USDA Global Cotton Outlook Highlights

• 2018/19 Review:
  – World consumption growth slows after large 2017/18 gain.
  – Global production lower, affected by numerous weather events.
  – China’s reserve stocks reach 8-year low.
  – Global stocks at 7-year low.
  – World prices in the mid-80-cent range.

• 2019/20 Outlook:
  – Global consumption growth rises to near long-term average.
  – World production rebounds, with a mix of area and yield gains.
  – China expected to increase imports.
  – Ending stocks outside of China expand further.
  – World prices lower.
2018/19
World Cotton Situation
World Cotton Consumption Expands While Production Fluctuates…

With prices higher in recent years.

Sources: USDA, Interagency Commodity Estimates Committee and Cotlook.
Global Cotton Production Changes in 2018/19:

Weather played key role in crop reduction

U.S., Australia, & India experienced lower harvested area and yields.

Record crop in Brazil, with highest area in 26 years.

Source: USDA, Interagency Commodity Estimates Committee.
Small World Cotton Consumption Increase Expected in 2018/19

* Cotton consumption estimated at 123.6 million bales.*

- Modest (1%) growth after last season’s 5.5% increase.
  - 2018/19 consumption is highest in 11 years.
  - Macroeconomic uncertainties limiting further growth.

- Third largest on record despite relatively high prices.
  - Increases estimated for India, Bangladesh, and Vietnam.
  - Declines seen for China, Pakistan, and Turkey.
  - The United States remains virtually unchanged.
China’s Cotton Mill Use + Yarn Imports Stabilize in 2018/19

Mill Use
Yarn Imports

Million bales/bale-equivalents


Marketing year

Sources: USDA and Global Trade Atlas.
China’s Cotton Yarn Imports:

*Vietnam and India consistently account for over 50%*

Sources: USDA and Global Trade Atlas.
Global Cotton Stocks Lowest in 7 Years...

...with supplies representing 7 month’s worth of consumption.

Source: USDA, Interagency Commodity Estimates Committee.
2018/19
U.S. Cotton Situation
U.S. Production Decline Led by Southwest:

*Planted area 11% higher, but harvested area 5% lower*

Source: USDA, National Agricultural Statistics Service.
U.S. Cotton Supply & Demand Estimates: 
*Production and Exports Lower; Stocks Unchanged*

<table>
<thead>
<tr>
<th></th>
<th>Unit</th>
<th>2017/18</th>
<th>2018/19</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beg. stocks</td>
<td>Mil. bales</td>
<td>2.8</td>
<td>4.3</td>
<td>56.4</td>
</tr>
<tr>
<td>Production</td>
<td>&quot;</td>
<td>20.9</td>
<td>18.4</td>
<td>-12.1</td>
</tr>
<tr>
<td>Imports</td>
<td>&quot;</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Total supply</td>
<td>&quot;</td>
<td>23.7</td>
<td>22.7</td>
<td>-4.1</td>
</tr>
<tr>
<td>Mill use</td>
<td>&quot;</td>
<td>3.2</td>
<td>3.2</td>
<td>-0.1</td>
</tr>
<tr>
<td>Exports</td>
<td>&quot;</td>
<td>15.8</td>
<td>15.0</td>
<td>-5.4</td>
</tr>
<tr>
<td>Total demand</td>
<td>&quot;</td>
<td>19.1</td>
<td>18.2</td>
<td>-4.6</td>
</tr>
<tr>
<td>Ending stocks</td>
<td>&quot;</td>
<td>4.3</td>
<td>4.3</td>
<td>0.0</td>
</tr>
<tr>
<td>Stocks-to-use</td>
<td>%</td>
<td>22.5</td>
<td>23.6</td>
<td>4.9</td>
</tr>
<tr>
<td>Upland farm price</td>
<td>Cents/lb.</td>
<td>68.6</td>
<td>72.0</td>
<td>5.0</td>
</tr>
</tbody>
</table>

Source: USDA, Interagency Commodity Estimates Committee.
Top U.S. Cotton Export Shares, by Country

2016/17-2017/18 Average
- Vietnam: 19%
- Turkey: 12%
- Indonesia: 9%
- China: 16%
- Rest of World: 44%

Aug-Dec 2018/19
- Vietnam: 25%
- Mexico: 11%
- Indonesia: 8%
- China: 12%
- Rest of World: 44%

Source: USDA, Foreign Agricultural Service.
2019/20
World Cotton Outlook
Key Assumptions for USDA’s 2019/20 Outlook

- Continuation of current policy for agriculture and trade.

- World economic growth favorable and steady in calendar 2019 & 2020, aiding cotton consumption prospects.

- China’s stock policy transitions from reducing reserve stocks to rotating/maintaining these stocks.

- Normal weather and growing conditions provide moderate rebound in global production.

- World and U.S. cotton prices decline slightly.
World Cotton Consumption Follows Economic Growth

Sources: USDA and International Monetary Fund (IMF).
Record World Cotton Consumption Projected in 2019/20

• Global consumption projected at 125.5 M bales.
  – Modest growth (1.5%)—8th consecutive increase.
  – Cotton/polyester price ratio supportive.

• China consumption projected to grow 2%.
  – Increased access to cotton, including imports.
  – Expansion of Xinjiang spinning.

• Consumption outside China: Modest growth projected.
  – Vietnam and Bangladesh continue expansion.
  – India, Pakistan, and Turkey rebound.

• Cotton’s projected share of world fiber market slightly lower.
Global Production Projected Higher in 2019/20:

*Area and/or yield rebound behind increase*

The U.S. and India lead recovery; Modest changes in most others.

Source: USDA, Interagency Commodity Estimates Committee.
World Cotton Supply & Demand Projections:

*Production Exceeds Consumption; Stocks Rise Slightly*

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<thead>
<tr>
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<th>2019/20</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beg. stocks</td>
<td>Mil. bales</td>
<td>81.1</td>
<td>75.5</td>
<td>-6.9</td>
</tr>
<tr>
<td>Production</td>
<td>&quot;</td>
<td>118.5</td>
<td>126.5</td>
<td>6.8</td>
</tr>
<tr>
<td>Imports</td>
<td>&quot;</td>
<td>42.3</td>
<td>45.0</td>
<td>6.4</td>
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<tr>
<td>Total supply</td>
<td>&quot;</td>
<td>241.8</td>
<td>247.0</td>
<td>2.1</td>
</tr>
<tr>
<td>Consumption</td>
<td>&quot;</td>
<td>123.6</td>
<td>125.5</td>
<td>1.5</td>
</tr>
<tr>
<td>Exports</td>
<td>&quot;</td>
<td>42.3</td>
<td>45.0</td>
<td>6.3</td>
</tr>
<tr>
<td>Total demand</td>
<td>&quot;</td>
<td>166.0</td>
<td>170.5</td>
<td>2.7</td>
</tr>
<tr>
<td>Ending stocks</td>
<td>&quot;</td>
<td>75.5</td>
<td>76.5</td>
<td>1.3</td>
</tr>
<tr>
<td>Stocks-to-consumption</td>
<td>%</td>
<td>61.1</td>
<td>61.0</td>
<td>-0.2</td>
</tr>
</tbody>
</table>

Source: USDA, Interagency Commodity Estimates Committee.
Global Cotton Stocks Projected Slightly Higher...

...and world prices decline.

Source: USDA, Interagency Commodity Estimates Committee.
## China’s State Cotton Reserves:

*Stock drawdown expected to stabilize*

<table>
<thead>
<tr>
<th>Marketing Year</th>
<th>Million Bales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010/11</td>
<td>2</td>
</tr>
<tr>
<td>2011/12</td>
<td>16</td>
</tr>
<tr>
<td>2012/13</td>
<td>33</td>
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<tr>
<td>2013/14</td>
<td>55</td>
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<tr>
<td>2014/15</td>
<td>50</td>
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<tr>
<td>2015/16</td>
<td>35</td>
</tr>
<tr>
<td>2016/17</td>
<td>25</td>
</tr>
<tr>
<td>2017/18</td>
<td>10</td>
</tr>
<tr>
<td>2018/19</td>
<td>8</td>
</tr>
<tr>
<td>2019/20</td>
<td>8</td>
</tr>
</tbody>
</table>

Source: USDA, Interagency Commodity Estimates Committee.
2019/20
U.S. Cotton Outlook
Adequate Soil Moisture Across Much of the Cotton Belt
Outlook for 2019 U.S. Cotton Area

• Planted acreage expected slightly higher.
  – Total plantings at 14.25 M acres—a 1% increase.
  – NCC survey indicated 14.45 M acres.

• Relative prices are mixed as of early February.
  – Cotton higher than soybeans compared with last 2 years.
  – Corn higher than cotton compared with last 2 years.

• Seed cotton is a covered commodity in the 2018 farm legislation, which cushions downside price risk.
U.S. Cotton Planted Area:
A Historical Perspective

Area in 2019 expected higher for fourth consecutive year.

Source: USDA, National Agricultural Statistics Service.
### U.S. Cotton Area, Yield, and Production

Key Factor Includes Adequate Soil Moisture

**Southwest expected to account for 60% of planted area**

<table>
<thead>
<tr>
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<th>2019/20</th>
<th>Change(%)</th>
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</thead>
<tbody>
<tr>
<td>Planted area</td>
<td>Mil. acres</td>
<td>14.10</td>
<td>14.25</td>
<td>1.1</td>
</tr>
<tr>
<td>Harvested area</td>
<td>&quot;</td>
<td>10.53</td>
<td>12.93</td>
<td>22.8</td>
</tr>
<tr>
<td>Abandonment rate</td>
<td>%</td>
<td>25.3</td>
<td>9.3</td>
<td>-63.2</td>
</tr>
<tr>
<td>Yield/harvested acre</td>
<td>Lbs.</td>
<td>838</td>
<td>835</td>
<td>-0.4</td>
</tr>
<tr>
<td>Production</td>
<td>Mil. bales</td>
<td>18.39</td>
<td>22.50</td>
<td>22.3</td>
</tr>
</tbody>
</table>

Source: USDA, Interagency Commodity Estimates Committee.
U.S. Export Forecast Higher in 2019/20:  

*Growth Contingent Upon Several Factors*

- Relatively high import demand to satisfy mill use growth.  
  - Import demand (45 M bales) highest since 2012/13.  
  - China’s imports (9 M bales) rise to highest level in 6 years.

- Increased exportable supplies in the United States.  
  - Additional 4+ M bales at current production expectations.  
  - U.S. share of world trade (38%) between previous 2 seasons.

- Lower prices and perhaps a better quality distribution of the 2019 U.S. crop expected.
# U.S. Cotton Supply & Demand Projections:

*Production and Exports Rebound; Stocks Rise*

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<td>18.4</td>
<td>22.5</td>
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<tr>
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<td>0.0</td>
<td>0.0</td>
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<td>Total supply</td>
<td>&quot;</td>
<td>22.7</td>
<td>26.8</td>
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<tr>
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<td>3.2</td>
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<td>15.0</td>
<td>17.0</td>
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<td>18.2</td>
<td>20.3</td>
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<tr>
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<td>&quot;</td>
<td>4.3</td>
<td>6.3</td>
</tr>
<tr>
<td>Stocks-to-use</td>
<td>%</td>
<td>23.6</td>
<td>31.0</td>
</tr>
<tr>
<td>Farm price</td>
<td>Cents/lb.</td>
<td>72.0</td>
<td>67.0</td>
</tr>
</tbody>
</table>

Source: USDA, Interagency Commodity Estimates Committee.
Variables that Could Change the Outlook

• Higher/Lower world area response to prices than anticipated.

• Weather and growing conditions altering production.

• U.S./China trade issues improve/worsen.

• Macroeconomic growth varying from expectations.

• Changes in polyester prices relative to cotton.
Thank You

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