

U.S. Cotton Supply Unchanged; Demand Revised Slightly



The U.S. cotton crop for 2009/10 remains estimated at 12.4 million bales (upland at 12 million bales and extra-long staple (ELS) at 390,000 bales), compared with last season's 12.8-million-bale production. USDA will release final production estimates for the 2009 season on May 11th. Based on the current production estimate and beginning stocks of 6.3 million bales, this season's U.S. cotton supply totals 18.7 million bales, 18 percent below 2008/09 and the lowest since 1998/99.

While the cotton supply was unchanged in March, the 2009/10 U.S. cotton demand projection was revised slightly – the U.S. mill use estimate was increased while the export forecast was unchanged. Total U.S. cotton demand is currently forecast at 15.5 million bales, 8 percent below 2008/09 and the lowest since 1998/99's 14.7 million bales.

U.S. cotton mill use in 2009/10 was raised 100,000 bales this month to an estimated 3.5 million bales, as recent data have indicated some rebound in cotton mill use. One measure of improvement is the reduction in textile inventories relative to shipments. The inventory-to-shipments ratio has declined dramatically from a year earlier and is back in the "normal" range. While inventories have been reduced over the past year, a recent rebound in the seasonally adjusted annual rate (SAAR) of monthly cotton consumption also has been noted. Based on data from the latest three months (November 2009-January 2010), the SAAR has averaged over 3.6 million bales; for the August-January period, the SAAR has averaged above 3.4 million bales. Despite the recently improved mill

activity, 2009/10 cotton mill use remains below last season and is still expected to be at its lowest in nearly 115 years.

In contrast, U.S. cotton exports this month remain projected at 12 million bales for 2009/10. As the global economy shows signs of improvement, foreign cotton import demand and mill demand are also rebounding. But, with lower supplies and increased competition from a number of countries this season, the United States is expected to account for a reduced share of global cotton trade. For 2009/10, the U.S. share of world trade is projected at 35 percent – close to the long-run average – compared with 44 percent last season and 36 percent in 2007/08.

Stocks To Decline; Season-Average Price Higher

With 2009/10 U.S. cotton demand projected to be above production, stocks are expected to decrease for the second consecutive season. In 2009/10, U.S. ending stocks are currently projected at 3.2 million bales, about half the level of last season. In addition, the implied stocks-to-use ratio is estimated near 21 percent for 2009/10, compared with approximately 38 percent for 2008/09. As a result, upland cotton farm prices are expected to be higher than a year ago. The average farm price for 2009/10 is currently forecast to range between 60.5 and 65.5 cents per pound, compared with the 2008/09 average of 47.8 cents per pound.

U.S. Retail Cotton Consumption Continued Lower in 2009

U.S. domestic cotton consumption (mill use plus net textile imports) declined for the third consecutive calendar year, reaching only 8.9 billion (raw-fiber-equivalent) pounds in 2009. The latest decrease represented an 11-percent reduction from 2008, which followed a 7-percent decline a year earlier. The 2009 decrease was largely the result of lower cotton product imports, as U.S. mill use and product exports – while both lower – were nearly offsetting. U.S. imports reached 8.8 billion pounds in 2009, their lowest since 2003; meanwhile, product exports slipped to 1.5 billion pounds, their lowest since 1996. Consequently, the per capita estimate of retail consumption also fell in 2009 to a 17-year low of 29 pounds per person. Δ



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