



Cotton and Wool Outlook

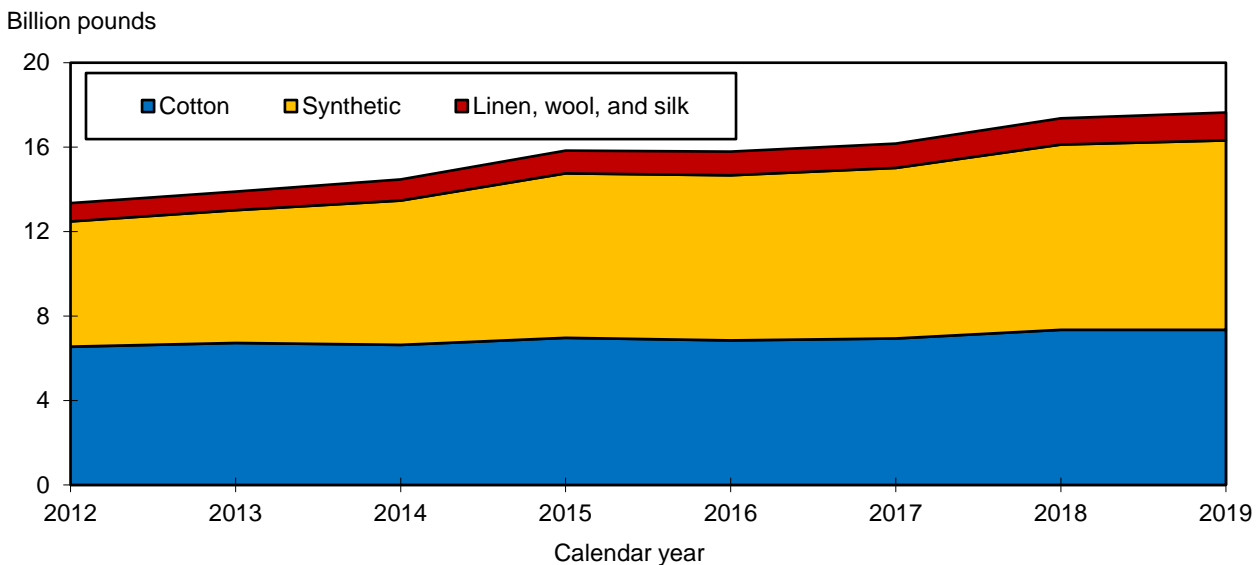
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U.S. Net Textile and Apparel Imports Rise in 2019

U.S. net textile and apparel fiber imports increased for a third consecutive year in calendar 2019, as consumer demand for clothing remained strong. Net imports surpassed 17.6 billion raw-fiber-equivalent pounds in 2019, nearly 2 percent above a year earlier (fig. 1). Total fiber product imports approached 21.0 billion pounds in 2019, compared with more than 20.8 billion pounds in 2018. Meanwhile, textile and apparel exports in 2019 declined 4 percent to 3.3 billion pounds, the lowest in a decade.

Net imports of synthetic textile and apparel products increased for the 10th consecutive year in 2019—as the popularity of athleisure wear kept demand for synthetics strong—with synthetic products accounting for the largest share of total net imports for each of the past 6 years. In 2019, synthetic textile and apparel products accounted for 51 percent of the total, while cotton products contributed 42 percent, and linen, wool, and silk combined for an additional 7 percent. Although cotton’s share of total net fiber product imports had steadily decreased since 2007, the 2019 share appeared to have stabilized near the 2018 level.

Figure 1
U.S. net imports of textile and apparel fiber products



Note: Raw-fiber-equivalent pounds.

Sources: USDA, Economic Research Service and U.S. Department of Commerce, U.S. Census Bureau.

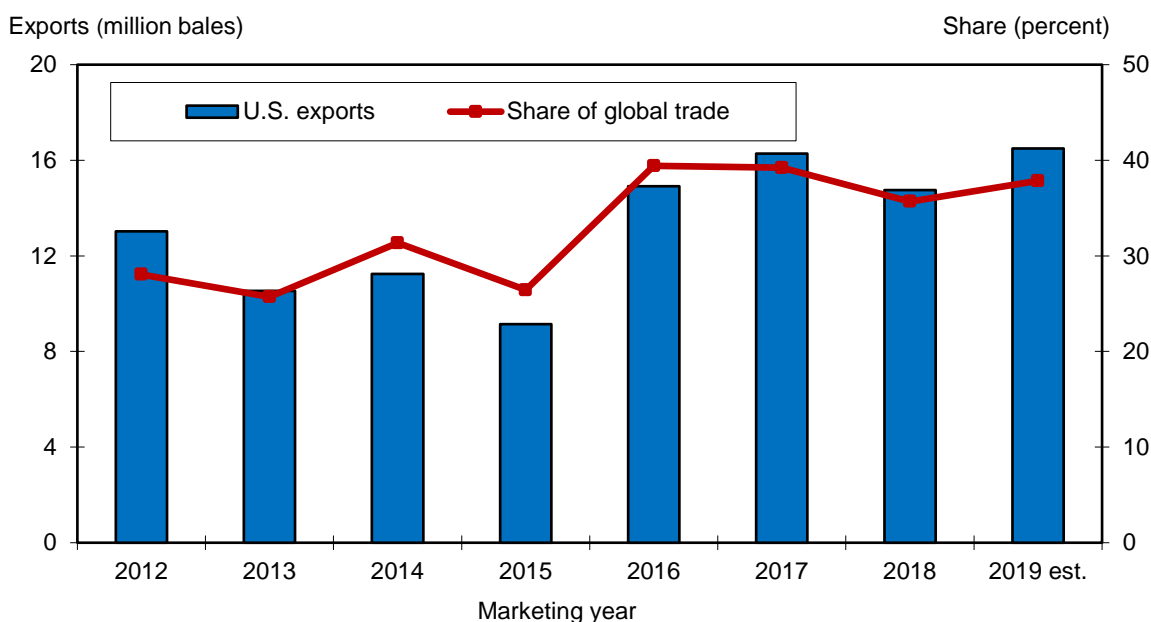
Domestic Outlook

U.S. Cotton Supply Revised in March; Demand Unchanged

The U.S. cotton crop estimate for 2019/20 was reduced 300,000 bales this month to 19.8 million bales (upland at 19.1 million bales and extra-long staple at 670,000 bales) based on data in the March *Cotton Ginnings* report. The latest estimate is 8 percent above the 2018 crop and would be the second largest U.S. production since 2006. USDA will release the final U.S. cotton production estimate for the 2019 crop on May 12. Based on the current production estimate and beginning stocks of 4.85 million bales, the 2019/20 cotton supply totals nearly 24.7 million bales, 9 percent above 2018/19 and the highest in a dozen years.

U.S. cotton demand in 2019/20 is projected at 19.5 million bales, 10 percent above last season but equal to 2017/18. While U.S. cotton mill use is estimated at 3.0 million bales—similar to 2018/19—exports are forecast at 16.5 million bales, 12 percent higher. Through the first 6 months of 2019/20, U.S. textile mills used approximately 1.5 million bales of cotton, similar to the same period of 2018/19. Based on the latest estimate, cotton mill use is expected to reach a similar amount during the second half of the season. Meanwhile, U.S. cotton exports are projected higher in 2019/20, as competitively priced U.S. cotton moves abroad amid a rising world import demand that is forecast more than 1 million bales higher this season. While uncertainty surrounds the coronavirus disease (COVID-19) and the effect on the global economy—and particularly the textile industry—U.S. cotton export commitments through the first 7 months of 2019/20 reached 15.0 million bales, compared with 13.0 million bales for the same period last season. Based on the 2019/20 export projection, the U.S. share of global trade is forecast near 38 percent, above last season but below the previous 2 seasons (fig. 2).

Figure 2
U.S. cotton exports and share of global trade



Note: 1 bale = 480 pounds.

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

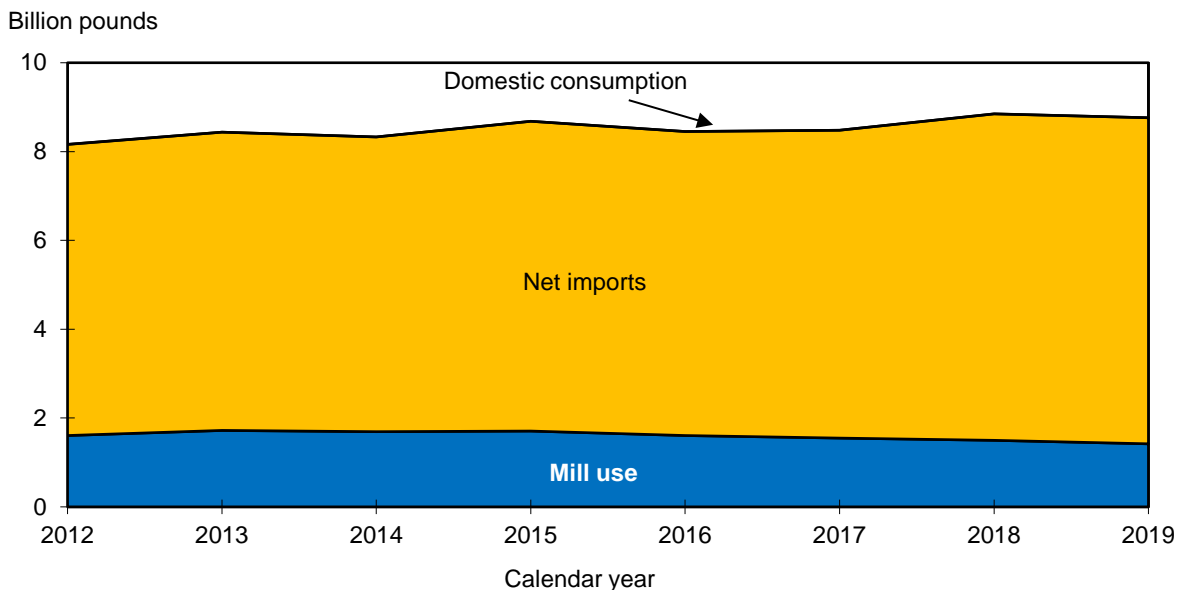
With U.S. cotton demand slightly below production, 2019/20 U.S. ending stocks are projected 5 percent higher at 5.1 million bales. Based on the current supply and demand estimates, the 2019/20 stocks-to-use ratio is forecast near 26 percent, 1 percentage point below 2018/19. However, the average price received by U.S. upland cotton producers is expected to decline about 10 cents this season to 60 cents per pound, compared with 70.3 cents per pound in 2018/19, as world cotton mill use expectations have weakened this season and stocks outside of China reach a record high.

U.S. Retail Cotton Consumption Smaller in 2019

U.S. domestic cotton consumption (mill use plus net textile imports) declined 1 percent in calendar 2019 as consumer demand for cotton products decreased slightly. Retail consumption in 2019 was estimated near 8.8 billion (raw-fiber-equivalent) pounds, or 18.3 million bale-equivalents for the year (fig. 3). Although domestic cotton consumption slipped below 2018, it remains the second highest in 9 years, but is 19 percent below the calendar 2006 record of approximately 10.9 billion pounds.

U.S. cotton product imports and exports each declined slightly in 2019, as demand for synthetic products expanded and limited cotton's potential. Cotton product imports reached 8.9 billion pounds in calendar year 2019, marginally below 2018 and the second highest since 2010. At the same time, 2019 cotton product exports decreased 2 percent to 1.6 billion pounds, the lowest in 10 years. Meanwhile, U.S. cotton mill use in calendar 2019 declined 5 percent to 1.4 billion pounds. As a result, the U.S. per capita estimate of retail cotton consumption slipped nearly half a pound in 2019 to about 26.5 pounds. Likewise, U.S. cotton mill use contributed a smaller share (nearly 4.5 pounds) of the total as textile and apparel product manufacturing remains concentrated in low-wage countries.

Figure 3
U.S. domestic consumption of cotton



Note: Raw-fiber-equivalent pounds.

Sources: USDA, Economic Research Service and U.S. Department of Commerce, U.S. Census Bureau.

International Outlook

World Cotton Production Up in 2019/20

Global cotton production in 2019/20 is projected at 121.6 million bales, 2.5 percent (3 million bales) above last season and the second highest since 2012/13. The production increase is largely due to an increase in harvested area, which is estimated at 34.6 million hectares (85.5 million acres) this season—about 3.5 percent higher and the largest since 2011/12's record of 36.1 million hectares (89.1 million acres). Meanwhile, the global yield is forecast at 765 kilograms (kg) per hectare (682 pounds per acre), below the last several seasons but near the 5-year average.

Among the major cotton-producing countries, India and the United States are forecast higher—with Brazil unchanged—while production in China, Pakistan, and Australia is lower in 2019/20. Production in India—the leading cotton producer in 2019/20—is forecast at 29.5 million bales, 14 percent above 2018/19. Price prospects favored cotton over other crops this season, with a record harvested area of 13 million hectares forecast. In addition, India's yield is projected near the 3-year average at 494 kg per hectare.

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. While most of China's cotton area has shifted to the high-yielding Xinjiang region now, a record yield for China of 1,761 kg per hectare occurred as recently as 2017/18. For 2019/20, though, the national yield is forecast lower at 1,720 kg per hectare.

For Brazil, cotton production is projected at 13.0 million bales in 2019/20, equal to the record set last season for the Southern Hemisphere country. In 2019/20, harvested area of 1.7 million hectares is forecast—the largest since 1991/92—along with a relatively high yield of 1,665 kg per hectare. Large-scale production efficiencies and increased export prospects in recent years have permitted Brazil to become the fourth largest cotton producing country.

Pakistan's production in 2019/20 is forecast at 6.6 million bales, 13 percent (1.0 million bales) below a year earlier and the smallest crop there since 1994/95. Gin arrival reports support the reduced crop prospects, with Pakistan's yield forecast at 575 kg per hectare, one of the lowest since the early 2000s. For Australia, 2019/20 cotton production is projected dramatically lower, as drought conditions this season limited area planted. Australia's cotton crop is forecast at only 675,000 bales, 69 percent below the previous season 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 60,000 hectares is expected to be its lowest since 1978/79.

Global Cotton Trade Highest in 7 Years

World cotton trade is projected at 43.6 million bales in 2019/20, 5 percent above 2018/19 and the highest since 2012/13. The higher trade is associated with increased cotton import demand from a number of major-importing countries—including Bangladesh, Turkey, and Pakistan—that produce textile and apparel products for global consumers. Although Bangladesh's imports and mill use appear to have stabilized after 7 years of strong growth, Bangladesh is still forecast as the second leading importer of raw cotton in 2019/20. For Turkey and Pakistan (both cotton producers), smaller crops and a rebound in their respective domestic spinning industries this season are expected to push imports higher for each country. In contrast, imports by China—

projected to be the leading importer in 2019/20—are forecast at 8.25 million bales, 1.4 million bales below a year ago as mill use there is reduced this season.

Meanwhile, global export gains are largely associated with higher shipments from Brazil and the United States. As previously noted, Brazil's record production has provided considerably larger exportable supplies as their mill use remains stable. For 2019/20, Brazil is forecast to export a record 8.8 million bales of cotton, 2.8 million bales above the year before; in addition, Brazil has gained export market share recently, particularly in China. Relatively strong shipments are also seen for U.S. exports in 2019/20, as increased supplies at competitive prices are expected to help fulfill the growing global import needs and push U.S. cotton shipments to the second highest on record.

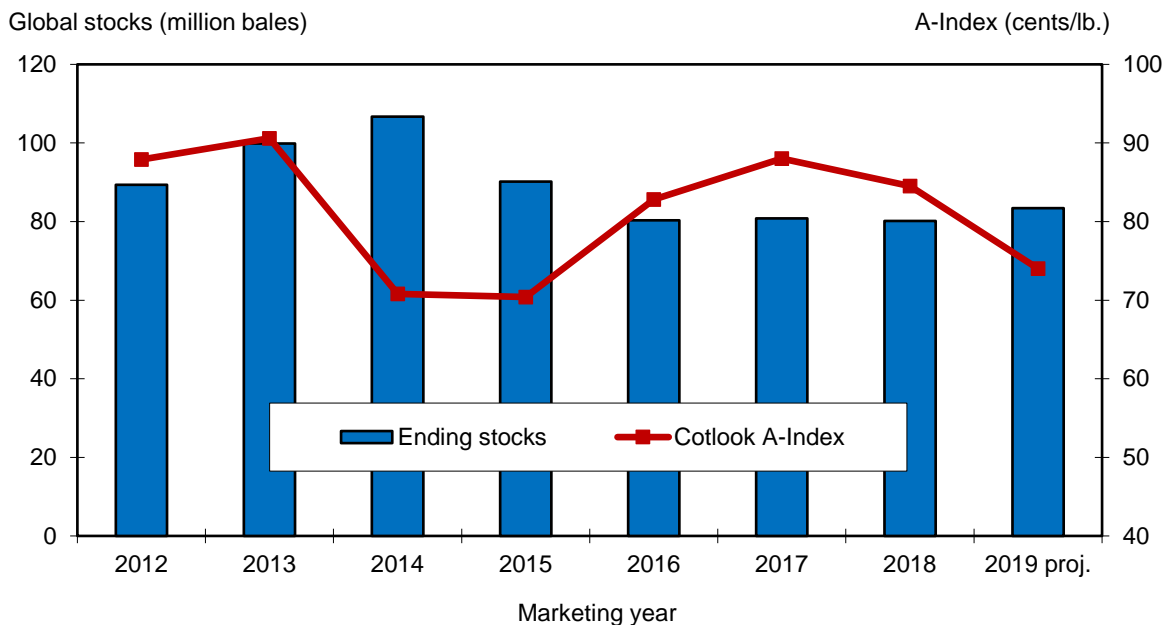
World Cotton Mill Use Declines; Stocks Increase

Global cotton consumption in 2019/20 is forecast at 118.2 million bales, 2.1 million bales (1.8 percent) below last season and the second consecutive decline. However, the projected decrease in world cotton mill use is mainly related to the expected impact of the COVID-19 on global economic activity that has seen the global cotton consumption estimate reduced 2 million bales since January; for the textile and apparel industry, this economic activity is largely centered in China, where the COVID-19 outbreak began. For 2019/20, China's mill use is projected at 36.5 million bales, 3 million bales below 2018/19 and the lowest in 4 years.

Meanwhile, cotton mill use is expected to rebound in India, Pakistan, and Turkey in 2019/20, after last season's declines. In India—the second largest spinner of cotton—mill use is forecast 2 percent higher at 24.5 million bales, second only to 2015/16's record of 24.75 million bales. For Pakistan, a modest 1-percent increase in mill use is projected to 10.8 million bales this season. In Turkey, cotton mill use is expected to rebound nearly 6 percent to 7.3 million bales, reflecting an improvement in Turkey's economic conditions; the forecast would equal the second highest cotton mill use on record behind 2017/18.

With global cotton consumption forecast below production in 2019/20, world cotton stocks are projected to increase 4 percent this season. Based on the March world cotton supply and demand estimates, 2019/20 global ending stocks are forecast at 83.4 million bales, 3.2 million bales above 2018/19 and the highest in 4 years (fig. 4). The increase is largely attributable to India, where stocks are projected to climb 3.7 million bales (nearly 40 percent) to 13.0 million bales this season. Brazil's stocks also are expected to rise moderately to 13.1 million bales. In contrast, stocks in China are projected to decrease for the fifth consecutive season, reaching 34.5 million bales by the end of 2019/20, their lowest share of world stocks since the beginning of the decade. With global stocks increasing and consumption declining in 2019/20, the stocks-to-use ratio (71 percent) is rising to its highest level in 4 years. However, for the world excluding China, both stocks and the stocks-to-use ratio are projected at record levels in 2019/20, resulting in lower world cotton price expectations compared with the past several years.

Figure 4
Global cotton stocks and prices



Note: 1 bale = 480 pounds.

Sources: Cotlook and USDA, Interagency Commodity Estimates Committee.