



U.S. DEPARTMENT OF AGRICULTURE



USDA'S 100<sup>TH</sup> ANNUAL

# AGRICULTURAL OUTLOOK FORUM

CULTIVATING THE FUTURE



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

Interagency Commodity Estimates Committee

Presented by

Stephen MacDonald

USDA-World Agricultural Outlook Board

100<sup>th</sup> 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.

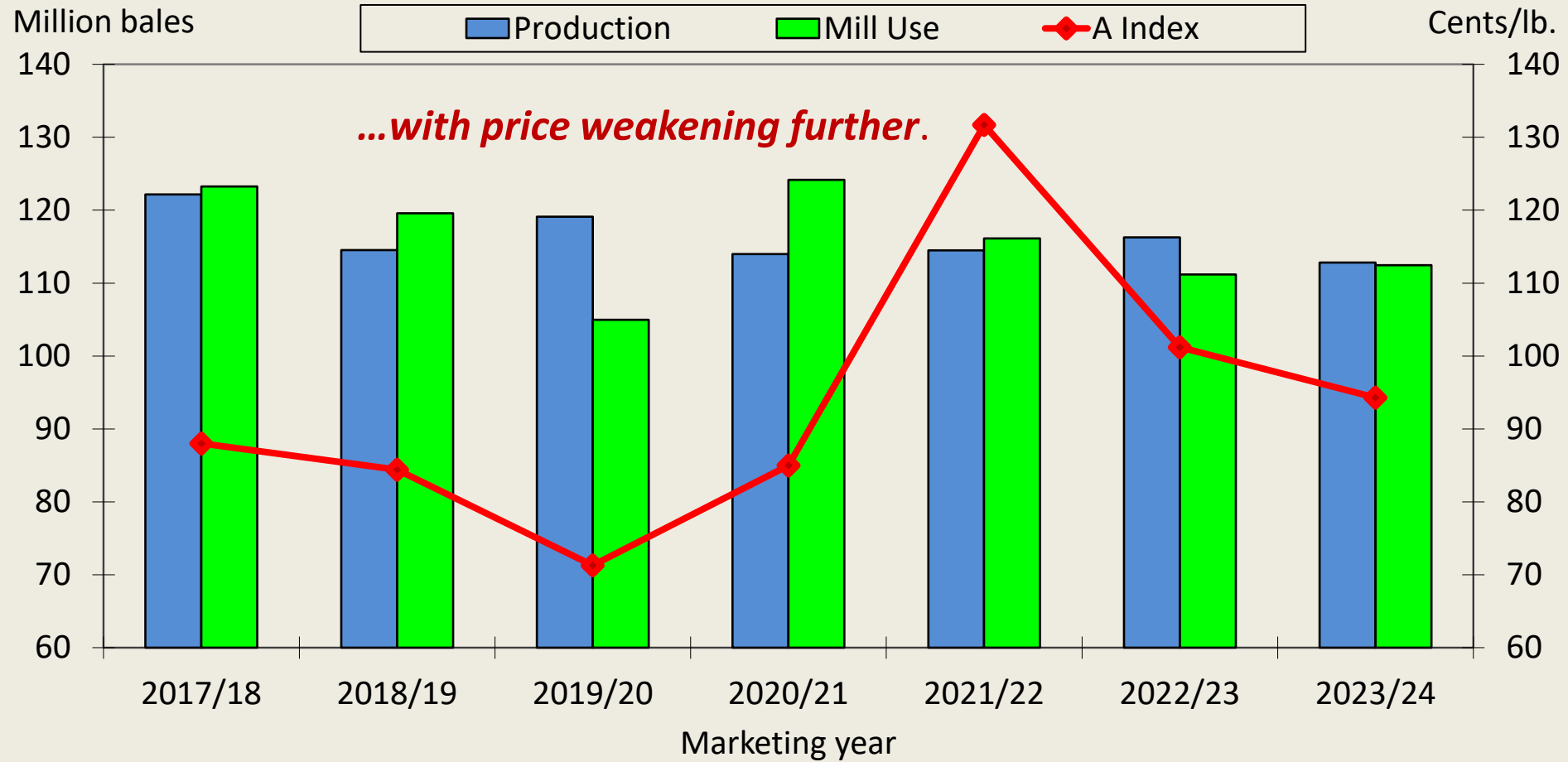
# USDA Global Cotton Highlights

- **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

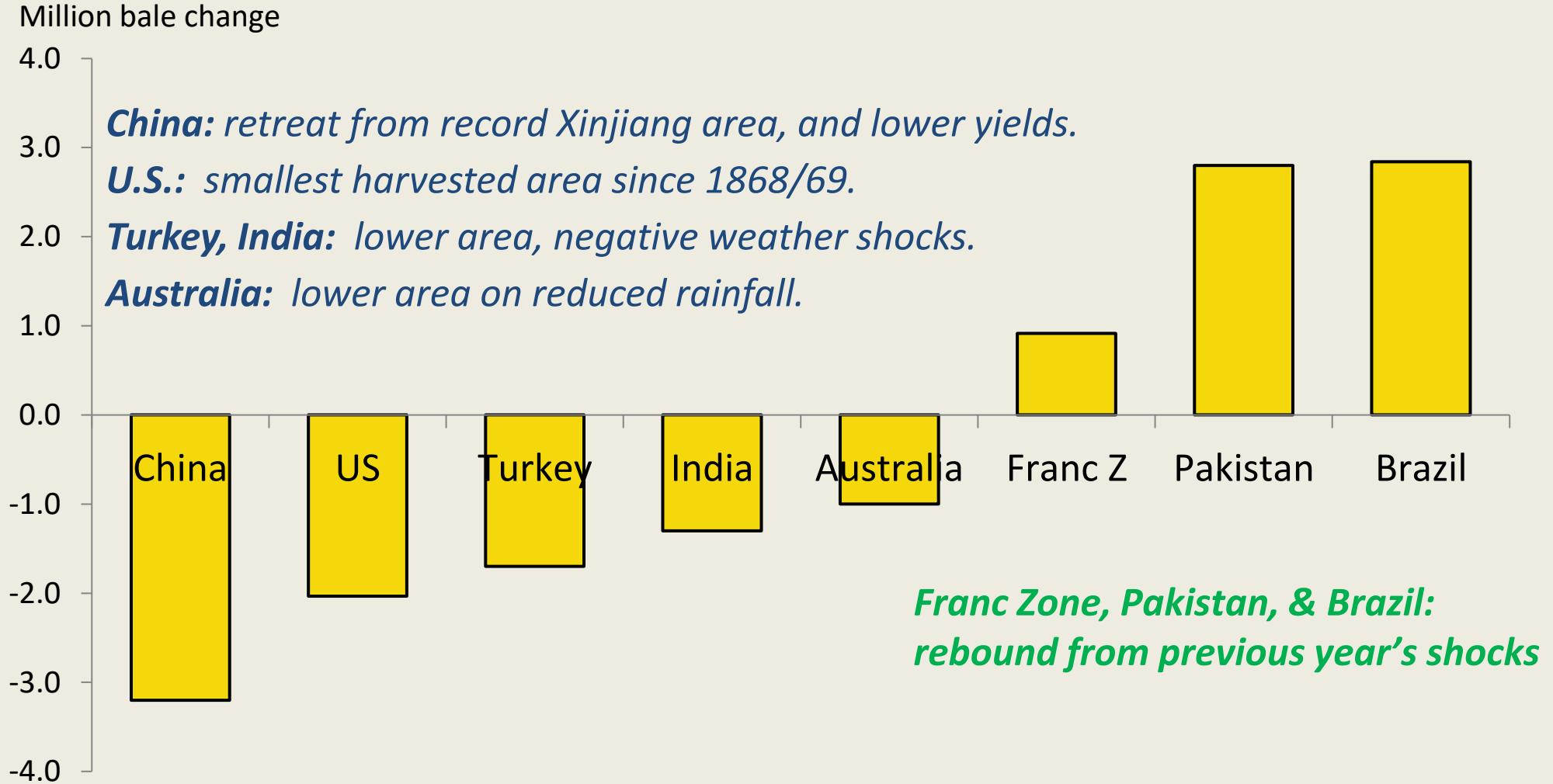


# World Cotton Production Falls While Mill Use Rises Slowly...



Source: USDA, Interagency Commodity Estimates Committee and Cotlook.

# Global Cotton Production Changes in 2023/24: *Weather had key role in crop changes*



Source: USDA, Interagency Commodity Estimates Committee.

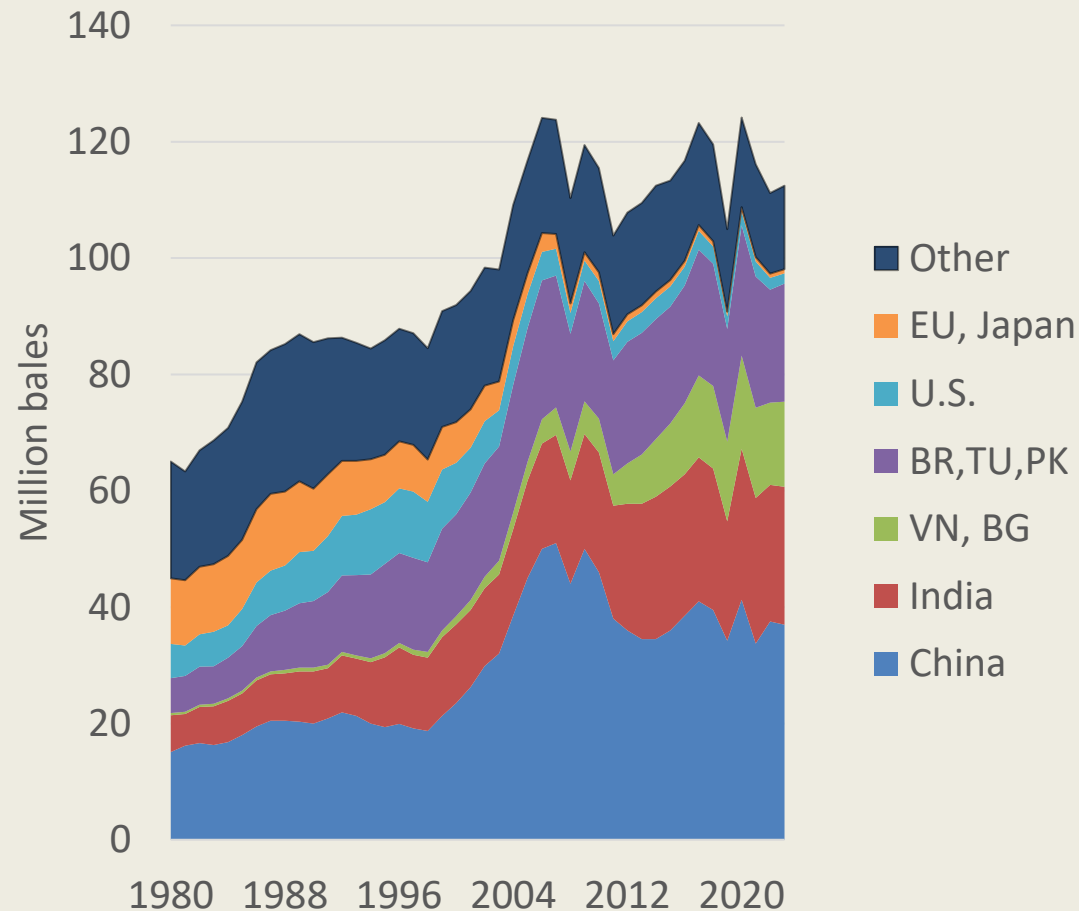
# World Cotton Mill Use: Small Gain in 2023/24

***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**



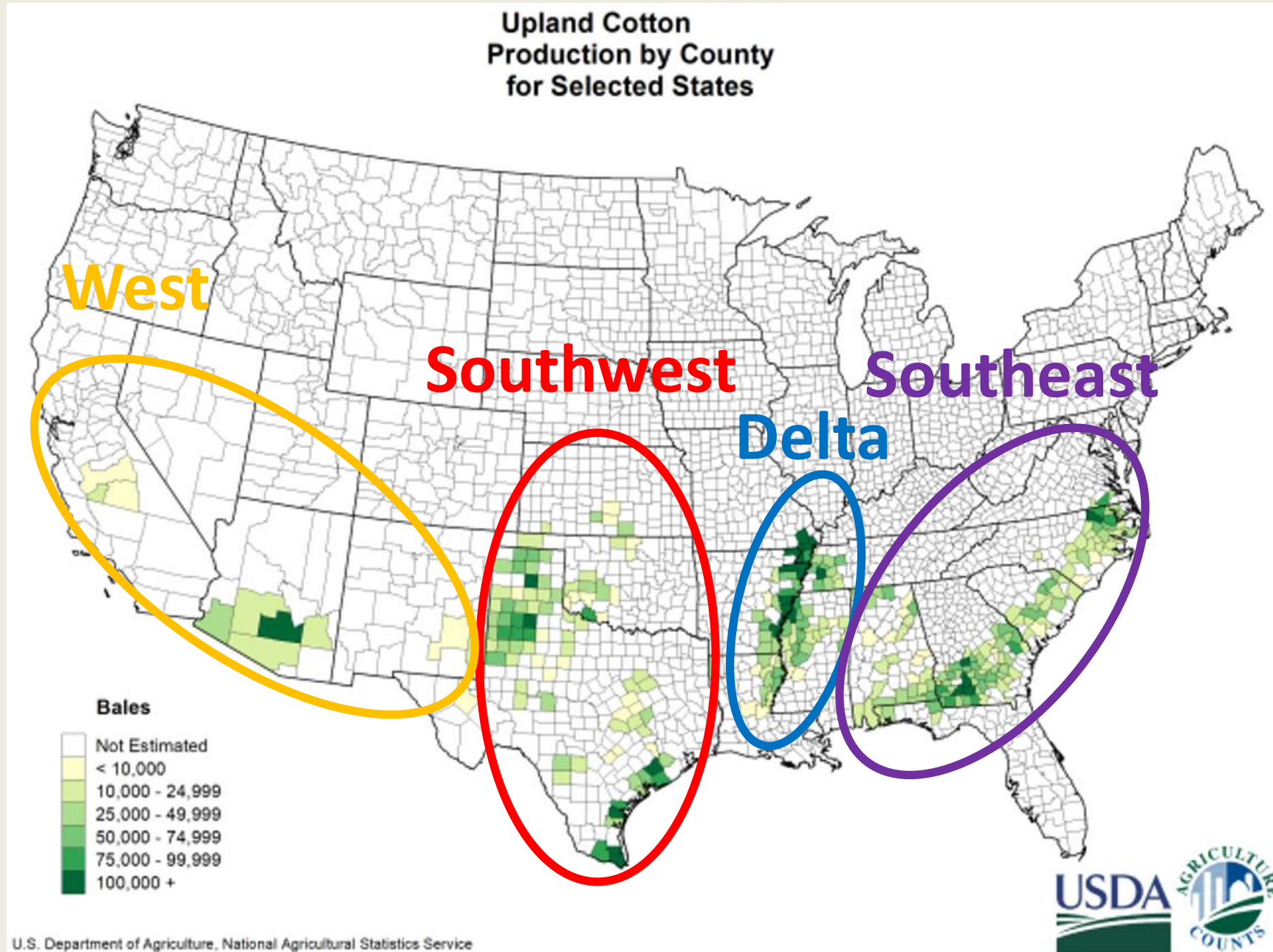
- In 1990s, consumption stagnated.
  - Accelerated in 1999 as China's spinning began rising sharply and MFA phaseout and China WTO-accession profoundly altered textile trade landscape.
- Since 2006 cotton's consumption trend has flattened due to:
  - Global economic shocks
  - Farm costs in China
  - Bollworms in India
  - Trade wars
  - Low-cost polyester.



# 2023/24 U.S. Cotton Situation

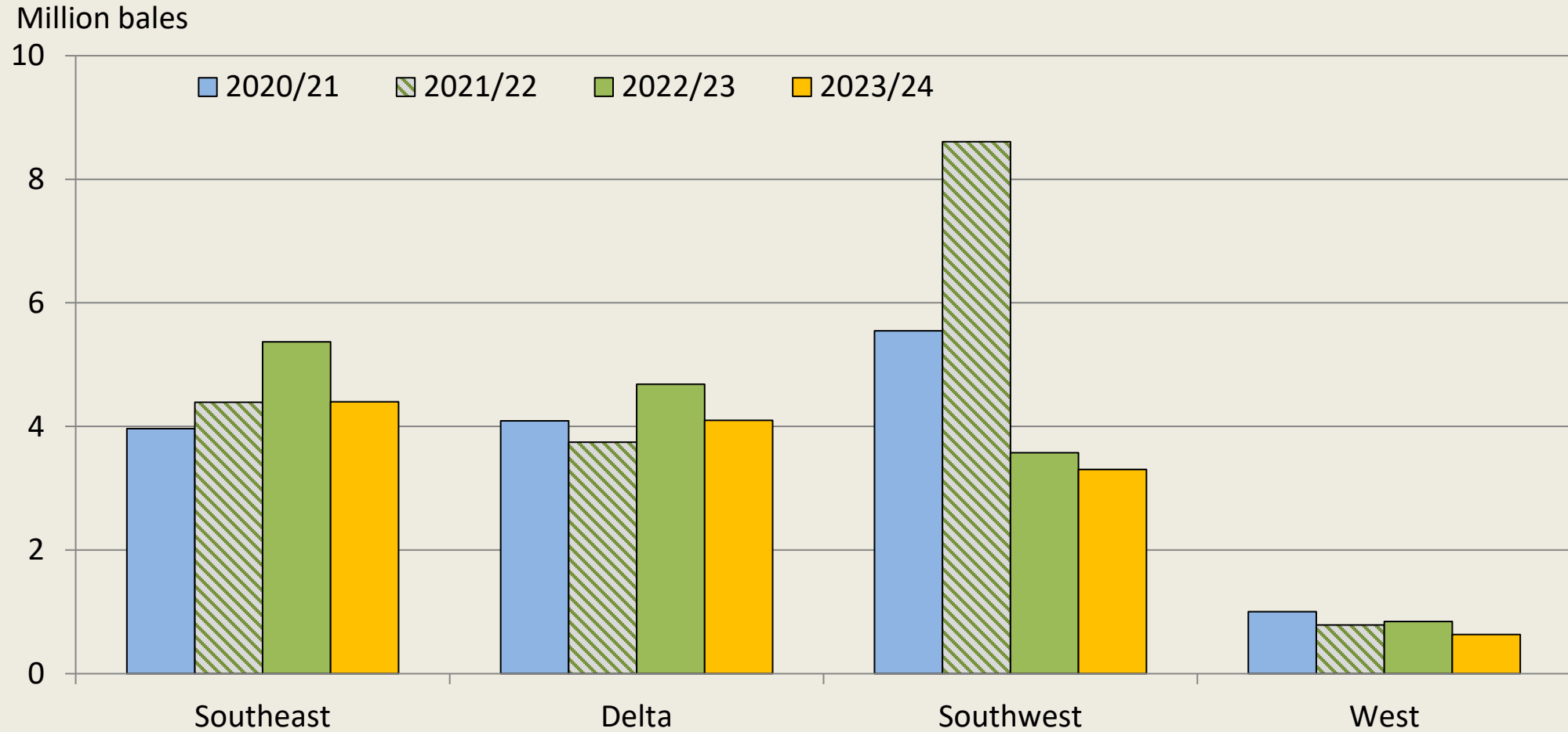


# Regional Distribution of U.S. Cotton Crop



# 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:

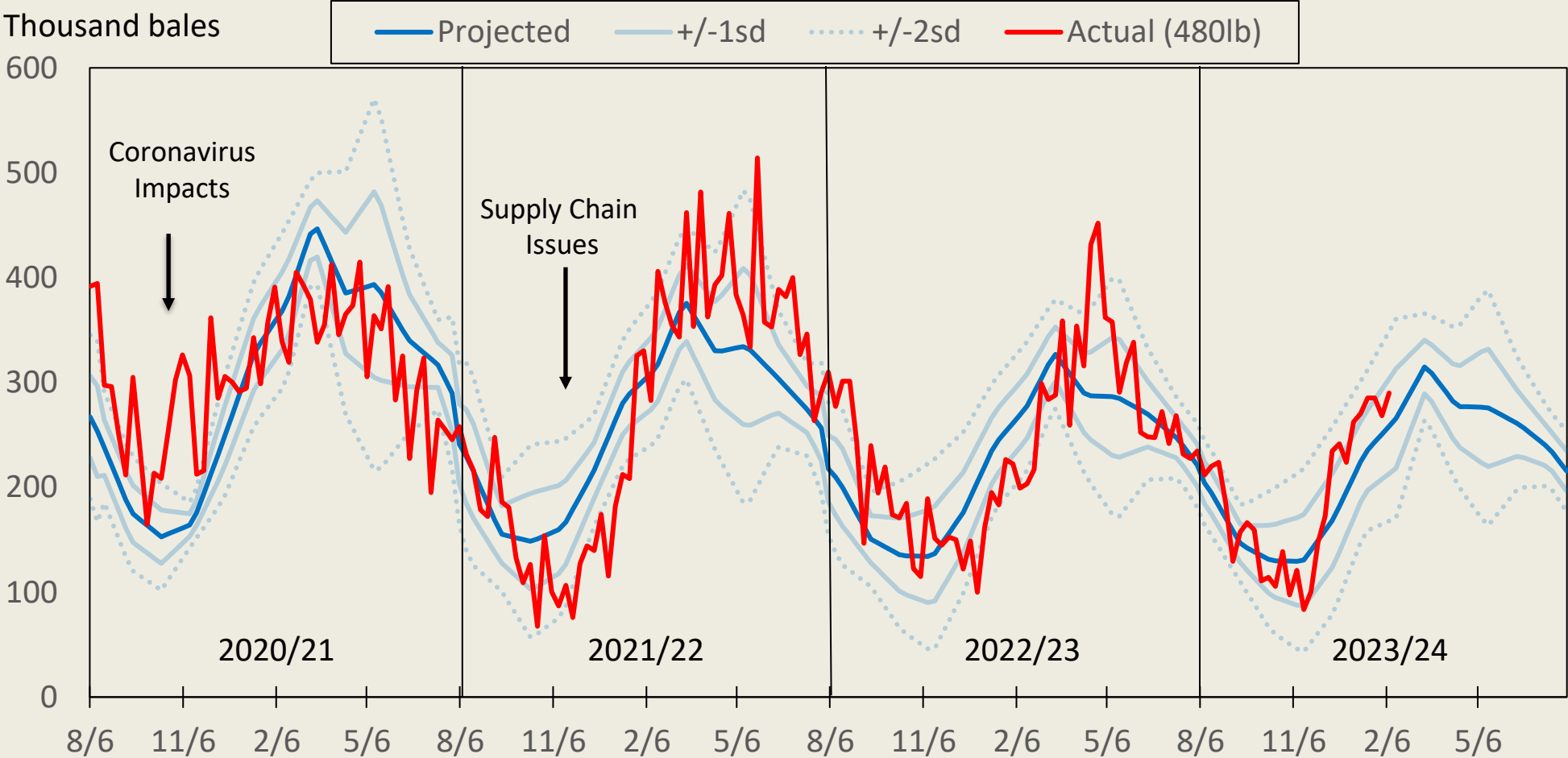
## *Production Declines More Than Demand; Stocks Decrease*

	Unit	2022/23	2023/24	Change (%)
Beg. stocks	Mil. bales	4.1	4.3	4.9
Production	"	14.5	12.4	-14.1
Imports	"	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total supply	"	<b>18.5</b>	<b>16.7</b>	<b>-9.9</b>
Mill use	"	2.1	1.8	-14.6
Exports	"	<u>12.8</u>	<u>12.3</u>	<u>-3.7</u>
Total demand	"	<b>14.8</b>	<b>14.1</b>	<b>-5.2</b>
Ending stocks	"	<b>4.3</b>	<b>2.8</b>	<b>-34.1</b>
Stocks-to-use	%	28.7	19.9	-8.8
Upland farm price	Cents/lb.	<b>84.8</b>	<b>77.0</b>	<b>-9.2</b>

Source: USDA, Interagency Commodity Estimates Committee.

# U.S. Cotton Export Seasonality Stabilizing

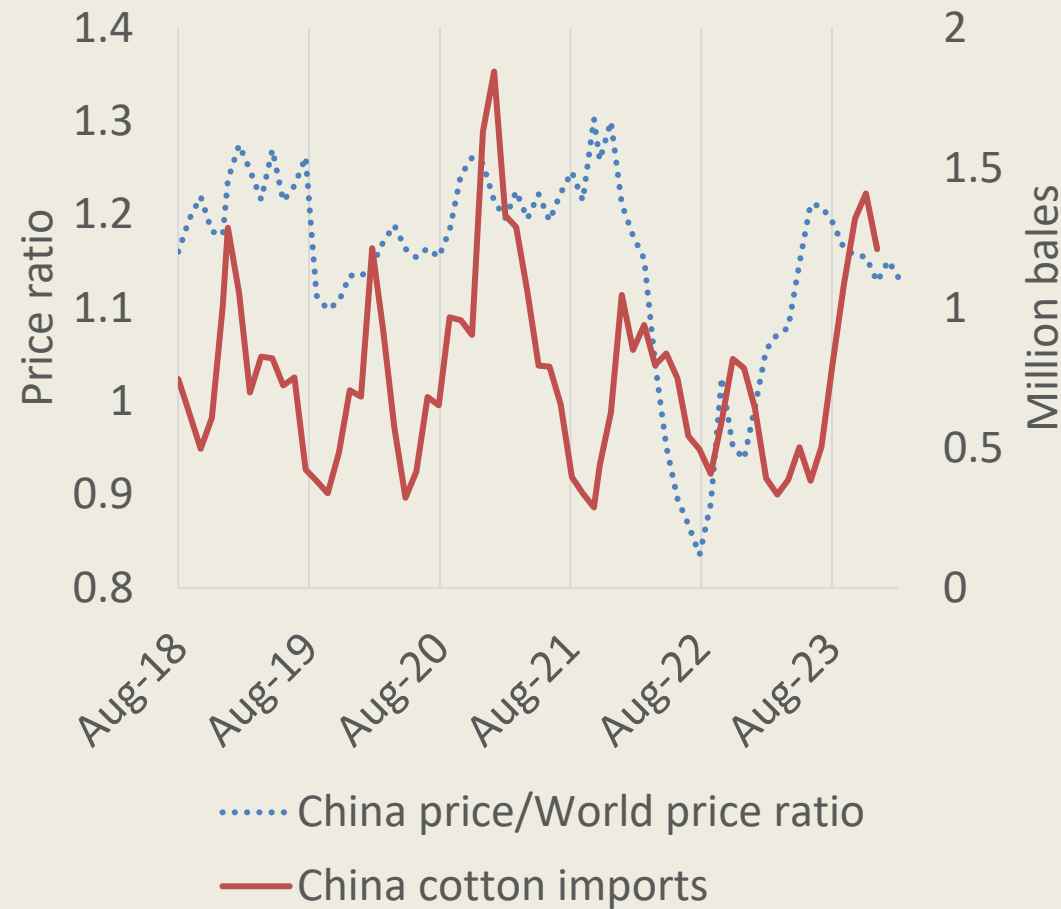
*Weekly exports, actual and projected*



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



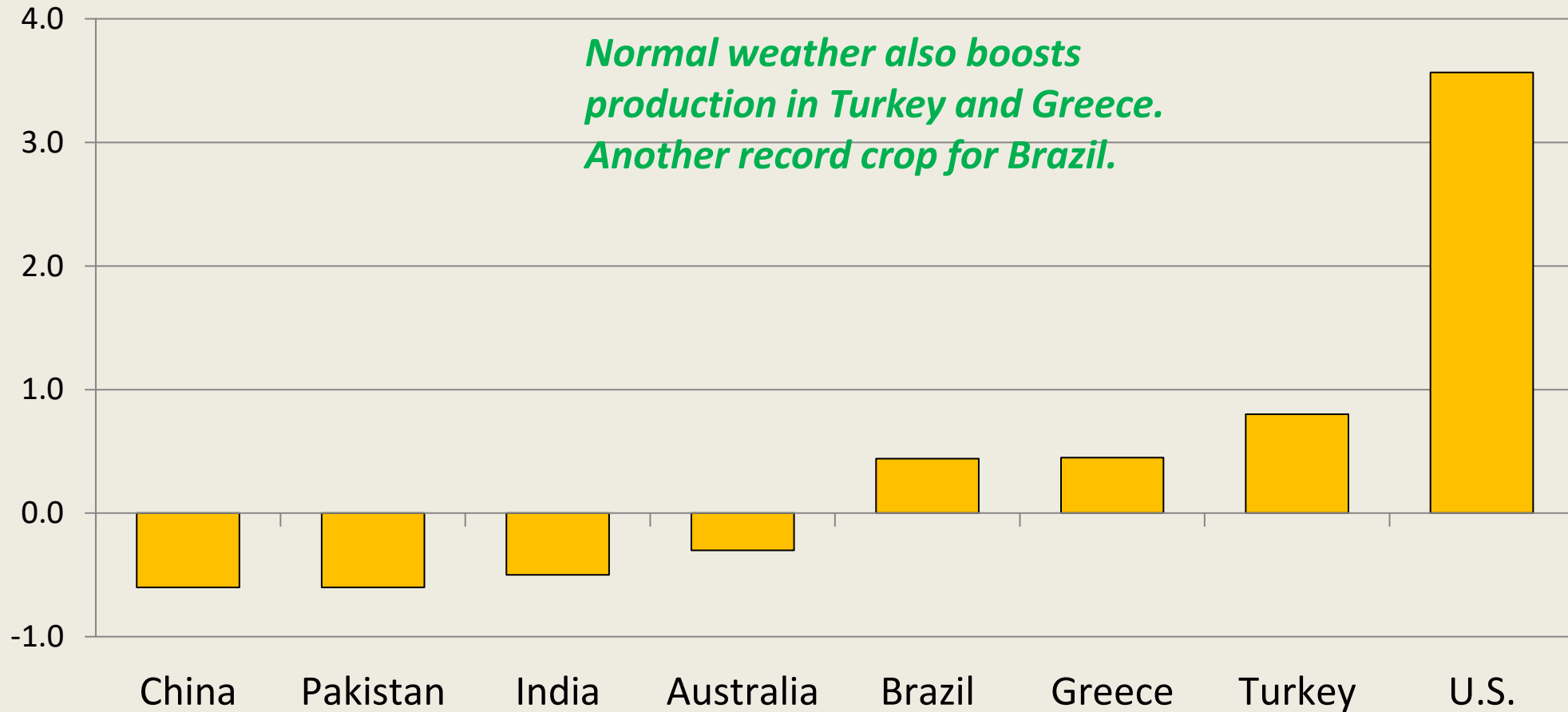
# 2024/25 World Cotton Outlook



# United States Drives World Production Higher in 2024/25:

***Return to Normal U.S. Weather Key to World Outlook***

Million bale change

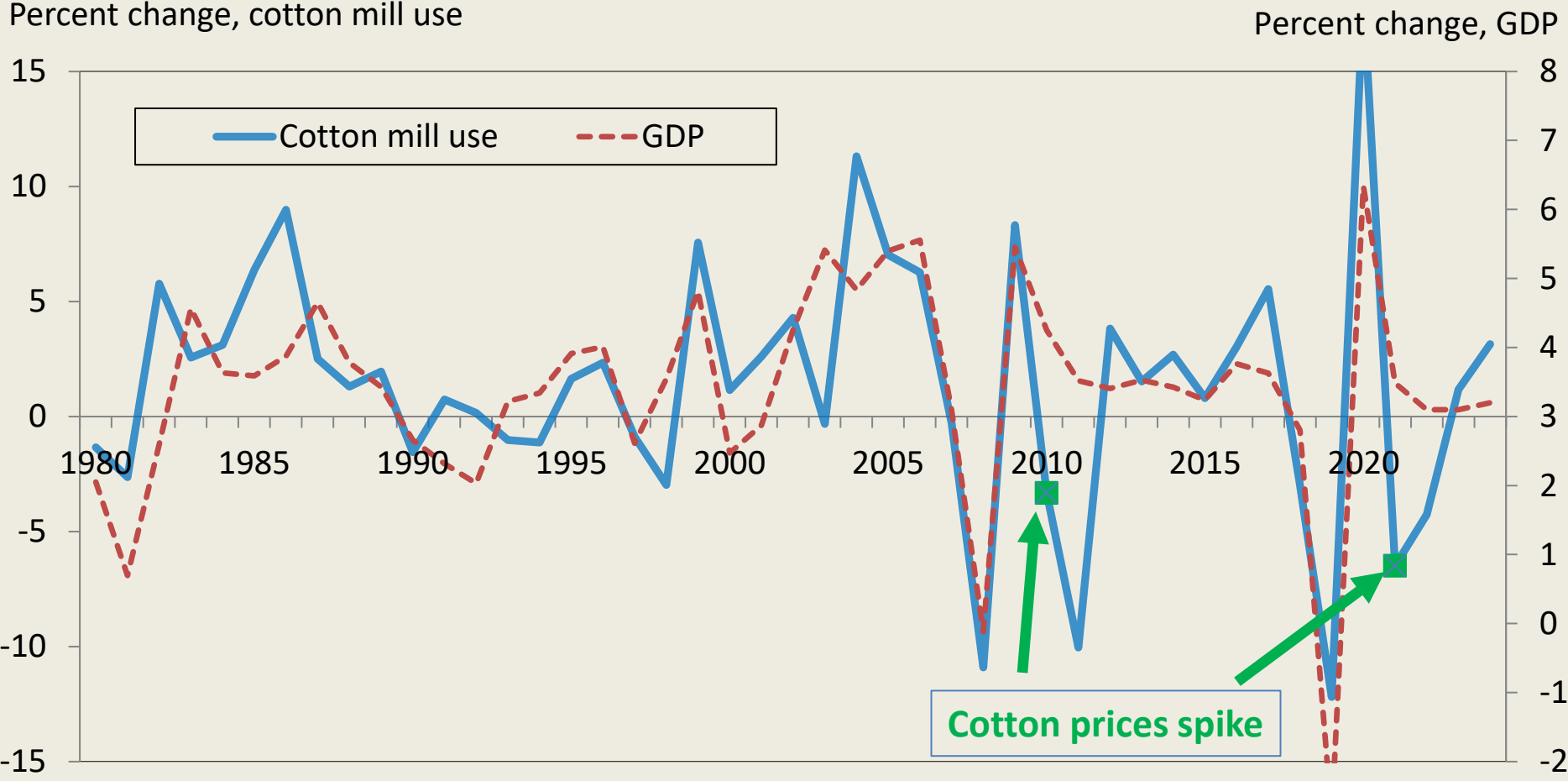


Source: USDA, Interagency Commodity Estimates Committee.





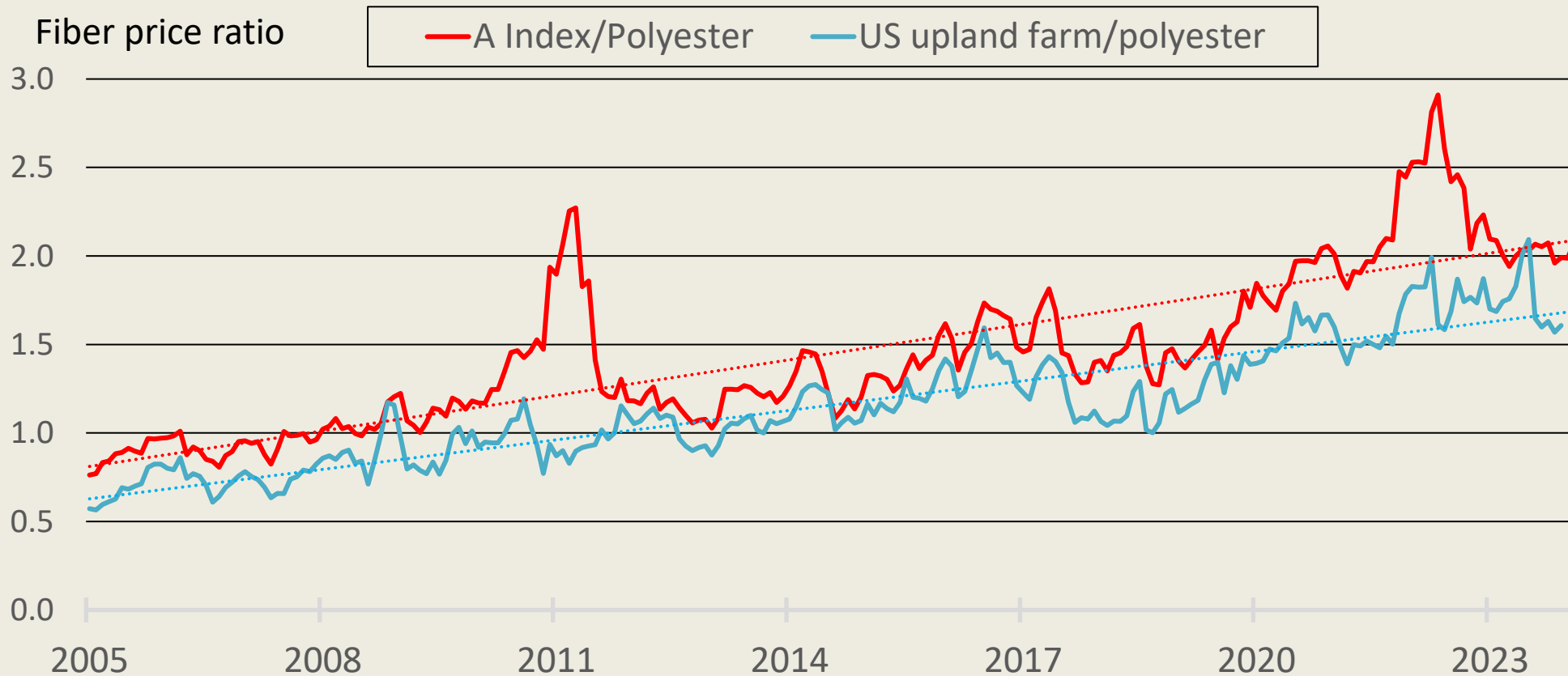
# World Cotton Mill Use Growth Follows Economic Events



Sources: USDA and International Monetary Fund (IMF).



# Cotton/Polyester Price Ratio

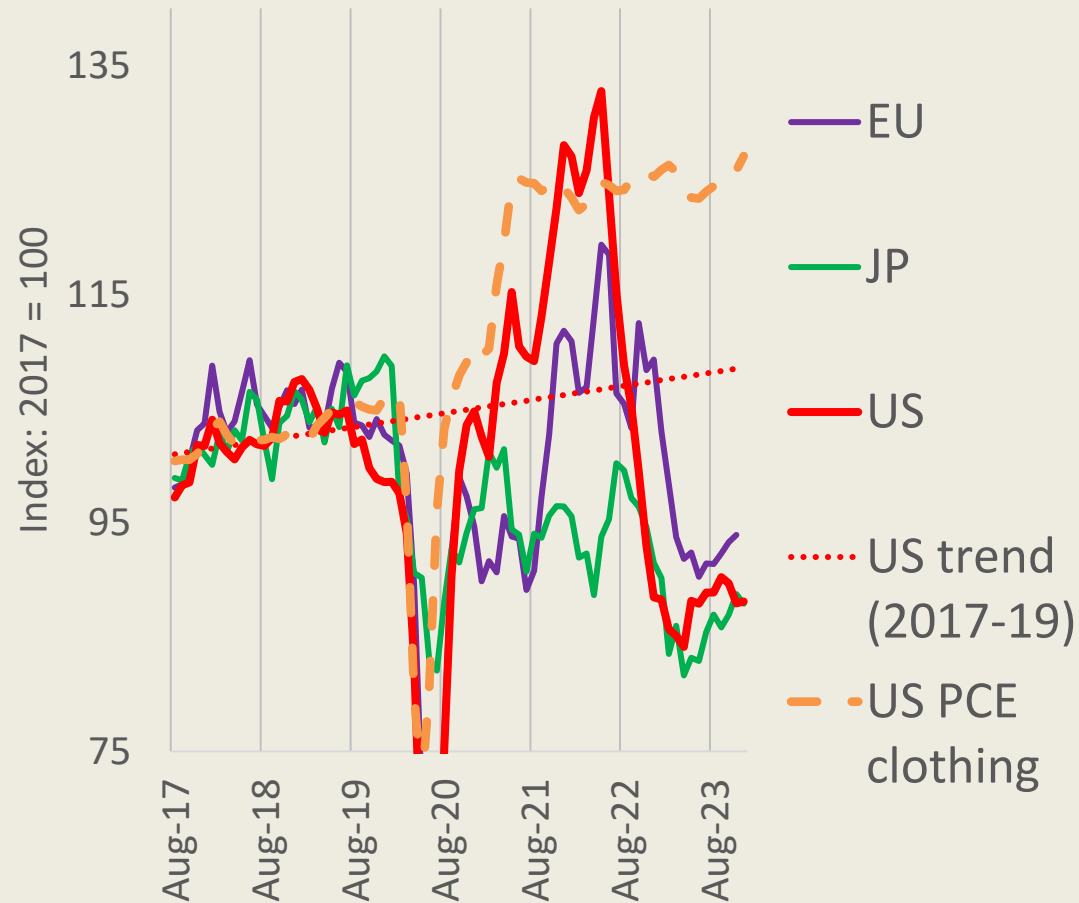


Sources: USDA calculations based on data from Cotlook Ltd., Cncotton, USDA/NASS, and International Cotton Advisory Committee .



# 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**

# World Cotton Mill Use Rebound Projected in 2024/25

- 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***

	Unit	2023/24	2024/25	Change (%)
Beg. stocks	Mil. bales	83.0	83.7	0.9
Production	"	112.8	<b>116.5</b>	<b>3.3</b>
Imports	"	<u>42.9</u>	<u>45.3</u>	<u>5.7</u>
Total supply	"	238.7	245.5	2.9
Mill use	"	112.5	<b>116.0</b>	<b>3.1</b>
Exports	"	<u>42.9</u>	<u>45.3</u>	<u>5.7</u>
Total demand	"	155.3	161.3	3.9
Ending stocks	"	83.7	<b>84.6</b>	<b>1.1</b>
Stocks-to-mill use	%	74.4	72.9	-1.5

Source: USDA, Interagency Commodity Estimates Committee.

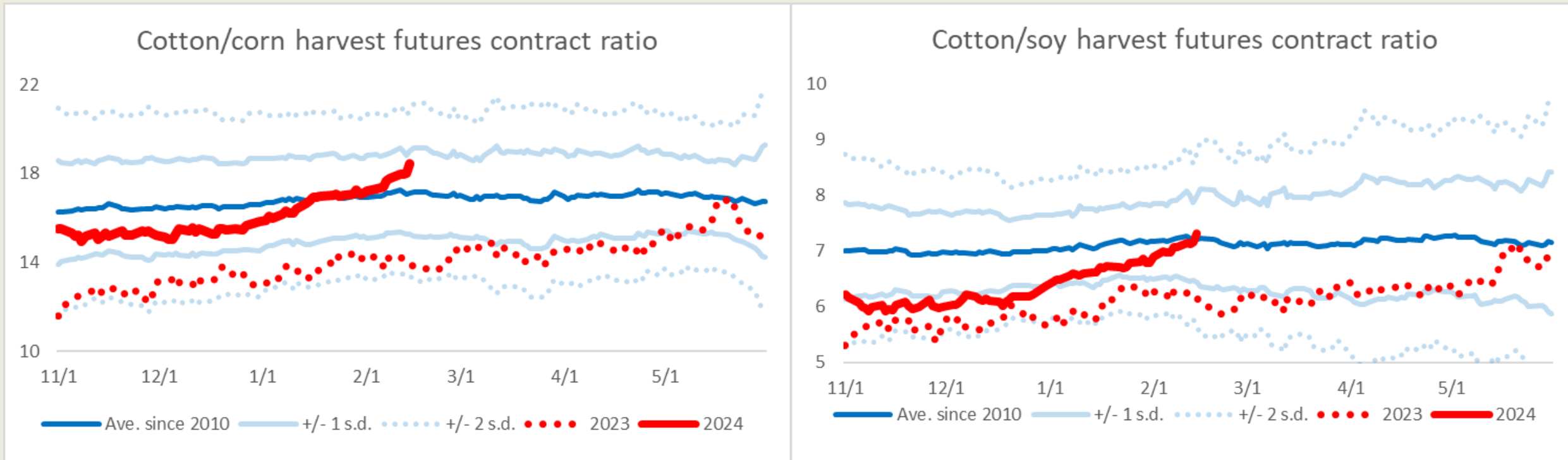


# 2024/25 U.S. Cotton Outlook



# Outlook for 2024 U.S. Cotton Area

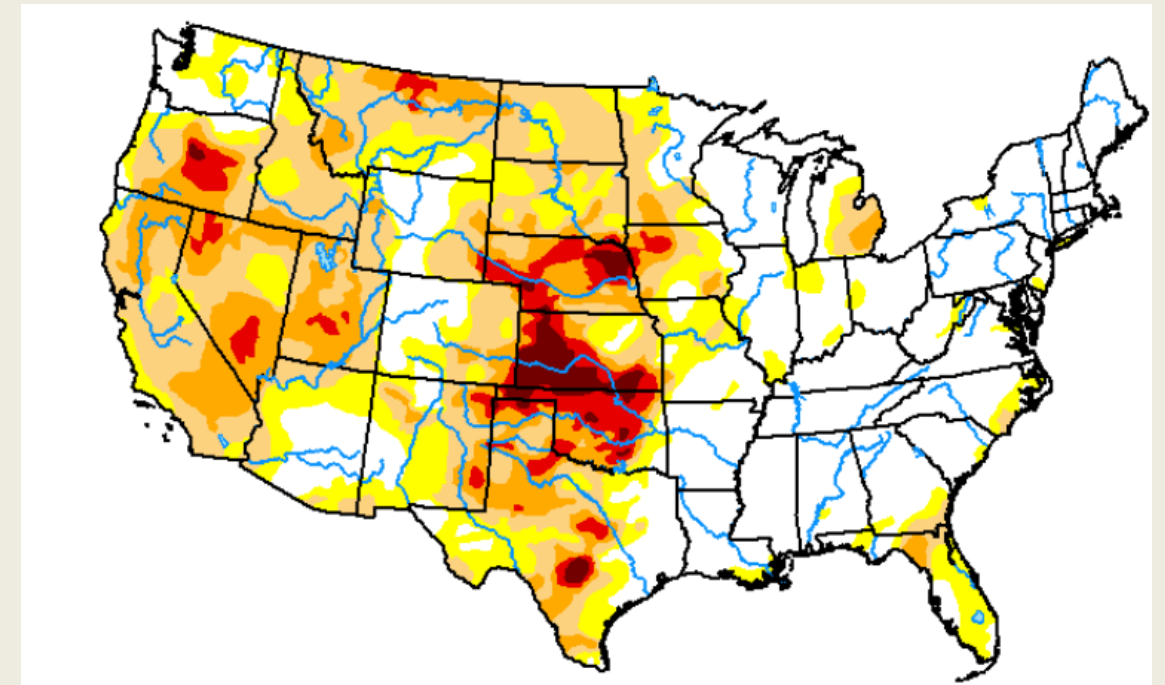
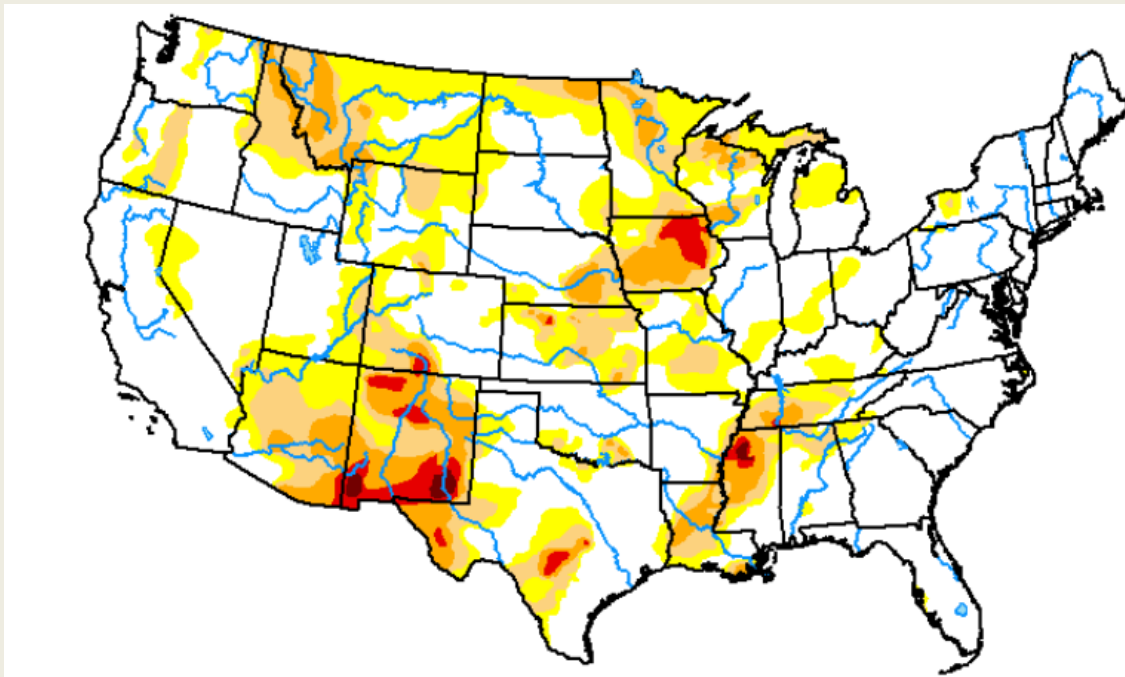
- Planted acreage expected moderately higher.
  - Total plantings projected at 11.0 M acres—a 7.5% increase.
  - *Cotton Grower* survey indicated 10.2 M acres.
    - Reflecting conditions as of mid-December



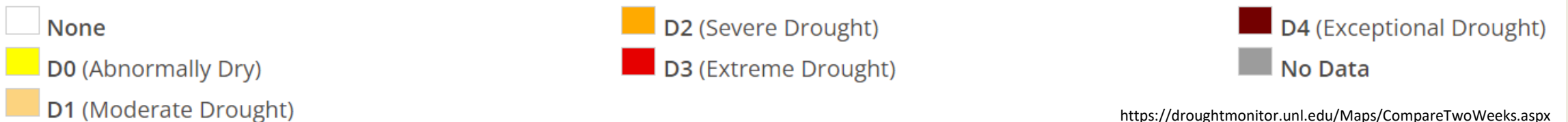
# 2024 U.S. Area in Drought Smaller

February 7, 2024

February 6, 2023



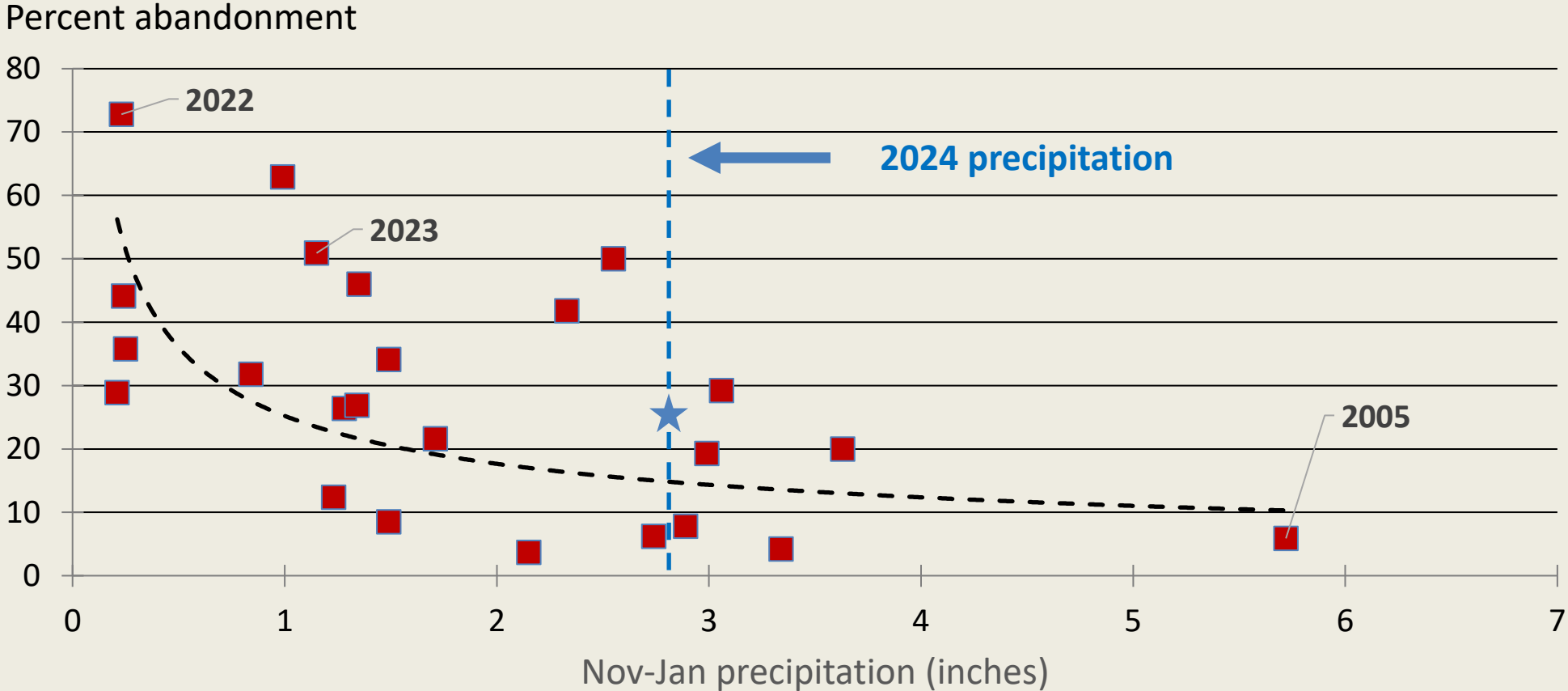
## Drought Classification





# 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***

	<u>Unit</u>	<u>2023/24</u>	<u>2024/25</u>	<u>Change(%)</u>
Planted area	Mil. acres	10.23	11.00	7.5
Harvested area	"	7.07	9.29	31.5
Abandonment rate	%	30.9	15.5	-15.4
Yield/harvested acre	Lbs.	845	827	-2.1
Production	Mil. bales	12.43	16.00	28.7

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.

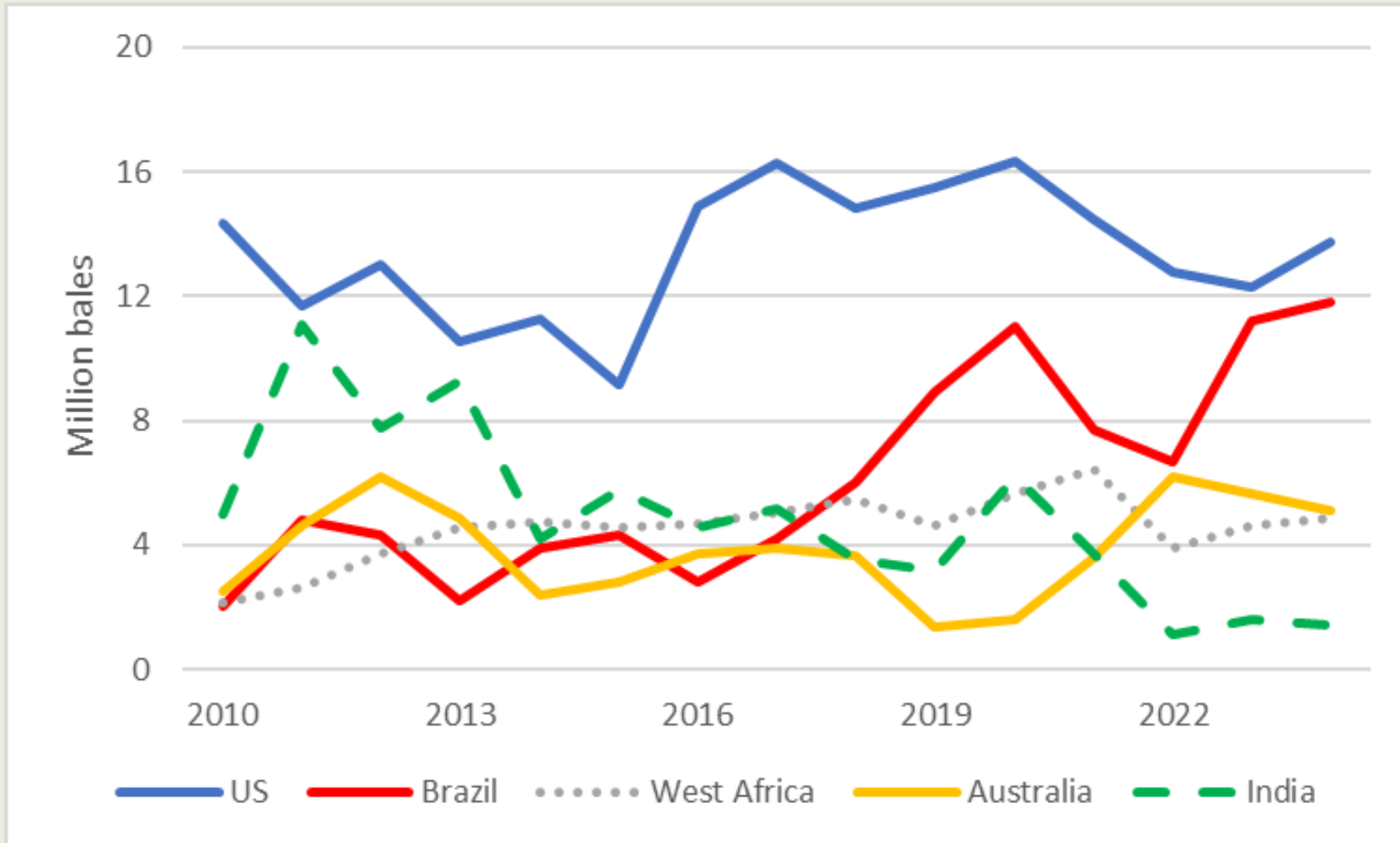
# U.S. Cotton Supply & Demand Projections:

## *Production, Exports, & Ending Stocks Rebound*

	Unit	2023/24	2024/25	Change (%)
Beg. stocks	Mil. bales	4.3	2.8	-34.1
Production	"	<b>12.4</b>	<b>16.0</b>	<b>28.7</b>
Imports	"	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total supply	"	16.7	18.8	12.6
Mill use	"	1.8	1.8	0.0
Exports	"	<b><u>12.3</u></b>	<b><u>13.8</u></b>	<b><u>11.8</u></b>
Total demand	"	14.1	15.5	10.3
Ending stocks	"	<b>2.8</b>	<b>3.5</b>	<b>25.0</b>
Stocks-to-use	%	19.9	22.6	2.7
Farm price	Cents/lb.	<b>77.0</b>	<b>80.0</b>	<b>3.9</b>

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!



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