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Cotton Outlook

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In 2018, Georgia's farmers planted 1.43 million acres of cotton, up 150,000 acres from 2017. The average cotton yield is forecast at 946 pounds per acre. Production is forecast at 2.8 million bales, which would be the second highest on record. There are two major contributing factors to the increase in cotton acres in Georgia. First, the relatively high cotton price in 2018, especially during planting season, makes cotton more competitive with other row crops. Second, the Bipartisan Budget Act of 2018 authorized seed cotton as a covered commodity and eliminated generic base and thus the eligibility for payments when planting other covered commodities on farms with generic base.

U.S. cotton planted acreage is 14.04 million, up 1.43 million from 2017, which is the highest planted acres since in 2011. The 2018 U.S. upland cotton is forecasted at 18.9 million bales, down 1.31 million bales from 2017. The reduction in production is largely due to the severe drought conditions in Texas. Even though Texas planting acres increased by 12 percent, the production level reduced by 30 percent from 2017. The forecasted production number might be further negatively impacted by Hurricane Florence on North and South Carolina.

World cotton use or demand has improved significantly in recent years and currently forecast at a record level. Even though U.S. cotton faces an additional 25 percent increase in tariffs on cotton exports to China due to the on-going trade dispute between U.S. and China, U.S. cotton exports are doing very well and are expected to continue to be strong for the 2018-2019 crop year. Exports are currently forecasted to be 15.7 million bales for the 2018 – 2019 crop year, which would be the second highest on record.

The U.S. ending stocks for the 2018 – 2019 crop year are expected to increase to 4.7 million bales. The U.S. cotton industry has benefited from the growth in mill use in other countries. If U.S. sales of cotton into China decline as a result of a Chinese tariff, it is possible that sales to mills in other countries could increase to offset part of the decline in China. A Chinese tariff on U.S. raw cotton could continue to stimulate Chinese imports of duty-free yarn from Vietnam, Indonesia, and the Indian subcontinent. The demand for higher-quality U.S. cotton in those markets could continue to expand. Thus, the impact of a bilateral Chinese tariff on U.S. cotton may lead to a reshuffling or rerouting of, rather than a reduction in, U.S. cotton exports.

China is the world's largest user of cotton but now the world's third-largest cotton importer behind Bangladesh and Vietnam. Starting in 2011, the Chinese price support policy had resulted in buildup of ending stocks. In 2014, the Chinese cotton policy shifted from price supports and building government reserves to paying growers with direct cash payments in order to reduce the government cotton reserve. China's ending stocks for the 2018 – 2019 will continue to decrease and are forecasted to total 29.9 million bales. For 2018, China has approved 800,000 tonnes of additional cotton import quota, which is in addition to the annual 894,000 tonnes of low tariff rate quota that China issues as part of its commitments to the World Trade Organization. This is the first time that China has issued any additional quota since 2013.

Futures prices (Dec 18) for the 2018 crop are currently at or around 82 cents per pound. We have been seeing favorable cotton prices this year, the cash prices for the current calendar year of 2018 ranges from low of 74.60 to high of 94.21 cents per pound. USDA is forecasting the marketing year average price for the 2018 – 2019 crop year to range from 70 to 80 cents per pound, compared to the 2017 – 2018 crop year average of 68 cents per pound.

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