



Cotton and Wool Outlook

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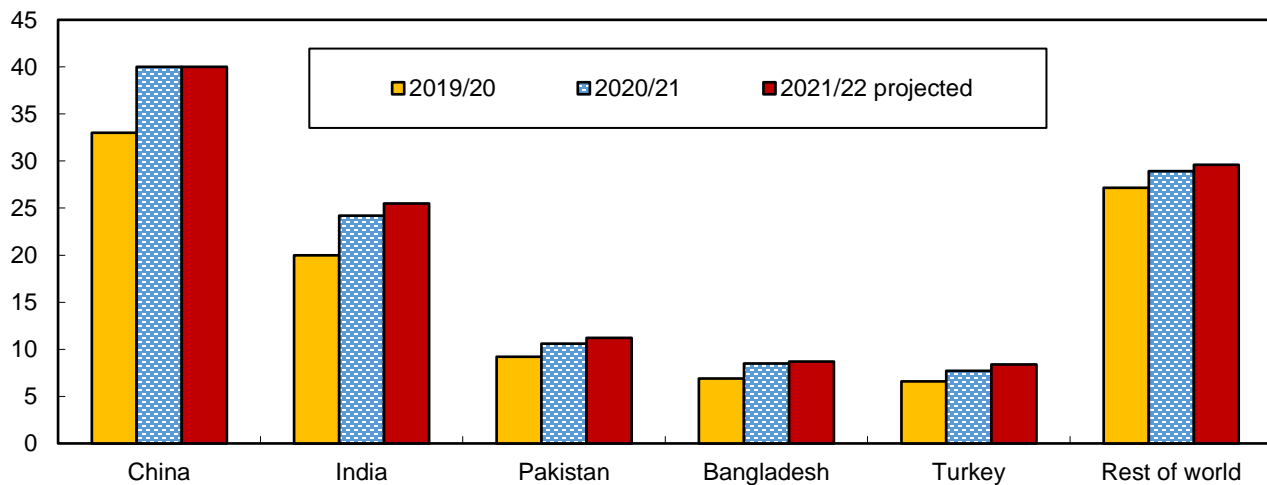
China and India Lead 2021/22 Global Cotton Mill Use Increase

The latest U.S. Department of Agriculture (USDA) estimates indicate that world cotton mill use in 2021/22 (August–July) is projected at 123.4 million bales, 3 percent above 2020/21. China and India lead the way, accounting for a combined 53 percent of the total (figure 1). In addition, gains are seen for Pakistan, Bangladesh, Turkey, and others.

Global cotton production is forecast at 120.3 million bales in 2021/22, 7 percent above the year before, as a rebound in harvested area and a forecast record yield combine for the higher output. World cotton trade is projected at 46.4 million bales this season, second to 2020/21’s record and supportive of the higher mill use estimate. Global cotton mill use remains forecast above production, reducing 2021/22 ending stocks to 87.1 million bales, the lowest in 3 years. Likewise, the world stocks-to-use ratio is expected at its lowest since 2018/19, strengthening world cotton prices to levels not seen in a decade.

Figure 1
Leading global cotton consumers

Million bales



Note: 1 bale = 480 pounds.

Source: USDA, *World Agricultural Supply and Demand Estimates* reports.

Domestic Outlook

U.S. Cotton Crop Forecast Lower in October

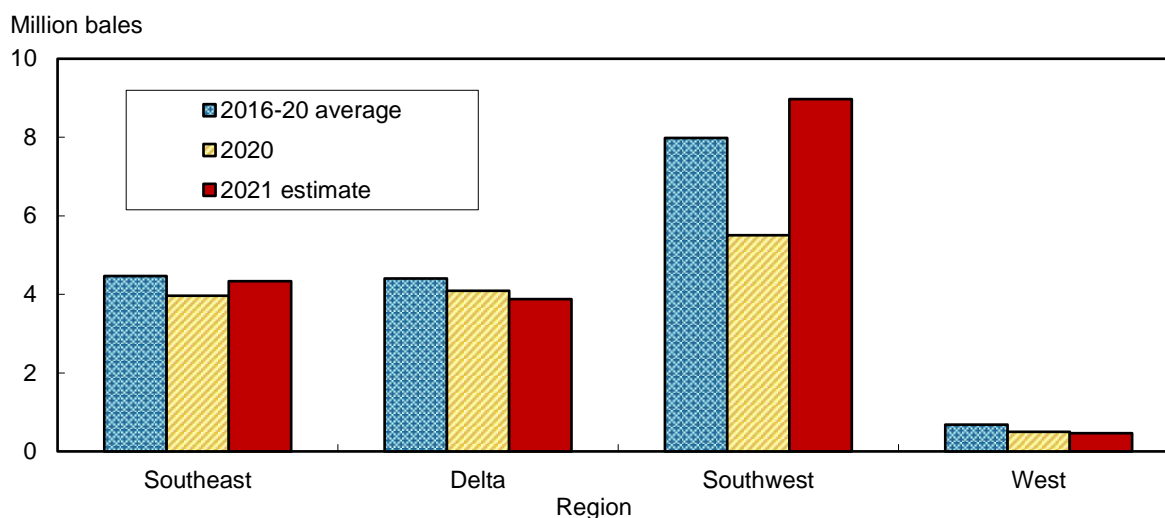
USDA's October *Crop Production* report forecasts 2021 U.S. cotton production at 18 million bales, 500,000 bales below last month's forecast but 23 percent (3.4 million bales) above the 2020 crop. The smaller October forecast is attributable to a lower national yield projection, largely the result of a reduced yield for Texas. If realized, 2021 U.S. cotton production would be the second smallest crop in 5 years.

The 2021 U.S. upland cotton crop is forecast at 17.65 million bales, compared with last season's 14.1 million bales. During the previous 20 years, the October upland production estimate was above the final estimate 11 times and below it 8 times; no production forecast was published in 2013. Past differences between the October forecast and the final production estimates indicate a 2 out of 3 chance for the 2021 upland crop to range between 16.45 million bales and 18.85 million bales.

Upland cotton production this season is forecast higher in two of the Cotton Belt regions while lower in two regions (figure 2). In the Southeast, 2021 cotton production is projected at 4.3 million bales—9 percent above 2020 but 3 percent below the 2016–20 average—as a higher yield is partially offset by lower area. Cotton area in 2021 is forecast at its lowest in 5 years, with harvested area estimated at about 2.3 million acres. The Southeast yield is projected at 914 pounds per harvested acre in 2021, compared with the 5-year average of 855 pounds.

The 2021 Delta cotton crop is estimated at approximately 3.9 million bales, the smallest since 2016, as area is also the lowest in 5 years. In 2021, cotton harvested acreage is forecast at about 1.6 million acres, compared with the 5-year average of 1.9 million acres. In contrast, the region's yield is projected at a record 1,175 pounds per harvested acre, compared with the 5-year average of 1,115 pounds.

Figure 2
U.S. regional upland cotton production



Note: 1 bale = 480 pounds.

Source: USDA, National Agricultural Statistics Service, *Crop Production* reports.

In the Southwest, the 2021 upland crop is forecast at nearly 9 million bales, the second highest on record behind 2017's 10.5 million bales. While 2021 planted area (6.9 million acres) was the lowest in 5 years, improved crop conditions this season reduced abandonment and increased harvested area to an estimated 5.8 million acres, similar to 2019. As a result, 2021 Southwest abandonment is projected at 17 percent, well below last season's 49 percent and the lowest in 5 years. The 2021 Southwest upland yield, meanwhile, is projected higher at 747 pounds per harvested acre, compared with last season's 692 pounds.

In the West, the 2021 upland crop is projected at only 466,000 bales, 7 percent below 2020 and the lowest production in more than 8 decades. The region's upland cotton harvested area (172,000 acres) is the lowest since 2015, while this season's yield (1,300 pounds per harvested acre) is forecast 4 percent below the 5-year average. The extra-long staple (ELS) crop—grown mainly in the West—is projected at only 353,000 bales in 2021, down from 546,500 bales in 2020 and the lowest crop since 1994. Despite this season's considerably lower beginning stocks—a result from 2020/21 demand reaching it highest in 8 years—ELS area is at its lowest in 35 years.

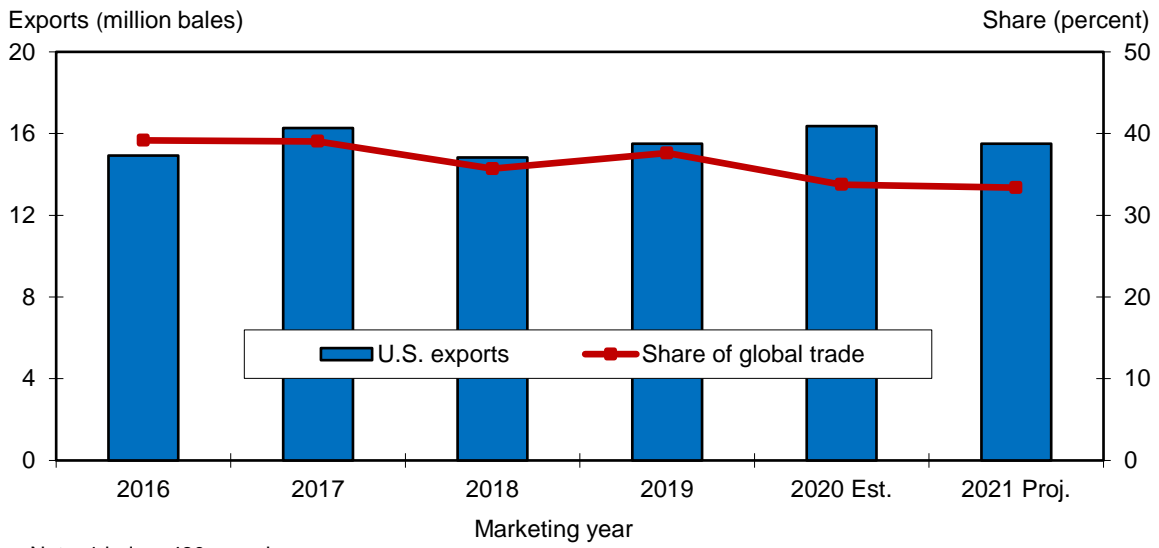
Total 2021 U.S. cotton harvested area is estimated at 9.9 million acres, compared with last season's 8.3 million acres. The national yield is projected at 871 pounds per harvested acre, compared with 2020's 847 pounds. As of October 10, 20 percent of the U.S. cotton crop was harvested, slightly below last season's 25 percent and the 2016–20 average of 26 percent. Meanwhile, 2021 U.S. cotton crop conditions have continued above last season and the 5-year average. As of October 10, 64 percent of the cotton area was rated “good” or “excellent,” compared with 40 percent last year, while only 6 percent of the crop area was rated “poor” or “very poor,” compared with 30 percent a year ago. For current production estimates by State, see table 10 published separately with this report.

U.S. Cotton Demand Estimates Unchanged; Stocks Lowered

The U.S. cotton demand estimate for 2021/22 remains projected at 18 million bales in October, 4 percent below 2020/21 but similar to the 3-year average. U.S. cotton exports account for the bulk of demand and are forecast at 15.5 million bales in 2021/22, with mill use expected to contribute the remaining 2.5 million bales. Despite a higher world mill use forecast this season and a relatively strong foreign import demand, U.S. cotton supplies—expected to be their lowest in 5 years—are limiting export prospects. In addition, ongoing supply chain disruptions and the recent surge in cotton prices add additional uncertainties to the global cotton market. Based on the October projections, the 2021/22 U.S. share of world trade is forecast near 33.5 percent—slightly below last season (figure 3).

With the U.S. cotton demand projection unchanged this month and a lower production estimate, the 2021/22 U.S. ending stocks estimate is reduced to 3.2 million bales, marginally above last season and among the lowest of the last decade. Similarly, the stocks-to-use ratio is forecast at 18 percent at the end of 2021/22, slightly above last season but below each of the previous 3 years. Based on the U.S. and global cotton supply and demand estimates and recent prices, the 2021/22 average U.S. upland cotton farm price is forecast at a record 90 cents per pound, compared with the final 2020/21 estimate of 66.3 cents per pound.

Figure 3
U.S. cotton exports and share of global trade



Note: 1 bale = 480 pounds.

Source: USDA, *World Agricultural Supply and Demand Estimates* reports.

International Outlook

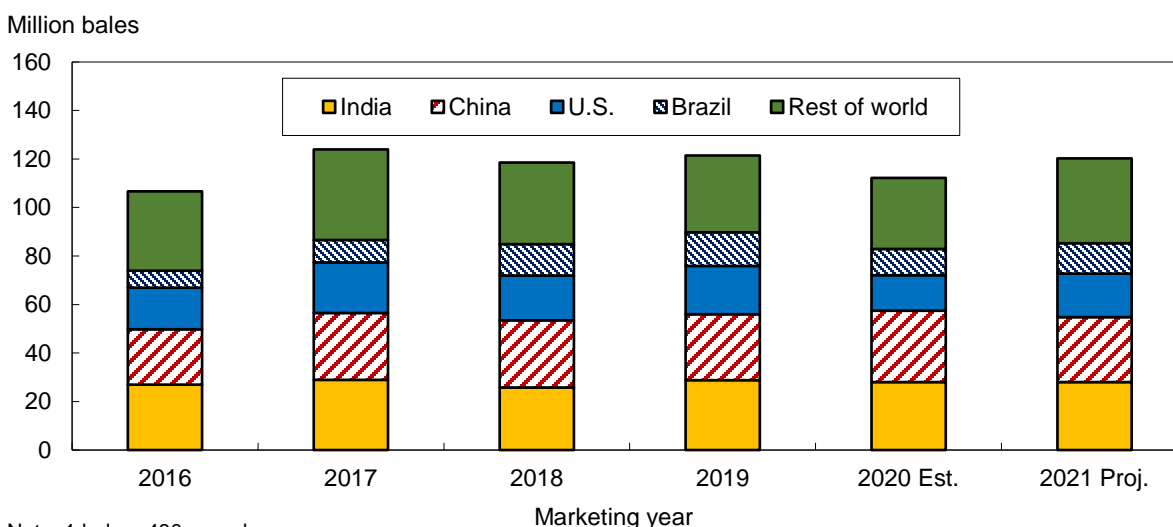
Global Cotton Production to Increase in 2021/22

World cotton production in 2021/22 is projected at 120.3 million bales, only marginally above last month's projection but 8.1 million bales (7 percent) higher than 2020/21. The October production estimate includes increases for Pakistan and Turkey and decreases for India and the United States. Global harvested area is forecast at 32.6 million hectares (80.4 million acres) in 2021/22, higher than last season but below each of the previous 3 years. The world cotton yield in 2021/22 is projected at a record 804 kilograms (kg) per hectare (717 pounds per acre), compared with the 3-year average of 770 kg per hectare.

Cotton production among the major-producing countries this season is mixed compared with 2020/21 (figure 4). Production in India—the leading cotton producer—is forecast at 28 million bales, unchanged from 2020/21; lower area resulting from the monsoon's variation in key cotton regions this season is coupled with a higher projected national yield. Harvested area in India is estimated at 12.4 million hectares in 2021/22, the lowest in 5 years. Meanwhile, India's yield (492 kg per hectare) is forecast to offset the effect of the area loss. For 2021/22, India is forecast to account for 23 percent of the global cotton crop.

For China, 2021/22 cotton production is projected at 26.75 million bales, 9 percent (2.75 million bales) below the year before, with reductions for both area and yield. Harvested area is forecast about 4.5 percent lower, at 3.1 million hectares, while less favorable growing conditions this season support a lower national yield (1,879 kg per hectare) that is 5 percent below 2020/21's record. China is expected to account for 22 percent of world production this season. On the other hand, cotton production in Pakistan is projected to increase 2 million bales in 2021/22 to 6.5 million bales, as a considerable rebound in yield to 708 kg per hectare more than offsets a 4-decade low in cotton area. Pakistan is forecast to account for more than 5 percent of the global cotton crop in 2021/22.

Figure 4
World cotton production



Note: 1 bale = 480 pounds.

Source: USDA, *World Agricultural Supply and Demand Estimates* reports.

For the Southern Hemisphere countries of Brazil and Australia, increases in 2021/22 cotton production are projected, with relatively high cotton prices observed as planting season approaches. For Brazil, a cotton crop of 12.5 million bales is forecast, as area is expected to rebound and a record national yield of 1,814 kg per hectare is projected. Similarly, for Australia, 2021/22 cotton production is forecast to increase 1.9 million bales to 4.7 million, as the easing of drought conditions encouraged planted area to more than double from last season to 575,000 hectares. Together, Brazil and Australia are expected to account for 14 percent of the world's cotton production in 2021/22.

World Cotton Mill Use Forecast to Increase in 2021/22

Global cotton consumption in 2021/22 is forecast to increase nearly 3 percent this season as the global economy—particularly consumer demand for cotton products—continues to recover from the coronavirus (COVID-19) impacts. At 123.4 million bales, world mill use is expected to rise about 3.5 million bales this season.

For the top cotton-spinning countries, 2021/22 mill use is forecast to expand or remain unchanged from the year before, with the 6 leading countries accounting for a combined 82 percent of the world total. In 2021/22, China is forecast to spin 40 million bales of raw cotton, the same as in 2020/21, which was the highest since 2017/18. China is expected to account for nearly one-third of total global cotton consumption in 2021/22. India's mill use, on the other hand, is projected to increase 5 percent from 2020/21 as the textile industry there expands. Cotton mill use in India is forecast at a record 25.5 million bales in 2021/22, or 21 percent of the global total.

Cotton mill use is forecast to rise for Pakistan and Bangladesh in 2021/22, reaching 11.2 million bales (+6 percent) and 8.7 million bales (+2 percent), respectively. In addition, cotton mill use is expected to reach 8.4 million bales (+9 percent) in Turkey, while mill use in Vietnam is forecast unchanged at 7.3 million bales in 2021/22. As with the other major spinners, these countries' 2021/22 share of global mill use is near last season's level.

Global Cotton Trade and Stocks to Decline in 2021/22

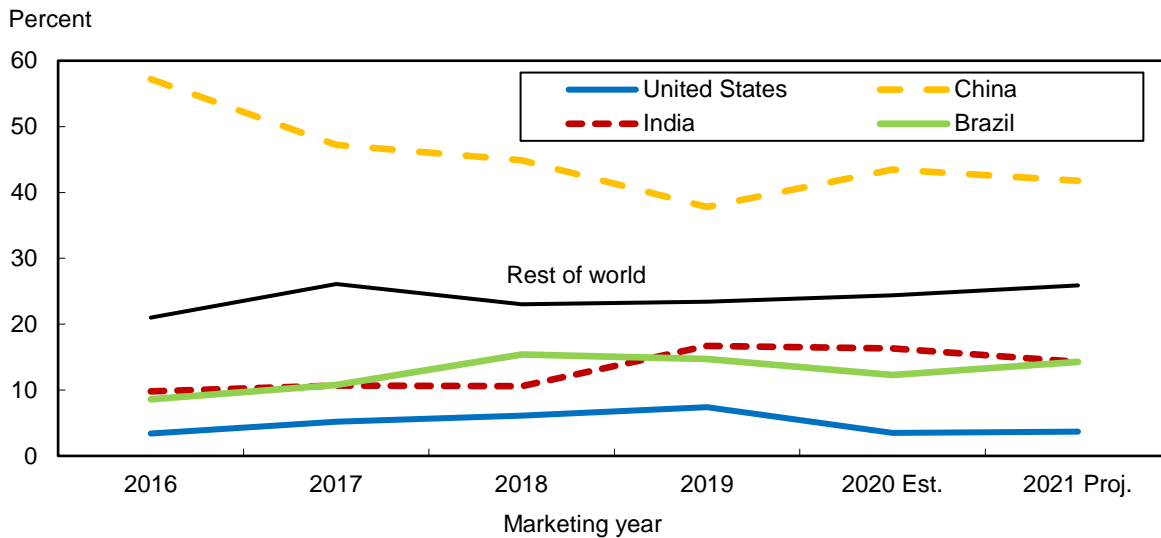
World cotton trade is forecast at 46.4 million bales in 2021/22, 4 percent below last season's record. Cotton exports are projected to decrease for Brazil, the United States, and India, where supplies (beginning stocks + production + imports) are projected lower in 2021/22. For Brazil, 2021/22 cotton exports are expected to decrease from a record 11 million bales last season to 8 million bales in 2021/22. For India, this season's cotton exports are projected to reach 5.8 million bales, compared with 6.2 million bales in 2020/21.

With global mill use rising modestly this season, China, Bangladesh, and Vietnam are projected as the leading raw cotton importers in 2021/22. Imports by China are forecast at 10.5 million bales this season, down from nearly 12.9 million in 2020/21. However, China continues to add foreign cotton for rotational purposes in the national reserve and for re-exporting of textile and apparel products. For Bangladesh, 2021/22 imports are forecast at 8.2 million bales (+6 percent), while imports by Vietnam are projected to remain at 7.3 million bales in 2021/22; cotton imports continue to support the textile industries in these countries.

Based on the latest cotton supply and demand projections, world ending stocks are forecast at 87.1 million bales in 2021/22, 3.5 percent (3.2 million bales) below a year ago and the lowest in 3 years. For the major producing countries, 2021/22 stock changes are forecast to vary

considerably. Stocks in China are projected to decline 2.8 million bales (7 percent) to 36.5 million bales, or 42 percent of the global total in 2021/22 (figure 5). Similarly, cotton stocks in India are projected to decrease 2.3 million bales (15.5 percent) to 12.4 million bales, accounting for 14 percent of 2021/22 total. In contrast, stocks are expected to rise moderately (+1.3 million bales) in Brazil to 12.4 million bales in 2021/22; like India, Brazil is projected to hold 14 percent of the global stock total at the end of July 2022. Meanwhile, the global stocks-to-use ratio is estimated at 71 percent in 2021/22, compared with last season's 75 percent. With global cotton demand expanding and stocks declining for consecutive seasons, the 2021/22 Cotlook A-Index price is expected to increase from 2020/21's average of 85 cents per pound to its highest in a decade at 110 cents per pound.

Figure 5
Share of global cotton ending stocks



Source: USDA, *World Agricultural Supply and Demand Estimates* reports.

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