

# Cotton Situation and Outlook

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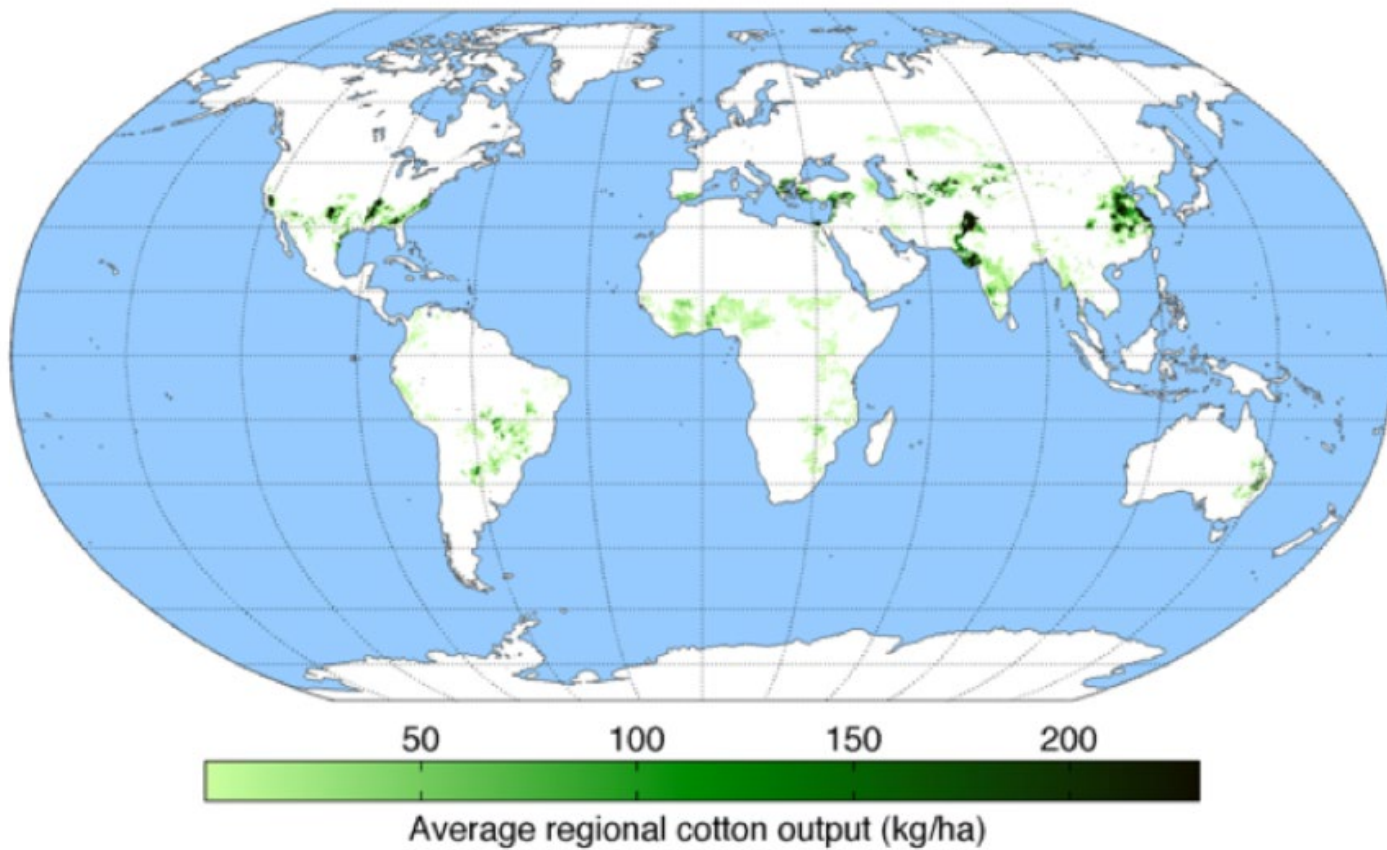
*College of Agricultural & Environmental Sciences*

**UNIVERSITY OF GEORGIA**



# Overview

- Global supply and demand
  - supply outpace demand
- Domestic supply and demand
  - supply outpace demand
- Price, U.S dollar index, and economic growth
  - Appreciation of U.S. dollar, lower prices, slower economic growth in advanced economy

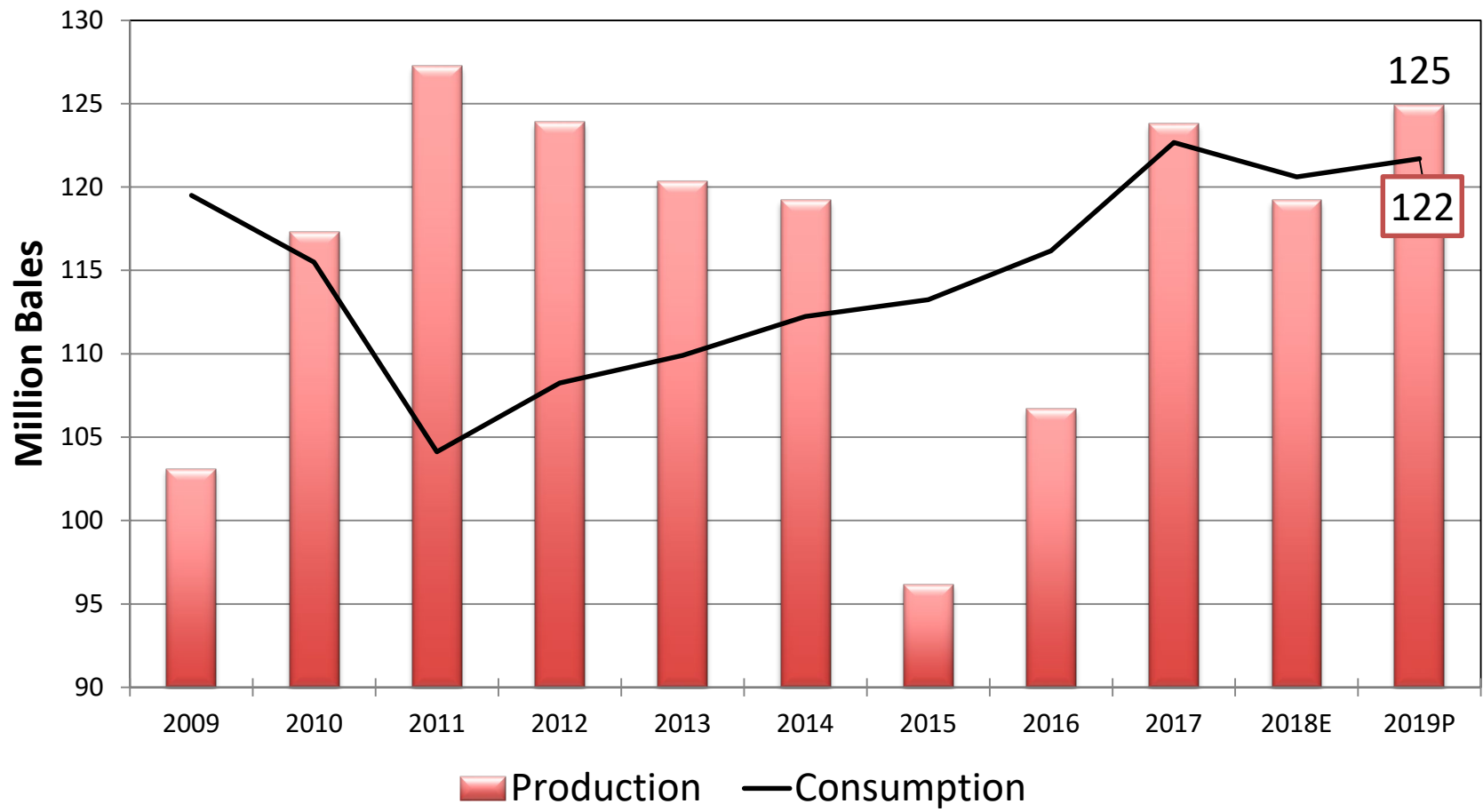


<http://www.cottoncompass.com.au/resources-maps.html>

# GLOBAL SUPPLY AND DEMAND

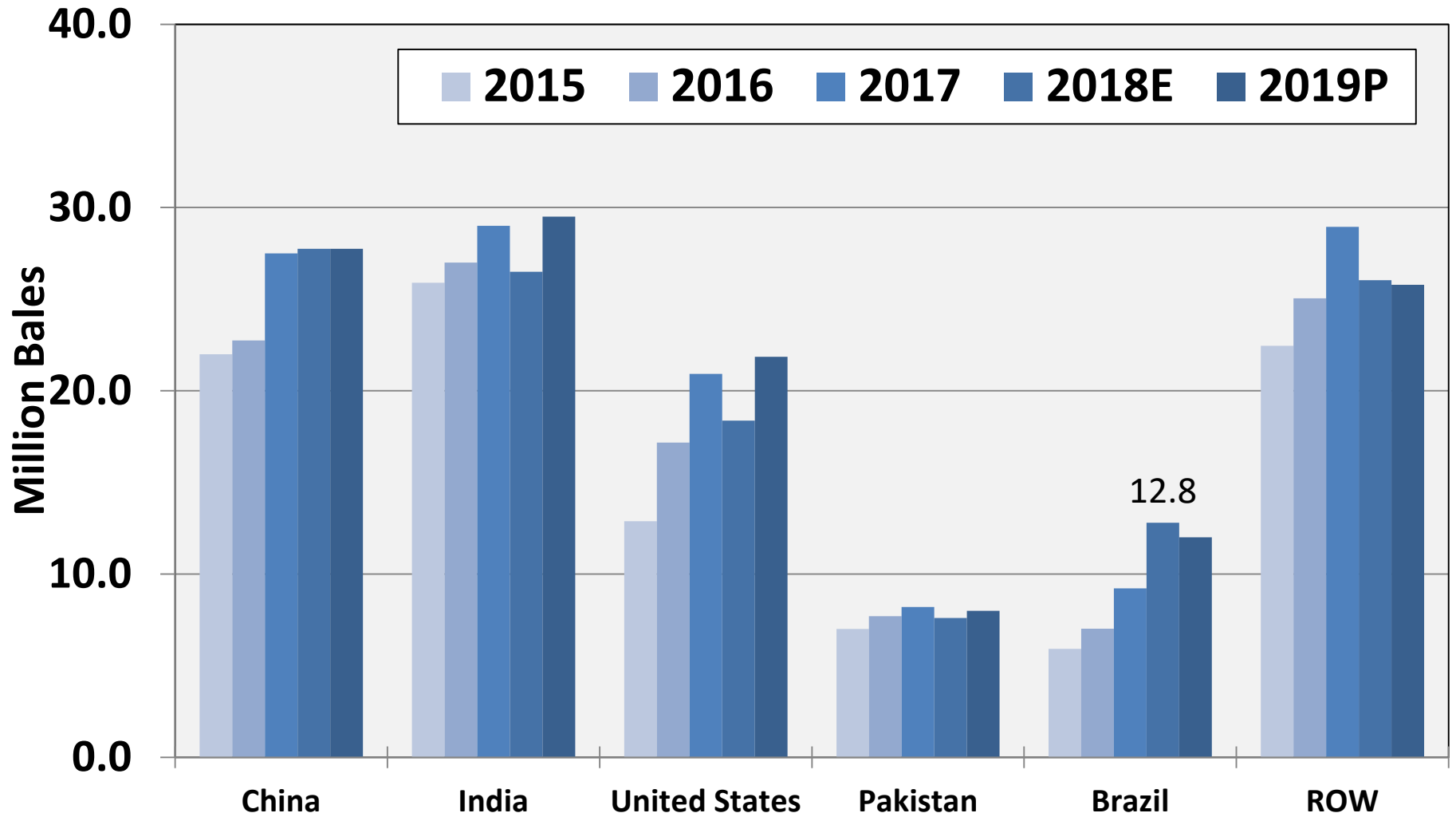


# World Cotton Supply and Demand





# Global Cotton Production by Country and Year

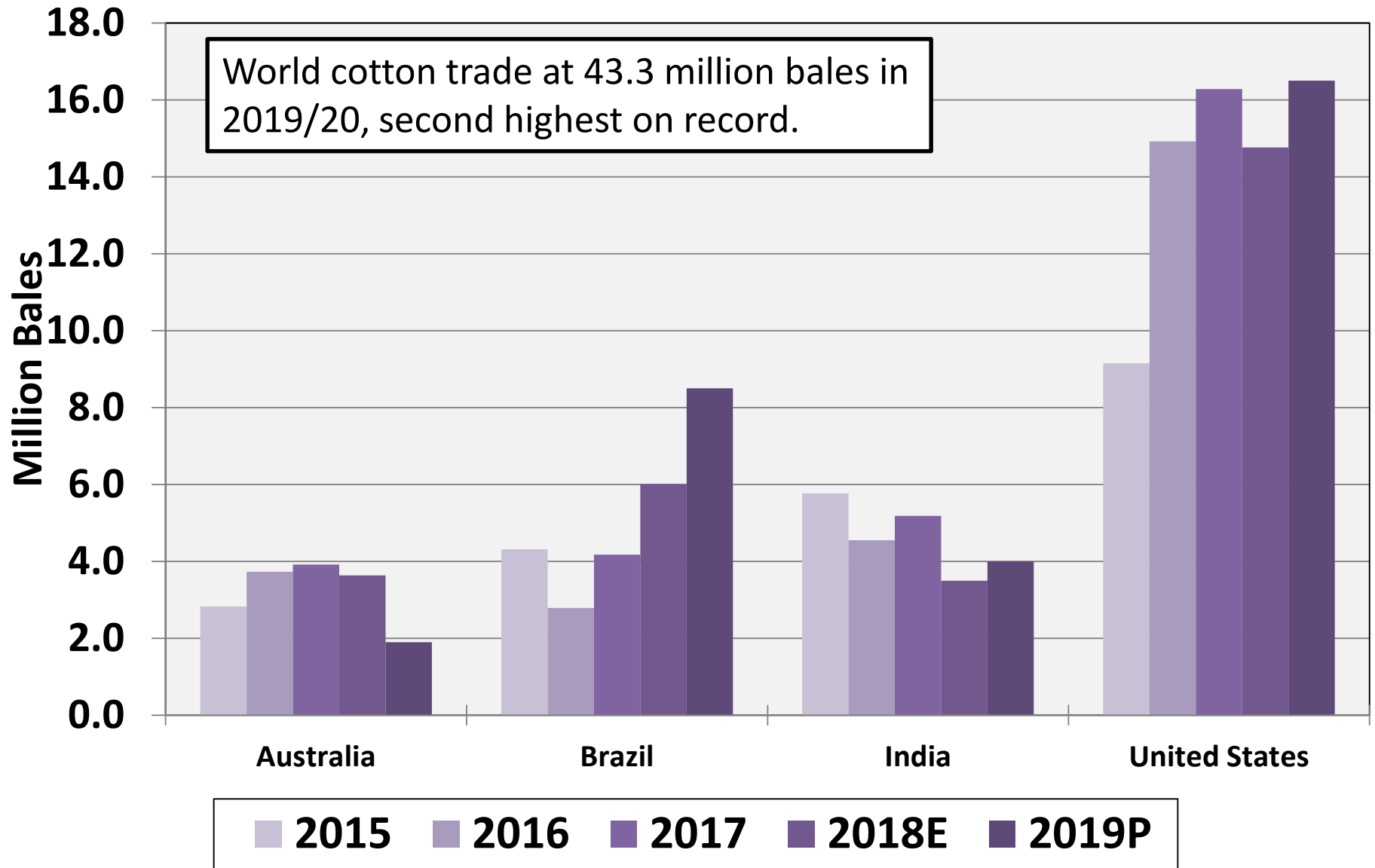


Brazil produced a record crop of 12.8 million bales in 2018.



# Major Exporter by Country and Year

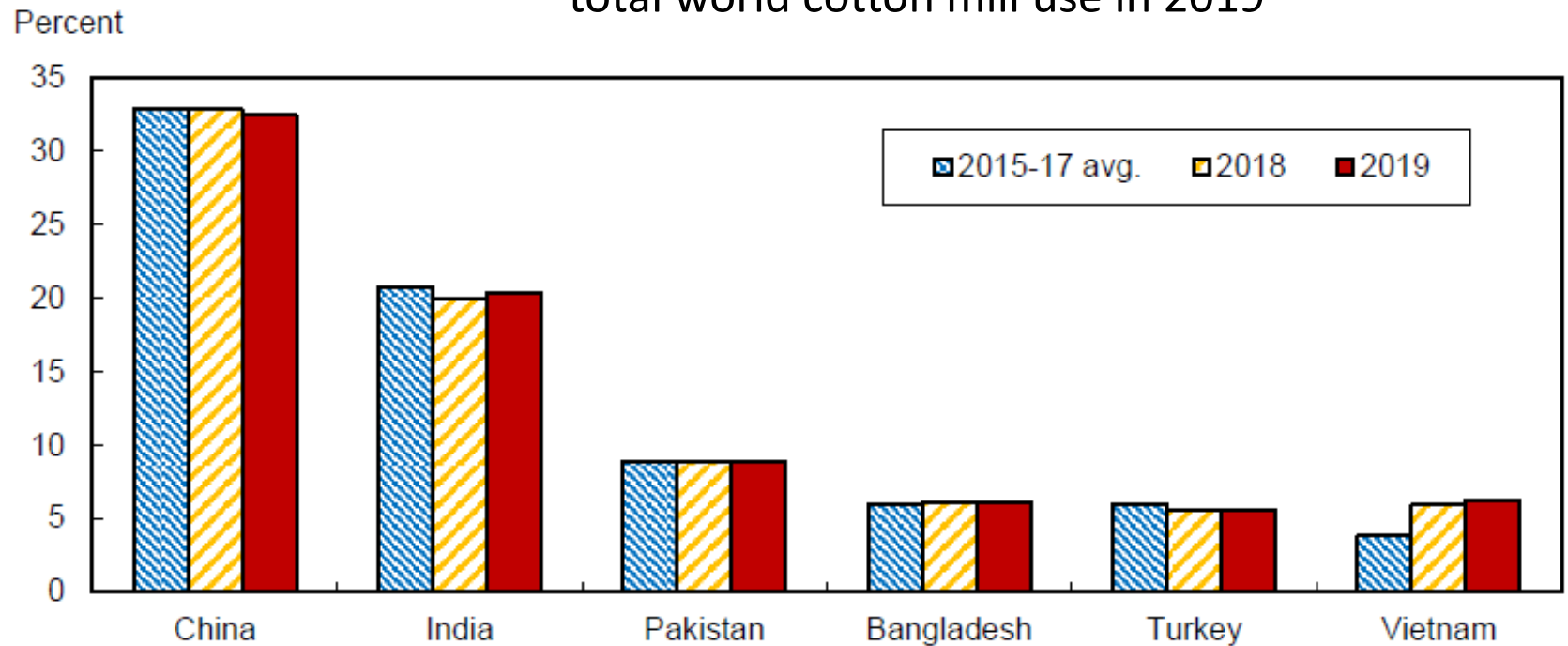
World cotton trade at 43.3 million bales in 2019/20, second highest on record.





# Share of Total Cotton Consumption by Major Spinner

Six countries account for 73 percent of the total world cotton mill use in 2019

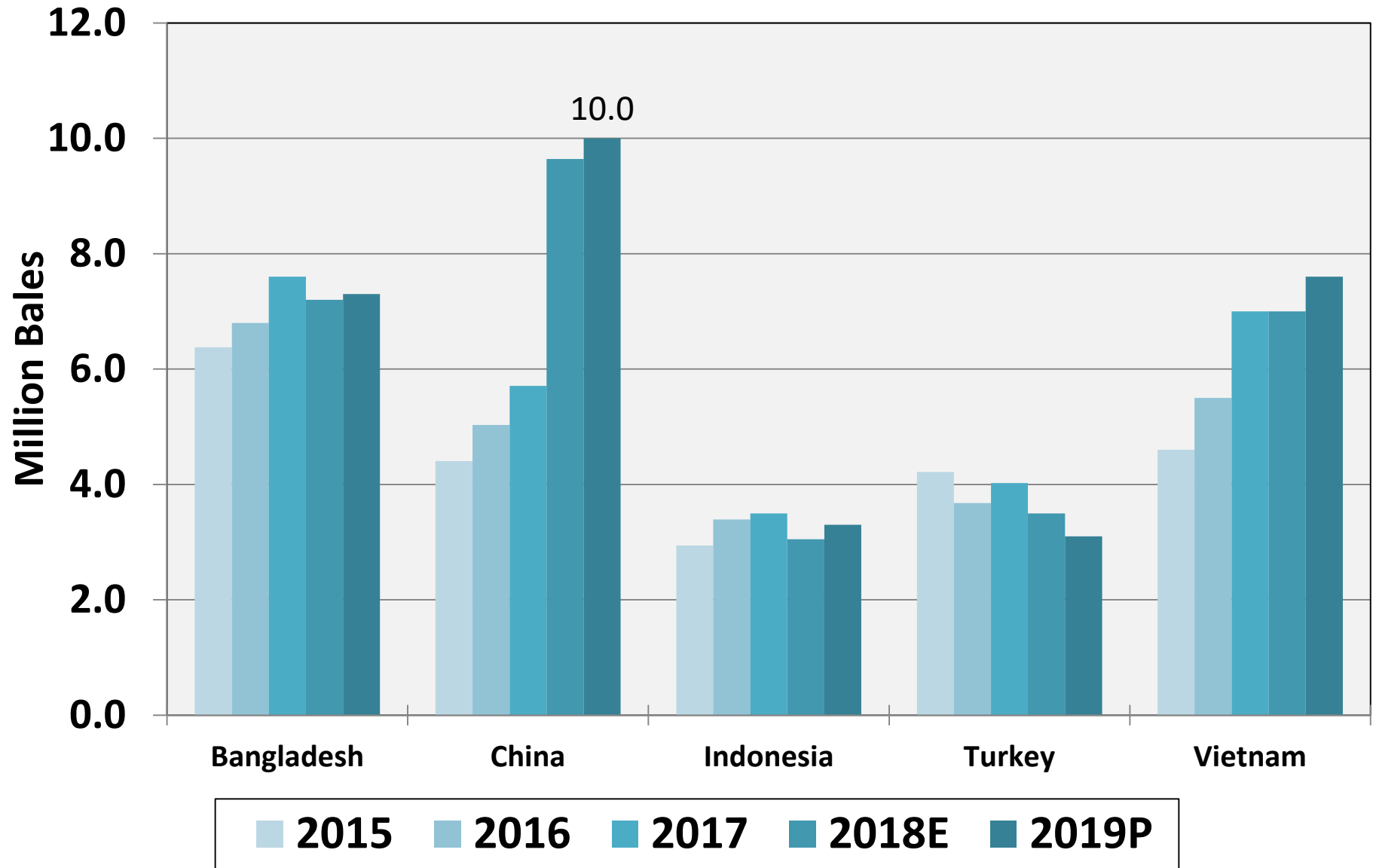


Source: USDA, *World Agricultural Supply and Demand Estimates* reports.

Vietnam become the fourth largest cotton-spinning country in 2019/20



# Major Importers by Country and Year

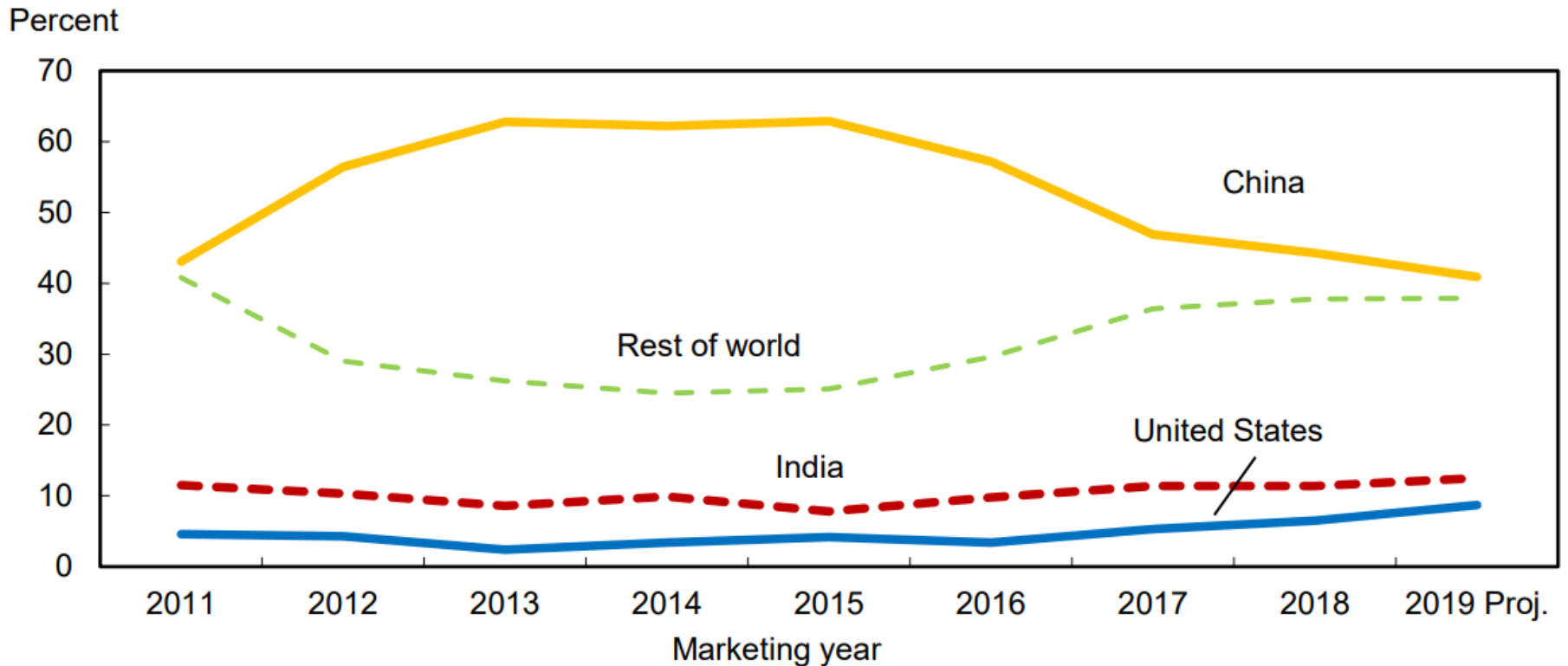


Data from USDA FAS





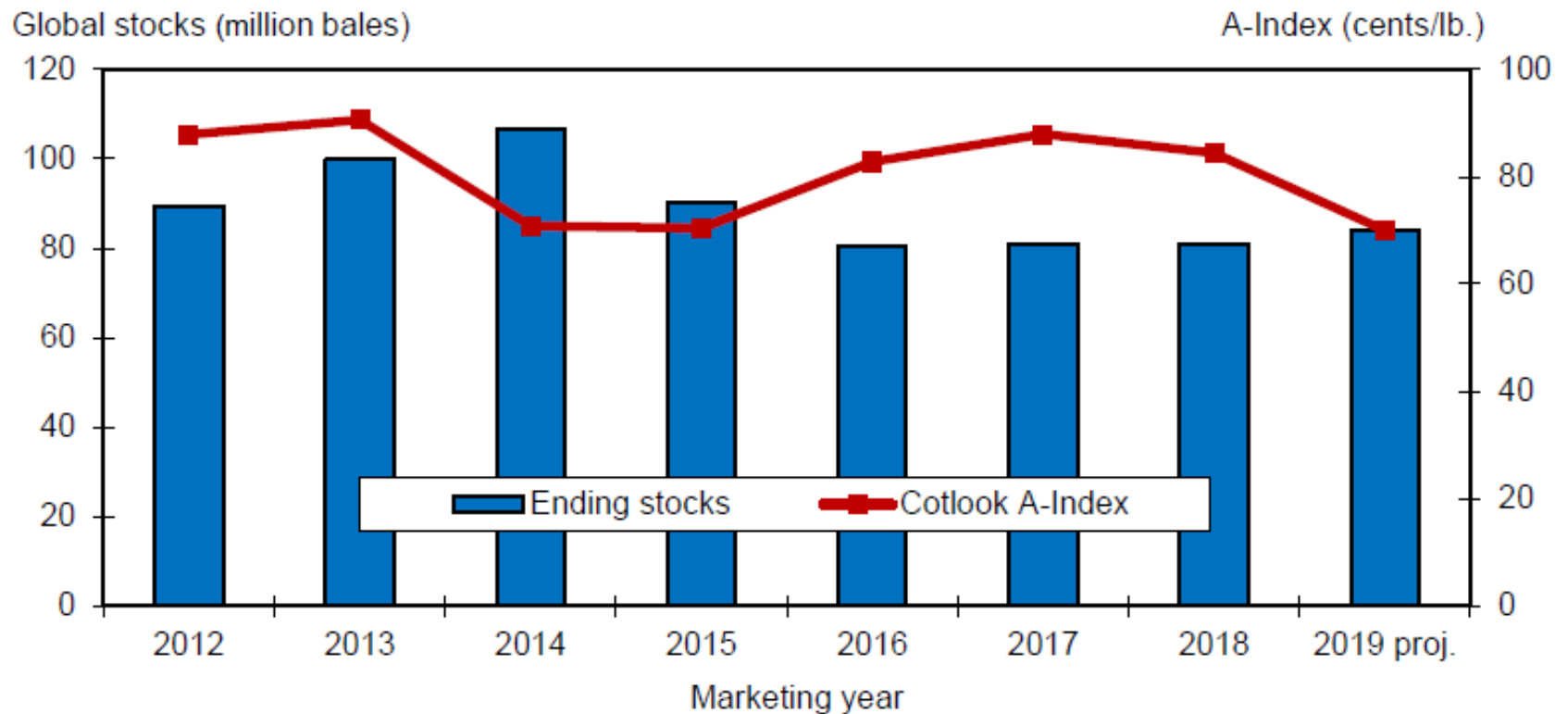
# Share of Global Cotton Ending Stocks



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



# Global Cotton Stocks and Prices



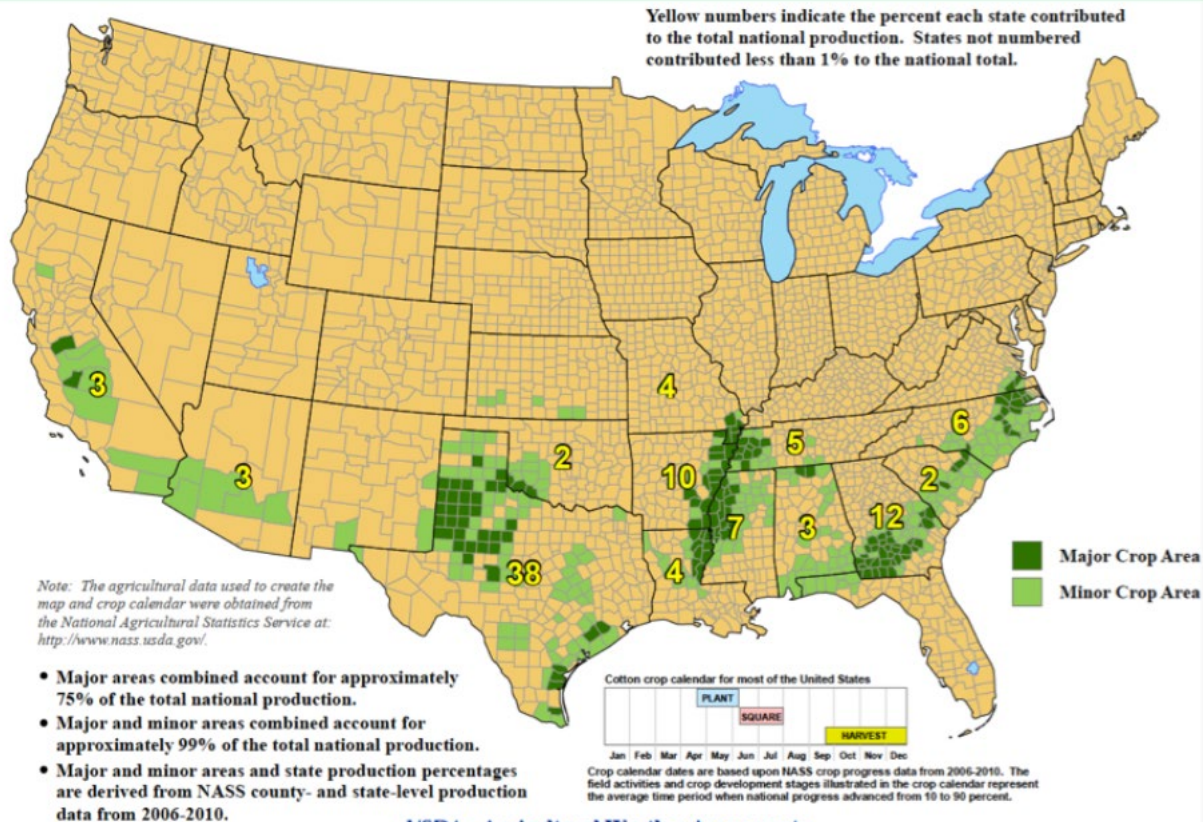
Note: 1 bale = 480 pounds.

Sources: Cotlook and USDA, Interagency Commodity Estimates Committee.

# Global Supply and Demand Summary

- The supply outpace demand has created downward pressure on cotton prices globally.
- Increased production in Brazil creates higher competition for U.S. cotton.
- Vietnam is expected to continue growing in its cotton spinning industry.
- China is expected to increase its imports to support the national reserve.

## United States: Cotton (Upland)



<http://www.cottoncompass.com.au/resources-maps.html>

# DOMESTIC SUPPLY AND DEMAND



2018/19 Est. 2019/20 Proj. Change

**Planted and Harvested Acres & Yield**

Planted (Million Acres)	14.10	13.76	-0.34
Harvested (Million Acres)	10.21	12.51	2.30
U.S. Yield (lbs/acre)	864	839	-25

**Supply (Million Bales)**

Beg. Stocks	4.20	4.85	0.65
Production	18.37	21.86	3.49
Imports	0.00	0.01	0.01
<b>Total Supply</b>	<b>22.57</b>	<b>26.72</b>	<b>4.15</b>

**Use & Ending Stocks (Million Bales)**

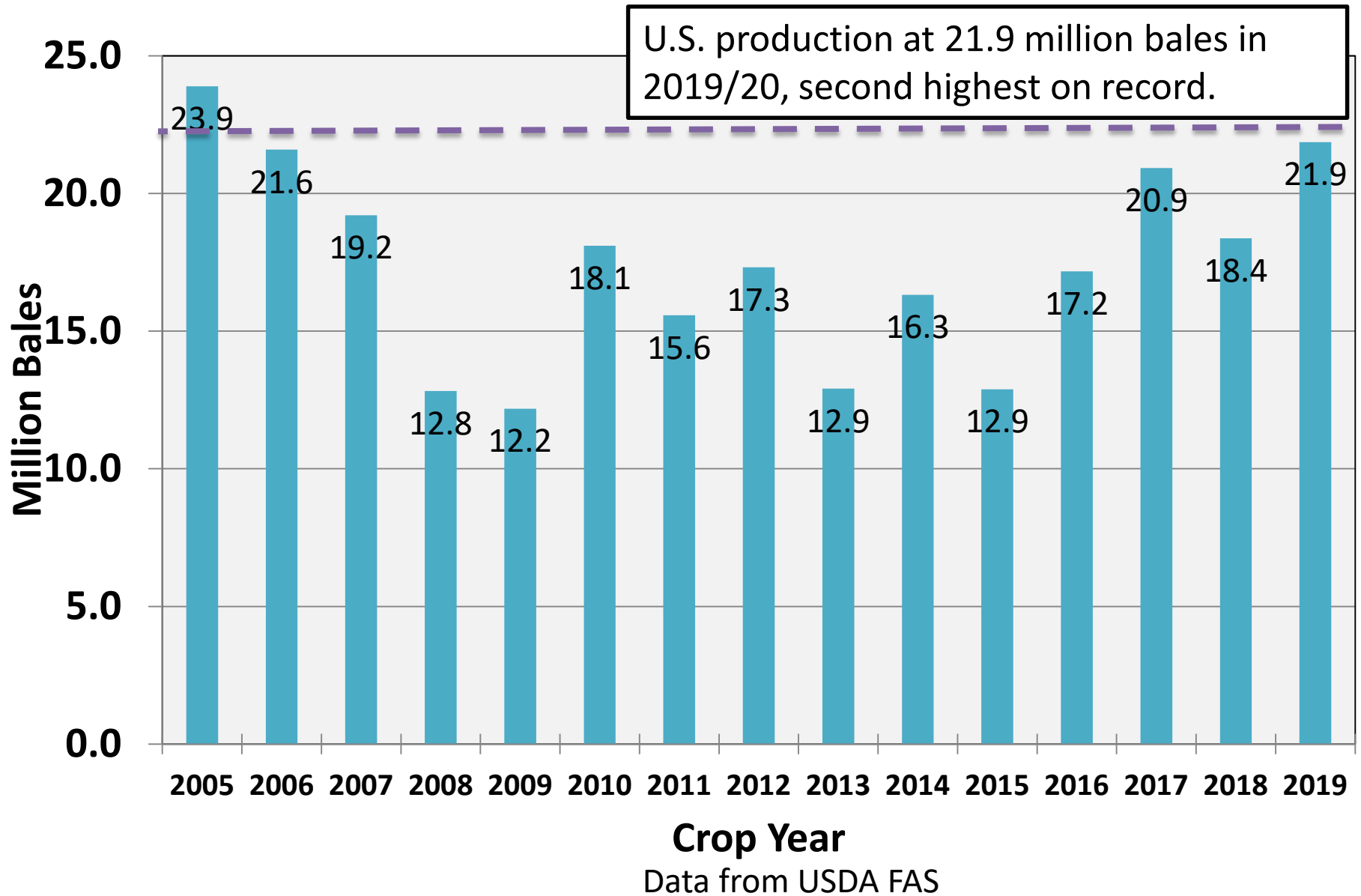
Domestic	2.98	3.00	0.02
Exports	14.76	16.50	1.74
<b>Total Use</b>	<b>17.74</b>	<b>19.50</b>	<b>1.76</b>
<b>U.S. Ending Stocks</b>	<b>4.85</b>	<b>7.20</b>	<b>2.35</b>

**Price and Stocks to Use Ratio**

U.S. Avg. Price (\$/lb)	70.5	58.0	-12.5
<b>U.S. Stocks/Use</b>	<b>27%</b>	<b>37%</b>	<b>10%</b>



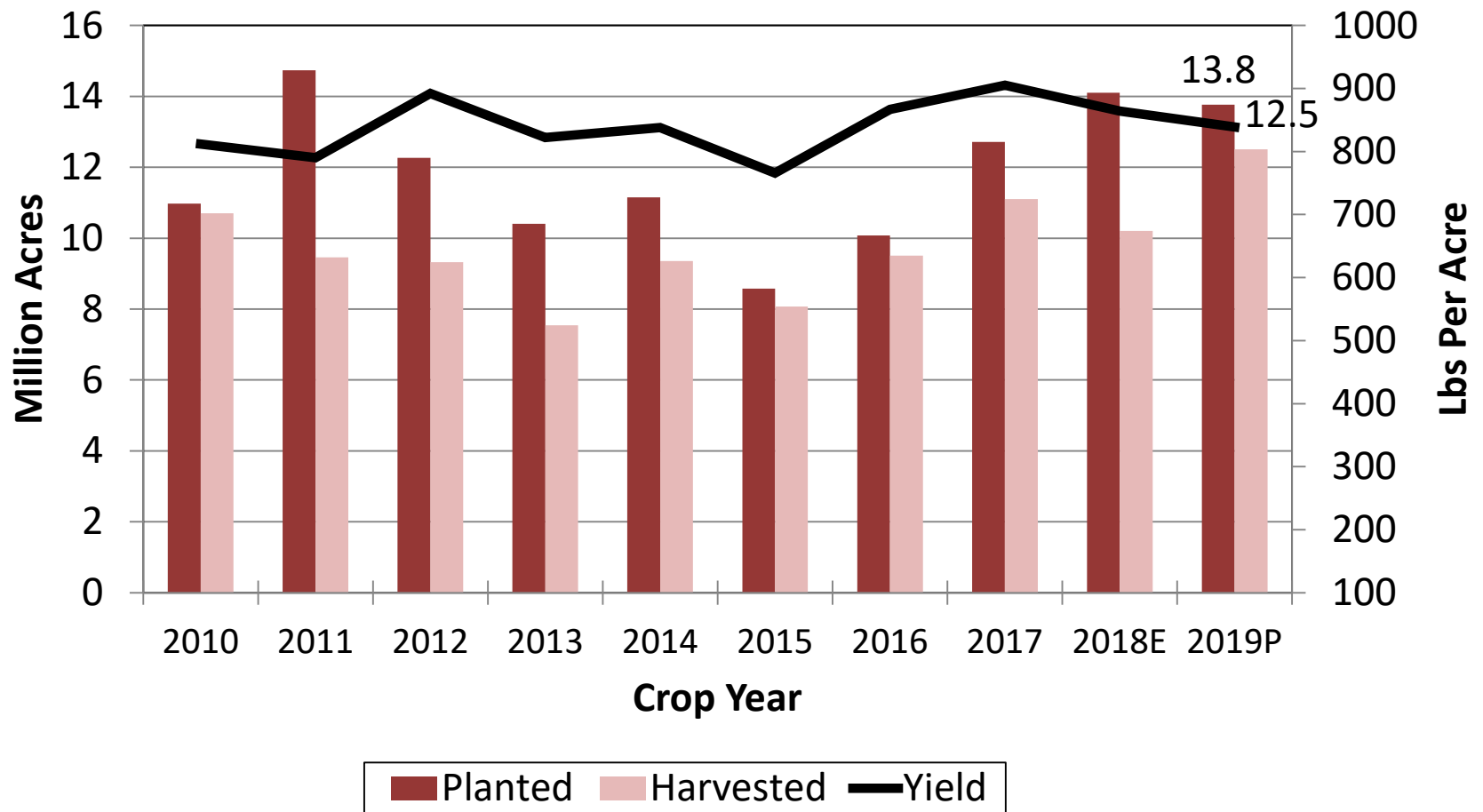
# U.S. Production





# US Cotton Acres Planted, Harvested, and Yield

2019 national yield at 839 pounds, slightly below the 5-year average.



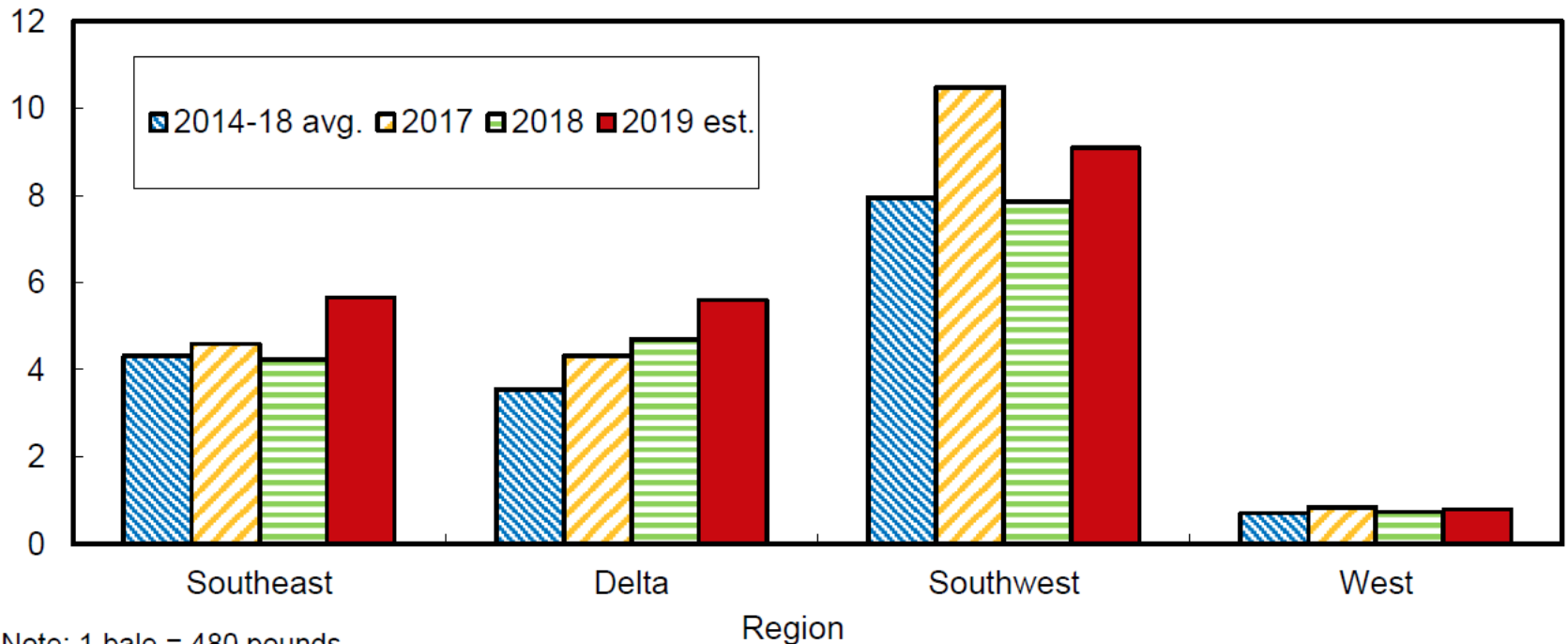
Data from USDA NASS

Slide from Dr. Don Shurley



# U.S. Regional Upland Cotton Production

Million bales



Note: 1 bale = 480 pounds.

Source: USDA, *Crop Production* reports.



# China's Potential Cotton Tariffs and U.S. Cotton Exports: Lessons from History

Yangxuan Liu, John R. C. Robinson, and W. Donald Shurley

*JEL Classifications: F10, F13, Q17*

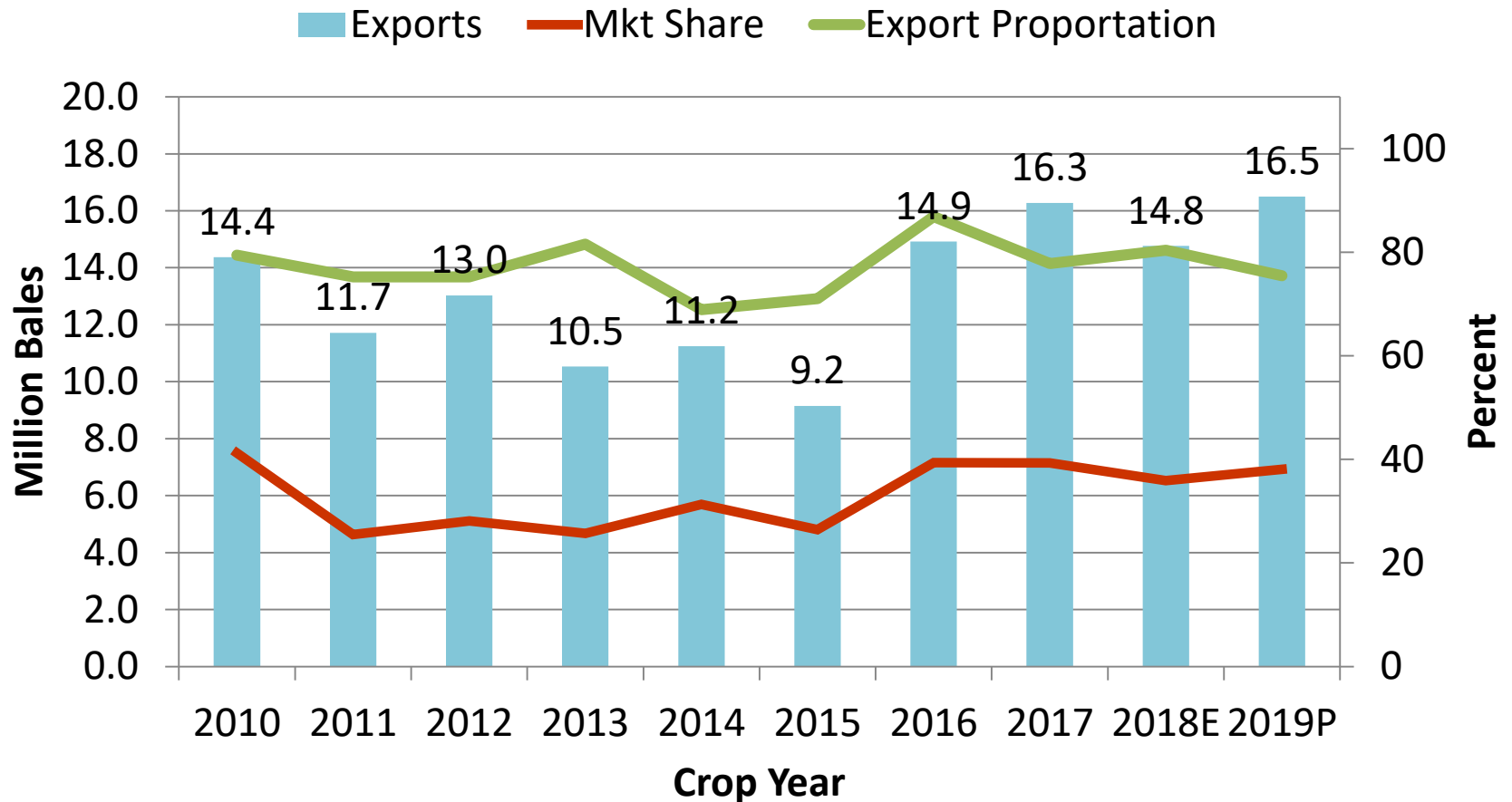
*Keywords: Agricultural trade, Cotton, Global markets, Trade retaliation*

- Short term situation
  - India, Australia, and Brazil supply more cotton to China.
  - A shock to the U.S. cotton futures market.
- Longer-term situation
  - Instead of a reduction in U.S. cotton exports, U.S. exports rerouted to other cotton importing countries.
  - China imports of duty-free yarn from Vietnam, Indonesia, and the Indian subcontinent.



# U.S. Cotton Export

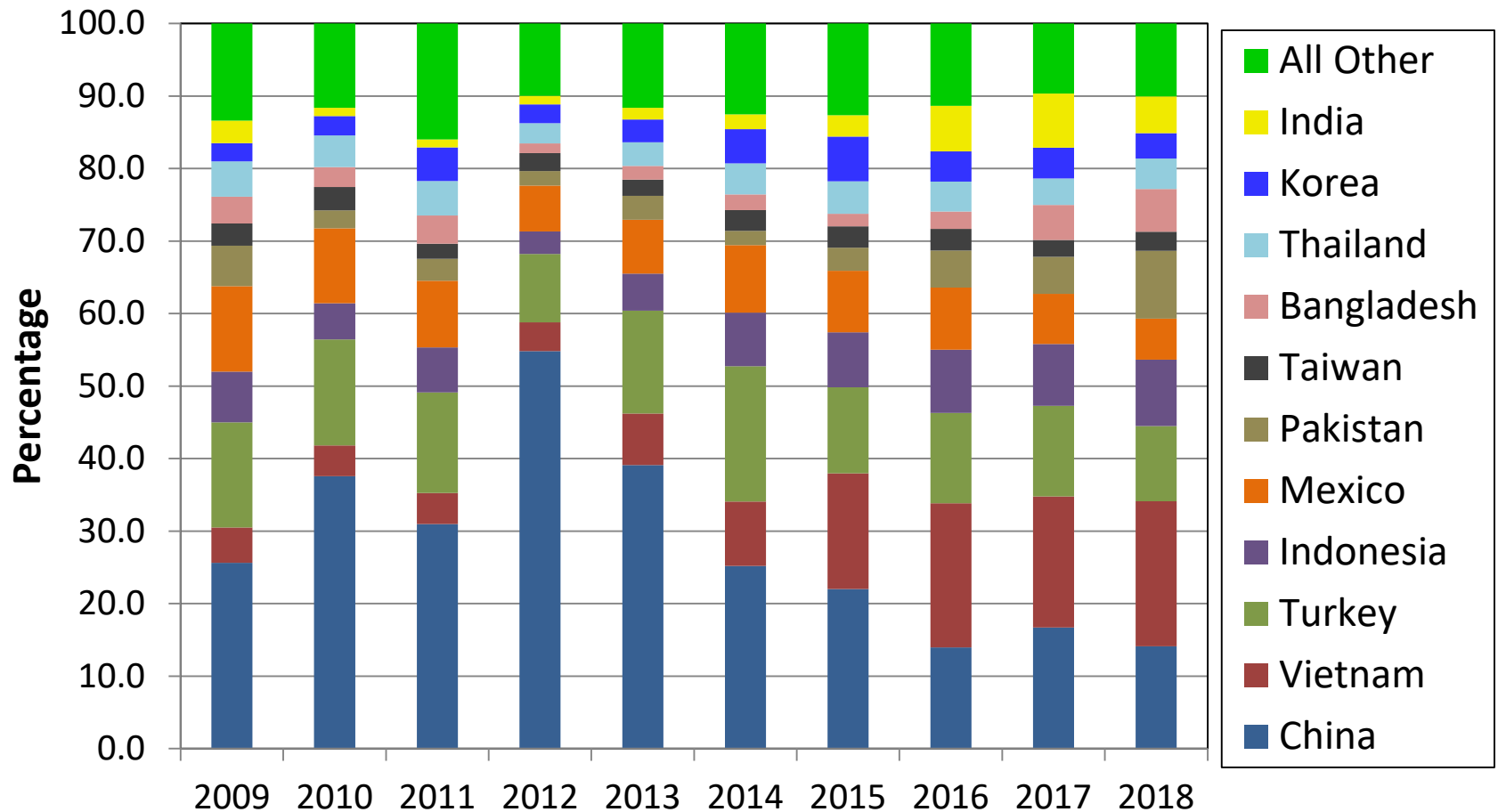
U.S. cotton exports for 2019/20 is second highest on record, behind only 2005/06.





# U.S. Cotton Exports by Destination

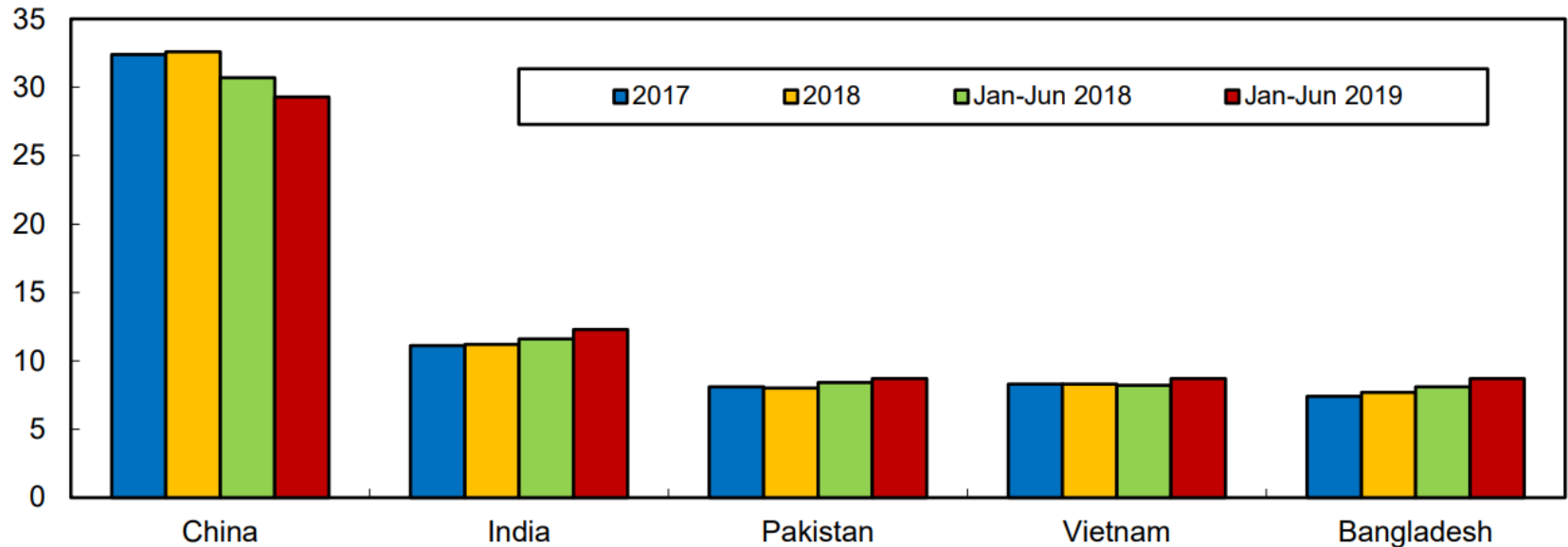
Export to Vietnam, Indonesia, Pakistan, Bangladesh increased.





# Leading Suppliers of U.S. Cotton Textile and Apparel Imports

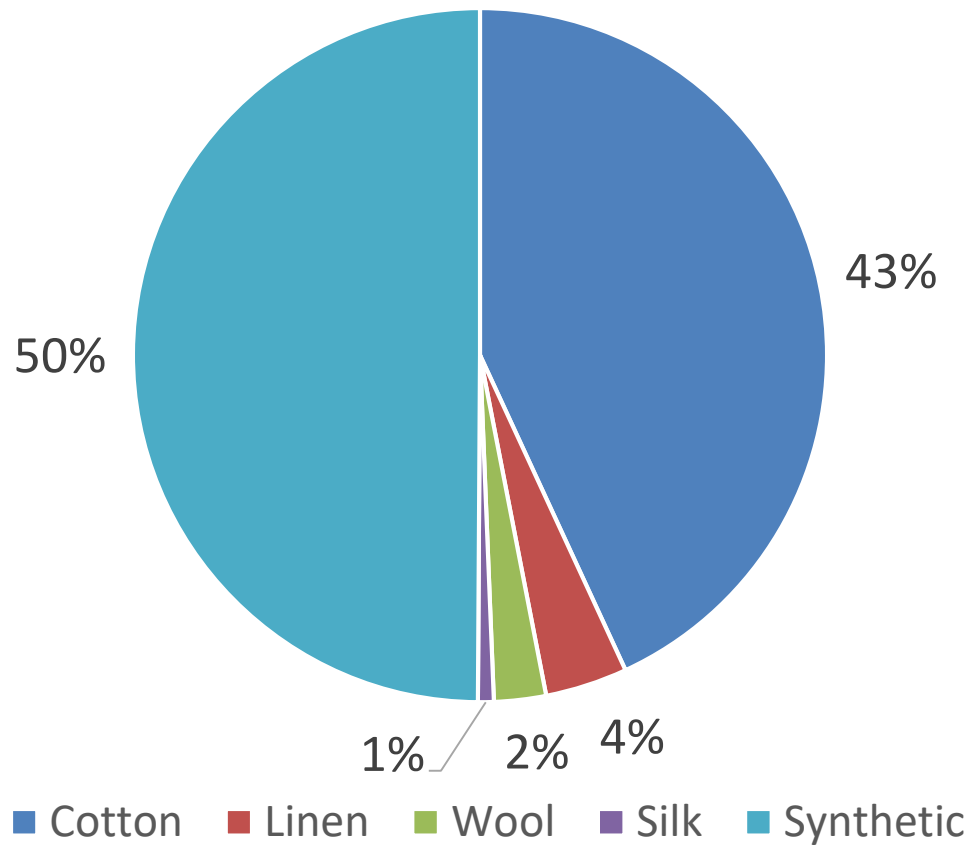
Percent share of total



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



# U.S. Textile Imports, by Fiber



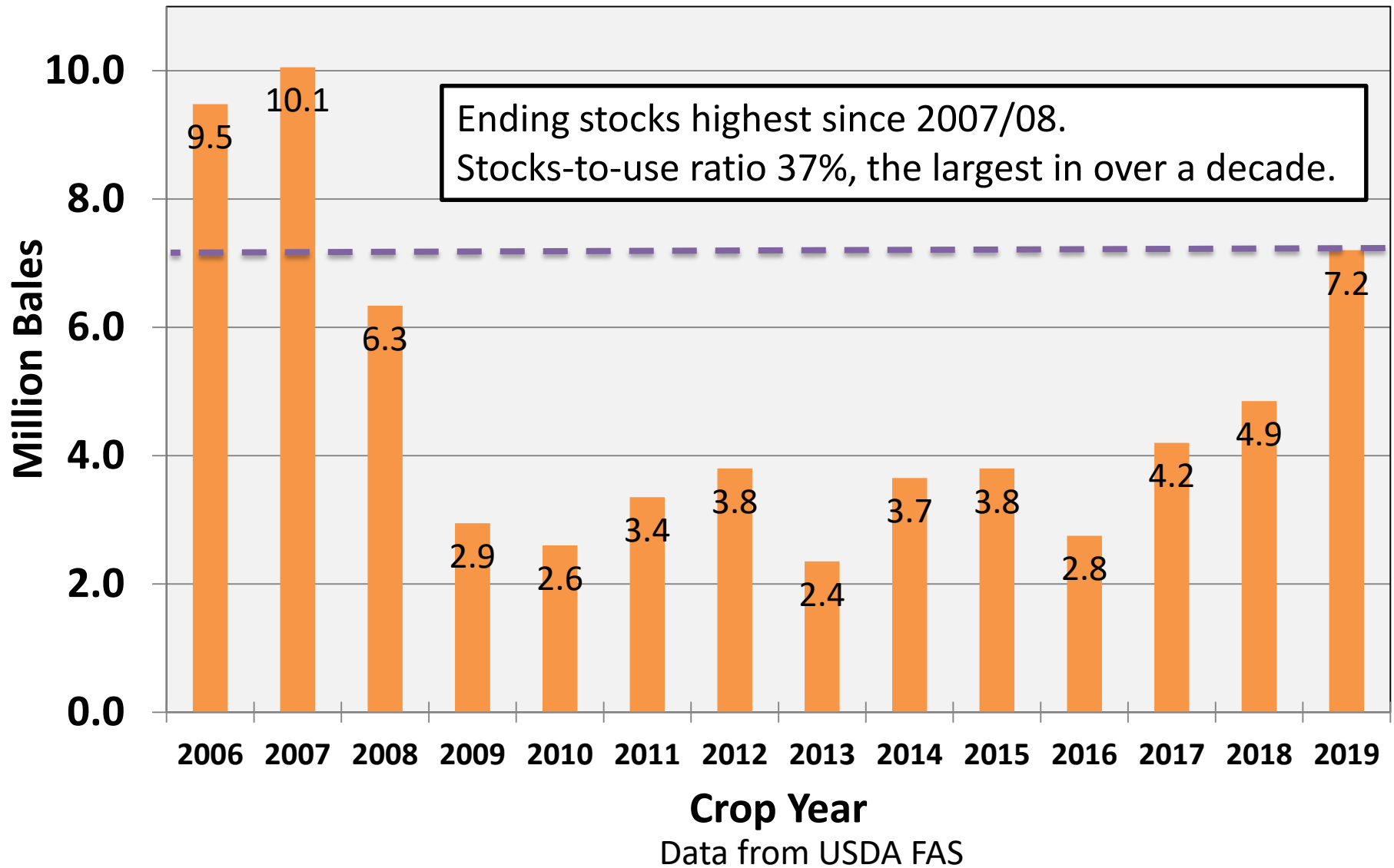
Source: Compiled from reports by the U.S. Dept. of Commerce, U.S. Census Bureau.

# Cotton Trade: The Challenges and Opportunities

- Chinese Tariff on U.S. Cotton
  - U.S. cotton less competitive in the Chinese market.
  - India, Australia, and Brazil supply more cotton to China.
  - U.S. exports rerouted to other cotton importing countries.
  - China imports of duty-free yarn from Vietnam, Indonesia, and the Indian subcontinent.
- U.S. Tariff on Chinese Textile and Apparel
  - Reduction in Chinese and global cotton fiber demand.
  - Speed up the mills and textile industry move from China to other countries, such as Vietnam, Indonesia, and Indian.



# U.S. Ending Stocks



# Domestic Supply and Demand Summary

- Supply outpace demand has created downward pressure on domestic cotton prices.
- High planted and harvested acreage with average yield result in largest U.S. cotton crop for 2019 since 2005.
- Competitive supplies from other exporters and trade uncertainty limit U.S. cotton export expansion this season.

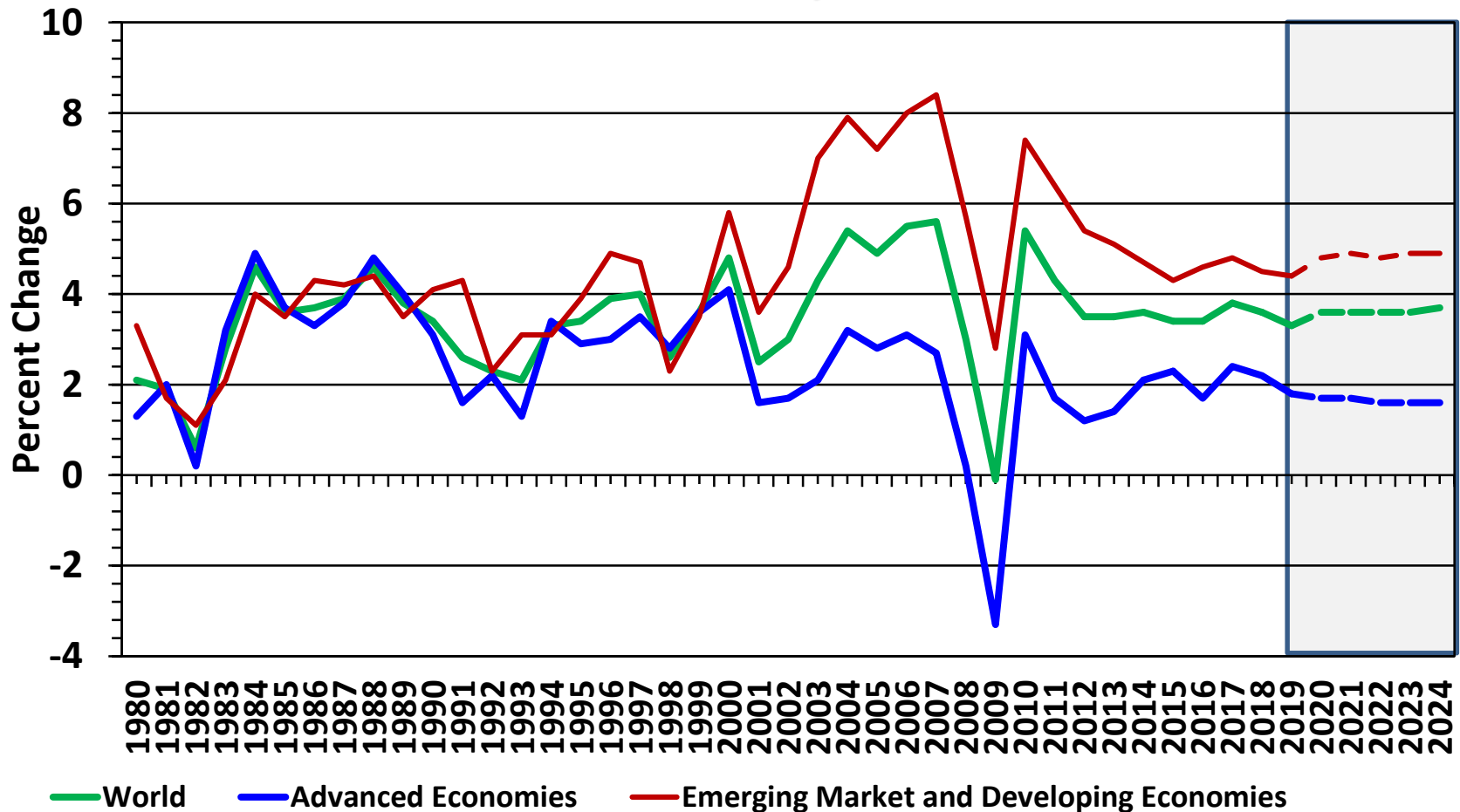




# **PRICE, USD INDEX, AND ECONOMIC GROWTH**

# Cotton Demand: Influence of Slow Global Economics Growth

## Real GDP Growth, 1980 - 2024





# U.S. Dollar Index

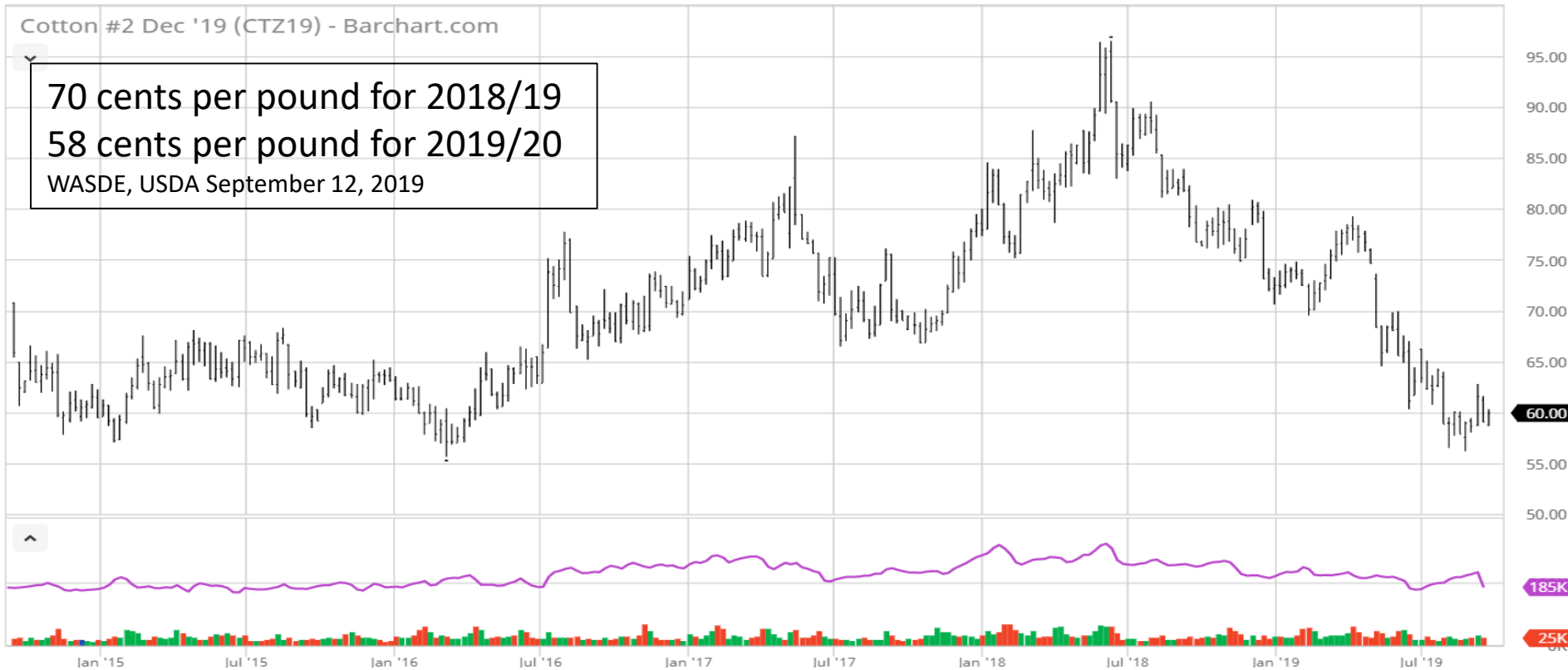




# Cotton Price Last 5 Years

Cotton #2 Dec '19 (CTZ19) - Barchart.com

70 cents per pound for 2018/19  
58 cents per pound for 2019/20  
WASDE, USDA September 12, 2019



	Conventional Tillage		Strip-Tillage	
	Irrigated	Non-Irrigated	Irrigated	Non-Irrigated
Yield	1200 lbs	750 lbs	1200 lbs	750 lbs
Breakeven Price Above Variable Cost	\$ 0.47 /lb	\$ 0.58 /lb	\$ 0.47 /lb	\$ 0.60 /lb
Breakeven Price Above Total Cost	\$ 0.74 /lb	\$ 0.82 /lb	\$ 0.73 /lb	\$ 0.83 /lb

# Cotton Takeaways

- Uncertainties in trade result in slower global economic growth.
  - Reduced cotton demand global
- Missed market opportunities for U.S. cotton due to trade tension with China.
- Appreciation of U.S. dollar makes agricultural product less competitive in the global market.
- Low cotton prices globally and domestically will likely discourage cotton acreage next year.



# Thank you!

Questions?

Funding supported by:

**Feel free to contact me:**

**Georgia Cotton Commission**

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