The World and U.S. Cotton Outlook for 2024/25

Interagency Commodity Estimates Committee

Presented by
Stephen MacDonald
USDA-World Agricultural Outlook Board

100th USDA Agricultural Outlook Forum
February 16, 2024
USDA Global Cotton Highlights

• 2023/24 Review:
  – World production moderately lower (1.5%)—area down in most major producing countries.
  – Global mill use grows slowly (1.2%) as inventories contract along the supply chain.
  – World trade rebounds as China’s imports double.
  – Global stocks and stocks-to-use falls slightly from year before.
  – World price (A Index) continues weakening from 2021/22 peak, but averaging above 90 cents per pound.
USDA Global Cotton Highlights

• 2024/25 Outlook:

  – World production rebounding (up 3.3%) driven by U.S. crop.
  – Global mill use recovery accelerates (up 3.1%).
  – World trade to continue growing despite dip in China’s imports.
  – Global stocks marginally higher, but stocks-to-use lower.
  – World price rising, A Index averaging closer to $1.00.
2023/24 World Cotton Situation
World Cotton Production Falls While Mill Use Rises Slowly...

...with price weakening further.

Source: USDA, Interagency Commodity Estimates Committee and Cotlook.
Global Cotton Production Changes in 2023/24: 

*Weather had key role in crop changes*

- **China**: retreat from record Xinjiang area, and lower yields.
- **U.S.**: smallest harvested area since 1868/69.
- **Turkey, India**: lower area, negative weather shocks.
- **Australia**: lower area on reduced rainfall.

**Franc Zone, Pakistan, & Brazil**: rebound from previous year’s shocks

Source: USDA, Interagency Commodity Estimates Committee.
World Cotton Mill Use: Small Gain in 2023/24

*Mill use estimated at 112.5 million bales.*

- 1.2% increase forecast after a two-season decline of 10%.
  - 2023/24 mill use expected to still be 9% below level reached in 2006/07.
  - U.S. 2023 GDP surprisingly robust; 2024 outlook up for EU, down for China.
  - Continued inventory correction was a significant headwind.

- Cotton milling shifts vary across major spinners.
  - Top 6 countries account for more than 80% of global mill use.
  - More countries expected to increase than decrease spinning in 2023/24.
  - Pakistan’s 1.1-million-bale rebound is largest single country change by far.
  - The United States decreases to lowest since 1884/85.
World Cotton Consumption Hasn’t Grown Since 2004

**USDA Agricultural Projections to 2033 shows growth resuming**

- In 1990s, consumption stagnated.
  - Accelerated in 1999 as China’s spinning began rising sharply and MFA phaseout and China WTO-accession profoundly altered textile trade landscape.

- Since 2006 cotton’s consumption trend has flattened due to:
  - Global economic shocks
  - Farm costs in China
  - Bollworms in India
  - Trade wars
  - Low-cost polyester.
Regional Distribution of U.S. Cotton Crop

West
Southwest
Delta
Southeast
U.S. Production Decline Led by Southeast in 2023/24:

*Total planted area 26% lower y-o-y; harvested only 3% lower*

Source: USDA, National Agricultural Statistics Service.
U.S. Cotton Supply & Demand Estimates:

*Production Declines More Than Demand; Stocks Decrease*

<table>
<thead>
<tr>
<th>Unit</th>
<th>2022/23</th>
<th>2023/24</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beg. stocks</td>
<td>Mil. bales</td>
<td>4.1</td>
<td>4.3</td>
</tr>
<tr>
<td>Production</td>
<td>&quot;</td>
<td>14.5</td>
<td>12.4</td>
</tr>
<tr>
<td>Imports</td>
<td>&quot;</td>
<td>0.0</td>
<td>0.0</td>
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<tr>
<td>Total supply</td>
<td>&quot;</td>
<td>18.5</td>
<td>16.7</td>
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<tr>
<td>Mill use</td>
<td>&quot;</td>
<td>2.1</td>
<td>1.8</td>
</tr>
<tr>
<td>Exports</td>
<td>&quot;</td>
<td>12.8</td>
<td>12.3</td>
</tr>
<tr>
<td>Total demand</td>
<td>&quot;</td>
<td>14.8</td>
<td>14.1</td>
</tr>
<tr>
<td>Ending stocks</td>
<td>&quot;</td>
<td>4.3</td>
<td>2.8</td>
</tr>
<tr>
<td>Stocks-to-use</td>
<td>%</td>
<td>28.7</td>
<td>19.9</td>
</tr>
<tr>
<td>Upland farm price</td>
<td>Cents/lb.</td>
<td>84.8</td>
<td>77.0</td>
</tr>
</tbody>
</table>

Source: USDA, Interagency Commodity Estimates Committee.
U.S. Cotton Export Seasonality Stabilizing

*Weekly exports, actual and projected*

- Source: USDA, *U.S. Export Sales* and ICEC committee.
China’s Cotton Imports Surge as Relative Price Normalizes and State Reserve Relies on Foreign Cotton

China Cotton State Reserve

China price/World price ratio

China cotton imports

[Graphs and data visualizations related to cotton imports and price ratios]
2024/25 World Cotton Outlook
United States Drives World Production Higher in 2024/25:  
*Return to Normal U.S. Weather Key to World Outlook*

Normal weather also boosts production in Turkey and Greece.  
Another record crop for Brazil.

Source: USDA, Interagency Commodity Estimates Committee.
World Cotton Mill Use Growth Follows Economic Events

Sources: USDA and International Monetary Fund (IMF).
Cotton/Polyester Price Ratio

Sources: USDA calculations based on data from Cotlook Ltd., Cncotton, USDA/NASS, and International Cotton Advisory Committee.
Major Cotton Clothing Importers Still Lagging

*Trade data available up to December 2023*

- But, U.S. clothing real Personal Consumption Expenditures (PCE) remain high
- U.S. cotton clothing imports have gyrated since COVID onset
  - U.S., EU, and Japan cotton clothing imports all well below trend
- **Inventory contraction** accounts for much of the shortfall
- **Correction in 2024/25 expected**
Global mill use projected at 116.0 M bales.
  - Growth from previous year projected at 3.1% rate.
  - This is:
    • About double the long run annual rate since 1960/61
    • Follows slow growth in 2023/24 and two large annual declines before that

Factors supporting 3.1% growth rate.
  - Steady global income growth according to IMF:
    • 3.1% CY 2023
    • 3.1% CY 2024
    • 3.2% CY 2025
  - Shift from inventory contraction to inventory rebuilding:
    • This cyclical shift is crucial and has been long postponed
## World Cotton Supply & Demand Projections:

*Mill Use Exceeds Production; Stocks Decrease Slightly*

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<th>Change (%)</th>
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<tr>
<td>Beg. stocks</td>
<td>Mil. bales</td>
<td>83.0</td>
<td>83.7</td>
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<td>Production</td>
<td>&quot;</td>
<td>112.8</td>
<td>116.5</td>
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<td>Imports</td>
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<td>42.9</td>
<td>45.3</td>
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<td>Total supply</td>
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<td>238.7</td>
<td>245.5</td>
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<td>Mill use</td>
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<td>112.5</td>
<td>116.0</td>
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<td>42.9</td>
<td>45.3</td>
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<td>&quot;</td>
<td>155.3</td>
<td>161.3</td>
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<td>Ending stocks</td>
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<td>83.7</td>
<td>84.6</td>
<td>1.1</td>
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<tr>
<td>Stocks-to-mill use</td>
<td>%</td>
<td>74.4</td>
<td>72.9</td>
<td>-1.5</td>
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</tbody>
</table>

Source: USDA, Interagency Commodity Estimates Committee.
2024/25 U.S. Cotton Outlook
Outlook for 2024 U.S. Cotton Area

• Planted acreage expected moderately higher.
  – Total plantings projected at 11.0 M acres—a 7.5% increase.
  – *Cotton Grower* survey indicated 10.2 M acres.
    • Reflecting conditions as of mid-December
2024 U.S. Area in Drought Smaller

February 7, 2024

February 6, 2023

Drought Classification

- None
- D0 (Abnormally Dry)
- D1 (Moderate Drought)
- D2 (Severe Drought)
- D3 (Extreme Drought)
- D4 (Exceptional Drought)
- No Data

https://droughtmonitor.unl.edu/Maps/CompareTwoWeeks.aspx
Texas High Plains Precipitation and Southwest Upland Cotton Abandonment, 2004-2023

*Abandonment rate can be highly variable: forecast = 24%*

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_

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<tbody>
<tr>
<td>Planted area</td>
<td>Mil. acres</td>
<td>10.23</td>
<td>11.00</td>
<td>7.5</td>
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<tr>
<td>Harvested area</td>
<td>&quot;</td>
<td>7.07</td>
<td>9.29</td>
<td>31.5</td>
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<tr>
<td>Abandonment rate</td>
<td>%</td>
<td>30.9</td>
<td>15.5</td>
<td>-15.4</td>
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<td>Yield/harvested acre</td>
<td>Lbs.</td>
<td>845</td>
<td>827</td>
<td>-2.1</td>
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<tr>
<td>Production</td>
<td>Mil. bales</td>
<td>12.43</td>
<td>16.00</td>
<td>28.7</td>
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Source: USDA, Interagency Commodity Estimates Committee.
U.S. Export Forecast Higher in 2024/25:

*Growth Contingent Upon Several Factors*

- Relatively high import demand to satisfy global mill use growth.
  - Import demand (45.3 M bales) rises 6%
    - Textile supply chain inventory recovery sustaining increased mill use.
    - China’s imports (10 M bales) remain relatively high.

- Increased exportable supplies in the United States.
  - Increased area and reduced abandonment offer prospect of larger crop.
  - U.S. share of world trade (30%) rising, but below 10-year average (33%).

- Projected level of competitor cotton output
  - Larger or smaller crops in Brazil, Australia, and Franc Zone can change prospects.
# U.S. Cotton Supply & Demand Projections:
*Production, Exports, & Ending Stocks Rebound*

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<td>3.5</td>
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<td>22.6</td>
<td>2.7</td>
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<tr>
<td>Farm price</td>
<td>Cents/lb.</td>
<td>77.0</td>
<td>80.0</td>
<td>3.9</td>
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Source: USDA, Interagency Commodity Estimates Committee.
United States to Remain World’s Largest Cotton Exporter in 2024/25

Sources: February 2024 WASDE, 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.
Thank You!

TAYLOR.DEW@USDA.GOV
KENT.LANCLOS@USDA.GOV
LESLIE.MEYER@USDA.GOV
GRAHAM.SOLEY@USDA.GOV
STEPHEN.MACDONALD3@USDA.GOV