



United States Department of Agriculture

The World and U.S. Cotton Outlook for 2023/24

Interagency Commodity Estimates Committee

Presented by

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USDA-Economic Research Service

99th USDA Agricultural Outlook Forum

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USDA Global Cotton Highlights

- **2022/23 Review:**
 - World production slightly lower—affected by weather events.
 - Global mill use continues decline with sluggish economic conditions.
 - World trade lowest in 6 years.
 - Global stocks and stocks-to-use at 3-year highs.
 - World price (A Index) weakens from 2021/22, but averaging above \$1.00 per pound.



USDA Global Cotton Highlights

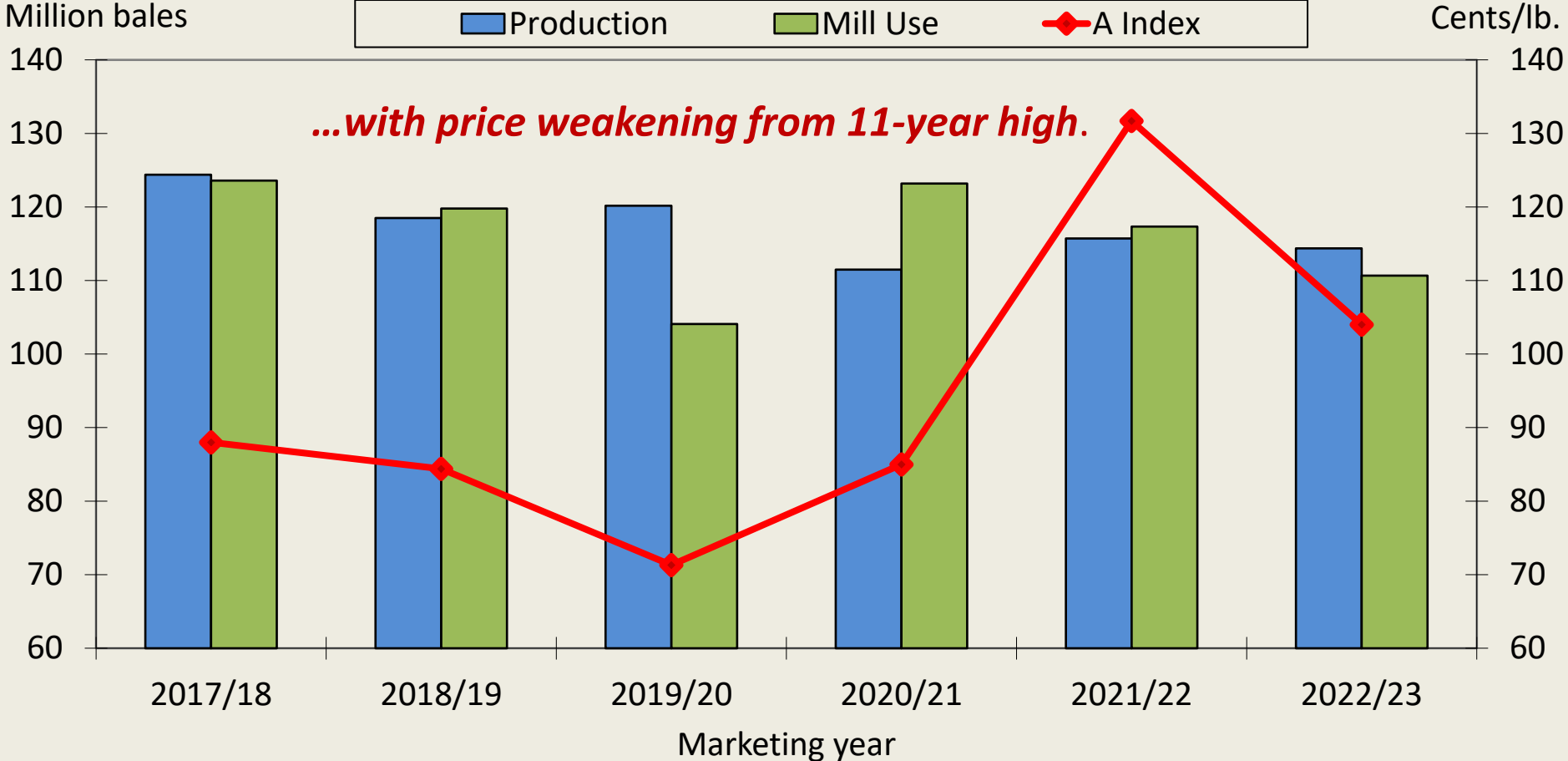
- **2023/24 Outlook:**
 - World production relatively flat, with a mix of country area and yield variations.
 - Global mill use projected to begin recovery—4.4% growth forecast.
 - China expected to increase imports, supporting higher mill use.
 - Global stocks and stocks-to-use marginally lower.
 - World price continues decline from elevated levels.



2022/23 World Cotton Situation



World Cotton Mill Use Continues Decline While Production Stable...

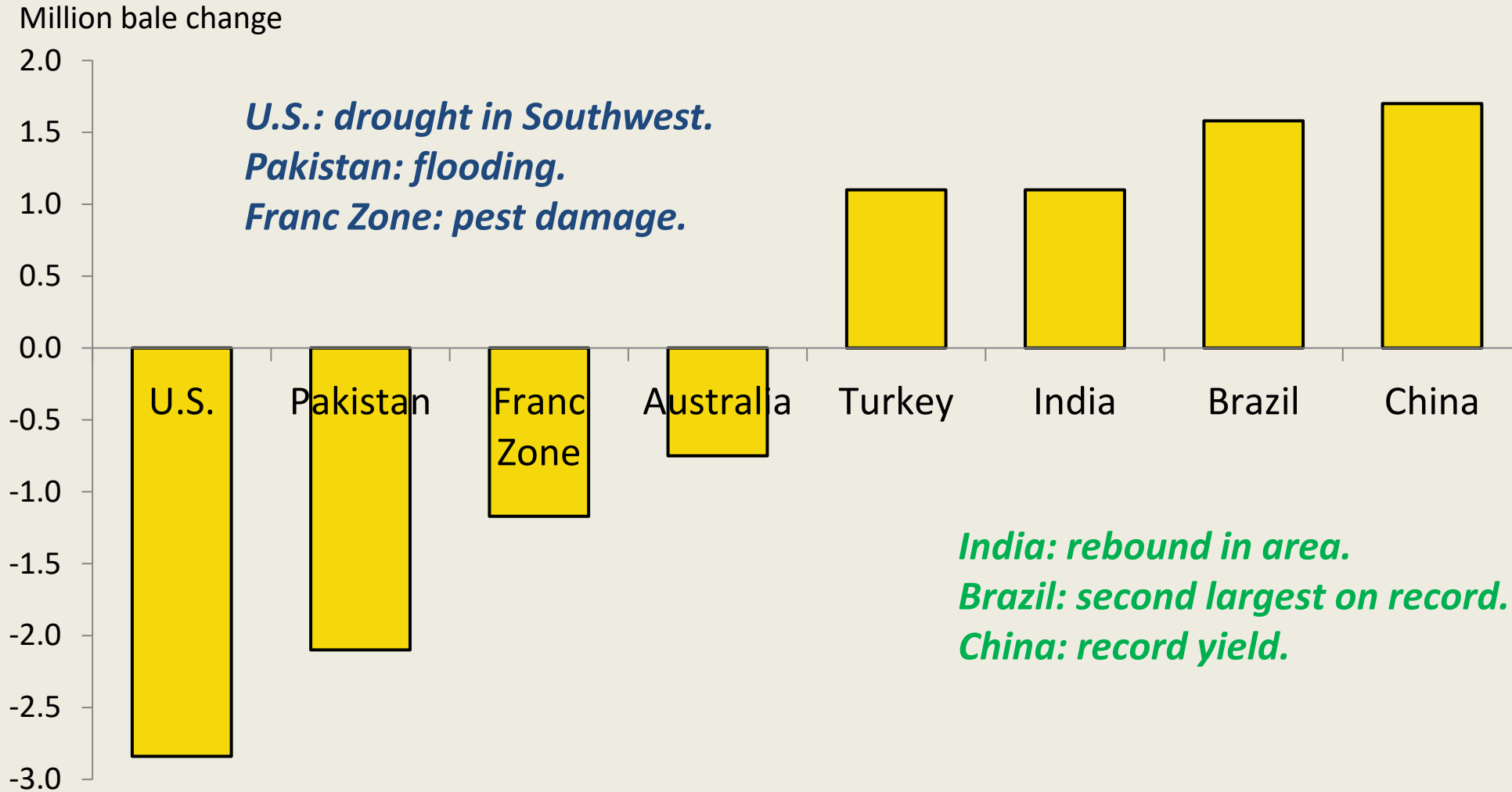


Source: USDA, Interagency Commodity Estimates Committee and Cotlook.



Global Cotton Production Changes in 2022/23:

Weather played key role in crop changes



Source: USDA, Interagency Commodity Estimates Committee.



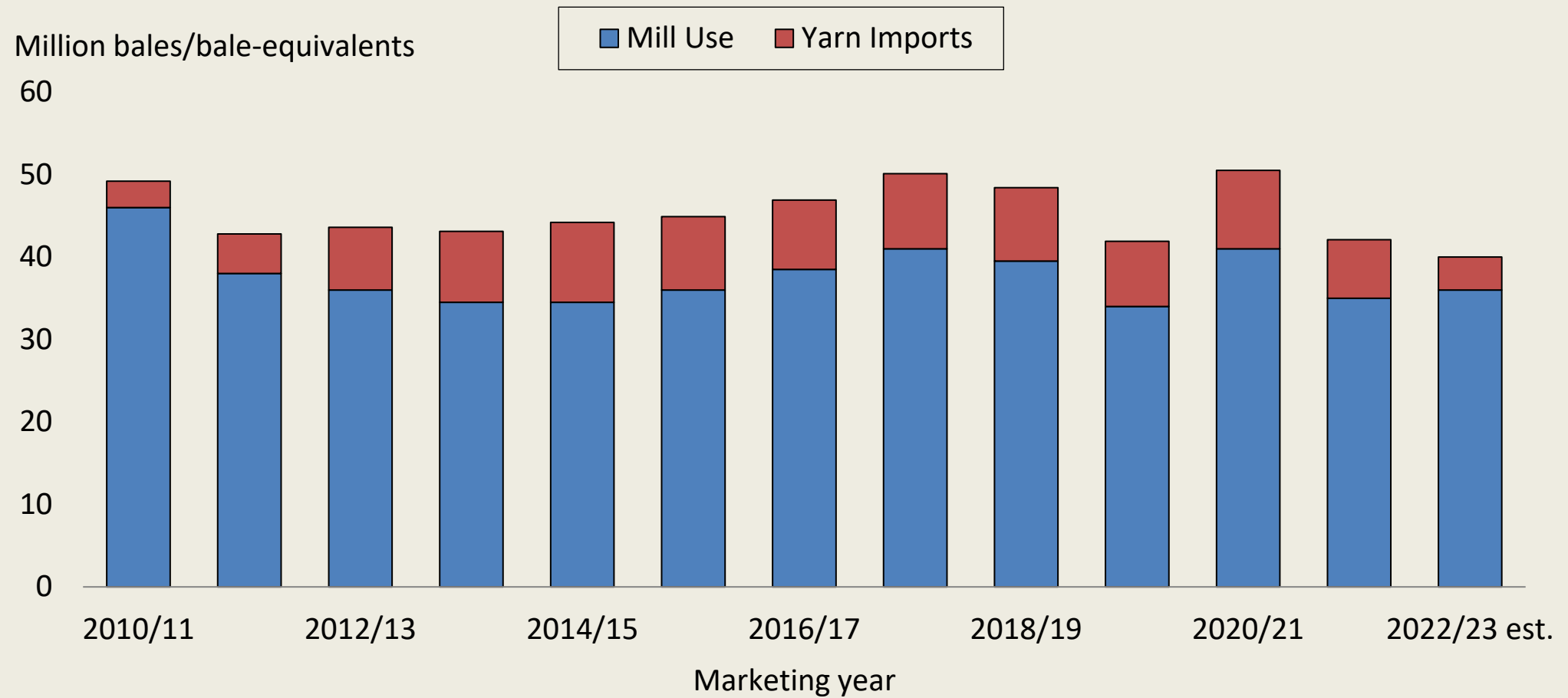
Sizeable World Cotton Mill Use Decrease in 2022/23

Cotton mill use estimated at 110.7 million bales.

- Decline of 5.7% forecast following last season's 4.7% decrease.
 - 2022/23 mill use lowest in 3 years and second lowest in 9 years.
 - Macroeconomic conditions—inflation and slowing demand for cotton products.
 - High product inventories and falling yarn orders also weakened mill demand.
- Lower cotton mill use seen for most major spinners.
 - Top 6 countries account for more than 80% of global mill use.
 - Considerable declines estimated for India, Pakistan, and Turkey.
 - China is the exception (+3% growth) as their economy reopens—fell > 14% in 2021/22.
 - The United States decreases below 2019/20: COVID shock.



China's Cotton Mill Use + Yarn Imports Weaken in 2022/23

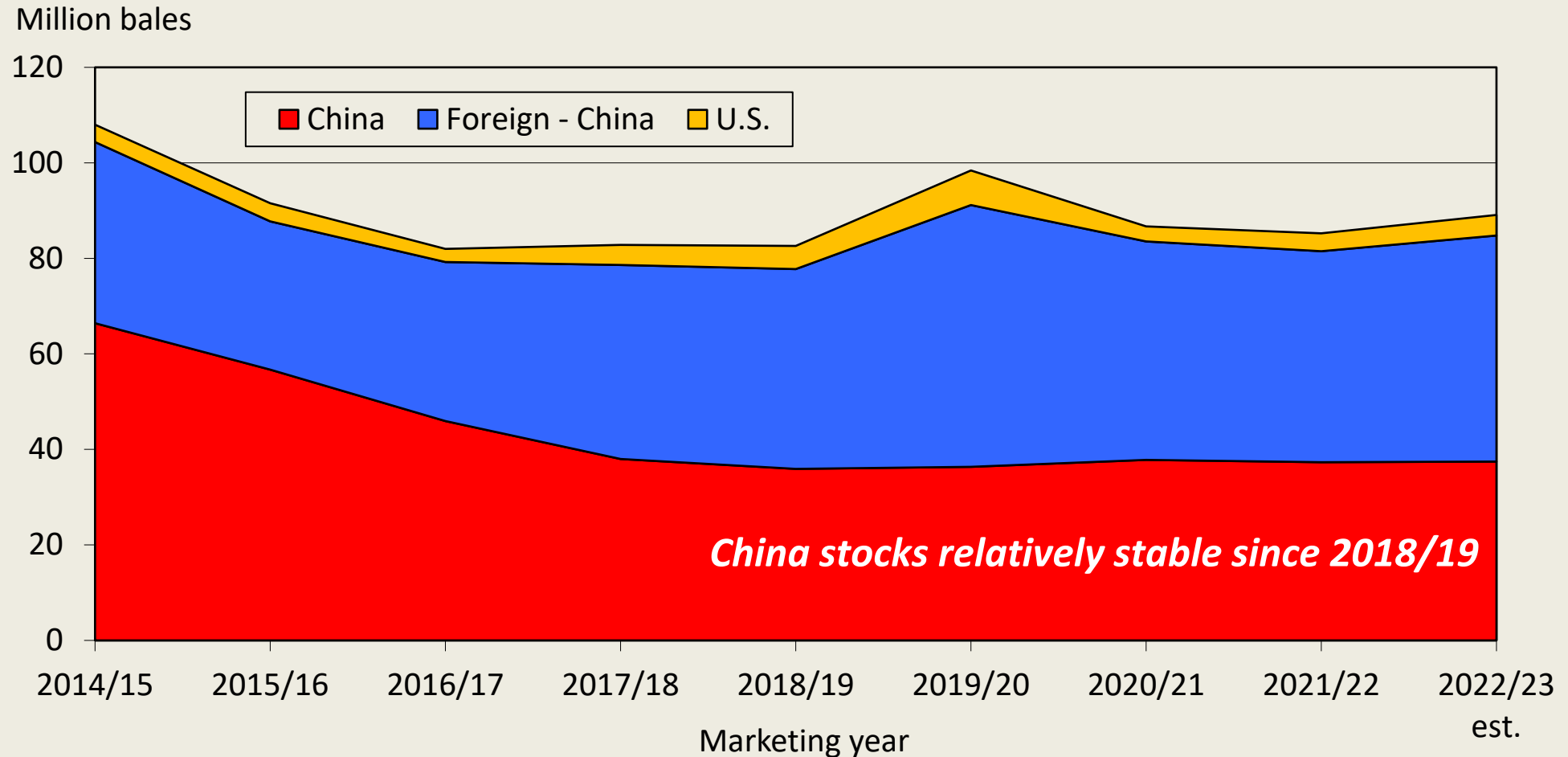


Source: USDA and Trade Data Monitor.

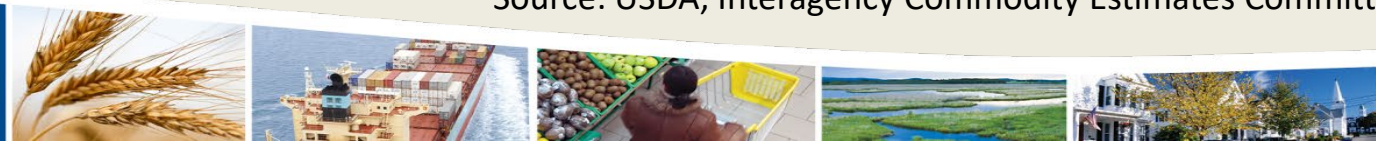


Global Cotton Stocks Second Highest Since 2015/16...

...with supplies representing 9+ month's worth of mill use.



Source: USDA, Interagency Commodity Estimates Committee.

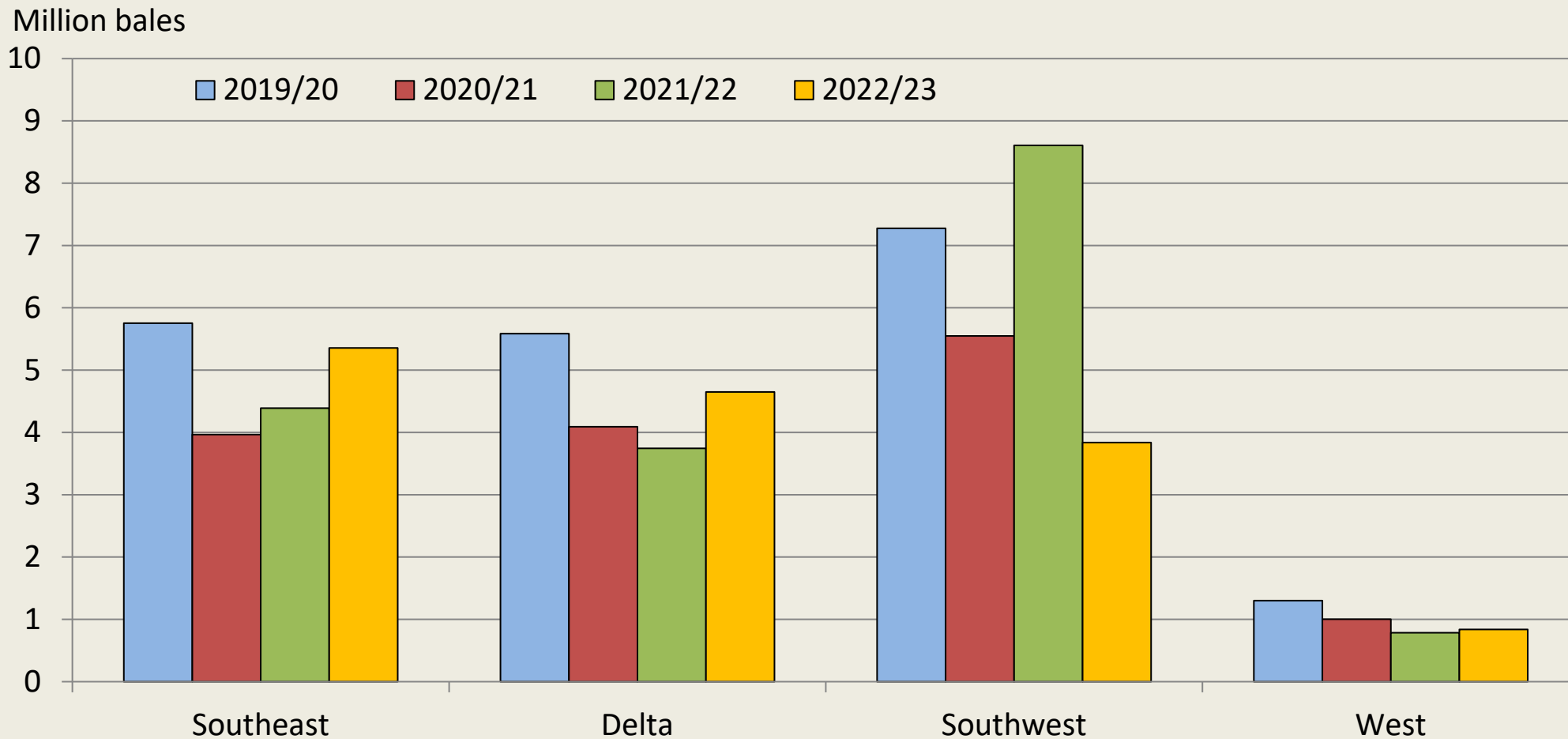


2022/23 U.S. Cotton Situation



U.S. Production Decline Led by Southwest:

Total planted area 23% higher y-o-y, but harvested area 28% lower

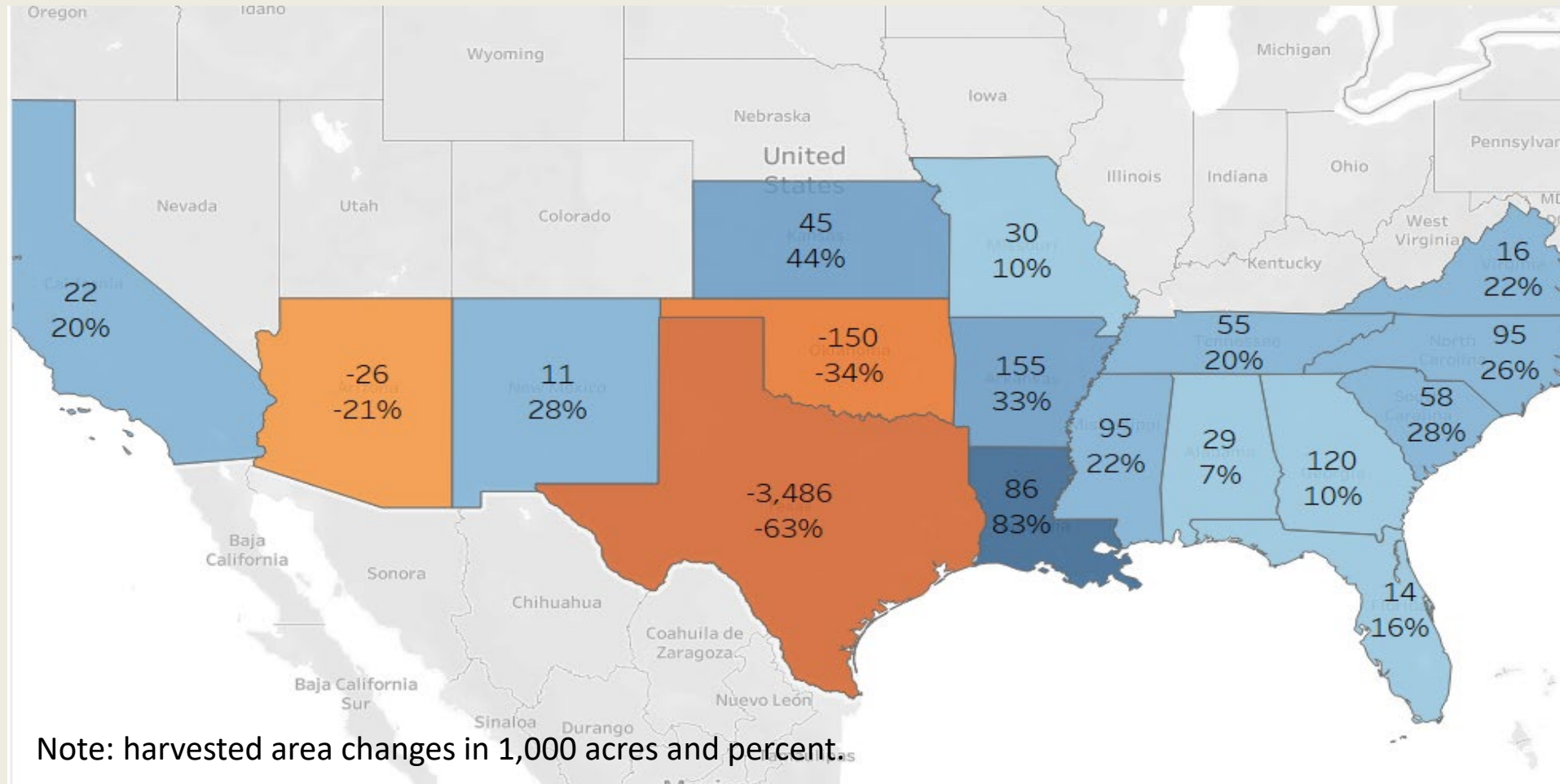


Source: USDA, National Agricultural Statistics Service.

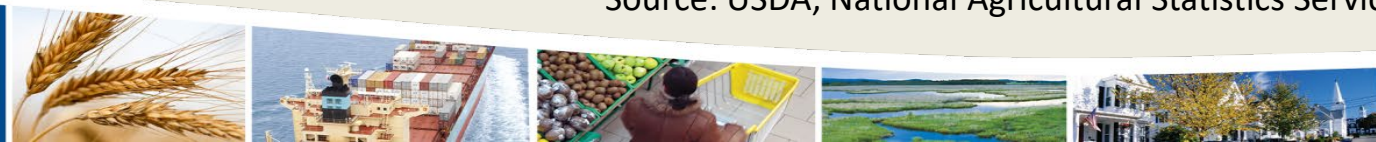


Change in 2022 U.S. Cotton Harvested Acres:

While TX plantings rose 24% y-o-y, harvested area declined 63%



Source: USDA, National Agricultural Statistics Service.

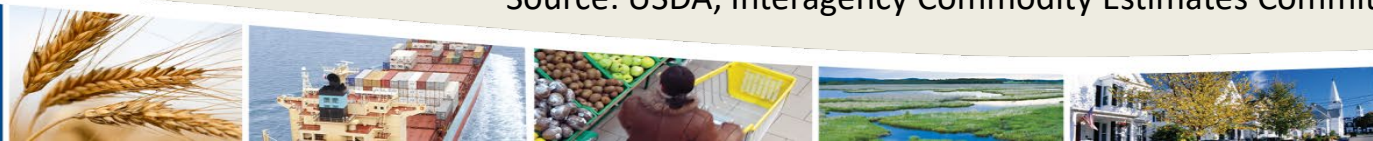


U.S. Cotton Supply & Demand Estimates:

Production and Exports Lower; Stocks Rise

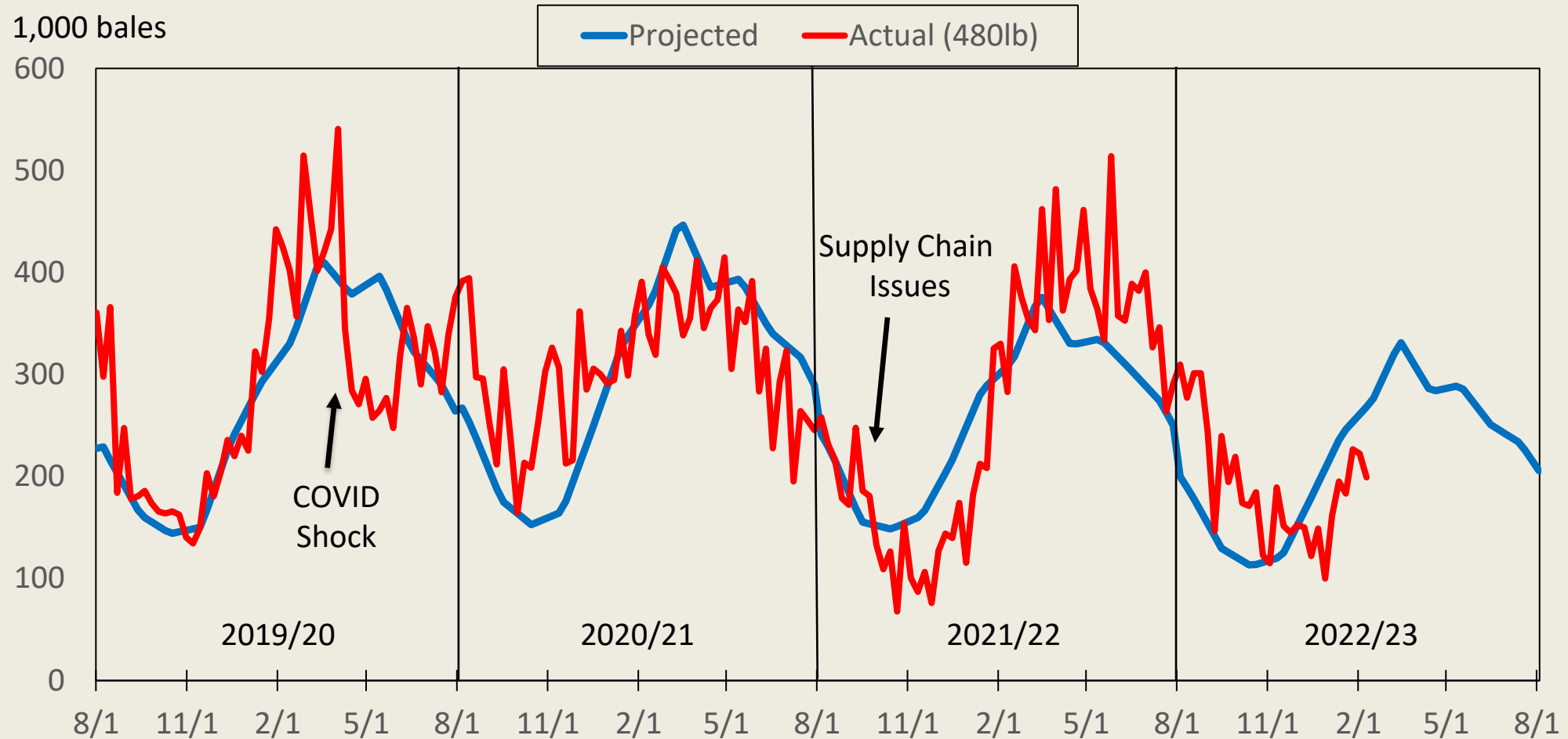
	Unit	2021/22	2022/23	Change (%)
Beg. stocks	Mil. bales	3.2	3.8	19.0
Production	"	17.5	14.7	-16.2
Imports	"	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total supply	"	20.7	18.4	-10.8
Mill use	"	2.6	2.1	-17.6
Exports	"	<u>14.6</u>	<u>12.0</u>	<u>-17.9</u>
Total demand	"	17.2	14.1	-17.9
Ending stocks	"	3.8	4.3	14.7
Stocks-to-use	%	21.8	30.5	8.7
Upland farm price	Cents/lb.	91.4	83.0	-9.2

Source: USDA, Interagency Commodity Estimates Committee.

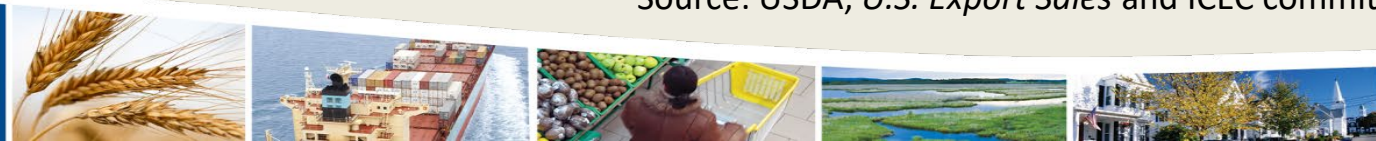


U.S. Cotton Export Seasonality Altered Recently

Weekly exports, actual and projected

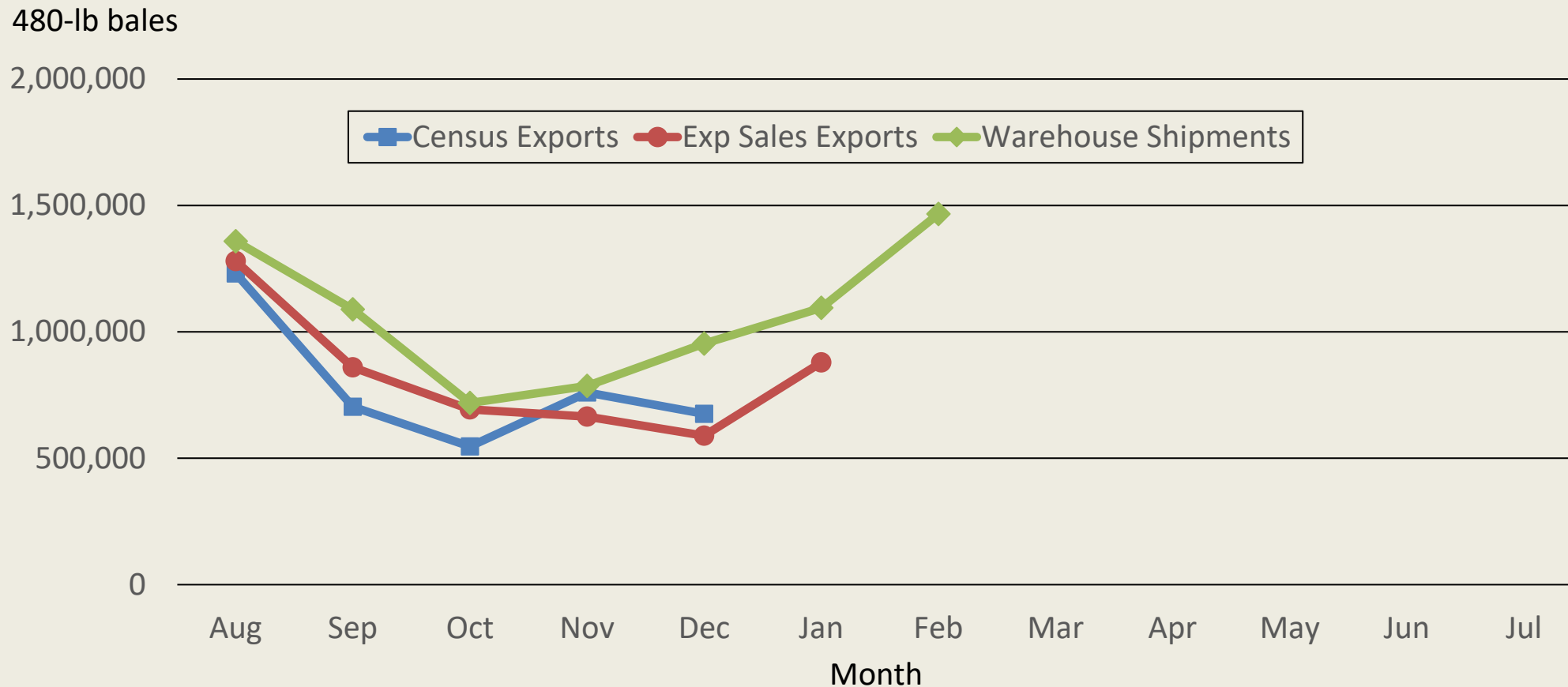


Source: USDA, U.S. Export Sales and ICEC committee.



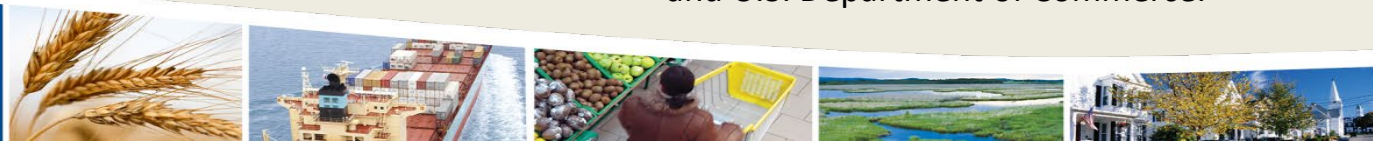
U.S. 2022/23 Cotton Export Prospects Improving...

...as recent Warehouse activity indicates increased exports forthcoming.



Note: BMAS = Bales Made Available for Shipment.

Source: USDA, U.S. Export Sales and BMAS reports; and U.S. Department of Commerce.



2023/24 World Cotton Outlook

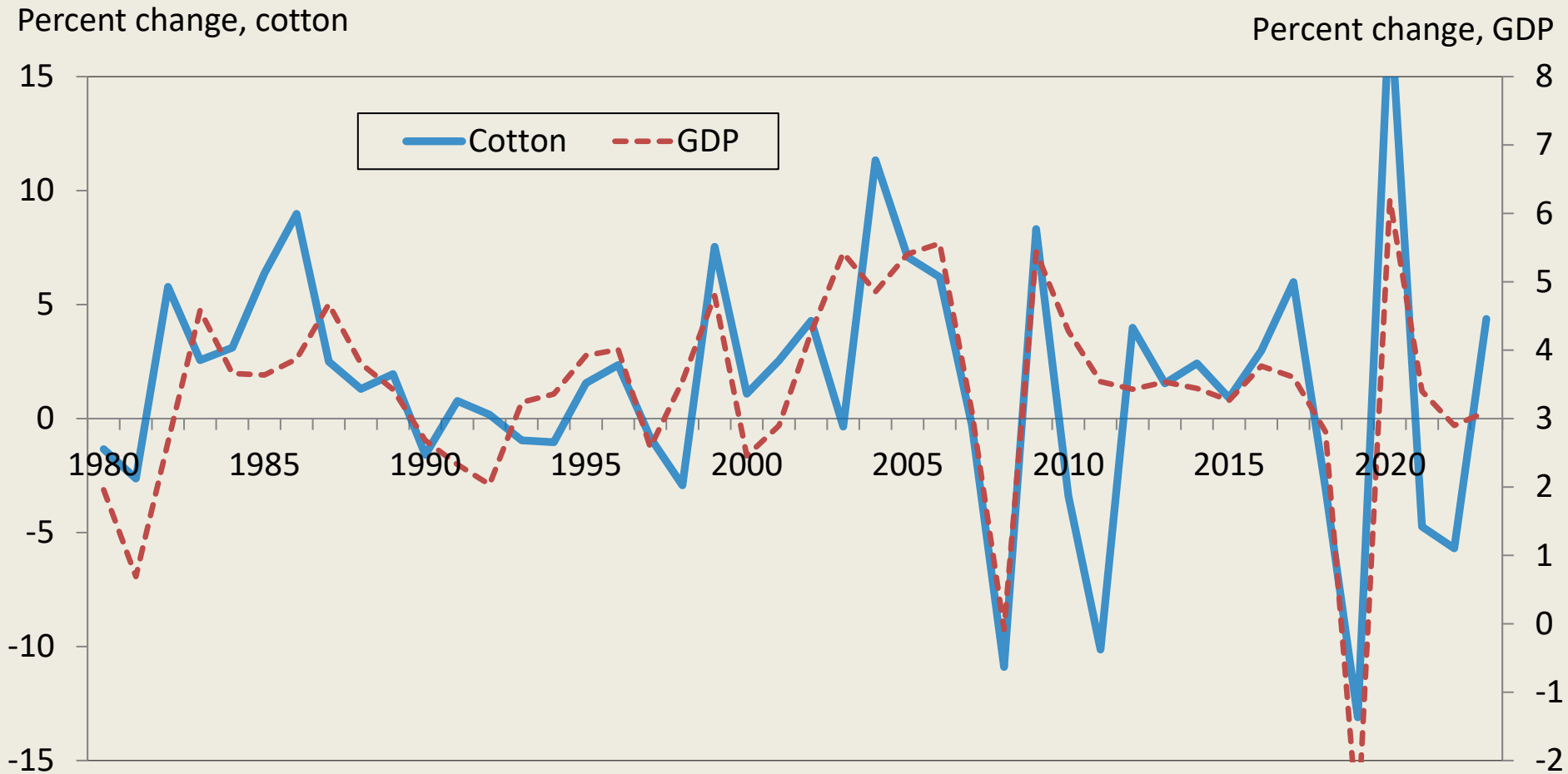


Key Points for USDA's 2023/24 Outlook

- Assume continuation of current policies.
- World economic growth bottoms out in calendar 2023 (2.9%) and more favorable in calendar 2024 (3.1%), aiding cotton mill use prospects.
- Global mill use growth rebounds after back-to-back reductions.
- China's cotton imports and mill use increase.
- Normal weather and growing conditions support marginally higher world production.
- World and U.S. cotton prices decline slightly.



World Cotton Mill Use Often Follows Economic Growth



Source: USDA and International Monetary Fund (IMF).

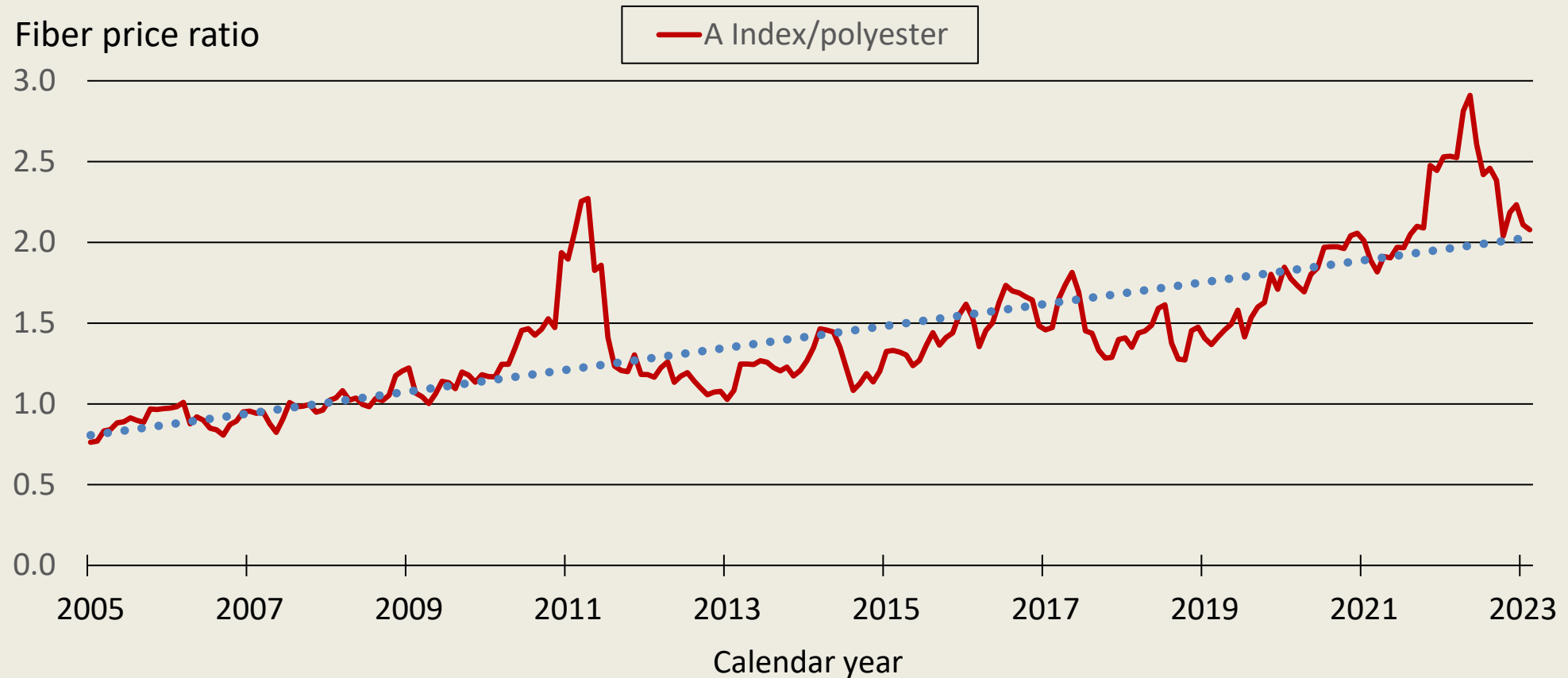


World Cotton Mill Use Rebound Projected in 2023/24

- Global mill use projected at 115.5 M bales.
 - Rebound after two consecutive declines—slightly above 5-year average.
 - Growth rate (4.4%) well above long-term average.
- Factors supporting 4.4% growth rate.
 - Positive GDP growth estimates—2.9% CY 2023 and 3.1% CY 2024.
 - Supply chain improvements and inventories return to more normal levels.
 - More favorable fiber prices (e.g., 27% lagged A Index decline)
 - Resilient consumer demand.
- China consumption growth projected above 2.5%.
 - Increased access to cotton, including imports.
 - Govt. support for Xinjiang spinning continues.
- Consumption outside China: Moderate growth projected.



Cotton/Polyester Price Ratio

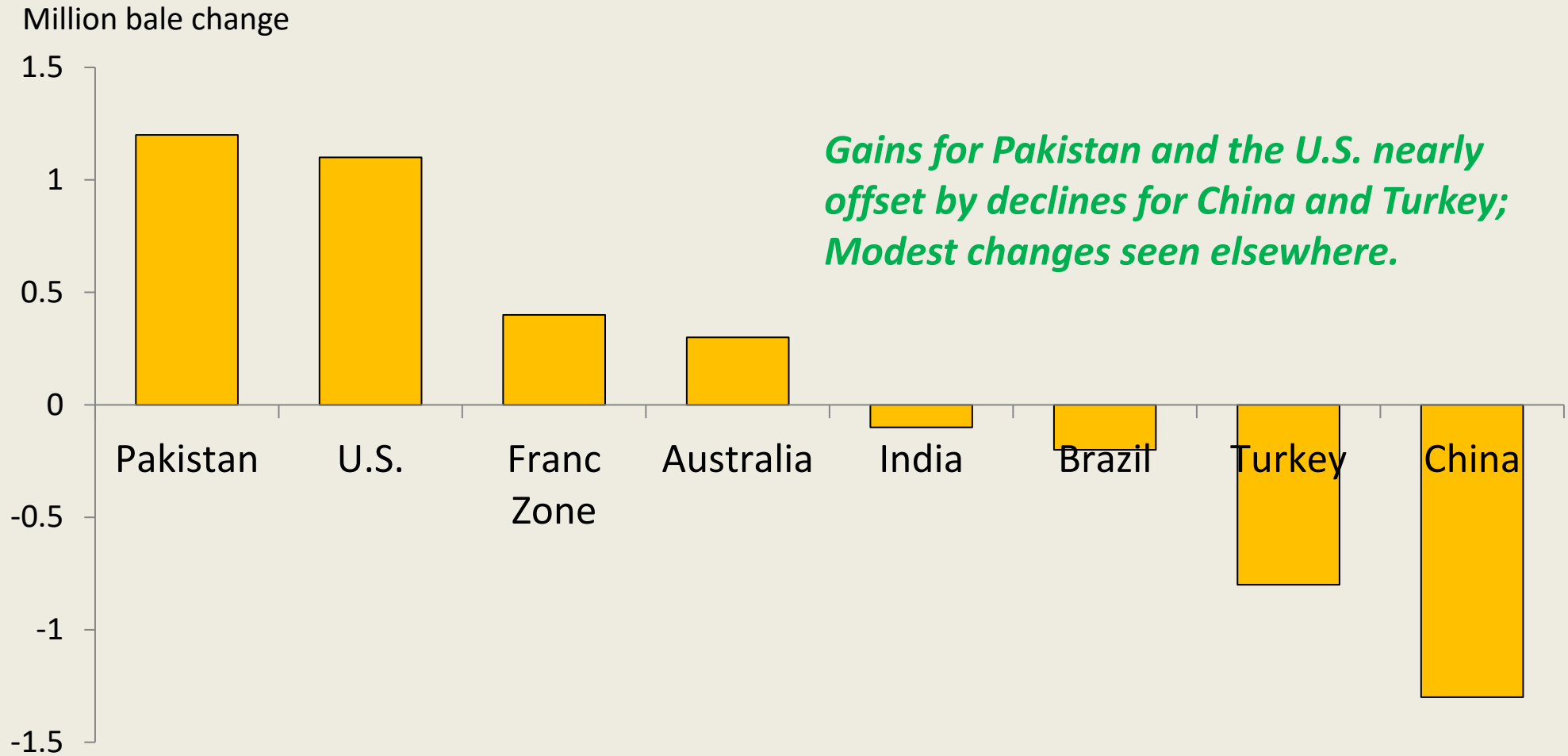


Source: USDA calculations based on data from Cotlook Ltd., Cncotton, National Cotton Council, and International Cotton Advisory Committee .



Global Production Projected Marginally Higher in 2023/24:

Mix of area and yield adjustments behind change



Source: USDA, Interagency Commodity Estimates Committee.

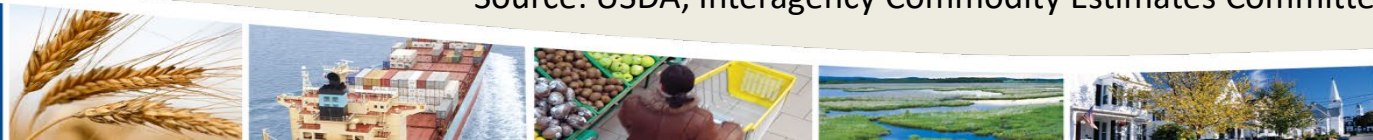


World Cotton Supply & Demand Projections:

Mill Use Exceeds Production; Stocks Decrease Slightly

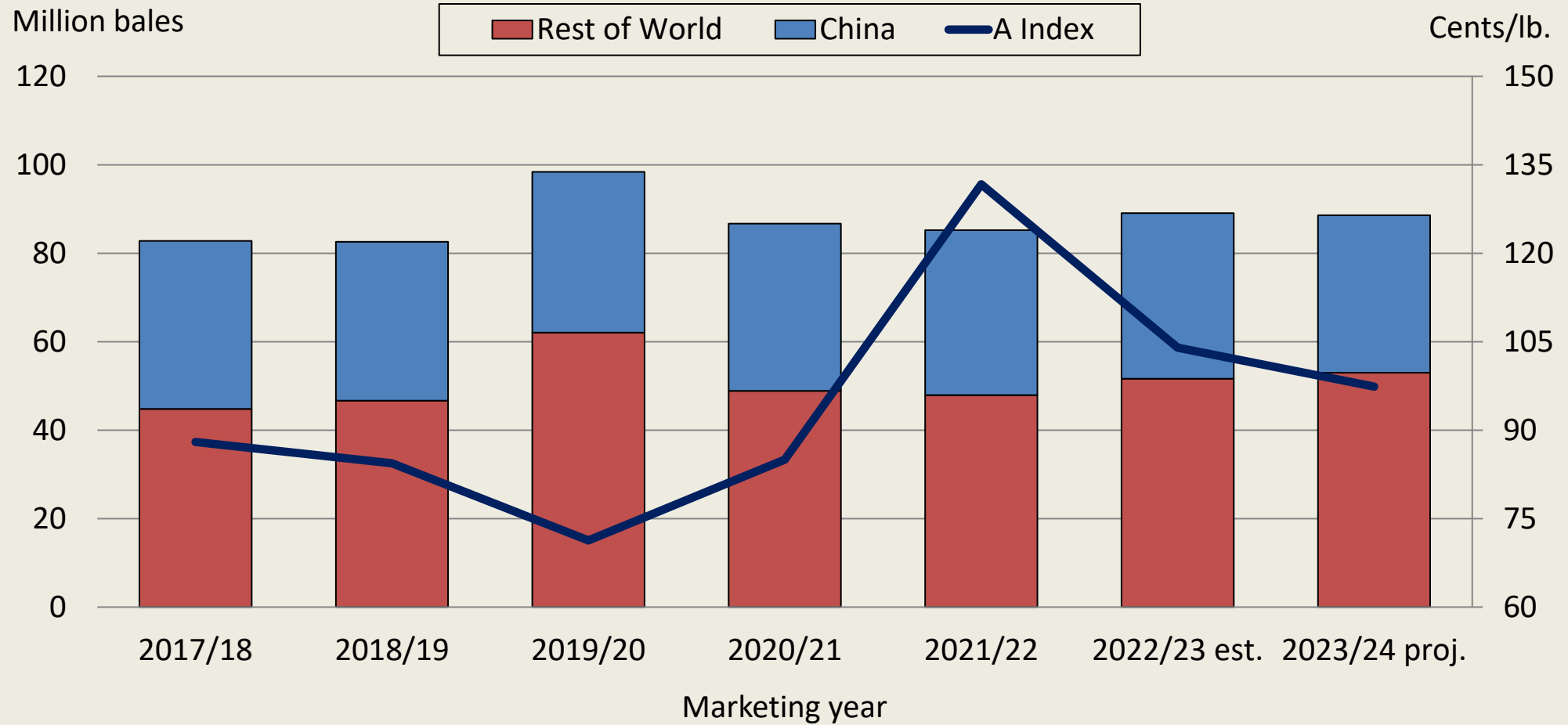
	Unit	2022/23	2023/24	Change (%)
Beg. stocks	Mil. bales	85.2	89.1	4.5
Production	"	114.4	115.0	0.5
Imports	"	<u>40.4</u>	<u>42.5</u>	<u>5.1</u>
Total supply	"	199.6	204.1	2.2
Mill use	"	110.7	115.5	4.4
Exports	"	<u>40.4</u>	<u>42.5</u>	<u>5.2</u>
Total demand	"	110.6	115.5	4.4
Ending stocks	"	89.1	88.6	-0.6
Stocks-to-mill use	%	80.5	76.7	-3.8

Source: USDA, Interagency Commodity Estimates Committee.



Global Cotton Stocks Projected Slightly Lower...

...and world prices decline.



Source: USDA, Interagency Commodity Estimates Committee.



2023/24 U.S. Cotton Outlook

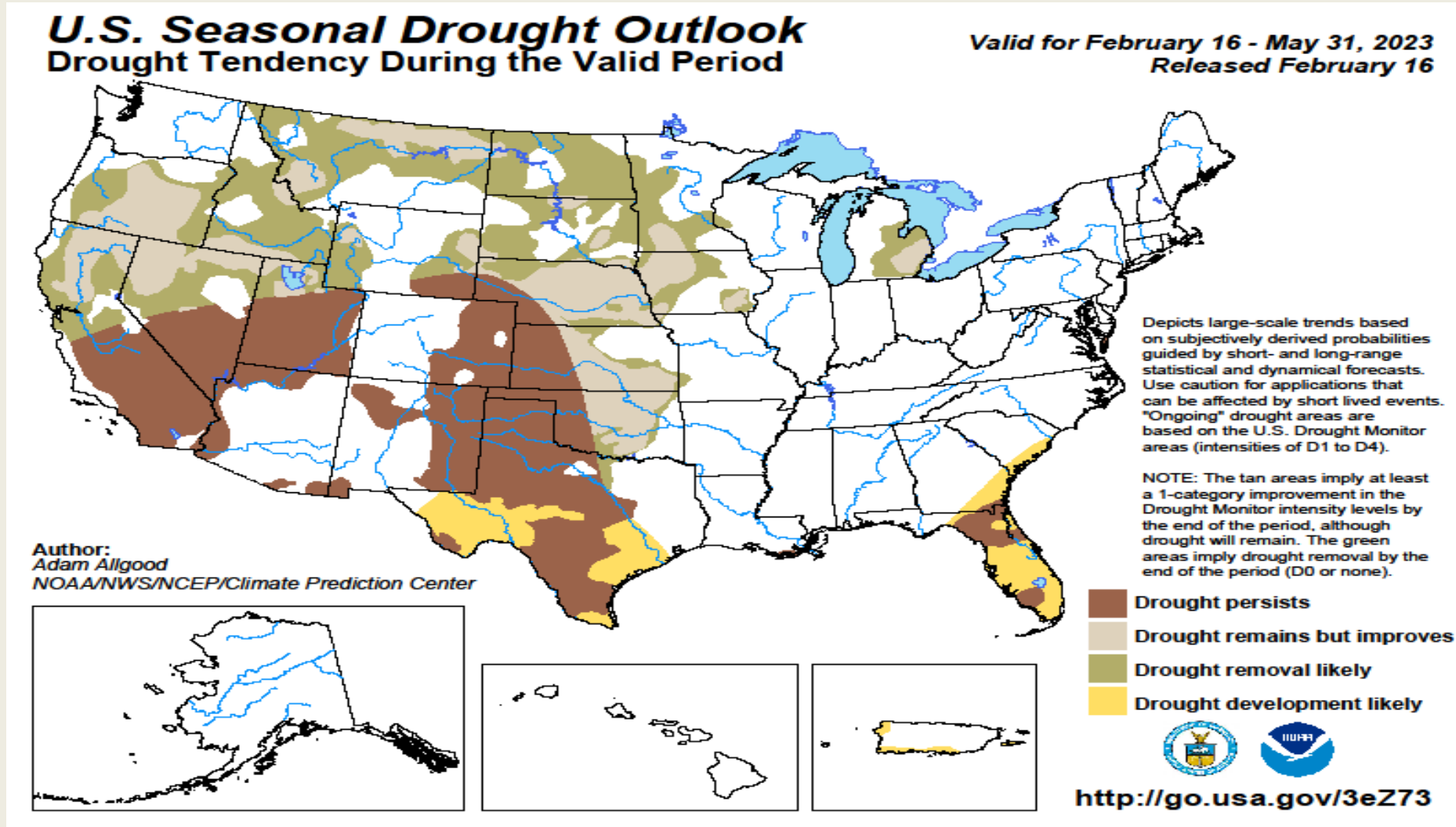


Outlook for 2023 U.S. Cotton Area

- Planted acreage expected significantly lower.
 - Total plantings projected at 10.9 M acres—a 21% decrease.
 - NCC survey indicated 11.4 M acres.
- Relative harvest prices favor competing crops as of mid-February.
 - Cotton futures down 17 cents (17%) compared with last year.
 - Corn futures up 3% while Soybean futures nearly identical to year ago.
 - Cotton insurance reference price considerably lower also.
- Other important/influencing factors to consider.
 - Farmers' experiences during previous season—positive or negative.
 - High production costs vs net return prospects.
 - Weather and soil moisture conditions.

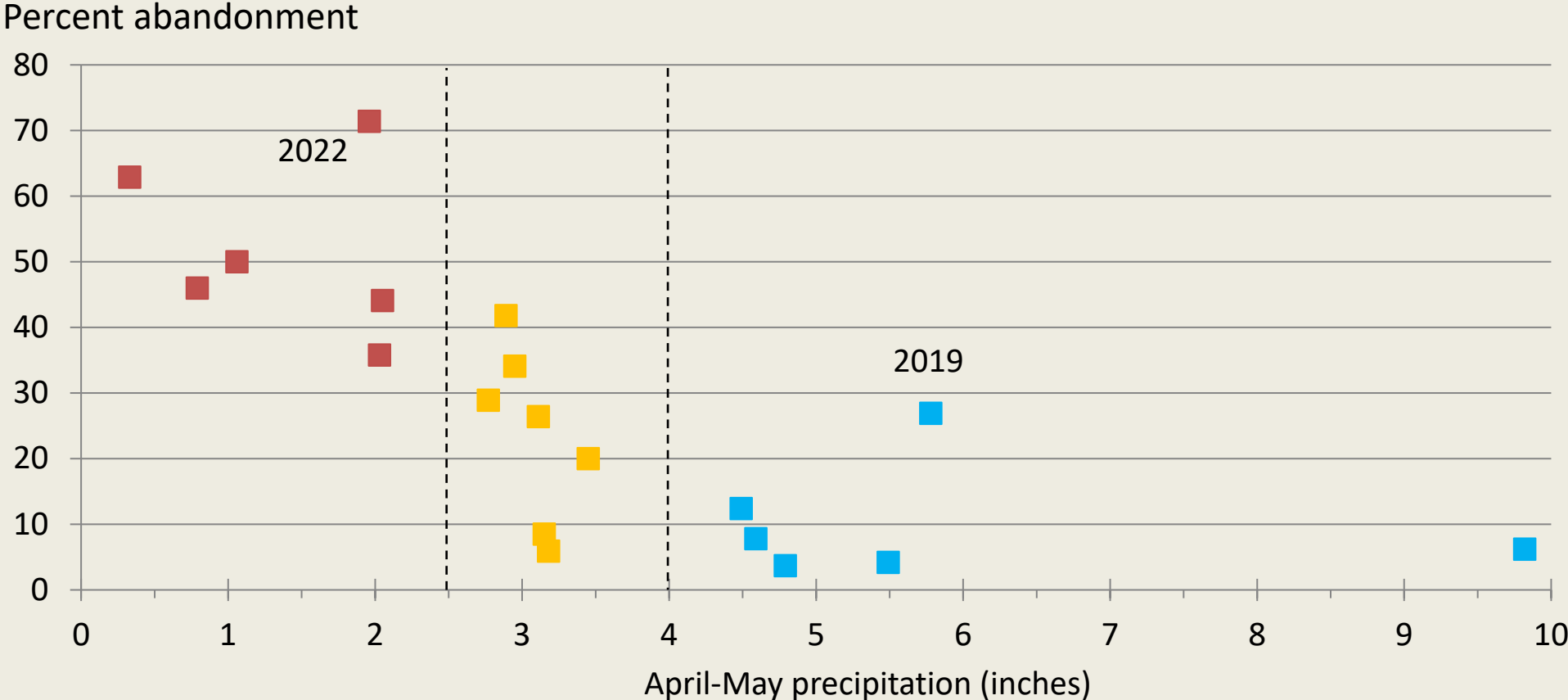


Drought To Persist Across Much of Texas/Southwest Region



Texas High Plains Precipitation and Southwest Upland Cotton Abandonment, 2004-2022

Abandonment rate can be highly variable.



Source: NOAA and USDA, National Agricultural Statistics Service.



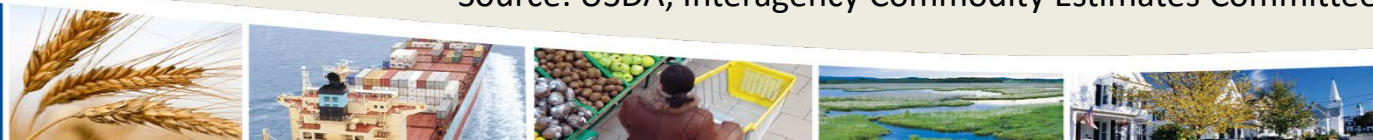
U.S. Cotton Area, Yield, and Production

Key Assumption Includes Normal Weather

Southwest expected to account for over half of harvested area

	<u>Unit</u>	<u>2022/23</u>	<u>2023/24</u>	<u>Change(%)</u>
Planted area	Mil. acres	13.76	10.90	-20.8
Harvested area	"	7.44	8.90	19.6
Abandonment rate	%	45.9	18.3	-27.6
Yield/harvested acre	Lbs.	947	852	-10.0
Production	Mil. bales	14.68	15.80	7.6

Source: USDA, Interagency Commodity Estimates Committee.



U.S. Export Forecast Higher in 2023/24: *Growth Contingent Upon Several Factors*

- Relatively high import demand to satisfy global mill use growth.
 - Import demand (42.5 M bales) rises 5% with improved global economy.
 - China's imports (8.5 M bales) rise to highest level in 3 years.
 - Mill use growth returns for other major importers/consumers.
- Increased exportable supplies in the United States.
 - Additional early season exportable supplies and larger crop prospects.
 - U.S. share of world trade (33%) rising to near 10-year average.
- Lower prices and a more balanced quality distribution of the 2023 U.S. crop expected.



U.S. Cotton Supply & Demand Projections:

Production and Exports Rebound; Stocks Decline

	Unit	2022/23	2023/24	Change (%)
Beg. stocks	Mil. bales	3.8	4.3	14.7
Production	"	14.7	15.8	7.6
Imports	"	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total supply	"	18.4	20.1	9.0
Mill use	"	2.1	2.3	9.5
Exports	"	<u>12.0</u>	<u>13.8</u>	<u>15.0</u>
Total demand	"	14.1	16.1	14.2
Ending stocks	"	4.3	4.0	-7.0
Stocks-to-use	%	30.5	24.8	-5.7
Farm price	Cents/lb.	83.0	80.0	-3.6

Source: USDA, Interagency Commodity Estimates Committee.



Potential Variables that Could Change the Outlook

- Higher/Lower world area response to prices than anticipated.
- Weather and growing conditions altering production.
- U.S./China relationship improves/worsens.
- Macroeconomic growth varying from expectations.
- Changes in consumer demand for clothing.

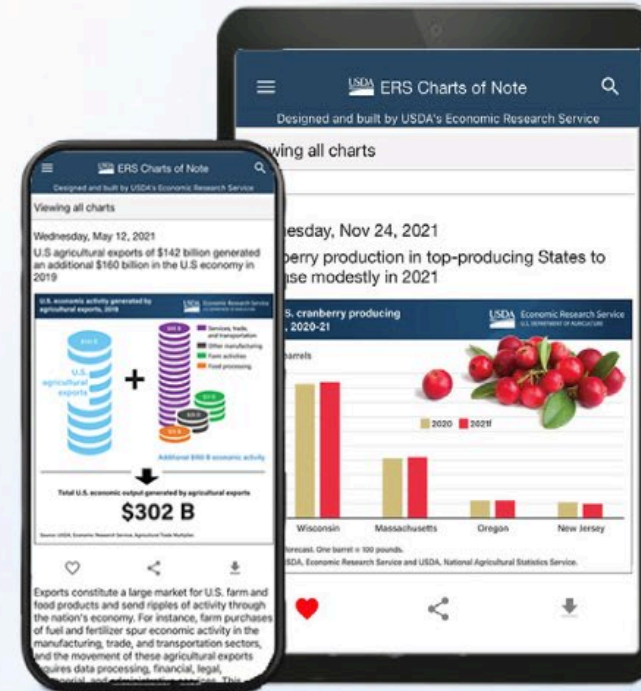


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