevated, at 5.8 million bales, as exportable supplies are plentiful once again in 2023/24.

The higher global cotton import projection is led largely by increases among several leading importers, including China, Bangladesh, and Indonesia. Raw cotton imports by China in 2023/24 are forecast at 9.75 million bales, 3.4 million bales above 2022/23 and one of the highest levels in recent years as larger imports are expected to help replenish State reserves in China. For Bangladesh and Indonesia, 2023/24 cotton imports are projected at 8 million bales (+21 percent) and 2.4 million bales (+50 percent), respectively, supporting each country's textile industry. Vietnam's 2023/24 cotton imports are forecast to reach 7 million bales (+550,000 bales), the highest in 3 years.

Global cotton ending stocks are forecast at 94.5 million bales in 2023/24, less than 1 percent (570,000 bales) above 2022/23, as global production and mill use are projected at similar levels in 2023/24. Stocks are expected to reach their highest level since 2019/20, with the increase distributed among several countries outside of China. Although China's stocks are anticipated to decrease in 2023/24, China remains the leading cotton stockholder (38.6 million bales), accounting for 41 percent of the global total. Brazil and India are forecast to hold the second and third largest cotton supplies at the end of 2023/24, accounting for 17 percent and 12.5 percent, respectively. Stocks in Brazil are forecast to reach a record 16.1 million bales by the end of 2023/24. India's stocks are expected to increase an additional 300,000 bales in 2023/24 to 11.9 million bales. Stocks are also forecast to rise in the United States and Pakistan because of larger production in 2023/24. The global stocks-to-use ratio is forecast to decline slightly to 81 percent in 2023/24 from 2022/23's elevated level of 86 percent.

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