The USDA Cotton Outlook for 2004/05

Interagency Cotton Estimates Committee
U.S. Department of Agriculture

Agricultural Outlook Forum
Arlington, VA
February 20, 2004
World Production, Consumption, and Prices

[Graph showing production, consumption, and A-Index from 1996 to 2003.]

- **Production** (blue bars)
- **Consumption** (red bars)
- **A-Index** (yellow line)

Marketing year:
- 1996
- 1997
- 1998
- 1999
- 2000
- 2001
- 2002
- 2003

Million bales on the y-axis from 40 to 100.

Cents/pound on the y-axis from 40 to 80.

* 2003/04 through February 5, 2004
Projected Changes in World Production, 2003/04 vs. 2002/03

Million bales

India  Brazil  U.S.  Franc Zone  China  Australia  Egypt
Projected Changes in World Consumption, 2003/04 vs. 2002/03

Million bales

U.S. | EU | Turkey | Russia | Pakistan | Brazil | China

-1.25 | -0.75 | -0.25 | 0.25 | 0.75 | 1.25
China's Import and Export Projections through 2003/04

Exports
Imports

Marketing year

Million bales

Basis for USDA’s 2004/05 Forecasts

• Normal weather and growing conditions.

• Global economic growth remains strong.

• Continuation of the current U.S. and foreign agricultural policies.

• Govt. of China releases adequate import quota licenses.
2004/05 World Production Rises 10+ MB

- Production in China accounts for nearly two-thirds.
  - Area rises 10% due to higher prices.
  - Yields rebound with normal weather.
  - Output reaches 29 million bales.

- Most other major foreign producers also expected to increase output.

- U.S. production about unchanged, as a lower average yield offsets higher area.
Forecast Changes in World Production, 2004/05

Million bales

- China
- Australia
- Pakistan
- Uzbekistan
- U.S.
- India
- Others
2004/05 World Consumption Rebounds 2 Percent

  - Lowers product import cost to major markets.
  - Higher imports support additional cotton consumption.


- Consumption in China grows same as world.
  - Projected to rise 2 million bales to 32.5 million.
  - Gains in other developing countries are offset by declines in developed countries.
2004/05 Global Trade Remains Substantial

- Rising world production reduces import needs.

- China continues as key importer (5 million bales).
  - Consumption-production shortfall projected at 3.5 million bales.
  - Need to rebuild stocks from lowest level in a decade.

- U.S. remains in position to supply foreign import needs.
### World Cotton Supply-Demand Estimates (Million bales)

<table>
<thead>
<tr>
<th></th>
<th>2003/04</th>
<th>2004/05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beg. stocks</td>
<td>36.8</td>
<td>32.5</td>
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<tr>
<td>Production</td>
<td>92.7</td>
<td>103.0</td>
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<tr>
<td>Imports</td>
<td>32.4</td>
<td>31.3</td>
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<tr>
<td>Total Supply</td>
<td>161.8</td>
<td>166.8</td>
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<tr>
<td>Consumption</td>
<td>97.2</td>
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<tr>
<td>Exports</td>
<td>32.0</td>
<td>31.0</td>
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<tr>
<td>Total Use</td>
<td>129.2</td>
<td>130.0</td>
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<tr>
<td>Ending Stocks</td>
<td>32.5</td>
<td>36.8</td>
</tr>
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</table>
U.S. Cotton Supply Estimates  
(Million acres/bales)

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<thead>
<tr>
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<tbody>
<tr>
<td>Planted</td>
<td>13.5</td>
<td>14.3 - 14.8</td>
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<tr>
<td>Harvested</td>
<td>12.1</td>
<td>12.9 - 13.3</td>
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<tr>
<td>Yield (Lbs.)</td>
<td>725</td>
<td>665 - 670</td>
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<tr>
<td>Beg. Stocks</td>
<td>5.4</td>
<td>4.3</td>
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<tr>
<td>Production</td>
<td>18.2</td>
<td>18.0 - 18.5</td>
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<tr>
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<tr>
<td>Total Supply</td>
<td>23.7</td>
<td>22.3 - 22.8</td>
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U.S. Cotton Consumption

Mill Use vs Retail Use

Marketing year

Mill bale equivalents

11.1, 11.3, 10.4, 10.2, 8.9, 7.7, 7.3, 6.2

17.3, 19.0, 19.4, 20.7, 20.0, 19.4, 21.5, 22.0
U.S. Cotton Textile & Apparel Imports

Calendar year

Billion raw-fiber equiv. pounds

1999 2000 2001 2002 2003

Mexico China Pakistan Others
U.S. Cotton Exportable Supply

(exportable supply = total supply - mill use)
## U.S. Cotton Supply-Demand Estimates
(Million bales)

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Global Cotton Stocks To Rise in 2004/05

Marketing year

Million bales


China  Foreign - China  U.S.

Graph showing the global cotton stocks from 1994 to 2004.
U.S. Cotton Disappearance as a Share of World Consumption

Marketing year

World consumption
U.S. share

Million bales
Share (percent)

## China Cotton Supply-Demand Estimates
(Million bales)

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Corn and Soybean Price Ratios to Cotton
(based on harvest futures--Jan-Mar average)
U.S. Abandonment and Yield/Harvested Acre

![U.S. Abandonment and Yield/Harvested Acre Graph](image)