United States Department of Agriculture

Economic Research Service | Situation and Outlook Report

CWS-22c | March 11, 2022 Next release is April 12, 2022

Cotton and Wool Outlook: March 2022

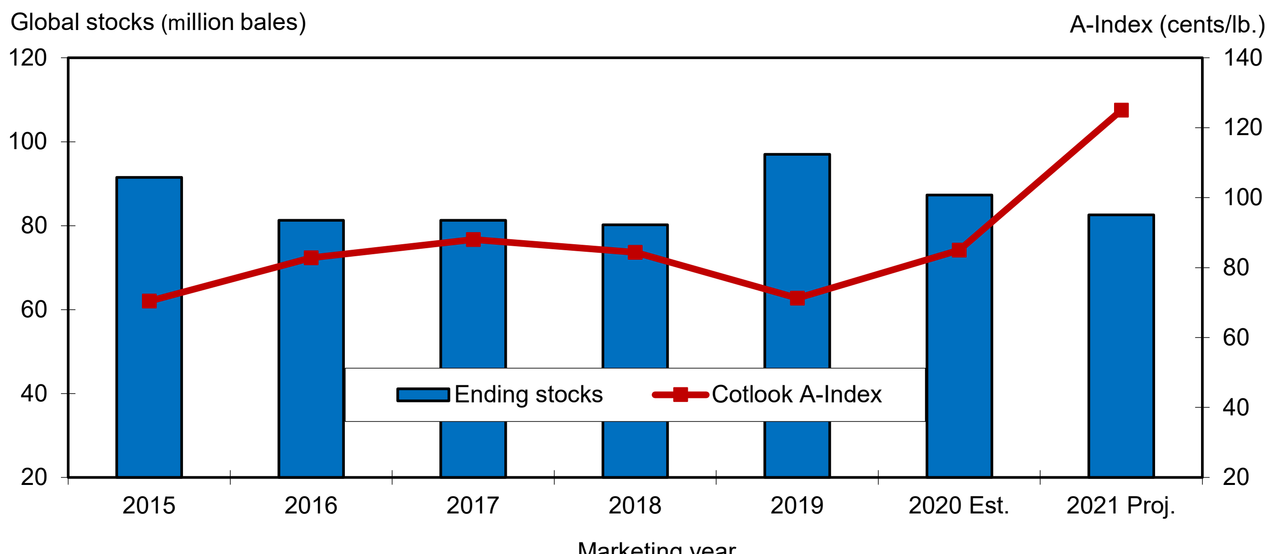
Leslie A. Meyer

Global 2021/22 Cotton Prices Rise Considerably

The latest U.S. Department of Agriculture (USDA) cotton supply and demand estimates for 2021/22 (August–July) are supportive of global prices that are expected to reach levels not seen in a decade (figure 1). World cotton ending stocks are projected at 82.6 million bales, more than 5 percent below last season and the lowest in 3 years. In addition, the 2021/22 global stocks-to-use ratio (66 percent) is expected to match the lowest ratio since 2010/11's 43 percent.

World cotton mill use in 2021/22 is forecast to expand 2 percent to a record 124.5 million bales, as cotton product demand continues to rebound from 2019/20's downturn. Despite a record mill use, 2021/22 global cotton trade is forecast to decline from last season's high. World cotton exports in 2021/22 are forecast at 46.3 million bales—still one of the highest levels on record—led by the United States, Brazil, and India, with a combined export share of 61 percent. Meanwhile, global cotton production is forecast 7 percent higher in 2021/22 at 119.9 million bales, the result of increased yields and a higher harvested area this season.

Figure 1
Global cotton stocks and prices



Note: 1 bale = 480 pounds.
Sources: Cotlook and USDA, Interagency Commodity Estimates Committee.

Approved by USDA's World Agricultural Outlook Board

Domestic Outlook

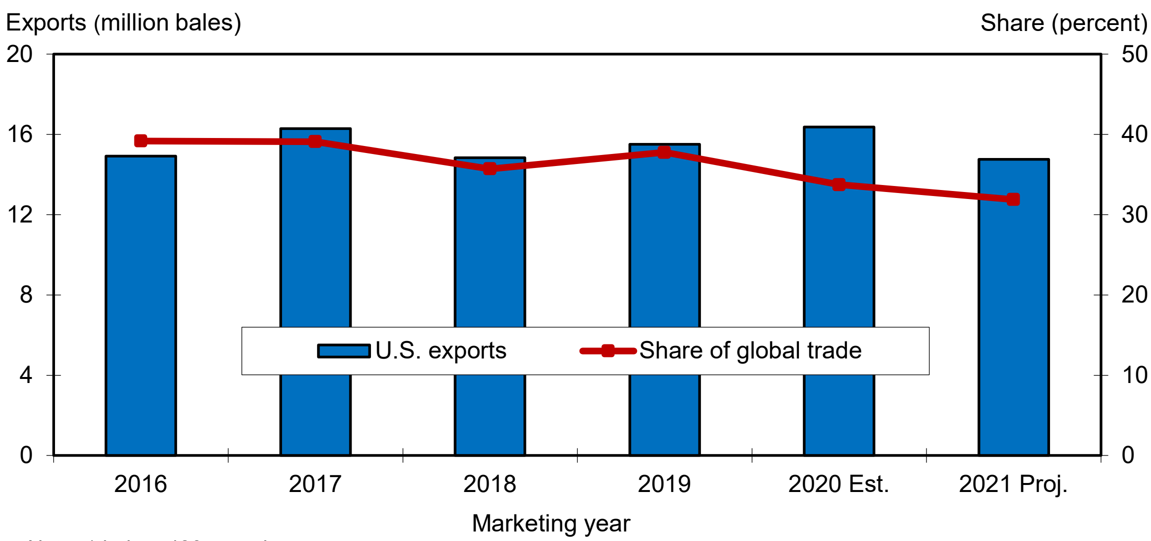
U.S. Cotton Supply and Use Estimates Unchanged in March

U.S. cotton production in 2021/22 remains estimated at 17.6 million bales (upland at approximately 17.25 million bales and extra-long staple at 367,000 bales). The latest estimate is nearly 21 percent above the 2020 crop but equal to the 3-year average. USDA will release the final U.S. cotton production estimates for the 2021 crop on May 12. Based on the current production estimate and beginning stocks of 3.15 million bales, the 2021/22 cotton supply totals nearly 20.8 million bales, about 1.1 million below last season and the lowest since 2015/16.

U.S. cotton demand in 2021/22 is projected at 17.3 million bales, 8 percent below 2020/21 and—like supply—the lowest in 6 years. While U.S. cotton mill use is estimated at 2.55 million bales this season—6 percent above 2020/21—exports are forecast at 14.75 million bales, 10 percent below last season and the lowest shipment level since 2015/16. Based on data through the first 6 months of 2021/22, U.S. textile mills used nearly 1.25 million bales of cotton, 7 percent above the comparable period of 2020/21, as the industry continues to improve from the decline associated with the coronavirus (COVID-19) pandemic. Based on the latest estimate, U.S. cotton mill use is expected to follow a similar pattern over the last half of the season.

Meanwhile, modest U.S. cotton supplies early in the season, harvest delays, and logistical issues disrupted normal seasonal shipping patterns this year. Through the first 7 months of 2021/22, U.S. cotton exports totaled only 5.8 million bales, or 39 percent of this season's forecast. However, shipments trended higher in recent weeks and are expected to remain strong through the end of the season. Nevertheless, U.S. cotton exports are forecast 10 percent lower in 2021/22 at 14.75 million bales. Global cotton import demand is also projected to decrease in 2021/22, with exports by Brazil and India—the second and third largest exporters—likewise expected lower. Based on the 2021/22 export projection, the U.S. share of global trade is forecast at 32 percent, compared with the 3-year average near 35.5 percent (figure 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.

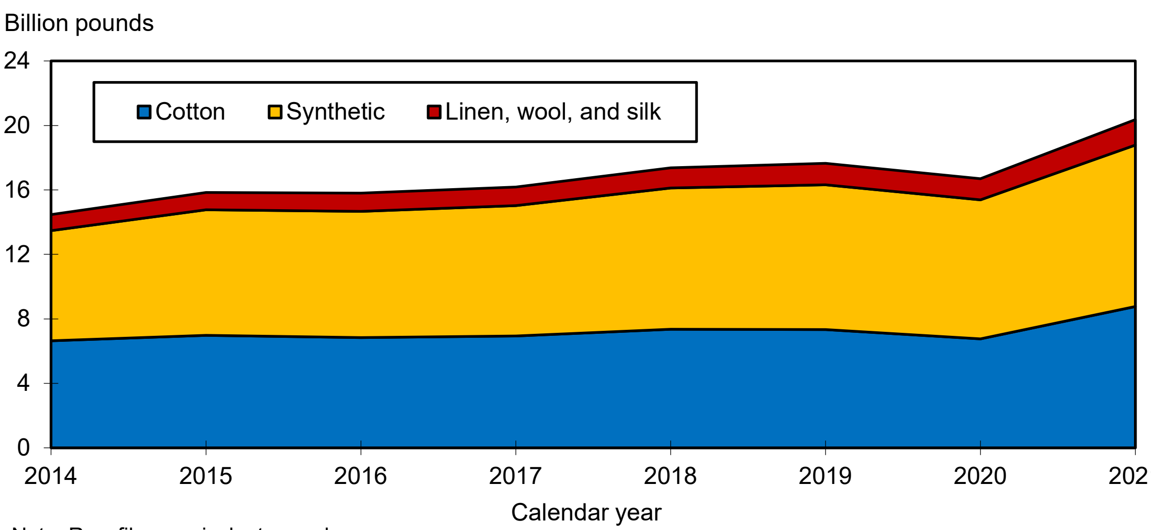
With U.S. cotton production above the demand projection, 2021/22 U.S. ending stocks are forecast 11 percent higher (350,000 bales) but remain at a relatively low 3.5 million bales. As a result, the 2021/22 U.S. stocks-to-use ratio is forecast at 20 percent, compared with 17 percent last season and 41 percent in 2019/20. Based on the U.S. and world cotton supply and demand estimates and recent prices, the 2021/22 average U.S. upland cotton farm price remains forecast at a record 90 cents per pound, compared with the final 2020/21 estimate of 66.3 cents.

U.S. Net Textile and Apparel Imports Rise in 2021

U.S. net textile and apparel fiber imports increased considerably in calendar year 2021, a year after COVID-19 impacted consumer demand for clothing and the industries around the globe that produce these items. Net imports rose to 20.4 billion raw-fiber-equivalent pounds in 2021, 22 percent above a year earlier (figure 3). Total fiber product imports approached 23.5 billion pounds in 2021, compared with 19.3 billion in 2020. At the same time, 2021 textile and apparel exports rose to 3.1 billion pounds, compared with 2.6 billion in 2020.

Net product imports for each of the fibers increased in 2021, with synthetic textile and apparel products continuing to account for the largest share. However, in calendar year 2021, the share of cotton products rose for the first time since 2007, suggesting consumers preferred adding cotton-rich product purchases at a greater proportion than synthetic product purchases. In 2021, cotton textile and apparel products contributed 43 percent (+2.5 percent) of the total, while synthetic products accounted for 49 percent (-2.5 percent), and linen, wool, and silk combined for an additional 8 percent. For supplemental data about U.S. annual trade of cotton products by country, see tables 11 and 12 associated with this report. Also, see the Highlight section in this report featuring the U.S. retail cotton consumption rebound in calendar year 2021.

Figure 3
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, Bureau of the Census.

International Outlook

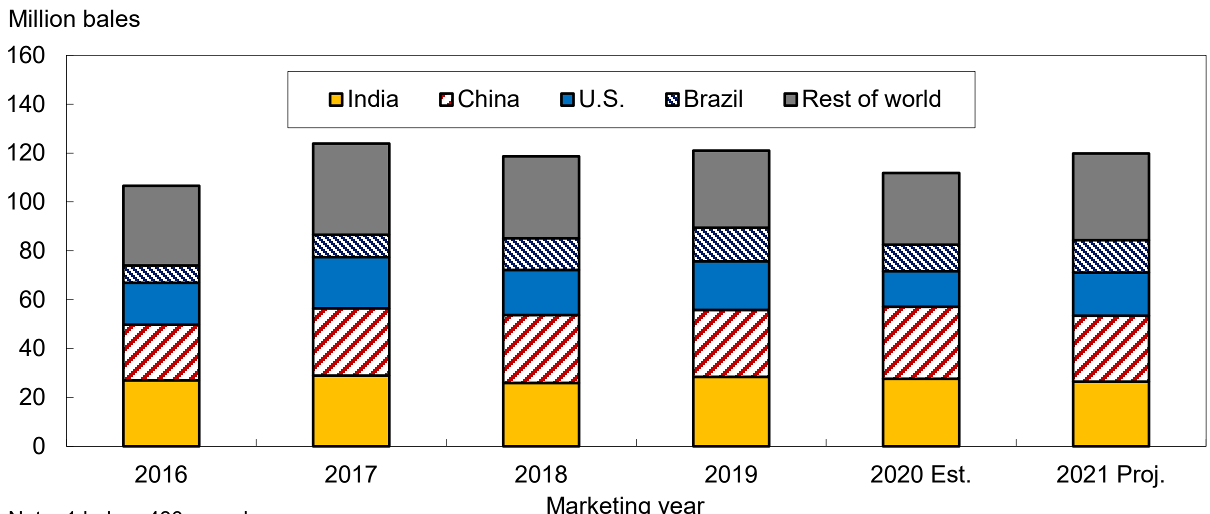
Global Cotton Production Higher in 2021/22

Global cotton production in 2021/22 is forecast at 119.9 million bales, marginally below last month's projection but 8.1 million bales (7 percent) above last season. World harvested area and yield are each projected above last season. Global area is forecast at 32.3 million hectares (79.9 million acres) in 2021/22—1.2 million hectares above 2020/21. The world cotton yield in 2021/22 is projected at a record 808 kilograms (kg) per hectare (721 pounds per acre), compared with the 3-year average of 774 kg per hectare.

Cotton production expectations for the major-producing countries this season are generally favorable—compared with 2020/21—except for China and India (figure 4). Production in China—the leading cotton producer in 2021/22—is forecast at 27 million bales, 8.5 percent (2.5 million bales) below 2020/21. Both area and yield are projected lower for 2021/22. Harvested area is estimated at 3.1 million hectares (-4.6 percent), while less favorable growing conditions lowered this season's national yield (1,896 kg per hectare) 4 percent below 2020/21's record. China is expected to account for 22.5 percent of global production this season.

For India, 2021/22 cotton production is projected at 26.5 million bales, 4 percent (1.1 million bales) below 2020/21. While lower area resulted from the monsoon's variation in crucial cotton regions in India this season, a national yield similar to 2020/21 is forecast. Harvested area in India is estimated at 12.4 million hectares in 2021/22, the lowest in 5 years. However, India's yield (465 kg per hectare) is expected marginally above the previous two years. In 2021/22, India is forecast to account for 22 percent of world cotton production. Meanwhile, Pakistan's cotton production is forecast at 5.8 million bales (+1.3 million), as a dramatic improvement in yield to 631 kg per hectare more than offsets a 40-year low in cotton area. Pakistan is forecast to account for about 5 percent of the global cotton crop in 2021/22.

Figure 4
World cotton production



Note: 1 bale = 480 pounds.

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

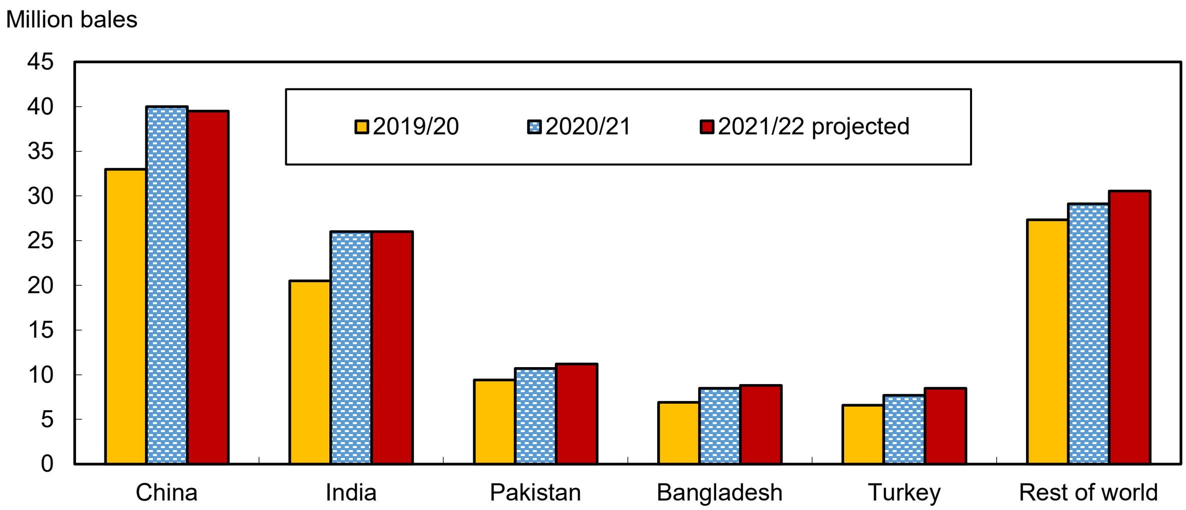
For the Southern Hemisphere countries of Brazil and Australia, 2021/22 cotton production is forecast higher for each country, as relatively high cotton prices attracted additional area this season and much-improved reservoir levels in Australia also supported increased plantings. Brazil's cotton production is projected at 13.2 million bales, 2.4 million above 2020/21, with area forecast nearly 17 percent higher at 1.6 million hectares. Brazil's yield is also forecast higher at 1,796 kg per hectare in 2021/22, near 2019/20's record of 1,802 kg. Brazil is expected to contribute 11 percent of the world's cotton production in 2021/22. For Australia, cotton production of 5.5 million bales is projected for 2021/22, with area more than doubling to 600,000 hectares as drought conditions eased. Australia's yield is projected at 1,996 kg per hectare, lower than 2020/21 as additional dryland area is planted this season. Australia's share of the global crop is forecast to nearly double to approximately 5 percent in 2021/22.

Record World Cotton Mill Use Forecast in 2021/22

Global cotton consumption in 2021/22 is projected at a record 124.5 million bales, 2 percent above last season as overall global economic conditions—and consumer demand for cotton products, in particular—have improved. This season's growth rate is much closer to the long-run average, compared with 2020/21's annual growth of 17.6 percent—the highest in over a century. Despite much higher world cotton prices, this season's world mill use is forecast to increase a modest 2.5 million bales and surpass 2006/07's high of 124.2 million bales.

Although China and India remain the leading cotton-spinning countries, the 2021/22 mill use increase is led by many of the smaller-spinning countries (figure 5). The top 5 countries are expected to account for 75 percent of the world cotton mill use in 2021/22, slightly below the year before. For China, cotton mill use is forecast at 39.5 million bales, 1 percent (500,000 bales) below 2020/21, which was the highest since 2017/18. China is expected to account for 32 percent of global cotton mill use this season. Cotton mill use in India is projected flat, year-over-year, albeit at a record 26 million bales as its textile industry has expanded. Cotton mill use in India is forecast to account for 21 percent of the global total in 2021/22.

Figure 5
Leading global cotton consumers



Note: 1 bale = 480 pounds.

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

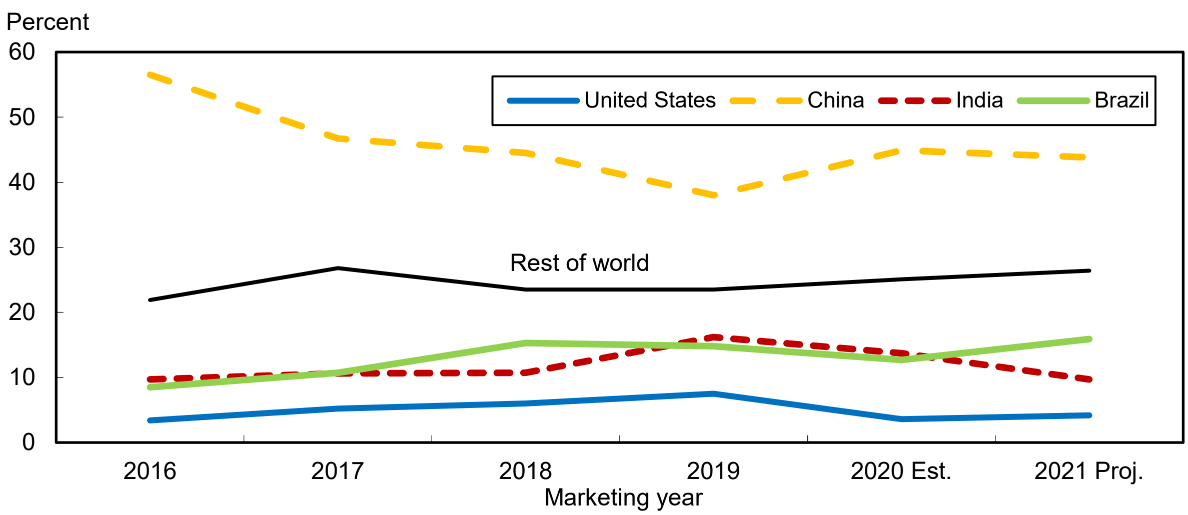
Meanwhile, cotton mill use is forecast to increase in Pakistan, Bangladesh, Turkey, and Vietnam in 2021/22. In Pakistan—the third largest spinner of cotton—mill use is projected at 11.2 million bales (+500,000 bales) this season, the highest since 2007/08 when Pakistan used 12 million bales. Mill use in Bangladesh is forecast at 8.8 million bales (+300,000 bales), a record. Likewise, 2021/22 cotton mill use in Turkey is expected to reach a high of 8.5 million bales (+800,000 bales). Additionally, Vietnam's cotton mill use is forecast to rise 200,000 bales to a record 7.5 million bales in 2021/22. Consequently, these 4 countries are forecast to account for a combined 29 percent of global cotton mill use this season.

Global Cotton Trade and Stocks To Decline in 2021/22

Despite record world cotton mill use in 2021/22, global cotton trade is forecast to decrease this season as cotton exporters provided record supplies to cotton spinners in 2020/21. Global cotton trade is forecast at 46.3 million bales in 2021/22. China and Bangladesh—the leading cotton importers—are expected to import fewer supplies this season—9.5 million bales and 8.3 million bales, respectively. Consequently, the major suppliers—the United States, Brazil, and India—are forecast to export smaller quantities. As noted earlier, U.S. cotton exports are forecast at 14.75 million bales (-1.6 million) in 2021/22. For Brazil, exports are forecast at 8 million bales, compared with 2020/21's record of 11 million. For India, this season's cotton exports are projected at 5.5 million bales, compared with 6.2 million in 2020/21.

Based on the latest cotton supply and demand projections, world cotton stocks are forecast to decline nearly 5.5 percent in 2021/22, with stocks projected at 82.6 million bales, the lowest in 3 years. Global cotton stocks are expected to decline in a number of countries this season but will be partially offset by increases in Brazil and the United States, where their respective share of the total is forecast to rise (figure 6). In China, cotton stocks—forecast at 36.2 million bales—are 3.1 million bales lower this season but China remains the largest stockholder, accounting for 44 percent of the global total. In India—where cotton stocks are declining for consecutive years—stocks are projected at 8 million bales (-3.9 million), or 10 percent of the total. However, ending stocks for Brazil are projected to rise 2 million bales due to larger production, with stocks reaching 13.1 million bales—16 percent of world stocks—at the end of 2021/22. Stocks in the United States are forecast higher at 3.5 million bales, or 4 percent of the 2021/22 global total.

Figure 6
Share of global cotton ending stocks



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

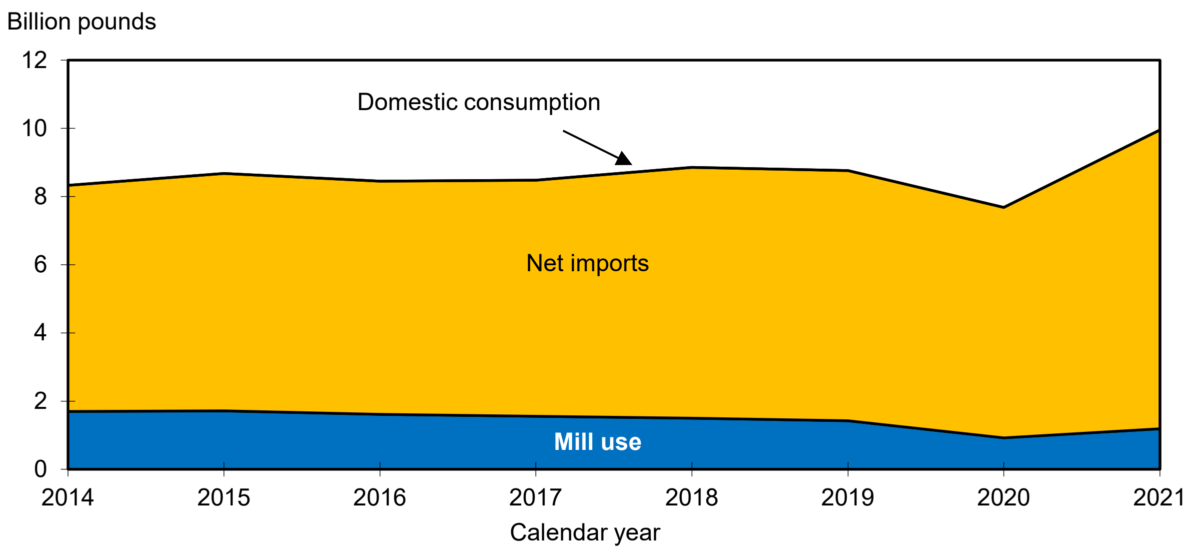
Highlight

U.S. 2021 Retail Cotton Consumption Rebounds Dramatically

U.S. domestic cotton consumption (mill use plus net textile imports) jumped nearly 30 percent in calendar year 2021—after a 12-percent reduction in 2020—as consumer purchases of cotton products, such as clothing, increased significantly. The recovery coincided with the substantial growth experienced by the U.S. and global economies after the pandemic impacts experienced in 2020. Although the pandemic effects reduced 2020 U.S. retail cotton consumption to its lowest level in more than 25 years, the rebound pushed 2021's retail consumption to its highest in 13 years and the fifth highest behind 2006's record of 10.9 billion pounds. Retail cotton consumption in 2021 was estimated at nearly 10.0 billion (raw-fiber-equivalent) pounds, or 20.7 million 480-pound bale-equivalents (figure 7).

U.S. cotton product imports and exports each increased markedly in calendar year 2021, with the volume of product imports rising considerably. Cotton product imports approached 10.2 billion pounds in 2021—compared with 7.9 billion pounds in 2020—reaching its highest since 2007. Meanwhile, cotton product exports rose from 1.1 billion pounds in 2020 to 1.4 billion pounds in 2021. Despite this increase, 2021's product exports remained the second lowest since 1995. In addition, U.S. cotton mill use in calendar year 2021 increased 29 percent to approximately 1.2 billion pounds. As a result, the U.S. per capita estimate of retail cotton consumption increased to nearly 30 pounds in 2021, 7 pounds above the previous year and the highest since 2010. However, lower retail cotton consumption growth is expected in calendar year 2022, as the world economic growth is projected to moderate.

Figure 7
U.S. domestic consumption of cotton



Note: Raw-fiber-equivalent pounds.
Sources: USDA, Economic Research Service and U.S. Department of Commerce, Bureau of the Census.

Suggested Citation

Meyer, Leslie A., *Cotton and Wool Outlook*, CWS-22c, U.S. Department of Agriculture, Economic Research Service, March 11, 2022.