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## Cotton Outlook

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In 2019, Georgia's farmers planted 1.4 million acres of cotton, which is the third highest planted acreage for the past decade, down 30 thousand acres from 2018. The average cotton yield is forecast at 932 pounds per acre. Production is forecast at 2.7 million bales, which would be the second highest on record. There are three major contributing factors to the increase in cotton acres in Georgia in recent years. First, the high cotton price in 2018 encourages more cotton production for 2019. Second, the declining in commodity prices due to trade tension with China makes cotton more competitive with other row crops. Third, 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, such as peanut, with generic base.

U.S. upland cotton planted acreage is 13.5 million, down 319 thousand acres from 2018, but it is still the third highest for the past decade. The 2019 U.S. upland cotton is forecast at 21.1 million bales, which is the highest on record since 2005, up 3.6 million bales from 2018. During the years with large production, U.S. cotton exports are expected to increase. However, exports to China as expected are down, and additional Chinese tariffs on U.S. cotton make U.S. cotton less competitive in the Chinese market. Exports are currently forecasted to be 16.5 million bales for the 2019 – 2020 crop year, which would be the second highest on record after 2005 at 17.7 million bales. The U.S. ending stocks for the 2019 – 2020 crop year are expected to increase to 7.2 million bales, which is the highest ending stocks for the past decade. The increase in supply due to increasing production and ending stocks in the U.S. creates downward pressure on U.S. cotton prices.

The world cotton production is currently forecast at 124.9 million bales, which is the highest in history. World cotton use or demand has improved in recent years but the upward trend slows down for the past two years due to the uncertainty of the global economy and trade. The current world cotton consumption is forecast at 121.7 million bales. Expanding world supplies over demand has increased the global stock-to-use ratio, which is often accompanied by a fall in global cotton prices.

Several other issues make cotton profitability challenging. In Georgia, the cotton basis since the implementation of Chinese tariffs has been lower than in previous years due to the smaller shipments to China. Before the tariff on cotton was implemented, China made purchases in large quantities, and often large shipments were sent to the same destination. However, after the tariffs on cotton were implemented, the large shipments to China were replaced by smaller shipments to other importers. The change in the size of the shipments has increased transaction costs for merchants and reduced the local

basis for cotton. The other issue here is that China accounts for about 40% of apparel imported by the United States, of which 30% is made of cotton. The 25% U.S. tariff on Chinese apparel makes it more expensive for U.S. consumers to buy cotton apparel, which reduces the demand for apparel. Moreover, the appreciation of the U.S. dollar relative to other currencies makes our agricultural products more expensive in the export market and result in reduction of prices.

Futures prices (Dec 19) for the 2019 crop are currently at or around 61 cents per pound. The cash prices for the current calendar year of 2019 ranges from low of 54.41 to high of 74.46 cents per pound. USDA forecasts the marketing year average price for the 2019 – 2020 crop year at 58 cents per pound, compared to the 2018 – 2019 crop year average of 70.5 cents per pound.

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