
WORLD COTTON

World Cotton

In 2008/09, world cotton acreage shrank to 31.1 mha under continued competition from grains and oilseeds, which have seen their prices rise. Production shrank to 23.9 mmt on yields of 768 kg/ha. Mill use is expected to decline to 24.8 mmt under the current economic crisis. The decline in mill use is smaller than the contraction in production and a modest drawing down of stocks. The Cotlook A-index Far-East (FE) price for cotton falls with soft demand to \$1,345 per mt. Price reporting has made a transition to the FE price, and the previous Northern Europe (NE) price is no longer being reported. Historically, the FE price has trended lower than the NE price. World cotton demand in 2008/09 and in the next few years remains uncertain and is dependent upon resolution of the current economic crisis. World cotton acreage contracted again in 2008/09; it decreased in regions where grains and oilseeds are a viable alternative and even in regions that are seeing significant growth in yields or have regularly seen expansion of cultivated area. World cotton area returns to modest growth as world GDP recovers, but it remains below the area seen in 2005/06 and 2006/07.

Chinese cotton production fell modestly, to 7.9 mmt, in 2008/09 despite a larger fall in acreage, as higher yields offset some of the acreage decline. Acreage is expected to fall again in 2009/10 and to remain near 6 mha during the next decade. Chinese mill use continued its rapid expansion in 2007/08, reaching 11.2 mmt of consumption, which represents more than 42% of total world consumption. Significant turmoil in the world economy has cut demand in China and elsewhere, with demand in 2008/09 expected to reach 10.3 mmt and to grow at a more tepid pace as the global economy recovers. As this recovery occurs, and with acreage relatively stable, Chinese cotton imports are expected to again return to their strong growth path, reaching just over a third of use by 2018/19 and nearly half of world trade flows, making China the dominant destination for cotton trade.

China's increase in demand is met in part by increased area and improving yields in India. With the most area under cotton cultivation in the world, estimated at just over 9.5 mha in 2007/08, India reduces its area to 9.3 mha by 2008/09. This contraction of area is driven by macroeconomic conditions and intense competition from grains and oilseeds. Yields in India are below the world average, at 535 kg per ha in 2008/09, but they have grown rapidly with the adoption of BT cotton and are expected to expand to 680 kg per ha by 2018/19, still below the world average but closing the gap. While grain and oilseed prices are providing competition for area, growing yields mean cotton acreage should expand under stable prices. The additional area, coupled with yield growth, results in production of 7.0 mmt and net exports of 2.1 mmt by the end of the projection period.

World mill use is expected to concentrate further in a handful of countries even as the industry struggles through difficult economic conditions. China, India, Pakistan, and Turkey account for 72% of world mill use in 2008/09, and their share expands to just under 77% of world mill use by 2018/19. Developed countries worldwide see continued declines in their consumption of raw cotton.

U.S. cotton production contracted significantly in 2008/09, falling to 2.8 mmt on weak yields of 907 kg/ha, and as area was further diverted to grains and oilseeds. Harvested area is anticipated to stabilize in 2009/10. Cotton mill use in the United States, estimated at 1.00 mmt in 2007/08, has been falling for several years. U.S. mill use continues to contract in 2008/09, falling to 0.92 mmt and reaching 0.69 by the end of the projection period. With the loss of domestic consumers for their production, U.S. cotton farmers increasingly rely on world markets. Exports continue to be the dominant force in U.S. cotton demand, but reduced acreage keeps exports below 2.5 mmt during the projection period.

Cotton Trade

	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19
Net Exporters	(Thousand Metric Tons)										
Argentina	-26	-25	-29	-32	-29	-26	-24	-22	-19	-16	-13
Australia	216	334	460	508	532	554	574	594	614	635	656
Brazil	469	381	376	472	590	714	832	944	1,056	1,166	1,276
India	758	1,339	1,373	1,469	1,583	1,681	1,755	1,831	1,917	1,998	2,087
Africa	621	770	814	824	827	830	834	839	844	850	856
Other CIS	250	310	321	322	317	321	326	331	336	341	347
Other Middle East	-1	23	44	51	50	48	47	46	45	45	45
United States	2,576	2,400	2,243	2,167	2,174	2,197	2,242	2,306	2,370	2,434	2,494
Uzbekistan	783	880	945	967	967	969	974	978	982	989	995
Total Net Exports *	5,751	6,511	6,668	6,876	7,139	7,412	7,684	7,972	8,268	8,566	8,868
Net Importers											
Canada	4	4	4	5	5	5	5	4	4	4	4
China	1,586	2,339	2,436	2,623	2,864	3,114	3,370	3,633	3,904	4,181	4,462
European Union	101	90	104	109	105	97	88	79	71	63	56
Indonesia	453	467	474	481	483	485	486	490	491	494	497
Japan	109	106	99	97	92	87	83	78	74	69	65
Mexico	246	187	207	201	188	176	163	154	149	142	135
Other Asia	1,331	1,367	1,392	1,426	1,470	1,514	1,556	1,600	1,644	1,689	1,734
Other Europe	19	18	17	16	15	14	13	12	11	10	9
Other Latin America	178	189	180	179	182	184	186	188	190	191	192
Pakistan	518	511	557	581	604	631	656	680	703	725	748
Russia	236	224	212	201	190	179	167	156	145	134	123
Kazakhstan	-77	-73	-91	-96	-97	-98	-101	-103	-105	-108	-111
South Korea	186	167	179	167	156	148	139	130	122	113	104
Taiwan	192	187	184	181	178	175	173	169	167	164	160
Turkey	477	541	507	491	490	491	490	489	488	484	480
Residual	87	87	87	87	87	87	87	87	87	87	87
Total Net Imports	5,751	6,511	6,668	6,876	7,139	7,412	7,684	7,972	8,268	8,566	8,868
Prices	(U.S. Dollars per Metric Ton)										
Cotlook A Index **											
CIF Far East	1,345	1,441	1,537	1,551	1,569	1,601	1,630	1,650	1,673	1,694	1,712
U.S. Farm Price	1,083	1,141	1,231	1,259	1,277	1,303	1,326	1,338	1,353	1,365	1,377

Source: Cotlook, Ltd., Liverpool, England.

* Total net exports are the sum of all positive net exports and negative net imports.

** The "A" index is the average of the five lowest CIF Northern European quotes of the following descriptions (Middling 1-3/32"): Memphis; Calif./Ariz.; Mexican; Central American; Paraguayan; Turkish Izmir/Antalya; Central Asian; Pakistani 1503; Indian H-4; Chinese 329; African "Franc Zone"; Tanzanian; Greek; and Australian.

