



Cotton and Wool Outlook

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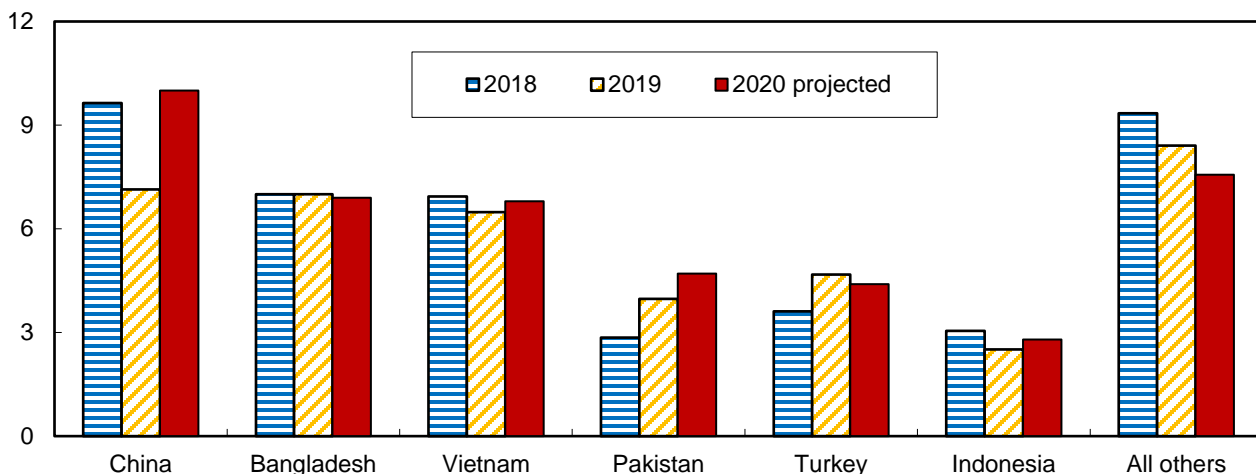
World Cotton Imports Projected at 8-Year High

The latest U.S. Department of Agriculture (USDA) cotton estimates indicate that global cotton imports for 2020/21 are projected at 43.2 million bales, 3.0 million (7.4 percent) above last season, and their highest since 2012/13's record of 47.6 million bales. The import increase is attributable to China, as projections for the rest of the world are largely offsetting (figure 1).

Global cotton production is forecast at 113.9 million bales in 2020/21—the lowest since 2016/17—and is the result of a lower harvested area estimate. World cotton mill use in 2020/21 is projected to rebound 13 percent from last season's downturn and is supported by the expected import increase. Several major producing countries account for the bulk of global cotton exports, with the United States, Brazil, and India contributing nearly 70 percent of total world exports in 2020/21. Global cotton ending stocks and the stocks-to-use ratio are both projected lower for 2020/21—at 97.5 million bales and 84 percent, respectively—and is supportive of higher cotton prices this season.

Figure 1
Leading cotton importers

Million bales



Note: 1 bale = 480 pounds.

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

Domestic Outlook

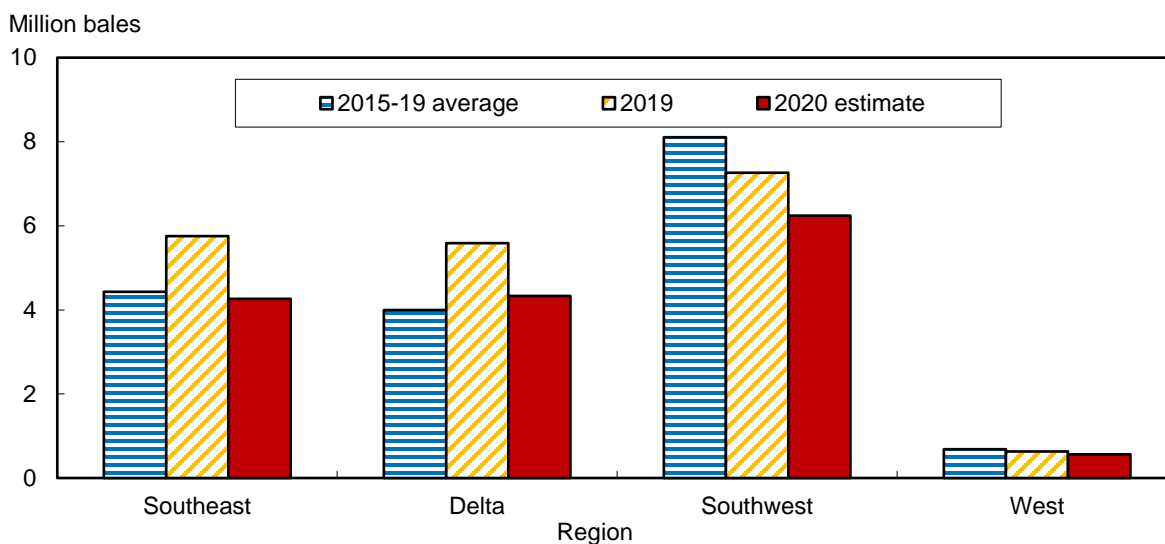
U.S. Cotton Production Estimate Reduced in December

According to USDA's December *Crop Production* report, 2020 U.S. cotton production is estimated at 15.95 million bales, 1.1 million below last month's forecast and 20 percent (4.0 million bales) below the 2019 crop. Harvested area this season is estimated at 9.0 million acres, indicating an abandonment rate of nearly 26 percent, compared with last season's 15.5 percent. The 2020 national yield is forecast at 850 pounds per harvested acre, slightly above last season's 823 pounds but 20 pounds below the 3-year average. Upland cotton production is estimated at 15.4 million bales, the lowest in 5 years. Similarly, the extra-long staple (ELS) crop—forecast at 554,000 bales—is also the smallest since 2015. For current production estimates by State, see table 10 published separately with this report.

Upland cotton production is forecast to decline in each of the four Cotton Belt regions this season (figure 2). In the Southwest, the 2020 upland crop is projected at 6.2 million bales, compared with last season's nearly 7.3 million bales, and the smallest crop since 2015. Limited rainfall throughout much of the growing season pushed Southwest abandonment (40 percent) well above average, resulting in the lowest upland cotton harvested area (4.5 million acres) in 7 years. The region's yield improved, however, to 665 pounds per harvested acre this season, but remains below the 10-year average.

In the Delta, 2020 cotton production is projected at 4.3 million bales, 22 percent (nearly 1.3 million bales) below last season's output and the smallest since a similar crop was produced in 2017. With the smallest planted and harvested area in 4 years, record yield expectations this season kept the crop from declining further. The Delta yield is estimated 3 percent higher at 1,173 pounds per harvested acre in 2020, compared with 2018's previous high of 1,152 pounds.

Figure 2
U.S. regional upland cotton production



Note: 1 bale = 480 pounds.

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

For the Southeast, 2020 cotton production is forecast at approximately 4.3 million bales, 1.5 million below 2019, as area reached its lowest since 2016. Cotton harvested acreage is forecast at 2.3 million acres in 2020, compared with the 5-year average of 4.4 million. Meanwhile, the region's yield is estimated at 876 pounds per harvested acre, 7 percent below 2019 but slightly above the 5-year average.

In the West, upland production is projected at only 560,000 bales in 2020, compared with 631,000 bales in 2019. The region's 2020 harvested area and yield are each forecast at the second lowest in more than 70 years, behind only 2015. Harvested area is estimated near 200,000 acres, while the yield is forecast at 1,358 pounds per harvested acre—above 2019 but below the 5-year average.

U.S. Cotton Export Estimate Increased; Stocks Lowered

Projected 2020/21 U.S. cotton demand was raised in December to 17.5 million bales, closer to last season's level of 17.7 million bales. An increase in the U.S. export forecast accounted for this month's revision, while the mill use estimate remains at 2.5 million bales. U.S. cotton exports are projected at 15.0 million bales in 2020/21, 500,000 bales below last season. Although increased import demand for raw cotton—particularly from China—supports the growth anticipated in world cotton mill use, uncertainties remain surrounding the recovery of the global economy. In addition, competitively priced cotton from other exporters is expected to limit U.S. shipments this season. Based on the current global cotton trade estimates, the U.S. share of world trade is forecast at only 35 percent in 2020/21, compared with last season's 38 percent.

With the increased U.S. cotton export projection and the considerably lower crop estimate in December, projected cotton ending stocks are reduced significantly this month. For 2020/21, U.S. ending stocks are currently projected at 5.7 million bales, 1.5 million below last month and a similar reduction from last season. Although U.S. stocks are expected to decline for the first time in 4 years, stocks remain at the second highest level in 12 years. The stocks-to-use ratio of 33 percent is 8 percentage points below the 2019/20 level and, as a result, is supportive of prices. Based on the latest cotton supply and demand outlook and recent prices for 2020/21, the U.S. average upland cotton farm price is projected at 65 cents per pound, above the final 2019/20 estimate of 59.6 cents per pound.

International Outlook

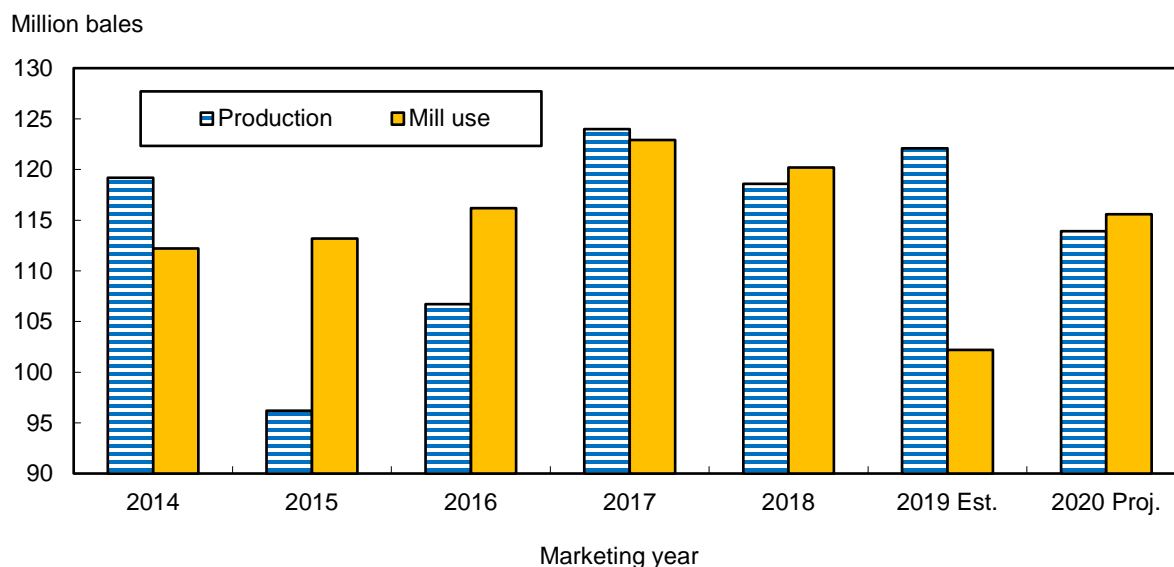
World Cotton Production Lower in 2020/21

Global cotton production in 2020/21 is projected at 113.9 million bales, 2.2 million below the November projection and 8.2 million bales (nearly 7 percent) below last season (figure 3). Harvested area is forecast to decline by a similar percentage worldwide, while yield is about unchanged from 2019/20. Global cotton harvested area is projected at 32.5 million hectares (80.3 million acres) this season—2.3 million hectares lower—as harvested area for most major producers is reduced. The global yield is forecast at 763 kilograms (kg) per hectare (681 pounds per acre), slightly below the 3-year average.

Cotton production in 2020/21 is mixed, with the United States, Brazil, and Pakistan below a year ago, while Australia and China are higher this season and India is projected unchanged. Production in India—the leading cotton producer—is forecast at 29.5 million bales in 2020/21, identical to last season and the highest since 2013/14's record of 31.0 million bales. Harvested area in India is projected at a record 13.4 million hectares in 2020/21, as labor shortages for rice planting in the North and Government policies in the South supported higher cotton area this season. India's yield is forecast at only 479 kg per hectare—similar to the 3-year average—despite better early crop prospects, as late-season rainfall limited the opportunity for an extended picking season.

For China, 2020/21 cotton production is projected at 27.5 million bales, 250,000 bales (1 percent) above a year earlier, with a higher yield more than offsetting lower harvested area. With most of China's cotton in the high-yielding Xinjiang region, a record yield for China of 1,842 kg per hectare is forecast for 2020/21, 7 percent above last season and higher than 2017/18's record of 1,761 kg per hectare. Harvested area is projected at 3.25 million hectares.

Figure 3
Global cotton production and mill use



Note: 1 bale = 480 pounds.

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

Pakistan's production in 2020/21 is forecast at only 4.5 million bales, 27 percent (1.7 million bales) below a year earlier and the smallest crop there since 1983/84. Recent gin arrival reports support low crop prospects, with Pakistan's yield (445 kg per hectare) forecast at its lowest in more than 3 decades. In addition, harvested area of 2.2 million hectares is also the lowest since the early 1980s.

For the Southern Hemisphere countries of Brazil and Australia, 2020/21 cotton production is projected below 2019/20 for the former and dramatically higher for the latter. Brazil's cotton production is forecast at 12.0 million bales, 13 percent lower than 2019/20, as area is below a year ago and this season's forecast yield—1,686 kg per hectare—is below the 2019/20 record of 1,802 kg per hectare. In contrast, Australia's cotton production in 2020/21 is forecast to rebound to 2.4 million bales after last season's drought-impacted crop of only 625,000 bales. With rainfall to support dryland cotton production and replenish reservoirs for the irrigated crop this season, Australia's cotton area is expected to increase to 275,000 hectares in 2020/21.

Global Cotton Mill Use Forecast Higher in 2020/21

World cotton consumption in 2020/21 is projected to expand 13 percent this season to 115.6 million bales after the dramatic decline experienced during the latter part of 2019/20 associated with COVID-19 pandemic impacts. As the global economy rebounds, growth in demand for cotton products is expected to support higher global mill use in 2020/21, albeit still below recent pre-pandemic levels. However, growth in cotton mill use is projected to rise for each of the major spinning countries this season.

China remains the leading spinner of raw cotton and the largest supplier of textile and apparel products to the world. In 2020/21, China's cotton mill use is estimated at 38.0 million bales, 5 million (15 percent) above the previous year but below the levels of the preceding 3 years. Cotton consumption in India is expected to rise 20 percent (4 million bales) to 24.0 million bales in 2020/21, as industry information indicates a rebound to the 2018/19 level is underway this season. Mill use in Pakistan is also forecast to expand, but at a slower rate than India, especially with Pakistan's significant crop decline this season. Pakistan's cotton mill use is forecast to reach 10.0 million bales, 800,000 bales above 2019/20.

Cotton mill use in Bangladesh is also projected to increase 800,000 bales in 2020/21 to 7.3 million bales, a return to its pre-pandemic level. In addition, smaller gains are expected for Turkey and Vietnam in 2020/21. For Turkey, a 400,000-bale rebound in cotton mill use is anticipated, with 2020/21 consumption reaching 7.0 million bales—slightly above 2018/19 but below the 2017/18 record of 7.55 million bales. For Vietnam, 2020/21 cotton mill use is forecast to improve to 6.8 million bales, 500,000 bales above the previous season but is expected to remain below its 2018/19 record of 7.0 million bales.

Despite dramatic global cotton mill use growth in 2020/21, world cotton trade is expected to rise considerably less as abundant cotton supplies in many consuming countries are worked through this season. In 2020/21, world cotton imports are projected at 43.2 million bales, with China accounting for 23 percent (10 million bales) of the total. Bangladesh and Vietnam are the next largest importers of raw cotton, with projections of 6.9 million bales and 6.8 million bales, respectively, which supports their growing textile industries. Global cotton exports this season are projected to expand mainly from Brazil and India. For Brazil, cotton exports are expected to rise 1.1 million bales to a record 10.0 million in 2020/21. For India, a second consecutive large crop is expected to provide an additional 1.8 million bales of exports, with cotton exports there rebounding to 5.0 million bales in 2020/21.

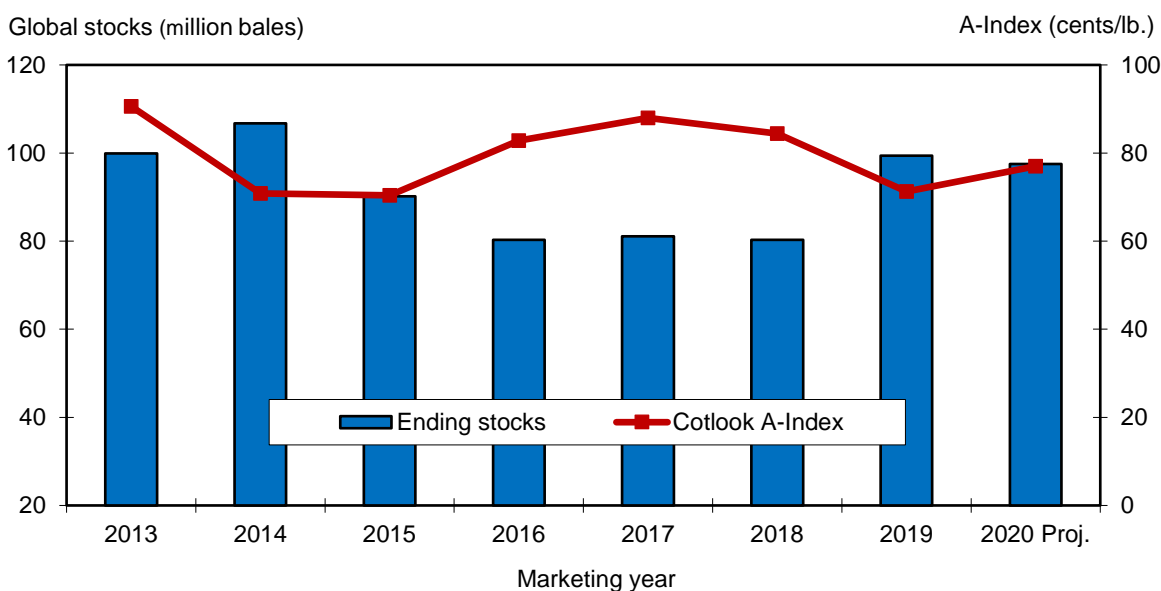
World Cotton Stocks Projected To Decrease in 2020/21

Global cotton stocks are projected at 97.5 million bales at the end of 2020/21, compared with 99.4 million bales last season and a record 106.8 million bales in 2014/15 (figure 4). Global stocks are expected to decrease in a number of countries this season but will be partially offset by an increase in India. Although China's cotton stocks continue to decrease, China remains the largest stockholder in 2020/21, accounting for 37 percent of global cotton stocks this season. China's total ending stocks are projected at about 36.3 million bales, or about 2 percent below 2019/20, as the decline slows from recent years.

In addition to declining cotton stocks in the United States, lower stocks are forecast for Brazil and Pakistan in 2020/21. For Brazil, ending stocks are forecast to decrease nearly 1 million bales in 2020/21 to 13.4 million bales, as larger export prospects reduce supplies there. For Pakistan, stocks are projected to decrease nearly 900,000 bales to 2.5 million bales as a result of a lower crop and increased mill use. In contrast, India's stocks are expected to rise 1.5 million bales (8 percent) to 19.4 million bales by the end of the season, as production more than offsets gains in consumption and net exports. Additionally, India's 2020/21 beginning stocks were boosted by large government procurement in 2019/20 as part of India's Minimum Support Price (MSP) program, and procurement has continued this season.

Based on the latest cotton supply and demand estimates, world cotton stocks are projected to decrease 2 percent in 2020/21 to 97.5 million bales, with stocks outside of China declining more than 1 million bales. In addition, the global stocks-to-use ratio is forecast to decrease for the first time in 3 years, reaching 84 percent in 2020/21. Consequently, the Cotlook A Index price is expected to rise from 2019/20's 71-cent average, with this season's expected price to average closer to 77 cents per pound.

Figure 4
Global cotton stocks and prices



Note: 1 bale = 480 pounds.

Sources: Cotlook and USDA, Interagency Commodity Estimates Committee.

Suggested Citation

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