



Cotton and Wool Outlook

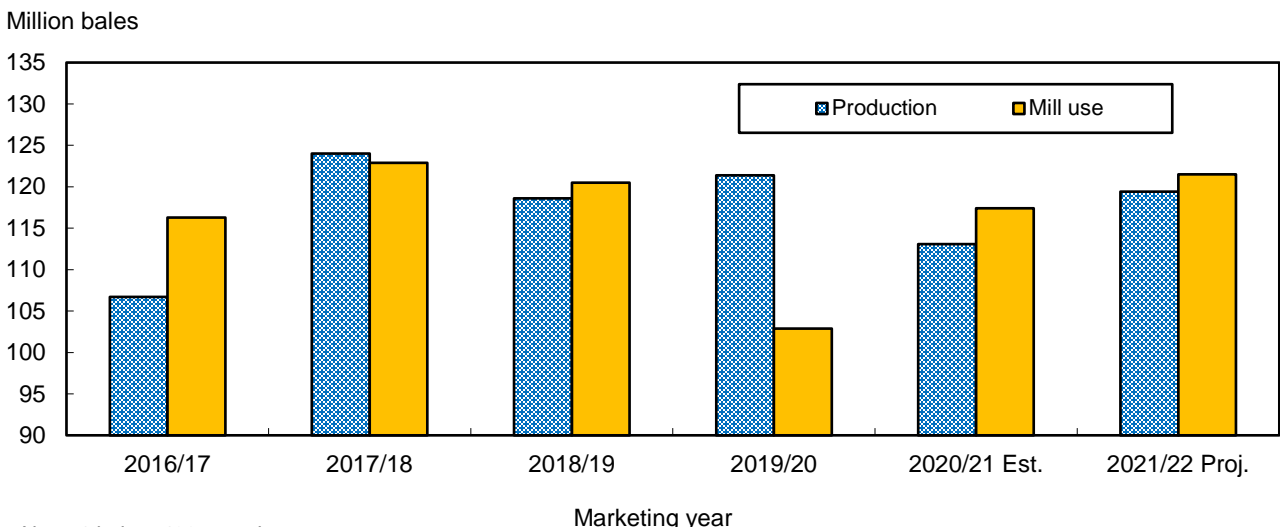
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Global Cotton Mill Use Projected to Exceed Production Again in 2021/22

The initial U.S. Department of Agriculture (USDA) cotton projections for 2021/22 (August-July) include higher estimates for both world cotton production and mill use than in 2020/21 (figure 1). As a result, 2021/22 ending stocks are expected to decrease for two consecutive seasons. Global cotton mill use is forecast to continue its rebound from the disruptions that affected the global cotton supply chain from spinning to retail during the spring and summer of 2020. For 2021/22, cotton mill use is projected at 121.5 million bales, 3.5 percent above 2020/21, which expanded 14 percent. In 2021/22, cotton use will once again be led by China, but the largest gains are expected in India, Turkey, and Vietnam.

World cotton production in 2021/22 is forecast at 119.4 million bales, 6.3 million above the year before. Based on USDA's initial 2021/22 projection, each of the major cotton producers—except China—is expected to have a larger crop for the upcoming season, as global area is forecast to rise 4.5 percent amid higher cotton prices during the spring planting season.

Figure 1
Global cotton production and mill use



Note: 1 bale = 480 pounds.

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

Domestic Outlook

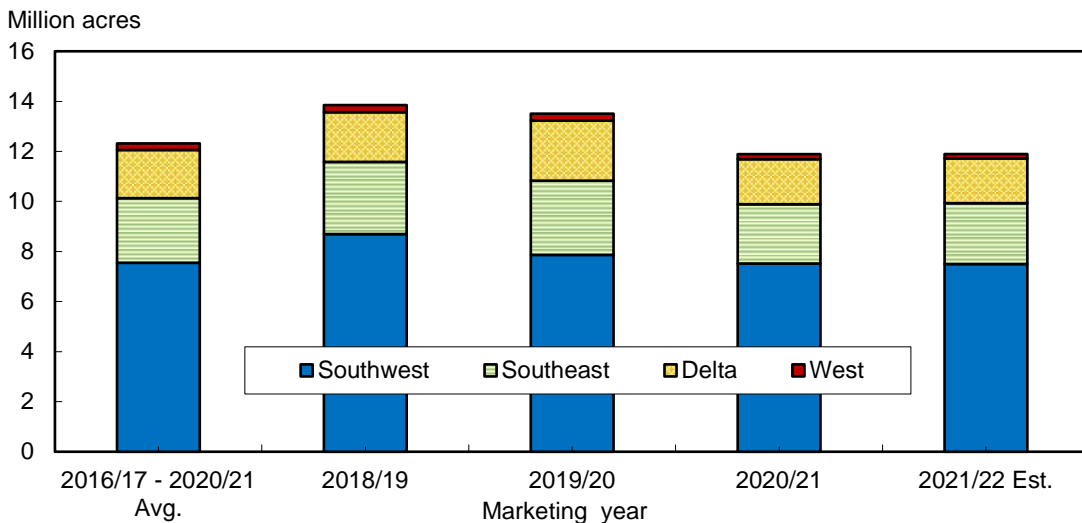
U.S. Cotton Crop Forecast To Increase in 2021

According to USDA’s initial projection for the 2021 crop, U.S. cotton production is forecast at 17.0 million bales, nearly 16.5 percent (2.4 million bales) above the final 2020 estimate. Based on the March *Prospective Plantings* report, 2021 cotton area is estimated at 12.0 million acres, nearly identical to planted area in 2020. Although cotton prices improved from a year ago, relative harvest price expectations going into planting season suggested that 2021 cotton acreage could be similar to 2020. Other factors—such as weather, production costs, and potential program benefits—will also play an important role in the acreage planted to cotton this year. USDA will update the initial plantings estimate at the end of June.

While planted area for upland cotton is forecast similar in 2021, extra-long staple (ELS) cotton is expected to decline nearly 30 percent from 2020. For the upcoming season, upland acreage is projected to be slightly lower in three of the Cotton Belt regions, while rising in the Southeast (figure 2). Based on *Prospective Plantings*, the Southwest upland area is estimated at 7.5 million acres, marginally below 2020 and the smallest since 2016. The Southwest is forecast to account for 63 percent of the total 2021 upland area, similar to the record set in 2020. Cotton acreage in the Southeast is projected at 2.4 million acres, 2.5 percent above 2020 but below the 5-year average. In 2021, the Southeast is expected to contribute 20 percent of the total area.

For the Delta, 2021 cotton acreage is projected nearly identical to 2020’s 1.8 million bales and the smallest in 5 years. The Delta’s share of total upland area is expected to again reach 15 percent. Upland cotton area in the West is expected to decline 14 percent in 2021, reaching only 174,000 acres, one of the smallest on record. The region will account for 1.5 percent of the U.S. upland cotton area in 2021. ELS cotton, meanwhile, remains concentrated in the West, where 86 percent of the 142,000-acre total is expected to be planted in 2021. California is the leading ELS-producing State, accounting for 110,000 acres of the total.

Figure 2
U.S. upland cotton planted area, by region



Source: USDA, *Crop Production and Prospective Plantings* reports.

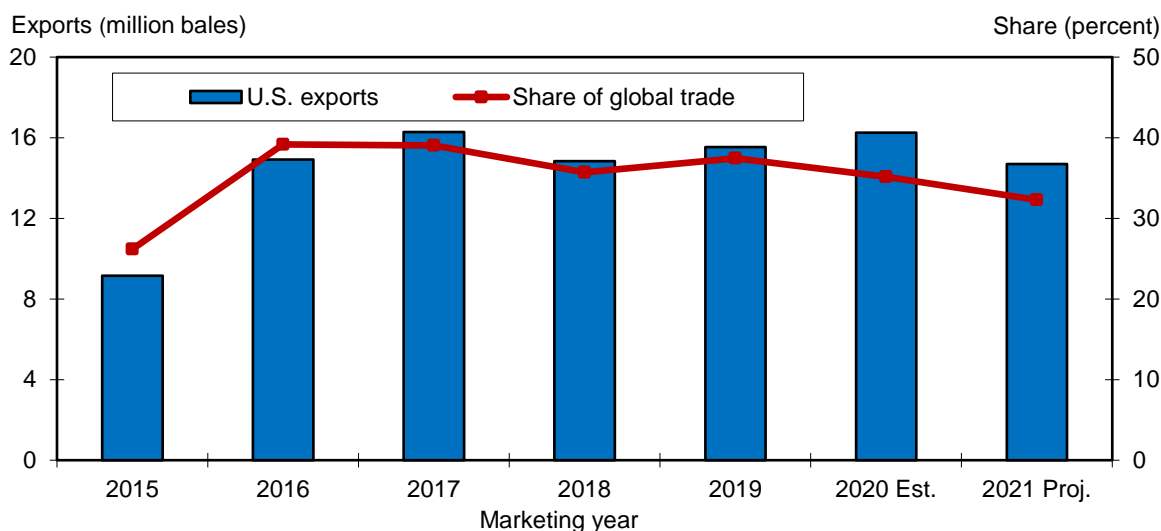
As of early May, drought conditions are prevalent across the western half of the Cotton Belt, while conditions are more favorable for the eastern half. On the High Plains of Texas, where much of the State's cotton is planted, accumulated precipitation from November 2020 through April 2021 was below the long-term average, raising early concerns about crop potential. Weather conditions moving forward will influence cotton plantings, crop conditions, and yield. As of May 9, 25 percent of the U.S. cotton area had been planted—slightly below both last season and the 2016-20 average. However, several States were considerably below their 5-year averages as of May 9, including Missouri, Louisiana, Tennessee, and Arkansas.

U.S. cotton harvested area for 2021 is projected at 9.6 million acres, 16 percent (1.35 million acres) above the final 2020 estimate. The initial 2021 forecast is based on the 2011-20 average abandonment, weighted by region, with Southwest abandonment based on moisture conditions through April. The U.S. abandonment rate is projected at 20 percent, compared with about 31.5 percent recorded for 2020. The national yield is forecast at 847 pounds per harvested acre and is based on the 2016-20 crop average yields, weighted by region. The initial U.S. yield for 2021 is equal to the final 2020 yield estimate.

U.S. Cotton Demand Projected Lower in 2021/22

U.S. cotton demand (mill use plus exports) is forecast to decline moderately in 2021/22 to 17.2 million bales, 7 percent below 2020/21. Although the United States remains the leading raw cotton exporter to the world, a decrease in 2021/22 global import demand and strong export competition is expected to limit U.S. exports. In addition, lower total U.S. supply expectations are forecast to help keep total demand at its lowest since 2015/16. The initial U.S. export projection for 2021/22 is 14.7 million bales, 1.55 million bales below the previous year (figure 3). In 2021/22, the U.S. share of global trade is projected near 32 percent, compared with 35 percent in 2020/21. U.S. cotton exports are forecast to account for 85 percent of U.S. cotton demand in 2021/22, with U.S. mill use projected to increase 200,000 bales to 2.5 million bales.

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.

With U.S. cotton demand forecast to exceed production in 2021/22, ending stocks are projected to decrease further. Cotton stocks are forecast 6 percent lower at 3.1 million bales on July 31, 2022, the second consecutive decline and the lowest stock level in 5 years. However, the 2021/22 stocks-to-use ratio (18 percent) is expected to equal that of the year before and be the lowest since 2016/17. Based on these initial projections, the 2021/22 U.S. upland farm price is forecast at 75 cents per pound, or 7 cents above the 2020/21 estimate of 68 cents per pound.

U.S. Estimates for 2020/21 Revised in May

U.S. cotton production for 2020/21 was adjusted downward in May as USDA released its final cotton production estimates, with revisions to area, yield, and production (see table 10 associated with this report). The U.S. cotton crop was finalized at 14.61 million bales, with a national yield of 847 pounds per harvested acre; production was nearly 27 percent below 2019/20, while the national yield was 2 percent higher, as fewer acres from the lower-yielding Southwest region were harvested than the year before. On the demand side, the U.S. cotton export forecast was raised 500,000 bales this month to 16.25 million bales, as recent shipments remain above normal seasonal expectations. U.S. mill use, however, remains at 2.3 million bales for 2020/21 as the U.S. textile industry continues to rebound—like much of the world—from the effects of the COVID-19 pandemic. Based on the latest estimates for 2020/21, U.S. cotton ending stocks are forecast at 3.3 million bales, nearly 4 million bales below a year earlier and a stocks-to-use ratio of 18 percent, compared with 41 percent for 2019/20.

International Outlook

World Cotton Production Forecast Higher in 2021/22

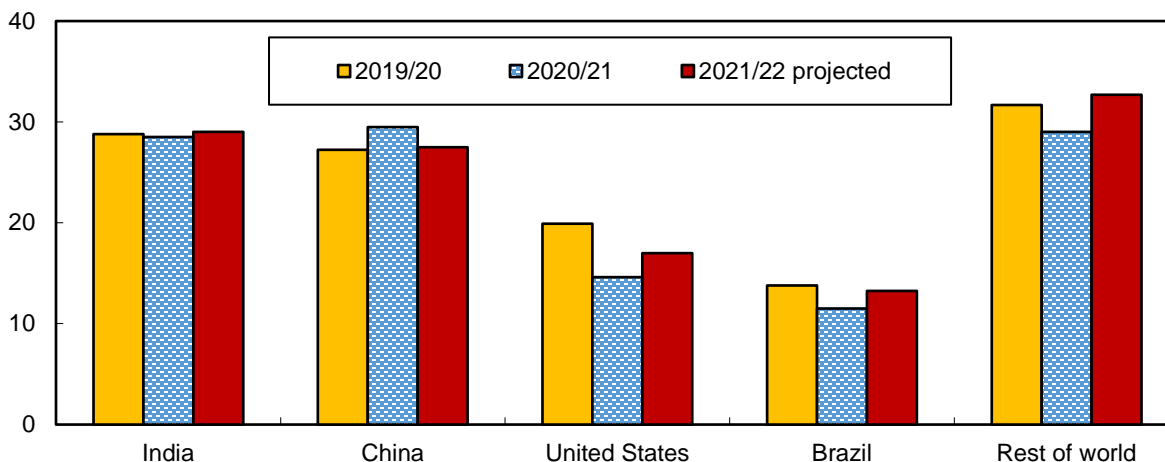
USDA's initial projection for the 2021/22 global cotton crop is 119.4 million bales, 6.3 million bales (approximately 5.5 percent) above the 2020/21 estimate. A modest increase in cotton harvested area—coupled with a slight increase in yield—supports the higher production estimate. Global area is forecast at 33.1 million hectares (81.7 million acres), 4.5 percent above 2020/21 when world harvested area was at a 4-year low. The world yield is forecast higher in 2021/22, at 786 kilograms (kg) per hectare (701 pounds per acre), the highest in 4 years.

Many cotton-producing countries are forecast to have larger crops in 2021/22, with China being a notable exception (figure 4). India and China have alternated as the leading cotton producer in recent years. For 2021/22, India is expected to regain the status of top producer. India's production is forecast to reach 29.0 million bales, 500,000 bales above 2020/21 and the highest since a similar amount was produced in 2017/18. The larger crop is the result of a higher yield, as India's cotton area remains forecast flat at 13.0 million hectares (32.1 million acres) in 2021/22. The national yield is forecast to rebound to 486 kg per hectare after several consecutive years of disappointing yields related to weather and pest infestations.

China's cotton production, in contrast, is forecast 2.0 million bales lower in 2021/22 at 27.5 million bales. Slightly lower area—combined with a yield decline from 2020/21's record level—accounts for the nearly 7 percent production reduction. Harvested area in China is projected at 3.2 million hectares (7.9 million acres), slightly below the year before. With Government policies and limited mechanization options in Eastern China keeping most of the country's cotton plantings in the high-yielding Xinjiang region, the 2021/22 national yield is forecast at 1,871 kg per hectare (1,669 pounds per acre), compared with the previous year's record of 1,976 kg per hectare (1,763 pounds per acre).

Figure 4
Leading global cotton producers

Million bales



Note: 1 bale = 480 pounds.

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

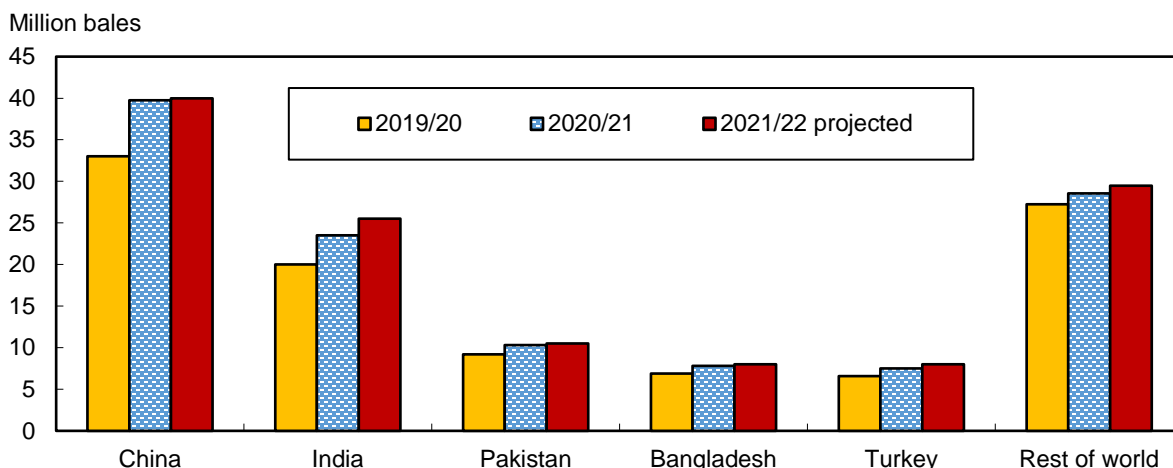
In addition to the larger U.S. crop expectations previously discussed, cotton production in Brazil, Pakistan, and Australia are also forecast higher in 2021/22. Brazil's cotton production is projected to rise 15 percent from 2020/21, as increases for both area and yield are anticipated. Based on cotton area of 1.6 million hectares and a yield of 1,803 kg per hectare, Brazil's 2021/22 production is forecast at 13.25 million bales, the second largest crop on record. For Pakistan, a significant production increase is anticipated—despite lower area—as the yield is projected to jump nearly 24 percent to 550 kg per hectare following 2020/21's 3-decade low yield of 445 kg per hectare. For Australia, cotton production is forecast to increase 1.4 million bales in 2021/22 to 3.9 million bales, the largest crop there in 4 years. A recovery from drought conditions during the past 2 years is expected as reservoir recharge has improved considerably. As a result, both Australian cotton area and yield are forecast to rise in 2021/22.

Global Cotton Mill Use Projected Higher in 2021/22

World cotton consumption generally follows global economic activity. As the world economy continues to rebound from the COVID-19 pandemic, cotton mill use is also expected to rise. USDA's initial 2021/22 projection for global cotton mill use is 121.5 million bales, 3.5 percent (4.1 million bales) above a 2020/21 estimate that increased 14 percent from the year before. At the current projection, 2021/22 world mill use would be the highest since 2017/18 and the fourth largest on record. Gains in mill use in 2021/22 are expected to vary by country, with most experiencing modest improvements (figure 5). Cotton mill use in 2021/22 is expected to be led by China, India, and Pakistan, with a combined forecast of 76.0 million bales, or nearly 63 percent of the world total—similar to 2020/21.

In China, cotton mill use is projected to rise marginally (250,000 bales) in 2021/22 after a 20-percent gain in 2020/21. Cotton mill use is forecast at 40.0 million bales for the upcoming season, the highest since 2017/18. In contrast, India's consumption is forecast to increase 2 million bales (8.5 percent) to a record 25.5 million bales in 2021/22. For Pakistan, cotton mill use is expected to rise 200,000 bales (2 percent) in 2021/22 to 10.5 million bales. Increases are also expected for other major-spinning countries, including Turkey, Bangladesh, and Vietnam. In 2021/22, cotton mill use for these countries is forecast to reach 8.0 million bales (+500,000 bales), 8.0 million bales (+200,000 bales), and 7.5 million bales (+300,000 bales), respectively.

Figure 5
Leading global cotton consumers



Note: 1 bale = 480 pounds.

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

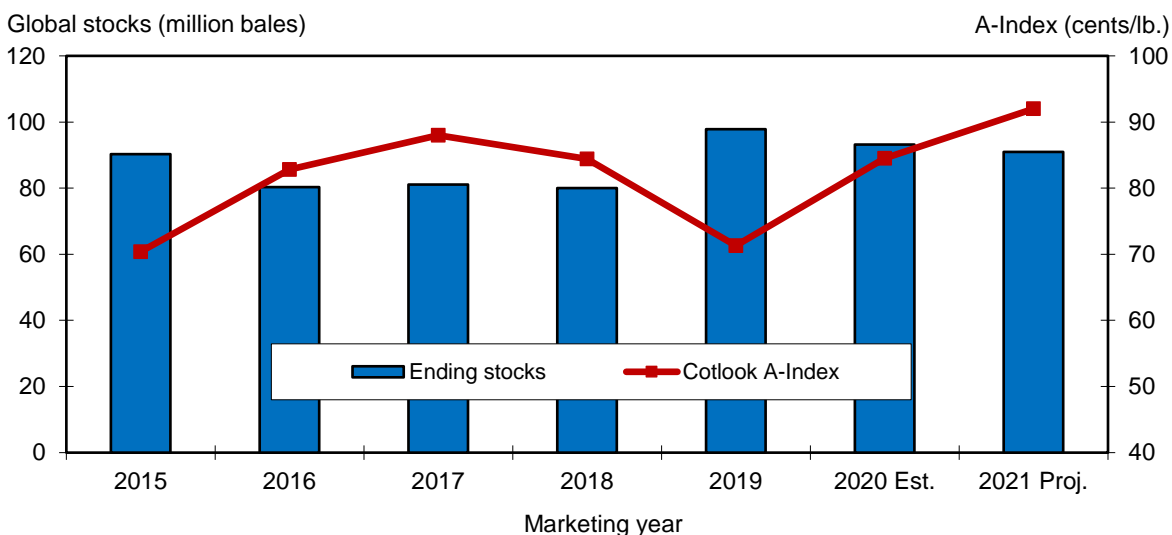
World Cotton Trade and Stocks Forecast Lower

Global cotton trade in 2021/22 is forecast at 45.5 million bales, 700,000 bales below the previous season but still the fourth highest on record. While substantial trade growth was seen in 2020/21 as the global economy began rebounding from the pandemic, cotton trade in 2021/22 is expected to be moderated somewhat by higher prices and a smaller growth forecast for cotton mill use. China is projected to import the largest volume of cotton in 2021/22, at 10.5 million bales, as the country purchases raw cotton for textile and apparel manufacturing for finished product export, but trims imports for the State Reserve. Vietnam and Bangladesh are each forecast to import 7.6 million bales during the upcoming season as textile spinning activities rebound, with Vietnam a leading yarn supplier to China.

Cotton trade projections by country indicate that the United States and Brazil are likely to experience decreased exports in 2021/22, as others (such as Australia and India) are likely to see higher shipments as cotton supplies increase in these countries. While U.S. cotton exports are expected to decline 1.55 million bales (9.5 percent), Brazil's exports are forecast 16 percent lower at 9.0 million bales. In contrast, Australia's cotton exports are projected to increase 1.8 million bales to 3.2 million in 2021/22, while India's exports rise 500,000 bales to 6.0 million.

With world cotton mill use forecast to exceed production, 2021/22 global ending stocks are projected at their lowest in 3 years, supporting higher cotton prices (figure 6). Stocks are projected at 91.0 million bales, nearly 2.2 million bales (2.3 percent) below 2020/21. Most major producing countries are expected to hold fewer stocks at the end of 2021/22 with the exception of Brazil—a Southern Hemisphere country that will be in the middle of a large harvest—where stocks are forecast at 13.4 million bales (+1.2 million bales) on July 31, 2022. China's stocks are expected to decline approximately 2 million bales in 2021/22 to 36.5 million, while India's stocks at the end of the season approach 15.7 million bales (-1.5 million bales). As a share of global stocks, China is projected to account for 40 percent of the total in 2021/22, while India and Brazil account for an additional 17 percent and 15 percent, respectively.

Figure 6
Global cotton stocks and prices



Note: 1 bale = 480 pounds.

Sources: Cotlook and USDA, Interagency Commodity Estimates Committee.

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