



United States Department of Agriculture

# The World and U.S. Cotton Outlook for 2019/20

Interagency Commodity Estimates Committee

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Agricultural Outlook Forum

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# 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.

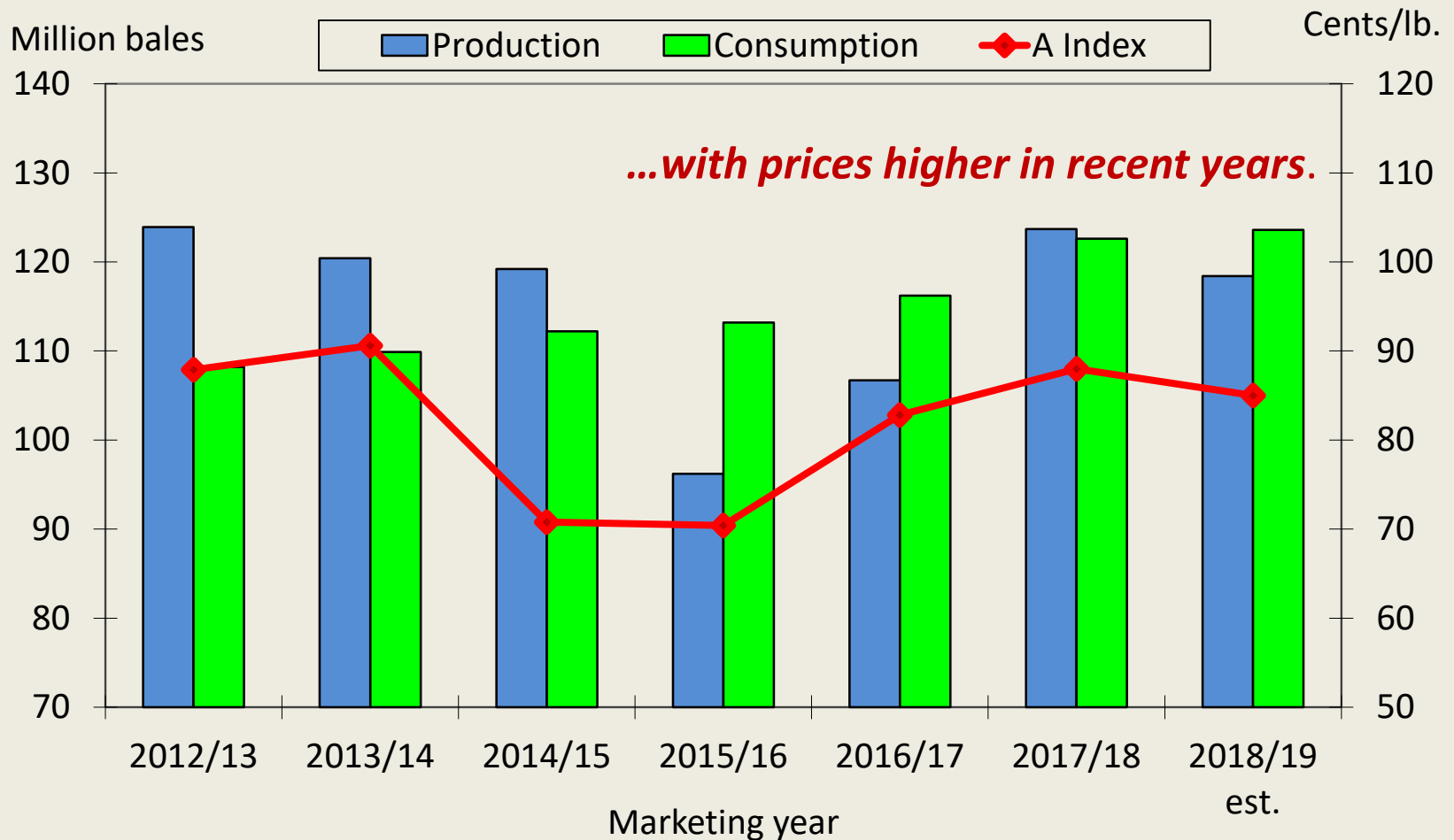


# 2018/19

# World Cotton Situation



# World Cotton Consumption Expands While Production Fluctuates...

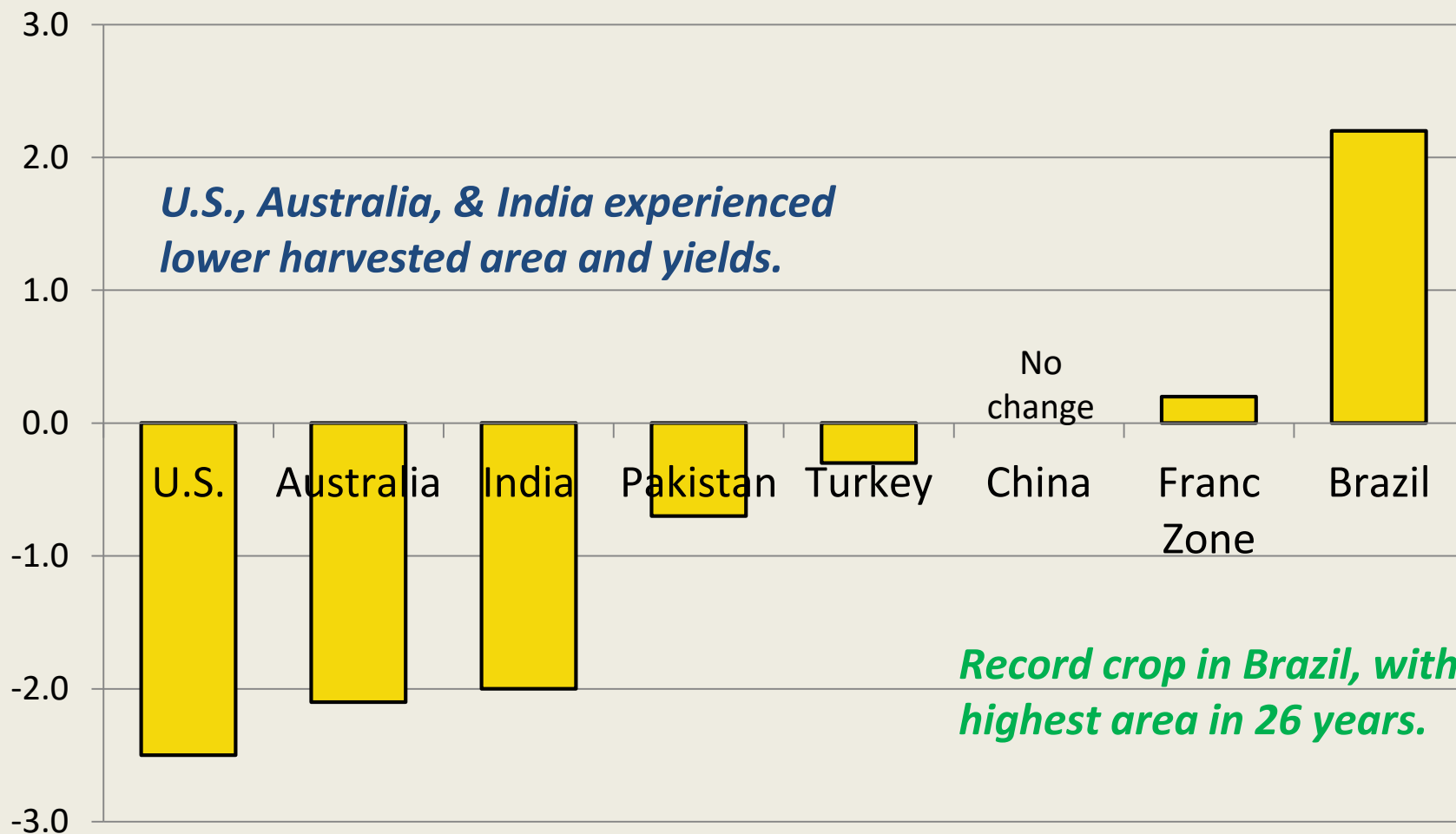


Sources: USDA, Interagency Commodity Estimates Committee and Cotlook.



# Global Cotton Production Changes in 2018/19: *Weather played key role in crop reduction*

Million bale change



Source: USDA, Interagency Commodity Estimates Committee.



# Small World Cotton Consumption Increase Expected in 2018/19

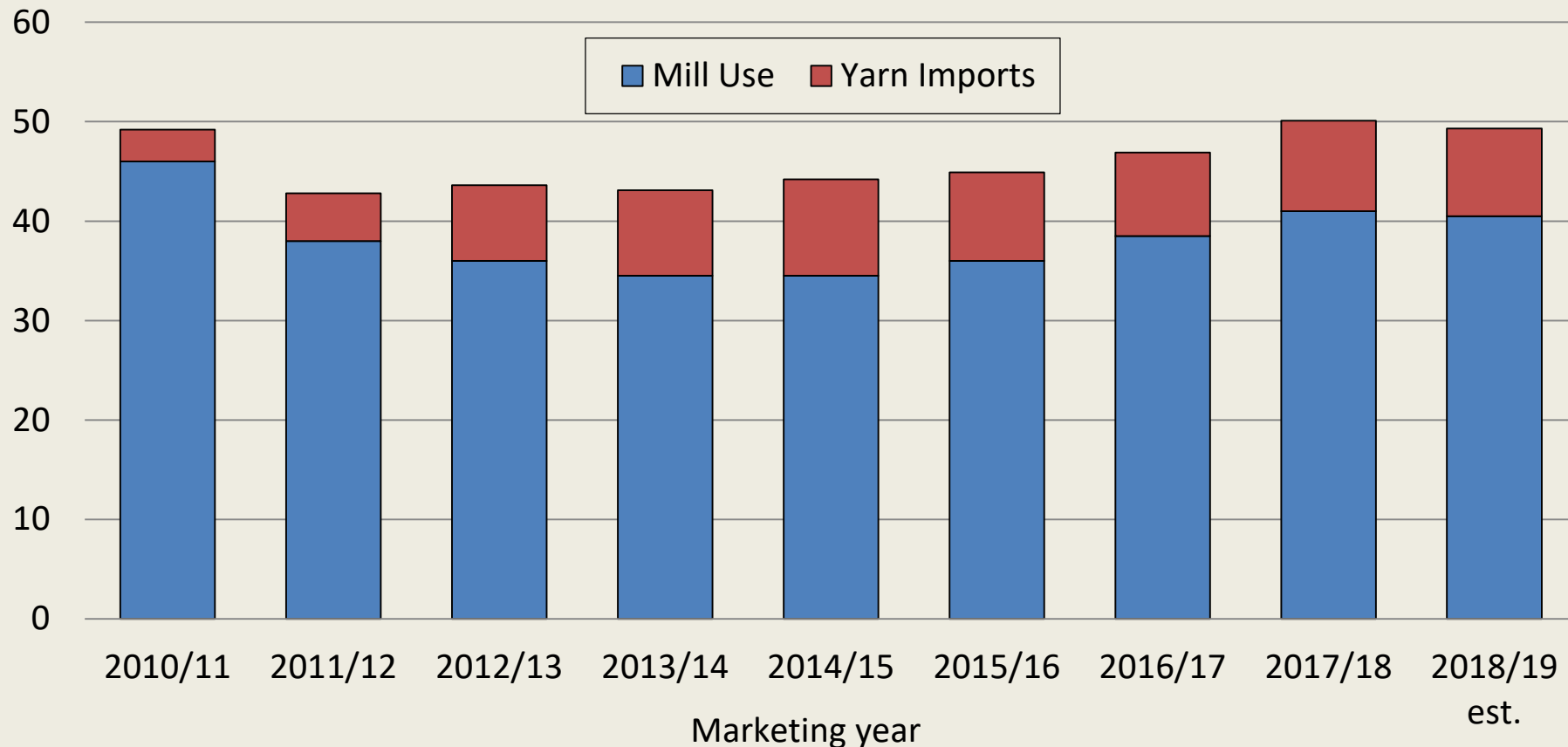
***Cotton consumption estimated at 123.6 million bales.***

- 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

Million bales/bale-equivalents



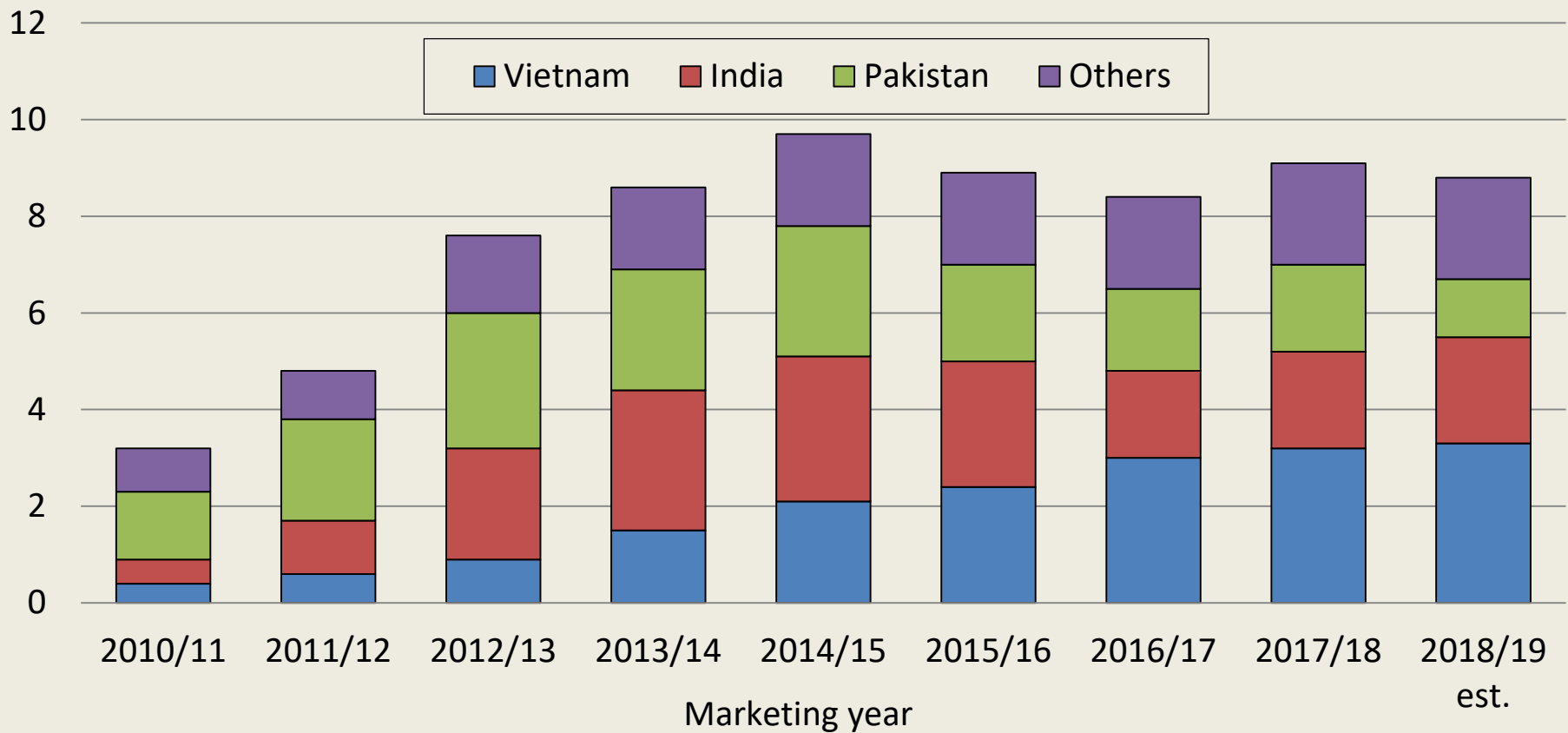
Sources: USDA and Global Trade Atlas.



# China's Cotton Yarn Imports:

*Vietnam and India consistently account for over 50%*

Million bale-equivalents



Sources: USDA and Global Trade Atlas.



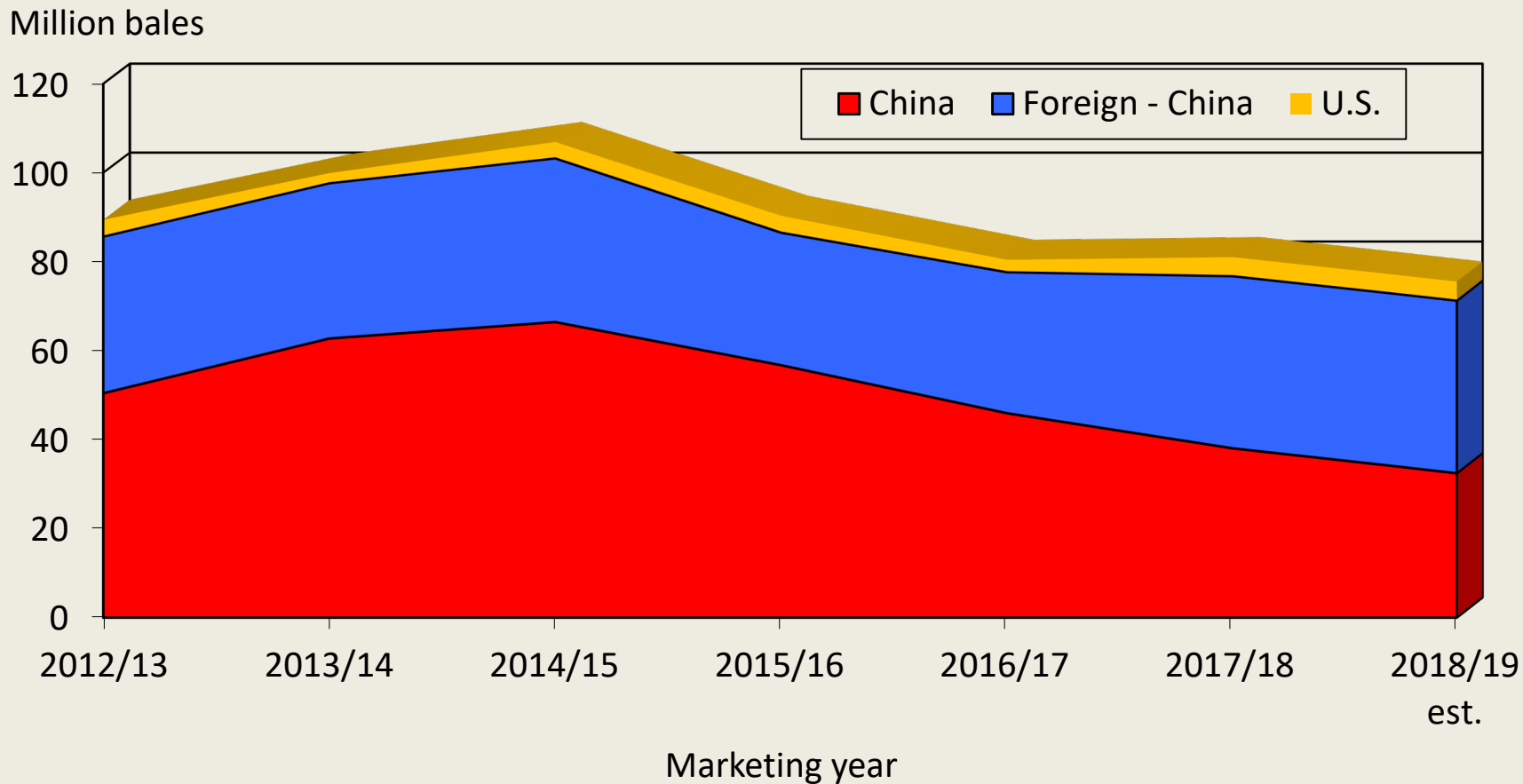
**Economic Research Service**  
[www.ers.usda.gov](http://www.ers.usda.gov)





# Global Cotton Stocks Lowest in 7 Years...

*...with supplies representing 7 month's worth of consumption.*



Source: USDA, Interagency Commodity Estimates Committee.

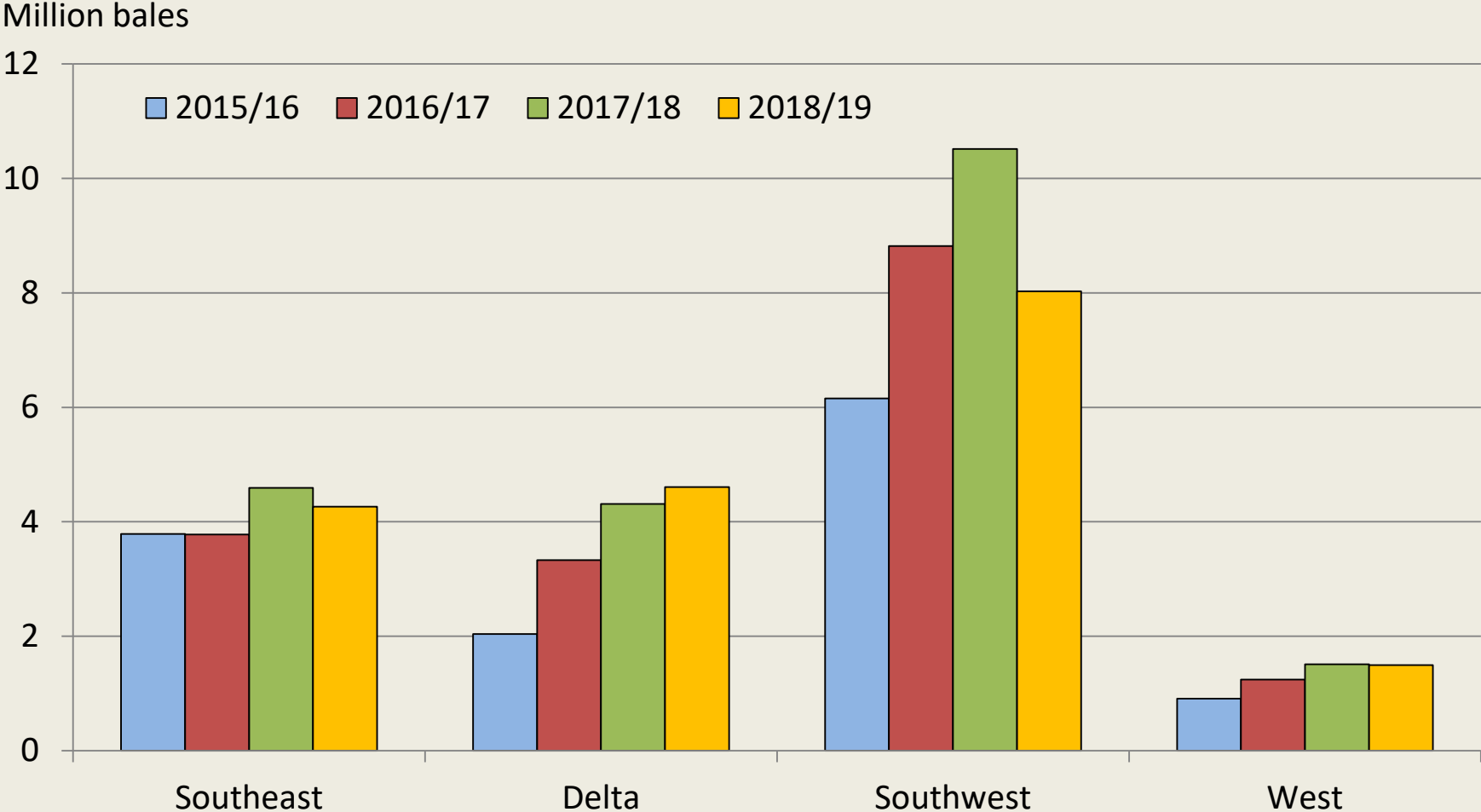


# 2018/19 U.S. Cotton Situation



# U.S. Production Decline Led by Southwest:

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



Source: USDA, National Agricultural Statistics Service.

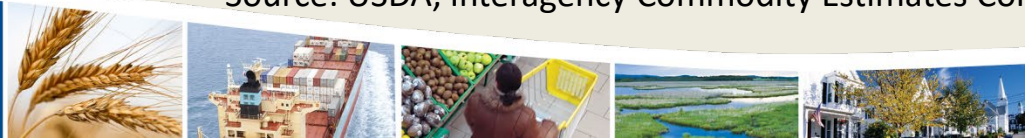


# U.S. Cotton Supply & Demand Estimates:

## *Production and Exports Lower; Stocks Unchanged*

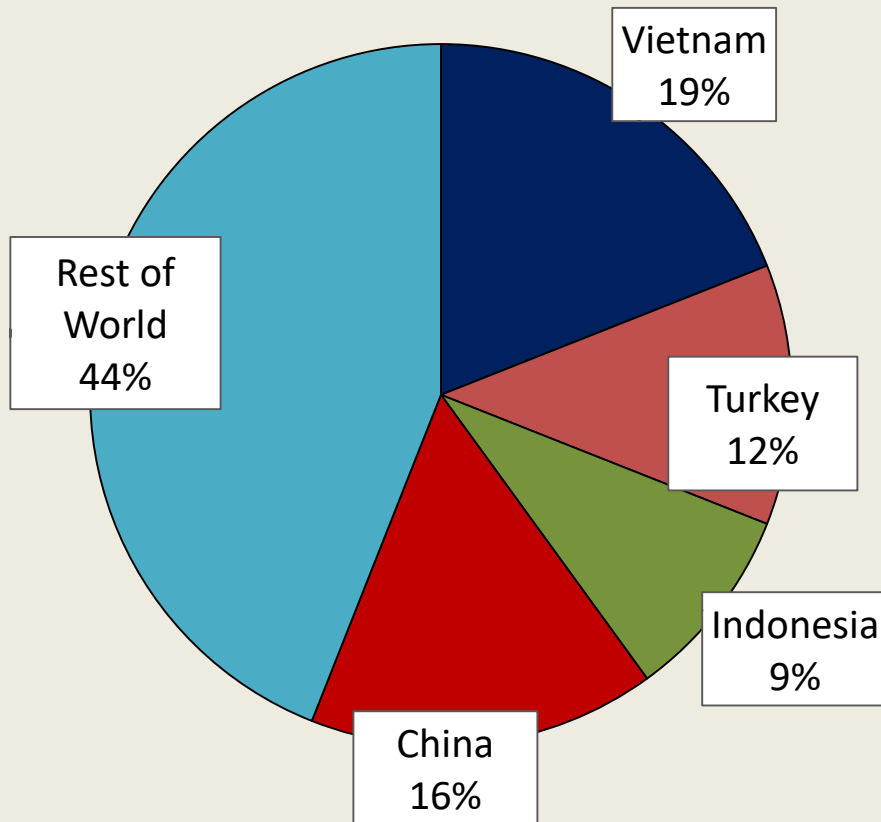
|                   | Unit       | 2017/18            | 2018/19            | Change (%)         |
|-------------------|------------|--------------------|--------------------|--------------------|
| Beg. stocks       | Mil. bales | 2.8                | 4.3                | 56.4               |
| Production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

Source: USDA, Interagency Commodity Estimates Committee.

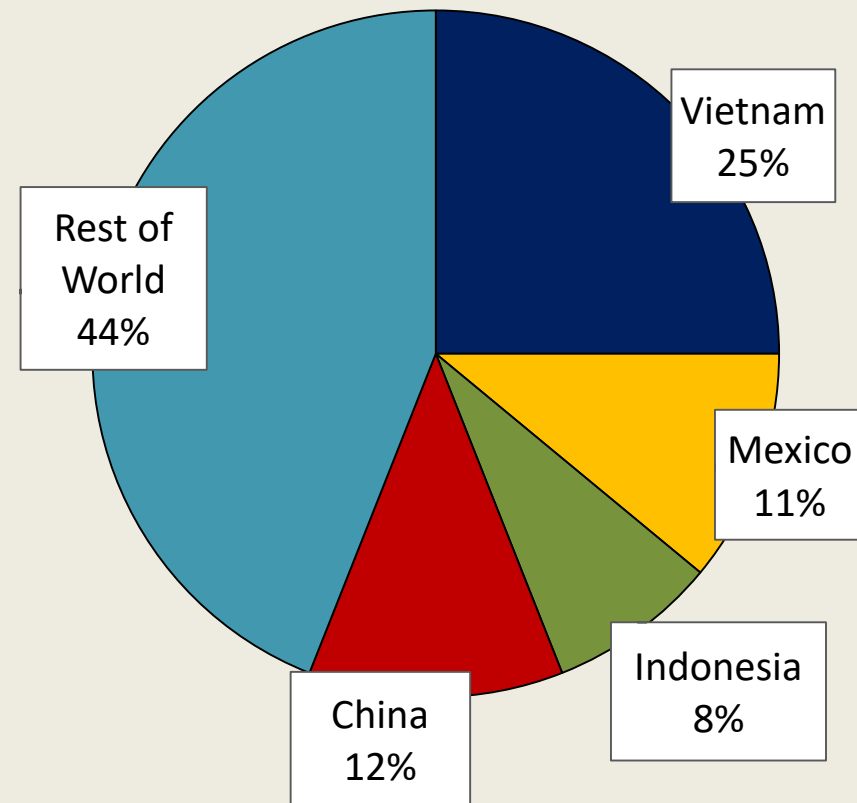


# Top U.S. Cotton Export Shares, by Country

2016/17-2017/18 Average



Aug-Dec 2018/19



# 2019/20

# World Cotton Outlook

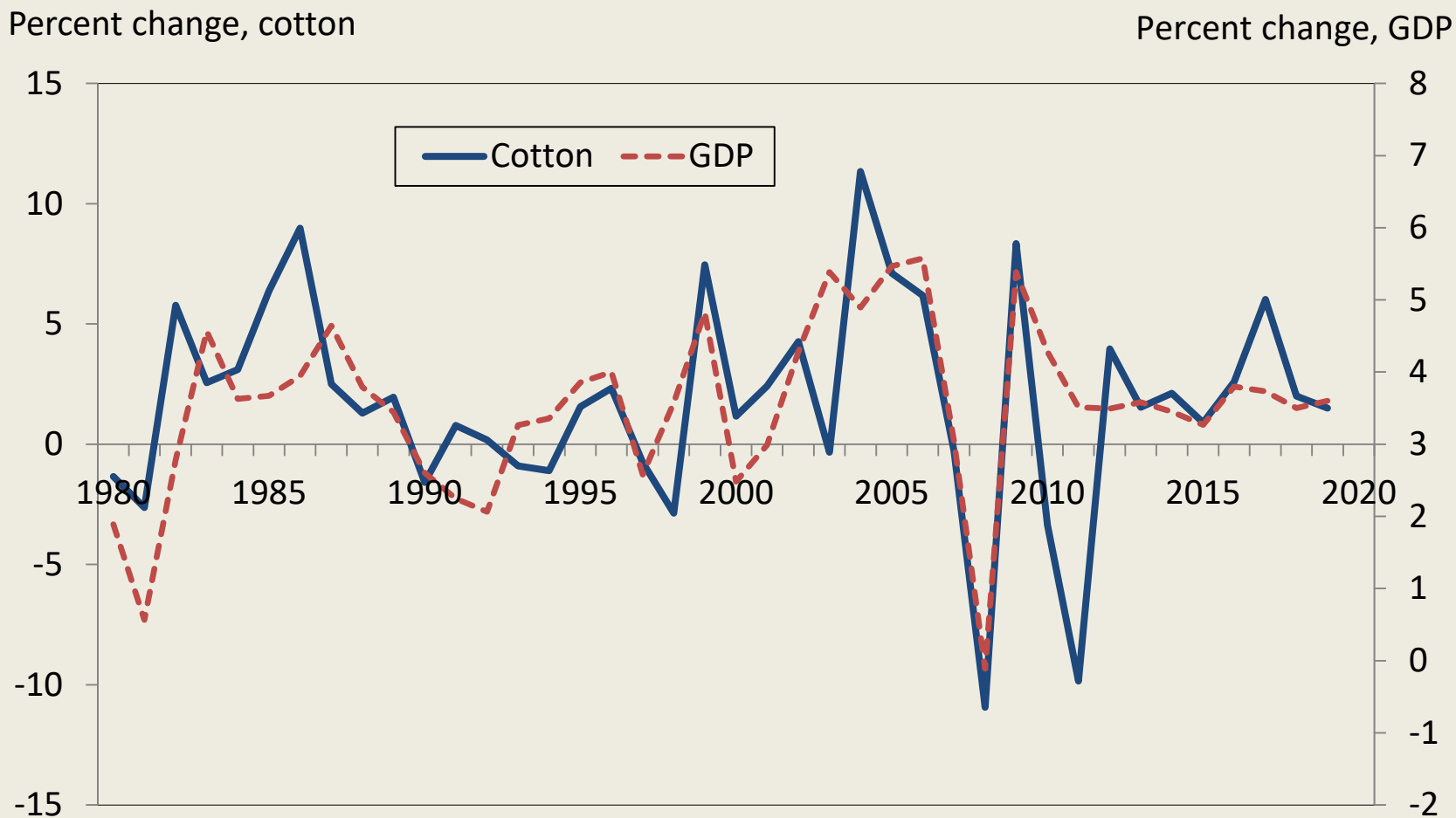


# Key Assumptions for USDA's 2019/20 Outlook

- 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).





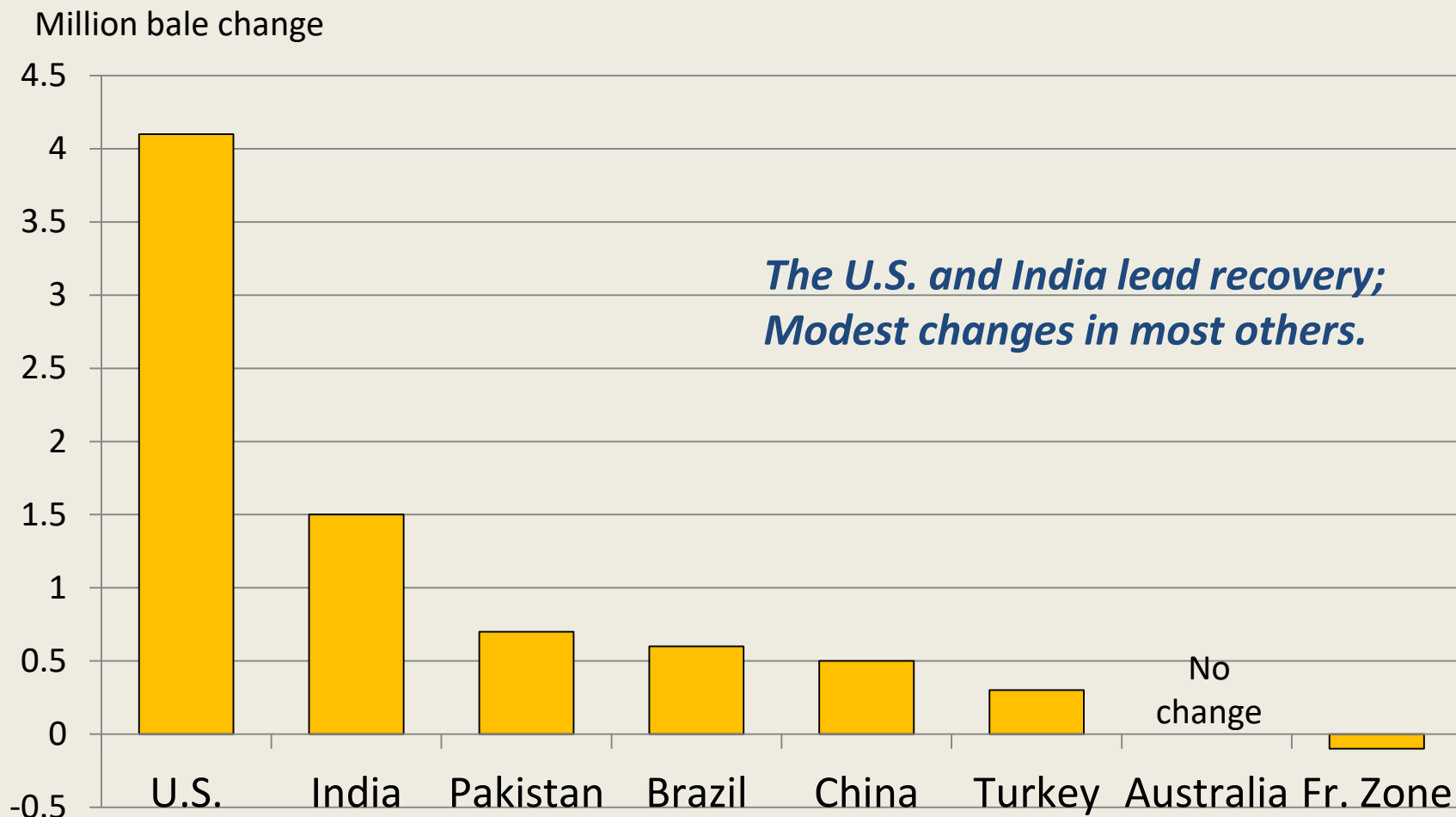
# Record World Cotton Consumption Projected in 2019/20

- Global consumption projected at 125.5 M bales.
  - Modest growth (1.5%)—8<sup>th</sup> 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*

*Area and/or yield rebound behind increase*



Source: USDA, Interagency Commodity Estimates Committee.



# World Cotton Supply & Demand Projections:

***Production Exceeds Consumption; Stocks Rise Slightly***

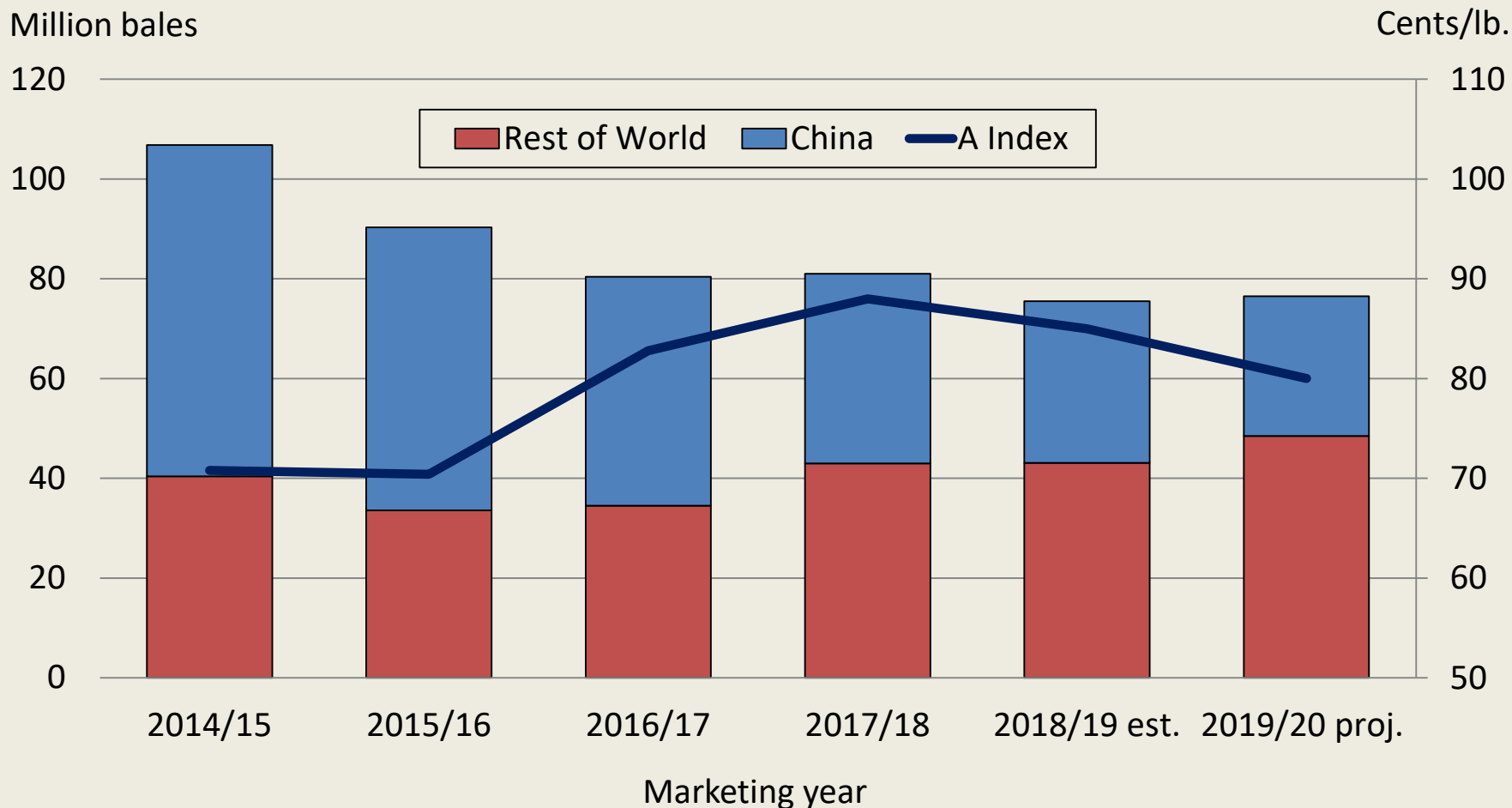
|                       | Unit       | 2018/19     | 2019/20      | Change (%) |
|-----------------------|------------|-------------|--------------|------------|
| Beg. stocks           | Mil. bales | 81.1        | 75.5         | -6.9       |
| Production            | "          | 118.5       | <b>126.5</b> | <b>6.8</b> |
| Imports               | "          | <u>42.3</u> | <u>45.0</u>  | <u>6.4</u> |
| Total supply          | "          | 241.8       | 247.0        | 2.1        |
| Consumption           | "          | 123.6       | <b>125.5</b> | <b>1.5</b> |
| Exports               | "          | <u>42.3</u> | <u>45.0</u>  | <u>6.3</u> |
| Total demand          | "          | 166.0       | 170.5        | 2.7        |
| Ending stocks         | "          | 75.5        | <b>76.5</b>  | <b>1.3</b> |
| Stocks-to-consumption | %          | 61.1        | 61.0         | -0.2       |

Source: USDA, Interagency Commodity Estimates Committee.



# Global Cotton Stocks Projected Slightly Higher...

*...and world prices decline.*



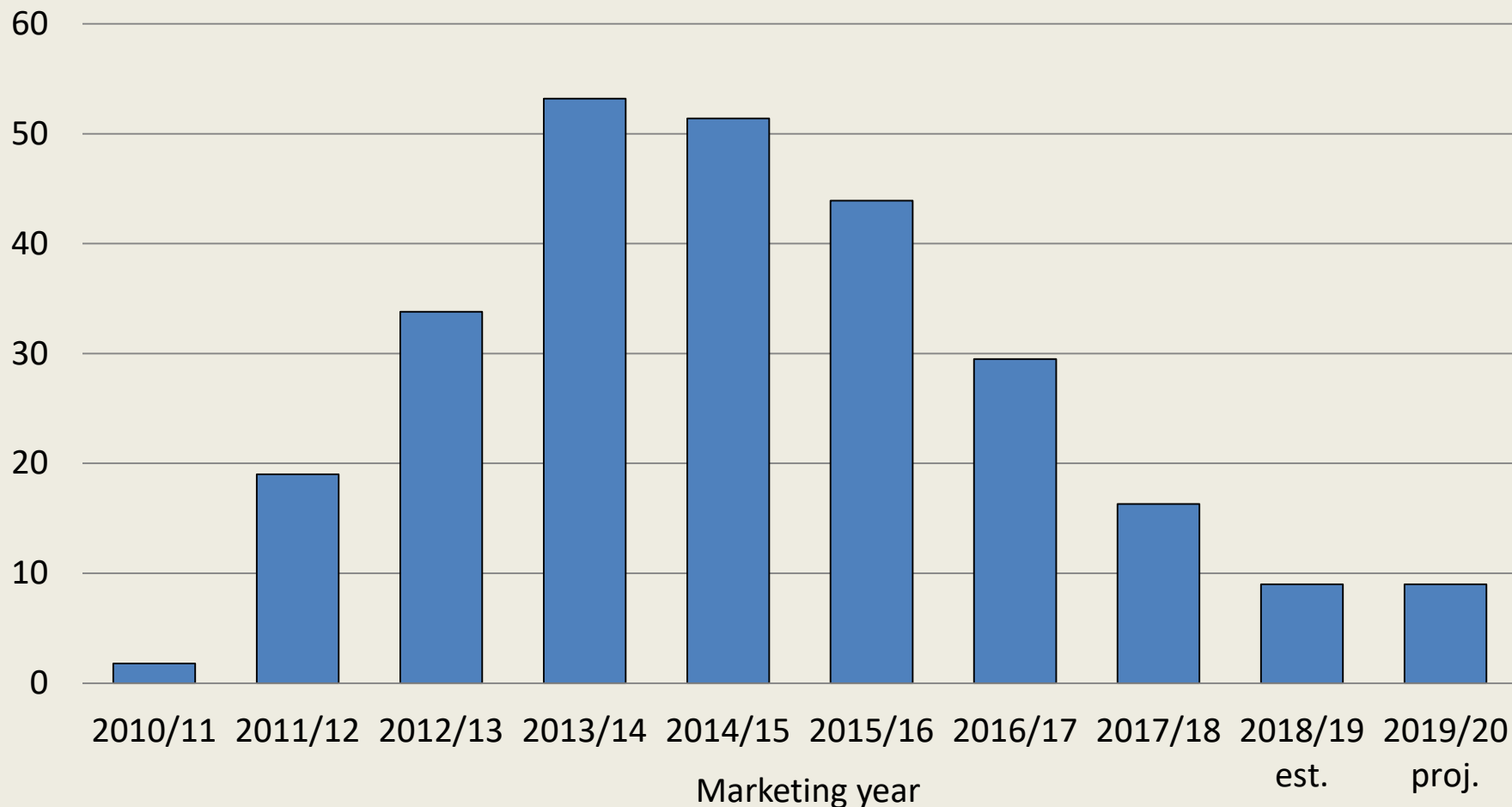
Source: USDA, Interagency Commodity Estimates Committee.



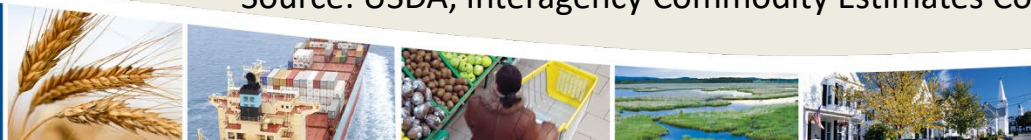
# China's State Cotton Reserves:

*Stock drawdown expected to stabilize*

Million bales



Source: USDA, Interagency Commodity Estimates Committee.



# 2019/20

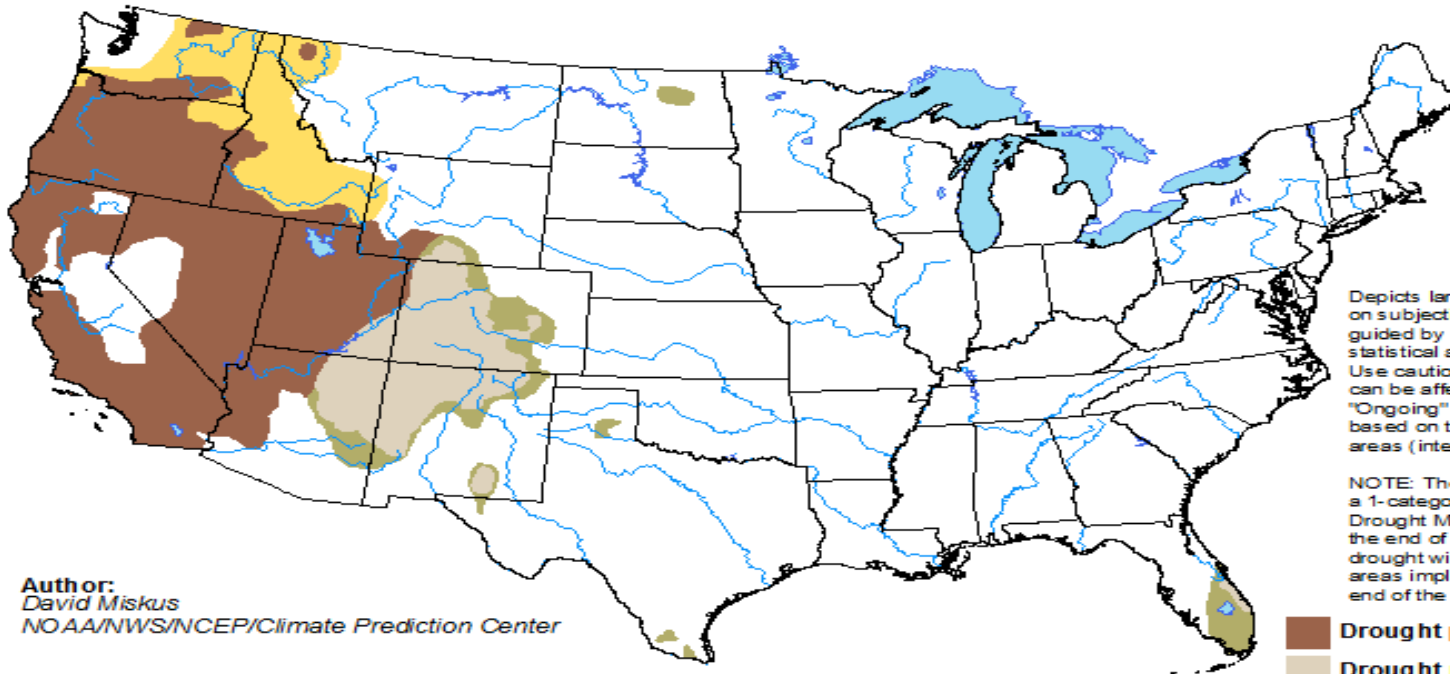
# U.S. Cotton Outlook



# Adequate Soil Moisture Across Much of the Cotton Belt

## U.S. Seasonal Drought Outlook Drought Tendency During the Valid Period

Valid for January 17 - April 30, 2019  
Released January 17



Author:  
David Miskus  
NOAA/NWS/NCEP/Climate Prediction Center

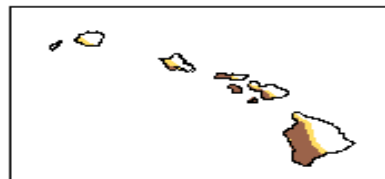
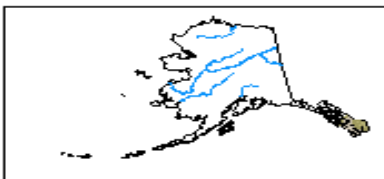
Depicts large-scale trends based on subjectively derived probabilities guided by short- and long-range statistical and dynamical forecasts. Use caution for applications that can be affected by short lived events. "Ongoing" drought areas are based on the U.S. Drought Monitor areas (intensities of D1 to D4).

NOTE: The tan areas imply at least a 1-category improvement in the Drought Monitor intensity levels by the end of the period, although drought will remain. The green areas imply drought removal by the end of the period (D0 or none).

- Drought persists
- Drought remains but improves
- Drought removal likely
- Drought development likely



<http://go.usa.gov/3eZ73>



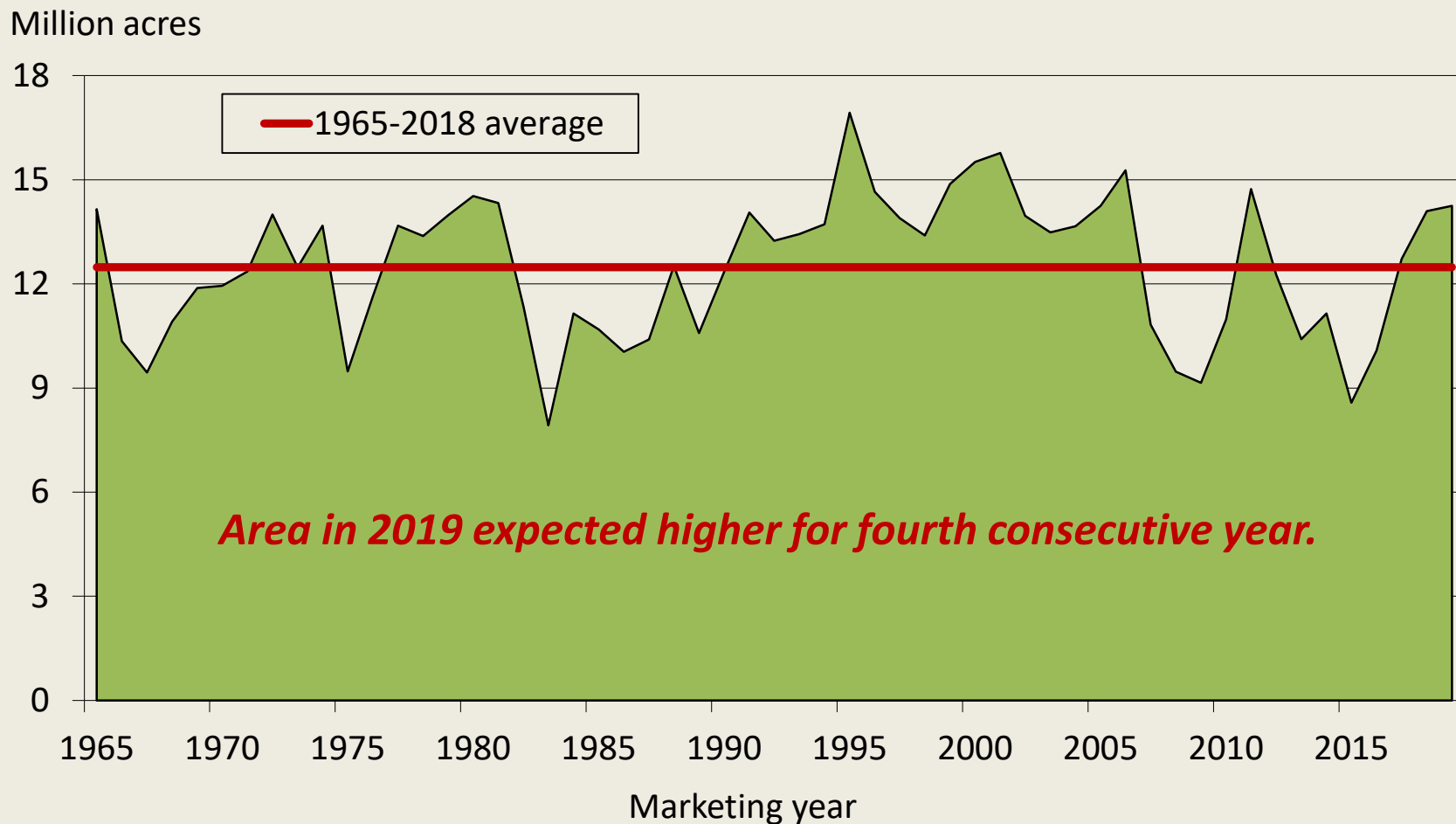
# Outlook for 2019 U.S. Cotton Area

- 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



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***

|                      | <u>Unit</u> | <u>2018/19</u> | <u>2019/20</u> | <u>Change(%)</u> |
|----------------------|-------------|----------------|----------------|------------------|
| Planted area         | Mil. acres  | 14.10          | 14.25          | 1.1              |
| Harvested area       | "           | 10.53          | 12.93          | 22.8             |
| Abandonment rate     | %           | 25.3           | 9.3            | -63.2            |
| Yield/harvested acre | Lbs.        | 838            | 835            | -0.4             |
| Production           | Mil. bales  | 18.39          | 22.50          | 22.3             |

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*

|               | Unit       | 2018/19            | 2019/20            | Change (%)         |
|---------------|------------|--------------------|--------------------|--------------------|
| Beg. stocks   | Mil. bales | 4.3                | 4.3                | 0.0                |
| Production    | "          | <b>18.4</b>        | <b>22.5</b>        | <b>22.3</b>        |
| Imports       | "          | <u>0.0</u>         | <u>0.0</u>         | <u>0.0</u>         |
| Total supply  | "          | 22.7               | 26.8               | 18.1               |
| Mill use      | "          | 3.2                | 3.3                | 3.1                |
| Exports       | "          | <b><u>15.0</u></b> | <b><u>17.0</u></b> | <b><u>13.3</u></b> |
| Total demand  | "          | 18.2               | 20.3               | 11.5               |
| Ending stocks | "          | <b>4.3</b>         | <b>6.3</b>         | <b>46.5</b>        |
| Stocks-to-use | %          | 23.6               | 31.0               | 31.4               |
| Farm price    | Cents/lb.  | <b>72.0</b>        | <b>67.0</b>        | <b>-6.9</b>        |

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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