



Cotton and Wool Outlook

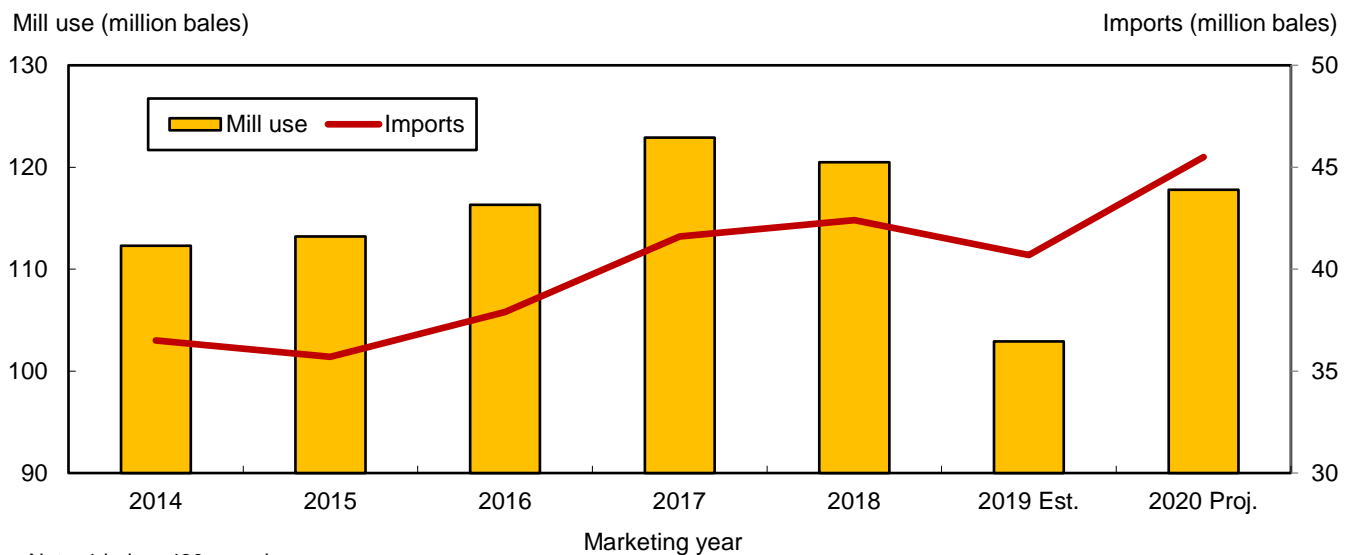
Leslie A. Meyer

Higher World Cotton Imports Help Support 2020/21 Mill Use Growth

The latest U.S. Department of Agriculture (USDA) cotton estimates indicate that global imports for 2020/21 (August-July) are projected at 45.5 million bales, 11.6 percent (4.7 million bales) above last season and their highest since 2012/13's record of 47.6 million bales. As the global economy rebounds, rising imports are supportive of higher world cotton mill use—estimated at 117.8 million bales (figure 1). China is expected to account for much of the import and mill use growth in 2020/21.

World cotton production is forecast at 113.0 million bales in 2020/21, the smallest in 4 years and the result of lower harvested area. Major producers—the United States, Brazil, and India—are leading global cotton exports higher though, accounting for more than 70 percent of the total cotton trade this season. Meanwhile, world cotton stocks (93.5 million bales) and the stocks-to-use ratio (79 percent) are both forecast lower in 2020/21, bolstering this season's cotton price expectations.

Figure 1
Global cotton mill use and imports



Note: 1 bale = 480 pounds.

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

Domestic Outlook

U.S. 2020/21 Cotton Supply Unchanged; Demand Increased

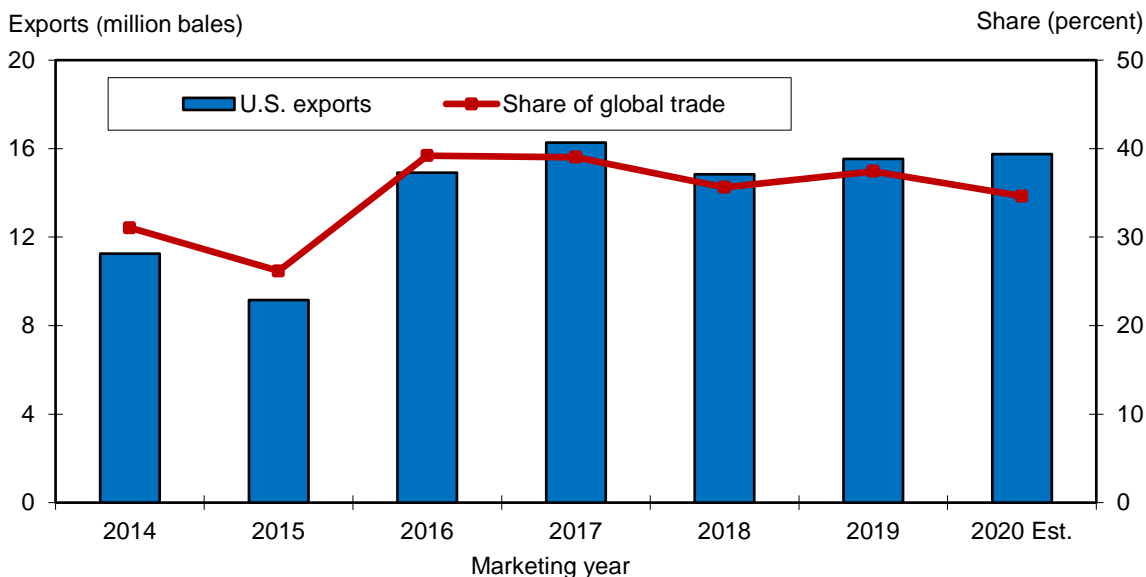
The 2020/21 U.S. cotton supply remains estimated at 22.0 million bales, 2.8 million bales below the previous season and the smallest in 4 years. Beginning stocks are estimated at 7.25 million bales while production is estimated at 14.7 million bales. USDA will release final 2020/21 production estimates on May 12.

While the cotton supply forecast remains unchanged in April, the U.S. demand estimate was raised 250,000 bales, with exports accounting for the entire increase. Generally, world cotton demand follows global economic conditions. As the world economy continues to rebound in 2020/21 from the COVID-19 pandemic, the cotton sector specifically has experienced a significant turnaround. With global cotton demand rising, the United States—along with other major exporters—is expected to witness rising raw cotton shipments this season.

U.S. cotton exports are forecast at 15.75 million bales in 2020/21, about 1.5 percent above both last month's projection and last season's final shipments. During the first 8 months of the marketing year, U.S. cotton shipments reached 10.7 million bales, compared with 9.8 million bales a year earlier. Despite the slightly higher export forecast this season, the U.S. share of world trade is estimated below a year ago as stronger competition from other exporters is expected to reduce the U.S. share approximately 3 percentage points to 34.6 percent in 2020/21 (figure 2). Meanwhile, the 2020/21 U.S. cotton mill use estimate remains at 2.3 million bales this month, compared with 2.15 million bales in 2019/20.

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.

U.S. Ending Stocks and Farm Price Revised

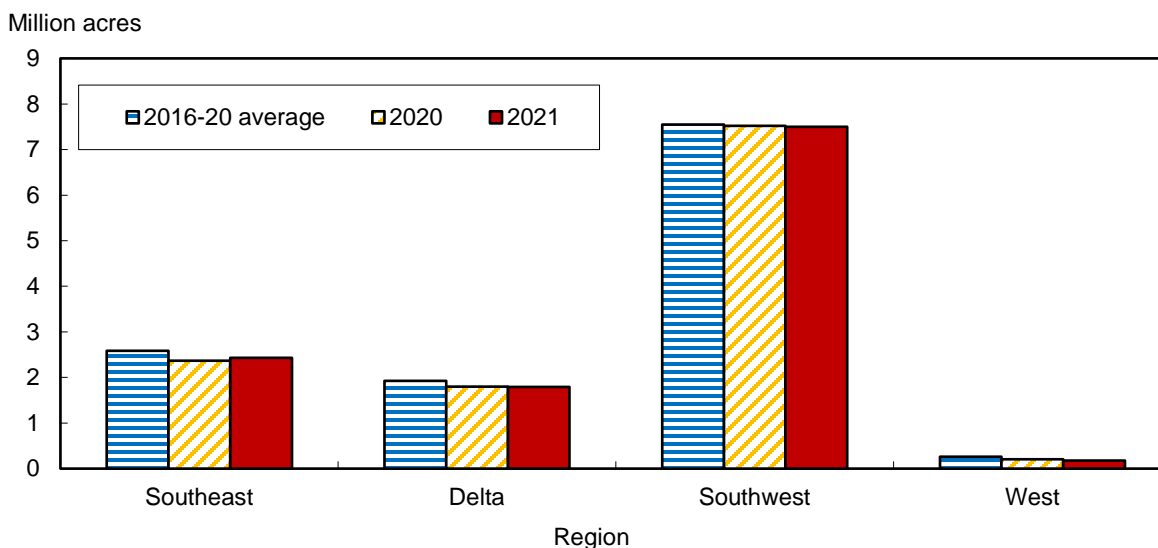
With the increase in U.S. cotton demand this month, 2020/21 U.S. ending stocks are forecast to decline further. U.S. cotton stocks are now forecast at 3.9 million bales, 46 percent below 2019/20 and the lowest since 2016/17's 2.75 million bales. The current stocks-to-use ratio is estimated at 22 percent, 19 percentage points below 2019/20. As a result, the lower stocks and stocks-to-use ratio are expected to push the U.S. farm price higher this season. The average price received by upland cotton producers for 2020/21 is projected at 68 cents per pound, compared with 2019/20's average of 59.6 cents per pound.

U.S. Cotton Acreage Forecast Similar in 2021

Total U.S. cotton area is projected nearly unchanged in 2021 after a decline in 2020. Based on the National Agricultural Statistics Service's (NASS) *Prospective Plantings* report that surveyed farmers in early March, producers intended to plant approximately 12.0 million acres of cotton in 2021. The initial projection is marginally (56,500 acres) below 2020's plantings and the lowest in 5 years. Upland acreage is forecast at approximately 11.9 million acres in 2021, while extra-long staple (ELS) area is expected at 142,000 acres, the lowest since 2009/10. For area projections by State and region, see table 10 associated with this report.

Upland cotton area is expected to be similar to last season as relative prices for competing crops at the time of the survey were also similar to last year. Three of the four Cotton Belt regions are forecast to plant slightly fewer cotton acres in 2021, with only the Southeast indicating additional area devoted to cotton (figure 3). Since early March, however, relative prices have favored competing crops over cotton. In addition, the effects of the ongoing drought in Texas could alter actual plantings further this season. Consequently, the planting intentions for 2021 may be more tentative than usual. These estimates will be updated at the end of June in NASS's *Acreage* report.

Figure 3
U.S. regional upland cotton planted area



Note: 2021 based on *Prospective Plantings* report.

Source: USDA, National Agricultural Statistics Service, *Crop Production* reports.

The Southwest is expected to plant 7.5 million acres to upland cotton in 2021, nearly identical to 2020 but about 4.5 percent (365,000 acres) below 2019. Meanwhile, winter wheat acreage is higher in the region, with corn and soybean acreage forecast to decrease in 2021. The Southwest is expected to account for 63 percent of total U.S. upland cotton acreage in 2021, similar to 2020 and one of the highest shares on record. As a result, production prospects in the region will play a major role in the 2021 U.S. cotton crop outcome.

In the Southeast, 2021 cotton plantings are projected to rise approximately 2.5 percent (62,000 acres) from a year ago to 2.4 million acres, as lower corn and peanut acreage is expected there this season. Cotton area in the Southeast is forecast to account for 20 percent of the U.S. upland total, slightly below the 5-year average. In the Delta, on the other hand, 2021 cotton area is forecast to decline marginally (10,000 acres) from 2020 to about 1.8 million acres. Meanwhile, indications are for corn and soybean area to rise in 2021, keeping Delta cotton plantings at their lowest in 5 years.

Upland cotton area in the West is forecast at only 174,000 acres in 2021, 28,000 acres below 2020 and the lowest since 2015. In 2021, the region's upland cotton acreage is expected to account for only 1.5 percent of the U.S. total, the lowest share in more than 8 decades. Meanwhile, ELS area in the West is also forecast lower—reaching just 122,000 acres in 2021—as area in the largest producing State (California) declines for the fourth consecutive season to its lowest since 1994. The West region will account for 86 percent of the total ELS cotton area in 2021, with Texas accounting for the remaining 16 percent.

International Outlook

World Cotton Production Lower in 2020/21

Global cotton production in 2020/21 is forecast at 113.0 million bales, 9.1 million bales (7.4 percent) below last season and the lowest since 2016/17. Global harvested area in 2020/21 is also the smallest in 4 years at 32.1 million hectares (79.4 million acres)—8 percent below 2019/20—as expected returns encouraged alternative crop plantings over cotton in several countries, including India, the United States, and Brazil. The global yield is forecast at 766 kilograms (kg) per hectare (683 pounds per acre) in 2020/21, near the average of the previous 2 seasons.

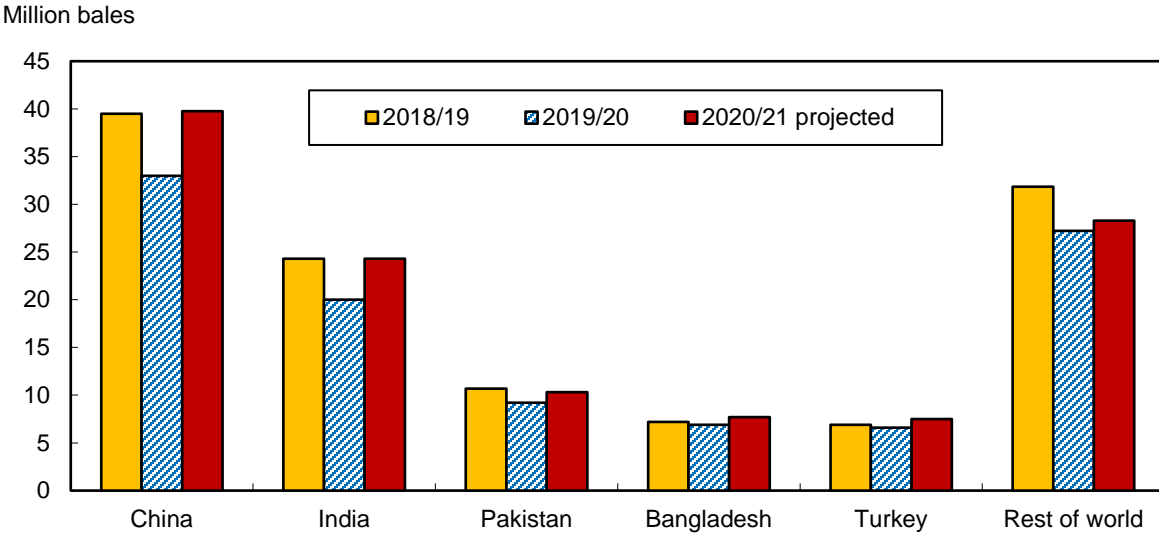
Among the major cotton-producing countries, crop prospects are mixed in 2020/21, with lower production estimated for India, the United States, Brazil, and Pakistan somewhat offset by larger crops in China and Australia. Production in India—tied for the leading cotton producer status with China—is forecast at 29.0 million bales in 2020/21, as lower area and yield is expected to reduce the crop there 500,000 bales below a year ago. India's area is lowered 1 percent to 13.35 million hectares, while the yield is projected at 473 kg per hectare, near the 3-year average. In the United States, 2020/21 cotton production is forecast at only 14.7 million bales, 26 percent (5.2 million bales) below the previous season and the smallest crop in 5 years, resulting from both below-average area and yield. For Brazil, the cotton crop is expected to decline from the 2019/20 record of 13.8 million bales to 11.5 million bales this season. Lower harvested area (1.45 million hectares) combined with a 4-percent decrease in yield to 1,727 kg per hectare reduced the crop to its lowest in 3 years. In addition, Pakistan's crop (4.5 million bales) is forecast 27 percent lower in 2020/21, with gin arrival reports supporting the low crop assessment this season. Harvested area (2.2 million hectares) and yield (445 kg per hectare) are projected at their lowest in more than 3 decades.

Like India, production in China is projected at 29.0 million bales, but the crop is more than 6 percent (1.75 million bales) above 2019/20. Despite a lower harvested area forecast, a record yield of 1,943 kg per hectare is projected there as crop conditions in Xinjiang—the largest producing region—appear to have been excellent. For Australia this season, a rebound from drought conditions that limited 2019/20 area to a 40-year low of only 60,000 hectares and a crop of only 625,00 bales is forecast. For 2020/21, cotton production in Australia is projected at 2.5 million bales, 1.9 million bales above 2019/20.

Global Cotton Consumption Rebounds in 2020/21

World cotton mill use in 2020/21 is projected at 117.8 million bales, 14.5 percent (14.9 million bales) above last season, which was dramatically impacted by the COVID-19 pandemic that saw ripple effects throughout the textile and apparel industry supply chain from raw fiber procurement to retail consumer end use. While economic conditions have improved, the cotton mill use rebound has varied by country. For the top five consuming countries, cotton mill use is projected to account for 76 percent of global mill use but nearly all (93 percent) of the increase year over year (figure 4). For China, cotton mill use is forecast at 39.75 million bales for 2020/21, nearly 6.8 million bales (20.5 percent) above last season to its highest in 3 years. For India, cotton consumption is projected at 24.3 million bales in 2020/21, an increase of 4.3 million bales (21.5 percent) from 2019/20 and matching their 2018/19 level. Smaller gains are foreseen for the other major cotton consuming countries, as improvements in global economic activity continue to evolve.

Figure 4
Leading global cotton consumers



Note: 1 bale = 480 pounds.

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

World Cotton Trade Higher; Stocks Lower

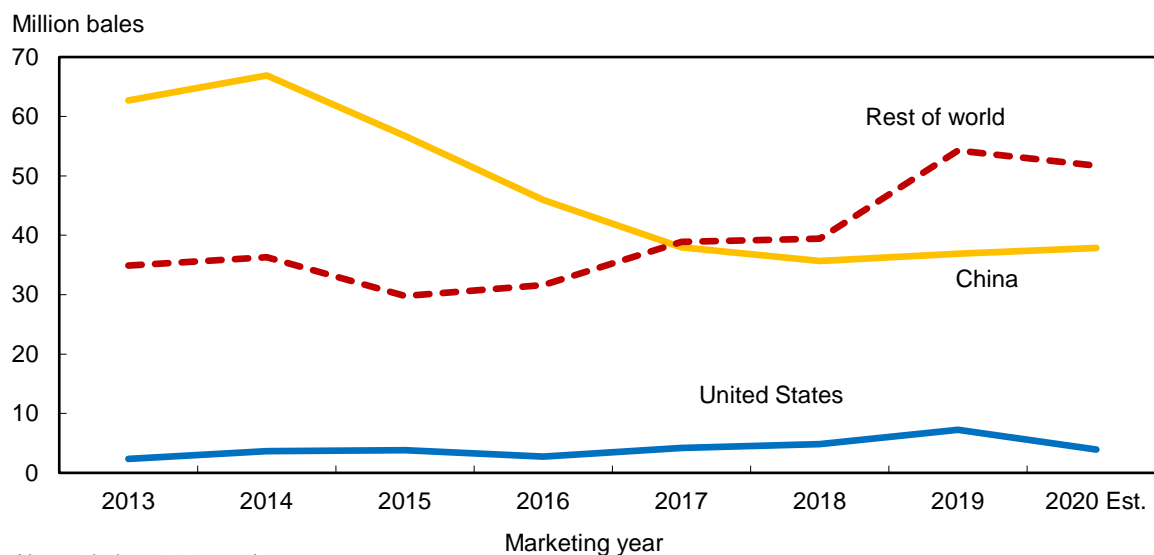
With the significant increase in world cotton consumption this season, global cotton trade is also projected to expand considerably in 2020/21, as importing countries increase their raw cotton needs accordingly. China is forecast to remain the largest importer in 2020/21, with imports projected at 11.75 million bales compared with 7.1 million bales in 2019/20. For Bangladesh, however, imports are forecast slightly lower at 7.4 million bales—despite 2020/21’s record mill use of 7.7 million bales—as stocks grew considerably in 2019/20 due to the pandemic’s impact on cotton mill use there. In contrast, Vietnam is expected to increase its imports 320,000 bales this year to 6.8 million bales.

Global cotton exports in 2020/21 are projected at 45.4 million bales, 4 million bales (nearly 10 percent) above 2019/20 and the highest in 8 years. As discussed earlier, U.S. exports are forecast slightly higher in 2020/21 but other competitors are accounting for a larger market share. Brazil’s cotton exports are forecast at a record 10.5 million bales (+17 percent) this season, compared with 8.9 million bales in 2019/20. India is also projected to see a significant export increase (+2.5 million bales) in 2020/21, as record supplies push shipments to 5.7 million bales, the highest since 2015/16.

Based on these global cotton supply and demand estimates, 2020/21 world stocks are projected to decline nearly 5 million bales from the previous year. Global cotton stocks are forecast to decrease 5 percent from 2019/20 and are forecast at approximately 93.5 million bales. China continues to hold the single largest stockpile of cotton, forecast at 37.8 million bales in 2020/21, with stocks there rising slightly over the past several years (figure 5). Stocks in China account for about 40 percent of the estimated global total in 2020/21, compared with 63 percent of the total as recently as 2015/16. Meanwhile, stocks in the United States and for the rest of the world are forecast to decline this season. In 2020/21, stocks outside of China and the United States are projected to decrease after 4 consecutive years of rising supplies. While still relatively high

at 51.7 million bales, the stock reduction is supportive of cotton prices, particularly in an expanding global economy with rising world cotton mill use.

Figure 5
Global cotton ending stocks



Note: 1 bale = 480 pounds.

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

Suggested Citation

Meyer, Leslie A., *Cotton and Wool Outlook*, CWS-21d, U.S. Department of Agriculture, Economic Research Service, April 13, 2021.

Use of commercial and trade names does not imply approval or constitute endorsement by USDA.

In accordance with Federal civil rights law and USDA civil rights regulations and policies, the USDA, its Agencies, offices, and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, religion, sex, gender identity (including gender expression), sexual orientation, disability, age, marital status, family/parental status, income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity, in any program or activity conducted or funded by USDA (not all bases apply to all programs). Remedies and complaint filing deadlines vary by program or incident.

Persons with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotape, American Sign Language, etc.) should contact the responsible Agency or USDA's TARGET Center at (202) 720-2600 (voice and TTY) or contact USDA through the Federal Relay Service at (800) 877-8339. Additionally, program information may be made available in languages other than English.

To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form, AD-3027, found online at [How to File a Program Discrimination Complaint](#) and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by: (1) mail: U.S. Department of Agriculture, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue, SW, Washington, D.C. 20250-9410; (2) fax: (202) 690-7442; or (3) email: program.intake@usda.gov.

USDA is an equal opportunity provider, employer, and lender.