



Cotton and Wool Outlook

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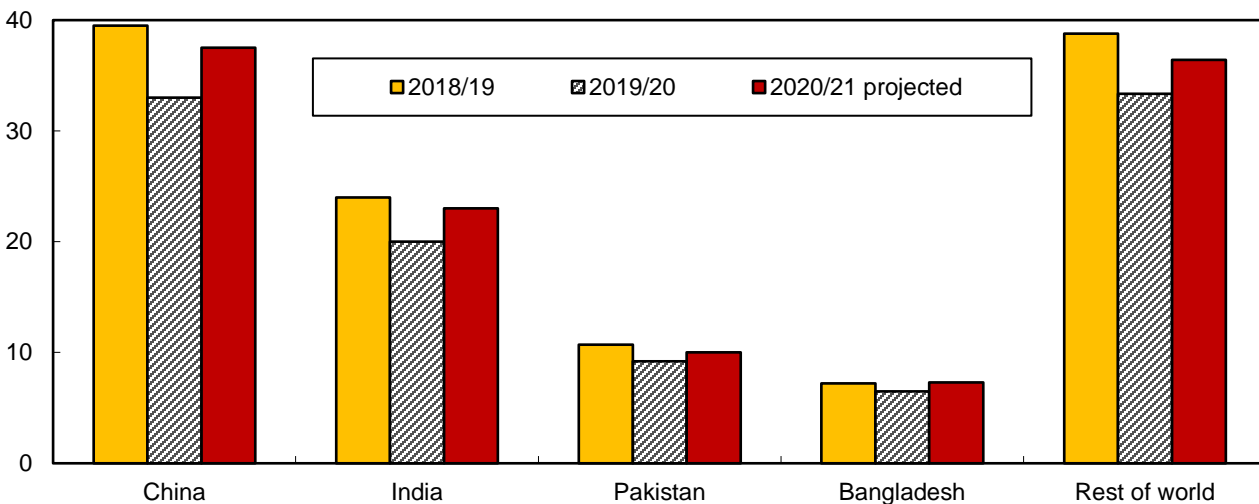
World 2020/21 Cotton Mill Use Increase Led by China and India

The latest U.S. Department of Agriculture (USDA) estimates indicate that global cotton mill use in 2020/21 is projected at 114.2 million bales—12 percent above 2019/20—with China and India leading the rebound (fig. 1). Smaller gains are seen for Pakistan, Bangladesh, and others.

World cotton production is forecast at 116.3 million bales in 2020/21, the lowest in 4 years, as reduced area more than offsets a higher yield. Global cotton trade is projected to increase 3 percent this season to 42.2 million bales and helps support the higher mill use estimate. Nevertheless, global cotton mill use remains forecast below production, pushing 2020/21 ending stocks to 101.1 million bales, the second highest on record behind only 2014/15. However, the global stocks-to-use ratio is expected to decline, supporting slightly higher world cotton prices in 2020/21.

Figure 1
Leading global cotton consumers

Million bales



Note: 1 bale = 480 pounds.

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

Domestic Outlook

U.S. Cotton Crop Forecast Marginally Lower in October

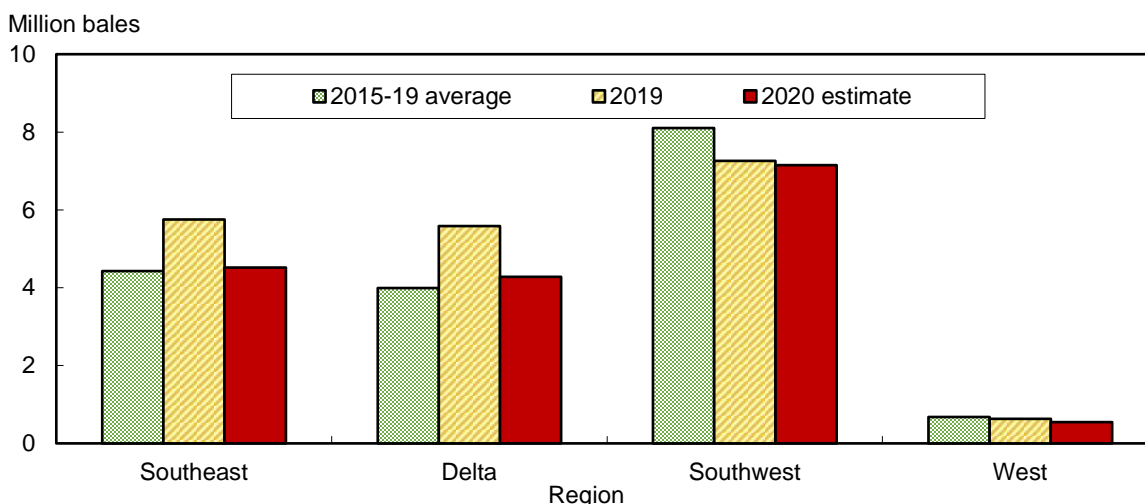
According to USDA's October *Crop Production* report, 2020 U.S. cotton production is estimated at 17.0 million bales, marginally below last month's forecast but 14 percent (2.9 million bales) lower than the 2019 crop. If realized, 2020 U.S. cotton production would be the smallest since 12.9 million bales were produced in 2015.

The 2020 U.S. upland cotton crop is forecast at 16.5 million bales, compared with last season's 19.2 million bales. During the previous 20 years, the October upland production estimate was above the final estimate 11 times and below it 8 times; no production forecast was published in 2013. Past differences between the October estimate and final production indicate that chances are two out of three that the 2020 upland crop will range between 15.6 million bales and 17.4 million bales.

Upland cotton production is forecast to decrease in each region of the Cotton Belt this season (fig. 2). In the Southeast, 2020 cotton production is projected at 4.5 million bales—down 1.2 million from last season but slightly above the 2015-19 average—as both area and yield are lower this season. Cotton area in 2020 is forecast at its lowest in 4 years, with harvested area estimated at 2.3 million acres—nearly 600,000 acres below 2019. The Southeast yield is projected at 928 pounds per harvested acre in 2020, compared with the 5-year average of 865 pounds.

The 2020 Delta cotton crop is estimated at approximately 4.3 million bales, the smallest since 2016, as area is also the lowest in 4 years. In 2020, cotton harvested acreage is forecast at about 1.8 million acres, slightly above the 5-year average. Meanwhile, the region's yield is projected at a record 1,159 pounds per harvested acre. However, the October crop estimates do not include any potential impacts from Hurricane Delta; these effects would be included in USDA's November *Crop Production* report.

Figure 2
U.S. regional upland cotton production



Note: 1 bale = 480 pounds.

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

In the Southwest, the 2020 upland crop is forecast at nearly 7.2 million bales, slightly (1.5 percent) below last season and the smallest crop in 5 years. While 2020 planted area was reduced to 7.5 million acres—the lowest in 4 years—limited rainfall throughout much of the growing season increased abandonment and reduced harvested area to an estimated 4.5 million acres, the lowest in 7 years. As a result, 2020 Southwest abandonment is projected higher at 40 percent, compared with last season's 25.5 percent and the 5-year average of 21 percent. Meanwhile, the 2020 Southwest upland yield is projected higher at 762 pounds per harvested acre, compared with last season's 594 pounds.

In the West, the 2020 upland crop is projected at 550,000 bales, compared with 631,000 bales in 2019. Although the region's upland cotton area is the lowest since 2015, a higher yield this season is expected to keep production from declining further, as crop conditions have been favorable this season. The extra-long staple (ELS) crop—grown mainly in the West—is projected at only 545,000 bales in 2020, down from 685,500 bales in 2019 and the lowest crop since 2015. ELS area decreased for the third consecutive year in 2020, as stocks at the start of the season had climbed to a record 382,000 bales.

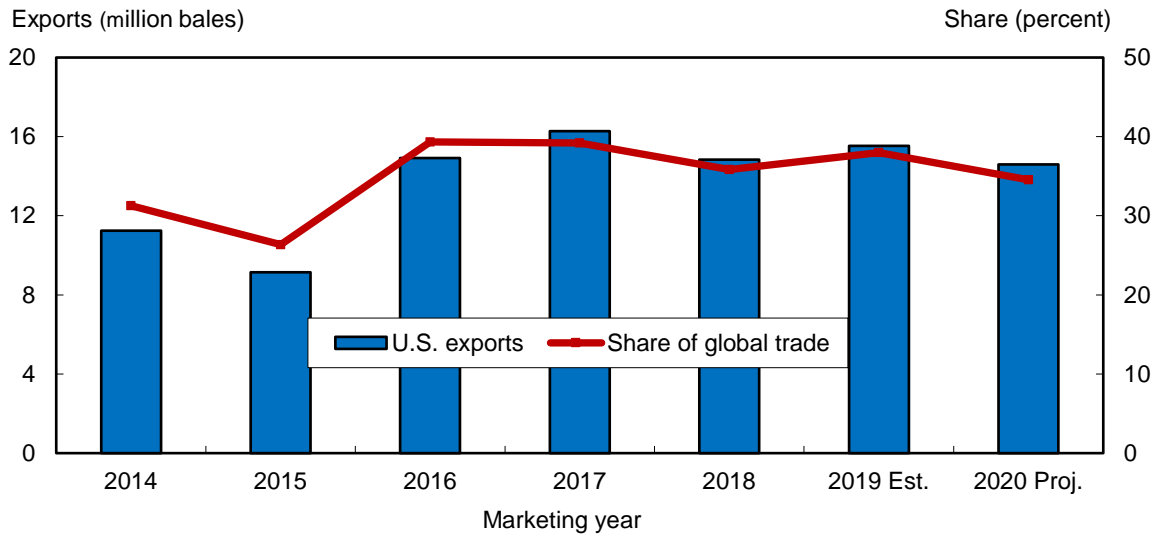
Total 2020 U.S. cotton harvested area is estimated at 9.0 million acres, compared with last season's 11.6 million acres. The national yield is projected at a record 909 pounds per harvested acre, compared with 2019's 823 pounds. As of October 11, 26 percent of the U.S. cotton crop had been harvested, slightly below last season's 30 percent and the 2015-19 average of 27 percent. Meanwhile, 2020 U.S. cotton crop conditions have continued below last season and the 5-year average. As of October 11, 40 percent of the cotton area was rated "good" or "excellent," similar to last year; however, 30 percent of the crop area was rated "poor" or "very poor," compared with 21 percent a year ago. For current production estimates by State, see table 10 published separately with this report.

U.S. Cotton Demand and Stocks Estimates Unchanged

The U.S. cotton demand estimate for 2020/21 remains projected at 17.1 million bales in October but is 3 percent below 2019/20 and the lowest in 5 years. U.S. cotton exports account for the majority of demand and are forecast at 14.6 million bales, with mill use projected to contribute the remaining 2.5 million bales in 2020/21. Despite a higher world mill use forecast—along with increased foreign import demand for raw cotton—competitively priced supplies from around the world are seen limiting U.S. cotton shipments in 2020/21. As a result, the U.S. share of global trade is forecast lower in 2020/21 at about 35 percent—compared with last season's 38 percent and the lowest since 2015/16—as uncertainties remain surrounding the mill use recovery from the COVID-19 pandemic (fig. 3).

With the U.S. cotton demand projection unchanged this month and a marginal production adjustment, the U.S. ending stocks estimate for 2020/21 remains forecast at 7.2 million bales, slightly below last season's 12-year high. The stocks-to-use ratio is expected to reach 42 percent by the end of 2020/21, slightly above last season and the highest since 2007/08. However, based on the global supply and demand estimates and recent prices, the 2020/21 average U.S. upland cotton farm price is forecast higher at 61 cents per pound, compared with the final 2019/20 estimate of 59.6 cents per pound.

Figure 3
U.S. cotton exports and share of global trade



Note: 1 bale = 480 pounds.

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

International Outlook

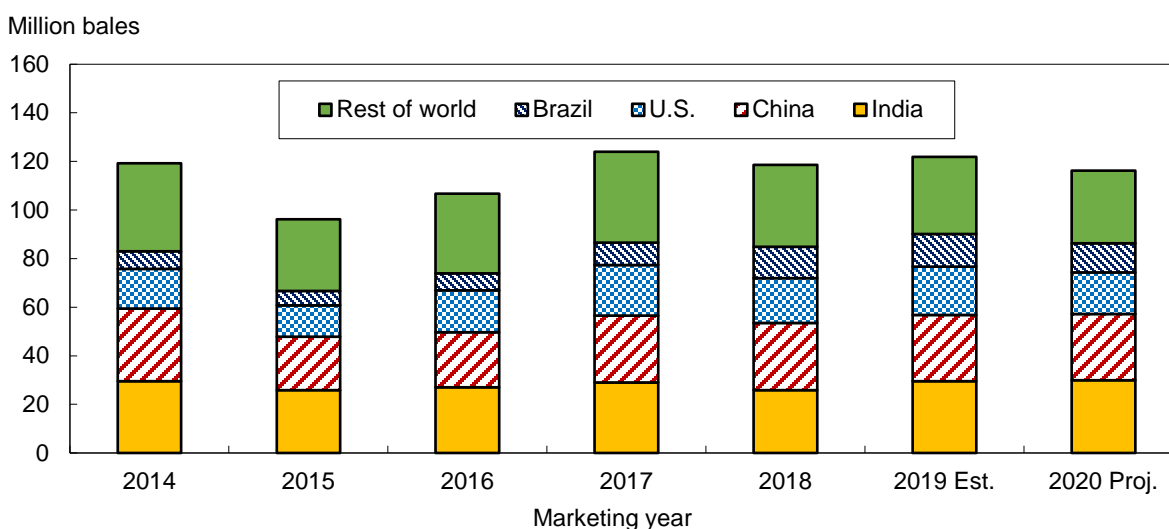
World Cotton Production To Decline in 2020/21

Global cotton production in 2020/21 is projected at 116.3 million bales, slightly (1 percent) below last month's projection but nearly 5.6 million bales (4.5 percent) below 2019/20. The October production estimate includes decreases for Mali, Pakistan, and Greece, with estimates for the top 4 producing countries unchanged this month. Global harvested area is forecast lower at 32.6 million hectares (80.6 million acres) in 2020/21, the lowest in 4 years. The world cotton yield in 2020/21 is projected at 776 kilograms (kg) per hectare (692 pounds per acre), similar to the previous 3-year average.

Cotton production among the major-producing countries this season is mixed compared with 2019/20 (fig. 4). Production in India—the leading cotton producer—is forecast at 30.0 million bales, 500,000 bales above 2019/20, as both area and yield are projected higher this season. Harvested area in India is estimated at a record 13.4 million hectares in 2020/21, attributable to labor shortages for rice planting in the North and Government policies supporting cotton area in the South this season. In addition, a marginally higher yield (487 kg per hectare) is expected to boost the crop to its second highest, behind 2013/14's record of 31.0 million bales. India is forecast to account for nearly 26 percent of the global crop in 2020/21.

For China, 2020/21 cotton production is forecast at 27.25 million bales, unchanged from the year before, with area and yield changes offsetting. While harvested area is forecast 200,000 hectares lower, at 3.25 million hectares, excellent growing conditions support a rising national yield that is projected at a record 1,826 kg per hectare in 2020/21. China is expected to account for 23 percent of world production this season. On the other hand, cotton production in Pakistan is projected to decrease 400,000 bales in 2020/21 to 5.8 million bales, as a 10-percent reduction in area more than offsets a modest yield increase to 574 kg per hectare. Pakistan is forecast to account for 5 percent of the global cotton crop in 2020/21.

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, 2020/21 cotton production is projected to move in opposite directions. In 2019/20, Brazil produced a record crop of 13.45 million bales, with its largest area since 1991/92 and a record national yield of 1,759 kg per hectare. In 2020/21, a 7-percent reduction in Brazil's area—along with a slightly lower yield—is expected to reduce the crop nearly 11 percent to 12.0 million bales, or 10 percent of global production. In contrast, Australia's 2020/21 cotton production is forecast to increase significantly from last season's drought-impacted crop. Australia's area and production in 2020/21 are projected substantially higher at 300,000 hectares and 2.1 million bales, respectively.

Global Cotton Mill Use Forecast To Rise in 2020/21

World cotton consumption in 2020/21 is projected to increase 12 percent this season as the global economy continues to recover from the impacts of COVID-19. At 114.2 million bales, world mill use is expected to increase more than 12 million bales this season, but the estimate remains 6 million bales below the 2018/19 level. While many countries experienced cotton mill use reductions in 2019/20, most countries are expected to see a reversal in 2020/21.

For the top cotton-spinning countries, 2020/21 mill use is forecast to expand between 6 and 15 percent, with the 6 leading countries accounting for a combined 80 percent of the world total. In 2020/21, China is forecast to spin 37.5 million bales of raw cotton, approximately 13.5 percent (4.5 million bales) above 2019/20. China is expected to account for one-third of total global cotton consumption in 2020/21. India is also projected to experience a considerable rebound, with 2020/21 mill use forecast at 23.0 million bales, rising 15 percent or 3.0 million bales above last season. India's consumption accounts for 20 percent of the world total.

Cotton mill use is forecast to rise 800,000 bales each for Pakistan and Bangladesh in 2020/21, reaching 10.0 million bales (+9 percent) and 7.3 million bales (+12 percent), respectively. In addition, cotton mill use is expected to reach 7.0 million bales (+6 percent) in Turkey and 6.8 million bales (+11.5 percent) in Vietnam. As with the other major spinners, these countries' 2020/21 share of global mill use is near last season's.

World Cotton Trade and Stocks To Increase in 2020/21

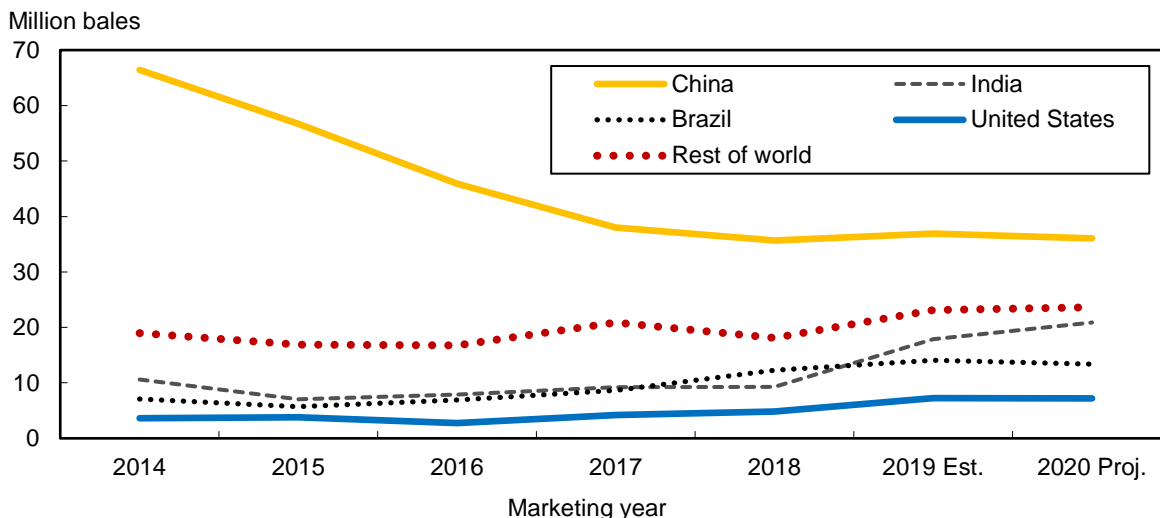
Global cotton trade is forecast at 42.2 million bales in 2020/21, 3 percent above last season and the highest since 2012/13's record of 46.4 million bales. Cotton exports are projected to increase for both Brazil and India, where supplies have risen considerably during the past several seasons and will compete with U.S. cotton on the global market in 2020/21. For Brazil, 2020/21 cotton exports are expected to increase for the fourth consecutive year to a record 9.7 million bales. For India, this season's cotton exports are projected to reach 5.0 million bales, compared with only 3.2 million bales in 2019/20.

With global mill use rising this season, China, Bangladesh, and Vietnam are projected as the leading raw cotton importers in 2020/21. Imports by China are forecast at 9.5 million bales (+2.4 million bales) this season—similar to 2018/19—as China adds foreign cotton to the national reserve for rotational purposes and for re-export in the form of textile and apparel products. For Bangladesh and Vietnam, 2020/21 imports are forecast at 7.3 million bales (+4 percent) and 6.8 million bales (+5 percent), respectively, supporting the forecast growth in cotton mill use there.

Based on the latest cotton supply and demand projections, global ending stocks are forecast at 101.1 million bales in 2020/21, nearly 2 percent (1.9 million bales) above a year ago and the highest since 2014/15. While stocks in most producing countries are projected to decrease in

2020/21, stocks are expected to rise considerably (+3 million bales) in India to a record 20.9 million bales—21 percent of the world total (fig. 5). Stocks in China are forecast to decrease to 36.0 million bales, or 35.5 percent of the global total in 2020/21. Brazil's cotton stocks are expected to decline to 13.4 million bales, or 13 percent of all stocks this season. The global stocks-to-use ratio is estimated at 89 percent in 2020/21, compared with last season's record of 97 percent. As a result, the 2020/21 Cotlook A-Index price is expected to increase slightly from 2019/20's average of 71.3 cents per pound.

Figure 5
Global cotton ending stocks



Note: 1 bale = 480 pounds.

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

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