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The USDA Cotton Outlook for 2012/13

Interagency Cotton Estimates Committee
U.S. Department of Agriculture

Presented by

Leslie A. Meyer

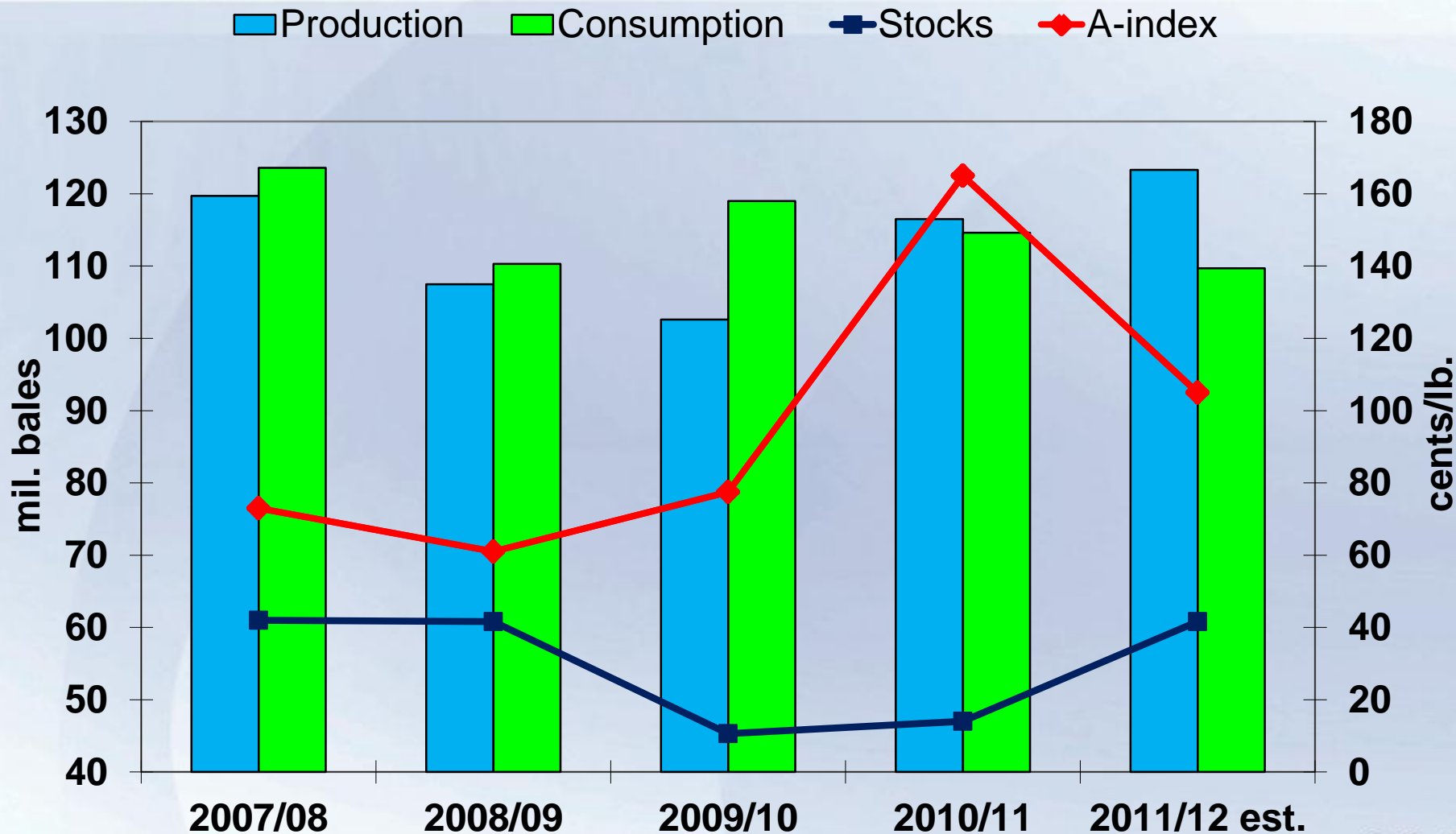
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Agricultural Outlook Forum

February 24, 2012



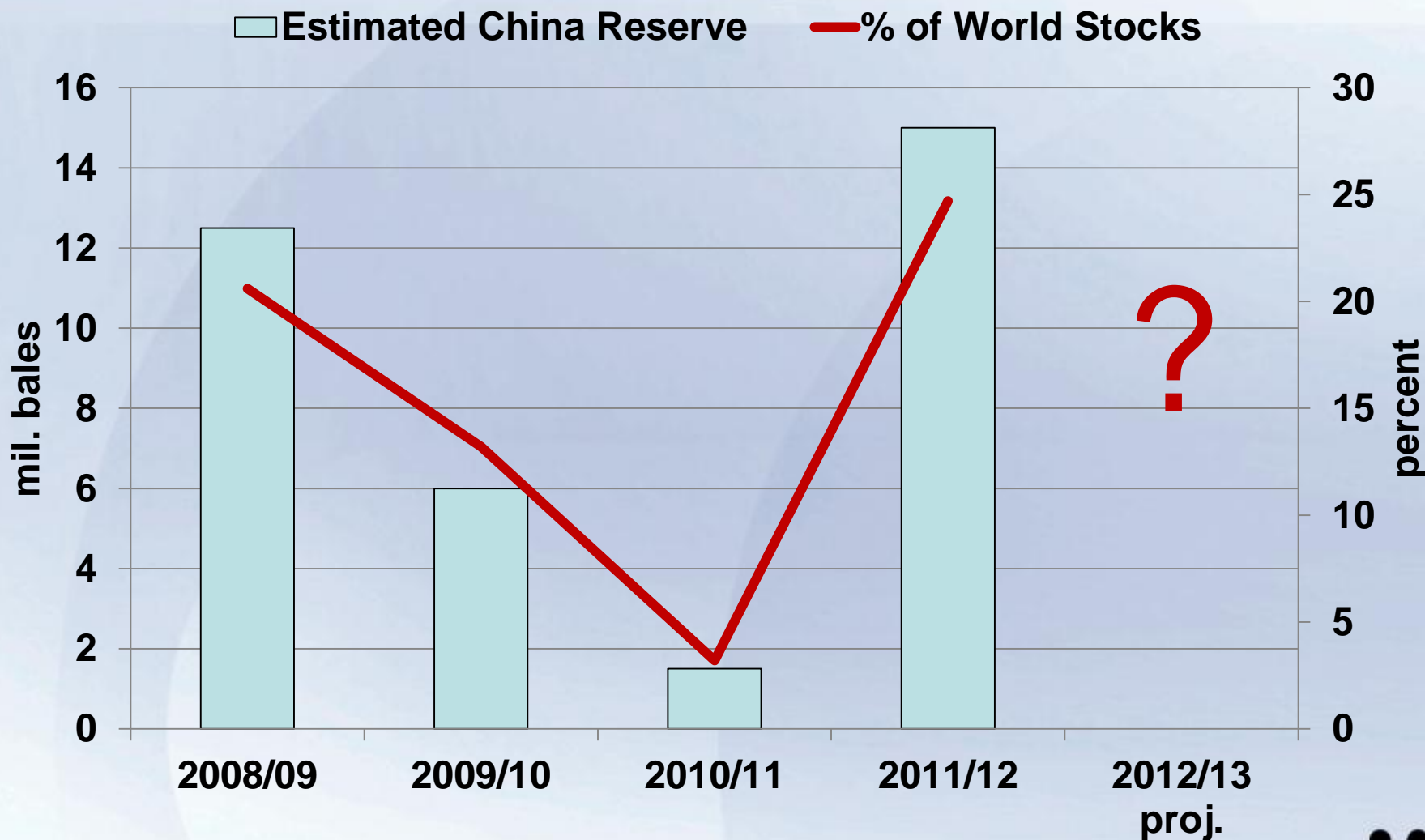
World Cotton Production, Consumption, Stocks, and Prices



Sources: USDA, Interagency Commodity Estimates Committee and Cotlook.



China Cotton Reserve & Share of World Stocks



Source: USDA, Interagency Commodity Estimates Committee.



Key Assumptions for USDA's 2012/13 Forecast

- Modest world economic growth in calendar 2012 & 2013, aiding cotton consumption prospects.
- Continuation of China's reserve policy will keep raw cotton import demand strong.
- Normal weather and growing conditions outside of the United States.
- Drought conditions in the Southwest influence cotton area and production.



World Cotton Supply & Demand

	Unit	2011/12	2012/13	Change (%)
Beg. Stocks	mil bales	47.0	60.8	29.4
Production	"	123.3	118.5	-3.9
Imports	"	<u>37.4</u>	<u>39.0</u>	<u>4.3</u>
Total supply	"	207.8	218.3	5.1
Consumption	"	109.7	114.5	4.4
Exports	"	<u>37.4</u>	<u>39.0</u>	<u>4.3</u>
Total demand	"	147.1	153.5	4.4
Ending stocks	"	60.8	64.8	6.6
Stocks-to-consumption	%	55.4	56.6	2.2

Source: USDA, Interagency Commodity Estimates Committee.

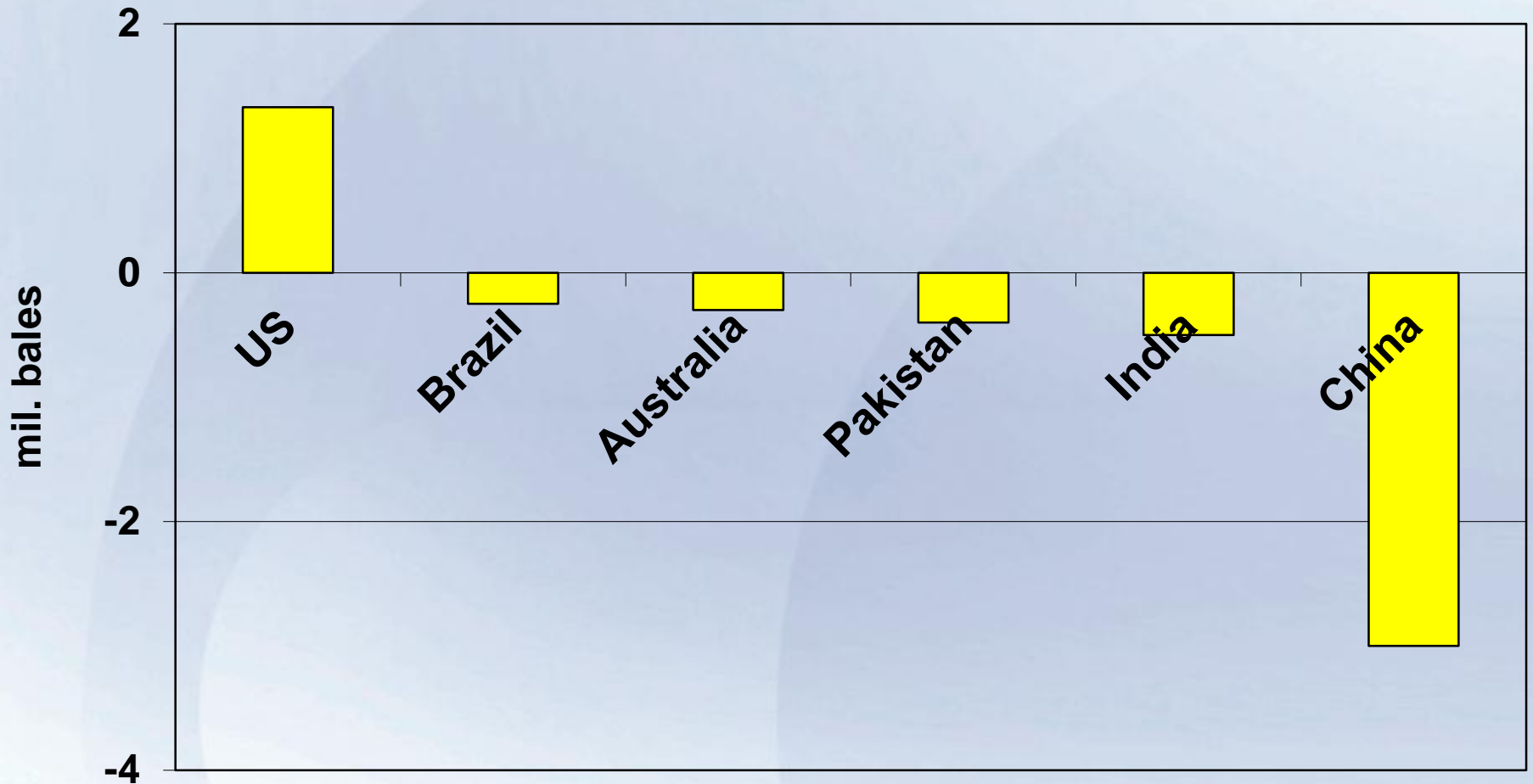


2012/13 World Production To Decline

- Global production forecast 4% lower.
 - Projection at 118.5 M bales.
 - Most foreign producers expected to decrease output.
- Crop decline in China accounts for 60+ percent.
 - Area declines 9% due to relatively lower prices & high input costs, especially labor.
 - Output decreases to 30.5 million bales (-3 million).
- U.S. production rises, as lower planted area is offset by higher yield and lower abandonment.



Projected Changes in Cotton Production 2012/13 vs. 2011/12



Source: USDA, Interagency Commodity Estimates Committee.

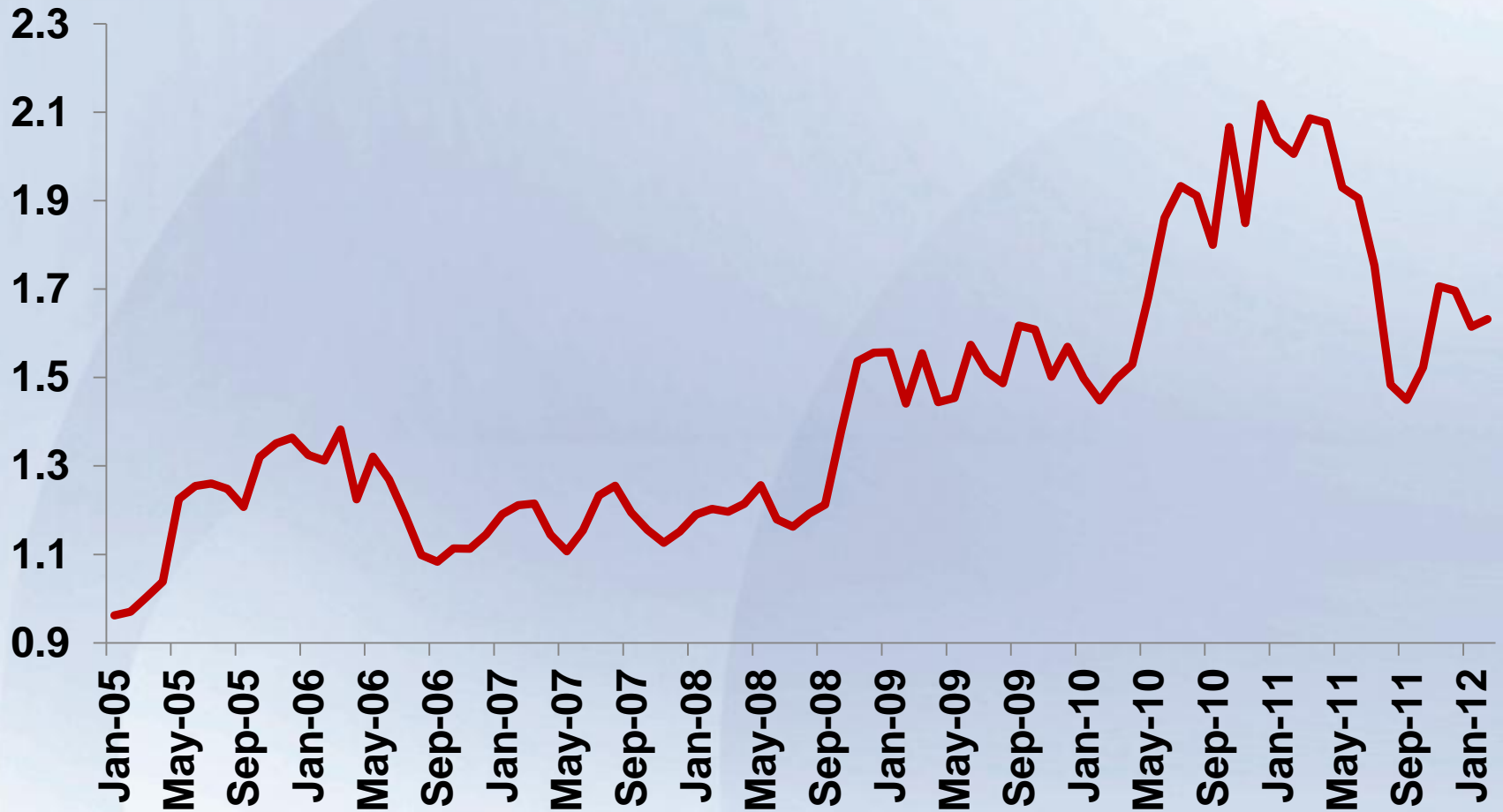


2012/13 World Consumption To Rebound

- Global consumption forecast at 4% growth.
 - Projection at 114.5 M bales.
 - Only second increase since 2006 record—7.5% below.
- Gain anticipated based on the IMF's GDP growth forecast and lower relative cotton prices.
- Consumption in China grows slower than world.
 - Projected to rise 2% to 45 million bales.
 - Accounts for about 40% of global mill use.
 - Gains in other developing countries important.



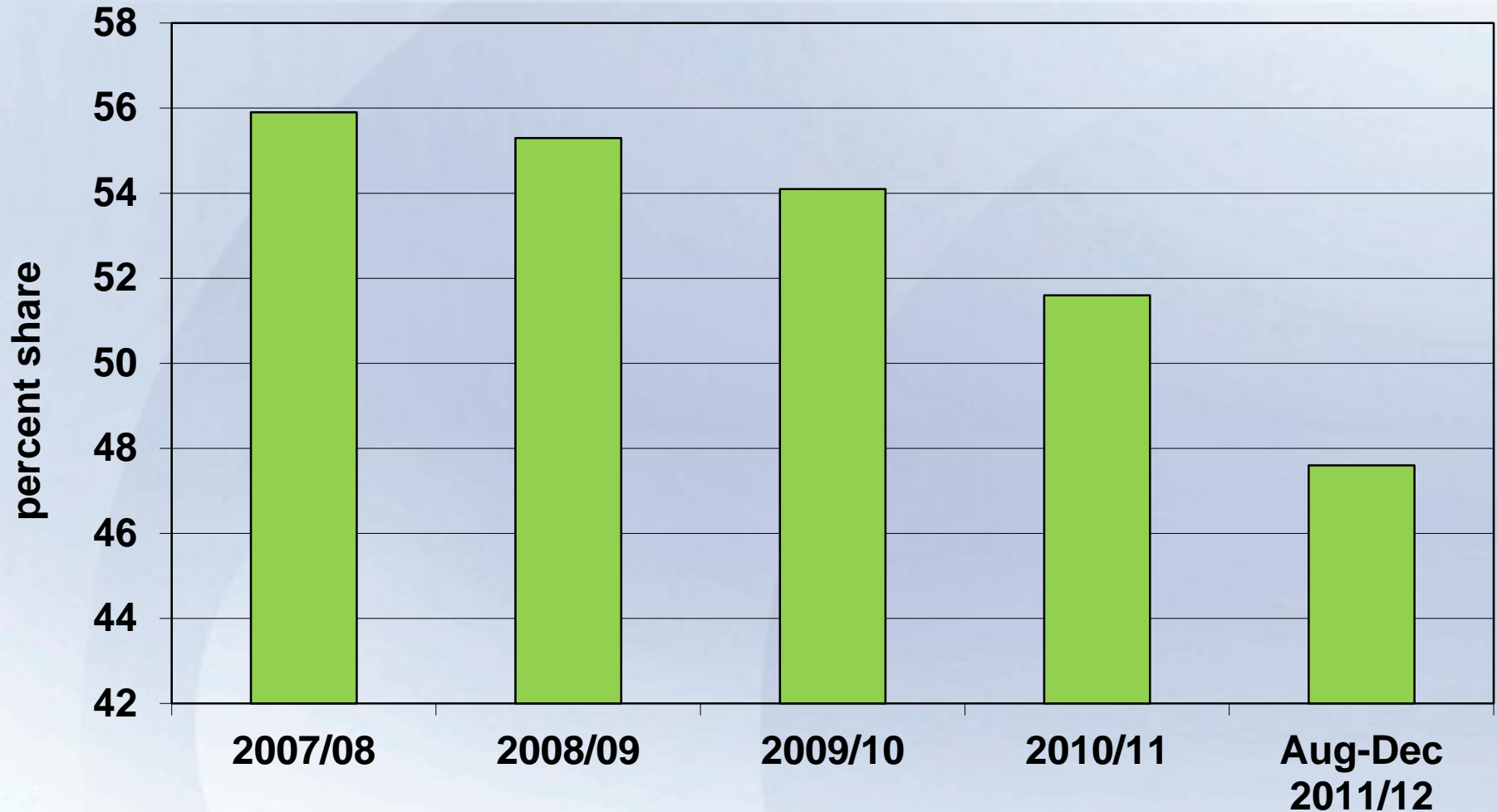
Cotton/Polyester Price Ratio in China



Sources: Cncotton.com (polyester) and chinacotton.org (cotton, CC328).



Cotton's Share of U.S. Textile & Apparel Imports



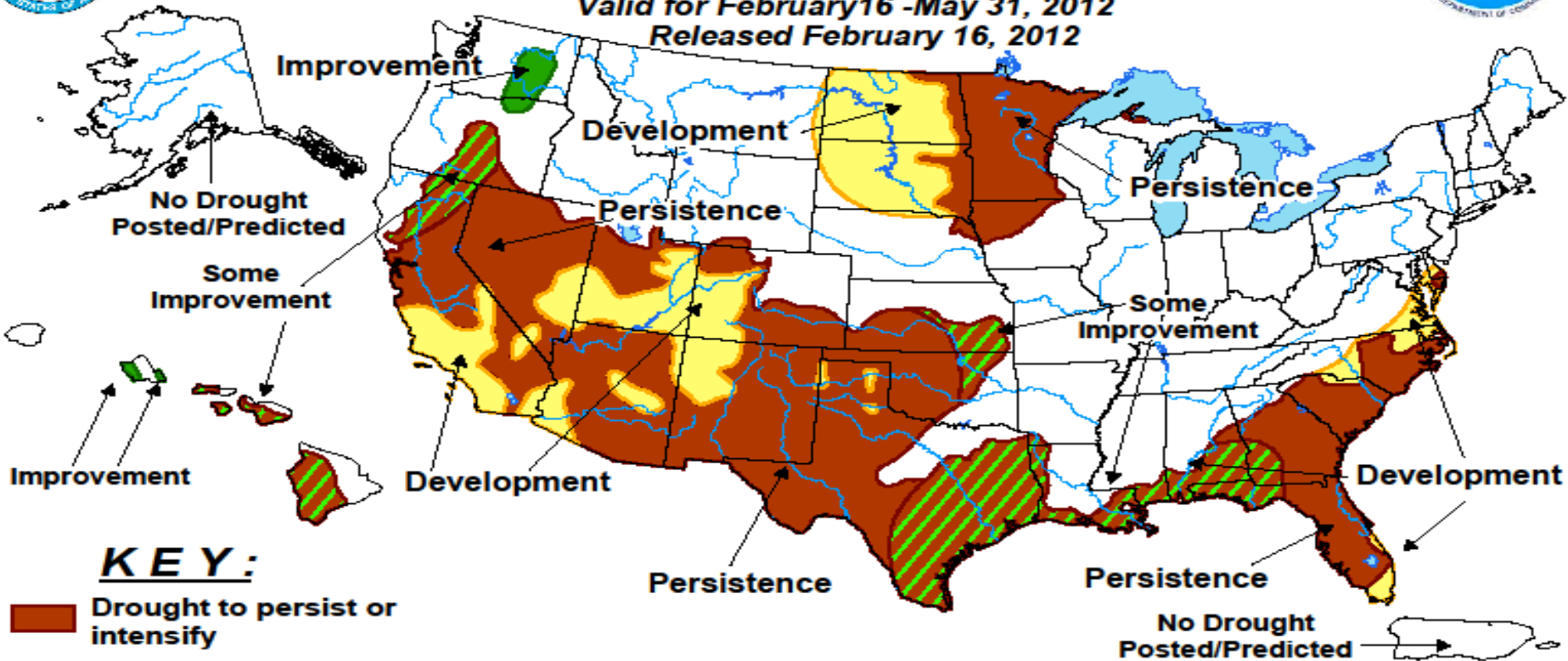
Sources: USDA, Economic Research Service and USDC, U.S. Census Bureau.



Drought Likely to Continue Through Planting



U.S. Seasonal Drought Outlook Drought Tendency During the Valid Period Valid for February 16 - May 31, 2012 Released February 16, 2012



KEY:

- Drought to persist or intensify
- Drought ongoing, some improvement
- Drought likely to improve, impacts ease
- Drought development likely

Depicts large-scale trends based on subjectively derived probabilities guided by short- and long-range statistical and dynamical forecasts. Short-term events – such as individual storms – cannot be accurately forecast more than a few days in advance. Use caution for applications – such as crops – that can be affected by such events. "Ongoing" drought areas are approximated from the Drought Monitor (D1 to D4 intensity). For weekly drought updates, see the latest U.S. Drought Monitor. NOTE: the green improvement areas imply at least a 1-category improvement in the Drought Monitor intensity levels, but do not necessarily imply drought elimination.

2012/13 U.S. Cotton Production Outlook

- Area expected to decline as grain and oilseed prices more attractive.
 - Acreage decrease of 10% anticipated (1.5 M acres).
 - Area at 13.2 million acres, second highest in last 6 years.
- Regional makeup expected to provide above average abandonment.
 - Southwest to account for 55%+ of total area.
 - National yield similar to 2009.
- Crop projected at 17 M bales, 8% above 2011.



U.S. Cotton Supply & Demand

	Unit	2011/12	2012/13	Change (%)
Beg. Stocks	mil bales	2.6	3.8	46.2
Production	"	15.7	17.0	8.3
Imports	"	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total supply	"	18.3	20.8	13.7
Mill use	"	3.5	3.5	0.0
Exports	"	<u>11.0</u>	<u>12.0</u>	<u>9.1</u>
Total demand	"	14.5	15.5	6.9
Ending stocks	"	3.8	5.3	39.5
Stocks-to-use	%	26.2	34.2	34.7
Farm price	cents/lb.	90.0	80.0	-11.1

Source: USDA, Interagency Commodity Estimates Committee.



China's Cotton Imports Dominate



Source: USDA, Interagency Commodity Estimates Committee.



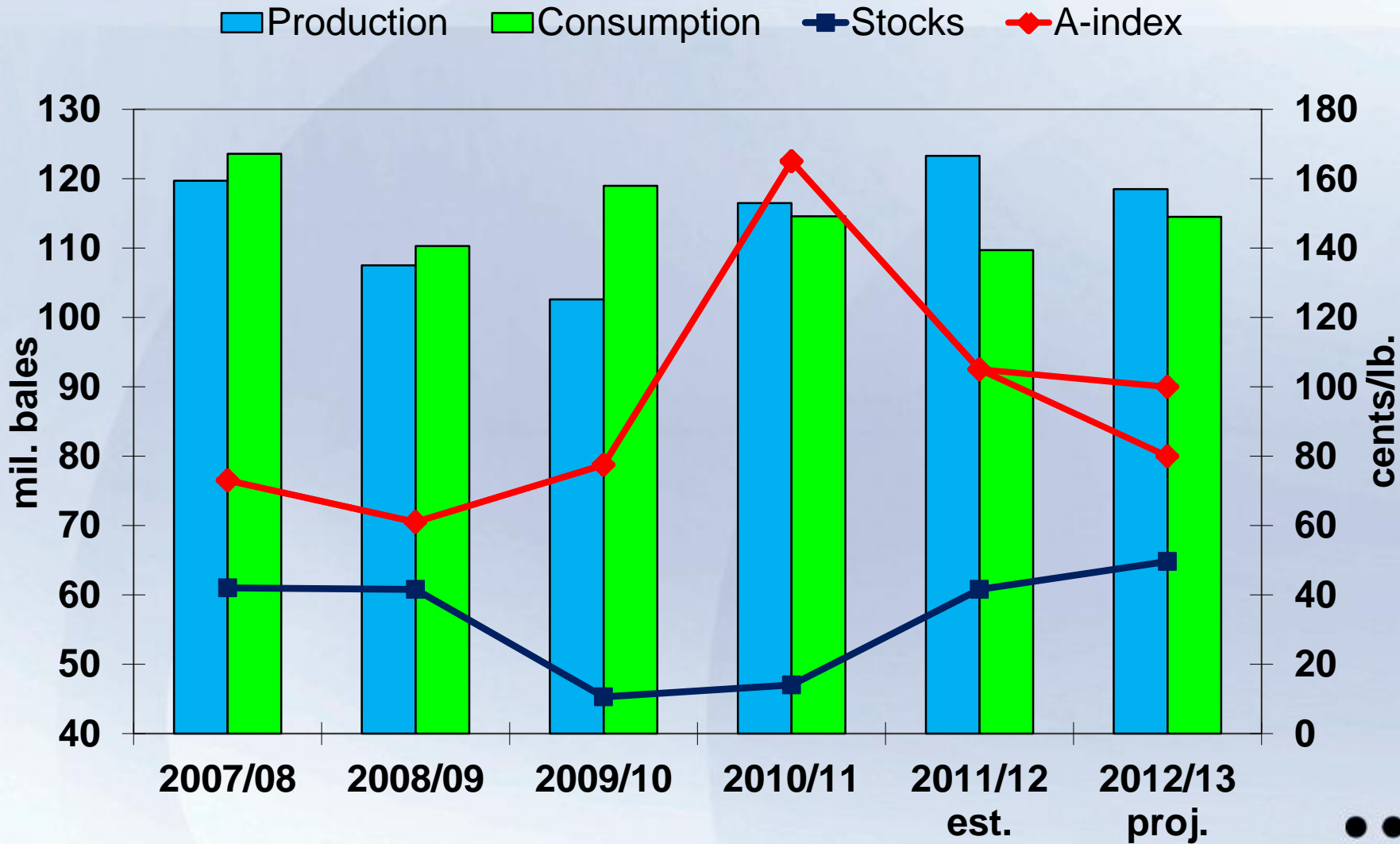
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Thank You

World Agricultural Supply and Demand Estimates

<http://www.usda.gov/oce/commodity/>

Economic Research Service, Cotton Briefing Room

www.ers.usda.gov/briefing/cotton/

