
WORLD COTTON

World Cotton

In 2007/08, world cotton acreage shrank to 33.7 mha under competition from grains and oilseeds, which have seen their prices jump substantially. Production shrank to 25.8 mmt on yields of 763 kg/ha. Mill use is expected to exceed supplies and reach 27.8 mmt, drawing down stocks further and raising the Cotlook A-index NE price for cotton to \$1,612 per mt. Expectations for the Far East price are lower at \$1,593, or about \$26 per mt. World cotton markets in 2008/09 and beyond are impacted by continued expansion of demand as well as competition for acreage from grains and oilseeds destined for biofuel use. World cotton acreage contracted in 2007/08; it decreased in regions where grains and oilseeds are a viable alternative and increased in regions that have few other alternatives, are seeing significant growth in yields, or have continued expansion of cultivated area. World cotton area grows modestly in the near term under grain and oilseed competition while demand is anticipated to grow above population growth with higher cotton prices.

Chinese cotton production fell to 7.5 mmt in 2007/08 despite an increase in acreage, as yields moderated after last year's record levels. Acreage is expected to expand modestly in 2008/09 and to expand slowly during the next decade. Chinese mill use continues its rapid expansion in 2007/08, reaching just under 12 mmt of consumption, which represents more than 43% of total world consumption. The large 2006/07 crop drove down imports for the year, but strong demand growth in 2007/08 and subsequent years should expand China's net cotton imports, pushing them to 6.1 mmt by 2017/18. With China expected to import from 31% to 38% of its total mill use in the next decade, it becomes 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 9.2 mha in 2006/07, India expands its area to 10.5 mha by 2017/18. This expansion of area is driven by significant improvements in yields. Yields in India are below the world average, at 573 kg per ha in 2007/08, but they have grown rapidly with the adoption of BT cotton and are expected to expand to 746 kg per ha by 2017/18, still below average but closing the gap. While grain and oilseed prices provide some competition for area, growing yields mean cotton acreage should expand under stable prices. The additional area, coupled with yield growth, results in production of 7.8 mmt and net exports of 1.9 mmt by the end of the forecast period.

World mill use is expected to concentrate further in a handful of countries. China, India, Pakistan, and Turkey account for 73% of world mill use in 2007/08, and their share expands to just under 80% of world mill use by 2017/18. Other developing countries see their growth in mill use slow or even decline while developed countries worldwide see continued declines in their consumption of raw cotton.

U.S. cotton production contracted further in 2007/08 to 4.1 mmt despite good yields of 976 kg/ha, as area was further diverted to grains and oilseeds. Harvested area is anticipated to contract further in 2008/09, as the shifting of acreage to grains and oilseeds continues. Cotton mill use in the United States, estimated at 0.92 mmt in 2007/08, has been falling for several years. With the elimination of textile quotas and the importation of large quantities of foreign-produced apparel and home furnishings, domestic producers have experienced additional competitive pressures. U.S. mill use continues to contract, falling to 0.73 mmt 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 near 3 mmt during the projection period.

Cotton Trade

	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18
Net Exporters	(Thousand Metric Tons)										
Argentina	-22	-6	-13	-15	-17	-19	-21	-22	-22	-24	-26
Australia	306	276	399	511	586	630	656	671	680	686	690
Brazil	481	676	805	919	1,021	1,126	1,223	1,315	1,400	1,484	1,565
India	1,180	1,420	1,436	1,506	1,556	1,621	1,677	1,728	1,776	1,834	1,901
Other Africa	894	1,109	1,218	1,256	1,281	1,307	1,326	1,349	1,379	1,411	1,440
Other CIS	444	512	539	553	570	587	606	626	645	668	692
Other Middle East	59	92	92	96	98	101	103	106	109	110	110
United States	3,478	2,869	3,003	3,014	3,040	3,032	3,022	3,001	3,011	3,025	3,030
Uzbekistan	981	994	998	999	1,002	1,004	1,008	1,014	1,020	1,027	1,033
Total Net Exports *	7,823	7,949	8,490	8,854	9,153	9,409	9,621	9,808	10,020	10,243	10,461
Net Importers											
Canada	26	25	24	23	22	21	20	18	16	15	14
China	3,008	3,583	4,097	4,426	4,704	4,971	5,183	5,389	5,623	5,868	6,087
European Union	109	87	87	83	78	74	70	59	46	33	21
Indonesia	484	482	493	503	511	517	522	526	528	531	533
Japan	127	129	122	116	115	109	100	89	79	69	61
Mexico	283	276	261	236	221	204	189	173	158	145	134
Other Asia	1,249	1,257	1,304	1,343	1,377	1,407	1,438	1,467	1,495	1,524	1,554
Other Europe	20	18	19	19	18	17	16	15	14	12	10
Other Latin America	185	165	161	158	161	161	162	167	172	176	182
Pakistan	728	474	473	503	533	554	579	603	625	648	680
Russia	311	295	297	297	296	296	295	295	298	299	299
South Africa	45	41	38	35	32	30	28	27	26	25	24
South Korea	226	210	206	201	195	186	178	167	157	146	135
Taiwan	218	192	184	182	178	170	164	156	147	138	129
Turkey	769	695	696	699	679	659	642	621	599	576	557
Residual	15	15	15	15	15	15	15	15	15	15	15
Total Net Imports	7,823	7,949	8,490	8,854	9,153	9,409	9,621	9,808	10,020	10,243	10,461
Prices	(U.S. Dollars per Metric Ton)										
Cotlook A Index **	1,619	1,730	1,713	1,713	1,697	1,674	1,662	1,668	1,678	1,680	1,678
CIF Northern Europe											
U.S. Farm Price	1,264	1,428	1,402	1,404	1,392	1,381	1,376	1,387	1,394	1,395	1,395

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

