



**AgEcon** SEARCH  
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

*The World's Largest Open Access Agricultural & Applied Economics Digital Library*

**This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.**

**Help ensure our sustainability.**

Give to AgEcon Search

AgEcon Search  
<http://ageconsearch.umn.edu>  
[aesearch@umn.edu](mailto:aesearch@umn.edu)

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*



United States Department of Agriculture

# The World and U.S. Cotton Outlook for 2018/19

Interagency Commodity Estimates Committee

Presented by  
Stephen MacDonald  
[smacdona1d@oce.usda.gov](mailto:smacdona1d@oce.usda.gov)

Agricultural Outlook Forum  
February 23, 2018

# USDA Cotton Outlook

- Current year review, 2017/18:
  - Broad global expansion boosts cotton consumption
  - Favorable cotton/polyester price ratio boosts consumption
  - Production continues rebound: fastest growth since 2004/05
  - Ending stocks outside China rise
  - Prices average similar to 2016/17
- Upcoming year outlook, 2018/19:
  - Global consumption rises, more slowly
  - Global production falls: mixture of yield and area declines
    - U.S. planted area up, production down
  - Ending stocks outside China rise further
  - Prices lower

**2017/18**

**Current World Cotton Situation**

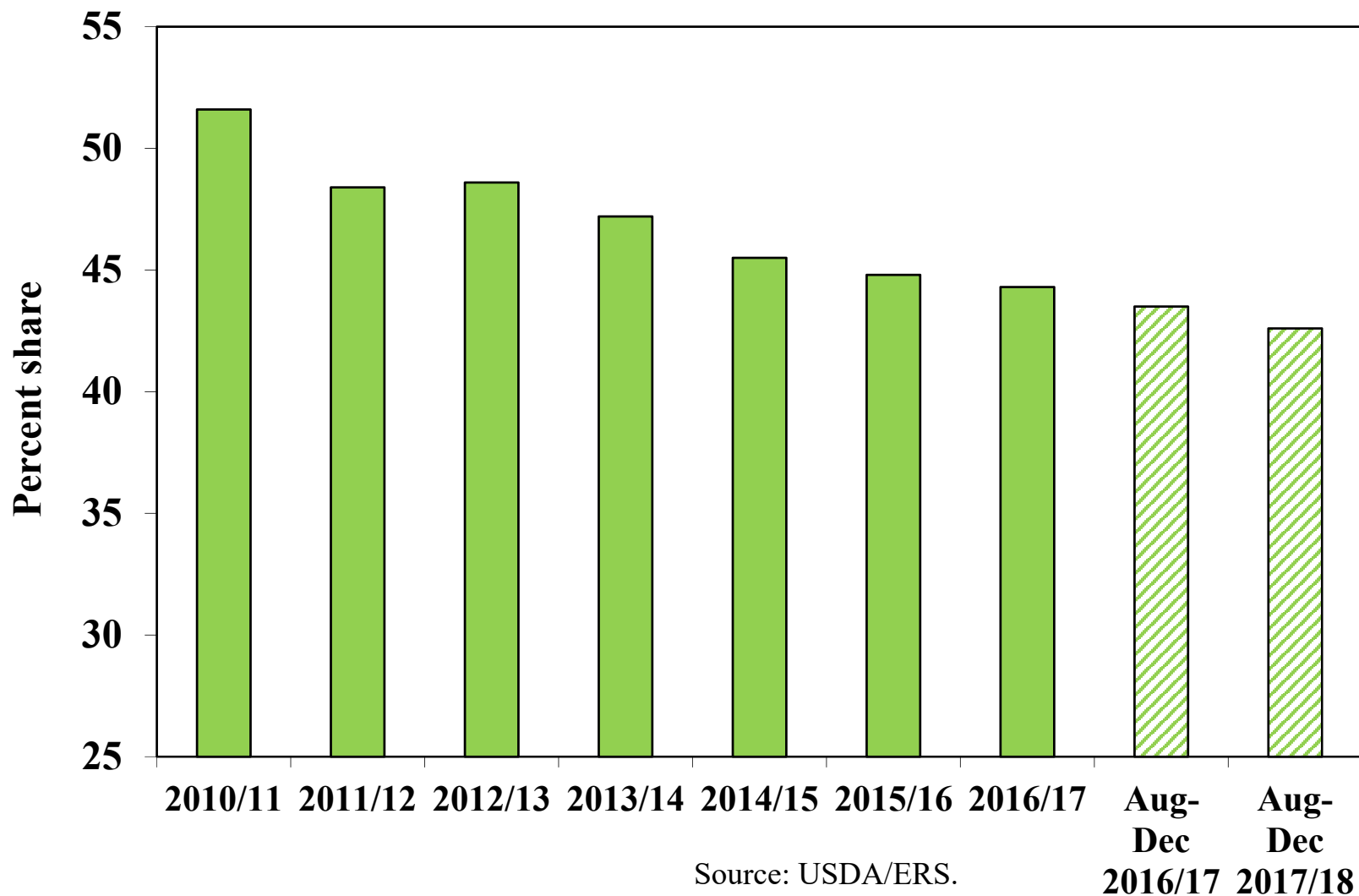
# Large World Consumption Increase Expected for 2017/18

*Cotton consumption estimated at 120.5 million bales.*

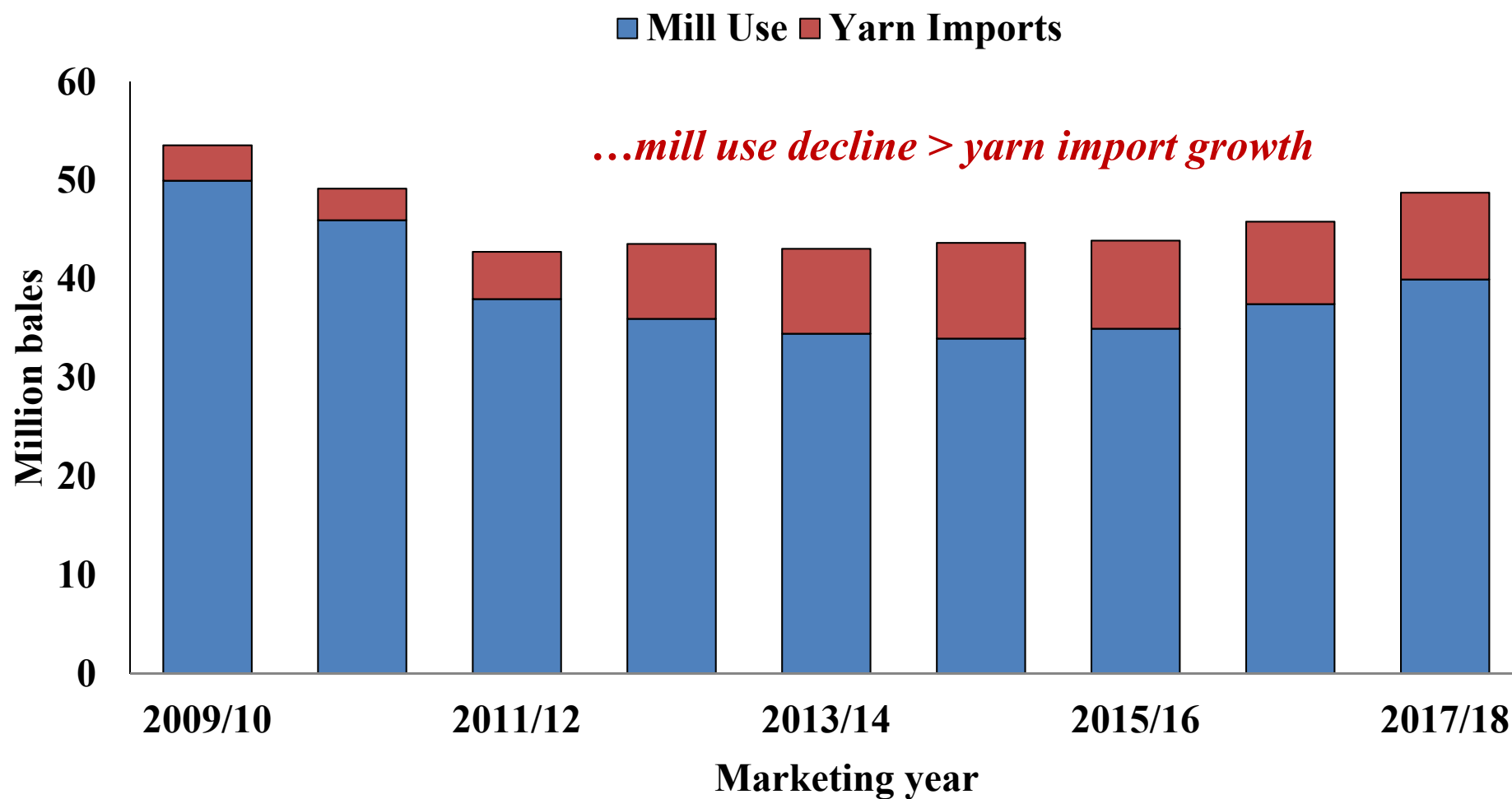
- 5.0-percent growth expected—fastest since 2009/10.
  - 6<sup>th</sup> consecutive year of growth (longest positive run since 1980s)
- Global economic growth fastest since 2011.
  - IMF forecasts calendar 2017 and 2018 world income growth to average 3.8 percent.
- Policy changes affecting polyester production in China.
  - Cotton/polyester price ratio most favorable in 3 years.
- China Reserve sales program well established.
- Impact of past extreme cotton price volatility fading.

# **Cotton's Share of U.S. Textile Imports, 2010/11 to Aug-Dec 2017/18**

**(raw-fiber-equivalent basis)**



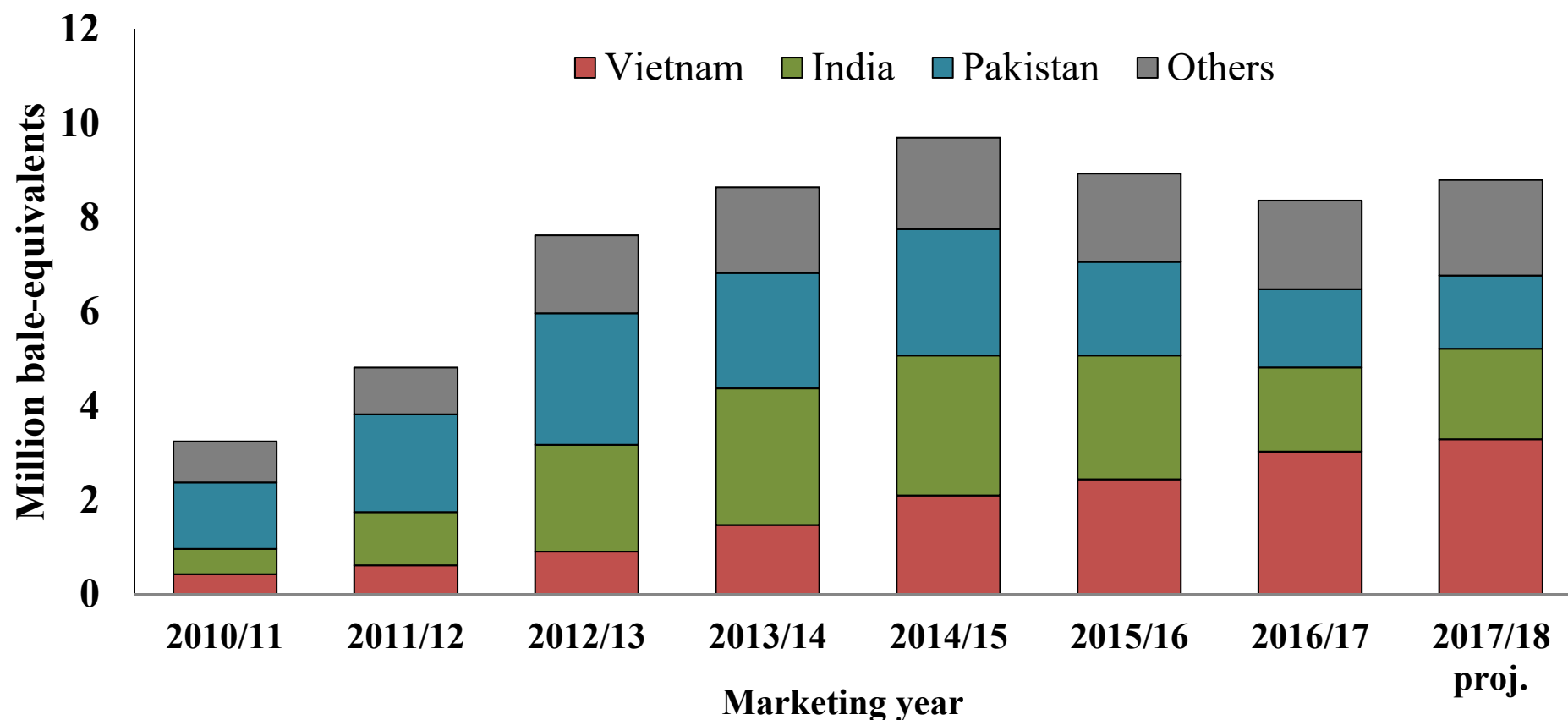
# China's Mill Use: Rising, But Below Peak...



Sources: USDA and Global Trade Atlas.

# China's Cotton Yarn Imports Stabilize

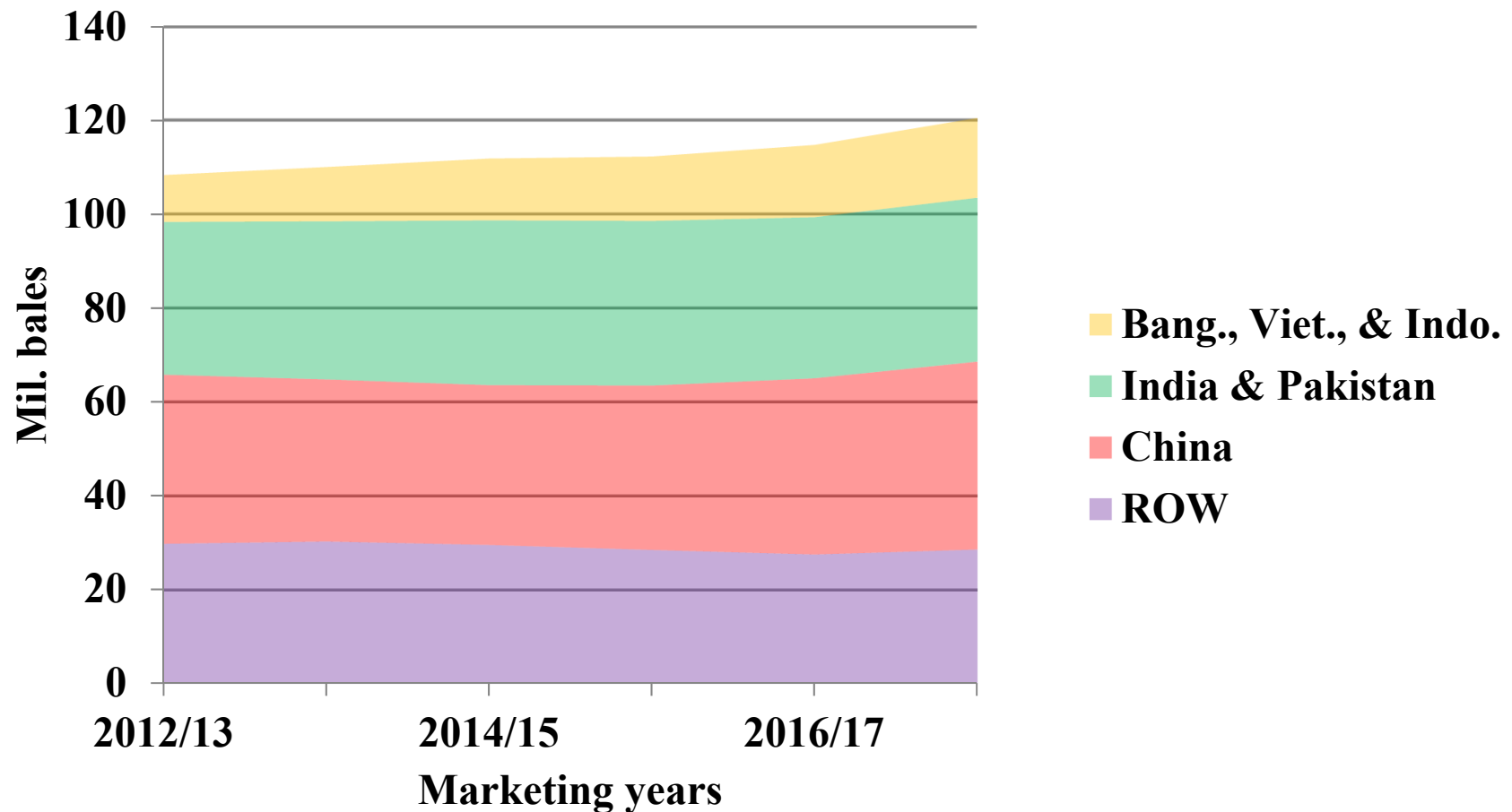
*Vietnam's shipments continue to grow*



Sources: USDA and Global Trade Atlas.

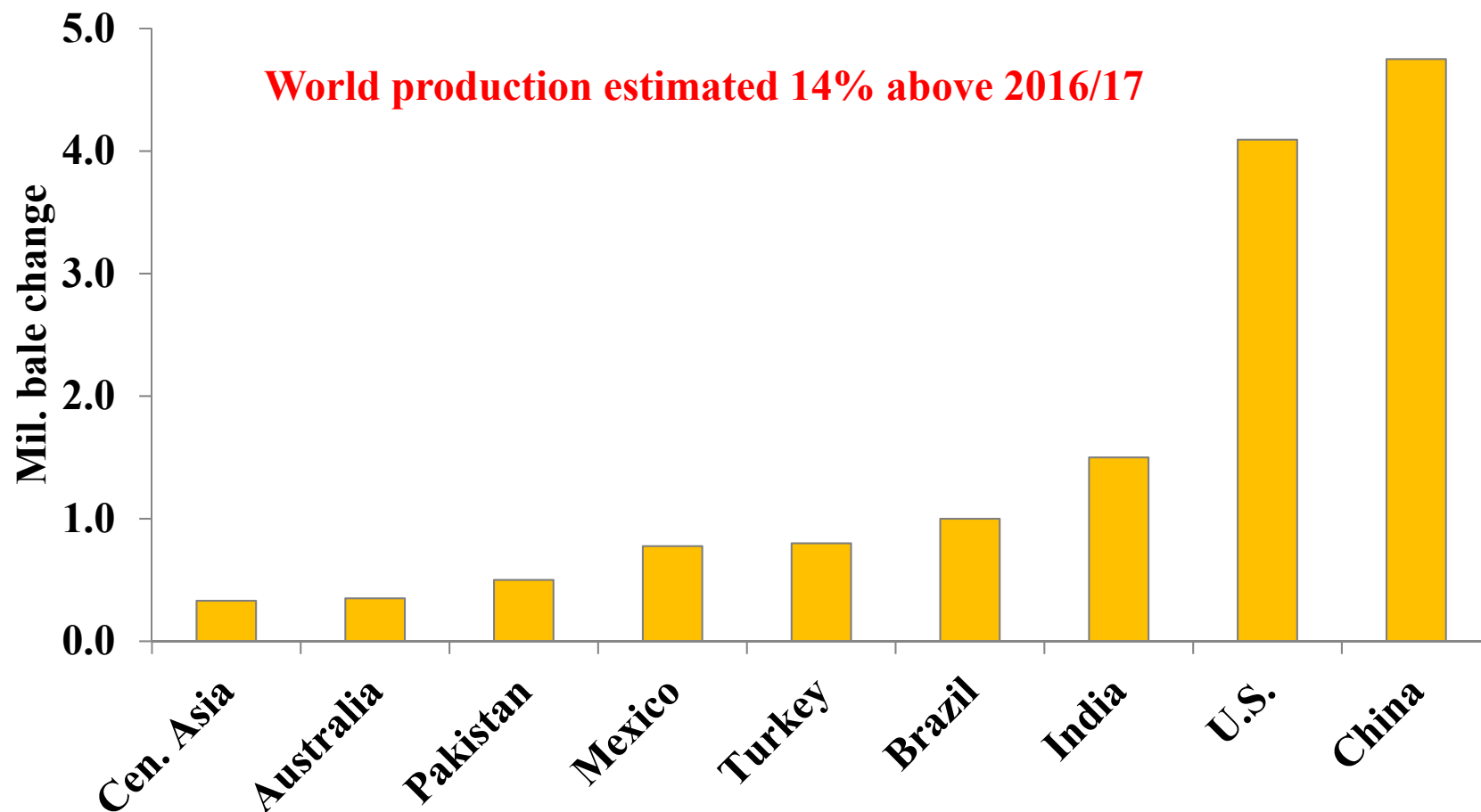


# New Markets Lead Global Consumption Growth, 2012-2017



Source: USDA Cotton ICEC.

# Production Rises in Most Major Producing Countries in 2017/18

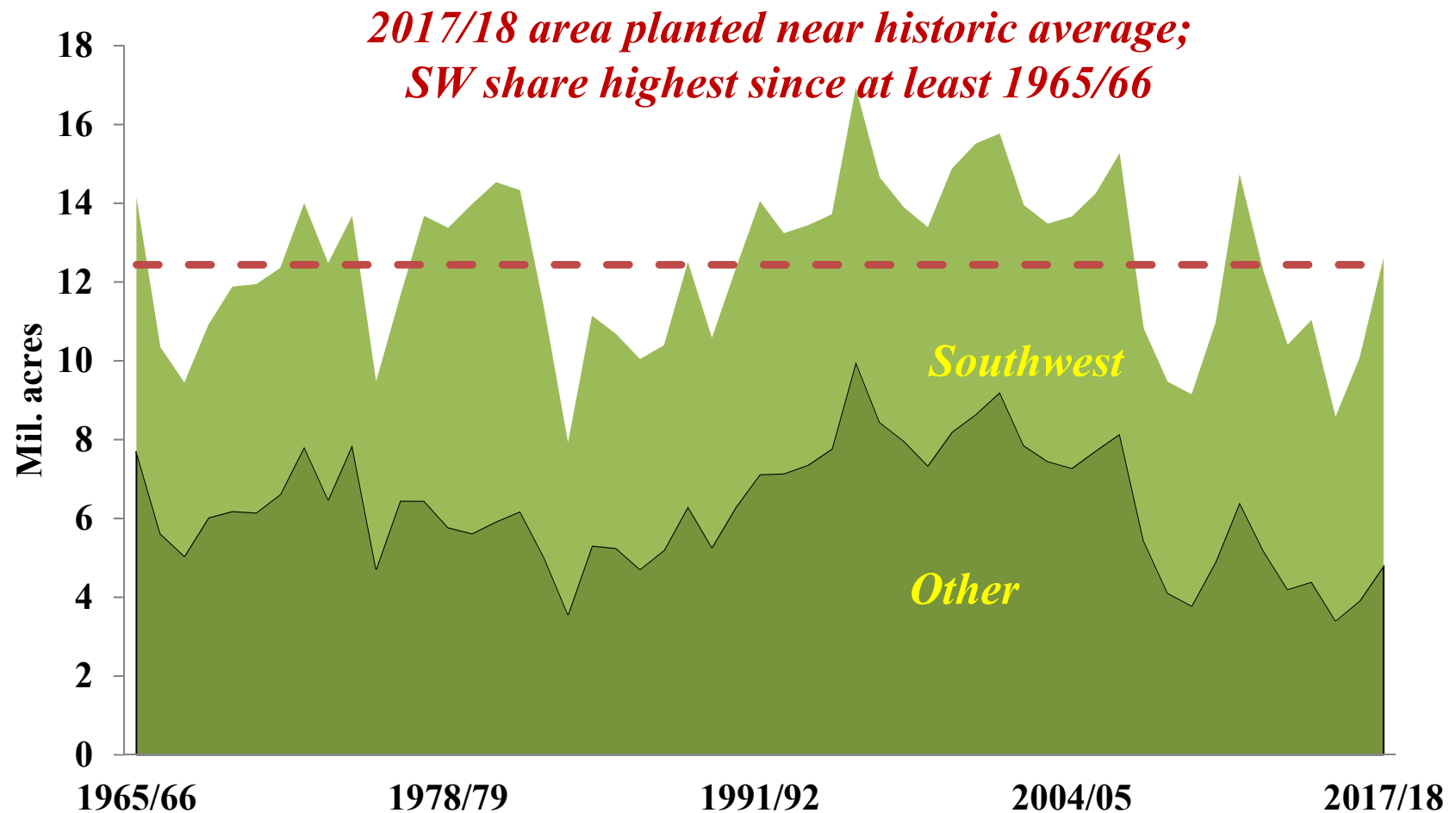


Source: USDA Cotton ICEC.

**2017/18**

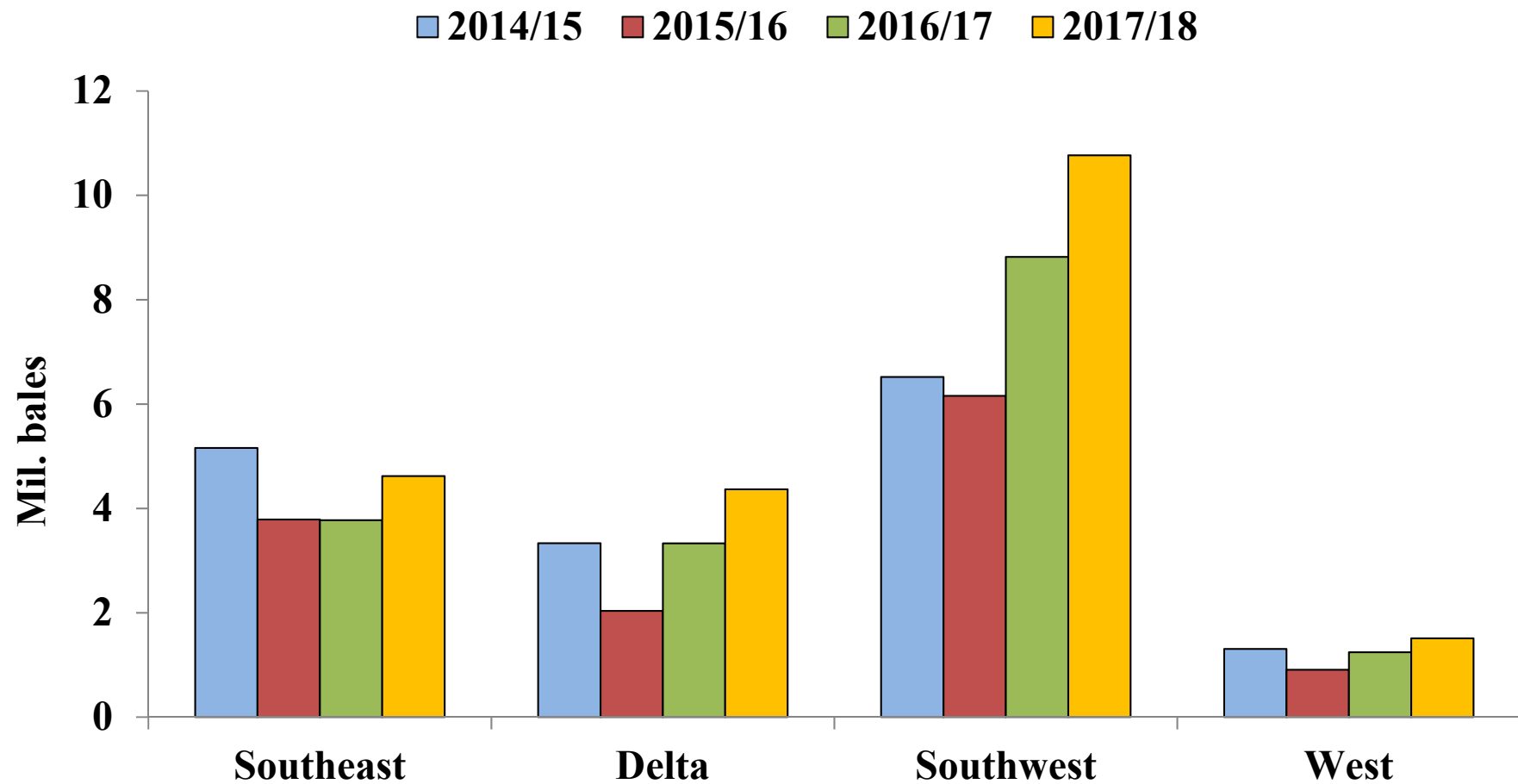
**Current U.S. Cotton Situation**

# U.S. Cotton Planted Area: A Historical Perspective



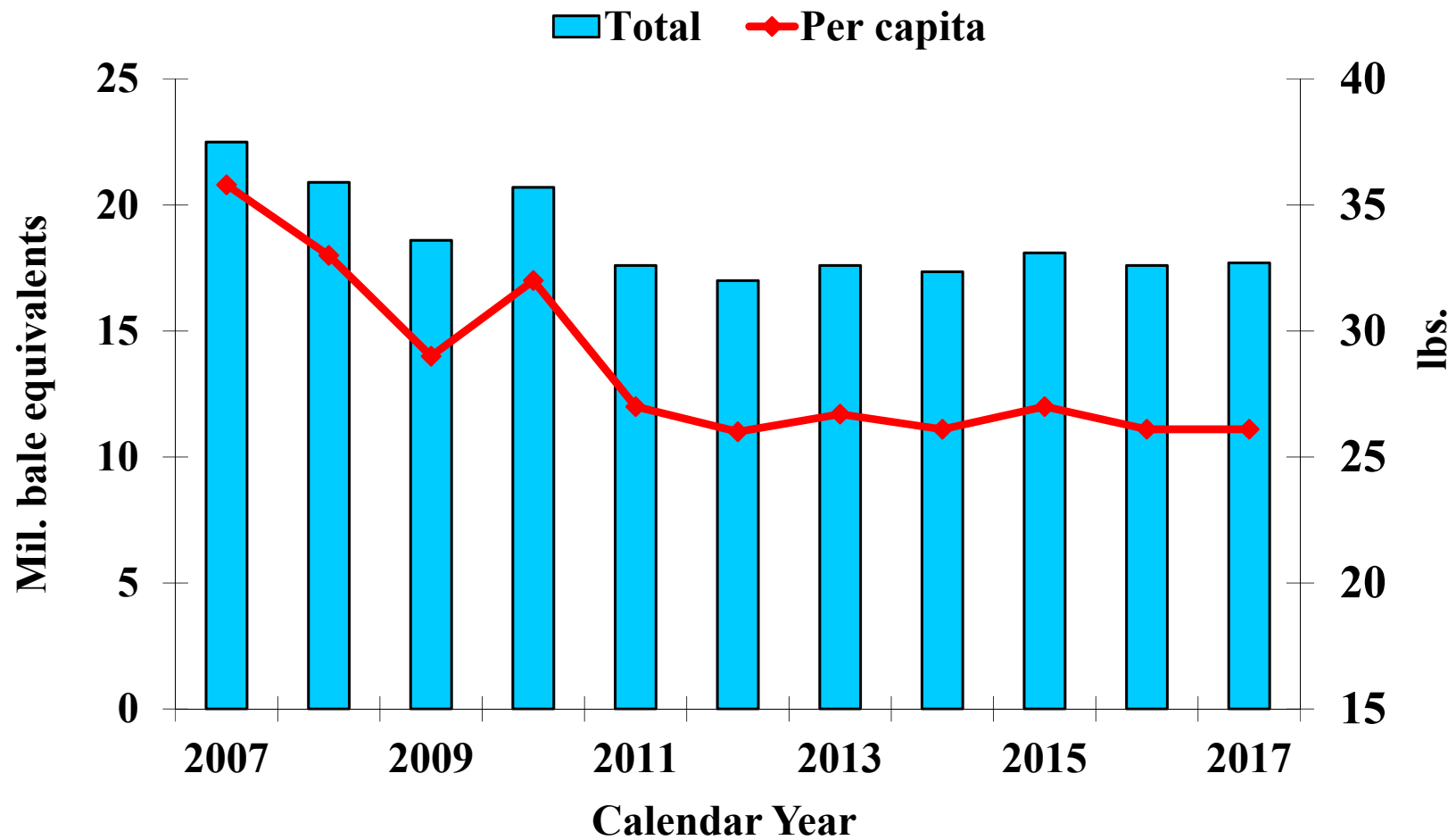
Source: USDA/NASS.

# U.S. Cotton Regional Production, 2014/15 to 2017/18



Source: USDA/NASS.

# U.S. Domestic Cotton Consumption: Total and Per Capita



Source: USDA/ERS.

# U.S. Cotton Supply and Demand

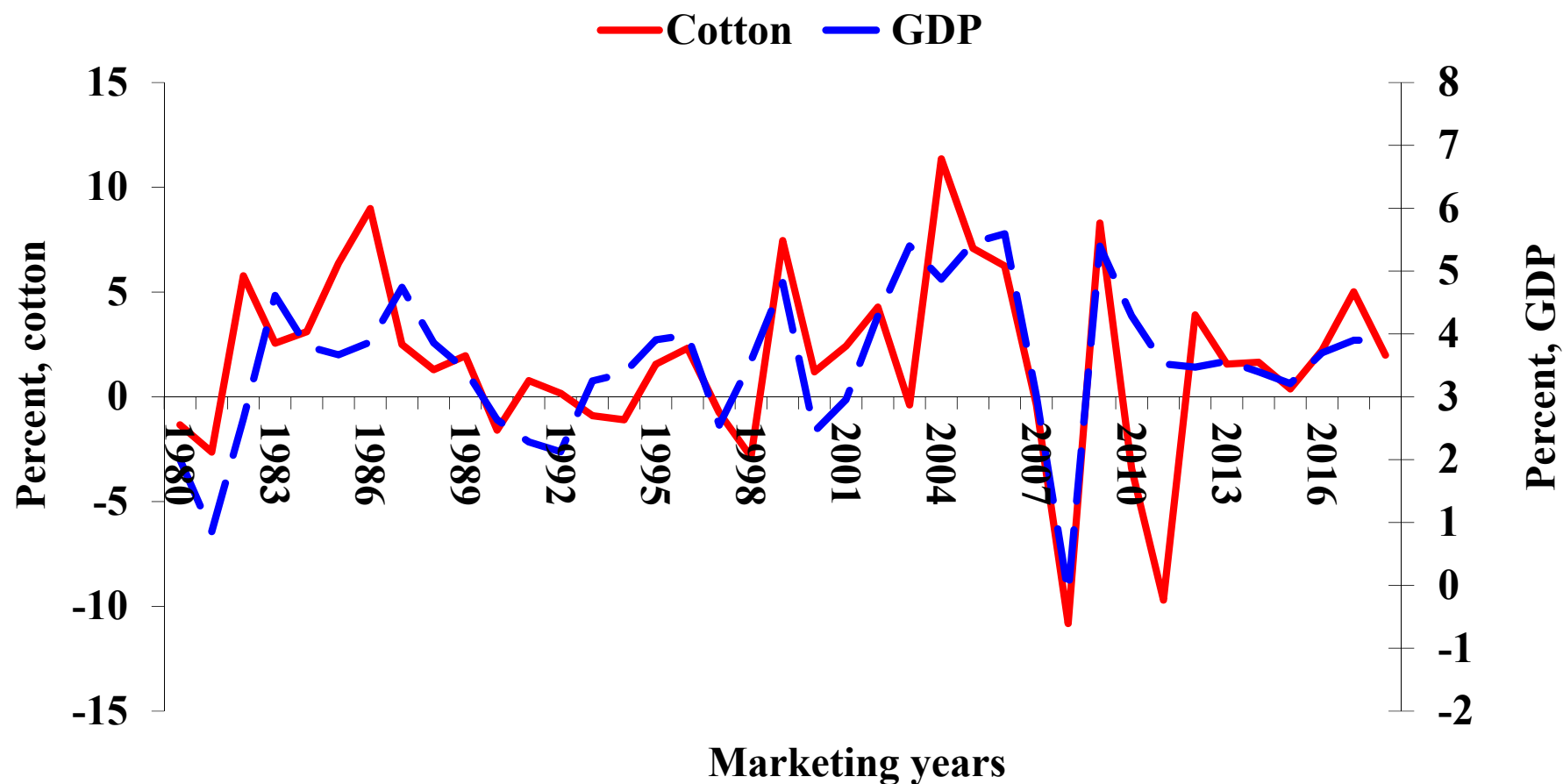
	<u>Unit</u>	<u>2016/17</u>	<u>2017/18</u>	<u>Change</u> <u>(%)</u>
<b>Beg. Stocks</b>	mil bales	3.8	2.8	-27.6
<b>Production</b>	"	17.2	21.3	23.8
<b>Imports</b>	"	0.0	0.0	0.0
<b>Total supply</b>	"	21.0	24.0	14.5
<b>Mill use</b>	"	3.3	3.4	3.1
<b>Exports</b>	"	14.9	14.5	-2.8
<b>Total use</b>	"	18.2	17.9	-1.7
<b>Ending stocks</b>	"	2.8	6.0	118.2
<b>Stocks-to-use</b>	%	15.1	33.6	122.5
<b>Farm price</b>	cents/lb.	68.0	69.0	1.5

**2018/19**

**World Cotton Outlook**



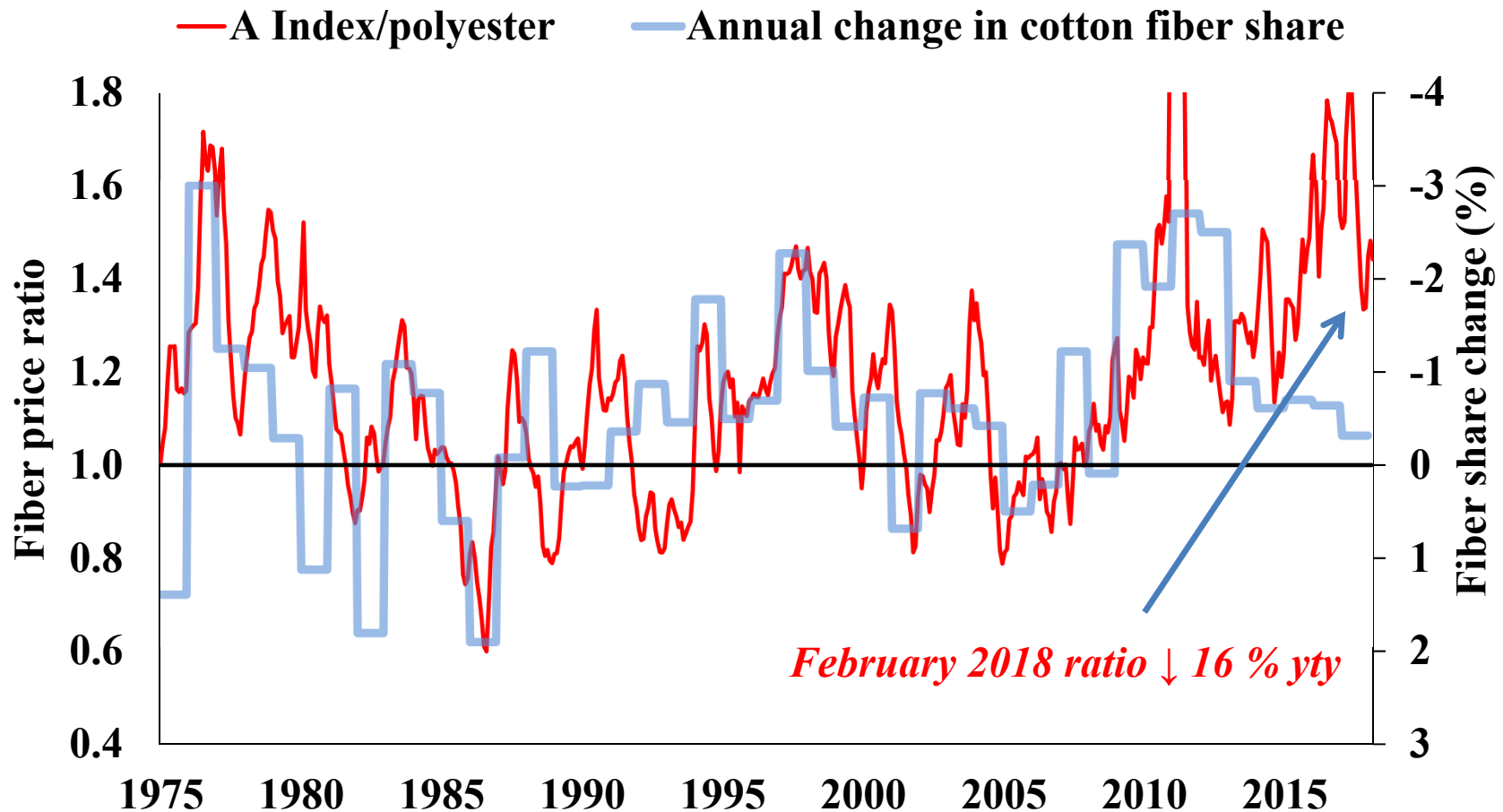
# World Cotton Consumption and Economic Growth



Sources: USDA and IMF.

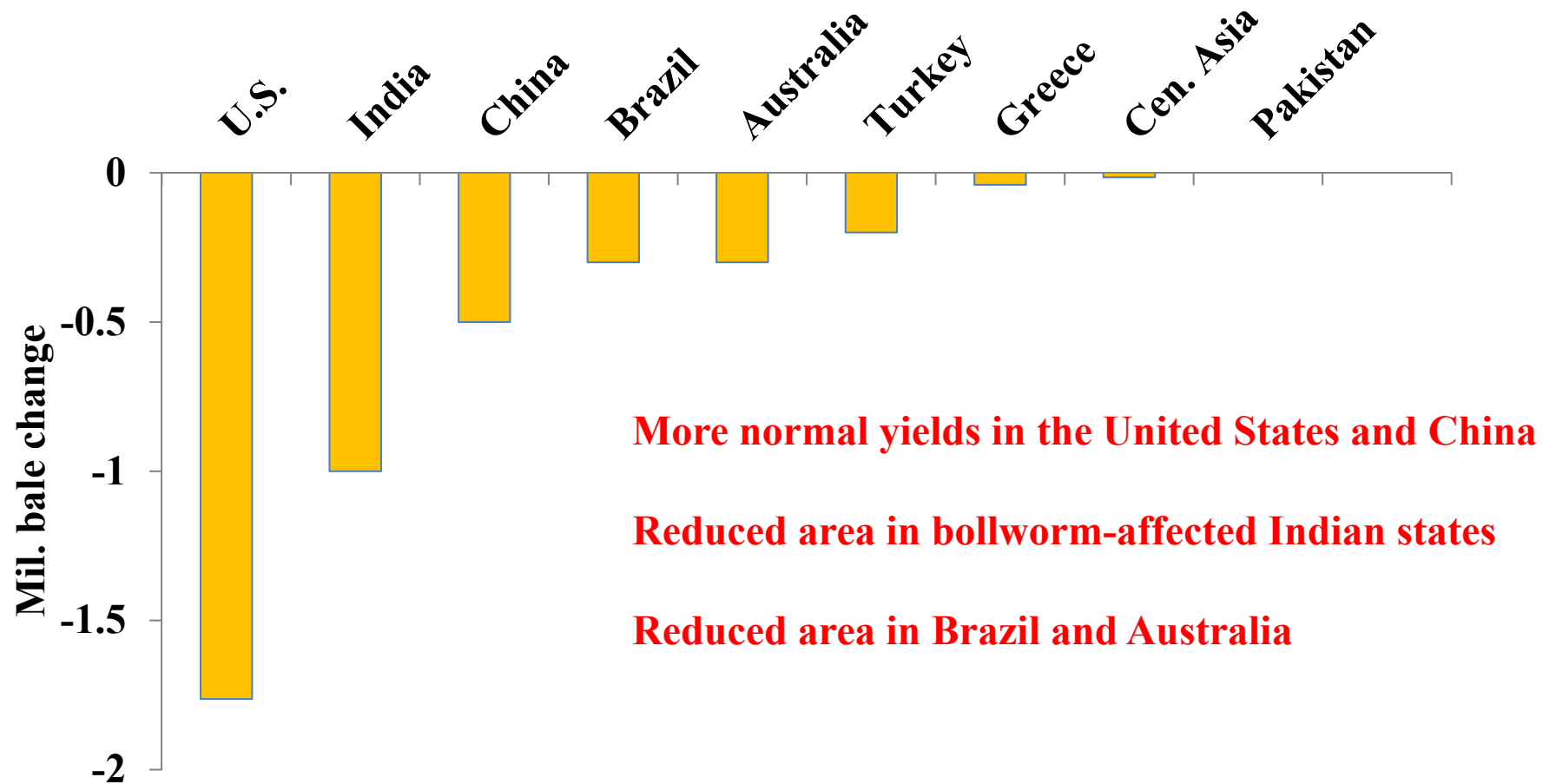
# Cotton/Polyester Price Ratio

## Shifts in Cotton's Favor—But Historically High



Source: USDA and ICAC.

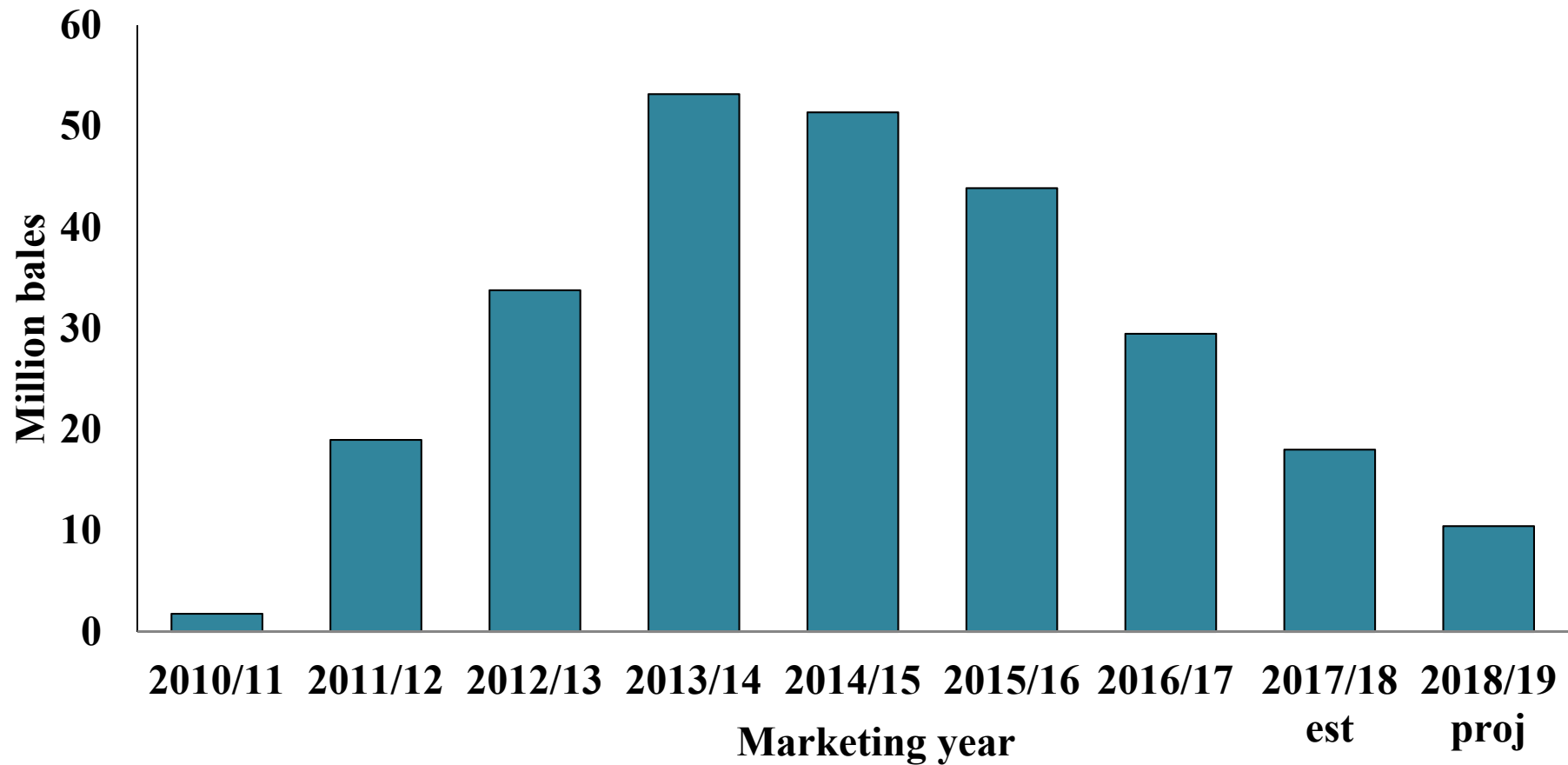
# Projected Changes in World Production, 2018/19 Compared With 2017/18



Source: USDA Cotton ICEC.

# China's State Cotton Reserves:

*Reserve sales expected to continue in 2018/19*



Source: USDA, Cotton ICEC.

# China Cotton Supply & Demand Projections:

*Large supply limits need for imports*

	<u>Unit</u>	<u>2017/18</u>	<u>2018/19</u>	<u>Change</u> <u>(%)</u>
<b>Beg. Stocks</b>	<b>mil bales</b>	<b>48.4</b>	<b>40.9</b>	<b>-15.6</b>
<b>Production</b>	<b>"</b>	<b>27.5</b>	<b>27.0</b>	<b>-1.8</b>
<b>Imports</b>	<b>"</b>	<b><u>5.0</u></b>	<b><u>7.0</u></b>	<b><u>40.0</u></b>
<b>Total supply</b>	<b>"</b>	<b>80.9</b>	<b>74.9</b>	<b>-7.5</b>
<b>Consumption</b>	<b>"</b>	<b>40.0</b>	<b>41.2</b>	<b>3.0</b>
<b>Exports</b>	<b>"</b>	<b><u>0.1</u></b>	<b><u>0.1</u></b>	<b><u>0.0</u></b>
<b>Total use</b>	<b>"</b>	<b>40.1</b>	<b>41.3</b>	<b>3.1</b>
<b>Ending stocks</b>	<b>"</b>	<b>40.9</b>	<b>33.6</b>	<b>-17.8</b>
<b>Reserve stocks</b>	<b>"</b>	<b>18.0</b>	<b>10.5</b>	<b>-42.0</b>
<b>Stocks-to-use</b>	<b>%</b>	<b>102.0</b>	<b>81.3</b>	<b>-20.3</b>

Source: USDA, Cotton ICEC.

# Assumptions Behind 2018/19 Projections

- Constant rate of global economic growth.
  - Little change in exchange rates
  - General policy continuity
- Cotton/polyester price ratio little changed.
  - Ratio remains favorable vis-à-vis levels of last 2 years.
  - Ratio remains above 2000-08 average.
- Continuity in China Reserve sales and trade policy.
  - Continued draw-down of government-owned stocks
  - No sliding-scale import quota in calendar 2018
- Normal weather during 2018 and 2019
- Current 2017/18 estimates have minimal error

# World Cotton Supply & Demand Projections:

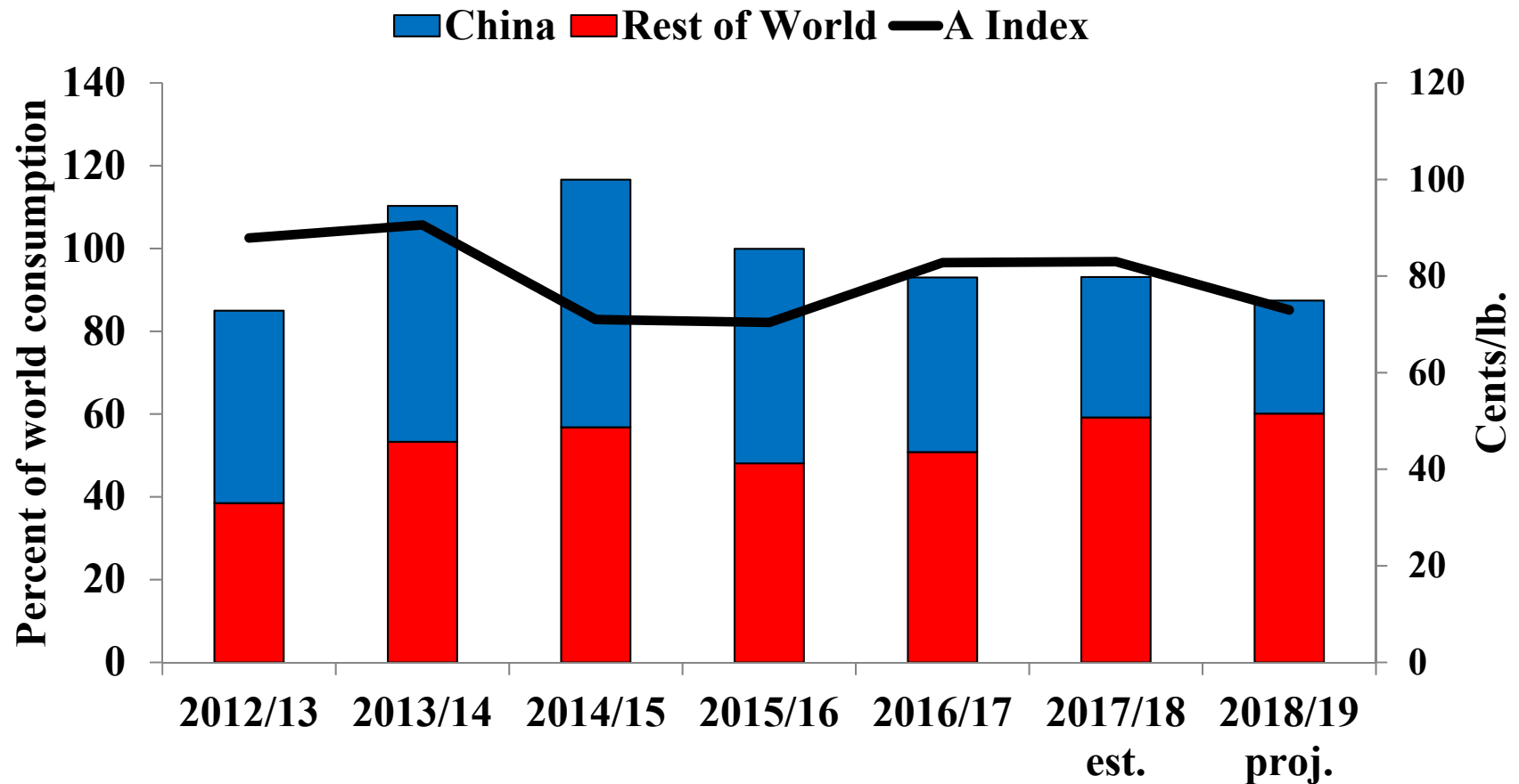
*China's stocks fall more than world stocks*

	<u>Unit</u>	<u>2017/18</u>	<u>2018/19</u>	<u>Change</u> (%)
<b>Beg. Stocks</b>	<b>mil bales</b>	<b>87.7</b>	<b>88.6</b>	<b>1.0</b>
<b>Production</b>	<b>"</b>	<b>121.4</b>	<b>117.0</b>	<b>-3.6</b>
<b>Imports</b>	<b>"</b>	<b><u>38.2</u></b>	<b><u>40.0</u></b>	<b><u>4.6</u></b>
<b>Total supply</b>	<b>"</b>	<b>247.3</b>	<b>245.6</b>	<b>-0.7</b>
<b>Consumption</b>	<b>"</b>	<b>120.5</b>	<b>122.9</b>	<b>2.0</b>
<b>Exports</b>	<b>"</b>	<b><u>38.2</u></b>	<b><u>40.0</u></b>	<b><u>4.7</u></b>
<b>Total use</b>	<b>"</b>	<b>158.7</b>	<b>162.9</b>	<b>2.6</b>
<b>Ending stocks</b>	<b>"</b>	<b>88.6</b>	<b>82.7</b>	<b>-6.7</b>
<b>China stocks</b>	<b>"</b>	<b>40.9</b>	<b>33.6</b>	<b>-17.8</b>
<b>Stocks-to-consumption</b>	<b>%</b>	<b>73.5</b>	<b>67.3</b>	<b>-8.4</b>

Source: USDA, Cotton ICEC.

# Global Cotton Stocks Projected Lower...

*...but stocks outside of China remain high*



Source: USDA, Cotton ICEC.



**2018/19**

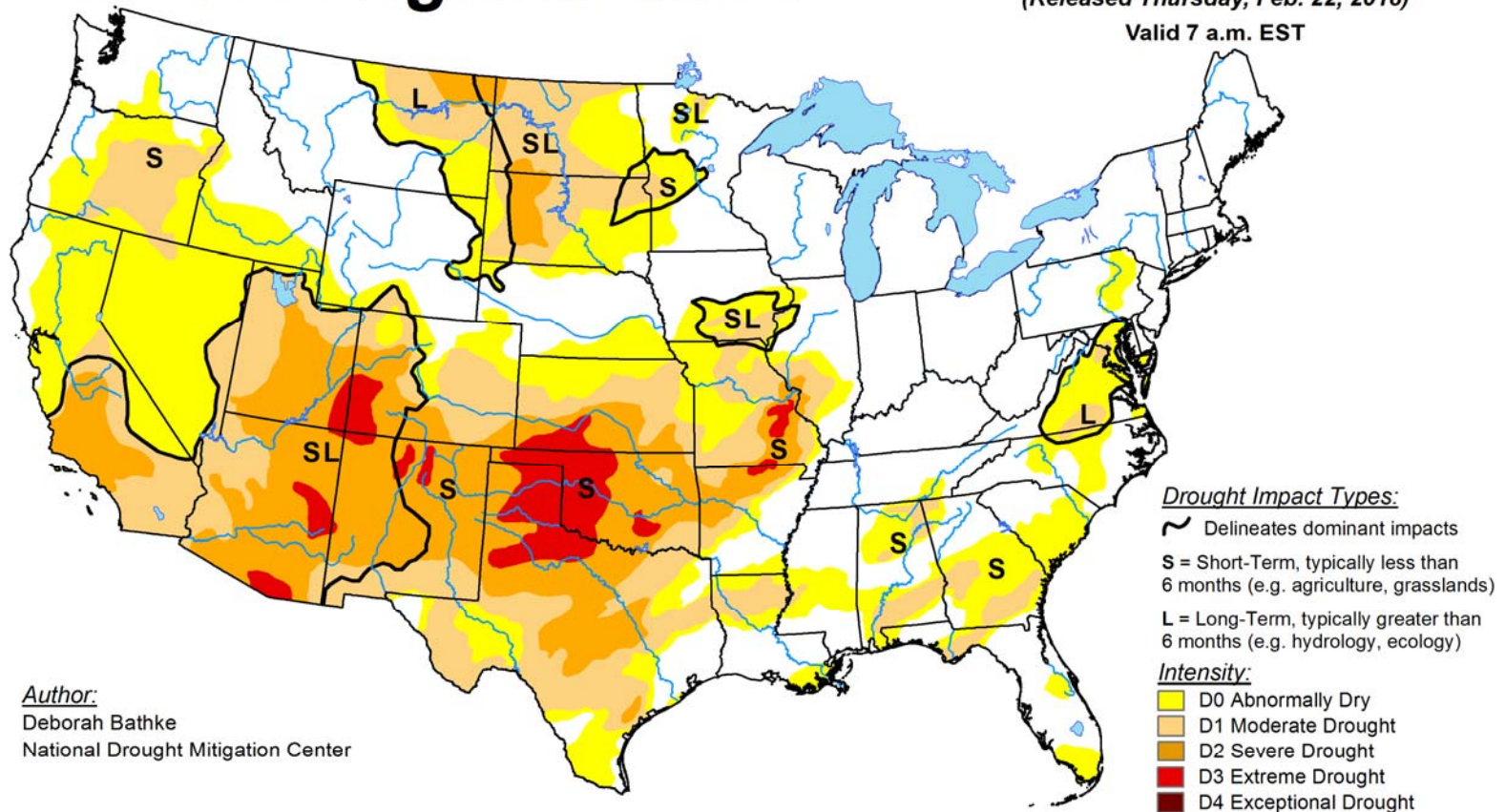
**U.S. Cotton Outlook**

# February Drought Conditions Worst in Southwest Since 2015

## ***U.S. Drought Monitor***

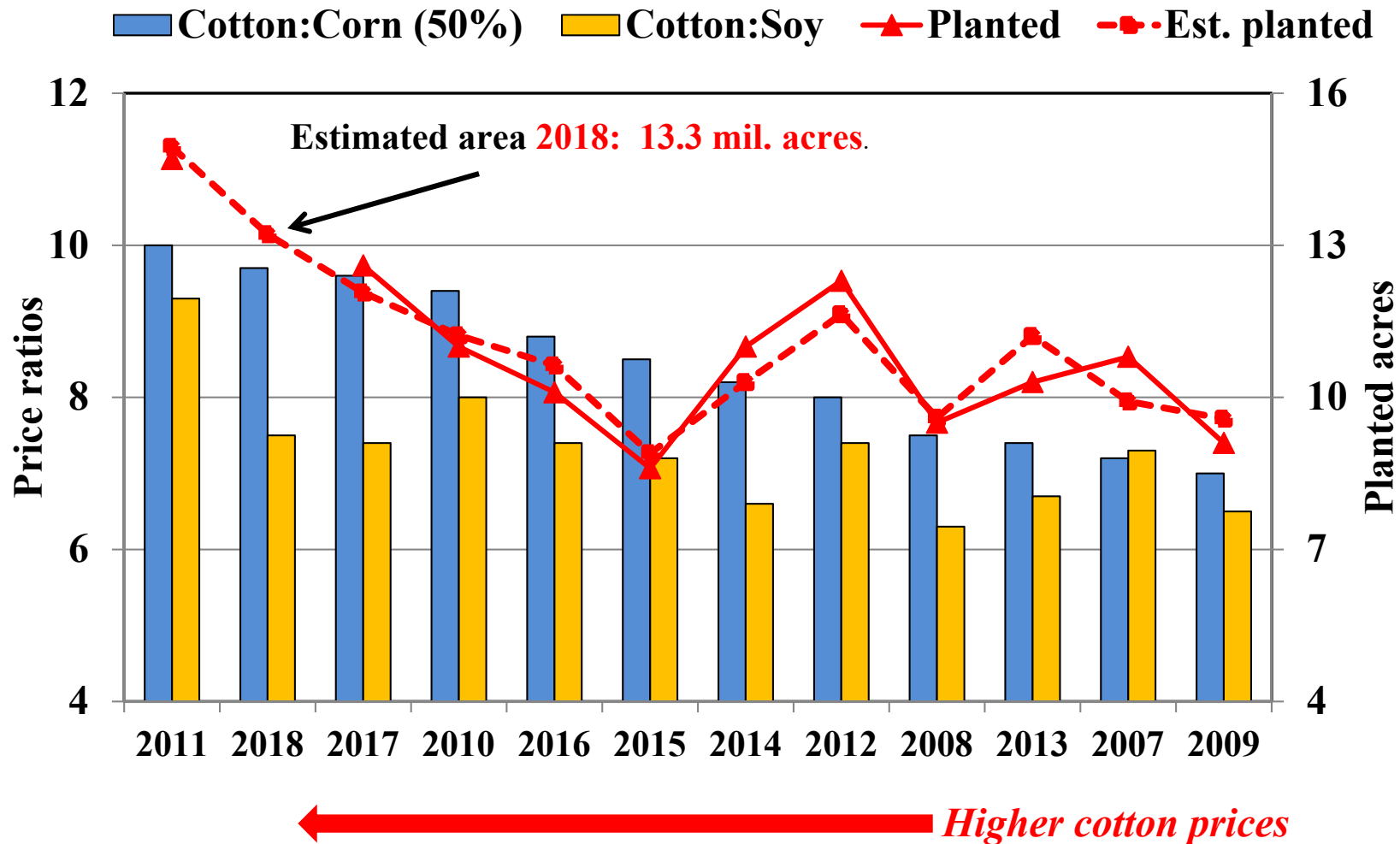
**February 20, 2018**  
(Released Thursday, Feb. 22, 2018)

Valid 7 a.m. EST



Author:  
Deborah Bathke  
National Drought Mitigation Center

# All-Cotton Planted Acres Based on Relative Prices, Winter Wheat Area, Texas Moisture Index, 2007-2018 proj.



# Outlook for 2018 U.S. Cotton Area

- Planted acreage expected higher at 13.3 million acres.
  - Harvested area forecast at 11.3 million acres.
  - NCC survey indicated about 13.1 million acres planted.
- Cotton is priced favorably vs. competing crops as planting approaches
- Opportunity to reassign generic base acres to “seed cotton” base in 2018/19 also supportive of higher area
- Soil moisture in Texas is at a level associated with higher abandonment

# U.S. Cotton Area, Yield, and Production

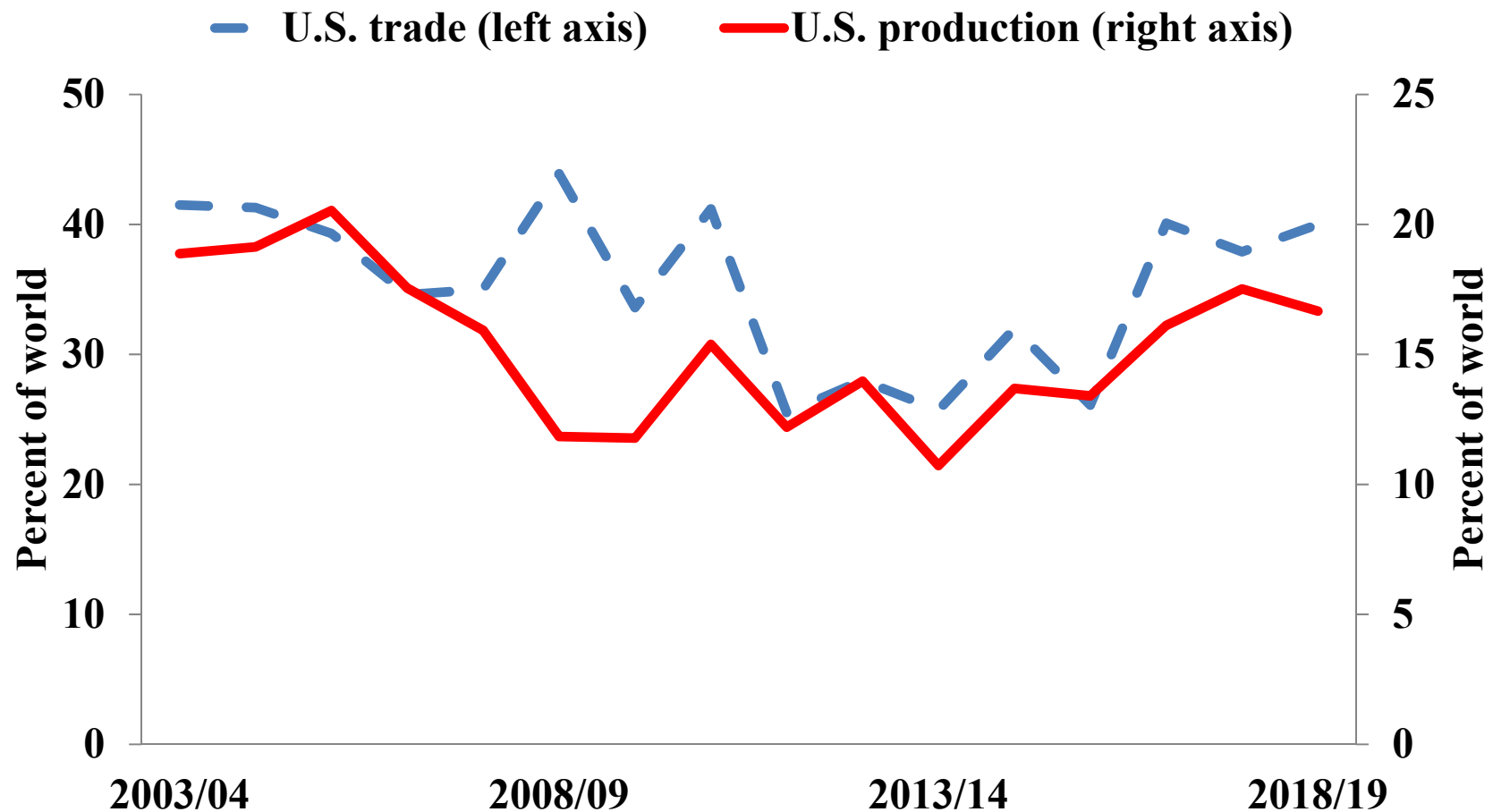
Key Factors Include Crop Conditions & Abandonment

*Southwest expected to account for 60% of area*

	<u>Unit</u>	<u>2017/18</u>	<u>2018/19</u>	<u>Change(%)</u>
Planted area	Mil. acres	12.61	13.30	5.5
Harvested area	"	11.35	11.30	-0.4
Abandonment rate	%	10.0	15.0	50.0
Yield/harvested acre	Lbs.	899	828	-7.9
Production	Mil. bales	21.26	19.50	-8.3

Source: USDA, Cotton ICEC.

# U.S. Share of World Trade Rises in 2018/19



Source: USDA Cotton ICEC.

# U.S. Cotton Supply & Demand Projections:

## *Exports Rise, But Stocks Unchanged*

	<u>Unit</u>	<u>2017/18</u>	<u>2018/19</u>	<u>Change</u> <u>(%)</u>
<b>Beg. Stocks</b>	<b>mil bales</b>	<b>2.75</b>	<b>6.00</b>	<b>118.2</b>
<b>Production</b>	<b>"</b>	<b>21.26</b>	<b>19.50</b>	<b>-8.3</b>
<b>Imports</b>	<b>"</b>	<b><u>0.01</u></b>	<b><u>0.01</u></b>	<b><u>0.0</u></b>
<b>Total supply</b>	<b>"</b>	<b>24.02</b>	<b>25.51</b>	<b>6.2</b>
<b>Mill use</b>	<b>"</b>	<b>3.35</b>	<b>3.40</b>	<b>1.5</b>
<b>Exports</b>	<b>"</b>	<b><u>14.50</u></b>	<b><u>16.00</u></b>	<b><u>10.3</u></b>
<b>Total use</b>	<b>"</b>	<b>17.85</b>	<b>19.40</b>	<b>8.7</b>
<b>Ending stocks</b>	<b>"</b>	<b>6.00</b>	<b>6.00</b>	<b>0.0</b>
<b>Stocks-to-use</b>	<b>%</b>	<b>33.6</b>	<b>30.9</b>	<b>-8.0</b>
<b>Farm price</b>	<b>cents/lb.</b>	<b>69.0</b>	<b>63.0</b>	<b>-8.7</b>

Source: USDA, Cotton ICEC.

# Revisiting the Assumptions Behind 2018/19 Projections

- Constant rate of global economic growth.
  - Little change in exchange rates
  - General policy continuity
- Cotton/polyester price ratio little changed.
  - Ratio remains favorable vis-à-vis levels of last 2 years.
  - Ratio remains above 2000-08 average.
- Continuity in China Reserve sales and trade policy.
  - Continued draw-down of government-owned stocks
  - No sliding-scale import quota in calendar 2018
- Normal weather during 2018 and 2019
- Current 2017/18 estimates have minimal error



**Thank You!**